



# Shahmuraad SUGAR MILLS LTD.

Annual Report  
2014





## CONTENTS

	<b>Page No.</b>
Company Information .....	02
Mission & Vision Statements .....	03
Code of Conduct .....	04
Notice of Annual General Meeting .....	05
Directors' Report .....	07
Statement of Compliance with the Code of Corporate Governance .....	11
Key Operation and Financial Data for Ten Years .....	13
Review Report to the Members on Statement of Compliance with best Practices of Code of Corporate Governance from Auditors .....	14
Auditors' Report to the Members .....	15
Balance Sheet .....	16
Profit & Loss Account .....	17
Statement of Comprehensive Income .....	18
Cash Flow Statement .....	19
Statement of Changes in Equity .....	20
Notes to the Financial Statements .....	21
Pattern of Shareholding .....	53

## COMPANY INFORMATION

### BOARD OF DIRECTORS

MR. ISMAIL H. ZAKARIA	Chairman
MR. YUSUF AYOOB	Managing Director
MR. SULEMAN AYOOB	
MR. A. AZIZ AYOOB	
MR. ZIA ZAKARIA	Resident Director
MR. GHULAM MOHIUDDIN ZAKARIA	
MR. ZOHAIR ZAKARIA	
MR. NAEEM AHMED SHAFI	Independent Director
MR. KHURRAM AFTAB	(N.I.T. Nominee)

### BOARD AUDIT COMMITTEE

MR. NAEEM AHMED SHAFI	Chairman
MR. SULEMAN AYOOB	Member
MR. ZOHAIR ZAKARIA	Member

### HUMAN RESOURCE AND REMUNERATION COMMITTEE

MR. SULEMAN AYOOB	Chairman
MR. YUSUF AYOOB	Member
MR. GHULAM MOHIUDDIN ZAKARIA	Member

### CHIEF FINANCIAL OFFICER

MR. IQBAL UMER

### COMPANY SECRETARY

MR. MOHAMMAD YASIN MUGHAL  
FCMA

### AUDITORS

M/s. KRESTON HYDER BHIMJI & CO.  
Chartered Accountants

### LEGAL ADVISOR

MR. ABDUL SATTAR PINGAR  
Advocate

### REGISTERED OFFICE

96-A, SINDHI MUSLIM HOUSING SOCIETY,  
KARACHI-74400  
Tel: 34550161-63 Fax: 34556675

### FACTORY

JHOK SHARIF,  
TALUKA MIRPUR BATHORO,  
DISTRICT THATTA (SINDH)

### REGISTRAR & SHARE REGISTRATION OFFICE

C & K MANAGEMENT ASSOCIATES (PVT) LTD.  
404-TRADE TOWER,  
ABDULLAH HAROON ROAD,  
NEAR METROPOLE HOTEL,  
KARACHI - 75530

### WEBSITE

[www.shahmuradsugar.co](http://www.shahmuradsugar.co)





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### *Mission Statement*

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To gain strength through industry leadership in the manufacturing and marketing of sugar and allied products and to have a strong presence in these products markets while retaining the options to diversify in other profitable ventures.

To operate, ethically while maximizing profits and satisfying customers' needs and stakeholders' interests.

To assist in the socio economic development of Pakistan especially in the rural areas through industrial expansion and development.

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### *Vision Statement*

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To be a model company producing sugar and allied products of international quality by maintaining high level of ethical and professional standards.

## CODE OF CONDUCT

Shahmurad Sugar Mills is guided by the following principles in its pursuit of excellence in all activities for the attainment of the Company's Objectives.

### THE COMPANY

- Fulfills all statutory requirements of the Regulatory Authority and follows all applicable laws of the country together with compliance of accepted accounting principles, rules and procedures required.
- Deals with all stakeholders in an objective and transparent manner so as to meet the expectations of those who rely on the Company.
- Meet the expectations of the spectrum of the society and the Regulatory Authority by implementing an effective and fair system of financial reporting and internal controls.
- Uses all means to protect the environment and ensures health and safety of the employees.
- Activities and involvement of directors and employees of the Company in no way conflict with the interest of the Company. All acts and decisions of the management are motivated by the interest of the Company rather than their own.
- Ensures efficient and effective utilization of its resources.

### AS DIRECTORS

- Promote and develop attractive environment through responsive policies and guidelines to facilitate viable and timely decisions.
- Maintain organizational effectiveness for the achievement of the Company's goals.
- Support and adherence to compliance of legal and industry requirements.
- Safeguard the interest and assets of the company to meet and honor all obligations of the Company.
- Promote a culture that supports enterprise and innovation with appropriate short-term and long-term performance related rewards that are fair and achievable in motivating management and employees effectively and productively.

### AS EXECUTIVE AND MANAGERS

- Ensure cost effectiveness and profitability of operations.
- Provide directions and leadership for the organization and take viable and timely decisions.
- Develop and cultivate work ethics and harmony among colleagues and associates.
- Encourage initiatives and self-realization in employees through meaningful empowerment.
- Promote and develop culture of excellence, conservation and continuous improvement.
- Provide pleasant work atmosphere and ensure an equitable way of working and rewarding system.
- Institute commitment to environmental, health and safety performance.

### AS EMPLOYEES AND WORKERS

- Observe Company policies, regulations and codes of Best Business Practices.
- Exercise prudence in effective, efficient and economical utilization of resources of the Company.
- Make concerted struggle for excellence and quality.
- Devote productive time and continued efforts to strength the Company.
- Protect and safeguard the interest of the Company and avoid the conflict of interest. Ensure the primary interest in all respects is that of the Company.
- Maintain financial integrity and must avoid making personal gain at the Company's cost by participating in or assisting activities which compete with the Company.



## NOTICE OF MEETING

Notice is hereby given that 36th Annual General Meeting of SHAHMURAD SUGAR MILLS LIMITED will be held at the Registered Office of the Company at 96-A, Sindhi Muslim Society, Karachi on Friday, 30th January, 2015 at 10.30 a.m. to transact the following business:

### ORDINARY BUSINESS

1. To confirm the minutes of the 35th Annual General Meeting held on 31st January, 2014.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended September 30, 2014 together with the Directors' and Auditors' Reports thereon.
3. To approve payment of Cash Dividend @ 20 % i.e. Rs. 2 per ordinary share of Rs.10 each for the year ended 30th September 2014 as recommended by the Board of Directors.
4. To appoint Auditors and to fix their remuneration for the year ended 30th September 2015. The present Auditors, M/s Kreston Hyder Bhimji & Co., Chartered Accountants, retire and offer themselves for re-appointment.
5. To transact any other business with permission of the Chair.

By Order of the Board



**M. YASIN MUGHAL**  
COMPANY SECRETARY

Karachi: December 19, 2014

### NOTE:

1. The Register of the Members of the Company will remain closed from 23rd January, 2015 to 3rd February, 2015 (Both days inclusive) for the purpose of holding the Annual General Meeting / Transfer of Shares.
2. A member of the Company entitled to attend and vote may appoint any member as his/her proxy to attend and vote on his/her behalf. PROXIES MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
3. **Submission of copies of CNIC:**

SECP has directed vide SRO No.831(1)2012 dated July 05, 2012 to issue dividend warrant only crossed as " A/c Payee only" and should bear the computerized National Identity Card (CNIC) number of the registered member. All those shareholders who have not submitted their valid CNICs are once again requested to send a photocopy of their valid CNIC/NTN alongwith the Folio number(s) to the Company's Share Registrar. No dividend will be payable unless the CNIC number is printed on the dividend warrants, so please let us have your CNIC, failing which we will not be responsible, if we are unable to pay the dividends to the Shareholders who have not submitted their valid CNIC.

4. **Deduction of Income Tax from Dividend under Section 150 of the Income Tax Ordinance, 2001**

In pursuance to the amendments made by government under Section 150 of the Income Tax Ordinance vide Finance Act, 2014, separate rate of tax introduced for Tax Return Filer 10% and Non Filer 15% on dividends. Hence, the Shareholders who already had provided their CNICs/NTN are categorized as Non Filer as per the list of 'FILER' available at Federal Board of revenue's (FBR) website (<http://www.fbr.gov.pk>) are liable to deduction of tax at source on dividends at higher rate.

**5. Payment of Cash Dividend Electronically (Optional):**

The Company wishes to inform its shareholders that under the law they are also entitled to receive their cash dividend directly in their bank account instead of receiving it through dividend warrants. Shareholders wishing to exercise this option may submit their application to the Company's Share Registrar, giving particulars relating to their name, folio number, bank account number, title of account and complete mailing address of the bank. CDC account holders should submit their request directly to their broker (participant) CDC.

**6. Electronic Transmission of Annual Financial Statement and Notices of the Company**

Pursuant to SRO.787(1)/2014 of September 08, 2014 the Securities and Exchange Commission of Pakistan (SECP) has directed to facilitate the members of the company receiving Annual Financial Statements and Notices through electronic mail system (e-mail). We are pleased to offer this facility to our members who desire to receive Annual Financial Statements and Notices of the Company through email in future. In this respect members are hereby requested to convey their consent via email on a standard request form which is available at the Company website i.e. [www.shahmuradsugar.co](http://www.shahmuradsugar.co) Please ensure that your email has sufficient rights and space available to receive such email which may be larger than 1MB file in size. Further, it is the responsibility of the members to timely update the Share Registrar of any change in the registered email address.

7. Financial Statements and relevant reports have been placed on the website of the company which can be seen on [www.shahmuradsugar.co](http://www.shahmuradsugar.co)

8. CDC Accounts Holders will further have to follow the under-mentioned guidelines as laid down in Circular I dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

**A. For attending the Meeting**

- a. In case of individuals, the account holder or sub-account holder and/or person whose securities are in group accounts and their registration details are uploaded as per the Regulations shall authenticate his identity by showing his Original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
- b. In case of corporate entity, the Board of Directors' resolution /power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

**B. For appointing proxies:**

- i. In case of individuals the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations shall submit the proxy form as per the above requirements.
- ii. The proxy form shall be witnessed by two persons whose names, addresses and CNIC number shall be mentioned on the form.
- iii. Attested copies CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv. The proxy shall produce his/her original CNIC or original passport at the time of the meeting.
- v. In case of corporate entity, the Board of Director's resolution/power of attorney with specimen signature of the nominee shall be submitted (unless it has been provided earlier) along with proxy form to the company.

**9. Change of Address:**

Shareholders are requested to inform the Company's Share Registrar M/S. C & K Management Associates (Pvt.) Ltd. of any change in their address immediately.



## DIRECTORS' REPORT TO THE MEMBERS

IN THE NAME OF ALLAH THE MOST GRACIOUS AND MOST MERCIFUL

Dear Members

Assalam-o-Alaikum:

I feel it my pleasure on behalf of Board of Directors to place before you the audited financial statements of your company, the significant achievements as reflected therein together with Auditors' and Directors' Reports thereon, for the year ended September 30, 2014. The Company has earned profit after tax amounting to Rs.226.741 million as against Rs 91.611 million earned last year.

Salient comparative production and financial data are provided as under:

### PRODUCTION DATA

	<u>2013-14</u>	<u>2012-13</u>
Crushing season started on	<b>01-11-2013</b>	17-12-2012
Season ended on	<b>16-03-2014</b>	17-03-2013
Duration of crushing (Days)	<b>136</b>	91
Sugarcane crushed (Metric Tons)	<b>666,887</b>	561,083
Sugar produced (Metric tons)	<b>71,473</b>	59,343
Sugar recovery rate - percentage	<b>10.72</b>	10.58
Molasses produced (Metric Tons)	<b>30,525</b>	26,367
Ethanol produced (Metric Tons)	<b>31,048</b>	28,160
No. of days Distillery Plant operated	<b>298</b>	325

### FINANCIAL DATA

	(Rupees in thousand)	
Sales revenue	<b>5,353,972</b>	5,642,437
Cost of Sales	<b>4,469,826</b>	5,036,115
Administrative expenses	<b>150,588</b>	131,171
Financial Cost	<b>373,654</b>	311,586
Profit before taxation	<b>243,411</b>	84,281
Provision for taxation	<b>16,670</b>	(7,330)
Profit after tax	<b>226,741</b>	91,611
Earning per share	<b>Rs. 10.74</b>	Rs. 4.34

### PERFORMANCE REVIEW:

#### SUGAR DIVISION:

Sugarcane crushing was commenced on November 01, 2013 as per directives of the Government and continued up to March 16, 2014. During the year under consideration the Mills crushed 666,887 metric tons of sugarcane as against 561,083 metric tons crushed in the previous year. The crushing volume was higher by about 19 percent as compared to the previous year's volume but the sugar produced was more by about twenty percent and stood at 71,473 metric tons as against 59,343 metric tons produced last year. This was due to higher crushing and slight improvement in the recovery percentage which was, Alhamdulillah, at 10.72 percent versus 10.58 percent achieved last year.

During the crushing season the Government of Sindh did not increase the minimum support price of sugarcane and maintained the last year's support price which was fixed at Rs.172 per 40 kg of sugarcane. The availability of sugarcane was also regular which assisted the Mill to produce more sugar during the season. The production of sugar in the country and internationally was more than the overall requirements and as a result the price of the product remained under pressure in the country.



**ETHANOL DIVISION:**

During the year under review the Distillery Division produced 31,048 metric tons of Ethanol as against 28,160 metric tons produced during the previous year. The production was higher by 2,888 metric tons. Your Company exported 30,603 metric tons of Ethanol as against 29,190 metric tons exported last year and earned valuable foreign exchange for the country. Pakistan has now become a major exporter of ethanol to certain destinations. Pakistan's ethanol is gaining repute of consistent standard and quality internationally.

Pakistan itself, also has a potential market for ethanol, specifically but not limited to fuel blending, disinfectants, screen wash, polish and paints industry, inks industry, perfumes, and more significantly, in areas where there is an acute shortage of natural gas or non-availability of the same or LPG - ethanol can be used for cooking through ethanol stoves (like already being done in India). The use of ethanol stoves in Pakistan needs to be developed urgently to save our forests which are being cut down due to cooking requirements of households in Northern Areas and this will be a great achievement for Pakistan to save the environment. Also important to note where, at present we see in Pakistan, people standing in long lines waiting for hours at petrol pumps to get CNG, ethanol can be developed to be used for small vehicles, rickshaws and motorcycles whereby CNG can be replaced with ethanol. The Government of Pakistan is requested to urgently look into the above issues and assist the ethanol industry in achieving the above key target areas.

**CAPITAL EXPENDITURE:**

In the Sugar Industry upgrading the plant and machinery is a continuous process. During the year under consideration the Company incurred an expenditure of Rs.148.369 million on additions and BMR in order to maintain the efficiency of the plant.

**STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CORPORATE GOVERNANCE:**

1. The Financial Statements prepared by the management of the Company present fairly its state of affairs, the results of its operation, cash flows and changes in equity.
2. The Company has maintained proper books of accounts as required by the law.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed and explained.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Company's ability to continue as going concern.
7. There has been no material departure from the best practices of the Code of Corporate Governance as detailed in the listing regulations of the Stock Exchange.
8. There have been no outstanding statutory payments; however, there are some disputed cases which are appearing in the relevant notes to the financial statements.
9. The pattern of share holding in the Company as on September 30, 2014 is also included in the Annual Report.
10. The Directors, Chief Executive, Chief Financial Officer, Company Secretary, their spouses or minor children carried out no trade in the shares of the company except as otherwise indicated.
11. Value of investment and balance in deposit accounts of Provident Fund based on unaudited account as at 30th June, 2014 amounted to Rs.32.716 million.

The key operating and financial data of the last ten years and pattern of shareholding have been included in the Annual Report. There has been no significant change in the holding of directors or their spouses.



**CHANGES IN THE COMPOSITION OF BOARD OF DIRECTORS:**

There has been no change in the composition of the Board of Directors during the year under consideration. Five meetings of the Board were held and attendance by each director was as under.

<u>Name of Directors</u>	<u>Attended</u>	<u>Status</u>
Mr. Ismail H Zakaria (Chairman)	4	Non-Executive
Mr. Yusuf Ayoob	5	Executive
Mr. Suleman Ayoob	5	Non-Executive
Mr. A. Aziz Ayoob	3	Executive
Mr. Zia Zakaria	5	Executive
Mr. Ghulam Mohiuddin Zakaria	5	Non-Executive
Mr. Zohair Zakaria	2	Non-Executive
Mr. Naeem Ahmad Shafi	4	Independent Director
Mr. Khurram Aftab	5	N.I.T Nominee

The details of the remuneration of executives and non-executive directors have also been provided in the relevant note to the financial statements as required under the Code of Corporate Governance.

