



Mirza Sugar Mills Ltd.



25th Annual Report 2014





MIRZA SUGAR MILLS LTD.

25TH ANNUAL REPORT 2014

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COMPANY PROFILE

BOARD OF DIRECTORS:

MR. GHULAM MOHIUDDIN ABBASI - Chairman & Chief Executive
DR. ZULFIQAR ALI MIRZA
MS. FARIDA ABBASI
MR. ARSHAD ABID ABBASI
MS. FAREHA ABID KAZI
MIRZA SAULAT RAZA
MR. IRSHAD HUSSAIN MIRZA

AUDIT COMMITTEE:

MIRZA SAULAT RAZA - Chairman
MS. FARIDA ABBASI - Member
MR. IRSHAD HUSSAIN MIRZA - Member

HR & R COMMITTEE:

MS. FARIDA ABBASI - Chairperson
MIRZA SAULAT RAZA - Member
MR. IRSHAD HUSSAIN MIRZA - Member

CHIEF FINANCIAL OFFICER

& COMPANY SECRETARY:

MR. IRSHAD HUSSAIN MIRZA

AUDITORS:

M/S. RAHMAN SARFARAZ
RAHIM IQBAL RAFIQ
(CHARTERED ACCOUNTANTS)

BANKERS TO THE COMPANY:

HABIB BANK LIMITED
NIB BANK LIMITED.
MCB BANK LIMITED.

SHARES REGISTRAR:

M/S. TECHNOLOGY TRADE (PVT) LIMITED
DAGIA HOUSE, 241-C,
BLOCK-2, P.E.C.H.S.
OFF: SHAHRAH-E-QUAIDEEN,
KARACHI. TEL NO. 021-34391316-7

REGISTERED OFFICE:

10TH FLOOR, PORTION 'B'
LAKSON SQUARE, BUILDING NO. 1,
SARWAR SHAHEED ROAD, KARACHI.

MILLS:

DEH CHHARO TAPPO, LOWARI SHARIFF
DISTRICT BADIN, SINDH.

E-MAIL ADDRESS:

pmsml@hotmail.com

WEBSITE:

www.mirzasugar.com



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the **25th Annual General Meeting** of the Company will be held on **Thursday, January 29, 2015 at 02.30 p.m** at the Auditorium of The Pakistan Institute of International Affairs (PIIA), Near Sidco Avenue Center, Opposite: Libra Autos CNG Pump, Maulana Deen Muhammad Wafai Road, Karachi to transact the following business:

1. To confirm the Minutes of the 24th Annual General Meeting of the Company held on January 30, 2014.
2. To receive, consider and adopt the Annual Audited Accounts of the Company alongwith the Directors' and Auditors' Reports thereon for the year ended September 30, 2014.
3. To appoint Auditors of the Company for the year ending September 30, 2015 and fix their remuneration. The retiring Auditors, M/s. Rahman **Sarfaraz Rahim Iqbal Rafiq**, Chartered Accountants, being eligible, have offered themselves for re-appointment.
4. To elect 7 (seven) Directors in accordance with the provisions of Section 178 of the Companies Ordinance, 1984 for a term of three (3) years commencing January 29, 2015.

By Order of the Board

Karachi: January 06, 2015

IRSHAD HUSSAIN MIRZA
Company Secretary

Notes:

1. The Shares Transfer Books of the Company will remain closed and no transfer of shares will be accepted for registration from **January 20, 2015 to January 29, 2015**. (both days inclusive).
2. In pursuance of Section 178 (1) of the Companies Ordinance, 1984 the Board of Directors has fixed the number of elected Directors at 7 (seven). The names of retiring Directors, who are eligible for re-election, are as follows:

1. Mr. Ghulam Mohiuddin Abbasi	2. Dr. Zulfiqar Ali Mirza
3. Ms. Farida Abbasi	4. Mr. Arshad Abid Abbasi
5. Ms. Fareha Abid Kazi	6. Mirza Saulat Raza
7. Mr. Irshad Hussain Mirza	
3. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on his/her behalf.

Form of Proxies, in order to be valid, must be received at the Registered Office of the Company 48 hours before the scheduled time of Meeting. A Proxy must be a member of the Company.
4. Account holders and sub-account holders of CDC are requested to bring their original computerized National Identity Cards (CNIC) or Original Passports for the purpose of identification to attend the meeting.
5. Shareholders are requested to provide copy of their CNIC/Passport. Copy of NTN Certificate or NTN Number should also be provided as per requirement of SECP Circular 19/2014; otherwise withholding tax at the rate of 15% will be deducted on dividend amount instead of 10%.
6. Shareholders are requested to notify any change in address immediately.



DIRECTORS' REPORT

Dear Shareholders:

The Directors are pleased to present the annual audited accounts and financial statements of the Company for the year ended September 30, 2014 along with the operational performance and Auditors' Report thereon.

GENERAL

As reported earlier in the Directors' Report for the half year ended March 31, 2014, even though the mill maintenance and preparation work was completed to start crushing, the mill could not operate during the last Crushing Season 2013-14 on account of the serious fault developed in the mills' Turbine Generator during trial run; and the generator could not become operational in time during the season in spite of our best efforts. However, we have got the generator repaired and it is now ready for power generation to start operation in the current Crushing Season 2014-15.

OPERATING RESULTS

As the mill did not operate during Crushing Season 2013-14, there was no operational activity during the Crushing Season 2013-14.

<u>Particulars</u>	<u>2013-2014</u>	<u>2012-2013</u>
Season started	-	04-01-2013
Season closed	-	16-02-2013
Days worked	-	44
Sugarcane crushing (Tons)	-	35,301
" " (Maunds)	-	882,519
Sugar recovery (%)	-	9.23
Sugar production (Tons)	-	3,263
Molasses recovery (%)	-	4.67
Molasses production (Tons)	-	1,654

FINANCIAL RESULTS

The Company's financial results are appended below :

	<u>2013-2014</u>	<u>2012-2013</u>
Profit/(Loss) before taxation	(37,288,746)	(120,186,669)
Taxation		
Current – for the year	-	-
Prior Year charge	(291,132)	-
Deferred Tax	<u>1,237,182</u>	<u>(1,493,835)</u>
	<u>946,050</u>	<u>(1,493,835)</u>
Profit/(Loss) after taxation	(36,342,696)	(121,680,504)
Accumulated loss brought forward	(622,016,257)	(500,335,753)
Accumulated loss carried forward	<u>(658,358,953)</u>	<u>(622,016,257)</u>
Earning / (loss) per share – basic & diluted	<u>(2.58)</u>	<u>(8.63)</u>

The Company booked a gross loss of Rs. 19.587 million during the year under report compared to a gross loss of Rs. 72.557 million booked during last year. The Company recorded a net loss of Rs.36.343 million during the year under report compared to a net loss of Rs.121.680 million recorded last year.

SEASON 2014-2015

It is worth mentioning that in spite of financial constraints and having no working capital finance or any sort of financial facilities from Banks/Financial Institutions, the Company with its own limited resources has carried out and completed the maintenance and mill preparation works and got the mill ready for operation. The mill has started crushing on December 28, 2014 during the current Crushing Season 2014-15.

Sugarcane support price for the season has been fixed by the Government of Sindh at Rs. 182/- per 40 kg. but sugar market price continues to plunge below Rs. 50/- per kg. Cost of sugarcane alone for per kg of sugar produced works out at around Rs. 48/-, which will further increase after adding back sugar processing cost and other fixed cost.

The fixed sugarcane support price of Rs.182/- per 40 kg for the season being high and uneconomical because the sugar price remained depressed, members of the sugar industry filed a Constitution Petition in the High Court of Sindh praying that either the Federal Government or the Provincial Government fix a price of sugar in co-relation with rapidly increasing price of sugarcane. Meanwhile, the Federal Government refused to be involved in the matter but the Government of Sindh, in recognition of the difficulties faced by the industry, was pleased to revise the price of sugarcane to Rs.155/- per 40 kg. till the fixation of price of sugar in the interest of the stakeholders, and to commence the Crushing Season.

The Sindh Sugar Industry immediately commenced the crushing season. However, the Sindh Government issued subsequent notification withdrawing the rate of Rs.155/- and enforcing the earlier fixed rate of Rs.182/-, against which the member-mills have filed another petition in the court. PSMA has requested again for urgent intervention of Federal & Provincial Governments for fixation of sugar price keeping in view the increased price of sugarcane.

However, on 30-12-2014, the court has dismissed the petition filed by the member-mills against the notification withdrawing the rate of Rs.155/-.

HEALTH, SAFETY AND ENVIRONMENT

Appropriate facilities existed for safeguarding the health of employees in accordance with the Factories



Act 1948 and National Environment Quality Standard (N.E.Q.S.) for Sugar Industry. We are collaborating with Environmental Protection Agency, Government of Sindh and facilities are being developed at site to minimize the emissions to the desired standard level. The plant has also been registered with the Agency as per "SMART", Self Monitoring and Reporting Tool.

INFORMATION TECHNOLOGY

Improvement and up-gradation of the existing instruments are being continuously made to cope with the requirements of technological advancement in this field.

AUDIT REPORT

Auditor's Observation About Going Concern Assumption

The Auditors have qualified their Audit Report for the year ended September 30, 2014 about going concern assumption used by the Company in the preparation of its financial statements with reference to the matters stated in paragraph (a) of their audit report.

The auditor's concern is addressed to the shareholders so that the matters and their impacts are mitigated.

