

# Annual Report

For the year ended  
30 September 2014



**Shakarganj Mills Limited**





## > CONTENTS

|  |     |
|--|-----|
| Vision, Mission & Values .....   | 02  |
| Company Information .....  | 05  |
| Management Committees .....  | 06  |
| Shareholders' Information .....  | 07  |
| Company Profile .....  | 08  |
| Director's Report .....  | 10  |
| Board and its Committee Meetings .....   | 14  |
| Chief Executive's Review .....   | 15  |
| Production Data .....  | 18  |
| Financial Highlights .....   | 20  |
| Statement of Compliance with Code of Corporate Governance .....                                    | 21  |
| Review Report to the Members on Statement of Compliance with<br>Code of Corporate Governance ..... | 23  |
| Auditors' Report to the Members .....  | 25  |
| Balance Sheet .....  | 26  |
| Profit and Loss Account .....  | 28  |
| Statement of Comprehensive Income .....  | 29  |
| Cash Flow Statement .....  | 30  |
| Statement of Changes in Equity .....   | 31  |
| Notes to the Financial Statements .....  | 32  |
| Pattern of Holding of Shares .....   | 97  |
| Notice of Annual General Meeting .....   | 100 |
| Form of Proxy .....  |     |



## **> VISION, MISSION & VALUES**

To gain and maintain leadership in the industries it competes in by producing the best quality products with lowest possible cost.

To give the best returns to shareholders by optimal allocation of resources to the products and markets the company competes in.

To provide the best value products and services to its customers through investment in technology, human resources, operational systems and processes.

To provide the best working environment to its employees and provide opportunities to them for enhancing their skills.

To work with its farmers, suppliers and distributors as partners developing their expertise and profitability.

To pursue environment friendly policies and effectively and efficiently use all energy resources aiming for zero waste and a clean healthy environment in its vicinity.

To be a socially responsible corporate citizen supporting education, health, environment and socio economic development of the society.





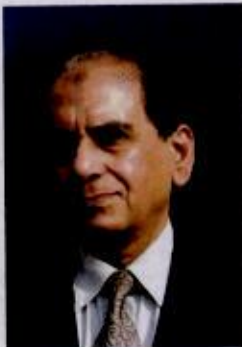








## > COMPANY INFORMATION



## > BOARD OF DIRECTORS

From Left to Right

1. Chairman (Non-Executive)
2. Chief Executive Officer
- In alphabetic order:
3. Executive Director
4. Non-Executive Director
5. Non-Executive Director
6. Non-Executive Director (NIT)
7. Non-Executive Director (Independent)

### Chief Financial Officer

S.M. Chaudhry

### Company Secretary

Asif Ali

### Audit Committee

Chairman  
Khalid Bashir

### Human Resource & Remuneration Committee

Chairman  
Muhammad Anwar

Muhammad Anwar  
Ahsan M. Saleem

Ali Altaf Saleem  
Khalid Bashir  
Muhammad Arshad  
Sheikh Asim Rafiq  
Shehryar Mazhar

Member  
Muhammad Anwar  
Sheikh Asim Rafiq (NIT)  
Shehryar Mazhar (Independent)

Member  
Ahsan M. Saleem  
Khalid Bashir



## > MANAGEMENT COMMITTEES

### Executive Committee

Chairman

Ahsan M. Saleem  
Anjum M. Saleem  
Ali Altaf Saleem

This committee devises long term policies and visions for the Company with the sole objective for providing the best returns to shareholders by optimum allocation of existing resources. The Committee is also responsible for review of Company's operation on ongoing basis, establishing and ensuring adequacy of internal controls and monitoring compliance of key policies.

### Business Strategy Committee

Chairman

Ahsan M. Saleem  
Anjum M. Saleem  
Ali Altaf Saleem  
Muhammad Pervaiz Akhter  
S.M. Chaudhry  
Manzoor Hussain Malik

This Committee is responsible for formulation of business strategy, review of risks and their mitigation plan. Further, the Committee is also responsible for staying abreast of developments and trends in the Industry to assist the Board in planning for future capital intensive investments and growth of the Company.

### System and Technology Committee

Chairman

Muhammad Pervaiz Akhtar  
S.M. Chaudhry  
Ibrahim Ahmad Cheema

This committee is responsible for devising the I.T. Strategy within the organization to keep all information systems of the Company updated in a fast changing environment.





## > SHAREHOLDERS' INFORMATION

### Stock Exchange Listing

Shakarganj Mills Limited is a listed company and its shares are traded on all the three stock exchanges of Pakistan. Daily quotes on the Company's stock can be obtained from leading newspapers. Shakarganj is listed under 'Food Producers'

### Public Information

Financial analysts, Stock brokers, interested investors and financial media desiring information about "Shakarganj" should contact Mr. Asif Ali at the Company's Office, Jhang. Tel: 047 763 1001 - 05 Fax: 047 763 1011 E-mail: [info@shakarganj.com.pk](mailto:info@shakarganj.com.pk)

### Shareholders' Information

Inquiries concerning lost stock certificates, dividend payment, change of address, verification of transfer deeds and share transfers should be directed to CorpTec Associates (Pvt) Limited, Share Registrar of the Company at Lahore. Tel: 042 3517 0336 - 7 Fax: 042 3517 0338 E-mail: [info@corptec.com.pk](mailto:info@corptec.com.pk)

### Products

- Sugar
- Bio Fuel
- Bio Power
- Building Materials
- Yarn
- Tiger Compost

### Legal Advisor

Hassan & Hassan Advocates, Lahore

### Bankers

Faysal Bank Limited  
MCB Bank Limited  
National Bank of Pakistan  
Standard Chartered Bank

### Works

#### Principal Facility

Management House  
Toba Road, Jhang, Pakistan  
Tel: 047 763 1001 - 05  
Fax: 047 763 1011  
E-mail: [info@shakarganj.com.pk](mailto:info@shakarganj.com.pk)

#### Satellite Facility

Management House  
63 km, Jhang Sargodha Road  
Bhone, Pakistan  
Tel: 048 688 9211 - 13  
Fax: 047 763 1011

#### Website

[www.shakarganj.com.pk](http://www.shakarganj.com.pk)  
Note: This Report is available on Shakarganj website.

### Registered and Principal Office

10<sup>th</sup> Floor, BOP Tower,  
10-B Block E 2, Gulberg III,  
Lahore, Pakistan  
Tel: 042 3578 3801 - 06  
Fax: 042 3578 3811

#### Karachi Office

12<sup>th</sup> Floor, Sidco Avenue Centre,  
264 R.A. Lines, Karachi, Pakistan  
Tel: 021 3568 8149  
Fax: 021 3568 0476

#### Faisalabad Office

Nishatabad, New Lahore Road,  
Faisalabad, Pakistan  
Tel: 041 875 2810  
Fax: 041 875 2811

### Share Registrar

CorpTec Associates (Pvt) Limited  
503-E, Johar Town  
Lahore  
Tel: 042 3517 0336 - 7  
Fax: 042 3517 0338  
E-mail: [info@corptec.com.pk](mailto:info@corptec.com.pk)

### Annual General Meeting

The 47<sup>th</sup> Annual General Meeting of Shakarganj Mills Limited will be held on Thursday, 29 January 2015 at 11:00 a.m. at Qasr-e-Noor, 9-E-2, Main Boulevard, Gulberg III, Lahore



## > COMPANY PROFILE

Shakarganj Mills Limited was incorporated in Pakistan in 1967 as a Public Limited Company and is listed on all three stock exchanges of Pakistan. Shakarganj is a leading manufacturer of food products, bio fuel and building materials as well as textiles. We transform renewable crops such as sugarcane and cotton into value added products comprising refined sugar, textiles, bio fuel and building materials in addition to generating bio power from biogas. The Company has two manufacturing facilities in Jhang District. Our registered office is in Lahore.

Shakarganj Mills, through its interest in Shakarganj Food Products Limited, is also active in production of dairy and fruit products.

### **Sugar Business:**

We have two manufacturing facilities, located in District Jhang. We produce different types of sugar comprising pharmaceutical, beverage and commercial grades sugar as well as soft brown sugar, castor and icing sugar, sugar cubes, sachets and retail packs.

Our combined crushing capacity is of 20,000 MT of sugarcane per day which is extendable to 32,000 MT per day.

### **Bio Fuel Business:**

We have distilleries located at Jhang and Bhone where various grades of bio fuel are produced. Our products include rectified bio fuel for industrial and food grades, anhydrous bio fuel for fuel grade and extra neutral bio fuel for pharmaceutical and perfume grades. The combined capacity of our distilleries is 280,000 - 300,000 litres per day.

### **Bio Power Business:**

Biogas power generation facility is located at Jhang. This facility comprises an Effluent Treatment Plant (ETP) and a

Power Generation Facility. ETP operations involve biological treatment of distillery waste to produce methane and a biological de-sulphurization plant to remove sulphur from the methane gas. This gas is then used in the power house to produce electricity which is sold to a utility company on the national grid. The present capacity of this plant is 8 megawatts. For better control, from January 2013 ETP has been transferred to Bio Fuel Business.

### **Building Materials Business:**

Our Building Materials Division is located at Jhang facility, with a capability to produce 12 x 4 feet sheets of particle board of varying thickness. Our daily production capacity is 30 cubic metres.

### **Textile Business:**

Located at Jhang, this cotton spinning unit produces carded cotton yarns ranging from 10/s to 30/s and doubled cotton yarn ranging from 8 to 15 TPI. The installed capacity is 25,856 spindles for cotton spinning and 2,304 spindles for doubling.

### **Farming & Allied Business:**

This comprises different parcels of land mainly located at Jhang Division nearby our manufacturing facilities. Total area under cultivation is over 1,470 acres of which nearly 1,285 acres is owned land and rest is leased. The main crops include sugarcane, wheat, gram, maize, fodder and seasonal vegetables. A dairy farm located at Jhang has been developed, with a herd of 250 milking and fattening cattle. Small herd of rams and bucks for fattening purpose has also been developed.

Shakarganj has also launched a new product in the area of non chemicals fertilizers under the brand name of "Shakarganj Tiger Compost". The product as organic fertilizer has been developed using aerobic decomposition process





with addition of standardized microbial culture in filter cake. The compost is a rich source of organic matter, with macro and micro nutrients to help improve soil is very useful for better growth, yield and quality of all field crops in general and specifically for sugarcane. This is at its initial stage and would grow up in the farmer's community with the practical exposures.

### **Business Vision and Strategy:**

Shakarganj's vision is to create country's leading renewable ingredients business. We aim to achieve this by building a consistent portfolio of distinctive, profitable, high-value solutions in products and services for our customers. Shakarganj is committed to provide long-term value for our shareholders. Our strategy is to build a stronger value added business with a low-cost commodity base.

We focus on five key business objectives to deliver consistent growth.

#### **- Serve our Customers:**

Delivering excellent customer service is at the core of everything we do. Our aim is to be the partner of choice in our customers' processes and to help them develop more successful consumer products.

#### **- Operate Efficiently and Safely:**

We aim to be the lowest-cost and most efficient producer in all our markets. Through our expertise in high-volume process management, our focus is on technical and manufacturing excellence and the efficient use of services such as logistics and utilities. We are continually working to improve operational efficiency and strive to ensure safe and healthy conditions for everyone at our sites.

#### **- Invest in Long Term Assets and Partnerships:**

We continually evaluate investment opportunities that would add strategic value by enabling us to enter new markets or add products, technologies and knowledge more efficiently than we could organically. We also aim to grow our business by forming joint ventures and partnerships to enhance the capabilities of our existing product portfolio. Using alliances and joint ventures can be an efficient way to lower our cost of investing in new areas and markets, and will help secure access to new and complementary technology and expertise.

#### **- Invest in Technology and People:**

We are investing in our research and development capabilities to help us in developing innovative solutions that meet our customers' product challenges. We are also complementing our own capabilities through business and technology partnerships, and university collaborations. To develop talent, improve leadership and help our employees succeed, we operate various programs designed to ensure the right skills at all levels to grow our business.

#### **- Grow the Contribution from Value Added Products:**

We are committed to grow the contribution from our value added products. Value added products utilize technology and intellectual property enabling us to obtain a price premium along with sustainable and/or higher margins.



## > DIRECTOR'S REPORT

### Dear Shakarganj Shareholder:

The directors of your Company are pleased to submit their report together with the audited financial statements of the Company for the year ended 30 September 2014:

### Financial Results

The financial results of the Company are summarised below:

|                                 |          | 2014                 | 2013     |
|---------------------------------|----------|----------------------|----------|
|                                 |          | (Rupees in thousand) |          |
| (Loss) / profit before taxation |          | (584,585)            | 329,362  |
| Taxation                        |          | (54,224)             | (62,350) |
| (Loss) / profit before taxation |          | (638,809)            | 267,012  |
| Basic earnings per share:       |          |                      |          |
| - (Loss) / earning per share    | (Rupees) | (9.19)               | 3.84     |
| Diluted earnings per share:     |          |                      |          |
| - (Loss) / earning per share    | (Rupees) | (9.19)               | 3.55     |

Keeping in view accumulated losses, adverse current ratio and conditionalities of our lenders, the directors do not recommend declaration of any dividend for the year ended 30 September 2014.

### Statement on corporate and financial reporting framework

1. These financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. Proper books of accounts of the Company have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgement.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from, if any 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 a going concern as it has adequate resources and operating capabilities to continue in operation for the foreseeable future as has been explained in the Chief Executive's Review and financial statements.





7. The significant deviations from last year in operating results have been explained in detail together with the reason thereof in the Chief Executive's Review as endorsed by the Directors.
8. Key operating and financial data for the last six years in summarised form is annexed.
9. The outstanding statutory duties, taxes, charges and levies, if any have been fully disclosed in the financial statements.
10. All related party transactions are approved by the Board after review and recommendation from Audit Committee.
11. The Company did not declare any dividend due to accumulated losses.
12. The significant plans and decisions particularly corporate restructuring of the Company along with future prospects and risks & uncertainties have been briefly outlined in the Chief Executive's Review as endorsed by the Directors. The detail information is also available in financial statements.
13. The directors of the Company having 15 years of experience on the board of a listed company are exempt from the requirements of directors training program. All the board members except three directors qualify for exemption under this provision of the Code. One director has completed training course in March 2013 and the Company will arrange training for remaining director as per requirements.
14. Total number of regular employees at the end of the year was 2,014.
15. Following is the value of investments of funds based on their respective audited accounts for the year ended 30 September 2014:

|                |        |                |
|----------------|--------|----------------|
| Gratuity Fund  | Rupees | 48.79 million  |
| Pension Fund   | Rupees | 330.50 million |
| Provident Fund | Rupees | 158.99 million |

### Auditors

The auditors KPMG Taseer Hadi & Co., Chartered Accountants, will retire and are eligible for re-appointment as auditors of the Company for the next year. The Audit Committee and the Board have recommended the re-appointment of KPMG Taseer Hadi & Co, Chartered Accountants as auditors for the year ending 30 September 2015 for consideration of members at the forthcoming Annual General Meeting.

### Meetings of the Board of Directors

During the year five (5) meetings of the Board of Directors, four (4) meetings of the Audit Committee and one (1) meeting of the Human Resource and Remuneration Committee were held and the attendance of each Director is annexed herewith.

### Pattern of Shareholding

The pattern of shareholding and additional information thereof is attached.



No trade in the shares of the Company was carried out by the directors, executives and their spouses and minor children except the following:

| <b>Name of Director/<br/>Spouses / Executive</b> | <b>Shares purchased</b> | <b>Shares Sold</b> |
|--|-------------------------|--------------------|
| Mr. Anjum M. Saleem                              | 35,000                  | -                  |
| Mr. Altaf M. Saleem                              | 134,000                 | -                  |

### **Directors**

During the year, election of directors was held in the extraordinary general meeting held on 30 May 2014 and the following directors were elected for a three (3) years term commencing from 01 June 2014.

### **In alphabetical order**

|    |                       |               |
|----|-----------------------|---------------|
| 1. | Mr. Ahsan M. Saleem   |               |
| 2. | Mr. Ali Altaf Saleem  |               |
| 3. | Mr. Khalid Bashir     |               |
| 4. | Mr. Muhammad Anwar    |               |
| 5. | Mr. Muhammad Arshad   |               |
| 6. | Mr. Sheikh Asim Rafiq | (Nominee NIT) |
| 7. | Mr. Shehryar Mazhar   | (Independent) |

For the purposes of clause (xvi) (I) of the Code, The Board of Directors has set the threshold that heads of all departments of the Company shall be considered as executives. The board has reviewed this threshold and found it satisfactory keeping in view the management structure of the company.

### **Abstract Under Section 218 (1) of the Companies Ordinance, 1984:**

During the year ended 30 September 2014, the Board re-appointed Mr. Ahsan M. Saleem, an elected director as Chief Executive of the Company for a period of three years with effect from 30 July 2014. As per terms of his appointment, he will not draw any remuneration from the Company. During the year, Mr. Ali Altaf Saleem an elected director was also appointed as Deputy Managing Director at a gross remuneration of Rs. 527,720 per month along with other benefits as per company policy. Mr. Ahsan M. Saleem and Mr. Ali Altaf Saleem being elected directors are considered as interested in their respective appointments.