**AUDIT COMMITTEE:**

The Board has also constituted an Audit Committee comprising of the following directors. During the period under consideration four meetings of Audit Committee were held and attendance by each member was as under.

<u>NAME OF DIRECTORS</u>	<u>ATTENDED</u>	<u>STATUS</u>
Mr. Naeem Ahmed Shafi (Chairman)	3	Independent Director
Mr. Suleman Ayoob (Member)	4	Non-executive
Mr. Zohair Zakaria (Member)	2	Non-executive

Term of Reference of the Audit Committee has also been determined by the Board in accordance with the guide lines provided in the Listing Regulations of the stock exchange.

**HUMAN RESOURCE AND REMUNERATION COMMITTEE:**

The Board in accordance with the Code of Corporate Governance has constituted Human Resource and Remuneration Committee and during the year one meeting was held and was attended by the following directors.

1.	Mr. Suleman Ayoob	Chairman	Non-executive
2.	Mr. Yusuf Ayoob	Member	Executive
3.	Mr. Ghulam Mohiuddin Zakaria	Member	Non-executive

**FUTURE OUTLOOK:**

**SUGAR DIVISION:**

For the past two years i.e 2013-14 and 2012-13 the Government of Sindh maintained sugarcane price at Rs.172 per 40 kg of the same. For the crushing season 2014-15 the Government of Sindh increased the support price of sugarcane to Rs.182 per 40 kg vide notification dated 07-11-2014 despite the prevailing low price of sugar in the market. Subsequently the said notification was withdrawn and price of sugarcane was re-fixed at Rs.155 per 40 kg, which was more reasonable in the light of the prevalent sugar price.

However, this was also withdrawn and the price has now been reverted to Rs.182 per 40 kg, which presently stands as the minimum support price of raw material for your sugar mills.

The crushing of sugarcane for the current year is expected to commence in the third week of December 2014. The recovery rate trend would be clear when substantial crushing is completed. In case the recovery rate is decline the production cost of the product would further increase coupled with the increase in the raw material cost, which would affect the bottom line adversely. As reported earlier the price of sugar remains depressed in the international and local markets due to excessive production of the same. Other direct and indirect costs have also been increased and it would be difficult for the sugar mills to recover these costs unless the sugar price also increases proportionately.

The area under plantation has increased sizably but at this stage the recovery percentage of sugar cannot be envisaged which will be clear only when the substantial quantum of sugarcane crushing is completed.



The price of refined sugar in the international market continues to be depressed with higher production expected in the upcoming year particularly in the South East Asian region. Additionally, the international commodity markets have been very depressed over last year and sugar is also affected.

**POWER GENERATION:**

In order to diversify business, improve performance and earnings of the company the board has resolved to explore the difference avenues including generation in house use, and external sale of power. In pursuance of this the management has applied to National Electrical Power Regulatory Authority (NEPRA) to obtain license for generation of power up to 20MW. The proposal is under consideration and license has not yet been received.

**ETHANOL DIVISION:**

Molasses is the raw material for production of ethanol. Availability of the same during off season is uncertain as most of the sugar mills sell or export molasses in order to generate funds to meet the requirement of working capital. Sugar mills which have installed the facility of producing ethanol are also in the operation of procurement of molasses during crushing season. The management of your company has taken the decision to procure the molasses for requirement of the current year during the crushing season as the price of the same is reasonable. In order to purchase molasses the company will have to borrow funds for payment to the suppliers of molasses and as a result had to absorb higher financial charges. During the year the Ethanol Plant operated for 298 days as against 325 days of operation in the preceding year. However, the production was higher due to more efficient operation this year. The crushing of sugarcane in the province has since commenced and negotiations for purchase of molasses are under way with the various sugar mills. The international market of ethanol may post some gains depending on the production cycle in Brazil which always provides the direction to the Ethanol prices. But presently is on the lower side due to the low oil price internationally.

**CREDIT RATING OF THE COMPANY:**

JCR-VIS Credit Rating Company Limited has assigned initial medium to long term entity rating of 'BBB+/A-2-' to the Company. Outlook on medium to long term rating is "Stable".

**MECHANISM FOR EVALUATION OF THE BOARD:**

As per Code of Corporate Governance, the evaluation of the Board members was essential within two years of the issue of Code of Corporate Governance. The Board has to set the mechanism during the year as required under the Code of Corporate Governance of evaluation of its performance and also Board's committees. The Board also reviews developments in corporate governance to ensure that the company is always updated with best practices.

**CORPORATE & SOCIAL RESPONSIBILITY:**

The company takes keen interest in its social and corporate responsibilities towards its employees and general public living in its franchise area of your Mill. During the year an amount of Rs.5.924 million was incurred in respect of running of school and other related welfare activities.

**DIVIDEND:**

Directors are pleased to recommend the payment of cash dividend at 20 percent i.e. Rs. 2 (2013: 15% cash dividend i.e. Rs. 1.50) per share of Rs. 10 each.

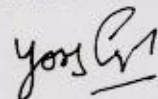
**AUDITORS:**

The present auditors, M/s Kreston Hyder Bhimji & Co., Chartered Accountants, retired and being eligible offered their services for re-appointment for the financial year 2014-15. Audit Committee has recommended their appointment for the year 2014-15 and Board of Directors of the company endorsed the recommendations of the Audit Committee for re-appointment of M/s Kreston Hyder Bhimji & Co., Chartered Accountants, till the conclusion of the next Annual General Meeting of the members.

**STAFF RELATIONS:**

Finally the Directors of your Company record their appreciations for the perseverance, commitment to meeting the objectives and targets and the team work put in by the Management and employees, in the current demanding environment and are confident that they will continue to demonstrate the same zeal and vigor in future.

By order of the Board



**YUSUF AYOOB**  
CHIEF EXECUTIVE OFFICER



## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED SEPTEMBER 30, 2014

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

- The company encourages representation of independent non-executives directors on the Board of Directors. At present the Board consists of nine directors including five non-executive directors and one Independent Director. At present the Board includes.

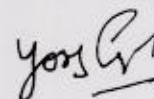
<u>Category</u>	<u>Names</u>
Independent Director	i) Mr. Naeem Ahmed Shafi
Executive Directors	ii) Mr. Yusuf Ayoob
	iii) Mr. Zia Zakaria
	iv) Mr. A. Aziz Ayoob
Non-Executive Directors	v) Mr. Ismail H Zakaria
	vi) Mr. Suleman Ayoob
	vii) Mr. Ghulam Mohiuddin Zakaria
	viii) Mr. Zohair Zakaria
	ix) Mr. Khurram Aftab

The independent director meets the criteria of independence under clause 1 (b) of the CCG.

- All the directors have confirmed that none of them is serving as director in more than seven listed companies, including this Company.
- 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 DFI or a NBF1. None of the Directors of the company is a member of the Stock Exchange.
- No casual vacancy occurred in the Board during the year.
- 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.
- 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 dates on which they were approved or amended has been maintained.
- 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; other executives and non-executive directors, have been taken by the Board.
- The meetings of the Board were presided over by the Chairman and, in 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 the agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.



9. Since all the directors possess 14 years of education and more than 15 years of experience, they are exempt from the directors' training program as per Code of Corporate Governance. However one of the directors has acquired the required certification from the Institute of Corporate Governance.
10. No new appointment of CFO, Company Secretary or the Head of Internal Audit has been made during the year. The remuneration, terms and conditions of the employment of CFO, Company Secretary and Head of Internal Audit and any changes thereto has been approved by the Board.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. 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.
14. The Company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance.
15. The Board has formed an Audit Committee. It comprises of three members. All members are non-executive directors and Chairman of the Committee is an independent director.
16. The meetings of the Audit Committee were held at least once every quarter prior to the approval of interim and final results of the Company as required by the Code of Corporate Governance. The terms of reference of the Committee have been formed and advised to the committee for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises of three members, of whom two are non-executive and one executive director.
18. The Board has set up an effective internal audit function in the Company managed by qualified and experience professional who are conversant with the policies and procedures of the Company and the industry's best practices. They are involved in the internal audit functions on a full time basis. The head of internal audit department functionally reports to the Board's Audit Committee.
19. 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.
20. 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 regards.
21. The 'closed period' prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of the Company's securities, was determined and intimated to directors, employees and stock exchange.
22. Material / price sensitive information has been disseminated amongst all the market participants at once through the stock exchange.
23. We confirm that all material principles contained in the Code of Corporate Governance have been complied with except those indicated in the notes to the accounts.



**YUSUF AYOOB**  
CHIEF EXECUTIVE OFFICER

Karachi: 19th December, 2014

## KEY OPERATION & FINANCIAL DATA FOR LAST TEN YEARS

(Rupees in thousand)

2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
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### BALANCE SHEET:

Share Capital	211,187	211,187	211,187	211,187	211,187	211,187	211,187	211,187	211,187	211,187
Reserves	736,114	521,769	442,188	296,930	208,586	184,529	76,405	(99,177)	(109,334)	(146,508)
Surplus on revaluation of fixed assets	611,888	416,220	431,487	451,986	473,701	496,561	314,874	331,257	348,544	366,787
Long Term Liabilities	761,669	726,251	817,157	914,113	741,021	973,916	1,164,938	1,131,560	1,049,346	538,719
Deferred Taxation	28,842	24,831	70,877	128,364	173,525	182,822	169,547	197,178	206,487	221,306
Current Liabilities	2,318,096	1,901,805	2,336,772	2,878,103	1,502,702	1,011,608	1,298,067	1,089,329	1,022,614	1,493,277
Operating Assets	2,425,608	2,141,973	2,149,828	2,044,741	1,957,988	1,918,684	1,693,408	1,681,232	1,644,117	1,630,152
Long Term Deposits	2,390	2,390	2,532	2,708	2,570	2,462	5,133	25,968	19,382	13,111
Long Term Investment	5,101	4,346	4,130	2,909	4,601	4,362	4,265	4,215	4,060	3,670
Current Assets	2,229,376	1,646,273	2,150,986	2,828,149	1,344,912	1,135,115	1,532,212	1,149,919	1,061,285	1,037,835

### TRADING

Turnover	5,353,972	5,642,437	5,362,004	4,392,083	4,440,856	2,887,436	2,345,768	1,523,852	1,880,477	1,067,984
Gross Profit/(Loss)	884,146	606,322	695,891	754,349	582,289	603,637	585,326	288,071	264,571	130,867
Operating Profit/(Loss)	616,908	395,721	462,591	550,887	409,360	444,042	395,895	200,048	187,051	70,009
Profit/(Loss) before Tax	243,411	84,281	111,079	88,526	67,308	115,012	158,225	(8,968)	13,548	(51,289)
Profit/(Loss) after Tax	226,741	91,611	145,344	89,717	32,248	102,794	169,708	(7,285)	18,541	(46,086)
Earning Per Share	10.74	4.34	6.88	4.25	1.53	4.87	8.04	(0.34)	0.88	(2.18)
Cash Dividend	15%	15%	15%	10%	10%	15%	10%	NIL	NIL	NIL
Bonus Shares	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL

### SUGAR PRODUCTION

a) From Cane	71,473	59,343	57,077	60,775	49,565	47,690	69,286	52,510	31,640	33,614
b) From Raw Sugar	-	-	-	-	-	-	-	-	9,814	4,566
Cane Crushed (M.Tons)	666,887	561,083	566,077	654,892	521,062	482,166	762,418	552,767	321,769	335,100
Sugar Produced (M.Tons)	71,473	59,343	57,077	60,775	49,565	47,690	69,286	52,510	41,454	37,872
Recovery (%)	10.72%	10.58%	10.09%	9.27%	9.51%	9.85%	9.08%	9.50%	9.88%	9.90%



**Review Report to the Members on the Statement of Compliance with Best Practices of the Code of Corporate Governance**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended September 30, 2014 prepared by the Board of Directors of **SHAHMURAD SUGAR MILLS LIMITED** ("the Company") to comply with the Listing Regulations of Karachi Stock Exchange Limited, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance 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 of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, the Listing Regulations requires the Company to place before the Board of Directors for their consideration and approval of 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 recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before 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 of Corporate Governance as applicable to the company for the year ended September 30, 2014.

*Kreston Hyder Bhimji & Co*  
**KRESTON HYDER BHIMJI & CO**  
CHARTERED ACCOUNTANTS

Karachi, December 19, 2014

**KARACHI Office:**

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## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of M/S. SHAHMURAD SUGAR MILLS LIMITED (the Company) as at September 30, 2014 and the related Profit and Loss Account, Statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity 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 purposes 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 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) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) 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 the 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, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.
- c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account, Statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity, 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 profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

*Kreston Hyder Bhimji & Co*

**KRESTON HYDER BHIMJI & CO**  
CHARTERED ACCOUNTANTS  
Engagement Partner: Fahad Ali Shaikh

Karachi, December 19, 2014

**KARACHI Office:**

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**BALANCE SHEET**  
**AS AT SEPTEMBER 30, 2014**

	Note	2014 (Rupees in thousand)	2013
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	4	2,425,608	2,141,973
Intangible asset	5	2,480	4,452
Long Term Investment	6	5,101	4,346
Long Term Loans	7	2,841	2,629
Long Term Deposits	8	2,390	2,390
		<b>2,438,420</b>	<b>2,155,790</b>
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	9	186,179	182,312
Stock-in-trade	10	1,755,960	1,021,978
Trade debts	11	35,370	189,114
Loans and advances	12	108,404	126,228
Trade deposits and short term prepayments		1,576	4,380
Other receivables	13	47,005	47,017
Income Tax refundable-Payments less Provision		61,960	45,250
Cash and bank balances	14	32,922	29,994
		<b>2,229,376</b>	<b>1,646,273</b>
		<b>4,667,796</b>	<b>3,802,063</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised Capital 25,000,000 ordinary shares of Rs. 10 each		<b>250,000</b>	<b>250,000</b>
Issued, subscribed and paid-up capital	15	211,187	211,187
General reserve	16	80,000	80,000
Share of associate's unrealised loss on remeasurement of investment		(780)	(1,378)
Unappropriated profit		656,894	443,147
		<b>947,301</b>	<b>732,956</b>
<b>Surplus On Revaluation Of Property, Plant &amp; Equipment</b>	17	<b>611,888</b>	<b>416,220</b>
<b>NON CURRENT LIABILITIES</b>			
Long Term Financing	18	530,833	490,719
Loan from Related Parties	19	230,836	230,836
Liabilities against assets subject to finance lease	20	-	4,696
Deferred taxation	21	28,842	24,831
		<b>790,511</b>	<b>751,082</b>
<b>CURRENT LIABILITIES</b>			
Trade and other Payables	22	420,015	300,097
Accrued markup / finance cost	23	45,737	31,303
Short term borrowings	24	1,662,755	1,121,105
Current portion of long term financing and Liabilities against assets subject of finance lease	25	189,589	449,300
		<b>2,318,096</b>	<b>1,901,805</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	26	-	-
		<b>4,667,796</b>	<b>3,802,063</b>

The annexed notes 01 to 46 form an integral part of these financial statements.

  
**YUSUF AYOOB**  
Managing Director

  
**ZIA I. ZAKARIA**  
Director

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

	Note	2014 (Rupees in thousand)	2013
Sales	27	5,353,972	5,642,437
Cost of sales	28	(4,469,826)	(5,036,115)
Gross profit		884,146	606,322
Less:			
Distribution Cost	29	(143,017)	(98,075)
Administrative Expenses	30	(150,588)	(131,171)
Other Operating Charges	31	(21,140)	(9,622)
		(314,745)	(238,868)
Other Income	32	47,507	28,267
Operating Profit		616,908	395,721
Finance Cost	33	(373,654)	(311,586)
		243,254	84,135
Share of profit in associate	6	157	146
Profit before taxation		243,411	84,281
Taxation	34	(16,670)	7,330
Profit after taxation		226,741	91,611
Earning per share - Basic and diluted	35	10.74	4.34

The annexed notes 01 to 46 form an integral part of these financial statements.