During the year 2012-13 due to high prices of sugarcane and depressed price of sugar, the cost of manufacturing sugar was highly increased and proved uneconomical. During 44 days of interrupted operation company could crush only 882,519 maunds of sugarcane and produced only 3,263 tons of sugar. Cost of sugar-production being excessively high, management was compelled to stop crushing on 16-02-2013 to avoid excessive losses.

As reported earlier, during last Crushing Season 2013-14, even though the mill maintenance and preparation work was completed to start crushing, the mill could not operate during the season (i.e. the year under review) on account of the serious fault developed in the mills' Turbine Generator during trial run; and the generator could not become operational in time during the season in spite of our best efforts. However, we have got the generator repaired and it is now ready for power generation to start operation in the current Crushing Season 2014-15.

There is a material uncertainty related to long term loan that includes disputed liability of NIB Bank Limited which is subject of suit and counter suit in High Court. The management is also seeking out of court settlement in, which it intends to pay through generation of substantial cash flows from operations in easy installments as soon as an agreement is reached with NIB and a repayment schedule is freshly drawn.

It is worth mentioning that in spite of financial constraints and having no working capital finance or any sort of financial facilities from Banks/Financial Institutions, the Company with its own limited resources has carried out and completed the maintenance and mill preparation works and got the mill ready for operation. The mill has started crushing on December 28, 2014 during the current Crushing Season 2014-15.

The Company foresees positive cash flows from future operations in expectation of better availability and price of sugarcane in the following seasons and better sugar prices. The management expects to arrange and meet its working capital finance for the season through advance against sugar and other sources according to the requirements of production. However, the management has prepared sugar cane development program and projected financial information for the next five years in support of its going concern assessment.

In view of the above, these financial statements have been prepared using going concern assumption and the Company is striving hard to turn the company into a profitable venture.



BOARD OF DIRECTORS

There has been only one change so far in the Board of Directors since after its constitution through Election of Directors on 29th January, 2012 for a term of 3 (three) years. The casual vacancy created by the resignation of Dr. (Mrs.) Fehmida Mirza, the Director / Chairperson & Chief Executive of the Company was filled in by appointing Mr. Ghulam Mohiuddin Abbasi, as Director / Chairman & Chief Executive of the Company, in her place. The next election of directors is due on 29th January, 2015 and the number of directors to be elected has been fixed at 7 (seven).

AUDITORS

The retiring Auditors, M/s. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, being eligible, have given their consent and offered themselves for re-appointment as Auditors of the Company for the year ending **September 30, 2015**. The Audit Committee has recommended for their re-appointment.

CODE OF CORPORATE GOVERNANCE

The Company has adopted the Code of Corporate Governance promulgated by the Securities & Exchange Commission of Pakistan. We have implemented the mandatory provisions and welcome the government step to more fully disclose and monitor the corporate sector. We hope it will go a long way in confidence building of small investors and will boost corporate investment.

STATEMENT OF CORPORATE AND FINANCIAL REPORTING FRAME WORK

- a. The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- b. Proper books of accounts of the company have been maintained.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed and explained.
- e. The system of internal control, which was in place, is sound in design and has been effectively implemented and monitored. However, it is being continuously reviewed by internal audit and other officers handling such procedures. The process of review will continue and any weaknesses in control will be removed. The function of Internal Audit has been implemented and operating successfully.
- f. There are no significant doubts on the Company's ability to continue as going concern.
- g. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h. The mill did not operate during the Season 2013-14 on account of sudden break-down of Mill's Generator and the fault could not be removed in time during the season. As such there was no production during the season.
- i. Key operating and financial data for last six (6) years in summarized form is annexed.
- j. Because of the accumulated losses, the Company has not declared any dividend or issued Bonus Shares for the year.
- k. Outstanding taxes and levies are being accrued and paid as per law.



- l. Value of investments based on audited accounts of Provident Fund is Rs. 10.472 million.
- m. During the year 4 (four) meetings of the Board of Directors were held. Attendance by each Director is as follows:

<u>Name of Director</u>	<u>No. of Meetings Attended</u>
Dr (Mrs) Fehmida Mirza	- (Retired)
Mr. Ghulam Mohiuddin Abbasi	2 (Appointed in place of Dr.Fehmida Mirza)
Dr. Zulfiqar Ali Mirza	4
Ms Farida Abbasi	4
Mr Arshad Abid Abbasi	-
Ms Fareha Abid Kazi	-
Mirza Saulat Raza	4
Irshad Hussain Mirza	4

Leave of absence is granted in all cases to the directors.

- n. During the year 6 (six) meetings of the Audit Committee were held. Attendance by each Member is as follows :

<u>Name of Members</u>	<u>No. of Meetings Attended</u>
Mirza Saulat Raza	6
Ms. Farida Abbasi	6
Mr. Irshad Hussain Mirza	6

- o. One meeting of the HR&R Committee was held during the year.

<u>Name of Members</u>	<u>No. of Meetings Attended</u>
Ms. Farida Abbasi	1
Ms. Mirza Saulat Raza	1
Mr. Irshad Hussain Mirza	1

- p. According to requirement of the revised Code 2012, at least one director is required to have the certification of directors' training program by June 30, 2013 and by June 30, 2016 every year at least one director to acquire the said certification; thereafter all directors shall obtain it.

However, there is a provision that individuals with a minimum of 14 years of education and 15 years of experience on the board of a listed company shall be exempted from the directors' training program. At present three of our directors already meet the exemption criteria by dint of qualification and experience and need not attend the training program. The condition of training certification for the other directors will be complied in due course.

The Board arranges orientation courses for its directors as and when needed to apprise them of their duties and responsibilities. The incoming directors are also provided with appropriate briefing and orientation material to enable them firsthand knowledge on the working of the Company.



- q. The pattern of shareholding is annexed.
- r. Except for NIB and IDBP dues, which are pending in the courts of law, there is no outstanding of any bank / financial institutions.
- Negotiations are underway with NIB Bank Limited and we expect to reach a settlement with them in due course of time for repayment of their dues. The repayment will start as soon as the settlement is reached. The position of IDBP is the same as disclosed in Note 10.1 of financial statements for the year ended **September 30, 2014**. However, we are also in contact with them to reach an amicable settlement.
- s. There was no trading in shares of MSML held by its directors, CEO, CFO, Company Secretary and their spouses and minor children.

VARIATION IN REMUNERATION OF CHIEF EXECUTIVE & WHOLE TIME DIRECTORS

Abstract of variation in the remuneration of the Chief Executive and whole time directors is annexed.

ACKNOWLEDGEMENT

We would like to take this opportunity to convey our deep appreciation to the shareholders, the workers, staff and officers of the Company for their patience, tolerance and forbearance, as well as the assistance and cooperation to the management during these hard days.

We would also like to thank our valued dealers, suppliers, financiers and shareholders for their cooperation and the trust reposed in our Company.

In the end, let us pray to Almighty Allah to guide us in all our pursuits of national development and for the betterment of your organization, Ameen.

On behalf of the Board

Karachi
January 03, 2015

GHULAM MOHIUDDIN ABBASI
Chairman & Chief Executive



**ABSTRACT OF VARIATION IN THE REMUNERATION/TERM OF
THE CHIEF EXECUTIVE AND WHOLE-TIME DIRECTORS
(Section 218 of the Companies Ordinance, 1984)**

Year Ended September 30, 2014

Following are the approved limit of remunerations at a maximum for the Chief Executive and the below mentioned Executive (whole time) Directors (including all allowances, benefits/perquisites, utilities etc.) along with transport and its maintenance for their official and personal use :

<u>Annual Entitlement</u>			
<u>w.e.f.</u>	<u>Amount</u>	<u>w.e.f.</u>	<u>Amount</u>
	Rs.		Rs.
Mr. Ghulam Mohiuddin Abbasi Chairman & Chief Executive	Appointed w.e.f January 23, 2014	January 23, 2014	1,500,000
Ms Farida Abbasi Director	-	August 5, 2009	780,000
Dr. (Mrs) Fehmida Mirza Chairperson & Chief Executive	Retired w.e.f January 23, 2014	June 10, 2009	4,000,000

Monthly remunerations of Chief Executive and Executive Directors:

<u>Monthly Remuneration</u>			
<u>w.e.f.</u>	<u>Amount</u>	<u>w.e.f.</u>	<u>Amount</u>
	Rs.		Rs.
Mr. Ghulam Mohiuddin Abbasi Chairman & Chief Executive	Appointed w.e.f January 23, 2014	January 23, 2014	50,000
Ms Farida Abbasi Director	June 01, 2011	June 01, 2013	40,663
Dr. (Mrs) Fehmida Mirza Chairperson & Chief Executive	Retired w.e.f January 23, 2014	June 01, 2013	268,150