### **Default in payments of debts**

The details of overdue debts, reasons thereof and the measures taken by the Company to address and settle such default situation has been adequately explained in the Chief Executive's Review which is endorsed by the Directors. The detailed information is also available in the financial statements.

### **Financial Statements**

The financial statements of the Company have been duly audited and approved without qualification by the auditors of the Company, KPMG Taseer Hadi & Co, Chartered Accountants and their report is attached with the financial statements. The Company auditors have given a paragraph of emphasis drawing attention to the conditions that may affect the Company's ability to continue as a going concern, for which complete information and explanation are included in the Chief Executive's Review.





## Chief Executive's Review

The directors endorse the contents of the Chief Executive's Review for the year ended 30 September 2014 which contains the state of Company's affairs, operational performance, reasons for incurring losses, debts status and default and a reasonable indication of the future prospects and other requisite information. The contents of the report shall be read along with this report and shall form an integral part of the Directors Report in terms of Section 236 of the Companies Ordinance, 1984 and requirements of Code of Corporate Governance under Listing Regulations of the Stock Exchanges.

No material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year to which this balance sheet relates and the date of the Directors' Report.

By Order of the Board

Ahsan M. Saleem  
Chief Executive Officer

Date: 26 December 2014



## > BOARD AND ITS COMMITTEES' MEETINGS

### Attendance in Meetings

| Name of Directors         | Board    |          | Audit Committee |          | Human Resource and Remuneration Committee |          |
|---------------------------|----------|----------|-----------------|----------|---|----------|
|                           | Required | Attended | Required        | Attended | Required                                  | Attended |
| NON - EXECUTIVE DIRECTORS |          |          |                 |          |   |          |
| Khalid Bashir             | 5        | 4        | 4               | 3        | 1   | 1        |
| Muhammad Anwar            | 5        | 5        | 4               | 4        | 1   | 1        |
| Muhammad Arshad           | 5        | 4        | -               | -        | -   | -        |
| Rasul Bux Phupoto         | 3        | 3        | -               | -        | -   | -        |
| Shaikh Asim Rafiq         | 2        | 2        | 1               | 1        |   |          |
| Shehryar Mazhar           | 5        | 5        | -               | -        | -   | -        |
| EXECUTIVE DIRECTORS       |          |          |                 |          |   |          |
| Ahsan M. Saleem           | 5        | 4        | -               | -        | 1   | 1        |
| Ali Altaf Saleem          | 5        | 5        | 3               | 3        | -   | -        |





## > CHIEF EXECUTIVE'S REVIEW

I welcome you to the 47th Annual General Meeting of Shakarganj Mills Limited to present the audited financial statements of the Company for the year ended 30 September 2014.

The fiscal 2014 saw restricted margins given depressed sugar selling prices while input prices including raw material costs remained largely unchanged. Moreover, due to short-availability of sugarcane, crushing season 2013-2014 closed by mid-March 2014. In spite of all the challenges and several forced stoppages, not only in the final months of Fiscal 2013, but also in the first quarter of Fiscal 2014, your Company still achieved comparatively better production in bio fuel. While periodic closures of Bio Fuel also affected performance of the Bio Power segment, it still contributed positively toward the bottom line. Due to the abovementioned reasons, the Company incurred an after tax loss of Rs. 639 million for the year ended 30 September 2014 (FY13: after tax profit of Rs. 267 million).

Our Sugar Division crushed 1,259,272 MT of sugarcane to produce 112,271 MT of sugar, at a recovery of 8.92 percent. This was an overall decrease of 6% in sugar recovery compared to the previous fiscal year where we produced 133,753 MT of sugar from 1,409,811 MT of sugarcane at a recovery of 9.49 percent. The main reason for this drop in recovery was increased competition among various mills to maximise crushing which enabled growers to avoid proper harvesting and cleaning of cane supply.

Bio fuel production for the year increased to 76.38 million litres from 63.37 million litres in the previous year, an increase of 21% was due to timely procurement of raw materials. The Company maintained its position as the number one exporter of bio fuel and once again qualified for the Best Export Trophy awarded by the Federation of Pakistan Chambers of Commerce & Industry (FPCCI). Export sales accounted for about 93 percent of our total sale of bio fuel.

Bio power generation by the Company was adversely affected by inconsistent distillery operations and non-availability of sufficient spent wash, the output during the year was 12.86

million units as compared to previous year generation of 22.87 million units. We utilised this time of forced shutdowns to conduct extensive repair, maintenance and necessary overhauling of the bio gas generators so that operations are smoother in coming periods. Profitability due to maintenance costs and reduced output remained under pressure.

In the period under review, our Building Materials Division produced 5,650 cubic metres of particle board compared to the record production of 6,894 cubic metres during the previous year. We used our own bagasse as well as purchased bagasse from other sugar mills to maximize capacity utilization at this division. Marginal increase in average selling prices was over-run by increased raw material cost.

Yarn production at our Textile Division decreased to 5.12 million kg from 6.64 million kg in the previous year. The decrease in production was mainly attributable to changes in product mix and focus on higher count yarn. Raw material price was higher as compared to selling price of yarn, shrinking margins and dwindling profits.

### Financial & Business Review:

The Company is making continuous efforts to overcome liquidity constraints by leveraging existing and potential lenders. The Company repaid Rs. 1,133 million of the loans through utilisation of liquidity resulting from operations and sale of certain assets of the Company. However, lower crushing impacted sugar and allied business segments negatively consequently overall performance of the Company during the Fiscal 2014 was severely affected. These factors as well as liquidity crunch impacted adversely the operational results as the Company sustained an operating loss of Rs 379 million compared to operating profit of Rs 569 million in the previous year. After tax loss during the year was Rs 639 million as compared to after tax profit of Rs 267 million in last year. As explained in our last annual report, the Company has been in a tight liquidity position since 2009 and our current ratio has been adversely affected due to reclassification of various long term obligations as short term borrowings. This has led to the current liabilities of the Company exceeding its current



assets by Rs 5,167 million. As at 30 September 2014, the total overdue principal and markup amounted to Rs 2,165 million. The management has taken a number of steps to overcome these issues including restructuring of loans with cooperation from its existing lenders and significant milestones have been achieved subsequent to the reporting period.

As a part of the restructuring process, the Company has successfully disposed off its various assets such as the Dargai Shah Sugar & Bio Power Units, entire divestment of Safeway Mutual Fund Limited, Asian Stocks Fund Limited, as well as certain agricultural land parcels. The detail of restructuring process, significant future plans, defaults in payments of debts and reasons thereof etc. have been given in financial statements particularly in Note 1.2, annexed to these financial statements. The Company has successfully negotiated with a majority of its lenders on bilateral terms and obtained various short term finance facilities to help overcome the liquidity crunch and increased capacity utilization.

Keeping in view the financial position, without qualifying their opinion, the Company auditors' have given a paragraph of emphasis in auditors' report drawing attention to conditions that may affect the Company's ability to continue as a going concern. The Company believes that there is no significant doubt upon its ability to continue as a going concern as it has adequate resources & operating capabilities to continue in operation for the foreseeable future. It will continue as a going concern as the current situation is temporary in nature and would reverse in near future because of support from all stakeholders and concerted efforts being made by the management. The management is also confident that through restructuring of liabilities, availability of improved liquidity, higher operational activities and anticipated positive financial results, the Company will be able to remove the doubts of its ability as a going concern as stated by the auditors in the paragraph of emphasis. The steps taken by the management so far and planned in future are further explained in Note 1.2 to the financial statements.

### **Corporate Social Responsibility**

We actively seek opportunities to contribute to the communities in which we do business and to improve the environments that sustain us all. Areas of primary focus are education, health and safety, energy conservation, waste

reduction, and community building. We always aim to be an exemplary corporate citizen and health, safety and environmental concerns are always among our key focal points. Our Social Action Programme delivers a variety of social services in our extended community under the banner of "Sukh Char Programme" These services include education, healthcare, promotion of arts and protection of our cultural heritage. During the year Shakarganj contributed around Rs.10 million toward these activities. As a responsible member of the corporate community, Shakarganj always contributes substantially towards the national economy on account of taxes and other government levies. The year under consideration was no different and your Company's contribution to federal, provincial and local taxes was in excess of Rs 600 million.

### **Health, Safety and Environment**

At Shakarganj we take maintenance of health and safety standards at our plants and offices seriously as we always aim to be an exemplary corporate citizen, health and safety and environmental concerns are always among our key focal points. We are committed to providing clean, healthy and safe conditions for our employees, contractors and visitors. In providing a good working environment there is no higher priority than safety and we target continuous improvement to reduce recordable injury and accident times to zero. Environmental protection issues are always considered on a higher priority and Shakarganj produces all its products from renewable crops and raw materials and does not believe in making profits at the cost of damage to our environment. All activities at Shakarganj are required to conform to international standards for health and safety certified by ISO14001:2004.

### **Outlook**

Company remains committed to do its best efforts to keep the operations going on and to improve its liquidity scenario. During the year the Company has also increased its authorized share capital with the view to raise further equity at an appropriate time. Furthermore, the Company has also entered into agreement for sale of raw carbon oxide (CO<sub>2</sub>), produced as a by-product of bio fuel manufacturing process, that will help generate additional liquidity and improved margins.





However, external environment in the country will continue to remain challenging for some time. The government at both federal and provincial levels is determined to revive the industrial sector and has taken various steps to remove bottlenecks to industrialisation. Investors are offered various incentives and several schemes are announced to encourage revival of the industrial sector. The sugar sector is receiving special attention from the government which has moved to impose regulatory duty on imported sugar and several incentives have been announced to facilitate sugar export, steps that are good for the overall wellbeing of domestic sugar industry.

As mentioned in our Future Outlook section of our previous report, performance of the Company strongly depends on the selling price of sugar and performance of its bio fuel & alternate energy business. Government permission to continue exporting sugar, while offering various incentives to help offset the costs related to such exports had a positive impact, however, improvement in sugar prices, both at the domestic, as well as international level may add bottom line positively.

Our agricultural farming part of sugar business, had showed improvement in its results but heavy floods have made a negative impact. The management has also planned to arrange increased financing in order to satisfy the demand for molasses in order to run bio fuel operations throughout the year in Fiscal 2015.

Textile Division is expected to contribute positively in future by improving power supply and better marketing of yarn. Other business segments would be likely to improve.

We hope that in spite of all the challenges, in Fiscal 2015 results would be better comparatively, and with the improvement in productivity of various divisions, the Company would be back on track of profitability. Shakarganj has always had a positive forward looking approach in its operations and hopes for the same for all its business segments. We expect to achieve economies of scale, revisiting and simplifying our organizational layout and reducing costs company-wide for coming years.

## General

In view of the expanded scope of its business activities of the Company as now it is engaged in production and sale of sugar, its by-products, bio-fuel, bio-power generation, building materials, tiger compost, yarn, investment, strategic or otherwise and carbon oxide CO<sub>2</sub>. It is, therefore, proposed that the name of the Company be changed by deleting the word "Mills" from the exiting name of the Company. The new proposed name is "Shakarganj Limited". The change of name would require the shareholders' approval in a general meeting and sanction of the Securities and Exchange Commission of Pakistan / Registrar of Companies. Further, the previous name is required to be mentioned along with the new name for a period of one year in all the documents of the Company. The directors have approved the proposal and now the approval is being sought from shareholders of the Company in forthcoming Annual General Meeting.

The Directors are always a source of guidance and support for the management and we appreciate their commitment to your Company's progress and prosperity. The Directors would also like to express their appreciation for the dedicated efforts, loyalty and hard work of the workers, staff and members of the management team. Our sugarcane farmers are the backbone of our industry and we thank them for their continued support. I would also like to thank our shareholders, customers and other stakeholders for their continued support.

By Order of the Board

Ahsan M. Saleem  
Executive Officer

Date: 26 December 2014



## > PRODUCTION DATA

| Season  | Duration<br>Season<br>(Days) | Cane<br>Crushed<br>(MT) | Raw Sugar<br>Processed<br>(MT) | Sugar<br>Produced<br>(MT) | Recovery<br>(Percent) |
|---------|------------------------------|-------------------------|--------------------------------|---------------------------|-----------------------|
| 2013-14 | 140                          | 1,259,272               |                                | 112,271                   | 8.92                  |
| 2012-13 | 135                          | 1,409,811               |                                | 133,753                   | 9.49                  |
| 2011-12 | 164                          | 1,957,358               |                                | 173,620                   | 8.87                  |
| 2010-11 | 136                          | 1,567,361               |                                | 141,549                   | 9.01                  |
| 2009-10 | 109                          | 913,272                 |                                | 78,540                    | 8.62                  |
| 2008-09 | 110                          | 784,056                 |                                | 71,600                    | 9.13                  |
| 2007-08 | 174                          | 2,254,712               |                                | 177,092                   | 7.85                  |
| 2006-07 | 155                          | 1,587,929               |                                | 128,170                   | 8.04                  |
| 2005-06 | 170                          | 1,288,548               | 92,968.40                      | 178,934                   | 6.97                  |
| 2004-05 | 160                          | 1,324,510               | 67,930.40                      | 177,679                   | 8.63                  |
| 2003-04 | 159                          | 1,614,539               |                                | 136,813                   | 8.48                  |
| 2002-03 | 196                          | 1,675,370               |                                | 127,060                   | 7.58                  |
| 2001-02 | 195                          | 1,704,812               |                                | 128,000                   | 7.53                  |
| 2000-01 | 161                          | 1,054,992               | 27,811.59                      | 105,550                   | 7.50                  |
| 1999-00 | 144                          | 524,377                 |                                | 39,965                    | 7.63                  |
| 1998-99 | 157                          | 1,350,119               |                                | 101,479                   | 7.51                  |
| 1997-98 | 163                          | 1,434,389               |                                | 112,430                   | 7.85                  |
| 1996-97 | 176                          | 1,036,955               |                                | 79,740                    | 7.69                  |
| 1995-96 | 151                          | 763,316                 |                                | 60,285                    | 7.92                  |
| 1994-95 | 157                          | 1,057,036               |                                | 86,075                    | 8.11                  |
| 1993-94 | 196                          | 1,203,371               |                                | 88,117                    | 7.34                  |
| 1992-93 | 161                          | 691,839                 |                                | 54,055                    | 7.85                  |
| 1991-92 | 174                          | 746,506                 |                                | 63,986                    | 8.57                  |
| 1990-91 | 204                          | 866,552                 |                                | 65,537                    | 7.56                  |
| 1989-90 | 187                          | 708,632                 |                                | 57,912                    | 8.17                  |
| 1988-89 | 170                          | 446,325                 |                                | 36,367                    | 7.70                  |
| 1987-88 | 193                          | 698,605                 |                                | 55,726                    | 7.98                  |
| 1986-87 | 149                          | 333,601                 |                                | 27,899                    | 8.36                  |
| 1985-86 | 113                          | 237,602                 |                                | 20,625                    | 8.66                  |
| 1984-85 | 168                          | 441,718                 |                                | 39,523                    | 8.96                  |
| 1983-84 | 173                          | 427,169                 |                                | 35,501                    | 8.31                  |
| 1982-83 | 173                          | 361,291                 |                                | 29,440                    | 8.16                  |
| 1981-82 | 207                          | 466,040                 |                                | 39,474                    | 8.47                  |
| 1980-81 | 187                          | 287,723                 |                                | 25,562                    | 8.89                  |
| 1979-80 | 112                          | 61,207                  |                                | 5,619                     | 8.95                  |
| 1978-79 | 114                          | 107,106                 |                                | 9,267                     | 8.80                  |
| 1977-78 | 177                          | 319,960                 |                                | 27,620                    | 8.61                  |
| 1976-77 | 166                          | 308,987                 |                                | 26,086                    | 8.45                  |
| 1975-76 | 157                          | 246,394                 |                                | 18,865                    | 7.61                  |
| 1974-75 | 107                          | 104,069                 |                                | 8,253                     | 8.30                  |
| 1973-74 | 101                          | 87,825                  |                                | 5,477                     | 6.28                  |