  
**YUSUF AYOOB**  
 Managing Director

  
**ZIA I. ZAKARIA**  
 Director



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

	Note	2014 (Rupees in thousand)	2013
Profit after taxation		226,741	91,611
<b>Other Comprehensive Income</b>			
<i>Items that will not be reclassified subsequently to profit and loss account</i>			
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation net of deferred tax	17	18,684	19,578
<i>Items that may be reclassified subsequently to profit and loss account</i>			
Share of associate's unrealised profit on remeasurement of investment	6.2	598	70
		19,282	19,648
<b>Total Comprehensive Income for the year</b>		<b>246,023</b>	<b>111,259</b>

The annexed notes 01 to 46 form an integral part of these financial statements.

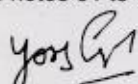
  
**YUSUF AYOOB**  
 Managing Director

  
**ZIA I. ZAKARIA**  
 Director

**CASH FLOW STATEMENT**  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	2014	2013
	(Rupees in thousand)	
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	243,411	84,281
Adjustment for:		
Depreciation	112,488	110,716
Amortization	1,972	1,465
Gain on disposal of property, plant and equipment	(434)	(672)
Provision for obsolescence and slow moving items	1,952	1,061
Provision for doubtful loan to growers	-	1,137
Finance cost	373,654	311,586
Share of profit in associate	(157)	(146)
	<b>489,475</b>	<b>425,147</b>
<b>Cash generated before working capital changes</b>	<b>732,886</b>	<b>509,428</b>
<b>(Increase) / decrease in current assets</b>		
Stores, spare parts and loose tools	(5,819)	(5,604)
Stock in trade	(733,982)	796,070
Trade debts	153,744	(182,772)
Loans & advances	17,824	(57,155)
Trade deposits and short term prepayments	2,804	(3,226)
Other receivables	12	(28,947)
	<b>(565,417)</b>	<b>518,366</b>
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	119,624	(553,749)
Short term borrowings	541,650	82,334
	<b>661,274</b>	<b>(471,415)</b>
Cash generated from operations	<b>828,743</b>	<b>556,379</b>
Income tax paid	(63,617)	(41,248)
Finance cost paid	(359,220)	(320,348)
Increase in long term loans	(212)	(774)
Decrease in long term deposits	-	142
	<b>(423,049)</b>	<b>(362,228)</b>
<b>Net cash flow from operating activities</b>	<b>405,694</b>	<b>194,151</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	(148,369)	(104,886)
Additions to intangible asset	-	(5,917)
Sale proceeds from disposal of Property, Plant and Equipment	1,280	2,697
<b>Net cash outflow from investing activities</b>	<b>(147,089)</b>	<b>(108,106)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from long term financing	225,000	550,000
Repayment of long term financing	(440,719)	(588,419)
Repayment of loan from related parties	-	(19)
Repayment of liabilities against assets subject to finance lease	(8,574)	(7,567)
Dividend paid	(31,384)	(31,371)
<b>Net cash outflow from financing activities</b>	<b>(255,677)</b>	<b>(77,376)</b>
<b>Net Increase in cash and cash equivalents (A+B+C)</b>	<b>2,928</b>	<b>8,669</b>
Cash and cash equivalents at the beginning of the year	29,994	21,325
<b>Cash and cash equivalents at the end of year</b>	<b>32,922</b>	<b>29,994</b>

The annexed notes 01 to 46 form an integral part of these financial statements.

  
**YUSUF AYOOB**  
Managing Director

  
**ZIA I. ZAKARIA**  
Director



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

	Issued, Subscribed & paid up capital	General reserves	Share of associate's unrealized (loss)/ Gain on remeasurement of investment	Un-appropriated profit	Total
	..... Rupees in thousand.....				
Balance as at October 01, 2012	211,187	80,000	(1,448)	363,636	653,375
<b><u>During the year ended September 30, 2013</u></b>					
<b>Transaction with owners</b>					
Final Dividend for 30-September-2012 @ 1.50 per Share	-	-	-	(31,678)	(31,678)
<b>Total Comprehensive Income For the year</b>					
Profit after taxation	-	-	-	91,611	91,611
<b>Other comprehensive income for the year</b>					
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation net of deferred tax	-	-	-	19,578	19,578
Share of associate's unrealised profit on remeasurement of associate's investment	-	-	70	-	70
	-	-	70	19,578	19,648
<b>Balance as at September 30, 2013</b>	<b>211,187</b>	<b>80,000</b>	<b>(1,378)</b>	<b>443,147</b>	<b>732,956</b>
<b><u>During the year ended September 30, 2014</u></b>					
<b>Transaction with owners</b>					
Final Dividend for 30-September-2013 @ 1.50 per Share	-	-	-	(31,678)	(31,678)
<b>Total Comprehensive Income For the year</b>					
Profit after taxation	-	-	-	226,741	226,741
<b>Other comprehensive income for the year</b>					
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation net of deferred tax	-	-	-	18,684	18,684
Share of associate's unrealised profit on remeasurement of associate's investment	-	-	598	-	598
	-	-	598	18,684	19,282
<b>Balance as at September 30, 2014</b>	<b>211,187</b>	<b>80,000</b>	<b>(780)</b>	<b>656,894</b>	<b>947,301</b>

The annexed notes 01 to 46 form an integral part of these financial statements.

  
**YUSUF AYOOB**  
Managing Director

  
**ZIA I. ZAKARIA**  
Director

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

### 1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan under the repealed Companies Act, 1913 (now Companies Ordinance, 1984) as a public limited company. Its shares are quoted at the Karachi Stock Exchange. The Company owns and operates Sugar and Ethanol manufacturing units which are located at Jhok, District Thatta in the province of Sindh. The registered office of the Company is located at 96-A, Sindhi Muslim Cooperative Housing Society, Karachi, Sindh.

### 2 BASIS OF PREPARATION

#### 2.1 BASIS OF MEASUREMENT

These financial statements have been prepared under the 'historical cost convention' except certain items of property, plant and equipments, stated at revalued amount and long term investment in associates accounted for under equity method.

#### 2.2 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 (IFRS) 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 shall prevail.

#### 2.3 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements have been prepared in Pak Rupees, which is the Company's functional currency.

#### 2.4 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions of accounting estimates are recognized in the period in which the estimate is revised and in any future periods as appropriate. In the process of applying the accounting policies, management makes following estimates and judgments which are significant to the financial statements:

##### a) Property, plant and equipment

The Company reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation. Further, where applicable, an estimate of the recoverable amount of asset is made for possible impairment on an annual basis. In making these estimates, the Company uses technical resources available with the Company. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with corresponding effects on the depreciation and impairment.

##### b) Stock-in-trade

The Company reviews the net realizable value of stock in trade to assess any diminution in the respective carrying values. Net realizable value is estimated with reference to the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

##### c) Taxation

In making the estimate for income tax payable by the Company, the Company takes into account the applicable tax laws and decision by appellate authorities on certain issues in past. Due weightage is given to past history while determining the ratio of future export sales for the purposes of calculating deferred taxation.

Deferred tax assets are recognized for all unused tax losses and credits to the extent that it is probable that taxable profit will be available against which such losses and credits can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.



**d) Impairment**

The Company reviews carrying amount of assets annually to determine whether there is any indication of impairment. Such indication exists, the assets recoverable amount is estimated and impairment losses are recognized in the profit and loss account.

**e) Stores, spare parts and loose tools with respect to provision for obsolescence and slow moving items**

The estimates of slow moving and obsolete stores, spare parts and loose tools, are made, using and appropriately judging the relevant inputs and applying the parameters, as the management considers appropriate, which, on actual occurrence of the subsequent event, may fluctuate. The effect of variation is given as and when it takes place.

**f) Trade debts**

The Company reviews its doubtful trade debts at each reporting date to assess whether provision should be recorded in the profit and loss account. In particular, judgment by management is required in the estimation of the irrecoverable amount and timing of future cash flow when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provision. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in making payments are considered indicators that the trade debt is doubtful and the provision recognized in the profit and loss account.

**2.5 STANDARDS, AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARD AND INTERPRETATIONS**

**2.5.1 New and amended standards and interpretations became effective**

During the year, the following approved accounting standards, interpretations, amendments / revisions to the approved accounting standards became effective for the accounting periods beginning from the dates specified below:

**IAS-19 Employee Benefits - Amendment (Effective for annual periods beginning on or after January 01, 2013)**

The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income (elimination of 'corridor method' for recognition of actuarial gains and losses). It also revised the method of calculating the return on plan assets. The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.

**IFRS-7 Financial Instruments: Disclosures - Disclosures about offsetting of financial assets and liabilities (Effective for annual periods beginning on or after January 01, 2013)**

These amendments require entities to disclose gross amount subject to right of set off, amounts set off in accordance with accounting standards followed, and the related net credit exposure. These disclosures are intended to facilitate comparison between those entities that prepare financial statements based on IFRS and those that prepare financial statements based on US GAAP.

**IAS 27 Separate Financial Statements- Amendment (Effective for annual periods beginning on or after January 01, 2013)**

The Standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with IFRS 9 Financial Instruments / IAS 39 Financial Instruments: Recognition and Measurement. The Standard also deals with the recognition of dividends, certain group reorganisations and includes a number of disclosure requirements.

**IAS 28 Investments in Associates and Joint Ventures - Amendment (Effective for annual periods beginning on or after January 01, 2013)**

This Standard supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The Standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.



**IFRIC -20 Stripping costs in the production phase of surface mine:** (Effective for annual periods beginning on or after January 01, 2013)

The cost of stripping activity to be accounted for in accordance with the principles of IAS 2 Inventories to the extent that the benefit from the stripping activity is realized in the form of inventory produced.

These revised standards or amendments to standards are either irrelevant or do not have any material impact on the operations and financial statements of the Company.

**2.5.2 Approved standards, interpretations and amendments to published approved accounting standards issued but not yet effective for the current financial year**

The following are revised standards, amendments and interpretations with respect to approved accounting standards as applicable in Pakistan and would be effective from the dates mentioned below against the respective standards or interpretations:

**IAS -32 Financial instruments: presentation-** Disclosures about offsetting of financial assets and liabilities (Effective for annual periods beginning on or after January 01, 2014)

These clarify certain aspects in the application of the requirements on offsetting, focused on four main areas: the meaning of 'currently has a legally enforceable right of set-off', the application of simultaneous realization and settlement, the offsetting of collateral amounts and the unit of account for applying the offsetting requirements.

**IFRIC 21- Levies, an interpretation on the accounting for levies imposed by governments'** (effective for annual periods beginning on or after 01 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.

**IAS 36 Impairment of Assets' Recoverable Amount Disclosures for Non-Financial Assets (Amendment)** effective for annual periods beginning on or after 01 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.

**IAS 39 Financial Instruments: (Amendments) Recognition and Measurement' Continuing hedge accounting after derivative novation** (effective for annual periods beginning on or after 01 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.

**IAS - 19 Employee Benefits' Employee contributions – Amendments - a practical approach** (effective for annual periods beginning on or after 01 July 2014).

The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.

**IAS - 38 & IAS-16 Amendments to IAS 38 'Intangible Assets' and IAS 16 'Property, Plant and Equipment'** (effective for annual periods beginning on or after 01 January 2016)

This amendment introduces 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 amortization 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.



**IFRS 10 Consolidated Financial Statements (effective for annual periods beginning on or after January 1, 2015)**

This is a new standard that replaces the consolidation requirements in SIC - 12 Consolidation: Special Purpose Entities and IAS 27 - Consolidated and Separate Financial Statements. The proposed standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess.

**IFRS 11 Joint Arrangements (effective for annual periods beginning on or after January 1, 2015)**

This is a new standard that deals with the accounting for joint arrangements and focuses on the rights and obligations of the arrangements, rather than its legal form. Standard requires a single method for accounting for interests in jointly controlled entities.

**IFRS 12 Disclosure of Interest in Other Entities (effective for annual periods beginning on or after January 1, 2015)**

This is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

**IFRS 13 Fair Value Measurement (effective for annual periods beginning on or after January 1, 2015)**

This standard applies to IFRSs that require or permit fair value measurement or disclosures and provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement. The standard defines fair value on the basis of an 'exit-price' notion and uses 'a fair value hierarchy', which results in market-based, rather than entity-specific measurement.

The above amendments, revisions and interpretations are either irrelevant to the company or their adoption will not have material impact on the Company's financial statements except for additional disclosures.

**Annual Improvements 2010-2012 and 2011-2013 cycles** (most amendments will apply prospectively for annual period beginning on or after 01 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**

IFRS 8 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.

These amendments / clarification are not likely to have any material impact on the Company's financial statements.

**2.5.3 New standards issued by IASB not yet adopted by SECP**

Following new standards issued by IASB have not yet been adopted by the Securities and Exchange Commission of Pakistan.

**IFRS 1 First-time Adoption of International Financial Reporting Standards** (Effective for annual periods beginning on or after July 01, 2009)

IFRS 1 'First-time Adoption of International Financial Reporting Standards' sets out the procedures that an entity must follow when it adopts IFRSs for the first time as the basis for preparing its general purpose financial statements. The IFRS grants limited exemptions from the general requirement to comply with each IFRS effective at the end of its first IFRS reporting period.

**IFRS 14 Regulatory Deferral Accounts** (Effective for annual periods beginning on or after Jan 01, 2016)

IFRS 14 'Regulatory Deferral Accounts' permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income, and specific disclosures are required.

**IFRS 15 Revenue from Contracts with Customers** (Effective for annual periods beginning on or after Jan 01, 2017)

IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.

These new standards are either irrelevant or will not have any material effect on the Company's financial statements.

**3 SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted are set out below

**3.1 Property Plant & Equipments**

**a) Operating assets**

**Owned**

Operating fixed assets except furniture, fixture & fittings and vehicles are stated at revalued amounts less accumulated depreciation and impairment, if any. Furniture, fixture & fittings and vehicles are stated at cost less accumulated depreciation and impairment, if any.

Depreciation is charged to income applying the reducing balance method over the expected useful lives of the assets at the rates specified in assets note no. 4.1. depreciation on addition including assets after revaluations is charged from the quarter in which the assets are put to use while no depreciation is charged in the quarter in which the assets are disposed off.

The costs of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits associated with the part will flow to the Company and its cost can be measured reliably. Major renewals and improvements are capitalized when it is probable that respective future economic benefits will flow to the Company. The costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.



In accordance with Section 235 of the Companies Ordinance, 1984 an amount equal to the incremental depreciation charged on assets after revaluation has been transferred from the surplus on revaluation of fixed assets to unappropriated profit in the current year through Statement of changes in equity. Consequently incremental depreciation charged for the period on revalued assets is transferred from surplus on revaluation of fixed assets to unappropriated profit as the case may be during the current year as referred to in note no. 17 of these financial statements.

Gain or loss on disposal of property, plant and equipment is taken to profit and loss account.

#### **Assets subject to finance lease**

Assets held under finance lease are initially recognized as items of property, plant & equipment of the company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments as disclosed in note no 3.1.

These are subsequently stated at recorded amount less accumulated depreciation and impairment loss, if any. These assets are depreciated over their expected useful life at the rates specified in the note no 4.1 on the same basis as owned assets.

#### **b) Capital work-in-progress**

Capital work-in-progress is stated at cost accumulated up to the balance sheet date less impairment if any and represents costs / expenditures incurred on property, plant and equipment during the course of construction, installation and implementation. These are transferred to specific assets as and when assets are available for intended use.

#### **3.2 Intangible Asset**

Intangible assets acquired by the Company are stated at cost less accumulated amortisation and impairment if any. Amortisation is charged to income over the period of three years on straight line basis.

#### **3.3 Investment in Associates**

The Investment in associates is accounted for under equity method. Under this method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss of the investee after the date of acquisition which is recognized in the profit and loss account. Dividend received, if any, reduces the carrying amount of investment. Changes in associate's equity including those arising from the revaluation of property, plant and equipment are recognized directly in the Company's equity in proportion of the equity held.

Investment is de-recognized when the Company has transferred substantially all risks and rewards of ownership and rights to receive cash flows from the investment has expired or has been transferred.

#### **3.4 Stores, Spare parts and Loose Tools**

Stores, spare parts and loose tools are valued at cost, using first-in-first-out (FIFO) method. Items in transit are valued at cost comprising invoice value and other charges incurred thereon up to the balance sheet date. Adequate provision is made for obsolescence and slow moving items as and when required based on parameters set out by management.