**PATTERN OF SHAREHOLDINGS
AS AT 30TH SEPTEMBER 2014**

No. Of Shareholders	Shareholding		Total Shares Held	Percentage
	From	To		
904	1	100	81,083	0.58
655	101	500	299,857	2.13
119	501	1000	114,044	0.81
211	1001	5000	630,415	4.47
81	5001	10000	653,125	4.63
17	10001	15000	217,402	1.54
29	15001	20000	540,464	3.83
16	20001	25000	380,500	2.70
3	25001	30000	85,500	0.61
7	30001	35000	231,833	1.64
3	35001	40000	115,500	0.82
2	40001	45000	86,500	0.61
10	45001	50000	496,000	3.52
1	50001	55000	51,528	0.37
3	55001	60000	180,000	1.28
1	60001	65000	63,500	0.45
5	65001	70000	349,500	2.48
3	75001	80000	240,000	1.70
1	80001	85000	83,000	0.59
1	90001	95000	90,900	0.64
14	95001	100000	1,400,000	9.93
1	100001	105000	104,000	0.74
1	105001	110000	108,920	0.77
1	115001	120000	115,500	0.82
1	120001	125000	122,500	0.87
2	135001	140000	275,600	1.95
3	145001	150000	450,000	3.19
2	175001	180000	352,906	2.50
1	195001	200000	200,000	1.42
1	200001	205000	201,500	1.43
1	235001	240000	237,253	1.68
1	245001	250000	250,000	1.77
1	260001	265000	262,090	1.86
3	375001	380000	1,140,000	8.09
1	495001	500000	499,220	3.54
1	745001	750000	748,800	5.31
1	1260001	1265000	1,261,060	8.94
1	1375001	1380000	1,380,000	9.79
2109			14,100,000	100



CATEGORIES OF SHAREHOLDINGS (30-09-2014) ADDITIONAL INFORMATION

Categories of ShareHolders	Shares Held	Percentage
Associated Companies, Undertakings and Related Parties	-	-
Mutual Funds	-	-
NIT and ICP		
Investment Corporation of Pakistan, (ICP)	200	0.00
National Investment Trust Ltd. (NIT)	-	-
Directors, CEO and their Spouse(s) and minor Children.		
Mr. Ghulam Mohiuddin Abbasi (Chief Executive)	2,500	0.02
Dr. Zulfiqar Ali Mirza (Director)	380,000	2.70
Ms. Farida Abbasi (Director)	2,500	0.02
Mr. Arshad Abid Abbasi (Director)	100,000	0.71
Ms. Fareha Abid Kazi (Director)	100,000	0.71
Mirza Saulat Raza (Director)	8,500	0.06
Mr. Irshad Hussain Mirza (Director)	1,000	0.01
Dr. (Mrs). Fehmida Mirza (w/o. Dr. Zulfiqar Ali Mirza)	1,380,000	9.79
	1,974,500	14.00
Executives	-	-
Public sector companies and corporations	-	-
Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds; and		
The Bank of Punjab	17,500	0.12
State Life Insurance Corp. of Pakistan	175,277	1.24
National Insurance Company Ltd.	100,000	0.71
	292,777	2.08
Shareholders holding five percent or more voting rights in the listed company.	-	-
- Dr. (Mrs). Fehmida Mirza - as mentioned above.		
Others / Joint Stock Companies		
M/s.Asonix Ind. (pvt) Ltd	700	0.00
M/s. Sarfaraz Mahmood (Pvt) Ltd	500	0.00
Y.S. Securities & Services (Pvt) Ltd	5,500	0.04
Mian Mohammad Akram Sec. (Pvt) Ltd.	2,000	0.01
Stock Master Securities (Pvt) Ltd	990	0.01
A.I Securities (Pvt) Ltd.	35,000	0.25
NCC - Retrieval Account	1,800	0.01
Ghani Osman Securities (Pvt) Ltd	30,000	0.21
NCC - Pre Settlement Delivery Account	22,500	0.16
	98,990	0.70
Individuals	11,733,533	83.22
TOTAL	14,100,000	100



CORPORATE VISION / MISSION STATEMENT

VISION

The Company, one of the leading sugar mills in Sindh, aims at producing international quality white refined sugar for local consumption and export purpose. Our vision is to transform MSML into a modern and dynamic industry, highly indulgent in the well being of the investors, workforce and the agriculture community of the area. We want to fully equip the company to play a meaningful role on sustainable basis in the economic and social development of the country and protect the environment.

MISSION

Our mission is to promote agriculture and to achieve operating & financial stability for our company. This would help us to have meaningful role for a sound and dynamic industrial system to achieve sustainable and equitable economic growth of the Country. We would like to transform the agriculture community of the area into an exemplary force to become a role model for others. We would endeavor to enhance the value of our shareholders, to provide a secure place of work to our employees and to be an ethical partner to all our business associates.



SIX YEARS DATA AT A GLANCE

Rupees in Thousand

<u>PARTICULARS</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
FINANCIAL DATA						
1 Financial Position						
Paid up Capital	Rs. 141,000	141,000	141,000	141,000	141,000	141,000
Accumulated (loss)/Profit	Rs. (658,359)	(622,016)	(500,336)	(619,209)	(637,962)	(777,157)
Long term Loan	Rs. 16,788	16,788	16,788	16,788	64,110	143,773
Deferred Liabilities	Rs. 120,683	121,920	120,427	386,698	386,698	386,698
Fixed Assets (At Cost)	Rs. 731,983	731,983	730,767	735,856	720,294	692,765
Accumulated Depreciation	Rs. 588,679	572,834	555,041	535,286	513,838	493,560
Long term Advance/Deposits	Rs. -	-	-	-	1,427	1,427
Current Assets	Rs. 73,628	85,006	162,400	283,828	171,537	100,351
Current Liabilities	Rs. 596,819	586,463	560,246	553,121	425,573	421,886
2. INCOME						
Sales	Rs. 209,633	217,645	774,361	1,465,478	1,328,623	649,457
Gross Profit/(Loss)	Rs. (19,587)	(72,557)	(55,313)	110,279	221,042	93,295
Other Income	Rs. -	2,434	286,882	6,700	357	140,055
Pre-Tax (Loss)/Profit	Rs. (37,289)	(120,187)	159,150	39,335	152,482	166,796
Taxation	Rs. 0.95	(1,494)	(40,277)	(14,722)	(13,286)	(4,711)
3. STATISTICS AND RATIOS						
Gross Profit/(Loss) to Sales	Rs. (9.34)	(33.34)	(7.14)	7.53	16.64	14.37
Pre-Tax Profit/(Loss) to Sales	Rs. (17.79)	(55.22)	20.55	2.68	11.48	25.68
Pre-Tax Profit/(Loss) to Capital	Rs. (26.45)	(85.24)	112.87	27.90	108.14	118.29
Current Ratio	Rs. 1:08.1	1:6.90	1:3.45	1:1.95	1:2.48	1:4.20
Paid - up Value per Share	Rs. 10	10	10	10	10	10
Earnings per Share	Rs. (2.58)	(8.63)	8.43	1.75	9.87	2.89
Cash Dividend	Rs. -	-	-	-	5,860	-
Market Value Per Share	Rs. 3.00	3.57	3.49	2.35	4.85	5.50
4. OPERATING DATA						
Season Started	-	04.01.2013	27.12.2011	26-11-2010	16-11-2009	15-12-2008
Season Closed	-	16.02.2013	04.03.2012	28-03-2011	06-03-2010	13-03-2009
Days Worked	-	44	69	123	111	89
Sugarcane Crushed	M.T	35,301	162,690	244,767	208,921	176,738
Sugarcane Crushed	Mds	-	882,519	4,067,257	5,223,025	4,418,450
Sugar Recovery	%	-	9.23	9.870	10.075	10.180
Sugar Production	M.T	-	3,263	16,050	21,055	18,000
Molasses Recovery	%	-	4.670	4.950	4.719	4.638
Molasses Production	M.T	-	1,654	8,042	9,861	8,198



**STATEMENT OF COMPLIANCE WITH THE
CODE OF CORPORATE GOVERNANCE
{See Clause (xl) of the revised Code 2012}**

Name of Company : **MIRZA SUGAR MILLS LIMITED**
Year Ended : **30th September, 2014**

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35, Chapter XI of Karachi Stock Exchange Limited and Lahore Stock Exchange Limited for the purpose of establishing a frame-work of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner :

1. The Company encourages representation of independent non-executive directors and representing minority interests on the board of directors. The Board comprises of seven directors including the C.E.O. At present the Board includes :

Category	Names
Executive Directors	Mr. Ghulam Mohiuddin Abbasi, CEO Ms Farida Abbasi
Non-Executive Directors	Dr. Zulfiqar Ali Mirza Mr Arshad Abid Abbasi Ms. Fareha Abid Kazi Mirza Saulat Raza Mr. Irshad Hussain Mirza

2. The directors have confirmed that none of them is serving as a director in more than seven (7) listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non-banking Financial Institution. None of the directors of the company is member of any Stock Exchange.
4. One casual vacancy occurred in the Board of Directors during the year under review, which was filled in by appointing Mr. Ghulam Mohiuddin Abbasi as Director / Chairman & Chief Executive in place of the retiring Director / Chairperson & Chief Executive, Dr. (Mrs) Fehmida Mirza.
5. The Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement; overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive and non-executive directors, have been taken by the Board/Shareholders.
8. The meetings of the Board were chaired by the Chairperson/Chairman and in her / his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
9. According to the requirement of the revised Code 2012, at least one director is required to have the certification of directors' training program by June 30, 2013 and by June 30, 2016 every year at least one director to acquire the said certification; thereafter all directors shall obtain it.



However, there is a provision that individuals with a minimum of 14 years of education and 15 years of experience on the board of a listed company shall be exempted from the directors' training program. At present three of our directors already meet the exemption criteria by dint of qualification and experience and need not attend the training program. The condition of training certification for our other directors will be complied with in due course.