| Losses<br>(Percent) | Process<br>Molasses<br>(MT) | Bio Fuel<br>(Litres) | Building<br>Materials<br>(m3) | Yarn<br>(Bags) | Bio Power<br>(MWh) |
|---------------------|-----------------------------|----------------------|-------------------------------|----------------|--------------------|
| 2.15                | 55,817                      | 76,377,765           | 5,650                         | 112,846        | 12,857             |
| 2.16                | 61,450                      | 63,372,339           | 6,894                         | 146,466        | 22,865             |
| 2.20                | 93,575                      | 93,796,731           | 8,789                         | 149,872        | 27,779             |
| 2.02                | 70,505                      | 68,860,824           | 5,920                         | 86,209         | 21,826             |
| 2.05                | 40,901                      | 22,669,768           | 3,562                         | 149,878        | 27,292             |
| 1.95                | 33,070                      | 33,319,694           | 1,643                         | 148,426        | 23,542             |
| 2.17                | 117,742                     | 66,490,739           | 6,540                         | 149,788        | 17,714             |
| 2.30                | 79,340                      | 35,093,676           | 1,834                         | 135,935        |                    |
| 2.54                | 71,008                      | 27,625,611           | 1,477                         | 133,580        |                    |
| 2.17                | 66,190                      | 33,245,964           | 3,584                         | 119,106        |                    |
| 2.41                | 81,953                      | 35,408,000           | 5,141                         | 119,922        |                    |
| 2.36                | 84,277                      | 26,233,000           | 1,668                         | 109,096        |                    |
| 2.42                | 91,890                      | 15,800,156           | 5,670                         | 96,326         |                    |
| 2.31                | 53,601                      | 10,469,000           | 1,571                         | 82,063         |                    |
| 2.20                | 24,243                      | 4,967,000            | 497                           | 96,999         |                    |
| 2.23                | 61,756                      | 5,324,756            | 1,922                         | 103,555        |                    |
| 2.38                | 73,477                      | 6,350,000            | 2,784                         | 85,259         |                    |
| 2.50                | 54,711                      | 6,015,000            |                               | 98,406         |                    |
| 2.65                | 39,397                      | 2,573,700            | 2,118                         | 83,542         |                    |
| 2.77                | 53,172                      | 5,460,000            | 5,299                         | 73,938         |                    |
| 2.65                | 60,150                      | 5,250,076            | 4,335                         | 50,880         |                    |
| 2.68                | 35,980                      | 4,887,020            | 1,663                         | 115,488        |                    |
| 2.53                | 37,710                      | 4,525,900            | 3,360                         | 117,902        |                    |
| 2.59                | 47,135                      | 3,422,204            | 643                           | 113,341        |                    |
| 2.31                | 33,180                      | 3,030,217            |                               | 97,388         |                    |
| 2.44                | 22,410                      |                      |                               |                |                    |
| 2.61                | 38,740                      | 308,494              |                               |                |                    |
| 2.24                | 15,060                      | 1,855,809            |                               |                |                    |
| 2.29                | 11,470                      | 20,239               |                               |                |                    |
| 2.38                | 22,580                      |                      |                               |                |                    |
| 2.40                | 21,860                      |                      |                               |                |                    |
| 2.44                | 16,255                      |                      |                               |                |                    |
| 2.48                | 21,255                      |                      |                               |                |                    |
| 2.42                | 13,373                      |                      |                               |                |                    |
| 2.25                | 2,358                       |                      |                               |                |                    |
| 2.27                | 4,147                       |                      |                               |                |                    |
| 2.44                | 14,103                      |                      |                               |                |                    |
| 2.67                | 15,228                      |                      |                               |                |                    |
| 2.68                | 11,424                      |                      |                               |                |                    |
| 2.75                | 4,182                       |                      |                               |                |                    |
| 3.57                | 4,726                       |                      |                               |                |                    |



## FINANCIAL HIGHLIGHTS

|  |          | 2014        | 2013        | 2012        | 2011        | 2010        | 2009        |
|--|----------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Operating Results:</b>  |          |             |             |             |             |             |             |
| Net Sales  | (Rs 000) | 11,356,340  | 13,507,225  | 14,762,318  | 13,354,705  | 7,794,204   | 5,101,667   |
| Cost of Sales  | (Rs 000) | 11,402,233  | 12,512,771  | 13,044,568  | 12,061,782  | 7,081,788   | 4,783,640   |
| Gross Profit/(Loss)  | (Rs 000) | (45,893)    | 994,454     | 1,717,750   | 1,292,923   | 712,416     | 318,027     |
| Operating Profit/(Loss)  | (Rs 000) | (378,875)   | 568,825     | 1,033,342   | 841,167     | 337,602     | (522,307)   |
| Profit/(Loss) Before Tax   | (Rs 000) | (584,585)   | 329,362     | 442,453     | (48,195)    | (675,690)   | (1,841,910) |
| Profit/(Loss) After Tax  | (Rs 000) | (638,809)   | 267,012     | 498,476     | (81,523)    | (879,727)   | (1,957,821) |
| Dividends  | (Rs 000) | -           | -           | -           | -           | -           | -           |
| Earnings/(Loss) Before Interest, Taxes, Depreciation & Amortization          | (Rs 000) | 71,560      | 1,110,038   | 1,457,672   | 1,196,749   | 547,336     | (114,083)   |
| <b>Per Share Results and Return:</b>   |          |             |             |             |             |             |             |
| Earning Per Share  | (Rupees) | (9.19)      | 3.84        | 7.17        | (1.17)      | (12.66)     | (28.16)     |
| Cash Dividend Per Share  | (Rupees) | -           | -           | -           | -           | -           | -           |
| Dividend Yield Ratio   | (%)      | -           | -           | -           | -           | -           | -           |
| Dividend Pay Out Ratio   | (%)      | -           | -           | -           | -           | -           | -           |
| Market Price Per Share at the end of the year (KSE 100 Index)                | (Rupees) | 15.75       | 19.50       | 12.9        | 4.9         | 4.13        | 8.12        |
| Price Earning Ratio  | (Times)  | (1.71)      | 5.08        | 1.80        | (4.19)      | (0.33)      | (0.29)      |
| <b>Financial Position</b>  |          |             |             |             |             |             |             |
| Reserves   | (Rs 000) | 1,109,735   | 1,187,887   | 970,230     | 892,985     | 969,241     | 950,008     |
| Current Assets   | (Rs 000) | 1,501,818   | 1,414,570   | 2,519,539   | 2,064,613   | 3,321,289   | 2,236,267   |
| Current Liabilities  | (Rs 000) | 6,669,301   | 6,611,816   | 7,569,321   | 7,355,989   | 6,567,466   | 7,365,047   |
| Net Current Assets / (Liabilities)   | (Rs 000) | (5,167,483) | (5,197,246) | (5,049,782) | (5,291,376) | (3,246,177) | (5,128,780) |
| Property, Plant and Equipment  | (Rs 000) | 10,254,043  | 6,252,667   | 6,401,019   | 5,241,210   | 4,471,988   | 6,385,995   |
| Total Assets   | (Rs 000) | 12,411,426  | 8,810,991   | 9,726,433   | 7,982,265   | 8,271,886   | 10,173,421  |
| Long-Term Debt   | (Rs 000) | 1,354,663   | 2,135,741   | 2,410,570   | 2,794,162   | 2,736,067   | 2,849,736   |
| Shareholders' Equity   | (Rs 000) | (654,867)   | 21,110      | (603,224)   | (1,178,945) | (1,206,392) | (345,917)   |
| Share Capital  | (Rs 000) | 695,238     | 695,238     | 695,238     | 695,238     | 695,238     | 695,238     |
| Break-up Value per Share   | (Rupees) | (9.42)      | 0.30        | (8.68)      | (16.96)     | (17.35)     | (4.98)      |
| Break-up Value per share including Surplus on Revaluation of Fixed Assets    | (Rupees) | 66.78       | 31.11       | 24.14       | 3.42        | 7.09        | 19.47       |
| <b>Financial Ratios:</b>   |          |             |             |             |             |             |             |
| Current Ratio  | (Times)  | 0.23        | 0.21        | 0.33        | 0.28        | 0.51        | 0.30        |
| Long-Term Debt to Capitalization   | (%)      | 193.58      | 99.02       | 133.38      | 172.99      | 178.87      | 113.82      |
| Total Debt to Total Assets   | (%)      | 62.59       | 75.45       | 82.74       | 97.02       | 94.04       | 86.70       |
| Weighted Average Cost Of Debt  | (%)      | 10.56       | 10.38       | 12.86       | 13.94       | 14.15       | 17.09       |
| Quick / Acid Test Ratio  | (Times)  | 0.15        | 0.13        | 0.10        | 0.14        | 0.49        | 0.16        |
| Earnings before Interest, Taxes, Depreciation & Amortization Margin (EBITDA) | (%)      | 0.01        | 0.08        | 0.10        | 0.10        | 0.07        | (0.02)      |
| <b>Profitability Ratios:</b>   |          |             |             |             |             |             |             |
| Gross Profit Ratio   | (%)      | (0.40)      | 7.36        | 11.64       | 9.68        | 9.14        | 6.23        |
| Net Profit Margin  | (%)      | (5.63)      | 1.98        | 3.38        | (0.61)      | (11.29)     | (38.38)     |
| Average Collection Period  | (Days)   | 2.40        | 5.22        | 12.09       | 13.63       | 1.02        | 5.28        |
| Fixed Assets Turnover  | (Times)  | 1.11        | 2.16        | 2.31        | 2.55        | 1.74        | 0.80        |
| Total Assets Turnover  | (Times)  | 0.91        | 1.53        | 1.52        | 1.67        | 0.94        | 0.50        |
| <b>Other Data:</b>   |          |             |             |             |             |             |             |
| Depreciation & Amortization  | (Rs 000) | 327,817     | 342,546     | 285,750     | 298,815     | 359,177     | 408,224     |
| Capital Expenditure  | (Rs 000) | 315,213     | 371,289     | 311,455     | 139,072     | 94,245      | 880,730     |





# STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (the "Code") contained in Regulation No. 35 of listing regulations of Karachi, Lahore and Islamabad Stock Exchanges 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 has applied the principles contained in the Code in the following manner:

1. The Company encourages the representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

| Category                | Names   |
|-------------------------|---|
| Independent Director    | Mr. Shehryar Mazhar   |
| Non-Executive Directors | Mr. Khalid Bashir<br>Mr. Muhammad Anwar<br>Mr. Muhammad Arshad<br>Mr. Shaikh Asim Rafiq |
| Executive Directors     | Mr. Ahsan M. Saleem<br>Mr. Ali Altaf Saleem   |

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

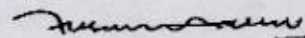
2. The directors have confirmed that none of them is serving as a director on more than seven listed Companies including this company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy on the Board has occurred during the year.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.
8. 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 five times during the year ended 30 September 2014 for approval of quarterly and annual financial statements of the Company. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The directors were apprised about the applicable laws and their duties and responsibilities to effectively manage the affairs of the company for and on behalf of the company. The directors of the Company having 15 years of experience on



the board of a listed company are exempt from the requirements of directors training program. All the board members except three directors qualify for exemption under this provision of the Code. One director has completed training course in March 2013 and the Company will arrange training for remaining directors as per requirements.

10. There were no new appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit during the year.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code 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.
15. The Board has formed an Audit Committee. It comprises three members all of whom are non-executive directors.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises of three members who are non-executive directors and the chairman of the committee is also a non-executive director.
18. The Board has outsourced the internal audit function to Riaz Ahmad and Company, Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, 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 ICAP.
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 regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the Code have been complied with

By order of the Board



Ahsan M. Saleem  
Chief Executive Officer

Date: 26 December 2014





KPMG Taseer Hadi & Co.  
Chartered Accountants  
2nd Floor,  
Servis House  
2-Main Gulberg Jail Road,  
Lahore Pakistan

Telephone + 92 (42) 3579 0901-6  
Fax + 92 (42) 3579 0907  
Internet www.kpmg.com.pk



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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Shakarganj Mills Limited ("the Company") for the year ended 30 September 2014 to comply with the Listing Regulations of Lahore, Islamabad and Karachi Stock Exchanges, 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 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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval 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. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedure 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 30 September 2014.

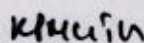
Further, we highlight below instance of non-compliance with the requirement of the Code of Corporate Governance as stated in statement of compliance:

### Reference Description

#### i Note 15

The requirement of clause (xxiv) of the Code of Corporate Governance that at least one member of the audit committee should be independent director has not been complied with. However, in the Board of Directors meeting held on 26 December 2014, independent director has been made a member of the audit committee.

Lahore  
26 December 2014

  
KPMG Taseer Hadi & Co.  
Chartered Accountants  
(Bilal Ali)

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.





**Shakarganj Mills Limited**

**FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 SEPTEMBER 2014





**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
2nd Floor,  
Servis House  
2-Main Gulberg Jail Road,  
Lahore Pakistan

Telephone + 92 (42) 3579 0901-6  
Fax + 92 (42) 3579 0907  
Internet [www.kpmg.com.pk](http://www.kpmg.com.pk)



## > AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Shakarganj Mills Limited** ("the company") as at 30 September 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 a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) 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 accounting policies consistently applied except for change in accounting policy as referred to in note 3.24.2 with which we concur;
  - (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 30 September 2014 and of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

We draw attention to note 1.2 to the financial statements, which highlights the company's inability to timely meet its obligations in respect of principal and mark-up repayments on borrowings from financial institutions. The current liabilities of the Company have exceeded its current assets by Rs. 5,168 million. These conditions, along with other matters set forth in note 1.2 indicate the existence of material uncertainty that may cast significant doubt about the company's ability to continue as a going concern.

Lahore  
26 December 2014

**KPMG**  
**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
(Bilal Ali)

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

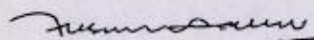


## > BALANCE SHEET

As at 30 September 2014

|   | Note | 2014        | 2013<br>(Rupees in thousand) | 2012        |
|---|------|-------------|------------------------------|-------------|
|   |      |             | Restated                     | Restated    |
| <b>EQUITY AND LIABILITIES</b>   |      |             |                              |             |
| <b>SHARE CAPITAL AND RESERVES</b>                                       |      |             |                              |             |
| <b>Authorized capital</b>   |      |             |                              |             |
| 150,000,000 (2013: 80,000,000)<br>ordinary shares of Rs. 10 each        |      | 1,500,000   | 800,000                      | 800,000     |
| 50,000,000 (2013: 50,000,000)<br>preference shares of Rs. 10 each       |      | 500,000     | 500,000                      | 500,000     |
|   |      | 2,000,000   | 1,300,000                    | 1,300,000   |
| Issued, subscribed and paid up capital<br>69,523,798 (2013: 69,523,798) |      |             |                              |             |
| ordinary shares of Rs. 10 each  | 5    | 695,238     | 695,238                      | 695,238     |
| Reserves  |      | 1,109,735   | 1,187,887                    | 970,230     |
| Accumulated loss  |      | (2,459,840) | (1,857,703)                  | (2,255,788) |
|   |      | (654,867)   | 25,422                       | (590,320)   |
| <b>Surplus on revaluation of property,<br/>plant and equipment</b>      | 6    | 5,297,880   | 2,141,914                    | 2,281,579   |
| <b>Non-current liabilities</b>  |      |             |                              |             |
| Long term finances  | 7    | -           | 26,003                       | 459,964     |
| Liabilities against assets subject to finance lease                     | 8    | -           | 10,148                       | 18,793      |
| Employees' retirement benefits  | 9    | 9,287       | -                            | -           |
| Deferred taxation   | 20   | 1,089,825   | -                            | -           |
|   |      | 1,099,112   | 36,151                       | 478,757     |
| <b>Current liabilities</b>  |      |             |                              |             |
| Current portion of long term liabilities                                | 10   | 1,364,594   | 2,117,610                    | 1,959,402   |
| Short term borrowings   | 11   | 1,861,493   | 1,155,480                    | 2,507,350   |
| Trade and other payables  | 12   | 2,836,493   | 2,422,533                    | 1,979,617   |
| Accrued finance cost  | 13   | 606,721     | 916,193                      | 1,122,448   |
| Provision for taxation  |      | -           | -                            | 504         |
|   |      | 6,669,301   | 6,611,816                    | 7,569,321   |
| <b>Contingencies and commitments</b>                                    | 14   | -           | -                            | -           |
|   |      | 12,411,426  | 8,815,303                    | 9,739,337   |

The annexed notes 1 to 46 form an integral part of these financial statements.