#### **3.5 Stock-in-Trade**

These are stated at lower of weighted average cost and net realizable value.

Cost in relation to finished goods and semi finished goods represents cost of raw material and an appropriate portion of manufacturing overheads. Cost in respect of semi finished goods is adjusted to an appropriate stage of completion of process.

Cost in relation to stock of molasses held by Distillery Division is valued at average cost.

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

#### **3.6 Trade Debts**

Trade debts are carried at original invoice amount that is fair value except export receivables. Export trade debts are translated into Pak Rupees at the rates ruling on the balance sheet date or as fixed under contractual arrangements. A provision for doubtful debt is established when there is objective evidence that the Company will not be able to collect amount due according to the original terms of the debts. When a trade debt is uncollectable, it is written off.



**3.7 Loans and Receivables**

Financial assets which have fixed or determinable payments and are not quoted in an active market are classified as loans and receivables. These are measured at cost / amortised cost less impairment, if any.

**3.8 Employees post employment benefits**

**Defined Contribution Plan**

The Company operates an approved provident fund scheme for all its employees eligible to the benefit and equal monthly contributions thereto are made both by the Company and the employees in accordance with the terms of the scheme @ 10% of the basic salary plus applicable cost of living allowances.

**Defined Benefit Plan**

The Company was operating unfunded gratuity scheme covering all its permanent employees eligible to the benefit under the scheme. However, in accordance with the award of Labour Court No. 6, Hyderabad the scheme has been discontinued effective from October 1, 2004 and balance amount have been shown under "Trade and Other Payables".

**3.9 Compensated unavailed leaves**

The Company accounts for its liability towards unavailed leaves accumulated by employees on accrual basis.

**3.10 Finance leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating lease.

Assets held under finance lease are recognized as items of property, plant & equipment of the company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as "Liabilities against asset subject to finance lease". Lease payments are apportioned between finance charges and reduction of the liabilities against assets subject to finance lease so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit & loss account unless they are directly attributable to qualifying assets in which case they are capitalized in accordance with the Company's general policy on borrowing cost.

**3.11 Taxation**

**a) Current Income Tax**

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credits, rebates and exemptions available, if any, or minimum tax under section 113 of the Income Tax Ordinance, 2001, whichever is higher. The charge for current tax also includes adjustments, where considered necessary, to provision for taxation made in previous years arising from assessments framed during the year for such years. The Company falls under the final tax regime under section 154 and 169 of the Income Tax Ordinance, 2001 to the extent of export sales.

**b) Deferred taxation**

Deferred tax is recognized using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying values for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that the deductible temporary differences will reverse in the future and sufficient taxable income will be available against which the deductible temporary differences can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be utilized.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. In this regard, the effects on deferred taxation of the portion of income expected to be subject to final tax regime is adjusted in accordance with the requirement of Accounting Technical Release - 27 of the Institute of Chartered Accountants of Pakistan (ICAP), if considered material.

**c) Sales tax and Federal Excise Duty**

Revenues, expenses and assets are recognized net off amount of sales tax / FED except:



- i) Where sales tax / FED incurred on a purchase of asset or service is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- ii) Receivables or payables that are stated with the amount of sales tax included.
- iii) The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

### 3.12 Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

### 3.13 Borrowings and their costs

Borrowings are recorded at the proceeds received / amortized cost.

Borrowing costs incurred on finances obtained for the construction / installation of qualifying assets are capitalized up to date the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to the profit and loss account currently.

### 3.14 Provisions

A provision is recognized when the Company has a legal or constructive obligation as a result of a past event, if it is probable that an out flow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

### 3.15 Financial Instruments

All the financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. All the financial assets are derecognized at the time when the Company loses control of the contractual right that comprise the financial assets. All financial liabilities are derecognized at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled or has expired. Any gain or loss on derecognition of the financial assets and financial liabilities are taken to profit and loss account.

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, or amortised cost, as the case may be as disclosed in the respective notes.

### 3.16 Offsetting of Financial Assets and Liabilities

All financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the Company has a legal enforceable right to set off the recognised amounts and intends either to settle on net basis or to realize the assets and settle the liabilities simultaneously.

### 3.17 Impairment of assets

#### Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicated that one or more events have had a negative effect on the estimated future cash flows of that asset.

The company considers evidence of impairment for receivable and other financial assets at specific asset level. Impairment losses are recognised as expense in profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### Non-Financial assets

The carrying amount of non-financial assets is assessed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount of such assets is estimated. Recoverable amount is higher of an asset's fair value less cost to sell and value in use. An impairment loss is recognised as expense in the profit and loss account for the amount by which asset's carrying amount exceeds its recoverable amount.



### 3.18 Revenue Recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and government levies. The following recognition criteria is adopted before revenue is recognized.

- Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods to customers.
- Return on bank deposits is recognized on a time proportion basis on the principal amount outstanding and the rate applicable.
- Mark-up on grower loan is accounted for in line with the recovery of the respective loan due to exigencies involved in such matters. Recognition of markup on loans considered doubtful is deferred.
- Dividend income is recognised when the Company's right to receive the payment is established.

### 3.19 Foreign currency transactions and translation:

Transactions in 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 using year-end spot foreign exchange rates and in case of forward contracts at the committed rates. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. Exchange differences on foreign currency translations are included in profit and loss account.

### 3.20 Cash and Cash Equivalents

For the purpose of cash flow statement cash and cash equivalents comprises cash and cheques in hand, balances with banks on current, savings and deposit accounts.

### 3.21 Segment Reporting

An operating segment is a component of the company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relates to transactions with any of the Company's other components. Operating segments are reported in a manner consistent with the internal reporting structure based on the operating (business) segments of the company. An operating segment's operating results are regularly reviewed by the management and the chief executive officer for the purpose of making decisions regarding resource allocation and performance assessment.

Segment results, assets and liabilities include items directly attributable to segment as well as those that can be allocated on a reasonable basis. Segment assets, consist primarily of property, plant and equipment, intangibles, stores and spares, stock in trade and other debts. Segment liabilities comprise of operating liabilities and exclude items that are common to all operating segments.

The accounting policies of the reportable segments are the same as the Company's accounting policies described in this note. Inter-segment transactions are recorded at fair value. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets.

The Company has following reportable segments on the basis of product characteristics and the criteria defined by the "IFRS 8 Segment Reporting".

Sugar Division - Manufacturing and sale of Refined Sugar

Distillery Division - Manufacturing and sale of Ethyl Ethanol.

### 3.22 Dividends and other appropriations

Dividend and appropriation to reserves are recognized in the financial statements in the period in which these are approved.

	Note	2014 (Rupees in thousand)	2013
<b>4 PROPERTY, PLANT AND EQUIPMENT</b>			
Operating Fixed Assets	4.1	2,383,222	2,104,891
Capital Work in Progress	4.2	42,386	37,082
		<u>2,425,608</u>	<u>2,141,973</u>



4.1 OPERATING ASSETS

PARTICULARS	2014											DEPRECIATION RATE PER ANNUM
	NET CARRYING VALUE					GROSS CARRYING VALUE			NET CARRYING VALUE			
	AS ON OCTOBER 1, 2013	DIRECT ADDITIONS	TRANSFER FROM CWP	DISPOSAL	DEPRECIATION	REVALUATION SURPLUS ON FRESH REVALUATION	AS ON SEPTEMBER 30, 2014	COST	ACCUMULATED DEPRECIATION	NET CARRYING VALUE AT SEP 30, 2014		
OWNED												
<b>FREE HOLD LAND</b>												
Cost	31,575	-	-	-	-	-	31,575	31,575	-	31,575	-	-
Revaluation	69,920	-	-	-	-	11,104	81,024	81,024	-	81,024	-	-
<b>FACTORY BUILDING</b>												
Cost	34,100	-	44,546	-	4,524	-	74,122	141,991	67,669	74,122	10%	10%
Revaluation	17,421	-	-	-	1,742	21,498	37,177	37,177	-	37,177	10%	10%
<b>NON FACTORY BUILDING</b>												
Cost	60,445	-	641	-	3,046	-	58,040	102,742	44,702	58,040	5%	5%
Revaluation	60,262	-	-	-	3,013	27,569	84,848	88,990	4,142	84,848	5%	5%
<b>RES QTR FOR LABOUR</b>												
Cost	6,764	-	-	-	678	-	6,106	30,308	24,202	6,106	10%	10%
Revaluation	5,270	-	-	-	527	2,597	7,340	12,695	5,355	7,340	10%	10%
<b>PLANT &amp; MACHINERY</b>												
Cost	1,348,307	1,370	86,779	-	71,075	-	1,385,381	2,362,125	996,744	1,385,381	5%	5%
Revaluation	400,859	-	-	-	20,043	185,802	566,618	641,212	74,594	566,618	5%	5%
<b>FURNITURE, FIXTURE AND FITTINGS</b>												
Cost	3,325	278	-	-	349	-	3,254	8,841	5,587	3,254	10%	10%
<b>OFFICE EQUIPMENT</b>												
Cost	19,317	3,997	-	-	2,191	-	21,123	40,164	19,031	21,123	10%	10%
Revaluation	1,648	-	-	-	165	-	1,483	4,786	3,303	1,483	10%	10%
<b>VEHICLES</b>												
Cost	13,365	5,454	-	846	3,520	-	14,443	39,234	24,791	14,443	20%	20%
<b>LEASED PLANT &amp; MACHINERY</b>												
Cost	32,303	-	-	-	1,615	-	30,688	36,793	5,105	30,688	5%	5%
	2,104,891	11,099	131,966	846	112,488	248,600	2,383,222	3,659,647	1,275,425	2,383,222		
<b>TOTAL</b>												
Cost	1,549,511	11,099	131,966	846	86,996	-	1,604,732	2,792,763	1,186,031	1,604,732		
Revaluation	555,380	-	-	-	25,490	248,600	778,490	865,884	87,384	778,490		
	2,104,891	11,099	131,966	846	112,488	248,600	2,383,222	3,658,647	1,275,425	2,383,222		

PARTICULARS	2013										DEPRECIATION RATE PER ANNUM	
	NET CARRYING VALUE					GROSS CARRYING VALUE						
	AS ON OCTOBER 1, 2013	DIRECT ADDITIONS	TRANSFER FROM CWP	DISPOSAL	DEPRECIATION	REVALUATION SURPLUS ON FRESH REVALUATION	AS ON SEPTEMBER 30, 2014	COST	ACCUMULATED DEPRECIATION	NET CARRYING VALUE AT SEP 30, 2014		
<b>OWNED</b>												
<b>FREE HOLD LAND</b>												
Cost	31,575	-	-	-	-	-	31,575	31,575	-	31,575	-	-
Revaluation	69,920	-	-	-	-	-	69,920	69,920	-	69,920	-	-
<b>FACTORY BUILDING</b>												
Cost	35,834	-	1,999	-	3,733	-	34,100	97,445	63,345	34,100	10%	10%
Revaluation	19,357	-	-	-	1,996	-	17,421	33,220	15,799	17,421	10%	10%
<b>NON FACTORY BUILDING</b>												
Cost	61,087	-	2,508	-	3,148	-	60,445	102,101	41,656	60,445	5%	5%
Revaluation	63,434	-	-	-	3,172	-	60,262	88,990	28,728	60,262	5%	5%
<b>RES QTR FOR LABOUR</b>												
Cost	4,105	-	3,169	-	490	-	6,764	30,308	23,524	6,764	10%	10%
Revaluation	5,855	-	-	-	585	-	5,270	12,695	7,425	5,270	10%	10%
<b>PLANT &amp; MACHINERY</b>												
Cost	1,268,189	-	149,002	-	68,894	-	1,348,307	2,273,976	925,669	1,348,307	5%	5%
Revaluation	421,983	-	-	-	21,124	-	400,859	641,212	240,353	400,859	5%	5%
<b>FURNITURE, FIXTURE AND FITTINGS</b>												
Cost	2,491	1,113	-	-	279	-	3,325	8,563	5,238	3,325	10%	10%
<b>OFFICE EQUIPMENT</b>												
Cost	15,348	5,872	-	-	1,903	-	19,317	36,157	16,840	19,317	10%	10%
Revaluation	1,831	-	-	-	183	-	1,648	4,786	3,138	1,648	10%	10%
<b>VEHICLES</b>												
Cost	17,467	1,492	-	2,025	3,579	-	13,355	35,777	22,422	13,355	20%	20%
<b>LEASED</b>												
<b>PLANT &amp; MACHINERY</b>												
Cost	34,003	-	-	-	1,700	-	32,303	35,793	3,490	32,303	5%	5%
<b>TOTAL</b>	2,052,479	8,477	156,676	2,025	110,716	-	2,104,891	3,502,518	1,397,627	2,104,891		
Cost	1,470,099	8,477	156,676	2,025	83,716	-	1,549,511	2,651,895	1,102,184	1,549,511		
Revaluation	582,380	-	-	-	27,000	-	555,380	850,823	295,443	555,380		
<b>TOTAL</b>	2,052,479	8,477	156,676	2,025	110,716	-	2,104,891	3,502,518	1,397,627	2,104,891		



4.1.1 Allocation of Depreciation

Depreciation has been allocated as follows:

	2014			2013		
	SUGAR	DISTILLERY	TOTAL	SUGAR	DISTILLERY	TOTAL
	----- (Rupees in thousand) -----			----- (Rupees in thousand) -----		
Manufacturing	50,832	48,167	98,999	50,320	47,057	97,377
Administration	9,882	3,607	13,489	9,953	3,386	13,339
	<b>60,714</b>	<b>51,774</b>	<b>112,488</b>	<b>60,273</b>	<b>50,443</b>	<b>110,716</b>

4.1.2 The Company has revalued its property, plant and equipment, carried out by an independent valuer on the basis of information as of September 30, 2014.

4.1.3 DISPOSAL OF FIXED ASSETS

Description	Sold to	Original Cost	Accumulated Depreciation	W.D.V.	Sale proceeds	Profit on Disposal	Mode of Disposal
----- (Rupees in thousand) -----							
Mitsubishi Lancer Model 1994	Farooq Ahmed s/o Muhammad Ashique; House No.: 817 Qasba Colony, Karachi	608	599	9	200	191	Negotiation
Daihatsu Cuore Model 2004	Muhammad Naeem s/o Muhammad Shafi; B-3/41, Muhallah Behind Jacobline, Ferozeabad, South, Karachi	399	275	124	310	186	Negotiation
Suzuki Cultus Model 2012	Allah Nawaz Khan s/o Abdul Ghani Khan; 28-E, Mohallah Askari-3, School Road, Komint, Karachi	990	277	713	770	57	Negotiation
<b>2014</b>		<b>1,997</b>	<b>1,151</b>	<b>846</b>	<b>1,280</b>	<b>434</b>	
<b>2013</b>		<b>3,092</b>	<b>1,067</b>	<b>2,025</b>	<b>2,697</b>	<b>672</b>	

4.2 CAPITAL WORK-IN-PROGRESS

	Balance as at beginning of the year	During the year		Balance as at close of the year
		Capital expenditure incurred	Transferred to operating fixed assets	
( Rupees in thousand)				
<b>2014</b>				
Civil Works	10,739	53,164	45,187	18,716
Plant & Machinery - Owned	26,343	84,106	86,779	23,670
	<b>37,082</b>	<b>137,270</b>	<b>131,966</b>	<b>42,386</b>
<b>2013</b>				
Civil Works	14,954	3,459	7,674	10,739
Plant & Machinery - Owned	82,395	92,950	149,002	26,343
	<b>97,349</b>	<b>96,409</b>	<b>156,676</b>	<b>37,082</b>