10. The Board arranges orientation courses for its directors as and when needed to apprise them of their duties and responsibilities. The incoming directors are also provided with appropriate briefing and orientation material to enable them firsthand knowledge on the working of the Company.
11. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
12. The directors' report for the year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
13. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.
14. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
15. The Company has complied with all the corporate and financial reporting requirements of the CCG.
16. The Board has already formed an audit committee. It comprises of 3 (three) members of whom 2 (two) are non-executive directors and the Chairman is a non-executive director.
17. The meetings of the audit committee were held at least once in every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have already been formed and advised to the committee for compliance.
18. The board has already formed an HR and Remuneration (HR&R) Committee comprising of three members including the Chairperson. The Chairperson of the Committee is an executive director and the remaining two are non-executive directors.
19. The Board has set-up an internal audit function. Its effectiveness has to be improved as to its independence for which efforts are being made.
20. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
22. The closed period, prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
23. Material/price sensitive information, if any, has been disseminated among all market participants at once through stock exchange(s).
24. We confirm that all other material principles contained in the CCG have been complied with.

Karachi,
January 03, 2015

GHULAM MOHIUDDIN ABBASI
Chairman & Chief Executive



REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Mirza Sugar Mills Limited (the Company)** for the year ended **September 30, 2014** to comply with the requirements of Listing Regulations of the Karachi and Lahore Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended **September 30, 2014**.

Further, we highlight as disclosed in point 9 of the statement, none of the directors have obtained certification under directors training program as required under clause (xi) of the code.

Karachi.
Dated: January 03, 2015.

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
Engagement Partner: **Muhammad Waseem**



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of **MIRZA SUGAR MILLS LIMITED** (the Company) as at **September 30, 2014**, the related profit & loss account, statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that -

- a) As disclosed in note 1.2 to the financial statements, the company has incurred loss for the year of Rs.36.0 million (2013: Loss Rs.121.6 million), Company's equity is negative by Rs. 517.358 million (2013: Rs. 481.01 million), its accumulated loss amounted to Rs. 658.358 million (2013: Rs. 622.01 million) and its current liabilities exceeded its current assets by Rs. 523.191 million (2013: Rs. 501.45 million). Besides that it has adverse current ratio, it generated insufficient cash flows and its financial and other liabilities are long overdue and its operations during the current year could not start for the reason stated in note 1.2. and consequently revenues for the year remained far below its own assessment in its projected cashflows disclosed in note 1.2 for 2013. Further, Company's liability of NIB is subject to suit and counter suit pending for further adjudication in High Court. The Company has overdue liability of rupees 152.9 million (2013:152.9 million) payable to growers that is outstanding since long. These conditions indicate a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of its business.
- b) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;
- c) in our opinion;
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied ;
 - (ii) the expenditure incurred during the year was for the purpose of the company's business; and



- (iii) the business conducted and the expenditure incurred during the year were in accordance with the objects of the company;
- (d) In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matters stated in paragraph (a), the balance sheet, profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at September 30, 2014, and of the loss, total comprehensive income, cash flows and changes in equity for the year then ended ; and
- (e) in our opinion, no zakat was deductible at source under the Zakat and Ushar Ordinance, 1980 (XVIII of 1980).

Karachi:

Dated: January 03, 2015

Rahman Sarfaraz Rahim Iqbal Rafiq

Chartered Accountants

Engagement Partner: **Muhammad Waseem**

BALANCE SHEET AS AT SEPTEMBER 30, 2014

ASSETS		2014	2013
NON-CURRENT ASSETS	Note	-----Rupees-----	
Property, plant and equipment	5	143,304,375	159,149,292
CURRENT ASSETS			
Stores, spares and loose tools	6	24,534,334	24,534,334
Stock-in-trade	7	1,947,496	22,900,294
Trade debts -Unsecured, considered good		37,329,920	26,259,168
Loan, advances and other receivables	8	8,735,366	9,079,600
Cash and bank balances	9	1,080,906	2,233,385
		73,628,022	85,006,781
		<u>216,932,397</u>	<u>244,156,073</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized Capital			
15,000,000 (2013: 15,000,000) Ordinary Shares of Rs. 10/- each.		<u>150,000,000</u>	<u>150,000,000</u>
Issued, Subscribed and Paid up Capital			
14,100,000 (2013: 14,100,000) Ordinary Shares of Rs. 10/- each fully paid in cash		<u>141,000,000</u>	<u>141,000,000</u>
Accumulated losses		(658,358,953)	(622,016,257)
		<u>(517,358,953)</u>	<u>(481,016,257)</u>
NON-CURRENT LIABILITIES			
Long-term finances	10	16,788,482	16,788,482
Deferred liabilities	11	120,683,373	121,920,553
CURRENT LIABILITIES			
Current portion of long-term finances	10	342,487,991	342,487,991
Trade and other payables	12	214,243,518	204,178,450
Accrued markup on finances		18,991,927	18,991,927
Provision for taxation - net	13	21,096,059	20,804,927
		<u>596,819,495</u>	<u>586,463,295</u>
CONTINGENCIES AND COMMITMENTS	14		
TOTAL EQUITY AND LIABILITIES		<u>216,932,397</u>	<u>244,156,073</u>

The annexed notes from 1 to 33 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Note	2014 -----Rupees-----	2013
Sales - net	15	20,963,202	217,644,919
Cost of sales	16	(40,549,846)	(290,201,877)
Gross loss		(19,586,644)	(72,556,958)
Operating expenses			
Administrative and general	17	(16,423,059)	(48,353,265)
Distribution costs	18	(121,309)	(537,005)
		(16,544,368)	(48,890,270)
(Loss) before taxation		(36,131,012)	(121,447,228)
Financial charges	19	(1,157,734)	(1,173,366)
Other Income	20	-	2,433,925
		(1,157,734)	1,260,559
(Loss) / profit before taxation		(37,288,746)	(120,186,669)
Taxation			
Current - for the year		-	-
Prior year charge		(291,132)	-
Deferred tax		1,237,182	(1,493,835)
	21	946,050	(1,493,835)
(Loss) after taxation		(36,342,696)	(121,680,504)
(Loss) per share - basic	22	(2.58)	(8.63)

The annexed notes from 1 to 33 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR



**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	2014	2013
	-----Rupees -----	
(Loss) after taxation	(36,342,696)	(121,680,504)
Other comprehensive income for the period	-	-
Total comprehensive income for the period transferred to equity	<u>(36,342,696)</u>	<u>(121,680,504)</u>

The annexed notes from 1 to 33 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Share Capital <u>Rupees</u>	Accumulated Loss <u>Rupees</u>	Total <u>Rupees</u>
Balance as at October 01, 2012	141,000,000	(500,335,753)	(359,335,753)
Loss for the period	-	(121,680,504)	(121,680,504)
Dividend Paid			-
Balance as at September 30, 2013	<u>141,000,000</u>	<u>(622,016,257)</u>	<u>(481,016,257)</u>
Loss for the period		(36,342,696)	(36,342,696)
Balance as at September 30, 2014	<u><u>141,000,000</u></u>	<u><u>(658,358,953)</u></u>	<u><u>(517,358,953)</u></u>

The annexed notes from 1 to 33 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR



CASH FLOW STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2014

	2014 Rupees	2013 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(37,288,746)	(120,186,669)
Adjustments for :		
Depreciation	15,844,917	17,825,767
Loss on sale of fixed assets	-	62,500
Financial charges	1,157,734	1,173,366
	17,002,651	19,061,633
Operating loss before working capital changes	(20,286,095)	(101,125,036)
Changes in working capital		
(Increase)/Decrease in current assets		
Stores, spares and loose tools	-	1,838,552
Stock in trade	20,952,798	64,309,366
Loans & Advances	344,234	-
Prepayments & other receivables	-	691,981
Trade debts - unsecured	(11,070,752)	10,470,950
Increase / (Decrease) in current liabilities		
Trade and other payables	8,942,860	27,348,043
	19,169,140	104,658,892
Cash (used in) / generated from operations	(1,116,955)	3,533,856
Taxes paid	-	(1,131,132)
Financial charges paid	(35,524)	(1,173,366)
	(35,524)	(2,304,498)
Net cash (used in) / generated from operating activities	(1,152,479)	1,229,358
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	-	(1,327,500)
Proceeds from sale of fixed assets	-	15,958
Net cash generated / (used) in investing activities	-	(1,311,542)
CASH FLOW FROM FINANCING ACTIVITIES		
Net cash generated / (used) in financing activities	-	-
Net decrease in cash and bank balances	(1,152,479)	(82,184)
Cash and bank balances at beginning of the period	2,233,385	2,315,569
Cash and bank balances at end of the period	1,080,906	2,233,385

The annexed notes from 1 to 33 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014

1 STATUS AND NATURE OF BUSINESS

- 1.1 The Company was incorporated in Pakistan as a Public Limited Company on January 16, 1990. Its shares are listed at Karachi and Lahore Stock Exchanges. The registered office of the company is situated at 10th Floor, Portion B, Lakson Square Building No.1, Sarwar Shaheed Road, Karachi. The Company is mainly engaged in the production and sale of sugar and molasses.
- 1.2 As of the reporting date, company's equity is negative by Rs.517.358 million (2013: Rs.481.016 million), its accumulated loss amounted to Rs.658.358 million (2013: Rs.622.016 million) and its current liabilities exceeded its current assets by Rs.523.191 million (2013: 501.456 million). The company continues to incur loss for the two consecutive years and its loss for the current year amounted to Rs 36 million (2013: Rs 121.6 million).

There is a material uncertainty related to outcome of pending suits in respect of long term loan (refer note 10) that includes disputed liability of NIB Bank Limited which is subject of suit and counter suit pending for further adjudication in High Court. The management continues to seek out of court settlement with NIB in line with the disclosure made in note 10.1 for repayment of liability from generation of cashflows from future operations in easy installments as soon as an agreement is reached with NIB and repayment schedule is drawn afresh accordingly.