**Chief Executive**





|  | Note | 2014       | 2013<br>(Rupees in thousand) | 2012      |
|--|------|------------|------------------------------|-----------|
|  |      |            | Restated                     | Restated  |
| <b>ASSETS</b>  |      |            |                              |           |
| <b>NON-CURRENT ASSETS</b>                                    |      |            |                              |           |
| Property, plant and equipment                                | 15   | 10,254,043 | 6,252,667                    | 6,401,019 |
| Intangible assets  | 16   | 865        | 955                          | 1,045     |
| Biological assets  | 17   | 13,654     | 13,975                       | 8,895     |
| Investments - related parties                                | 18   | 603,687    | 1,081,722                    | 750,895   |
| Employees' retirement benefits                               | 9    | -          | 13,091                       | 17,975    |
| Long term loans, advances, deposits and prepayments          | 19   | 37,359     | 38,323                       | 39,969    |
| Deferred taxation  | 20   | -          | -                            | -         |
|  |      | 10,909,608 | 7,400,733                    | 7,219,798 |
| <b>Current assets</b>  |      |            |                              |           |
| Biological assets  | 17   | 29,477     | 32,600                       | 37,395    |
| Stores, spares and loose tools                               | 21   | 100,287    | 115,086                      | 129,862   |
| Stock-in-trade   | 22   | 479,944    | 522,007                      | 1,765,735 |
| Trade debts  | 23   | 38,888     | 71,619                       | 243,138   |
| Investments  | 24   | 295,721    | 248,607                      | 119,041   |
| Loans, advances, deposits, prepayments and other receivables | 25   | 462,509    | 324,282                      | 154,767   |
| Cash and bank balances                                       | 26   | 94,992     | 100,369                      | 69,601    |
|  |      | 1,501,818  | 1,414,570                    | 2,519,539 |
|  |      | 12,411,426 | 8,815,303                    | 9,739,337 |

*Chairman*  
Chairman

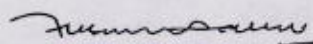


## > PROFIT AND LOSS ACCOUNT

For the year ended 30 September 2014

|   | Note          | 2014<br>(Rupees in thousand) | 2013         |      |
|---|---------------|------------------------------|--------------|------|
| Sales - net                             | 27            | 11,356,340                   | 13,507,225   |      |
| Cost of sales                           | 28            | (11,402,233)                 | (12,512,771) |      |
| <b>Gross (loss)/profit</b>              |               | (45,893)                     | 994,454      |      |
| Administrative expenses                 | 29            | (323,831)                    | (298,792)    |      |
| Distribution and selling costs          | 30            | (313,341)                    | (330,387)    |      |
| Other operating expenses                | 31            | (47,356)                     | (117,835)    |      |
| Other income                            | 32            | 351,546                      | 321,385      |      |
| <b>(Loss)/profit from operations</b>    |               | (378,875)                    | 568,825      |      |
| Finance cost                            | 33            | (328,328)                    | (438,130)    |      |
| Share of profit from associates         | 18.1          | 122,618                      | 198,667      |      |
| <b>(Loss)/profit before taxation</b>    |               | (584,585)                    | 329,362      |      |
| Taxation                                |               |                              |              |      |
| - Company                               |               | (16,794)                     | (29,525)     |      |
| - Associates                            |               | (37,430)                     | (32,825)     |      |
|   | 34            | (54,224)                     | (62,350)     |      |
| <b>(Loss)/profit for the year</b>       |               | (638,809)                    | 267,012      |      |
| <b>Basic (loss)/earnings per share</b>  | <b>Rupees</b> | 35.1                         | (9.19)       | 3.84 |
| <b>Diluted (loss)earnings per share</b> | <b>Rupees</b> | 35.2                         | (9.19)       | 3.55 |

The annexed notes 1 to 46 form an integral part of these financial statements.

  
Chief Executive

  
Chairman



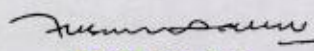
## > STATEMENT OF OTHER COMPREHENSIVE INCOME

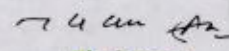
For the year ended 30 September 2014



|  | 2014<br>(Rupees in thousand) | 2013           |
|--|------------------------------|----------------|
| <b>(Loss)/profit for the year</b>                                      | (638,809)                    | 267,012        |
| <b><u>Other comprehensive income</u></b>                               |                              |                |
| <i>Items that may be reclassified to profit and loss account:</i>      |                              |                |
| Fair value gain on 'Available for sale' investments                    | 47,114                       | 210,615        |
| Share of other comprehensive (loss)/ income of associates              | (3,062)                      | 7,042          |
| <i>Items that will not be reclassified to profit and loss account:</i> |                              |                |
| Remeasurement loss on employee retirement benefits                     | (21,336)                     | (8,592)        |
| <b>Total comprehensive (loss)/income for the year</b>                  | <b>(616,093)</b>             | <b>476,077</b> |

The annexed notes 1 to 46 form an integral part of these financial statements.

  
Chief Executive

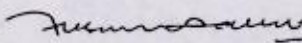
  
Chairman

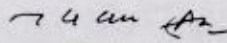
## > CASH FLOW STATEMENT

For the year ended 30 September 2014

|   | Note | 2014<br>(Rupees in thousand) | 2013<br>Restated   |
|---|------|------------------------------|--------------------|
| <b>Cash flows from operating activities</b>                     |      |                              |                    |
| Cash generated from operations                                  | 36   | 547,126                      | 2,890,366          |
| Finance cost paid   |      | (637,800)                    | (517,301)          |
| Taxes paid  |      | (96,917)                     | (146,325)          |
| Employees' retirement benefits paid                             |      | (16,949)                     | (16,698)           |
| Net decrease in long term deposits                              |      | 964                          | 1,381              |
| <b>Net cash (used in) / generated from operating activities</b> |      | <b>(203,576)</b>             | <b>2,211,423</b>   |
| <b>Cash flows from investing activities</b>                     |      |                              |                    |
| Fixed capital expenditure                                       |      | (77,335)                     | (312,692)          |
| Dividends received  |      | 32,133                       | 46,009             |
| Income from bank deposits received                              |      | 515                          | 931                |
| Proceeds from sale of investment                                |      | 657,819                      | -                  |
| Proceeds from sale of property, plant and equipment             |      | 72,722                       | 91,861             |
| <b>Net cash generated from / (used in) investing activities</b> |      | <b>685,854</b>               | <b>(173,891)</b>   |
| <b>Cash flows from financing activities</b>                     |      |                              |                    |
| Long term finances - net  |      | (781,078)                    | (512,829)          |
| Short term borrowings - net                                     |      | 301,520                      | (1,484,355)        |
| Finance lease liabilities - net                                 |      | (8,089)                      | (9,569)            |
| Dividends paid  |      | (8)                          | (11)               |
| <b>Net cash used in financing activities</b>                    |      | <b>(487,655)</b>             | <b>(2,006,764)</b> |
| <b>Net (decrease) / increase in cash and cash equivalents</b>   |      | <b>(5,377)</b>               | <b>30,768</b>      |
| <b>Cash and cash equivalents at the beginning of the year</b>   |      | <b>100,369</b>               | <b>69,601</b>      |
| <b>Cash and cash equivalents at the end of the year</b>         | 26   | <b>94,992</b>                | <b>100,369</b>     |

The annexed notes 1 to 46 form an integral part of these financial statements.

  
Chief Executive

  
Chairman



## > STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2014

|  | CAPITAL RESERVES |               |   |                    | REVENUE RESERVES  |         |                       |   | Total            |
|--|------------------|---------------|---|--------------------|---|---------|-----------------------|---|------------------|
|  | Share capital    | Share premium | Share in capital reserves of associates | Fair value reserve | Difference of capital under scheme of arrangement of merger | General | Dividend equalization | Equity investment market value equalization | Accumulated loss |
| (Rupees in thousand)   |                  |               |   |                    |   |         |                       |   |                  |
| <b>Balance as at 30 September 2012</b>   | 695,238          | 243,282       | 19,823                                  | 34,889             | 155,930   | 410,606 | 22,700                | 83,000                                      | (2,268,692)      |
| Effect of retrospective application of change in accounting policy as explained in note 3.24.2 | -                | -             | -                                       | -                  | -   | -       | -                     | -   | 12,904           |
| <b>Balance as at 01 October 2012 - Restated</b>  | 695,238          | 243,282       | 19,823                                  | 34,889             | 155,930   | 410,606 | 22,700                | 83,000                                      | (2,255,788)      |
| Profit for the year  | -                | -             | -                                       | -                  | -   | -       | -                     | -   | 267,012          |
| Other comprehensive income for the year:   |                  |               |   |                    |   |         |                       |   |                  |
| Fair value loss on 'Available for sale' investments  | -                | -             | -                                       | 210,615            | -   | -       | -                     | -   | -                |
| Remeasurement loss on employee retirement benefits   | -                | -             | -                                       | -                  | -   | -       | -                     | -   | (8,592)          |
| Share of other comprehensive income of associates  | -                | -             | 7,042                                   | -                  | -   | -       | -                     | -   | -                |
| Surplus transferred to accumulated losses on account of:                                       |                  |               |   |                    |   |         |                       |   |                  |
| - disposal of land   | -                | -             | -                                       | -                  | -   | -       | -                     | -   | -                |
| - property, plant and equipment - net of deferred tax  | -                | -             | -                                       | -                  | -   | -       | -                     | -   | 99,770           |
|  | -                | -             | -                                       | -                  | -   | -       | -                     | -   | 39,895           |
|  | -                | -             | -                                       | -                  | -   | -       | -                     | -   | 139,665          |
| <b>Total comprehensive income for the year - restated</b>                                      | -                | -             | 7,042                                   | 210,615            | -   | -       | -                     | -   | (8,592)          |
| <b>Balance as at 01 October 2013 - Restated</b>  | 695,238          | 243,282       | 26,865                                  | 245,504            | 155,930   | 410,606 | 22,700                | 83,000                                      | (1,857,703)      |
| Loss for the year  | -                | -             | -                                       | -                  | -   | -       | -                     | -   | (638,809)        |
| Other comprehensive income for the year:   |                  |               |   |                    |   |         |                       |   |                  |
| Fair value gain on 'Available for sale' investments  | -                | -             | -                                       | 47,114             | -   | -       | -                     | -   | -                |
| Remeasurement loss on employee retirement benefits   | -                | -             | -                                       | -                  | -   | -       | -                     | -   | (21,336)         |
| Gain realised on disposal of 'Available for sale' investments transferred to profit and loss   | -                | -             | -                                       | (122,204)          | -   | -       | -                     | -   | -                |
| Share of other comprehensive loss of associates  | -                | -             | (3,062)                                 | -                  | -   | -       | -                     | -   | -                |
| Surplus transferred to accumulated losses on account of:                                       |                  |               |   |                    |   |         |                       |   |                  |
| - disposal of land   | -                | -             | -                                       | -                  | -   | -       | -                     | -   | -                |
| - property, plant and equipment - net of deferred tax  | -                | -             | -                                       | -                  | -   | -       | -                     | -   | 21,218           |
|  | -                | -             | -                                       | -                  | -   | -       | -                     | -   | 36,790           |
|  | -                | -             | -                                       | -                  | -   | -       | -                     | -   | 58,008           |
| <b>Total comprehensive loss for the year</b>   | -                | -             | (3,062)                                 | (75,090)           | -   | -       | -                     | -   | (21,336)         |
| <b>Balance as on 30 September 2014</b>   | 695,238          | 243,282       | 23,803                                  | 170,414            | 155,930   | 410,606 | 22,700                | 83,000                                      | (2,459,840)      |
|  |                  |               |   |                    |   |         |                       |   | (654,867)        |

The annexed notes 1 to 46 form an integral part of these financial statements.

*Humayun*  
Chief Executive

*~ 4 am 4/2*  
Chairman





## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014

### 1. THE COMPANY AND ITS OPERATIONS

**1.1** The Company is incorporated in Pakistan and is listed on Karachi, Lahore and Islamabad Stock Exchanges. It is principally engaged in manufacture, purchase and sale of sugar, bio fuel, building materials, yarn (textile) and engaged in generation and sale of electricity (bio power). The Company has its principal manufacturing facilities at Jhang and satellite manufacturing facilities at Bhone. The registered office of the Company is situated at 10th floor, BOP tower, 10-B, Block E-2, Main Boulevard, Gulberg-III, Lahore.

### 1.2 Going concern assumption

The Company has been facing liquidity crunch for the last few years. During the current year the liquidity position further deteriorated resulting in low level of cane procurement and consequent low level of crushing. The Company has incurred a net loss of Rs. 638.81 million during the current year and as at the reporting date the current liabilities of the Company have exceeded its current assets by Rs. 5,168 million (2013: Rs. 5,197 million), the equity has eroded and stands at negative Rs. 654.87 million. The Company has not been able to meet its various obligations for long term loans and short term borrowings. Borrowings (including mark-up payable thereon) aggregating Rs. 2,165 million (2013: Rs. 2,409 million) are over-due for payment.

In February 2010, the Company entered into agreements for a bridge finance facility of Rs. 2,466 million and short term running finance facility of Rs. 2,980 million from a consortium of its existing lenders that could not become operative due to delays in obtaining No-objection certificate from National Bank of Pakistan for creation of pari passu charge on the assets against the above facilities. Furthermore, the Company was not able to liquidate all of the specified assets as per timelines identified in the bridge loan agreement and subsequent to 30 June 2011, these facilities stood expired.

Furthermore the Company had issued redeemable preference shares in 2005 to the shareholders of the Company which were to be redeemed along with any outstanding dividend payable in December 2009. Due to liquidity crunch the Company has not redeemed the preference shares and preference dividend amounting to Rs. 64.79 million is also outstanding as on 30 September 2014.

The above conditions raise significant doubts on the Company's ability to continue as a going concern. However, the management is confident of the Company's ability to continue as a going concern based on its concerted effort to re-profile borrowings and utilisation of improved liquidity in cost efficient operational levels of cane crushing and Bio Fuel manufacturing.

The steps taken by management up till now and planned in future are as follows:

The Company repaid Rs. 1,666 million of the bridge loan through utilisation of improved liquidity resulting from operational results and sale of certain assets of the Company, namely, Sugar Unit at Dargai Shah, Power Division at Dargai Shah, partial disinvestment in Safeway Mutual Fund, full disinvestment in Asian Stocks Fund and partial disposal of agricultural land.

During the year, the Company disposed off its entire holding in Asian Stocks Fund, Crescent Jute Products Limited and Safeway Mutual Fund. The realised proceeds were utilized towards repayment of bank borrowings and to finance operations. Further the Company has also entered into agreement for sale of carbon dioxide (CO<sub>2</sub>), produced as a by-product of Bio fuel manufacturing process, that will help generate additional liquidity at improved margins.

The Company, in its efforts to re-profile its borrowings, continued the process of negotiations with its lenders seeking short term financing facilities for operational liquidity and relaxation in payments of its existing loans, the details of which are as follows:



## > NOTES TO THE FINANCIAL STATEMENTS



For the year ended 30 September 2014

### Long term financing - secured

The Company requested its lenders for restructuring of over-due balances including mark-up to term borrowings under reduced and/or non-mark-up arrangements. As a result, the Company has in current and prior years successfully restructured/ rescheduled various loans amounting to Rs. 1,435 million with respective lenders (including term finance certificate holders), out of which Rs. 1,065 million has been repaid as of 30 September 2014. The Company expects relaxation in payment terms and support by the lenders for the remaining overdue loans.

Subsequent to the year end, the company has received a restructuring proposal from National Bank of Pakistan. As per the proposal, the principal overdue under demand finances amounting to Rs. 481 million will be rescheduled to a term loan repayable in seven years and at a reduced mark up rate. The markup payable under the overdue demand finances amounting to Rs. 283 million will also be restructured to a term loan repayable in seven years. Further the Company will also be able to secure an additional working capital line of Rs. 800 million with an incentive of upfront deduction from new disbursements for lender to adjust restructured loans. The finalization of the above proposal is in process.

### Short term financing- secured

The Company has negotiated with its lenders for following short term secured financing for operational liquidity.

- Working capital line against pledge of sugar at 20% margin for 120 to 150 days with an incentive for lender to adjust 10% of the new disbursement against settlement of existing over-due loans (principal only); and
- An FE 25 loan in US Dollars with a maturity of 120-150 days after settlement of working capital against pledge of sugar. Such loan is being offered to be securitised against pledge of molasses/Bio Fuel with an incentive for lender to adjust 20% of the new disbursement against settlement of existing overdue loans (principal only).

Newly disbursed facilities shall be settled upon sale of respective commodities (Sugar/ Bio Fuel).

As a result of above negotiations, the Company obtained working capital lines of Rs. 1,400 million and FE 25 loans of Rs. 575 million from a number of banks of which Rs. 752 million and Rs. 534 million has been utilized as of 30 September 2014. These facilities have been obtained against pledge of Sugar / Molasses / Bio Fuel at margin ranging from 15% to 25% and have resulted in significantly improved operational liquidity in current year.

Subsequent to the year ended 30 September 2014, the Company has again requested its lenders for working capital lines for financing of its operations in next year against pledge of stocks of sugar, molasses and ethanol. The Company, as an additional incentive to the lenders, has offered upfront deductions ranging from 5% to 10% on the requested limits for the settlement of overdue / due installments and markup.

The Company is confident that based on its above mentioned plan it will continue to be supported by the lenders and also be able to reschedule remaining of its existing over-due borrowings as well.

The financial statements have been prepared on a going concern basis based on management's expectation that:

- the Company will continue to get support of its lenders and will be able to obtain relaxation in payment terms of its over-due borrowings; and



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014

- the Company will be able to generate adequate liquidity through new short term borrowings and will be successful in utilising such funds to increase its operations and achieve its budgeted targets for production of sugar, Bio Fuel etc.

The financial statements consequently, do not include any adjustments relating to the realisation of its assets and liquidation of any liabilities that might be necessary should the Company be unable to continue as a going concern.

### 2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standard Board as are notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives shall prevail.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

#### 3.1 Accounting convention

These financial statements have been prepared under the historical cost convention except for the measurement of certain items of property, plant and equipment as referred to in note 15 at revalued amounts and recognition of certain employee retirement benefits as referred to in note 9 at present value.