	Note	2014 (Rupees in thousand)	2013
<b>5 INTANGIBLE ASSET</b>			
<b>Software - SAP Application</b>			
Opening Balance		4,452	-
Additions during the year		-	5,917
Amortization for the year		(1,972)	(1,465)
		<u>2,480</u>	<u>4,452</u>
<b>6 LONG TERM INVESTMENT</b>			
Investment in associate - Al-Noor Modaraba Management (Pvt.) Ltd.			
Opening balance		4,346	4,130
Share of profit for the year		157	146
Share of associates's unrealized profit on remeasurement of associate's available for sale investment	6.2	598	70
		<u>755</u>	<u>216</u>
		<u>5,101</u>	<u>4,346</u>
<b>6.1</b>	500,000 (2012 :500,000) fully paid ordinary shares of Rs.10 each Equity held 14.285% (2013 : 14.285%) Original Cost : 5,000,000 Break-up value per share Rs. 10.20 (2013 : Rs. 8.69) and aggregate breakup value of the Company's investment is Rs. 5,100 thousand (2013: Rs. 4,345 thousand) Chief Executive Mr.Jalaluddin Ahmed		
<b>6.2</b>	<b>Share of Associate's unrealized loss on re-measurement of investment</b>		
Opening balance		1,378	1,448
Unrealized profit on re-measurement of investment for the year		(598)	(70)
Closing balance		<u>780</u>	<u>1,378</u>
<b>6.3</b>	The assets and liabilities of Al- Noor Modaraba Management (Pvt.) Ltd. and the Company's share therein is as follows:		
Tangible & intangible Fixed assets		2,226	2,795
Long Term Investments		32,362	25,960
Other non current assets		28	28
Current assets		5,505	5,290
		<u>40,121</u>	<u>34,073</u>
Long term liabilities		1,894	1,155
Current liabilities		2,524	2,500
		<u>4,418</u>	<u>3,655</u>
Net Assets		<u>35,703</u>	<u>30,418</u>
Share of Shahmurad Sugar Mills Limited		<u>5,101</u>	<u>4,346</u>
<b>6.4</b>	The Company's share in profit and loss of Al-Noor Modaraba Management (Pvt.) Ltd. is as follows:		
Income		4,702	5,617
Expenses		(5,831)	(4,849)
		<u>(1,129)</u>	<u>768</u>
Unrealised profit on remeasurement & impairment loss on investment at fair value through P&L		125	30
Share of profit from associates		2,302	533
Profit for the year before taxation		1,298	1,331
Provision for workers welfare fund		(68)	-
Taxation		(264)	(358)
Profit for the year after taxation		<u>966</u>	<u>973</u>
Share of associate incremental depreciation on revaluation of investment		134	46
		<u>1,100</u>	<u>1,019</u>
Share of Shahmurad Sugar Mills Limited		<u>157</u>	<u>146</u>



	Note	2014 (Rupees in thousand)	2013
<b>7 LONG TERM LOANS</b>			
- <b>Unsecured &amp; Interest free</b>			
<b>Considered Good</b>			
- Due from executives	7.2 & 7.3	4,064	2,972
- Due from non- executive employees		2,442	1,972
		6,506	4,944
<b>Less: Current Portion of:</b>			
- Due from executives		(1,615)	(1,415)
- Due from non- executive employees		(2,050)	(900)
		(3,665)	(2,315)
		<b>2,841</b>	<b>2,629</b>
7.1	Loans and advances have been given in accordance with the terms of employment and are recoverable, in monthly installments, within three years following the balance sheet date.		
7.2	<b>Movement of loans to executives</b>		
		2,972	3,617
Balance at the beginning of the year		2,858	1,333
Disbursed during the year		(1,766)	(1,978)
Recovered during the year		4,064	2,972
Balance at the end of the year			
7.3	The maximum aggregate amount due from executives at any month end during the year was Rs. 4.065 million (2013: Rs. 3.981 million).		
<b>8 LONG TERM DEPOSITS</b>			
Utilities		1,411	1,411
Others		979	979
		<b>2,390</b>	<b>2,390</b>
<b>9 STORES, SPARE PARTS AND LOOSE TOOLS</b>			
Stores		58,139	53,719
Spare Parts & loose tools		145,763	144,080
Stores and spare parts in transit		519	803
		204,421	198,602
Less: Provision for obsolescence and slow moving	9.1	(18,242)	(16,290)
		<b>186,179</b>	<b>182,312</b>
9.1	<b>Provision for obsolescence and slow moving</b>		
Opening Balance		16,290	15,229
Provision for the year		1,952	1,061
Closing balance		<b>18,242</b>	<b>16,290</b>
<b>10 STOCK-IN-TRADE</b>			
Raw Material - Molasses		397,155	160,108
Sugar in process		8,283	7,794
Finished goods		1,033,402	563,137
Sugar	10.1 & 10.2	317,120	290,939
Ethanol		1,350,522	854,076
		<b>1,755,960</b>	<b>1,021,978</b>

- 10.1 Stock of finished goods pledged against short term finances under markup arrangement as referred in note No. 24 amounted to Rs. 475.6 million (2013: Rs. 284.907 million).
- 10.2 Stock of sugar includes stock valued at NRV amounting to Rs. 276.5 million (2013: Rs. 479 million), cost of which amounted to Rs. 280.5 (2013: Rs. 501 million).

	Note	2014 (Rupees in thousand)	2013
<b>11 TRADE DEBTS</b>			
Against export sales - against letter of credits (LCs)		34,586	188,213
Against local sales - Unsecured, considered good		784	901
		<u>35,370</u>	<u>189,114</u>
<b>12 LOANS AND ADVANCES</b>			
<b>UNSECURED CONSIDERED GOOD</b>			
Current portion of long term loans	7	3,665	2,315
Loans to Growers	12.1	1,150	1,088
Advances against purchases and services		98,619	111,930
Advances against expenses		4,970	4,239
Advances to Employees-other than executives, Director and Chief executives		-	36
Federal Excise Duty / Sales tax		-	6,620
		<u>108,404</u>	<u>126,228</u>
<b>12.1 Loans to Growers</b>			
Considered good	12.1.1	1,150	1,088
Considered doubtful		23,868	23,868
		<u>25,018</u>	<u>24,956</u>
Less Provision for doubtful loan			
Opening balance		(23,868)	(22,731)
Provision for the year		-	(1,137)
		<u>(23,868)</u>	<u>(23,868)</u>
		<u>1,150</u>	<u>1,088</u>
12.1.1 These loans are given to farmer/growers for their capital requirement for sugarcane cultivation and development. These are adjusted against purchase of sugarcane from respective growers. Interest is charged on these loans @ 10% subject to realization of principal, however no interest is accrued as at balance sheet date as all the balances are doubtful. Provision has been made in respect of loans against which future adjustment through purchase of sugarcane is considered doubtful.			
<b>13 OTHER RECEIVABLES</b>			
Freight subsidy	13.1	47,005	47,005
Others		-	12
		<u>47,005</u>	<u>47,017</u>
13.1 This amount relates to freight subsidy on sugar exports receivable from Trade Development Authority of Pakistan.			
<b>14 CASH AND BANK BALANCES</b>			
<b>Local Currency</b>			
Cash in hand		559	1,649
Cash at banks			
In current accounts			
Local currency		32,058	28,318
Foreign currency		26	27
In saving accounts	14.1	279	-
		<u>32,363</u>	<u>28,345</u>
		<u>32,922</u>	<u>29,994</u>
14.1 This carry profit at the rate of 7 % p.a.			



			2014	2013
		Note	(Rupees in thousand)	
<b>15 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>				
	2014			2013
	No. of Shares			
	11,730,368	11,730,368	117,304	117,304
		Ordinary shares of Rs.10 each allotted for consideration paid in cash		
	9,388,295	9,388,295	93,883	93,883
		Ordinary shares of Rs.10 each allotted as fully paid bonus shares		
	<u>21,118,663</u>	<u>21,118,663</u>	<u>211,187</u>	<u>211,187</u>
15.1	Associated companies hold 4,139,901 (19.60%) shares in the Company (2013: 4,139,104 i.e. 19.59%).			
<b>16 GENERAL RESERVE</b>				
	This represents amount appropriated out of profit in past years and retained in order to meet future exigencies.			
<b>17 SURPLUS ON REVALUATION OF PROPERTY, PLANT &amp; EQUIPMENT</b>				
			555,380	582,380
Gross opening balance				
Surplus on fresh revaluation during the year		17.1	248,600	-
Incremental depreciation				
Incremental depreciation - net of deferred tax			(18,684)	(19,578)
Deferred Tax on Incremental Depreciation			(6,806)	(7,422)
			<u>(25,490)</u>	<u>(27,000)</u>
Gross closing balance			778,490	555,380
Relevant deferred tax liability			(166,602)	(139,160)
Revaluation surplus net of deferred tax			<u>611,888</u>	<u>416,220</u>
17.1	This represents surplus over book values resulting from the revaluation of operating fixed assets carried out by an independent valuer on September 30, 2014.			
<b>18 LONG TERM FINANCING</b>				
			347,500	207,500
Financial institutions				
Banks		18.1	183,333	250,000
Modaraba			-	33,219
			<u>530,833</u>	<u>490,719</u>

	FINANCIAL INSTITUTION				BANKS		MODARABA		TOTAL
	Pak Oman Investment Co. Ltd	PAK Brunie Investment Co. Ltd	Pak Oman Investment Co. Ltd	Pak Oman Investment Co. Ltd	Bank Islami Pak Ltd	Standard Chartered Bank Ltd	Standard Chartered Modaraba	2014	
Opening balance	-	187,500	90,000	37,500	250,000	300,000	66,438	931,438	969,857
Addition	225,000	(50,000)	(20,000)	(37,500)	(250,000)	(50,000)	(33,219)	225,000	550,000
Payment	-	137,500	70,000	-	-	250,000	33,219	(440,719)	(588,419)
Closing balance	225,000	-	-	-	432,500	250,000	-	715,719	931,438
Current Maturity	-	(50,000)	(35,000)	-	(85,000)	(66,667)	(33,219)	(184,886)	(440,719)
Shown under current liabilities	225,000	87,500	35,000	-	347,500	183,333	-	530,833	490,719

Description	Long Term Finance		Long Term Finance		Diminishing Musharaka		Diminishing Musharaka	
	250	200	100	200	250	300	124,571	
Sanctioned/Sale Price/ Disbursed Amount (Rs in million)	6M KIBOR + 2%	6M KIBOR + 2.50%	6M KIBOR + 2.40%	6M KIBOR + 3.00%	3 M KIBOR + 2.25%	3 M KIBOR + 2.25%	6 M KIBOR + 2.10%	
Facility tenor	5 years	5 years	4 years	5 years	5 years	5 years	4 years	
Number of installments	16	16	16	16	1	18	15	
Principal amount of each installment (Rs in million)	14,0625	12.50	*2.5 to 8.75	12.500	250,000	16,667	8,304	
Installments Payable	Quarterly	Quarterly	Quarterly	Quarterly	Bullet Payment	Quarterly	Quarterly	
Date of Disbursement	18-09-2014	27-04-2012	28-09-2012	22-05-2009	21-06-2013	04-09-2013	30-06-2011	
Grace Period	1 Year	1 Year	-	1 Year	14 Months	5 Months	3 Months	
Date of payment of 1st installment	18-12-2015	27-07-2013	28-12-2012	01-08-2010	21-08-2014	04-03-2014	01-01-2012	
Date of payment of last installment	18-09-2019	27-04-2017	28-09-2016	01-05-2014	21-08-2014	04-06-2018	01-07-2015	

\* First 4 installments of Rs2.50 million each, 5 to 8 installments are Rs5.00 million each and balance 8 installments are Rs8.75 million each.

SECURITIES

- Pak Oman Investment Co. Ltd - Rs225 M First pari passu equitable charge over all fixed assets including Land, Building, Plant & Machinery of the company.
- Pak Oman Investment Co. Ltd - Rs200 M First pari passu equitable mortgage & Hypothecation charge over all fixed assets including Land, Building, Plant & Machinery of the company.
- Pak Oman Investment Co. Ltd - Rs100 M First pari passu equitable mortgage & Hypothecation charge over all fixed assets including Land, Building, Plant & Machinery of the company.
- Pak Oman Investment Co. Ltd - Rs250 M First pari passu equitable mortgage & Hypothecation charge over all fixed assets including Land, Building, Plant & Machinery of the company.
- Pak Brunie Investment Company Ltd First pari passu equitable mortgage & Hypothecation charge over all fixed assets including Land, Building, Plant & Machinery of the company.
- Bank Islami Pakistan Ltd - Rs250 M First pari passu equitable mortgage & Hypothecation charge over all fixed assets including Land, Building, Plant & Machinery of the company.
- Standard Chartered Bank (Pakistan) Ltd Rs300 M First pari passu Hypothecated charge over current & future fixed assets (excluding Land & Building) of the company.
- Standard Chartered Modaraba First pari passu Hypothecated charge over all fixed assets including Plant & Machinery of the company.



2014  
2013  
(Rupees in thousand)

**19 LOAN FROM RELATED PARTIES**  
**- Unsecured & Interest free**

Directors and related parties	<u>230,836</u>	<u>230,836</u>
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The directors have given their consent to certain lenders that the balance due to them and their related parties will not be reduced below Rs. 229.802 million till the improvement in equity or achievement of leverage of 3.5 : 1.

**20 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**

Future minimum lease payments under finance lease and the present value of the net minimum lease payments are as follows:

Within one year	After one year but not more than five years	Total
--------------------	--	-------

..... Rupees in thousand .....

**2014**

Future Minimum lease payments	5,013	-	5,013
Less : Amount representing finance charges	(310)	-	(310)
Present value of minimum lease payments	<u>4,703</u>	-	<u>4,703</u>

**2013**

Future Minimum lease payments	9,978	4,989	14,967
Less : Amount representing finance charges	(1,397)	(293)	(1,690)
Present value of minimum lease payments	<u>8,581</u>	<u>4,696</u>	<u>13,277</u>

**20.1** This represents finance lease entered into with leasing companies for plant and machinery. These carry finance charges at the rate of 6 months Kibor+3% (2013: 6 months Kibor + 3%) being the rate implicit in the lease. The company enjoys the option to purchase the leased assets upon completion of the leased period. These are secured against demand promissory notes.

**21 DEFERRED TAXATION**

Opening Balance	24,831	70,877
Deferred tax on fresh revaluation and change in tax rate related to revaluation	34,248	(4,313)
Reversal during the year	(30,237)	(41,733)
Closing balance	<u>28,842</u>	<u>24,831</u>

**21.1 Deferred tax liabilities arising in respect of**

Accelerated tax depreciation	143,451	156,500
Revaluation of property, plant & equipment	166,602	139,160
	<u>310,053</u>	<u>295,660</u>

**Deferred tax assets arising in respect of**

Provision for Doubtful grower loan	(7,485)	(8,017)
Provision for slow moving items and obsolescence	(5,719)	(5,472)
Provision for Gratuity	(605)	(648)
Provision for Leave Encashment	(535)	(374)
Unabsorbed tax loss/depreciation	(266,867)	(256,318)
	<u>(281,211)</u>	<u>(270,829)</u>
	<u>28,842</u>	<u>24,831</u>

	Note	2014 (Rupees in thousand)	2013
<b>22 TRADE AND OTHER PAYABLES</b>			
Creditors		98,148	23,145
Murabaha/Istasna	22.1	120,000	120,000
Accrued expenses		12,537	13,366
Advance against Sales from customers		134,810	130,217
Gratuity payable		1,930	1,930
Payable to staff provident fund		46	-
Worker's profit participation fund	22.2	13,087	4,512
Worker's Welfare Fund		6,688	5,129
Retention money		1,415	227
Unclaimed dividends		1,743	1,449
Sales Tax		29,493	-
Others		118	122
		<b>420,015</b>	<b>300,097</b>
<b>22.1</b>	The aggregate limit of Murabaha/Istasna arrangements is up to Rs. 500 million (2013: Rs. 500 million). The effective rates of profit are 6M Kibor+1% and SBP rate + 1% (2013: 6M Kibor+1% and SBP rate + 1% ). The unavailed facility at the year end amounted to Rs. 380 million (2013: Rs. 380 million).		
	<b>Securities:</b>		
	Pledge of sugar, ranking charge over stocks and book debts and first pari passu hypothecation charge on Property Plant & Equipment & Pledge of Sugar.		
<b>22.2 Worker's profit participation fund</b>			
Opening balance		4,512	6,562
Interest on funds utilized	22.2.1	429	576
Allocation for the year		13,087	4,512
		<b>18,028</b>	<b>11,650</b>
Payments made during the year		(4,941)	(7,138)
Closing balance		<b>13,087</b>	<b>4,512</b>
<b>22.2.1</b>	The Company retains Workers' Profit Participation Fund for its business operations till the date of allocation to the workers. Interest is payable at prescribed rate under Companies Profit (Workers Participation) Act, 1968 on funds utilized by the Company till the date of allocation to workers.		
<b>23 ACCRUED MARKUP / FINANCE COST</b>			
On long term financing		7,520	10,167
On short term borrowings		38,212	21,122
On liabilities against assets subject to finance lease		5	14
		<b>45,737</b>	<b>31,303</b>
<b>24 SHORT TERM BORROWINGS</b>			
From banking companies - Secured			
Cash / Running finance	24.1	522,755	181,105
Export refinance	24.2	1,140,000	940,000
		<b>1,662,755</b>	<b>1,121,105</b>
<b>24.1</b>	The facilities available are up to Rs. 2,690 million (2013: Rs. 4,030 million) and are secured against Pledge of Sugar/Molasses/Ethanol and First pari passu charge on property, plant and equipment. The effective rate of markup ranges from 1M/3M/ 6M Kibor + 1% to 1.5% (2013: 1M/3M/ 6M Kibor + 1% to 1.5%). Unutilized facilities as on balance sheet date amounted to Rs. 2,167 million (2013: Rs. 3,849 million).		