The companies operation could not be started for the season 2013-14 as a result of breakdown in power generation that remained unfunctional during the season. The stock in trade of previous year was sold during the year.

However the management has prepared sugar cane development program and projected financial information for five years in support of its going concern assessment and subsequent to the balancesheet date, the company has carried out necessary over hauling and its plant and machinery are ready to start operations for 2014-15 season.

The company foresee positive cash flows from future operations in expectation of better availability and price of sugar cane in the following seasons and better sugar prices. The management expects to arrange and meet its working capital finance for next season through advance against sugar and other sources according to the requirements of production.

In view of the above, these financial statements have been prepared using going concern assumption.

The projected financial information prepared by management to support its going concern assessment is based on the following assumptions:

	Projected			
	2015	2016	2017	2018
Sugar cane Crushing (M.T) (10-11% recovery)	210,000	270,000	320,000	320,000
Recovery %	10.50%	11.00%	11.00%	11.00%
Sugar cane rate	182	195	205	210
Cane price increase in %	4%	7%	5%	2.5%
Sales price per Kg (Sugar)	53.50	54.00	56.00	58.00
Molasses Recovery in %	4.64%	4.64%	4.64%	4.64%
Molasses sales as a % of total sales	6.78%	6.57%	6.54%	6.53%



2 SIGNIFICANT ACCOUNTING POLICIES

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 have been followed.

2.2 ACCOUNTING CONVENTION

2.2.1 Basis of measurement

These financial statements have been prepared under the basis of 'historical cost' convention.

2.2.2 Functional and Presentation Currency

These Financial statements are presented in Pakistani Rupee which is the company's functional currency.

2.2.3 Significant accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of Accounting Standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with significant risk of material judgment in the next year are as follows:

	Note
a) Useful life and residual values of property, plant and equipment	4.1
b) Provision for slow moving stores and spares	4.2
c) Provision for obsolete and slow moving inventories	4.3
d) Provision for taxation	4.8
e) Impairment in respect of financial assets	4.12

3 STANDARDS, AMENDMENTS AND INTERPRETATIONS

3.1 Standards, amendments to published standards and interpretations effective in 2013 and relevant

The following standard and amendment to published standard are mandatory for the financial year beginning on July 1, 2013:



- IAS 1– (Amendment) ‘Financial statement presentation.’ The main change from these amendments is a requirement for entities to group items presented in ‘Other comprehensive income’ (OCI) on the basis of whether they are potentially re-classifiable to profit or loss subsequently (reclassification adjustments). The amendment does not address which items are presented in OCI. The amendment only affects the disclosures in the company’s financial statements.

3.2 Initial application of standards, amendments or an interpretation to existing standards

- a) Standards, amendments or interpretations which became effective during the year:

Standards, amendments to published standards and interpretations that are effective in year beginning from October 01, 2013 and are relevant to the company:

- IAS 1, ‘Financial statement presentation’ regarding other comprehensive income, emphasises on the requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially re-classifiable to profit or loss subsequently (reclassification adjustments). The application of the amendment has not affected the results or net assets of the Company as it is only concerned with presentation and disclosures.
 - IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. Applicable to annual periods beginning on or after January 1, 2013.
 - IAS 32 Financial Instruments: Presentation - Applicable to annual periods beginning on or after 1 January 2013, is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction.
 - IAS 34 Interim Financial Reporting is amended, Applicable to annual periods beginning on or after 1 January 2013, to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments.
 - IAS 28 “Investments in Associates and Joint Ventures”, applicable to annual reporting periods beginning on or after January 1, 2013.
 - IFRS 12, ‘Disclosure of interests in other entities’, effective for annual periods beginning on or after January 1, 2013.
 - IFRS 13, ‘Fair value measurement’, effective for annual periods beginning on or after January 1, 2013.
 - IAS 19 (revised) ‘Employee Benefits’ has eliminated the corridor approach and requires to calculate finance cost on net funding bases. The Company has applied this change in accounting policy retrospectively in accordance with IAS 8 ‘Accounting Policies, Changes in Accounting Estimates and Errors’ and recorded unrecognized actuarial losses net of taxes associated with retirement benefit plan by adjusting the opening balance of unappropriated profit and retirement benefit for the prior years presented.
- b) New / revised accounting standards, amendments to published accounting standards, and interpretations that are not yet effective:
- IFRIC 21- Levies ‘an Interpretation on the accounting for levies imposed by governments’ (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an



interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The interpretation is not likely to have an impact on Company's financial statements.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. The amendments are not likely to have an impact on Company's financial statements.
- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" Continuing hedge accounting after derivative novation (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.
- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.
- Amendments to IAS 27 'Separate Financial Statements' (effective for annual period beginning on or after 1 January 2016). The amendments to IAS 27 allow entities to use equity method to account for its investment in subsidiaries, joint ventures and associates in the Separate Financial Statements. Management is currently evaluating the implication of the amendment.

Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:



- IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.
- IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.
- IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.
- Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.
- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.
- IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.
- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.
- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. These are not expected to have any impact other than increased disclosures.
- Securities and Exchange Commission of Pakistan (SECP) vide SRO 633(1)/2014 dated 10th July 2014 has approved the below IFRSs:
 - IFRS 10 'Consolidated Financial Statements'
 - IFRS 11 'Joint Arrangements'

- 
- IFRS 12 'Disclosure of interests in other entities'
 - IFRS 13 'Fair Value Measurement'

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Property, plant & equipment

Operating assets

These are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is charged to profit & loss account applying the reducing balance method whereby the cost of an asset is written off over its useful life at the rates specified in note 5 to the financial statements. Depreciation on additions is charged when an asset is available for use until assets are disposed off.

Subsequent costs are included in the asset's carrying amounts or recognized as a separate assets, as appropriate, only when it is probable that future benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Gains and losses on disposal of assets, if any, are taken to the profit and loss account.

The assets' residual values, useful lives methods are reviewed and adjusted if appropriate, at each financial year. The Company's estimate of residual values of property, plant and equipment as at 30 September 2013 did not require any adjustment as its impact is considered insignificant.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss in the year asset is derecognized.

Capital work in progress

Capital work-in-progress is stated at cost less impairment, if any. It consists of expenditure incurred and advances made in respect of tangible and intangible assets in the course of their construction and installation. Transfers are made to relevant category as and when assets are available for use.

4.2 Stores, spares and loose tools

Stores, spares and loose tools excluding items in transit are valued at lower of moving average cost and net realizable value. Provision is made for slow moving and obsolete items.

Items in transit are valued at cost comprising invoice values plus other charges incurred thereon to the reporting date.

Net realizable value signifies the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

Provisions are made in the financial statements for obsolete and slow moving stores and spares based on management's best estimate regarding their future usability.

The company makes provision of slow moving stores on those item of store or spares which have not moved since last three years.

4.3 Stock in trade

All stock in trade except molasses are valued at lower of cost and net realizable value where cost is determined by applying the following basis:

- 
- Finished sugar at average manufacturing cost;
 - Sugar in process at average manufacturing cost;
 - Molasses at contracted price / net realizable value;

Average cost in relation to work in process and finished goods signifies the cost of sugar including a portion of related direct overheads.

Net realizable value signifies the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to be incurred to make the sale.

Provisions are made in the financial statements for obsolete and slow moving inventory based on management's best estimate regarding their future usability.

4.4 Trade and other receivables

Trade and other receivables are carried at original invoice amount/cost, which is the fair value of the consideration to be received, less an estimate made for doubtful receivables which is determined based on management review of outstanding amounts and previous repayment pattern. Balance considered bad and irrevocable are written off.

4.5 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows includes cash in hand, balance with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts / short term borrowings. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

4.6 Staff retirement benefits

The company operates an approved provident fund for eligible employees. The Company contributes equal amount of employees contribution i.e. 8.33% of basic salary.

4.7 Deferred income

Deferred income primarily relates to restructuring/rescheduling of the finances with the banks/financial institutions expected to be earned on meeting the specified obligations against such restructuring/rescheduling arrangements.

Deferred income will be taken to profit and loss account, after final waiver of the related obligations by the corresponding banks/financial institutions.

4.8 Current and deferred income tax

Income tax expense comprises of current and deferred tax. Income tax expense is recognized in profit and loss account except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current

Current tax is the amount of tax payable on taxable income for the year, using tax rate enacted or subsequently enacted by the reporting date, and any adjustment to the tax payable in respect of previous year. Provision for current tax is based on higher of the taxable income at current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any or 1% of turnover. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.



Deferred

Deferred income tax is recognized using the balance sheet liability method on all temporary differences arising between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences. A deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized. Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on the tax rates that have been enacted substantively enacted by the reporting date. Deferred tax is charged or credited to income except in the case of items credited or charged to equity in which case it is included in equity. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

4.9 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the company.

4.10 Provisions

Provisions are recognised when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

4.11 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

4.12 Financial assets

4.12.1 Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, held to maturity, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These



are classified as non-current assets. The Company's loans and receivables comprise 'loans and deposits', 'trade debts and other receivables' and 'cash and cash equivalents' in the balance sheet.

c) Held to maturity financial assets

Held to maturity financial assets are non derivative financial assets with fixed or determinable payments and fixed maturity with a positive intention and ability to hold to maturity. There were no held to maturity financial assets at the balance sheet date.

d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose off it within 12 months of the end of the reporting date.

4.12.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss account within 'other operating income/expenses' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit and loss account as part of other income when the Company's right to receive payments is established.