#### 3.2 Taxation

##### Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

##### Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction neither affects accounting nor taxable profit or loss. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to other comprehensive income or equity in which case it is included in other comprehensive income or equity.



## > NOTES TO THE FINANCIAL STATEMENTS



For the year ended 30 September 2014

### 3.3 Property, plant and equipment

Property, plant and equipment except freehold land, buildings on freehold land and plant and machinery are stated at cost less accumulated depreciation and identified impairment loss. Freehold land is stated at revalued amount carried out by independent valuers by reference to its current market price less any identified impairment loss. Buildings and plant and machinery are stated at revalued amount carried out by independent valuers by reference to its current market price less accumulated depreciation and identified impairment loss. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the buildings and plant and machinery, and the net amount is restated to the revalued amount of the buildings. Property, plant and equipment acquired under finance lease are capitalized at the lease's commencement at the lower of the present value of minimum lease payments under the lease arrangements and the fair value of the leased asset. Costs in relation to certain property, plant and equipment includes borrowing costs referred to in note 3.20.

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to surplus on revaluation of property, plant and equipment. Decreases that offset previous increases of the same assets are charged against this surplus, all other decreases are charged to income. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the profit and loss, and depreciation based on the asset's original cost is transferred from 'surplus on revaluation of property, plant and equipment' to 'equity'. All transfers to / from surplus on revaluation of property, plant and equipment are net of applicable deferred income tax.

Depreciation on all property, plant and equipment, except land is charged to profit on the reducing balance method so as to write off the cost of an asset over its estimated useful life at the annual rates given in note 15.1 after taking into account the impact of their residual values, if considered significant.

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The company's estimate of the residual value of its property, plant and equipment as at 30 September 2014 has not required any adjustment as its impact is considered insignificant.

Depreciation on additions to property, plant and equipment is charged from the month in which the asset is acquired or capitalized, while no depreciation is charged for the month in which the asset is disposed off.

The company assesses at each balance sheet date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment is recognized in income currently. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

Capital work-in-progress is stated at cost less identified impairment loss, if any.



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014

### 3.4 Intangible assets

Intangible assets represent the cost of computer software acquired and are stated at cost less accumulated amortization and any identified impairment loss.

Amortization is charged to income on the straight line basis so as to write off the cost of an asset over its estimated useful life. Amortization on additions is charged from the month in which an asset is acquired or capitalized while no amortization is charged for the month in which the asset is disposed off. Amortization is being charged at annual rates as specified in note 16.

The company assesses at each balance sheet date whether there is any indication that intangible assets may be impaired. If such indication exists, the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment is recognized in income currently. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Where an impairment loss is recognized, the amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

### 3.5 Biological assets

Biological assets comprise of standing crops and livestock. These are stated at fair value less estimated point-of-sale costs, with any resultant gain or loss recognized in the profit and loss account. The fair value of standing crops is based on the support price fixed by the Government and other factors such as estimated crop yield and area under cultivation. The fair value of livestock is estimated on the basis of market prices of livestock of similar age, breed and genetic merit. Point-of-sale costs include all costs that are necessary to sell the assets, excluding costs necessary to get the assets to the market.

### 3.6 Leases

The company is the lessee:

#### Finance leases

Leases where the company has substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are initially recognized at lower of present value of minimum lease payments under the lease arrangements and the fair value of assets. Subsequently these assets are stated at cost less accumulated depreciation and any identified impairment loss.

Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit over the lease term.

The related rental obligations, net of finance cost, are included in liabilities against assets subject to finance lease as referred to in note 8. The liabilities are classified as current and non-current depending upon the timing of the payment.

#### Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit on a straight-line basis over the lease term.



## > NOTES TO THE FINANCIAL STATEMENTS



For the year ended 30 September 2014

### 3.7 Investments

#### Held to maturity

Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held to maturity and are initially measured at cost and at subsequent reporting dates measured at amortized cost using the effective yield method.

#### Available for sale

Investments, including investments in associated undertakings where the company does not have significant influence, that are intended to be held for an indefinite period or may be sold in response to a need for liquidity, are classified as available for sale. Investments classified as available for sale are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are remeasured at fair value, unless fair value cannot be reliably measured. Unrealized gains and losses arising from changes in the fair value are included in comprehensive income in the period in which they arise. Investment in un-quoted subsidiaries are carried at cost.

Investments intended to be held for less than twelve months from the balance sheet date or to be sold to raise operating capital, are included in current assets, all other investments are classified as non-current. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

#### Held for trading

Investments that are acquired principally for the purpose of generating a profit from short term fluctuations in price are classified as trading investments and included in current assets. These are initially measured at cost and at subsequent reporting dates, these investments are remeasured at fair value. Realized and unrealized gains and losses arising from changes in fair value are included in net profit or loss for the period in which they arise.

The fair value of publicly traded securities is based on market prices quoted on the Karachi Stock Exchange at the balance sheet date. The investments for which a quoted market price is not available, are measured at cost as it is not practical to apply any other valuation methodology.

All purchases and sales of investments are recognized on the trade date which is the date that the company commits to purchase or sell the investment. Transaction costs are charged to profit and loss.

At each balance sheet date, the company reviews the carrying amounts of the investments to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense. In respect of 'available for sale' financial assets, cumulative impairment loss less any impairment loss on that financial asset previously recognized in profit and loss account, is removed from equity and recognized in the profit and loss account. Impairment losses recognized in the profit and loss account on equity instruments are not reversed through the profit and loss account.

#### Investments in associates

Associates are the entities over which the Company has significant influence but not control, generally represented by a shareholding of between 20% and 50% of the voting right. Investments in associates are accounted for using the equity method of accounting. Under the equity 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 associate after the date of acquisition. The company's investment in associates includes goodwill identified on acquisition.



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Company's share of its associates post acquisition profits or losses is recognized in the profit and loss account and its share in post acquisition movements in the other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Company's share of losses in associates equals or exceeds its interest in the associate including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associates. Gain on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates.

Associates, which the group intends to dispose off within twelve months of the balance sheet date are not accounted for under the equity method and are shown under non-current assets held for sale at the lower of carrying and fair value.

Dilution gains and losses arising in investments in associates are recognized in the income statement.

At each balance sheet date, the company reviews the carrying amounts of its investments in associates to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated using the discounted cashflow methodology, in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense.

### 3.8 Stores, spares and loose tools

Usable stores and spares are valued principally at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon. Provision is made in the financial statements for obsolete and slow moving stores and spares based on management's estimate.

### 3.9 Stock-in-trade

Stock of raw materials, work-in-process and finished goods, except for those in transit are valued principally at the lower of weighted average cost and net realizable value. Cost of work-in-process and finished goods comprises cost of direct materials, labour and appropriate manufacturing overheads. Cost of own produced molasses, a by product, is determined on the basis of monthly average cost of molasses purchased from third parties. Cost of stillage, a by product of the Effluent Treatment Plant used in the generation of electricity by the Power division is valued at Nil as it does not have any market value.

Materials in transit are stated at cost comprising invoice values plus other charges paid thereon.

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make a sale. Provision is made in the financial statements for obsolete and slow moving stock in trade based on management's estimate.

### 3.10 Financial assets and liabilities

Financial assets and financial liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument and derecognized when the company loses control of contractual rights that comprise the financial assets and in the case of financial liability when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account for the year. All financial assets and liabilities are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value or cost as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.



## > NOTES TO THE FINANCIAL STATEMENTS



For the year ended 30 September 2014

Financial assets include held to maturity, available for sale and held for trading investments, trade debts, loans, advances, deposits and other receivables and cash and bank balances.

Financial liabilities include long term finances, short term borrowings, accrued finance cost and trade and other payables.

### 3.11 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognized amount and the company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

### 3.12 Trade debts

Trade debts and other receivables are recognized initially at invoice value, which approximates fair value, and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade debts and other receivables is established when there is an objective evidence that the Company will not be able to collect all the amount due according to the original terms of the receivable. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade debt is impaired. The provision is recognized in the profit and loss account. When a trade debt is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the profit and loss account.

### 3.13 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

### 3.14 Non-current assets held for sale

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying value is to be recovered principally through a sale transaction within one year of the date of balance sheet rather than through continuing use.

### 3.15 Borrowings

Loans and borrowings are recorded at the proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective yield method. Preference shares, which are redeemable on a specific date at the option of the holder, are classified as liabilities. The dividend on these preference shares is recognized in the profit and loss account as finance cost. Preference shares are classified as equity to the extent there is conclusive evidence that these will not result in an outflow of another financial asset or exchange of financial assets or liabilities under conditions that are potentially unfavorable to the company.

Finance costs are accounted for on an accrual basis and are included in accrued finance cost to the extent of the amount remaining unpaid.



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014

### 3.16 Trade and other payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Exchange gains and losses arising on translation in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, it is probable, will result in an outflow of resources embodying economic benefits, to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at year end and adjusted to reflect the current best estimate.

### 3.17 Deferred income

Deferred income represents excess of sale proceeds in relation to the carrying amount of the asset acquired under sale and lease back arrangement. Deferred income is amortized on a straight line basis over the period of lease term.

### 3.18 Derivative financial instruments

These are initially recorded at cost on the date a derivative contract is entered into and are remeasured to fair value at subsequent reporting dates. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The company designates certain derivatives as cash flow hedges.

The company documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flow of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the profit and loss account within 'other operating income/expenses'.

Amounts accumulated in equity are recycled in the profit and loss account in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in the profit and loss account within 'finance costs'. The gain or loss relating to the ineffective portion is recognized in the profit and loss account within 'other operating income/expenses'.

### 3.19 Foreign currency transactions and translation

#### Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

#### Transactions and balances

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

Figures are rounded to nearest thousand.



## > NOTES TO THE FINANCIAL STATEMENTS



For the year ended 30 September 2014

### 3.20 Borrowing costs

Mark-up, interest and other charges on borrowings are capitalized up to the date of commissioning of the respective property, plant and equipment, acquired out of the proceeds of such borrowings. All other mark-up, interest and other charges are charged to income.

### 3.21 Revenue recognition

- Revenue from sales is recognized on dispatch of goods to customers.
- Revenue from sale of electricity is recognized on transmission of electricity.
- Dividend on equity investments is recognized as income when the right of receipt is established.
- Return on deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

### 3.22 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company that makes strategic decisions.

### 3.23 Dividends and appropriations to general reserve

Dividends and appropriations to general reserves are recognized in the financial statements in the period in which these are approved.

### 3.24 Employees' retirement benefits

#### 3.24.1 Defined benefit plans

The main feature of the schemes operated by the company for its employees of sugar and allied divisions are as follows:

All permanent employees who are in the management cadre of the company participate in an approved funded defined benefit pension plan. In addition, there is an approved funded defined benefit gratuity scheme for all permanent employees, who are in the management cadre of the company subject to a minimum qualifying period of service according to the terms of employment. Monthly contributions are made to these funds on the basis of actuarial recommendation at the rate of 20% per annum of basic salary for pension and 8.33% per annum of basic salary for gratuity. Actuarial valuation for the schemes was carried out as at 30 September 2014.

Actual returns on plan assets during the year were Rs. 28.22 million and Rs. 4.69 million for pension and gratuity funds respectively. The actual returns on plan assets represent the difference between the fair value of plan assets at the beginning of the year and as at the end of the year after adjustments for contributions made by the company as reduced by benefits paid during the year.



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014

The future contribution rates of these plans include allowances for deficit and surplus. Projected unit credit method using the following significant assumptions, is used for valuation of these schemes:

|  |   |           |
|--|---|-----------|
| Discount rate:                                 | 13.25%  | per annum |
| Expected increase in eligible pay:             | 12.25%  | per annum |
| Expected rate of return on plan assets:        | 13.25%  | per annum |
| Expected mortality rate:                       | EFU 61-66 mortality table adjusted for company's experience |           |
| Expected withdrawal and early retirement rate: | Based on experience   |           |

Plan assets include long term Government bonds, term finance certificates of financial institutions; preference shares and ordinary shares of listed and unlisted companies and term deposits with banks. Return on Government bonds and debt is at fixed rates.

### 3.24.2 Change in accounting policy

During the year, as a result of revision in IAS 19 Employee Benefits, the Company has changed its accounting policy with respect to the recognition of actuarial gains and losses related to its defined benefit plans.

Under revised IAS 19, the Company determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to then - net defined benefit liability/(asset), taking into account any changes in the net defined benefit liability/(asset) during the period as a result of contributions and benefit payments. All the changes in the present value of defined benefit obligation are now recognized in statement of comprehensive income and the past service costs are recognized in profit and loss account, immediately in the year they occur.

Previously, the Company recognized actuarial gains/losses over the expected average remaining working lives of the current employees, to the extent that unrecognized actuarial gains/losses exceeds 10 percent of present value of defined benefit obligation.

The change in accounting policy has been applied retrospectively in accordance with IAS-8 "Accounting Policies, change in Accounting Estimates and Errors" and resulted in the following changes:

|  | 2013                 | 2012   |
|--|----------------------|--------|
|  | (Rupees in thousand) |        |
| <b>a) Balance sheet</b>                            |                      |        |
| Before restatement                                 | 8,779                | 5,071  |
| Net actuarial losses recognised                    | 4,312                | 12,904 |
| Restated asset                                     | 13,091               | 17,975 |
| <b>b) Other comprehensive income</b>               |                      |        |
| Pension plan                                       | 2,310                |        |
| Gratuity plan                                      | 6,282                |        |
| Remeasurement loss on employee retirement benefits | 8,592                |        |

This restatement has no impact on earnings per share.



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014



### 3.24.3 Defined contribution plan

There is an approved defined contribution provident fund for all employees. Equal monthly contributions are made by the employer and the employee to the fund in accordance with the fund rules. Interest is payable to the fund on the balances utilized @ 7-8% per annum, which is charged to profit and loss account.

Retirement benefits are payable to staff on completion of prescribed qualifying period of service under these schemes.

### 3.25 Standards, interpretations and amendments to published approved International Financial Reporting Standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2014:

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 01 January 2014). 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.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 01 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.
- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (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.
- Amendments to IAS 39 "Financial Instruments: 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.
- Amendments to IAS 19 "Employee Benefits" Employee contributions – 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.
- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 01 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate and can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014

- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 01 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements.
- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 01 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016.
- IFRS 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after 01 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place.
- IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.
- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 01 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.



## > NOTES TO THE FINANCIAL STATEMENTS



For the year ended 30 September 2014

**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' 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 are not likely to have any material impact on these financial statements.



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014

### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

|  | Note |
|--|------|
| Residual values and useful lives of depreciable assets               | 3.3  |
| Net realizable value of stock in trade to their net realizable value | 3.9  |
| Provision for doubtful debts   | 3.12 |
| Employees' retirement benefits                                       | 3.24 |
| Provision for taxation   | 3.2  |
| Provision for deferred taxation                                      | 3.2  |

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

### 5. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

| 2014<br>(Number of shares) | 2013              | Ordinary share capital  | 2014<br>(Rupees in thousand) | 2013<br>(Rupees in thousand) |
|----------------------------|-------------------|---|------------------------------|------------------------------|
| 23,544,798                 | 23,544,798        | Ordinary shares of Rs. 10 each fully paid in cash                                     | 235,448                      | 235,448                      |
| 33,131,816                 | 33,131,816        | Ordinary shares of Rs. 10 each issued as fully paid bonus shares                      | 331,318                      | 331,318                      |
| 12,847,184                 | 12,847,184        | Ordinary shares of Rs. 10 each issued as fully paid for consideration other than cash | 128,472                      | 128,472                      |
| <u>69,523,798</u>          | <u>69,523,798</u> |   | <u>695,238</u>               | <u>695,238</u>               |

Ordinary shares of the Company held by associated undertakings as at year end are as follows:

|  | 2014<br>(Number of shares) | 2013<br>(Number of shares) |
|--|----------------------------|----------------------------|
| Crescent Jute Products Limited             | -                          | 33,640                     |
| Crescent Steel and Allied Products Limited | 15,244,665                 | 15,244,665                 |
| Crescent Cotton Mills Limited              | 2,865,830                  | 2,865,830                  |
| The Crescent Textile Mills Limited         | 5,427,488                  | 5,427,488                  |
| CS Capital (Private) Limited               | 4,227,104                  | -                          |
|  | <u>27,765,087</u>          | <u>23,571,623</u>          |



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014



### 6. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

Revaluation surplus as at 01 October

Surplus arising during the year

- Freehold land
- Buildings on freehold land
- Plant and machinery

Surplus transferred to accumulated losses on account of:

- disposal of property, plant and equipment
- incremental depreciation charged during the year
  - net of deferred tax
  - related deferred tax liability

Revaluation surplus as at 30 September

Less: Related deferred tax liability on:

Revaluation surplus as at 01 October

Surplus during the year

- Buildings on freehold land
- Plant and machinery

Deferred tax on incremental depreciation

Revaluation surplus as at 30 September - net

2014  
(Rupees in thousand)

2013

|           |           |
|-----------|-----------|
| 2,322,758 | 2,476,078 |
| 67,947    | -         |
| 122,342   | -         |
| 4,113,510 | -         |
| 4,303,799 | -         |
| (21,218)  | (99,770)  |
| (36,790)  | (39,895)  |
| (12,744)  | (13,655)  |
| (70,752)  | (153,320) |
| 6,555,805 | 2,322,758 |
| 180,844   | 194,499   |
| 31,477    | -         |
| 1,058,348 | -         |
| 1,089,825 | -         |
| (12,744)  | (13,655)  |
| 1,257,925 | 180,844   |
| 5,297,880 | 2,141,914 |

**6.1** The latest valuation of land, buildings and plant and machinery has been carried out by an independent valuer, Danish Enterprises and Saleem Engineers (Pvt) Limited on 30 September 2014. The valuation was determined by reference to current market value of the similar properties/ assets. The most significant input into this valuation approach is price per acre for land, price per square foot for buildings and present operational condition and age of plant and machinery respectively.