- 24.2 The facilities are available under SBP Export Finance Scheme up to limit of Rs. 1,490 Million (2013 Rs. 1,040 Million) and are secured by first pari passu equitable mortgage charge and Hypothecation over current and future fixed assets of the company and pledge of Sugar / Molasses / Ethanol. The effective rate of Mark-up is 1% over SBP ERF Rate which was 9.50% and 11% (2013: 9.50% and 11%). Unutilized facilities as on balance sheet date is Rs. 350 Million (2013: Rs. 100 million).

	Note	2014 (Rupees in thousand)	2013
<b>25 CURRENT PORTION OF LONG TERM FINANCING AND LIABILITES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>			
Long term financing	18	184,886	440,719
Liabilities against assets subject to finance lease	20	4,703	8,581
		<b>189,589</b>	<b>449,300</b>

**26 CONTINGENCIES AND COMMITMENTS**

**a) CONTINGENCIES**

- 26.1 A demand of Rs. 4.629 million in respect of sales tax on in house use of baggase as fuel was raised by the Collectorate of Sales Tax, Hyderabad. The Company has disputed the liability and had filed an appeal before the Appellate Tribunal Karachi. The Appellate Tribunal has remanded back the case to the department of sales tax with a direction to compute the sales value and the sales tax payable thereon correctly after providing proper opportunity to the parties. The Sales Tax Tribunal has also directed the department to consider the fact that there was no deliberate or willful attempt to defraud the revenue therefore; the additional tax liability may be uncalled. However, to avail relief from levy of additional tax, as provided through SRO 1349(1) 99 dated 17th December, 1999 the Company had paid a total amount of Rs. 8.818 million including additional tax of Rs.4.190 million in December, 1999.

The adjudicating authority has conducted the proceedings on remanded back case of the Tribunal and maintained its previous order. The Company had filed an appeal before Collector Appeals which was decided against the company against which the company has filed an appeal before the Appellate Tribunal. However the company has provided for the contingency for the amount of sales tax and additional tax already paid through the aforesaid notification.

- 26.2 The Company filed petition before Honorable High Court of Sindh challenging the levy of further tax against taxable supplies made to persons other than registered person under section 3(1A) of the Sales Tax Act, 1990. The entire liability till November 30, 2000 was paid by the Company, in the month of December 2000. As per judgment awarded against the department by the Honorable High Court of Sindh, the Company has claimed refund of such further tax amounting to Rs. 45.190 million out of which an amount of Rs. 7.144 million has been refunded by the department.

The Department of Sales Tax has thereafter filed an Appeal before the Honorable Supreme Court against the Order of the High Court of Sindh. The Honorable Supreme Court has allowed the Appeal with direction to the department to act in accordance with law however; ratio-decidenti ordered by the High Court of Sindh has not been reversed, over ruled or amended. Sales Tax department has however raised demands of further tax involving amount of Rs. 54 million, which has been contested by the company in the light of Sindh High Court Judgment on which the Sales Tax Tribunal has issued orders in favour of the company for which the sales tax department filed appeal before the Honorable High Court against the orders of the Tribunal which are pending. Considering the decision of Honorable Supreme Court and facts of the case the legal counsel of the company is of the view that the final outcome of the matter will be in favor of the Company.

- 26.3 The Company has filed a petition before the Honorable High Court of Sindh against the imposition of special excise duty. The Honorable High Court has issued stay order for the recovery of 70% of the total amount of Rs. 7.073 million against excise duty involved. The Company however as a matter of abundant precaution has provided for the amount of said duty in the financial statements. The case has been decided in favour of the company declaring Special Excise Duty as void ab-initio and of no legal effect. The Inland Revenue department has filed an appeal before Honorable Supreme Court of Pakistan against the decision of Honorable High Court. During the year under review, the Company has received show cause notice from the Department of Inland Revenue LTU Karachi, against refund claim of Special Excise Duty amounting to Rs. 48.457 million filed by the Company in compliance with the order of Honorable High Court of Sindh Karachi. The Company has filed appeal in the Honorable High court of Sindh Karachi against the show cause notice issued by the department of inland revenue LTU Karachi. The Honorable High Court has issued stay order against the proceedings on show cause notice. No provision is made in the accounts as the outcome of case is expected to be in favour of the Company as per legal counsel.



- 26.4 The Company's appeal in the Honorable Supreme Court against the Order of the Sindh High Court for levy of Quality Premium has been accepted by the Honorable Supreme Court by assailing the Order of Sindh High Court. Accordingly, no provision has been made in the books of accounts amounting to Rs. 86.670.million, as the matter is pending in the Honorable Supreme Court. Furthermore as per decision of federal government steering committee held on 16-07-2007, the quality premium shall remain suspended till decision of Honorable Supreme Court or consensus on uniform formula to be developed by MINFAL.
- 26.5 There are certain litigations pending in the sixth Sindh Labour Court pertaining to ex-employees. The sixth Sindh labour court awarded decision in favour of the Company and the ex-employees filed an appeal in Labour Appellate Tribunal at Hyderabad the outcome of which is pending. The financial liability may arise only if these cases are finally decided against the Company. The amount of liability is not ascertainable and hence, no provision has been made in this regard as in the management view the same is not likely to crystallize.
- 26.6 Cases regarding possession of land of the Company are pending in the Honorable High Court of Sindh where the matter is pending for hearing. The financial impact of the same is not presently determinable with any accuracy. The Company is confident that the same is not likely to be decided against the Company.
- 26.7 The Company has filed a petition in the Honourable Supreme Court of Pakistan against a show cause notice issued by Competition Commission of Pakistan (CCP), challenging the jurisdiction of the Competition Commission. The Honourable Supreme Court of Pakistan has disposed the petition on the ground that this matter is already under proceedings with Honorable High Courts and refrained CCP from passing any final / penal order till a final decision is achieved at Honourable High Courts. There are no financial implications related to this at the moment.
- 26.8 The Company has filed a suit before the Honourable High Court of Sindh against Pakistan Standards and Quality Control Authority (PSQCA) challenging the levy of marking fee under PSQCA Act-VI of 1996. The Authority has demanded a fee payment @ 0.1% of ex-factory price for the year 2008-09 amounting to Rs. 1.45 million. The Company is of the view that demand notifications so raised are without any lawful authority under the PSQCA Act-VI of 1996 and are violation of the constitution. The Honourable High Court of Sindh has accepted the petition and termed that the impugned notification has been issued without lawful authority and suspended the operation of the impugned notifications. The constitutional petition filed before the Honourable High Court of Sindh has been allowed in favour of the company. In the meantime the legal counsel of the company filed caveat in respect of an appeal to be filed by the PSQCA against the Judgment in Honourable Supreme Court of Pakistan. The PSQCA has filed an appeal before the Honourable Supreme Court of Pakistan against the decision of Honourable High Court of Sindh. No provision has been made in this respect.
- 26.9 During the year under review, a show cause notice has been issued by the Department of Inland Revenue LTU Karachi, regarding the reduced rate of Federal Excise Duty availed by the Company amounting to Rs. 99.801 million under SRO 77 (1) / 2013 dated February 7, 2013. The Company has filed another appeal in the Honorable High court of Sindh Karachi against the show cause notice and the Honorable High Court has issued stay order against the proceedings on show cause notice. Pending the outcome of the case, no provision has been made as the outcome of the case is expected to be in favour of the company as per legal counsel.
- 26.10 During the year Excise, taxation and Narcotics department, Government of Sindh has notified fee on storage of rectified spirit in a private bonded warehouse at Rs. 0.5 per liter. The Company has filed another appeal before the Honorable High court of Sindh against the notification. The Honorable High Court has issued stay order against the recovery of the storage charges on rectified spirit. Amount of the storage fee upto September 30, 2014 works out to Rs. 3.652 million. No provision is made in the accounts as the outcome of case is expected to be in the favour of Company as per legal counsel.

2014                      2013  
(Rupees in thousand)

b) COMMITMENTS

The Company's commitment as on September 30, are as follows:

Letter of Credits - Stores and spares

7,610

1,624

Bank Guarantees

In favour of Trading Corporation of Pakistan (TCP) against sugar sale contracts

8,855

6,505

In favour of Excise and Taxation Department

500

500

9,355

7,005



# SHAHMURAD SUGAR MILLS LTD.

	Note	SUGAR		DISTILLERY		TOTAL	
		2014	2013	2014	2013	2014	2013
(Rupees in thousand)							
<b>27 NET SALES</b>							
Local		2,432,544	2,560,316	-	-	2,432,544	2,560,316
Export		600,854	915,646	2,483,363	2,270,656	3,084,217	3,186,302
		<b>3,033,398</b>	<b>3,475,962</b>	<b>2,483,363</b>	<b>2,270,656</b>	<b>5,516,761</b>	<b>5,746,618</b>
Federal Excise Duty		159,637	97,245	-	-	159,637	97,245
Brokerage and Commission		1,624	2,562	1,528	4,374	3,152	6,936
		<b>161,261</b>	<b>99,807</b>	<b>1,528</b>	<b>4,374</b>	<b>162,789</b>	<b>104,181</b>
Net sales		<b>2,872,137</b>	<b>3,376,155</b>	<b>2,481,835</b>	<b>2,266,282</b>	<b>5,353,972</b>	<b>5,642,437</b>
<b>28 COST OF SALES</b>							
Manufacturing cost:							
Raw material consumed	28.1	2,928,621	2,630,955	1,745,243	1,603,691	4,673,864	4,234,646
Salaries, wages and benefits	28.2	74,670	68,667	24,030	18,201	98,700	86,868
Stores and spares consumed		70,569	62,876	35,455	37,671	106,024	100,547
Packing materials		40,152	29,209	-	-	40,152	29,209
Fuel and oil		15,729	15,497	63,995	54,754	79,724	70,251
Power and water		21,146	22,466	6,003	4,282	27,149	26,748
Chemicals and process materials		37,259	30,701	33,666	28,714	70,925	59,415
Repair and maintenance		20,897	21,927	18,013	15,568	38,910	37,495
Insurance		6,465	6,046	4,684	4,132	11,149	10,178
Other manufacturing expenses		17,647	13,224	2,361	2,246	20,008	15,470
Cane development cess and surcharge		4,169	3,507	-	-	4,169	3,507
Depreciation		50,832	50,320	48,167	47,057	98,999	97,377
		<b>3,288,156</b>	<b>2,955,395</b>	<b>1,981,617</b>	<b>1,816,316</b>	<b>5,269,773</b>	<b>4,771,711</b>
Opening stock of work in process		7,794	6,973	-	-	7,794	6,973
Less: Closing stock of work in process		8,283	7,794	-	-	8,283	7,794
		<b>(489)</b>	<b>(821)</b>	<b>-</b>	<b>-</b>	<b>(489)</b>	<b>(821)</b>
		<b>3,287,667</b>	<b>2,954,574</b>	<b>1,981,617</b>	<b>1,816,316</b>	<b>5,269,284</b>	<b>4,770,890</b>
Less:							
Molasses transfer to Ethanol Division		303,010	243,370	-	-	303,010	243,370
Scrap Sales (Net of sales tax)		-	-	2	312	2	312
		<b>303,010</b>	<b>243,370</b>	<b>2</b>	<b>312</b>	<b>303,012</b>	<b>243,682</b>
		<b>2,984,657</b>	<b>2,711,204</b>	<b>1,981,615</b>	<b>1,816,004</b>	<b>4,966,272</b>	<b>4,527,208</b>
Opening stock of finished goods		563,137	1,008,550	290,939	354,433	854,076	1,362,983
Less: Closing stock of finished goods		(1,033,402)	(563,137)	(317,120)	(290,939)	(1,350,522)	(854,076)
		<b>(470,265)</b>	<b>445,413</b>	<b>(26,181)</b>	<b>63,494</b>	<b>(496,446)</b>	<b>508,907</b>
		<b>2,514,392</b>	<b>3,156,617</b>	<b>1,955,434</b>	<b>1,879,498</b>	<b>4,469,826</b>	<b>5,036,115</b>
<b>28.1</b>	It includes subsidies paid to growers aggregating to Rs. 61.007 Million (2013: Rs. 218.297 Million) in addition to minimum support price fixed by the Government of Sindh.						
<b>28.2</b>	Includes Rs. 2.051 million (2013 : Rs. 1.767 million) in respect of contribution towards staff provident fund.						
<b>29 DISTRIBUTION COST</b>							
Sugar Handling Charges		10,943	8,655	-	-	10,943	8,655
Storage Rent		-	-	17,782	18,043	17,782	18,043
Carriage Out Ward		-	-	41,337	38,886	41,337	38,886
Export freight and other expenses		23,890	964	47,801	30,765	71,691	31,729
Others		-	-	1,264	762	1,264	762
		<b>34,833</b>	<b>9,619</b>	<b>108,184</b>	<b>88,456</b>	<b>143,017</b>	<b>98,075</b>

# SHAHMURAD SUGAR MILLS LTD.

	Note	SUGAR		DISTILLERY		TOTAL	
		2014	2013	2014	2013	2014	2013
(Rupees in thousand)							
<b>30 ADMINISTRATIVE EXPENSES</b>							
Salaries, allowances and benefits	30.1	34,939	31,604	15,233	10,809	50,172	42,413
Chief Executives and Director's remuneration and perquisites		13,425	12,836	2,797	-	16,222	12,836
Staff welfare		5,825	6,819	5,493	3,958	11,318	10,777
Repair and maintenance		7,163	5,169	5,597	5,087	12,760	10,256
Legal and professional		3,377	4,535	-	-	3,377	4,535
Auditors' remuneration	30.2	640	639	328	328	968	967
Vehicle running		9,926	8,863	3,661	2,649	13,587	11,512
Insurance		189	281	206	341	395	622
Communication		1,236	1,490	778	598	2,014	2,088
Entertainment		2,076	1,867	799	701	2,875	2,568
Printing and stationery		1,244	1,067	348	243	1,592	1,310
Fees and subscription		1,384	1,126	1,568	2,155	2,952	3,281
Advertisement		59	157	-	-	59	157
Depreciation		9,882	9,953	3,607	3,386	13,489	13,339
Amortization		1,140	847	832	618	1,972	1,465
Others		12,811	8,959	4,025	4,086	16,836	13,045
		<u>105,316</u>	<u>96,212</u>	<u>45,272</u>	<u>34,959</u>	<u>150,588</u>	<u>131,171</u>

30.1 Includes Rs. 1.204 million (2013 : Rs. 1.173 million) in respect of contribution towards staff provident fund.

### 30.2 Auditors' remuneration

Kreston Hyder Bhimji & Co						
Statutory Audit	458	458	292	292	750	750
Half yearly review	50	50	32	32	82	82
Corporate Governance	6	6	4	4	10	10
	<u>514</u>	<u>514</u>	<u>328</u>	<u>328</u>	<u>842</u>	<u>842</u>
Harron Zakaria & Co						
Cost Audit	110	100	-	-	110	100
A.D.Akhawala & Co. - Provident Fund	16	25	-	-	16	25
	<u>640</u>	<u>639</u>	<u>328</u>	<u>328</u>	<u>968</u>	<u>967</u>

	Note	2014 (Rupees in thousand)	2013
<b>31 OTHER OPERATING CHARGES</b>			
Charity and donation	31.1	858	948
Provision for doubtful loan to growers		-	1,137
Penalties and surcharge		30	-
Provision for obsolescence and slow moving items		1,952	1,061
Directors meeting fee		240	249
Worker's profit participation fund		13,087	4,512
Worker's Welfare Fund		4,973	1,715
		<u>21,140</u>	<u>9,622</u>

31.1 None of the directors or their spouses had any interest in the above donees.



	Note	2014 (Rupees in thousand)	2013
<b>32 OTHER INCOME</b>			
<b>Income from financial Assets</b>			
Exchange Gain on export proceeds		35,858	17,928
Interest on Saving Accounts		33	-
		<u>35,891</u>	<u>17,928</u>
<b>Income from non financial Assets</b>			
Gain on disposal of Property, Plant & Equipment		434	672
Insurance Claim		2,346	9,667
		<u>2,780</u>	<u>10,339</u>
Others			
ERF - Performance Rebate		8,836	-
		<u>47,507</u>	<u>28,267</u>
<b>33 FINANCE COST</b>			
Markup/Interest/Finance Cost/Profit on:			
Long term financing		101,822	95,612
Short term borrowings		165,819	198,723
Istisna / IERF / Murabaha		99,407	10,938
Liabilities against assets subject to finance lease		1,420	2,451
Interest on Worker's profit participation fund	22.2	429	576
Bank charges		853	856
Others		3,904	2,430
		<u>373,654</u>	<u>311,586</u>
<b>34 TAXATION</b>			
Current		46,907	34,403
Deferred		(30,237)	(41,733)
		<u>16,670</u>	<u>(7,330)</u>
<b>34.1</b>	In view of available tax losses/depreciation, the provision for current taxation represents minimum tax being the turnover tax under Section 113 of the Income Tax Ordinance, 2001, and further exports are subject to final taxation, so tax reconciliation of tax expense with accounting profit is not presented.		
		<b>2014</b>	<b>2013</b>
<b>35 EARNING PER SHARE - BASIC</b>			
Profit after taxation		<u>226,741</u>	<u>91,611</u>
Weighted average number of ordinary shares		<u>21,118,663</u>	<u>21,118,663</u>
Earning per share - Rupees		<u>10.74</u>	<u>4.34</u>
There is no dilutive effect on the basic earning per share.			