Changes in fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit and loss account as part of other income. Dividends on available for sale equity instruments are recognised in the profit and loss account as part of other income when the Company's right to receive payments is established.

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment testing of trade debts and other receivables is described in relevant notes.

4.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle either on a net basis, or realise the asset and settle the liability simultaneously.



4.14 Foreign currency translation

Foreign currencies are translated into reporting currency at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into reporting currency equivalents using year-end spot foreign exchange rates. Non-monetary assets are translated using exchange rates that existed when the values were determined. Exchange differences on foreign currency translations are included in income currently.

4.15 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets carried at cost are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss, if any. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment losses are recognized in profit and loss account.

4.16 Basic and diluted earnings per share

The company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period / year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

4.17 Related Party Transactions

Transactions with related parties are carried out on commercial terms and conditions.

4.18 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and is reduced for marketing allowances. Revenue is recognised on the following basis:

- Sales of goods are recognized when goods are delivered to the customer.
- Income on deposits and other financial assets is recognised on accrual basis.

4.19 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which case such costs are capitalised as part of the cost of that asset.

5 PROPERTY, PLANT & EQUIPMENT

As at October 1, 2012									
Cost	8,612,324	105,791,723	1,523,712	587,240,098	298,700	2,225,254	19,762,593	730,766,970	
Accumulated depreciation	-	(78,064,325)	(1,189,880)	(460,807,642)	(178,816)	(1,738,805)	(9,855,029)	(555,040,953)	
Net book value	8,612,324	27,727,398	333,832	126,432,456	119,884	466,449	9,907,564	175,726,017	

Year ended September 30, 2013

Opening net book value	8,612,324	27,727,398	333,832	126,432,456	119,884	466,449	9,907,564	175,726,017	
Additions/transfer during the year	-	-	-	1,260,000	-	-	67,500	1,327,500	
Disposals / transfers	-	-	-	-	-	-	-	-	
Cost	-	-	-	-	-	-	111,000	111,000	
Accumulated depreciation	-	-	-	-	-	-	(32,542)	(32,542)	
Net book value	-	-	-	-	-	-	(78,458)	(78,458)	
Depreciation for the year	-	(2,772,740)	(33,383)	(12,763,996)	(11,988)	(46,645)	(1,984,404)	(17,825,767)	
Closing net book value	8,612,324	24,954,658	300,449	114,928,460	107,896	419,804	7,912,202	159,149,292	

As at October 1, 2013

Cost	8,612,324	105,791,723	1,523,712	588,500,098	298,700	2,225,254	19,719,093	731,983,470	
Accumulated depreciation	-	(80,837,065)	(1,223,263)	(473,571,638)	(190,804)	(1,805,450)	(11,806,891)	(572,834,178)	
Net book value	8,612,324	24,954,658	300,449	114,928,460	107,896	419,804	7,912,202	159,149,292	

Year ended September 30, 2014

Opening net book value	8,612,324	24,954,658	300,449	114,928,460	107,896	419,804	7,912,202	159,149,292	
Additions/transfer during the year	-	-	-	-	-	-	-	-	
Disposals / transfers	-	-	-	-	-	-	-	-	
Cost	-	-	-	-	-	-	-	-	
Accumulated depreciation	-	-	-	-	-	-	-	-	
Net book value	-	-	-	-	-	-	-	-	
Depreciation for the year	-	(2,495,466)	(30,045)	(11,492,846)	(41,981)	(10,790)	(1,582,440)	(15,844,917)	
Closing net book value	8,612,324	22,459,192	270,404	103,435,614	65,915	409,015	6,329,762	143,304,375	

As at October 01, 2014

Cost	8,612,324	105,791,723	1,523,712	588,500,098	298,700	2,225,254	19,719,093	731,983,470	
Accumulated depreciation	-	(83,332,531)	(1,253,308)	(485,064,484)	(232,785)	(1,816,239)	(13,389,331)	(588,679,095)	
Net book value	8,612,324	22,459,192	270,404	103,435,614	65,915	409,015	6,329,762	143,304,375	

Annual rates of depreciation

0%	10%	10%	10%	10%	10%	10%	20%
----	-----	-----	-----	-----	-----	-----	-----

5.1 Allocation of Depreciation

Cost of sales	13,988,312	15,536,735
Administrative expenses	1,856,605	2,289,032
	15,844,917	17,825,767



	2014	2013
	Rupees	
6 STORES, SPARES AND LOOSE TOOLS		
Stores	14,689,134	14,689,134
Spares	11,970,581	11,970,581
Loose tools	335,072	335,072
	<u>26,994,787</u>	<u>26,994,787</u>
Less Provision	(2,460,453)	(2,460,453)
	<u>24,534,334</u>	<u>24,534,334</u>

7 STOCK IN TRADE

Finished sugar	-	20,952,798
Sugar in process	1,947,496	1,947,496
	<u>1,947,496</u>	<u>22,900,294</u>

- 7.1 The cost of inventories recognised as expense due to lower of market value of finished stock and is included in 'cost of sales' amounted to Rs. Nil (2013: Rs. 9.65 million).

	2014	2013
	Rupees	
8 LOANS, ADVANCES AND OTHER RECEIVABLE		
Unsecured and Considered good		
Advances		
- To suppliers	1,944,260	1,991,135
- To contractors	1,224,932	460,360
- Advance against expense	-	239,290
- To growers	4,472,960	4,472,960
	<u>7,642,152</u>	<u>7,163,745</u>
- Staff Loan	8.1 1,028,130	1,915,855
- FED / Sales tax refundable	51,425	-
- Others	13,659	-
	<u>8,735,366</u>	<u>9,079,600</u>

- 8.1 Loan to staff and executives are interest free and unsecured and given for general purpose in accordance with the company's policy and are repayable within one year.

	2014	2013
	Rupees	
9 CASH AND BANK BALANCES		
Cash in hand	59,061	55,133
Cash at banks in current accounts	1,021,845	2,178,252
	<u>1,080,906</u>	<u>2,233,385</u>

10 LONG TERM FINANCINGS

Secured

	Note	Mark - up rate p.a.	Contracted Cash flows	Installments		2014	2013
				Number	Commencing from	----- (Rupees) -----	
Long term finance utilised under mark-up arrangements:							
NIB Bank Limited - locally manufactured machinery 1	10.1	6.0% p.a	25,570,579	19 quarter	April 1, 2001	25,570,579	25,570,579
manufactured machinery 2	10.1	6.0% p.a	26,033,368	19 quarter	April 1, 2001	26,033,368	26,033,368
NIB Bank Limited - overdue 1	10.1	14.0% p.a	129,333,255	46 quarter	April 1, 2001	129,009,206	129,009,206
NIB Bank Limited - overdue 2	10.1	14.0% p.a	128,189,621	46 quarter	April 1, 2001	127,859,708	127,859,708
NIB Bank Limited - interest account	10.1	Mark up free	27,124,224	46 quarter	April 1, 2001	27,124,224	27,124,224
Industrial Development Bank of Pakistan	10.2	14.0% p.a	6,890,906	46 quarter	April 1, 2001	6,890,906	6,890,906
Loans from related party	10.3	Mark up free	16,788,482	-	-	16,788,482	16,788,482
						359,276,474	359,276,474
Less: Over due portion shown under current liabilities						(342,487,992)	(342,487,992)
						(342,487,992)	(342,487,992)
						16,788,482	16,788,482

10.1 NIB Bank Ltd (formerly PICIC)

The loan is secured by:

- First charge by way of an equitable mortgage on all the immovable properties, hypothecation of stock and a floating charge on all other assets.
- A demand promissory note duly signed by the directors for the purchase price.

The total amount of loan represents the LMM finance including the capitalized mark up/interest as broken down given above.

These loans are based on terms and conditions of restructuring as approved by CRSIU and agreed between the parties in the year 2000.

As per the repayment schedule as agreed in aforesaid restructuring agreement, the principal loan represented by LMM 1 and LMM 2 is scheduled to be repaid in 19 quarterly installments starting from April 01, 2001 and cost of fund @ 6% per annum. The company fully recognised mark up as per repayment schedule and no further mark up was recognised in this respect.

The liability represented by overdue 1 and over due 2 was scheduled to be repaid in 46 quarterly installments along with cost of fund @ 14% starting from April 01, 2001. The company is accruing the mark up as per schedule agreed in the restructuring agreement.

The installment along with the cost of fund was paid by the company as per restructuring schedule till the year 2003.

In the year 2003 the bank preferred to file suit B-24 of 2003 for recovery of Rs.355.3 million along with cost of funds and other charges which is contested by the company in High Court.



Subsequently in the year 2004, the liability was considered and approved for settlement by SBP Committee for Resolution of Disputes with that of other bank liabilities in terms of SBP Circular 29 using FSV of the fixed assets of the company amounted to Rs.348.2 million determined by PBA approved professional valuer. This remained unimplemented owing to preconditions set by bank and FSV disputed by the company.

In terms of the approval by SBP Committee, the Bank conveyed its willingness to settle its liability at Rs.205 million which represents 58.82% of FSV value of Rs. 348.26 million with a precondition to drop all proceedings in court, while the company sought settlement based on lower FSV of Rs. 213 million as per valuation conducted by the valuer appointed by the company at proportionate share of NIB of Rs.105 million. The dispute remains unresolved. The matter continues to be contested in Court.

10.2 Industrial Development Bank of Pakistan (formerly ICP)

The loan is secured by:

- i) First charge by way of an equitable mortgage on all the immovable properties, hypothecation of stock and floating charge on all other assets.
- ii) Floating charge on all other assets and properties of the Company ranking *pari passu* with the charge created in favor of other secured creditors.
- iii) A demand promissory note for the purchase price.
- iv) Personal guarantees of all directors.