Previously on 30 September 2012, valuation of land and buildings was carried out by M/s Empire Enterprises (Pvt) Limited that resulted in increase in revaluation surplus of land by Rs. 345.40 million and increase in revaluation of buildings by Rs. 714 million.



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014

- 6.2** Except and to the extent actually realized on disposal of the assets which are revalued, the surplus on revaluation of fixed assets shall not be applied to set off or reduce any deficit or loss, whether past, current or future, or in any manner applied, adjusted or treated so as to add to the income, profit or surplus of the company, or utilized directly or indirectly by way of dividend or bonus, provided that the surplus on revaluation of fixed assets may be applied by the Company in setting off or in diminution of any deficit arising from the revaluation of any other fixed asset of the company.

|   | Note | 2014<br>(Rupees in thousand) | 2013        |
|---|------|------------------------------|-------------|
| <b>7. LONG TERM FINANCES</b>  |      |                              |             |
| Long term loans - secured   | 7.1  | 826,557                      | 1,371,835   |
| Redeemable capital  |      |                              |             |
| - Preference shares (non-voting) - unsecured                            | 7.4  | 345,756                      | 345,756     |
| - Term finance certificates (non-voting) - secured                      | 7.5  | 182,350                      | 418,150     |
|   |      | 528,106                      | 763,906     |
|   |      | 1,354,663                    | 2,135,741   |
| Less: Current portion shown under current liabilities                   |      |                              |             |
| - Long term loans - secured   |      | (826,557)                    | (1,345,832) |
| - Redeemable capital - preference shares (non-voting) - secured         |      | (345,756)                    | (345,756)   |
| - Redeemable capital - term finance certificates (non-voting) - secured |      | (182,350)                    | (418,150)   |
|   | 7.2  | (1,354,663)                  | (2,109,738) |
|   |      | -                            | 26,003      |



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014



### 7.1 Long term loans - secured

| Loan                 | Lender                            | Note | 2014    | 2013      | Rate of mark-up per annum               | Number of installments outstanding   | Mark-up payable |
|----------------------|-----------------------------------|------|---------|-----------|---|--|-----------------|
| (Rupees in thousand) |                                   |      |         |           |   |  |                 |
| 1                    | MCB Bank Limited                  |      | 45,938  | 73,500    | * Base rate + 2% subject to floor of 8% | Five semi annual installments (including one over-due) of Rs. 9.19 million each ending September 2016.   | Semi-annual     |
| 2                    | MCB Bank Limited                  |      | 236,500 | 378,399   | * Base rate + 2%                        | Five semi annual installments (including one over-due) of Rs. 47.33 million each ending September 2016.  | Semi-annual     |
|                      |                                   |      | 282,438 | 451,899   |   |  |                 |
| 3                    | National Bank of Pakistan Limited |      | 190,326 | 190,326   | * Base rate + 2.5%                      | Six semi annual installments of Rs. 27.2 million each and one partial overdue installment of Rs. 27.13 million ending June 2014.   | Semi-annual     |
| 4                    | National Bank of Pakistan Limited |      | 119,674 | 119,674   | ** Base rate + 3%                       | Eleven quarterly installments (including six over-due) of Rs. 10 million each and one partial installment of Rs. 9.67 million ending January 2016.                               | Quarterly       |
| 5                    | National Bank of Pakistan Limited |      | 171,000 | 171,000   | ** Base rate + 2%                       | Twenty quarterly installments (including seventeen over-due) of Rs. 8.55 million each ending June 2015.  | Quarterly       |
|                      |                                   |      | 481,000 | 481,000   |   |  |                 |
| 6                    | Standard Chartered Bank Limited   |      | -       | 1,704     | * Base rate + 2.25%                     | Repaid during the year.  | N/A             |
| 7                    | United Bank Limited               |      | -       | 107,700   | * Base rate + 1%                        | Repaid during the year.  | Semi annual     |
| 8                    | The Bank of Punjab                |      | -       | 79,812    | ** Base rate + 1%                       | Repaid during the year.  | Quarterly       |
| 9                    | The Bank of Punjab                |      | -       | 75,200    | *** Nil                                 | Repaid during the year.  | N/A             |
|                      |                                   |      | -       | 155,012   |   |  |                 |
| 10                   | Habib Bank Limited                |      | -       | 28,200    | *** Base rate + 1%                      | Repaid during the year.  | Semi annual     |
| 11                   | Allied Bank Limited               | 7.3  | -       | 69,400    | ** Nil                                  | Repaid during the year.  | N/A             |
| 12                   | Allied Bank Limited               | 7.3  | 63,119  | 76,920    | *** Nil                                 | Nine equal monthly installments starting from 15 April 2014 (including one partial overdue installment of Rs. 3.29 million and 4 overdue installments of Rs. 8.55 million each ) | N/A             |
|                      |                                   |      | 63,119  | 146,320   |   |  |                 |
|                      |                                   |      | 826,557 | 1,371,835 |   |  |                 |

\* Base rate: Average ask rate of six-month Karachi Inter Bank Offer Rate ("KIBOR") reset for each mark-up period

\*\* Base rate: Average ask rate of three-month Karachi Inter Bank Offer Rate ("KIBOR") to be reset for each mark-up period

\*\*\* Outstanding accrued markup restructured and rescheduled and carries no markup.



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014

### **Security**

#### **Loan 1**

These are secured against specific charges on plant and machinery financed through respective loans.

#### **Loan 2**

The loan is secured by way of mortgage and hypothecation over mortgaged properties and hypothecated assets and personal guarantees of the directors of the Company.

#### **Loan 3**

The loan is secured against first pari passu charge over present and future fixed assets of the Company.

#### **Loan 4 to 5**

These are secured by way of first pari passu charge on fixed assets of the Company and specific charge over plant and machinery of satellite facility.

#### **Loan 6**

The loan was secured by way of hypothecation over all present and future moveable assets of the Company and mortgage of land and buildings.

#### **Loan 7**

The loan was secured by way of first pari passu charge on all the present and future fixed assets and personal guarantees of the directors of the Company.

#### **Loan 8 to 9**

These were secured by way of pari passu charge over fixed assets and personal guarantees of the directors of the Company.

#### **Loan 10**

The loan was secured by way of first pari passu hypothecation charge over all present and future fixed assets and first pari passu mortgage over immovable fixed assets and personal guarantees of the directors of the Company and pledge of shares of Shakarganj Foods Products Limited (SFPL) by the Company.

#### **Loan 11 to 12**

These are secured by way of first pari passu hypothecation charge over all present and future fixed assets and first pari passu mortgage over immovable fixed assets and personal guarantees of the directors of the Company.



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014



- 7.2** The aggregate current portion of Rs. 1,355 million (2013: Rs. 2,110 million) includes over-due principal installments aggregating to Rs. 888 million (2013: Rs. 881 million) and Rs. 278 million (2013: Rs. 741 million) representing principal installments which under the term of original loan agreements are due for repayment in period subsequent to 30 September 2014. However, as the Company could not repay on a timely basis the installments due up till the year ended 30 September 2014 and is not compliant with certain debt covenants, which represents a breach of the respective agreements, therefore these loans have been disclosed as a current liability under the guidance contained in "IAS 1 Presentation of financial statements".

Further, the lenders as part of financing/restructuring agreements have restricted dividend distribution by the Company until full satisfaction of the entire over-due amount and other amounts due during the tenor of the facilities.

### **7.3 Short term finance - restructured**

During the previous year, short term finance facility available from Allied Bank Limited under mark-up arrangements was restructured to an interest free long term loan. As per the restructuring term, the overdue loan was repayable in fifteen equal monthly installments starting from January 2013 and ending in March 2014 that has been fully repaid during the year. Further, the mark-up outstanding of Rs. 76.93 million on the overdue loan as at the restructuring date was frozen and converted into an interest free long term loan repayable in nine equal monthly installments starting from April 2014 and ending December 2014.

As per the arrangement, the restructuring will remain effective provided the Company does not default on any of its installments otherwise mark-up waiver will be called off and it will be recovered at the rate of three months KIBOR plus 2%.

### **7.4 Redeemable preference shares (non-voting) - unsecured**

Redeemable Preference shares (non-voting) were issued in 2005 to the shareholders of the Company in the ratio of 85 preference shares for every 100 ordinary shares held as on 22 October 2004 and to certain institutional investors in equal proportion. These shares are listed on Lahore and Karachi Stock Exchanges. The conversion option is not binding either on the Company or the preference shareholders except in case of the conversion upon maturity, where the preference shareholders opt for conversion, subsequent to the Company's failure to pay preferred dividend during the entire tenure of five years.

#### **Terms of redemption**

Preference shareholders may convert preference shares into ordinary shares of the Company at the end of every financial year or the Company may convert these preference shares into ordinary shares in whole or in part through a tender offer. The conversion is set in the ratio of 167 ordinary shares for every 1,000 preference shares at a face value of Rs. 10 each.

The preference shares were to be redeemed in the year ended on 30 September 2010.

If the Company fails to pay dividends to preference shareholders during the tenure of five years, the preference shares and the unpaid cumulative dividend may at the discretion of the investors be converted into ordinary shares on the basis of the aforementioned conversion ratio.

In case the investor does not opt for the conversion option and the Company is unable to redeem the Preference Shares along with the cumulative dividend then the outstanding preference shares along with cumulative dividend will be redeemed in subsequent three years as under:

- Outstanding amount of preference shares and cumulative dividend to be redeemed 33% in sixth year;



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014

- Outstanding amount of preference shares and cumulative dividend to be redeemed 33% in seventh year; and
- Outstanding amount of preference shares and cumulative dividend to be redeemed 33% in eighth year

The investors will have a put option at the end of the eighth year to put the outstanding preference shares at Par value along with the cumulative dividend to the Company. An event of default will be triggered if the Company fails on the put option. However as of 30 September 2014 put option has not been exercised by investors.

### Preference dividend

The preference shareholders have a preferred right of dividend @ 8.5% per annum on a cumulative basis during the tenure of five years which ended in December 2009. The Company had till 30 September 2012 accrued preferred dividend for periods after the maturity of such shares in December 2009 as it intended to pay the dividends for periods post maturity till the preference shares are redeemed. However, in the year 2013, the Company re-evaluated its obligation to pay dividend on preference shares and decided to restrict its obligation in respect of preferred dividend to the tenure of such shares. As per the terms and conditions to issuance of preference shares, the Company has no obligation to accrue or pay dividends after aforementioned tenure of five years. Consequently, preferred dividend in respect of periods subsequent to December 2009 aggregating to Rs. 52.82 million was reversed in the year ended 30 September 2012.

**7.4.1** Preference shares of the company held by related / associated undertakings as at year end are as follows:

|  | 2014<br>(Number of shares) | 2013             |
|--|----------------------------|------------------|
| Crescent Steel and Allied Products Limited | 2,999,396                  | 2,999,396        |
| The Crescent Textile Mills Limited         | 2,746,050                  | 2,746,050        |
| Premier Insurance Limited                  | 53,125                     | 53,125           |
| Shakarganj Mills Limited Gratuity Fund     | 52,500                     | 51,000           |
| Shakarganj Mills Limited Pension Fund      | 350,000                    | 351,500          |
| Shakarganj Mills Limited Provident Fund    | 1,700,500                  | 1,700,500        |
|  | <b>7,901,571</b>           | <b>7,901,571</b> |

### 7.5 Redeemable term finance certificates (non-voting) - secured

The term finance certificates (TFCs) were issued to finance the acquisition and establishment of the sugar plant at Dargai Shah (disposed off as a part of restructuring process) as well as the Company's existing business operations and for other purposes permitted by the Memorandum and Articles of Association.

#### Terms of redemption

As per the original terms of the agreement the principal balance was payable in ten equal semi-annual installments after a grace period of 1 year. The first installment was due at the end of March 2010. Mark up is charged at average 6 months KIBOR plus 2.25% and is payable semi-annually in arrears. However, in May 2010, the Company signed a second supplementary trust deed with the trustee for relaxation in payment terms. The term finance certificates (TFC's) are now redeemable in 10 equal semi-annual installments starting in March 2012 and ending in September 2016.



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014



The breakup of the outstanding term finance certificates is as follows:

|                     | Note  | 2014<br>(Rupees in thousand) | 2013           |
|---------------------|-------|------------------------------|----------------|
| Askari Bank Limited | 7.5.1 | 7,500                        | 40,000         |
| UBL Fund Manager    | 7.5.2 | 16,650                       | 49,950         |
| United Bank Limited |       | -                            | 126,000        |
| KASB Bank Limited   | 7.5.3 | 60,000                       | 80,000         |
| Faysal Bank Limited | 7.5.4 | 58,200                       | 58,200         |
| MCB Bank Limited    | 7.5.5 | 40,000                       | 64,000         |
|                     |       | <b>182,350</b>               | <b>418,150</b> |

**7.5.1** During the year Askari Bank Limited (TFC Holder) executed a settlement arrangement for their outstanding exposure of Rs. 40 million as part of the PPTFC. On the execution of this arrangement, the company paid an initial one time payment of Rs. 10 million. The remaining outstanding principal of Rs. 30 million shall be paid in 12 monthly installments of Rs. 2.5 million each starting from January 2014 till December 2014. Further the payment of accrued mark-up of Rs. 28.88 million along with the future accrual mark-up at the terms of original trust deed shall remain suspended till the satisfactory repayment of principal amount provided the company remains compliant with the terms of the arrangement. Compliance will also entitle the company to pay mark-up with effect from September 2009 to December 2014 at the rate of 2% per annum otherwise this arrangement shall stand void and past/future mark-ups as per original trust deed will be applicable.

**7.5.2** In the year 2013, UBL Fund Managers (TFC holder) executed a settlement arrangement for their outstanding exposure of Rs. 80 million as part of the PPTFC. As per the arrangement the Company will pay monthly installments of Rs. 3.33 million each for 23 months starting from January 2013 till November 2014 and a final installment of PKR 3.41 million on 31 December 2014. The markup outstanding of Rs. 49.52 million as at settlement arrangement date has been waived off and no further markup (up-to 30 September 2013 Rs. 5.99 million) would be payable till the maturity of outstanding amount provided the Company makes timely payments and remains compliant with the terms of arrangement otherwise this arrangement will stand void and past/ future markups as per the original trust deed will be applicable. As at 30 September 2014, the outstanding balance is repayable in five monthly installments (including two overdue installments) of Rs. 3.33 million ending 31 December 2014.

**7.5.3** As per the revised terms, principal is repayable in six semi annual installments (including two overdue installments) of Rs. 10 million each ending September 2016.

**7.5.4** As per the revised terms, principal is repayable in five semi annual installments (including one overdue installment) of Rs. 10 million each and one partial overdue installment of Rs. 8.2 million ending September 2016.

**7.5.5** As per the revised terms, principal is repayable in five semi annual installments (including one overdue installment) of Rs. 8 million each ending September 2016.

### Security

The TFC's are secured by a first pari passu charge by way of hypothecation over all present and future movable fixed assets of the company and first pari passu mortgage by deposit of title deeds over land and building of the Company to the extent of outstanding face value of the TFC's plus 25% margin.



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014

### 8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Present value of minimum lease payments  
Less: Current portion shown under current liabilities

|  | 2014<br>(Rupees in thousand) | 2013    |
|--|------------------------------|---------|
|  | 9,931                        | 18,020  |
|  | (9,931)                      | (7,872) |
|  | -                            | 10,148  |

The minimum lease payments have been discounted at an implicit interest rate ranging from 12.56% to 13.60% (2013: 12.92% to 13.90%) to arrive at their present value. Rentals are paid in quarterly installments and in case of default in any payment, an additional charge at the rate of 3% to 20% shall be paid. The lessee has the option to purchase the assets after expiry of the lease term.

Taxes, repairs and insurance costs are to be borne by the Company. In case of early termination of lease, the lessee shall pay entire amount of rentals for unexpired period of lease agreement.