**36 TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS**

36.1 The related parties comprise associate companies, entities with common directorship, directors, executives being the key management personnel and post employment contribution plan. The company in the normal course of business carries out transactions with various related parties. Balances due from and to related parties are shown under respective notes, and remuneration of executives and directors and key management personnel, being executives, is disclosed in note 38. Transactions with related parties are as follows:

Relationship	Nature of Transactions	2014 (Rupees in thousand)	2013
<b>Associates</b>			
Al Noor Sugar Mills Limited	Purchase of Goods	581,473	275,910
Al Noor Modaraba Management (Pvt.) Ltd.	Share of profit	157	146
	Share of Surplus on revaluation	598	70
Reliance Insurance Company Ltd	Insurance Premium	15,876	13,777
	Insurance claim	2,345	5,999
<b>Others</b>			
Staff Provident Fund	Contribution of the Company	3,255	2,940

**37 CAPACITY AND PRODUCTION IN METRIC TONS**

**Sugar Division**

Capacity days	120	120
Cane crushing capacity per day (M.T.)	7,000	7,000
Total cane crushing capacity	840,000	840,000
No of days Mill operated	136	91
Actual crushing (M.T.)	666,887	561,083
Sugar Production (M.T.)	71,473	59,343

**Distillery Division**

Capacity in M.Tons	33,000	33,000
Days	330	330
Production in M.Tons	31,048	28,160
No of days Mill operated	298	325

**Reasons for short fall in production**

The sugar production plant capacity is based on crushing of sugar cane on daily basis and the sugar production is dependent on certain factors which include sucrose recovery. The short fall in actual crushing is mainly on account of non availability of sugar cane.

The actual Ethanol production is less than capacity due to quality of water and also due to the maintenance work carried during production process.

**38 CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES' REMUNERATION**

The aggregate amount charged in the accounts of the year for remuneration including all benefits to Chief Executive, Director and Executives of the Company were as follows:

	2014				2013			
	Chief Executive	Director	Executives	Total	Chief Executive	Director	Executives	Total
Rupees in thousand								
Managerial Remuneration	4,171	5,168	19,668	29,007	4,171	3,408	13,979	21,558
Provident fund	-	-	1,175	1,175	-	-	1,028	1,028
Perquisite (including house rent and bonus)	2,086	2,584	23,442	28,112	2,086	1,705	16,216	20,007
Reimbursable expenses including traveling expenses	631	1,582	-	2,213	361	1,105	-	1,466
Meeting fee	25	215	-	240	25	224	-	249
	<b>6,913</b>	<b>9,549</b>	<b>44,285</b>	<b>60,747</b>	<b>6,643</b>	<b>6,442</b>	<b>31,223</b>	<b>44,308</b>
Number of persons	1	2	33	36	1	1	22	24

- The Chief Executive, Directors and Executives are provided with free use of company's cars.
- Meeting fee paid to 9 Directors (2013 : 10 Directors).



39 SEGMENT INFORMATION

The operating results, assets and liabilities and other significant information of each segment is as follows

	SUGAR DIVISION		ETHANOL DIVISION		TOTAL	
	2014	2013	2014	2013	2014	2013
----- Rupees in thousand -----						
<b>REVENUE</b>						
External sales	2,872,137	3,475,962	2,481,835	2,270,656	5,353,972	5,746,618
Inter-Segment sales	303,010	243,370	-	-	303,010	243,370
Total Revenue	<u>3,175,147</u>	<u>3,719,332</u>	<u>2,481,835</u>	<u>2,270,656</u>	<u>5,656,982</u>	<u>5,989,988</u>
<b>RESULTS</b>						
Profit from operations	<u>217,596</u>	<u>113,707</u>	<u>372,945</u>	<u>263,369</u>	<u>590,541</u>	377,076
Other Income					47,507	28,267
Other operating expenses					(21,140)	(9,622)
Finance cost					(373,654)	(311,586)
Share of profit from associated undertaking					157	146
Profit before tax					243,411	84,281
Taxation					(16,670)	7,330
Net profit for the year					<u>226,741</u>	<u>91,611</u>
<b>BALANCE SHEET</b>						
<b>Assets</b>						
Segment assets	2,556,743	1,950,908	1,931,394	1,698,307	4,488,137	3,649,215
Unallocated Assets					174,558	148,502
Long Term Investment					5,101	4,346
Total assets					<u>4,667,796</u>	<u>3,802,063</u>
<b>Liabilities</b>						
Segment liabilities	1,665,021	1,413,161	1,423,811	1,227,588	3,088,832	2,640,749
Unallocated liabilities					19,775	12,138
Total liabilities					<u>3,108,607</u>	<u>2,652,887</u>
<b>OTHER INFORMATION</b>						
Additions to property, plant and equipment	70,688	34,356	77,681	70,530	148,369	104,886
Additions to intangible asset	-	3,421	-	2,496	-	5,917
Depreciation	60,713	60,273	51,774	50,443	112,488	110,716
Amortization	1,140	847	832	618	1,972	1,465

**Revenue from major customers**

During the year external sales to major customers amounted to Rs. 1,890 million (2013: Rs. 1,690 million).

**Geographical Information**

All non-current assets of the Company are located in Pakistan. Company's local sales represent sales to external customers in Pakistan whereas export sales amounting to Rs. 1,618 million represent sales to customers in various countries (other than Pakistan) of Asia and export sales amounting to Rs. 1,466 million represent sales to customers in various countries of Europe.

# SHAHMURAD SUGAR MILLS LTD.

## 40 FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities of the company as at September 30 are as follows

2014							Total
Profit / Markup Based			Profit / Non Markup Based				
Maturity up to One Year	Maturity after One Year	Sub Total	Maturity up to One Year	Maturity after One Year	Sub Total		
------(Rupees in thousand)-----							
Long Term Investment	-	-	-	5,101	5,101	5,101	
Long Term Loans	-	-	3,665	2,841	6,506	6,506	
Long Term Deposits	-	-	-	2,390	2,390	2,390	
Trade debts	-	-	35,370	-	35,370	35,370	
Loans and advances	1,150	-	1,150	-	-	1,150	
Cash and Bank balances	-	-	32,922	-	32,922	32,922	
	<b>1,150</b>	<b>-</b>	<b>1,150</b>	<b>71,957</b>	<b>10,332</b>	<b>82,289</b>	
						<b>83,439</b>	

### FINANCIAL ASSETS

### FINANCIAL LIABILITIES

Long Term Financing	184,886	530,833	715,719	-	-	-	715,719
Loan from Related Parties	-	-	-	-	230,836	230,836	230,836
Liabilities against assets subject to finance lease	4,703	-	4,703	-	-	-	4,703
Trade and other Payables	248,906	-	248,906	-	-	-	248,906
Accrued markup / finance cost	-	-	-	45,737	-	45,737	45,737
Short term borrowings	1,662,755	-	1,662,755	-	-	-	1,662,755
	<b>2,101,250</b>	<b>530,833</b>	<b>2,632,083</b>	<b>45,737</b>	<b>230,836</b>	<b>276,573</b>	<b>2,908,656</b>

2013							Total
Markup / Interest Based			Non Markup / Interest Based				
Maturity up to One Year	Maturity after One Year	Sub Total	Maturity up to One Year	Maturity after One Year	Sub Total		
------(Rupees in thousand)-----							
Long Term Investment	-	-	-	4,346	4,346	4,346	
Long Term Deposits	-	-	-	2,390	2,390	2,390	
Long Term Loans	-	-	2,315	2,629	4,944	4,944	
Trade debts	-	-	189,114	-	189,114	189,114	
Loans and advances	1,088	-	1,088	36	36	1,124	
Cash and Bank balances	-	-	29,994	-	29,994	29,994	
	<b>1,088</b>	<b>-</b>	<b>1,088</b>	<b>221,459</b>	<b>9,365</b>	<b>230,824</b>	
						<b>231,912</b>	

### FINANCIAL ASSETS

### FINANCIAL LIABILITIES

Long Term Financing	440,719	490,719	931,438	-	-	-	931,438
Loan from Related Parties	-	-	-	-	230,836	230,836	230,836
Liabilities against assets subject to finance lease	8,581	4,696	13,277	-	-	-	13,277
Trade and other Payables	164,629	-	164,629	-	-	-	164,629
Accrued markup / finance cost	-	-	-	31,303	-	31,303	31,303
Short term borrowings	1,121,105	-	1,121,105	-	-	-	1,121,105
	<b>1,735,034</b>	<b>495,415</b>	<b>2,230,449</b>	<b>31,303</b>	<b>230,836</b>	<b>262,139</b>	<b>2,492,588</b>



**41 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**

**41.1 Financial Risk Management Objectives**

The Company's activities expose it to a variety of financial risks; credit risk, liquidity risk and market risk (including interest rate risk, currency risk and other price risk). The Company's overall risk management programs focuses on the under predictability of financial markets and seek to minimize potential adverse effects on the Company's financial performance.

This note presents information about the Company's Exposure to each of the above risk, the Company's objectives, policies and procedures for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Company's senior management provides policies for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, financial instruments and investment of excess liquidity. The Board of Directors reviews and agrees policies for managing each of these risks as summarized below.

The information about the Company's exposure to each of the above risk, the Company's objectives, policies and procedures for measuring and managing risk, and the Company's management of capital, is as follows;

**A Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's operating activities exposes it to credit risks arising mainly in respect of investments, balances with banks, loans and advances, trade debts, deposits and other receivables. The maximum exposure to credit risk at the reporting date is as follows:

	2014	2013
	(Rupees in thousand)	
Loans and advances	7,656	6,068
Deposits	2,390	2,390
Trade Debts	35,370	189,114
Other receivables	47,005	47,017
Bank balances	32,363	28,345
	<u>124,784</u>	<u>272,934</u>

**Loans and advances**

These represent balances due from growers and employees. The Company actively pursues for the recovery and based on past experience, the Company does not expect that these will fail to meet their obligations hence no impairment allowance in necessary except for certain past due loans to growers against which appropriate provision has been made in the financial statements as disclosed in note no 12.1.

**Deposits**

These represent security deposits against utilities and others. These are not significant and further based on past experience and credit worthiness of the counterparties the Company does not expect that these counter parties will fail to meet their obligations hence the Company believes that it is not exposed to any significant credit risk in respect of deposits.

**Trade debts**

Trade debts of Rs. 34.586 million (2013: Rs. 188.213 million) are due from foreign customers whereas remaining amount of Rs. 0.784 million (2013: Rs. 0.901 million) is receivable from local parties. The Company manages credit risk in respect of trade debts interalia by obtaining advance against sales / or through letter of credits and by providing for doubtful debts. All the export debts are secured under irrevocable letters of credit, document acceptance and other acceptable banking instruments. Further the Company actively pursues for the recovery and significant amounts have been recovered subsequent to the balance sheet date and also these are neither past due nor impaired, hence no allowance is necessary in respect of trade debts. Aging of trade debts is as follows;

**Upto 3 months**

35,370

189,114

**Other receivables**

These represent amounts receivables mainly from Government against which the Company is actively pursuing for the recovery and the Company expects that the recovery will be made soon. The Company believes that no impairment allowance is necessary in respect of receivable because these are not impaired.

**Bank balances**

The Company limits its exposure to credit risk by maintaining bank accounts only with counter-parties that have stable credit rating. Given these high credit ratings, management does not expect that any counter party will fail to meet their obligations.

The bank balances along with credit ratings are tabulated below

	Long Term Ratings	Short Term Ratings	2014 Rupees in thousand	2013
<b>In Local Currency</b>				
United Bank Limited	AA+	A-1+	18,750	11,608
Allied Bank Limited	AA+	A1+	432	10
MCB Bank Limited	AAA	A1+	399	6,994
Standard Chartered Bank Limited	AAA	A1+	2,169	912
National Bank of Pakistan	AAA	A-1+	4,376	1,978
Faysal Bank Limited	AA	A1+	2,852	1,202
Bank Al-Falah Limited	AA	A1+	180	510
Bank Islami Limited	A	A1	121	91
JS Bank Limited	A+	A1	312	312
Al-Baraka Bank (Pakistan) Limited	A	A1	27	17
Soneri Bank Limited	AA-	A1+	2,053	361
Sindh Bank Ltd	AA-	A-1+	10	8
Meezan Bank Limited	AA	A-1+	237	487
Habib Bank Limited	AAA	A-1+	419	3,828
<b>In Foreign Currency</b>				
Habib Bank Limited	AAA	A-1+	26	27
			<u>32,363</u>	<u>28,345</u>

**Financial assets that are either past due or impaired**

The credit quality of financial assets that are either past due or impaired is assessed by reference to historical information and external ratings or to historical information about counter party default rates.

As at the balance sheet date amounts of Rs. 23.868 millions (2013: Rs. 23.868 million) receivable from growers were past due against which allowance for doubtful debts have been made. The aging of the past due loans to growers is as under:

More than one year	(23,868)	(23,868)
--------------------	----------	----------

**B Liquidity risk**

Liquidity risk represents the risk where the Company will encounter difficulty in meeting obligations associated with financial liabilities when they fall due. The exposure to liquidity risk along with contractual maturities (undiscounted) of the financial liabilities is as follows:

Year ended 30 September 2014	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
(Rupees in thousand)						
Long term financing		46,221	138,665	530,833		715,719
Loan from related parties					230,836	230,836
Finance lease Liabilities			4,703	-		4,703
Trade and other payables		126,976	121,930			248,906
Short-term borrowings	1,662,755					1,662,755
Accrued mark-up		45,737				45,737
	<u>1,662,755</u>	<u>218,934</u>	<u>265,298</u>	<u>530,833</u>	<u>230,836</u>	<u>2,908,656</u>



Year ended 30 September 2013	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
(Rupees in thousand)						
Long term financing	-	46,609	394,110	490,719	-	931,438
Loan from related parties	-	-	-	-	230,836	230,836
Finance lease Liabilities	-	4,161	4,420	4,696	-	13,277
Trade and other payables	-	151,181	13,448	-	-	164,629
Short-term borrowings	1,121,105	-	-	-	-	1,121,105
Accrued mark-up	-	21,136	10,167	-	-	31,303
	1,121,105	223,087	422,145	495,415	230,836	2,492,588

The Company manages liquidity risk by maintaining sufficient cash and ensuring fund availability through adequate credit facilities. At September 30, 2014 the Company has Rs. 2,897 million (2013: Rs. 4,329 million) available unutilized short term borrowing limit from financial institutions and also has Rs. 32.922 million (2013: Rs. 29.994 million) being cash and bank balances.