This is made up of balance of principal of Rs.4.345 million and mark up of Rs.2.526 million of LMM finance remaining after the company had complied with the decree issued by the Banking Court for making payment of Rs. 8.234 million in 24 monthly installments of Rs.343,104/= each with effect from 1st July, 2002 and 8% p.a. as cost of the fund in respect of suit filed by Industrial Development Bank of Pakistan (IDBP).

The company paid the last installment of Rs 1.313 million on February 23, 2007, along with cost of funds demanded by IDBP of Rs.1.32 million in accordance with court order dated 24/6/2006 to meet its obligations as per decree issued by banking court.

Further except for cost of fund demanded and paid no interest was accrued since the year 2002 as a result of full and final settlement through aforesaid decree. The amount subject to dispute between the company and IDBP was Rs. 0.94 million which was additionally claimed by bank and is required to be reconciled.

The Court vide its order dated August 26, 2010 appointed a firm of Chartered Accountants, to examine the books of account of both the company and IDBP to settle the account between them, however, the aforesaid firm did not commence reconciliation work and therefore IDBP during the year requested the Court to change the Chartered Accountants firm on which the Court is yet to issue an order.

As a result, the liability to the extent extinguished amounting to Rs. 4.136 million has not been taken to income since the aforesaid dispute of Rs. 0.94 million is yet to be settled between the parties.

10.3 Loans from Related Parties

These represents unsecured and interest free loans with no fixed term for repayment.

		2014	2013
		Rupees	
11 DEFERRED LIABILITIES			
Quality Premium	11.1	100,877,138	100,877,138
Deferred Tax liability	11.2	19,806,235	21,043,415
		<u>120,683,373</u>	<u>121,920,553</u>

- 11.1 This represents liability made in respect of quality premium to growers for the period from 1998-99 to 2002-2003. The matter of payment of quality premium to growers continues to be pending with the Honorable Supreme Court of Pakistan since the year 2004 after it granted leave to defend on the question of issue of quality premium. Appeals filed in this matter are pending before the Supreme Court of Pakistan. Supreme Court granted injunction on the appeal citing conflicting judgment of the High Court of Sindh and the High Court of Punjab on the issue of validity of QP passing restraining order for recovery of QP till the matter is finally decided by the court. The Companies cane procurement is made as per the notification of government of sindh not below the minimum cane price fixed by it along with QP and other subsidies over the period from 2004-2013 excluding year 2007-08.

		2014	2013
		Rupees	
11.2 Deferred Tax liability			
Taxable temporary differences			
On property, plant & equipment		20,667,391	21,904,573
Deductable temporary difference			
Other deductible differences		861,158	861,158
		<u>(861,158)</u>	<u>(861,158)</u>
		<u>19,806,233</u>	<u>21,043,415</u>

12 TRADE AND OTHER PAYABLES

Creditors

For sugarcane

For stores and spares

152,954,293	152,954,293
2,654,470	2,660,814
<u>155,608,763</u>	<u>155,615,107</u>

Accrued Liabilities

Accrued expenses

Road cess

19,429,614	15,308,894
1,496,604	1,496,604
<u>20,926,218</u>	<u>16,805,498</u>

Other Liabilities

Advance from customer

Federal excise duty payable

Income tax withheld payable

Retention money

Worker's Profit participation fund

Workers Welfare Fund

Dividend Payable

Insurance Payable

Others

10,714,752	10,714,752
-	836,648
919,065	727,673
42,877	42,877
10,497,386	9,375,178
1,357,338	1,357,338
908,912	908,912
9,434,147	4,847,608
3,834,061	2,946,859
<u>37,708,538</u>	<u>31,757,845</u>
<u>214,243,518</u>	<u>204,178,450</u>



	2014	2013
	Rupees	
12.1 Workers' profits participation fund		
Opening balance	9,375,178	11,142,064
Allocated during the year	-	-
Interest accrued during the year	1,122,208	1,113,920
	1,122,208	1,113,920
Paid during the year	-	(2,880,806)
Closing balance	10,497,386	9,375,178
13 PROVISION FOR TAXATION - NET		
Opening liability	20,804,927	21,936,059
Expense for the year	-	-
Less: Advance tax for the year	-	(1,131,132)
Prior year charge	291,132	-
Provision for the year	21,096,059	20,804,927

14 CONTINGENCIES AND COMMITMENTS

- 14.1** The company is contesting a suit filed in the High Court in the Year 1998 by M/s. Indian Sugar & General Industry for recovery of US\$ 240,692 (Rs 24.6 million) representing the balance amount due and interest thereon against the import of 1,645 M. Tons of sugar made by the Company. The suit is pending for evidence. The legal counsel is of the view that no adverse order is expected against the company therefore no provision has been made in these financial statements.
- 14.2** The department demanded further tax of Rs.4.88 million from the company that was not charged by it from its customers owing to ambiguity in section 2 (23) which stated that an unregistered person liable to be registered was to be treated at par with a registered person and hence further tax was not to be charged. The Additional Collector stayed the said demand in the year 2003. The matter was contested by the Collector of Custom & Sales Tax in the High Court and judgment was passed in favor of the company. The collectorate preferred appeal with the Supreme Court of Pakistan that accepted the plea and set aside the judgment of the High Court and allowed sales tax department to proceed the case in accordance with law vide its order in March 2006. The company has not received any fresh demand and has not made any provision there against. The legal counsel of the company is of the opinion that based on the merit of the case no tax liability is likely to arise in future in this case.
- 14.3** The company has not recorded further liability of Rs. 8.405 million plus cost of funds that has not yet been determined in respect of long term finance of NIB Bank. This is on account of difference between the amount of loan liabilities reflected in the books at principal of Rs. 334.94 million (Refer note # 9) and accrued mark up of Rs. 11.654 million as against that claimed by NIB Bank in recovery suit amounting to Rs. 355 million along with cost of funds that are yet to be decided by the Court. The reason for it is that the Company has filed counter claim against NIB Bank in Suit No. 30 of 2003 based on its workings reflecting that it has overpaid the liabilities by Rs. 139.92 million.

COMMITMENTS

During the year company has unlifted deliver orders quantity of Nil M.Ton valuing Rs.Nil (2013: 479.4 M.Ton valuing Rs.22.8 million).



		2014	2013
		Rupees	
15	SALES - NET		
	Sugar	22,849,890	221,598,150
	Molasses	-	13,285,248
		22,849,890	234,883,398
	Brokerage	-	(280,650)
	Direct levies	(1,886,688)	(16,957,829)
		(1,886,688)	(17,238,479)
		20,963,202	217,644,919
16	COST OF SALES		
	Raw material consumed (including procurement and allied expenses)	-	157,585,878
	Manufacturing expenses	16.1 19,597,048	68,306,633
		19,597,048	225,892,511
	Opening stock		
	Finished stock - sugar	20,952,798	85,337,759
	Sugar-in-process	1,947,496	1,871,901
		22,900,294	87,209,660
		42,497,342	313,102,171
	Closing stock		
	Finished stock-sugar	7.1 -	20,952,798
	Sugar-in-process	1,947,496	1,947,496
		(1,947,496)	(22,900,294)
		40,549,846	290,201,877
16.1	Manufacturing expenses		
	Chemicals	-	2,355,672
	Oil & Lubricants	-	1,114,634
	Stores and spares consumed	-	9,299,128
	Packing material consumed	-	1,409,785
	Salaries and allowances	16.1.1 667,199	25,096,416
	Repair and maintenance	-	624,857
	Fuel and power	408,421	5,576,505
	Insurance	4,533,116	5,005,411
	Freight and handling	-	2,225,790
	Depreciation	5.1 13,988,312	15,536,735
	Others	-	61,700
		19,597,048	68,306,633

16.1.1 This includes Rs. 18,579 (2013: Rs.599,272) in respect of defined contributory provident fund.



		2014	2013
		Rupees	
17	ADMINISTRATION AND GENERAL		
	Salaries, bonus and staff amenities	17.1 7,195,297	22,991,144
	Directors' remuneration	23 1,649,328	4,761,851
	Traveling and conveyance	73,170	724,083
	Printing and stationery	399,952	751,715
	Legal and professional	195,360	944,000
	Auditors' remuneration	17.2 837,000	835,000
	Telephone and postage	425,433	1,370,801
	Electricity, water and gas	961,794	3,880,245
	Vehicle maintenance	220,127	4,688,251
	News papers books and periodicals	17,264	21,866
	Repair and maintenance	1,370,524	2,628,446
	Rent, rates and taxes	12,000	374,409
	Insurance	53,423	342,197
	Charity and donations	17.3 1,000	12,000
	Fees and subscription	1,020,739	860,708
	Depreciation	5.1 1,856,605	2,289,032
	Entertainment	11,980	193,951
	Sanitation charges	-	166,713
	Shares department expenses	55,498	-
	Miscellaneous	66,565	516,853
		<u>16,423,059</u>	<u>48,353,265</u>

17.1. This includes Rs. 60,356 (2013: Rs.243,801) in respect of defined contributory provident fund.

		2014	2013
		Rupees	
17.2	Auditors' remuneration		
	Fee for the		
	- audit of annual financial statements	600,000	600,000
	- review of half yearly financial statements	187,000	185,000
	- review of compliance with Code of Corporate Governance	50,000	50,000
		<u>837,000</u>	<u>835,000</u>

17.3 Charity and donations

None of the directors or their spouse had any interest in these charity and donations.