The amount of future payments of the lease and the period in which these payments will become due are as follows:

|  | Minimum<br>Lease<br>payments | Future<br>finance<br>cost | Present value of<br>lease liability |        |
|--|------------------------------|---------------------------|-------------------------------------|--------|
|  |                              |                           | 2014                                | 2013   |
|  | (Rupees in thousand)         |                           |                                     |        |
| Not later than one year                              | 10,804                       | 873                       | 9,931                               | 7,872  |
| Later than one year and not later<br>than five years | -                            | -                         | -                                   | 10,148 |
|  | 10,804                       | 873                       | 9,931                               | 18,020 |



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014



|   | Note | 2014<br>(Rupees in thousand) | 2013<br><i>Restated</i> |
|---|------|------------------------------|-------------------------|
| <b>9. EMPLOYEES' RETIREMENT BENEFITS</b>                                    |      |                              |                         |
| <b>Classified under non-current assets</b>                                  |      |                              |                         |
| Pension fund  | 9.1  | 8,586                        | -                       |
| Gratuity fund   | 9.2  | 701                          | -                       |
|   |      | <u>9,287</u>                 | <u>-</u>                |
| <b>Classified under non current assets</b>                                  |      |                              |                         |
| Pension fund  | 9.1  | -                            | (10,888)                |
| Gratuity fund   | 9.2  | -                            | (2,203)                 |
|   |      | <u>-</u>                     | <u>(13,091)</u>         |
| <i>Profit and Loss account charge for:</i>                                  |      |                              |                         |
| Pension Benefits  | 9.1  | 13,311                       | 9,814                   |
| Gratuity Benefits   | 9.2  | 4,680                        | 3,176                   |
|   |      | <u>17,991</u>                | <u>12,990</u>           |
| <b>9.1 Pension fund</b>   |      |                              |                         |
| The amounts recognized in the balance sheet are determined as follows:      |      |                              |                         |
| Present value of defined benefit obligations                                |      | 320,228                      | 273,937                 |
| Fair value of plan assets   |      | (311,642)                    | (284,825)               |
| Liability / (Asset) as at 30 September                                      |      | <u>8,586</u>                 | <u>(10,888)</u>         |
| The movement in the defined benefit obligation over the year is as follows: |      |                              |                         |
| Present value of defined benefit obligations as at 01 October               |      | 273,937                      | 237,192                 |
| Current service cost  |      | 14,137                       | 11,153                  |
| Interest cost   |      | 27,394                       | 27,277                  |
| Benefits paid during the year   |      | (16,829)                     | (5,699)                 |
| Actuarial losses  |      | 21,589                       | 4,014                   |
| Present value of defined benefit obligations as at 30 September             |      | <u>320,228</u>               | <u>273,937</u>          |



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014

|   | 2014<br>(Rupees in thousand) | 2013<br><i>Restated</i> |
|---|------------------------------|-------------------------|
| The movement in the fair value of plan assets of the year is as follows:            |                              |                         |
| Fair value as at 01 October   | 284,825                      | 248,836                 |
| Expected return on plan assets  | 28,220                       | 28,616                  |
| Contributions during the year   | 11,571                       | 11,368                  |
| Benefits paid during the year   | (16,829)                     | (5,699)                 |
| Return on plan assets excluding interest income                                     | 3,855                        | 1,704                   |
| Fair value as at 30 September   | 311,642                      | 284,825                 |
| The amounts recognized in the profit and loss account are as follows:               |                              |                         |
| Current service cost  | 14,137                       | 11,153                  |
| Interest cost   | 27,394                       | 27,277                  |
| Expected return on plan assets  | (28,220)                     | (28,616)                |
| Total, included in salaries and wages   | 13,311                       | 9,814                   |
| The amounts recognized were included in the profit and loss account as follows:     |                              |                         |
| Cost of sales   | 3,850                        | 5,125                   |
| Administrative expenses   | 9,171                        | 4,564                   |
| Selling expenses  | 125                          | 88                      |
| Other expenses  | 165                          | 37                      |
| Total, included in salaries and wages   | 13,311                       | 9,814                   |
| The actual return on plan assets was Rs. 28.22 million<br>(2013: Rs. 28.62 million) |                              |                         |
| The principal actuarial assumptions used were as follows:                           |                              |                         |
| Discount rate   | 13.25%                       | 10.0%                   |
| Expected return on plan assets  | 13.25%                       | 11.5%                   |
| Future salary increases   | 12.25%                       | 9.0%                    |
| Average expected remaining working life time of employees                           | 9 years                      | 9 years                 |
| Plan assets are comprised as follows:   |                              |                         |
| Equity Instruments  | 37,730                       | 66,901                  |
| Debt Instruments  | 292,077                      | 243,158                 |
| Others  | (18,165)                     | (25,234)                |
|   | 311,642                      | 284,825                 |

Fair value of plan assets include ordinary shares and preference shares of the Company whose fair values as at 30 September 2014 are Rs. 6.02 million (2013: Rs. 8.08 million) and Rs. 7.35 million (2013: Rs. 8.36 million) respectively.



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014



The present value of defined benefit obligation, the fair value of plan assets and the surplus or deficit of pension fund is as follows:

|  | 2013-14              | 2012-13   | 2011-12   | 2010-11   | 2009-10   |
|--|----------------------|-----------|-----------|-----------|-----------|
|  | (Rupees in thousand) |           |           |           |           |
| <b>As at 30 September</b>                    |                      |           |           |           |           |
| Present value of defined benefit obligations | 320,228              | 273,937   | 237,192   | 197,782   | 166,684   |
| Fair value of plan assets                    | (311,642)            | (284,825) | (248,836) | (216,228) | (174,627) |
| Deficit/(surplus)                            | 8,586                | (10,888)  | (11,644)  | (18,446)  | (7,943)   |
| Experience adjustment on plan liabilities    | 21,589               | 4,014     | 17,398    | 13,648    | (16,227)  |
| Experience adjustment on plan assets         | 3,855                | 1,704     | 7,728     | 11,181    | (8,541)   |

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

|                 | Impact on defined benefit obligation |                        |                        |
|-----------------|--------------------------------------|------------------------|------------------------|
|                 | Change in assumptions                | Increase in assumption | Decrease in assumption |
| Discount rate   | 1%                                   | (281,691)              | (347,544)              |
| Salary increase | 1%                                   | (318,129)              | (296,988)              |

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit obligation recognized within the statement of financial position.

### 9.2 Gratuity fund

The amounts recognized in the balance sheet are determined as follows:

|  | 2014<br>(Rupees in thousand) | 2013<br>Restated |
|--|------------------------------|------------------|
| Present value of defined benefit obligations | 48,924                       | 48,450           |
| Fair value of plan assets                    | (48,223)                     | (50,653)         |
| Liability / (asset) as at 30 September       | 701                          | (2,203)          |



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014

|   | 2014<br>(Rupees in thousand) | 2013<br><i>Restated</i> |
|---|------------------------------|-------------------------|
| The movement in the defined benefit obligation over the year is as follows:     |                              |                         |
| Present value of defined benefit obligations as at 01 October                   | 48,450                       | 36,504                  |
| Current service cost  | 5,170                        | 3,903                   |
| Interest cost   | 4,204                        | 4,198                   |
| Benefits paid during the year   | (12,813)                     | (4,502)                 |
| Actuarial losses  | 3,913                        | 8,347                   |
|   | <b>48,924</b>                | <b>48,450</b>           |
| The movement in the fair value of plan assets of the year is as follows:        |                              |                         |
| Fair value as at 01 October   | 50,653                       | 42,835                  |
| Expected return on plan assets  | 4,694                        | 4,925                   |
| Contributions during the year   | 5,376                        | 5,332                   |
| Benefits paid during the year   | (12,813)                     | (4,502)                 |
| Return on plan assets excluding interest income                                 | 313                          | 2,063                   |
|   | <b>48,223</b>                | <b>50,653</b>           |
| The amounts recognized in the profit and loss account are as follows:           |                              |                         |
| Current service cost  | 5,170                        | 3,903                   |
| Interest cost   | 4,204                        | 4,198                   |
| Expected return on plan assets  | (4,694)                      | (4,925)                 |
|   | <b>4,680</b>                 | <b>3,176</b>            |
| Total, included in salaries and wages   |                              |                         |
| The amounts recognized were included in the profit and loss account as follows: |                              |                         |
| Cost of sales   | 2,253                        | 1,717                   |
| Administrative expenses   | 2,353                        | 1,425                   |
| Selling expenses  | -                            | 24                      |
| Other expenses  | 74                           | 10                      |
|   | <b>4,680</b>                 | <b>3,176</b>            |
| Total, included in salaries and wages   |                              |                         |

The actual return on plan assets was Rs. 4.69 million (2013: Rs. 4.93 million).

|   | 2014    | 2013    |
|---|---------|---------|
| The principal actuarial assumptions used were as follows: |         |         |
| Discount rate   | 13.25%  | 10.0%   |
| Expected return on plan assets                            | 13.25%  | 11.5%   |
| Future salary increases                                   | 12.25%  | 9.0%    |
| Average expected remaining working life time of employees | 8 years | 8 years |



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014



Plan assets are comprised as follows:

Equity instruments  
Debt instruments  
Others

2014  
(Rupees in thousand)

2013

|  |        |          |
|--|--------|----------|
|  | 4,063  | 25,508   |
|  | 44,469 | 40,501   |
|  | (309)  | (15,356) |
|  | 48,223 | 50,653   |

Fair value of plan assets include ordinary shares and preference shares of the Company whose fair values as at 30 September 2014 are Rs. 0.95 million (2013: Rs. 6.16 million) and Rs. 0.37 million (2013: Rs. 5.41 million) respectively.

The present value of defined benefit obligation, the fair value of plan assets and the surplus or deficit of gratuity fund is as follows:

|  | 2012-13              | 2011-12  | 2010-11  | 2009-10  | 2008-09  |
|--|----------------------|----------|----------|----------|----------|
|  | (Rupees in thousand) |          |          |          |          |
| <b>As at 30 September</b>                    |                      |          |          |          |          |
| Present value of defined benefit obligations | 48,924               | 48,450   | 36,504   | 29,651   | 45,619   |
| Fair value of plan assets                    | (48,223)             | (50,653) | (42,835) | (36,023) | (52,048) |
| Deficit/(surplus)                            | 701                  | (2,203)  | (6,331)  | (6,372)  | (6,429)  |
| Experience adjustment on plan liabilities    | 3,913                | 8,347    | 3,356    | (1,715)  | (5,132)  |
| Experience adjustment on plan assets         | 313                  | 2,063    | 378      | 279      | (4,650)  |

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

|                 | Impact on defined benefit obligation |                        |                        |
|-----------------|--------------------------------------|------------------------|------------------------|
|                 | Change in assumptions                | Increase in assumption | Decrease in assumption |
| Discount rate   | 1%                                   | (44,902)               | (52,017)               |
| Salary increase | 1%                                   | (48,038)               | (40,867)               |

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit obligation recognized within the statement of financial position.



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014

|   | Note | 2014<br>(Rupees in thousand) | 2013             |
|---|------|------------------------------|------------------|
| <b>10. CURRENT PORTION OF LONG TERM LIABILITIES</b> |      |                              |                  |
| Long term finances                                  | 7    | 1,354,663                    | 2,109,738        |
| Liabilities against assets subject to finance lease | 8    | 9,931                        | 7,872            |
|   |      | <b>1,364,594</b>             | <b>2,117,610</b> |
| <b>11. SHORT TERM BORROWINGS</b>                    |      |                              |                  |
| <i>Secured:</i>                                     |      |                              |                  |
| - Running finances                                  | 11.1 | 190,976                      | 560,806          |
| - Export refinance                                  | 11.2 | 1,266,024                    | 301,109          |
| <i>Unsecured:</i>                                   |      |                              |                  |
| - Short term interest free financing                | 11.3 | 404,493                      | 293,565          |
|   |      | <b>1,861,493</b>             | <b>1,155,480</b> |

### 11.1 Running finances

As per the original facilities, these finances were available at a mark-up ranging from 9.69% to 13.64% (2013: 10.03% to 12.50%) on the outstanding balance or part thereof.

Out of the total balance, Rs. 177 million (2013: Rs. 210 million) are payable in respect of new working capital lines which are available as at 30 September 2014 at a mark-up rate of 11.32% to 12.23% (2013: 10.86% to 12.09%) on the outstanding balance or part thereof.

The aggregate running finances are secured against pledge of stock-in-trade and marketable securities and registered hypothecation charge on property, plant and equipment and current assets of the company.

### 11.2 Export refinance

As per the original facilities, these finances were available at a mark-up ranging from 11.84% to 13.17% (2013: 10.93% to 13.68%) or part thereof. Foreign currency borrowings were available at mark-up rates based on LIBOR ranging from 3.38% to 8.85% (2013: 3.38% to 8.85%).

Out of the total balance, Rs. 1,109 million (2013: 23.13 million) are payable in respect of new working capital lines which are available as at 30 September 2014 at mark up of 11.84% to 13.13% on the outstanding balance or part thereof.

The aggregate export and import finances are secured against lien on export contracts and first charge on current assets of the Company.

### 11.3 Short term interest free financing

It represents unsecured short term interest free financing provided by a sugar agent for financing the operations of the Company.



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014



|  | Note | 2014<br>(Rupees in thousand) | 2013<br><i>Represented</i> |
|--|------|------------------------------|----------------------------|
| <b>12. TRADE AND OTHER PAYABLES</b>                |      |                              |                            |
| Trade creditors                                    | 12.1 | 1,403,129                    | 1,100,686                  |
| Advances for sale of property, plant and equipment |      | 12,000                       | 9,936                      |
| Advances from customers                            |      | 1,144,660                    | 974,037                    |
| Security deposits                                  | 12.2 | 2,797                        | 6,270                      |
| Associated undertakings                            | 12.3 | 138                          | -                          |
| Accrued liabilities                                |      | 124,309                      | 140,629                    |
| Payable to government                              |      |                              |                            |
| - Sales tax and excise duty                        |      | 51,568                       | 117,245                    |
| - Withholding tax payable                          |      | 29,823                       | 3,244                      |
| Unclaimed dividend                                 |      | 1,537                        | 1,545                      |
| Workers' profit participation fund                 | 12.4 | 3,422                        | 17,692                     |
| Payable to provident fund                          |      | -                            | 10,361                     |
| Payable to pension and gratuity fund               |      | 18,881                       | 16,290                     |
| Others   | 12.5 | 44,229                       | 24,598                     |
|  |      | <b>2,836,493</b>             | <b>2,422,533</b>           |

**12.1** Trade creditors include interest free amounts due to associated companies amounting to Rs. 0.14 million (2013: Nil) in the normal course of business.

**12.2** These are interest free and refundable on completion of contracts.

**12.3** These are interest free and represent expenses incurred by related parties on behalf of the Company:

|   | 2014<br>(Rupees in thousand) | 2013          |
|---|------------------------------|---------------|
| Shakarganj Food Products Limited                                      | 138                          | -             |
| <b>12.4 Workers' profit participation fund</b>                        |                              |               |
| Balance as at 01 October  | 17,692                       | 23,287        |
| Allocation for the year   | -                            | 17,335        |
| Interest on funds utilized in the company's business                  | 2,161                        | 779           |
|   | <b>19,853</b>                | <b>41,401</b> |
| Less: Amount paid to workers during the year<br>on behalf of the Fund | 16,431                       | 23,709        |
| Balance as at 30 September  | <b>3,422</b>                 | <b>17,692</b> |



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014

- 12.5** Included in other liabilities are provisions aggregating to Rs. 3.12 million (2013: Rs. 3.12 million) in respect of probable loss from pending litigation of the Company against Sales Tax Authorities and the Excise Department.

The above provisions have been made as per the management's best estimate against various demands raised by the Sales Tax Authorities and the Excise Department, which are being contested by the Company at various forums.

|  | Note | 2014<br>(Rupees in thousand) | 2013    |
|--|------|------------------------------|---------|
| <b>13. ACCRUED FINANCE COST</b>                        |      |                              |         |
| Accrued mark-up on:                                    |      |                              |         |
| - Long term finances                                   | 13.1 | 550,288                      | 611,920 |
| - Liabilities against assets subject to finance leases |      | 2,295                        | 4,555   |
| - Short term borrowings                                |      | 54,138                       | 299,718 |
|  | 13.2 | 606,721                      | 916,193 |

- 13.1** This includes accrued preference dividend amounting to Rs. 64.79 million (2013: Rs. 64.79 million).

- 13.2** This includes finance cost of Rs. 576 million (2013: Rs. 817 million) which is overdue for payment as at 30 September 2014.

## **14. CONTINGENCIES AND COMMITMENTS**

### **14.1 Contingencies**

- (i) The Company has issued following guarantees:

Bank guarantee of Rs. 9.55 million (2013: Rs. 9.55 million) in favour of Sui Northern Gas Pipelines Limited against performance of contracts.