### C Market Risk

Market risk is the risk that the fair value or future cash flows of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities, and liquidity in the market. Market risk comprises of three types of risks: Currency risk, interest rate risk and other price risk.

### D Interest/ markup rate risk management

Interest rate risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market interest rates. The Company's major interest rate exposure arises from long term financings, short term borrowings and Finance Lease. The Company analyses its mark up/interest rate exposure on a regular basis by monitoring markup/interest rate trends and taking appropriate actions. As at the balance sheet date the interest / markup rate profile of the Company's mark up/interest bearing financial instruments is:

	Effective interest rates	Carrying Values	
		2014	2013
(Rupees in thousand)			
<b>Financial Liabilities</b>			
<u>Variable Rate Instruments</u>			
Long Term Financing	See Note 18	715,719	931,438
Murabaha/Istasna	See Note 22	120,000	120,000
Liability against assets subject to finance lease	See Note 20	4,703	13,277
WPPF	See Note 22	13,087	4,512
Short term Borrowings	See Note 24	1,662,755	1,121,105
		<b>2,516,264</b>	<b>2,190,332</b>
<b>Financial Assets</b>			
<u>Fixed Rate Instruments</u>			
Loan to Growers	See Note 12	(1,150)	(1,088)
Bank balances (PLS savings)		279	-
Net exposure		<b>2,515,393</b>	<b>2,189,244</b>

### Fair value sensitivity analysis

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet would not effect profit or loss of the Company.

### Cash flow sensitivity analysis

An increase / decrease of 100 basis points in interest rates at the reporting date would have decreased /increased profit for the year before tax by the amount of Rs. 25 million (2013: Rs. 22 million) assuming that all other variables remains constant.

**E Foreign exchange risk management**

Foreign exchange risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises mainly from future economical transactions or receivables and payables that exist due to transactions in foreign currencies.

Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivables / payable from / to the foreign entities and outstanding letters of credit, long term foreign currency loans and bills payable. In appropriate cases, the Company takes out forward contracts to mitigate risk. The Company's exposure to foreign currency risk is as follows:

	2014	2013	2014	2013
			(Rupees in thousand)	
<b><u>Balance Sheet Exposure</u></b>				
Foreign debtors	\$ 337,425	\$ 1,787,398	34,586	188,213
Foreign creditors / payables				
Bank balances	\$ 258	\$ 258	26	27
<b><u>Off Balance Sheet Exposure</u></b>				
Commitments				
US Dollars	\$ 33,388	\$ -	3,427	-
EUROS	23,040	11,322	2,981	1,624
			<u>6,408</u>	<u>1,624</u>

The following were significant exchange rate has been applied:

	2014	2013
Rupee per USD		
Average rate	100.70	105.20
Reporting date rate	102.50	105.30
Rupee per Euro		
Average rate	139.63	125.38
Reporting date rate	130.11	142.20

**Sensitivity analysis**

A 10 percent strengthening / weakening of the PKR against USD at September 30 would have decreased / increased profit before tax by the amounts of Rs. 3.5 million (2013: Rs. 18.8 million). The effect of off balance sheet items would have been Rs. 6.4 Million (2013: Rs. 0.16 Million). This analysis assumes that all other variables, in particular interest rates, remain constant.

**F Fair value of financial instruments**

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

The carrying values of all the financial assets and liabilities reflected in the financial statements approximate their fair values except those which are described in respective notes.

**G Capital risk management**

The Company finances its operations through equity, borrowings and management of working capital with a view to maintain an appropriate mix amongst various sources of finance to minimize risk.

The primary objectives of the Company 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.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares.



During 2014 the Company's strategy was to maintain leveraged gearing. The gearing ratios as at September 30, 2014 and 2013 were as follows:

	2014 (Rupees in thousand)	2013 (Rupees in thousand)
Total borrowings	2,614,013	2,296,656
Less: Cash and bank	(32,922)	(29,994)
Net debt	2,581,091	2,266,662
Total equity	947,301	732,956
Total equity and debt	3,561,314	3,029,612
Gearing ratio (%)	72.48%	74.82%
	2014 Un-audited	2013 Audited
	(Rupees in thousand)	

**42 PROVIDENT FUND RELATED DISCLOSURES**

The following information based on latest financial statements of the fund:

Size of the fund - Total assets	34,429	28,041
Cost of investments made	32,716	27,020
Percentage of investments made	95.02%	96.36%
Fair value of investments	32,716	27,020

**42.1 The break-up of fair value of investment is:**

	2014		2013	
	Rupees in thousand	.... % ....	Rupees in thousand	.... % ....
	Un-audited		Audited	
Meezan Amdani Certificate	32,000	97.81%	26,000	96.23%
Saving accounts with banks	716	2.19%	1,020	3.77%
	<u>32,716</u>	<u>100.00%</u>	<u>27,020</u>	<u>100.00%</u>

**42.2** The investment out of provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and rules formulated for this purpose.

**43 NUMBER OF PERSONS**

No of persons employed as on year end were 376 (2013: 303) and average number of employee during the year were 433 (2013: 376).

**44 DATE OF AUTHORIZATION**

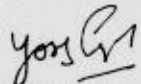
These financial statements were authorized for issue in the Board of Directors meeting held on December 19, 2014.

**45 EVENTS AFTER BALANCE SHEET DATE**

Subsequent to the year ended September 30, 2014, the Board of Directors has proposed a final cash dividend of Rs. 42.237 million at 20% i.e. Rs. 2 per share of Rs. 10 each (2013: Rs. 31.678 million at 15% i.e. Rs. 1.50 per share of Rs. 10 each) in their meeting held on December 19, 2014 subject to the approval of the members at the Annual General Meeting scheduled to be held on January 30, 2015.

**46 GENERAL**

**46.1** Amounts have been rounded off to the nearest thousand rupee unless otherwise stated.

  
**YUSUF AYOOB**  
 Managing Director

  
**ZIA I. ZAKARIA**  
 Director

**PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS AS ON SEPTEMBER 30, 2014**

NOs OF SHAREHOLDERS		HOLDINGS		TOTAL SHARES HELD	
1373	FROM	1	TO	100	30,637
544	FROM	101	TO	500	132,864
120	FROM	501	TO	1000	98,236
165	FROM	1001	TO	5000	404,416
44	FROM	5001	TO	10000	341,937
20	FROM	10001	TO	15000	252,477
12	FROM	15001	TO	20000	215,028
7	FROM	20001	TO	25000	164,126
1	FROM	25001	TO	30000	28,000
5	FROM	30001	TO	35000	164,576
2	FROM	35001	TO	40000	79,200
1	FROM	40001	TO	45000	43,613
2	FROM	45001	TO	50000	97,949
4	FROM	50001	TO	55000	213,634
2	FROM	60001	TO	65000	121,790
1	FROM	65001	TO	70000	67,500
1	FROM	70001	TO	75000	73,500
1	FROM	80001	TO	85000	81,928
2	FROM	100001	TO	105000	200,749
1	FROM	110001	TO	115000	110,241
1	FROM	115001	TO	120000	118,463
1	FROM	120001	TO	125000	124,112
1	FROM	125001	TO	130000	126,781
1	FROM	130001	TO	135000	132,927
1	FROM	140001	TO	145000	143,155
7	FROM	145001	TO	150000	1,032,675
2	FROM	150001	TO	155000	306,091
2	FROM	155001	TO	160000	316,709
1	FROM	160001	TO	165000	164,566
1	FROM	165001	TO	170000	166,650
2	FROM	170001	TO	175000	342,048
1	FROM	180001	TO	185000	184,786
2	FROM	185001	TO	190000	375,131
2	FROM	190001	TO	195000	386,927
1	FROM	195001	TO	200000	195,838
1	FROM	205001	TO	210000	205,095
2	FROM	210001	TO	215000	424,122
1	FROM	215001	TO	220000	218,086
1	FROM	220001	TO	225000	221,055
2	FROM	225001	TO	230000	455,623
1	FROM	230001	TO	235000	233,482
1	FROM	285001	TO	290000	288,924
1	FROM	295001	TO	300000	298,429
1	FROM	340001	TO	345000	340,758
1	FROM	375001	TO	380000	377,818
1	FROM	390001	TO	395000	390,842
1	FROM	500001	TO	505000	502,000
1	FROM	565001	TO	570000	568,000
1	FROM	740001	TO	745000	740,713
1	FROM	805001	TO	810000	806,206
1	FROM	850001	TO	855000	852,999
1	FROM	870001	TO	875000	871,557
1	FROM	1150001	TO	1155000	1,154,500
1	FROM	1825001	TO	1830000	1,829,410
1	FROM	3295001	TO	3300000	3,299,784
2356			TOTAL		21,118,663

**CATEGORIES OF SHAREHOLDING AS ON SEPTEMBER 30, 2014**

SR.NO.	CATEGORIES OF SHAREHOLDER'S	NUMBER OF SHAREHOLDER'S	SHARES HELD	PERCENTAGE
1	INDIVIDUALS	2326	12,823,900	60.72%
2	INSURANCE COMPANIES	1	23,551	0.11%
3	JOINT STOCK COMPANIES	16	4,837,015	22.90%
4	FINANCIAL INSTITUTIONS	4	1,156,058	5.47%
5	MUTUAL FUND	1	1,829,410	8.66%
6	MODARABA	1	15	0.00%
7	LEASING COMPANIES	1	2,058	0.01%
8	MODARABA MANAGEMENT COMPANIES	1	150,000	0.71%
9	OTHERS	5	296,656	1.40%
	TOTAL	2356	21,118,663	100.00%



**CATEGORIES OF SHAREHOLDING  
AS AT SEPTEMBER 30, 2014**

Categories of Shareholders	No. of Share holders	Sheres Held	Percentage
<b>ASSOCIATED COMPANIES UNDERTAKINGS AND RELATED PARTIES</b>			
Al-Noor Sugar Mills Ltd.	1	3,299,784	15.62%
Reliance Insurance Co. Ltd.	1	23,551	0.11%
Al-Noor Modaraba Management (Pvt.) Ltd.	1	150,000	0.71%
Noori Trading Corporation (Pvt.) Ltd.	2	666,566	3.16%
<b>NBP, NIT &amp; ICP</b>			
NATIONAL BANK OF PAKISTAN, TRUSTEE DEPARTMENT	1	100	0.00%
NATIONAL BANK OF PAKISTAN	1	1,358	0.02%
TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT FUND TRUST.	1	7,757	0.04%
TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND	1	221,055	1.05%
<b>MUTUAL FUND</b>			
CDC TRUSTEE NATIONAL INVESTMENT (UNIT) FUND	1	1,829,410	8.66%
<b>DIRECTORS , CEO &amp; THEIR SPOUSES AND MINOR CHILDREN</b>			
MRS. MUNIRA ANJUM (W/O YUSUF AYOOB)	1	218,086	1.03%
MR. MUHAMMAD YOUSUF AYOUB	1	377,818	1.79%
MR. MOHAMMAD SULEMAN AYOOB	1	184,786	0.87%
MR. ABDUL AZIZ AYOOB	1	170,594	0.81%
MRS. ZARINA BAI ISMAIL (W/O ISMAIL H. ZAKARIA)	1	158,075	0.75%
MR. ZIA ZAKARIA	1	228,999	1.08%
MR. ZOHAIR ZAKARIA	1	226,624	1.07%
MRS. SURAIYA SULEMAN (W/O SULEMAN AYOOB)	1	132,927	0.63%
MR. ISMAIL H. ZAKARIA	1	47,949	0.23%
MRS. MEHRUNNISA A. AZIZ (W/O A. AZIZ AYOOB)	1	43,613	0.21%
MRS. SANOBER ZIA (W/O ZIA ZAKARIA)	1	10,641	0.05%
MR. GHULAM MOHIUDDIN	1	871,557	4.13%
MRS. MANAL GHULAM MOHIUDDIN (W/O GHULAM MOHIUDDIN)	1	60,290	0.29%
<b>PUBLIC SECTOR COMPANIES AND CORP.</b>	1	1,154,500	5.47%
<b>BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON BANKING FINANCE COMPANIES, INSURANCE COMPANIES, MODARABAS, LEASING, TAKAFUL AND PENSION FUND.</b>	3	2,173	1.10%
<b>JOINT STOCK COMPANIES</b>	13	870,665	4.12%
<b>OTHERS</b>	3	67,844	0.32%
<b>INDIVIDUALS</b>	2313	10,091,941	47.79%
<b>TOTAL</b>	<b>2356</b>	<b>21,118,663</b>	<b>100.00%</b>

SHAREHOLDERS HOLDING FIVE PERCENT OR MORE VOTING INTEREST IN THE LISTED COMPANY

EMPLOYEES OLD AGE BENEFITS INSTITUTION	1,154,500
CDC TRUSTEE NATIONAL INVESTMENT (UNIT) FUND	1,829,410
AL-NOOR SUGAR MILLS LIMITED	3,299,784

## PROXY FORM

I/We .....  
in the district of ..... being a Member of **SHAHMURAD SUGAR MILLS LIMITED**  
and holder of ..... Ordinary Shares as per Share  
(Number of Shares)

Register **Folio No.** ..... and/or **CDC Participant I.D. No.** ..... and **Sub Account No.** .....

hereby appoint ..... of .....  
or failing him .....

of..... also a member; as my/our Proxy in my/our absence to  
attend and vote for me/us at the 36th Annual General Meeting of the Company to be held on the 30th day of January two  
thousand and fifteen at 10.30 a.m. and at any adjournment thereof :

Signed this ..... day of ..... 2015

### WITNESSES:

1. Signature .....  
Name: .....  
Address .....  
NIC or  
Passport No. ....

Rupees five  
Revenue  
Stamp

2. Signature .....  
Name: .....  
Address .....  
NIC or  
Passport No. ....

\_\_\_\_\_  
Signature of Member(s)

### NOTE:

If a Member is unable to attend the Meeting, he may sign this Form and send it to Secretary SHAHMURAD SUGAR MILLS LIMITED, KARACHI so as to reach him not less than 48 hours before the time of holding the Meeting. A proxy need to be a member of the company.

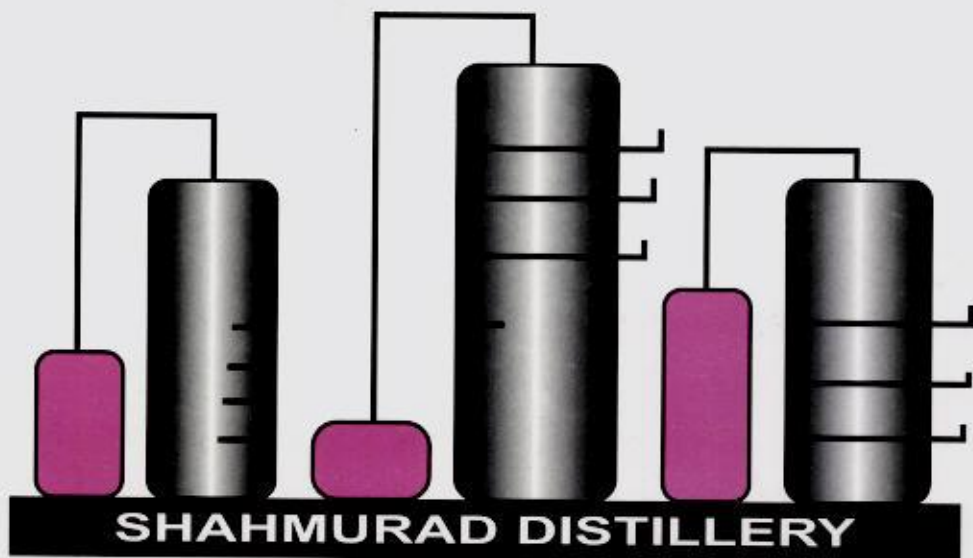


SHAHMURAD SUGAR MILLS LTD. ■

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# Shahmurad

## SUGAR MILLS LTD.

96-A, Sindhi Muslim Society, Karachi-74400.