18 DISTRIBUTION COST

	Publication of notices and accounts	112,680	83,820
	Loading and stacking	8,629	453,185
		<u>121,309</u>	<u>537,005</u>

19 FINANCIAL CHARGES

	Interest on WPPF	12.1 1,122,208	1,113,920
	Bank and other charges	35,526	59,446
		<u>1,157,734</u>	<u>1,173,366</u>



		2014	2013
		Rupees	
20	OTHER INCOME		
	Gain/(Loss) on sale of Fixed Assets	-	7,500
	Baggage / Scrap sales	-	2,426,425
		<u>-</u>	<u>2,433,925</u>
21	TAXATION		
	Current, for the year	21.1 -	-
	Deferred tax income/ (expense)	11.2 <u>1,237,182</u>	<u>(1,493,835)</u>

21.1 Current tax

No current year tax is computed on the basis of minimum tax u/s 113 of Income Tax Ordinance 2001 as the company suffered gross loss and have already paid advance tax.

		2014	2013
		Rupees	
21.2	Tax charge reconciliation		
	Profit for the year before taxation	<u>-</u>	<u>-</u>
	Tax at the rate of 35%	-	-
	Tax effect of expenses that are inadmissible for tax purpose	-	-
	Tax effect of expenses that are admissible for tax purpose	-	-
	Brought forward losses	-	-
	Deferred tax income/ (expense) during the year	1,237,182	(1,493,835)
	Prior year tax expense	-	-
	Tax Expense for the year	<u>1,237,182</u>	<u>(1,493,835)</u>

		2014	2013
		Rupees	
22	LOSS PER SHARE		
	BASIC		
	(Loss) / Profit after taxation (Rupees)	<u>(36,342,696)</u>	<u>(121,680,503)</u>
	Weighted average number of ordinary shares	<u>14,100,000</u>	<u>14,100,000</u>
	Loss per share (Rupees)	<u>(2.58)</u>	<u>(8.63)</u>

DILUTED

There is no dilution effect on the basic earnings per share of the Company as the company has no potential ordinary shares in issue at the end of the reporting period.

23 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

	2014				2013			
Particulars	Chief Executive	Director	Executive	Total	Chief Executive	Director	Executive	Total
	Rupees				Rupees			
Remuneration	804,450	844,878	-	1,649,328	3,093,800	1,668,051	-	4,761,851
Perquisites, benefits and utilities	-	-	-	-	2,099,128	-	-	2,099,128
Total	<u>804,450</u>	<u>844,878</u>	<u>-</u>	<u>1,649,328</u>	<u>5,192,928</u>	<u>1,668,051</u>	<u>-</u>	<u>6,860,979</u>
No. of persons	<u>1</u>	<u>2</u>	<u>-</u>	<u>3</u>	<u>1</u>	<u>2</u>	<u>-</u>	<u>3</u>

- 23.1 The Chief Executive and Executive Directors are entitled to free use of Company maintained cars. The Chief executive is also provided telephone and utility facilities. Salary to the Chief executive were paid for the period from October 2013 to December 2013 and salaries to Directors were paid for the period from October 2013 to March 2014.

24 TRANSACTIONS WITH RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party and exercise significant influence over other party in making financial and operating decisions.

The related parties comprise of major shareholders, directors of the company and key management personnel and staff/workers funds. Remuneration and benefits to executives of the company are in accordance with the terms of the employment while contribution to the provident fund is in accordance with staff service rules.

	2014	2013
	Rupees	
Details of transactions with related parties are as follows:		
<u>Transactions during the year</u>		
Contribution to staff provident fund	78,935	843,073
Contribution in Workers' Profit Participation Fund	-	-
Interest accrued on WPPF	1,122,208	1,113,920
<u>Payable / (Receivable) as on balance sheet date with:</u>		
Workers' profit participation fund	10,497,386	9,375,178

25 FINANCIAL INSTRUMENTS

Financial instruments by category

FINANCIAL ASSETS - LOANS AND RECEIVABLES

Trade debts	37,329,920	26,259,168
Cash and Bank balances	1,080,906	2,233,385
	<u>38,410,826</u>	<u>28,492,553</u>

FINANCIAL LIABILITIES - AMORTIZED COST

Long term finances	359,276,474	359,276,474
Trade and other payables	189,258,373	179,670,257
Accrued markup on finances	18,991,927	18,991,927
	<u>567,526,774</u>	<u>557,938,658</u>

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks: capital risk, credit risk, liquidity risk and market risk (including interest/mark-up rate risk). The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall risks arising from the Company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risk without any material change from previous period in the manner described in notes below.

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. All treasury related transactions are carried out within the parameters of these policies.

26.1 Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Due to the company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the company. To manage exposure to credit risk, Company applies credit limits and deals with credit worthy parties. It makes full provision against those balances considered doubtful by dealing with variety of major banks and financial institutions. All the balances are recoverable / deposited in Pakistan. The carrying amounts of financial assets against which the Company did not hold any collateral represent the maximum credit exposure, as specified below:

	2014	2013
	Rupees	
Trade debts	37,329,920	26,259,168
Bank balances	1,021,845	2,178,252
	<u>38,351,765</u>	<u>28,437,420</u>

26.1.1 Impairment losses

The aging of Trade debts at the reporting date was:

	2014		2013	
	Gross value	Impairment	Gross value	Impairment
	Rupees			
Balance due not exceeding 1 year	11,070,754	-	-	-
Balance due exceeding 1 year	26,259,168	-	26,259,168	-

The company believes that no impairment allowance is necessary in respect of trade debts past due other than amount provided.

26.1.2 Credit quality of bank balance

		2014	2013
		Rupees	
Short term credit rating	Rating agency		
A1+	PACRA	930,920	1,799,947
A-1+	JCR-VIS	90,925	378,305
		<u>1,021,845</u>	<u>2,178,252</u>

26.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities (including interest payments):



	2014			
	Carrying Amount	Contractual cash flows	Twelve months or less	Two to Five years
	Rupees			
Non-Derivative				
Financial liabilities				
Long-term finances	359,276,474	359,276,474	342,487,992	16,788,482
Trade and other payables	214,243,518	214,243,518	214,243,518	-
Accrued markup on finances	18,991,927	18,991,927	18,991,927	-
	<u>592,511,919</u>	<u>592,511,919</u>	<u>575,723,437</u>	<u>16,788,482</u>

	2013			
	Carrying Amount	Contractual cash flows	Twelve months or less	Two to Five years
	Rupees			
Non-Derivative				
Financial liabilities				
Long-term finances	359,276,474	359,276,474	342,487,992	16,788,482
Trade and other payables	204,178,450	204,178,450	204,178,450	-
Accrued markup on finances	18,991,927	18,991,927	18,991,927	-
	<u>582,446,851</u>	<u>582,446,851</u>	<u>565,658,369</u>	<u>16,788,482</u>

- 26.3 Market risk means that the future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates and interest rates. The objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company's market risk comprise of interest/mark up rate risk. The market risk associated with the Company's business activities are discussed as under:

26.3.1 Interest/mark up rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company is not exposed to Interest / mark up rate risk as there is no variable rate financing as at the balance sheet date. At the balance sheet date, the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	2014	2013	2014	2013
	Effective interest rate (%)		Carrying amount	
			Rupees	
Fixed rate instruments				
Long term financing	6% - 14.48%	6% - 14.48%	<u>359,276,474</u>	<u>359,276,474</u>

No sensitivity analysis has been performed and disclosed in these financial statements since the company has no outstanding financial instruments at year end with variable interest rates.

26.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.



Underlying the definition of fair value is the presumption that the company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Fair value of all financial assets and financial liabilities are estimated to approximate their respective carrying amount.

27 CAPITAL RISK MANAGEMENT

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectation of the shareholders. Debt is calculated as total borrowings. At the reporting date company's Debts amounted to 359 million and its Equity is negative by 517 million.

There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

	2014	2013
	Metric Tons	
28 CAPACITY AND PRODUCTION		
Crushing capacity (based on 180 days of production)	626,400	626,400
Actual crushing	-	35,301
Sugar capacity (based on 180 days of production)	62,640	62,640
Production of sugar	-	3,263
	Days	
Number of days of production	-	44
	Percentage	
Percentage of capacity attained	-	5
29 NUMBER OF EMPLOYEES		
	2014	2013
	Number	
Total employees during the year	15	226
Average number of employees during the year	121	270



2014 2013
— Rupees —

30 DISCLOSURES RELATING TO PROVIDENT FUND

(i)	Size of the fund	12,324,488	56,880,732
(ii)	Cost of investment made	10,471,913	29,180,315
(iii)	Percentage of investments made	85.0%	98.0%
(iv)	Fair value of investments	10,471,913	55,725,056
-	Shares in listed companies	-	23,681,360
-	Investment in deposit / certificates	10,471,913	32,043,695
		<u>10,471,913</u>	<u>55,725,055</u>
		— Percentage —	
-	Shares in listed companies	-	42.5%
-	Investment in deposit / certificates	100%	57.5%
		<u>100%</u>	<u>100%</u>

These figures are based on the audited financial statements of the provident fund as at June 30, 2013. Investments are made out of the fund are in accordance with section 227 of the Companies Ordinance, 1984 and Employees' Provident Fund Rules, 1996 except for investment in listed securities.

31 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized by the Board of Directors of the Company for issue on January 03, 2015.

32 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purposes of comparison and better presentation.

33 GENERAL

Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE

DIRECTOR