Apart from above, outstanding letters of guarantees amounted to Rs. 3.35 million (2013: Rs. 5.35 million)

- (ii) The Company has issued a post dated cheque in favour of the Collector of Customs against custom duty clearance in respect of import of plant and machinery amounting to Rs. 14.02 million (2013: Rs. 9.52 million).
- (iii) As referred to in note 1.2, the Company entered into a bridge finance agreement with a consortium of banks for Rs. 2,466 million to be repaid by 30 June 2011 from the sale of assets, identified in the agreement. For reasons specified in the note 1.2, the bridge facility could not become operative and expired on 30 June 2011. The Company has, in these financial statements, accrued mark-up based on the reduced rates contained in the bridge finance agreement on its respective borrowings to the tune of Rs. 2,466 million. Had the mark-up been accrued at the terms of original agreements, it would have been higher by Rs. 149.53 million (2013: Rs. 149.53 million) approximately. However, as explained in note 1.2, the Company is in process of negotiation with lenders for restructuring of overdue balances and is confident that the lenders will not demand markup as per original agreements.



## > NOTES TO THE FINANCIAL STATEMENTS



For the year ended 30 September 2014

Moreover, pending the finalisation of restructured terms of payments with all lenders, the Company has not recognised penalties of Rs. 494.62 million (2013: Rs. 486.92 million) approximately which may be leviable under the terms of borrowings agreements including the bridge finance facility. The Company is confident that it will be able to negotiate restructured terms for repayment of loans and no penalty shall be levied by the lenders.

- (iv) The Sindh High Court (the Court) in the case of 'Kasim Textile' in its order of 7 May 2013 has held that benefit of carry forward of minimum tax under section 113 of the Income Tax Ordinance, 2001 is only available if tax payable in a tax year is less than minimum tax paid. If in a tax year, a company has assessed losses on which no tax is payable, the company forgoes the right to carry forward minimum tax paid in that year. In the light of this order, the Company is not entitled to carry forward minimum tax paid in the tax year 2010 to 2014 of Rs. 280.18 million as a result of assessed tax losses in these years and adjust it against normal tax liability. Also in the case of refunds claimed in any year, those would also be adjusted accordingly. However, the management is of the view that the verdict has been challenged in the Supreme Court and that they are waiting for the final outcome and accordingly tax liability for the current year has been made on the basis of minimum tax.
- (v) The Government of Punjab under the powers conferred through the Punjab Excise Act, 1914 through notification No. SO. Tax (E&T) 3-4/2012 dated 03 July 2012, levy a charge of Rs. 2 per litre on manufacturing of spirit (ethanol). The management through its legal council has challenged the imposition of said levy through a writ petition in the Lahore High Court. The Honorable Lahore High Court, through such petition, has granted an interim relief in favour of the Company and accordingly no provision has been incorporated in these financial statements.

### 14.2 Commitments

The Company has the following commitments in respect of:

- (i) Contract for capital expenditure amounting to Rs. 76.18 million (2013: Rs. 72.26 million).
- (ii) Contracts for acquisition of intangible (computer software) amounting to Rs. 20 million (2013: Rs. 20 million).
- (iii) Contracts for other than capital expenditures Rs. 7.81 million (2013: Rs. 11.05 million)
- (iv) The amount of future payments under operating leases and the period in which these payments will become due are as follows:

|   | Note | 2014<br>(Rupees in thousand) | 2013         |
|---|------|------------------------------|--------------|
| Not later than one year                           |      | 438                          | 1,437        |
| Later than one year and not later than five years |      | 180                          | 360          |
|   |      | <u>618</u>                   | <u>1,797</u> |

### 15. PROPERTY, PLANT AND EQUIPMENT

|                          |      |                   |                  |
|--------------------------|------|-------------------|------------------|
| Operating assets         | 15.1 | 10,170,776        | 5,931,522        |
| Capital work-in-progress | 15.2 | 83,267            | 321,145          |
|                          |      | <u>10,254,043</u> | <u>6,252,667</u> |



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014

### 15.1 Operating assets

|   | 2014   |                        |                           |                          |  |  |                        |   |  |  |  | Rate of depreciation |
|---|--|------------------------|---------------------------|--------------------------|--|--|------------------------|---|--|--|--|----------------------|
|   | (Rupees in thousand)                               |                        |                           |                          |  |  |                        |   |  |  |  |                      |
|   | Cost/<br>re-valued<br>amount<br>01 October<br>2013 | Transfers<br>in /(Out) | Additions/<br>(deletions) | Effect of<br>revaluation | Cost/<br>re-valued<br>amount 30<br>September<br>2014 | Accumulated<br>depreciation<br>as at<br>01 October<br>2013 | Transfers<br>in/ (Out) | Depreciation<br>charge/<br>(deletions)<br>for the<br>year | Elimination of<br>accumulated<br>depreciation<br>against<br>cost on<br>revaluation | Accumulated<br>depreciation<br>as at 30<br>September<br>2014 | Book<br>value<br>as at 30<br>September<br>2014 |                      |
| Owned assets                              |  |                        |                           |                          |  |  |                        |   |  |  |  |                      |
| Freehold land                             | 1,920,133  | -                      | 2,181<br>(13,357)         | 67,947                   | 1,954,904  | -  | -                      | -   | -  | -  | 1,954,904                                      | -                    |
| Buildings and roads on freehold land      | 1,090,985  | -                      | 5,618                     | -                        | 1,096,603  | 80,474   | -                      | 75,903  | (122,342)  | 34,035   | 1,062,568                                      | 7.5                  |
| Plant and machinery                       | 5,763,521  | -                      | 298,787<br>(19,948)       | 938,950                  | 6,901,260  | 2,966,885  | -                      | 213,945<br>(6,270)  | (3,174,560)  | -  | 6,981,260                                      | 7.5-30               |
| Tools and equipment                       | 51,169   | -                      | 2,072<br>(358)            | -                        | 52,883   | 44,700   | -                      | 2,225<br>(356)  | -  | 46,569   | 6,314  | 20-40                |
| Water, electric and weighbridge equipment | 276,572  | -                      | 2,494<br>(515)            | -                        | 278,551  | 225,831  | -                      | 10,548<br>(427)   | -  | 235,952  | 42,599   | 20-40                |
| Furniture and fixtures                    | 48,015   | -                      | 598<br>(295)              | -                        | 48,318   | 37,476   | -                      | 2,136<br>(128)  | -  | 39,484   | 8,834  | 20                   |
| Office equipment                          | 59,473   | -                      | 3,360<br>(2,455)          | -                        | 60,378   | 52,869   | -                      | 4,145<br>(2,428)  | -  | 54,586   | 5,792  | 40                   |
| Vehicles                                  | 181,986  | -                      | 65<br>(12,236)            | -                        | 169,815  | 115,938  | -                      | 13,083<br>(9,668)   | -  | 119,353  | 50,462   | 20                   |
| Laboratory Equipment                      | 23,281   | -                      | 16<br>(191)               | -                        | 23,106   | 20,451   | -                      | 1,137<br>(187)  | -  | 21,401   | 1,705  | 40                   |
| Arms and ammunition                       | 575  | -                      | -                         | -                        | 575  | 344  | -                      | 46  | -  | 390  | 185  | 10                   |
| Library books                             | 10,956   | -                      | 22<br>(2)                 | -                        | 10,976   | 10,284   | -                      | 141<br>(2)  | -  | 10,423   | 553  | 30                   |
|   | 9,426,666  | -                      | 315,213<br>(71,407)       | 1,006,897                | 10,677,369   | 3,555,252  | -                      | 323,309<br>(19,466)                                       | (3,296,902)  | 562,193  | 10,115,176                                     |                      |
| Leased assets                             |  |                        |                           |                          |  |  |                        |   |  |  |  |                      |
| Plant and machinery                       | 92,822   | -                      | -                         | -                        | 92,822   | 32,714   | -                      | 4,508   | -  | 37,222   | 55,600   | 7.5                  |
| Vehicles                                  | -  | -                      | -                         | -                        | -  | -  | -                      | -   | -  | -  | -  | 20                   |
|   | 92,822   | -                      | -                         | -                        | 92,822   | 32,714   | -                      | 4,508   | -  | 37,222   | 55,600   |                      |
| 2014                                      | 9,519,488  | -                      | 315,213<br>(71,407)       | 1,006,897                | 10,770,191   | 3,587,966  | -                      | 327,817<br>(19,466)                                       | (3,296,902)  | 599,415  | 10,170,776                                     |                      |

|  | 2013   |                        |                           |                          |  |  |                             |   |  |  |  | Rate of depreciation % |
|--|--|------------------------|---------------------------|--------------------------|--|--|-----------------------------|---|--|--|--|------------------------|
|  | (Rupees in thousand)                               |                        |                           |                          |  |  |                             |   |  |  |  |                        |
|  | Cost/<br>re-valued<br>amount<br>01 October<br>2012 | Transfers<br>in /(Out) | Additions/<br>(deletions) | Effect of<br>revaluation | Cost/<br>re-valued<br>amount 30<br>September<br>2013 | Accumulated<br>depreciation<br>as at<br>01 October<br>2012 | Trans-<br>fers in/<br>(Out) | Depreciation<br>charge/<br>(deletions)<br>for the<br>year | Elimination of<br>accumulated<br>depreciation<br>against<br>cost on<br>revaluation | Accumulated<br>depreciation<br>as at 30<br>September<br>2013 | Book<br>value<br>as at 30<br>September<br>2013 |                        |
| <b>Owned assets</b>                          |  |                        |                           |                          |  |  |                             |   |  |  |  |                        |
| Freehold land                                | 2,018,427  | -                      | 13,206<br>(111,500)       | -                        | 1,920,133  | -  | -                           | -   | -  | -  | 1,920,133                                      | -                      |
| Buildings and roads on<br>freehold land      | 1,048,491  | -                      | 42,494                    | -                        | 1,090,985  | -  | -                           | 80,474  | -  | 80,474   | 1,010,511                                      | 7.5                    |
| Plant and machinery                          | 5,465,681  | -                      | 299,344<br>(1,504)        | -                        | 5,763,521  | 2,752,241  | -                           | 215,814<br>(1,170)  | -  | 2,966,885  | 2,796,636                                      | 7.5-30                 |
| Tools and equipment                          | 80,511   | -                      | 2,766<br>(32,108)         | -                        | 51,169   | 72,551   | -                           | 3,067<br>(30,918)   | -  | 44,700   | 6,469  | 20-40                  |
| Water, electric and<br>weighbridge equipment | 280,411  | -                      | 4,452<br>(8,291)          | -                        | 276,572  | 220,694  | -                           | 12,845<br>(7,708)   | -  | 225,831  | 50,741   | 20-40                  |
| Furniture and fixtures                       | 45,687   | -                      | 2,549<br>(221)            | -                        | 48,015   | 35,148   | -                           | 2,440<br>(112)  | -  | 37,476   | 10,539   | 20                     |
| Office equipment                             | 57,366   | -                      | 2,677<br>(570)            | -                        | 59,473   | 48,162   | -                           | 4,928<br>(221)  | -  | 52,869   | 6,604  | 40                     |
| Vehicles                                     | 176,390  | 6,559                  | 2,492<br>(3,455)          | -                        | 181,986  | 97,938   | 4,608                       | 16,014<br>(2,622)   | -  | 115,938  | 66,048   | 20                     |
| Laboratory Equipment                         | 22,114   | -                      | 1,167                     | -                        | 23,281   | 18,761   | -                           | 1,690   | -  | 20,451   | 2,830  | 40                     |
| Arms and ammunition                          | 575  | -                      | -                         | -                        | 575  | 287  | -                           | 57  | -  | 344  | 231  | 10                     |
| Library books                                | 10,814   | -                      | 142                       | -                        | 10,956   | 10,134   | -                           | 150   | -  | 10,284   | 672  | 30                     |
|  | 9,206,467  | 6,559                  | 371,289<br>(157,649)      | -                        | 9,426,666  | 3,255,916  | 4,608                       | 337,479<br>(42,751)                                       | -  | 3,555,252  | 5,871,414                                      |                        |
| <b>Leased assets</b>                         |  |                        |                           |                          |  |  |                             |   |  |  |  |                        |
| Plant and machinery                          | 92,822   | -                      | -                         | -                        | 92,822   | 27,839   | -                           | 4,875   | -  | 32,714   | 60,108   | 7.5                    |
| Vehicles                                     | 7,083  | (6,559)                | (524)                     | -                        | -  | 4,770  | (4,416)                     | (354)   | -  | -  | -  | 20                     |
|  | 99,905   | (6,559)                | (524)                     | -                        | 92,822   | 32,609   | (4,416)                     | 4,521   | -  | 32,714   | 60,108   |                        |
| 2013   | 9,306,372  | -                      | 370,765<br>(157,649)      | -                        | 9,519,488  | 3,288,525  | 192                         | 342,000<br>(42,751)                                       | -  | 3,587,966  | 5,931,522                                      |                        |



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014



### 15.1.1 Disposal of property, plant and equipment

|   |                                   | (Rupees in thousand) |                          |            |               |                       |
|---|-----------------------------------|----------------------|--------------------------|------------|---------------|-----------------------|
| Particulars of assets                           | Sold to                           | Cost/ Carrying value | Accumulated depreciation | Book value | Sale proceeds | Mode of disposal      |
| Freehold land                                   | <b>Related party</b>              |                      |                          |            |               |                       |
|   | Crescent Hadeed (Private) Limited | 18,171               | -                        | 18,171     | 36,240        | Negotiation           |
|   | <b>Outside Party</b>              |                      |                          |            |               |                       |
|   | Mr. Shahzad Ahmad                 | 4,132                | -                        | 4,132      | 4,915         | -do-                  |
|   | Mr. Muhammad Murad Lati           | 13,055               | -                        | 13,055     | 13,054        | -do-                  |
| Plant and machinery                             | <b>Outside parties</b>            |                      |                          |            |               |                       |
|   | Gourmet Sundar State Lahore       | 12,114               | 255                      | 11,859     | 6,000         | Negotiation           |
|   | Ashraf Sugar Mill                 | 5,867                | 4,434                    | 1,433      | 2,000         | -do-                  |
|   | Toshiba Engineering Works Muridke | 512                  | 247                      | 265        | 830           | -do-                  |
|   | Zaheer Abbas Khan                 | 1,077                | 924                      | 153        | 481           | -do-                  |
| Water, electric and weighbridge equipment       | <b>Outside parties</b>            |                      |                          |            |               |                       |
|   | Mr. Muhammad Rabnawaz             | 489                  | 404                      | 85         | 450           | Negotiation           |
| Vehicles  | <b>Employees</b>                  |                      |                          |            |               |                       |
|   | Mr. Naseem Akhtar                 | 915                  | 685                      | 230        | 230           | As per company policy |
|   | Mr. Mahboob Qureshi               | 1,060                | 793                      | 267        | 405           | -do-                  |
|   | Mr. Kashif Raza Kazmi             | 879                  | 695                      | 184        | 221           | -do-                  |
|   | Mr. Muhammad Shuab Akhtar         | 400                  | 316                      | 84         | 98            | -do-                  |
|   | Mr. Abdul Majeed                  | 395                  | 312                      | 83         | 97            | -do-                  |
|   | Mr. Muhammad Bashir               | 651                  | 466                      | 185        | 156           | -do-                  |
|   | Mr. Muhammad Younis Bhatti        | 854                  | 623                      | 231        | 486           | -do-                  |
|   | Mr. Muhammad Nawaz Kokab          | 590                  | 510                      | 80         | 148           | -do-                  |
|   | Mr. Kashif Mukhtar                | 390                  | 314                      | 76         | 111           | -do-                  |
|   | Mr. Muhammad Iqbal                | 879                  | 711                      | 168        | 220           | -do-                  |
|   | Mr. Muhammad Younas               | 172                  | 93                       | 79         | 425           | -do-                  |
|   | Mr. Dr. Shahid Afghan             | 832                  | 718                      | 114        | 208           | -do-                  |
|   | <b>Outside parties</b>            |                      |                          |            |               |                       |
|   | Mr. Ghulam Ahmad Gadi             | 1,090                | 843                      | 247        | 890           | Negotiation           |
|   | Mr. Abdul Sattar                  | 360                  | 302                      | 58         | 285           | -do-                  |
| Other assets having book value below Rs. 50,000 |                                   | 6,524                | 5,821                    | 703        | 4,772         | Negotiation           |
|   |                                   |                      |                          |            |               | -do-                  |
|   |                                   | 71,407               | 19,466                   | 51,941     | 72,722        |                       |

**15.1.2** The board of directors in their meeting held on 28 May 2014 approved the sale of freehold land measuring 18.13 Acre located at Kotla Afghna tehsil and district Jhang to M/s Crescent Hadeed (Private) Limited, an associated undertaking of Crescent Steel and Allied Products Limited, at a negotiated price of Rs. 36.25 million.

**15.1.3** The Company bases its valuation of operating assets suspect to impairment upon valuation performed by an independent valuation expert.

**15.1.4** The carrying amount of freehold land, buildings and plant and machinery would have been Rs. 245.87 million (2013: Rs. 257.84 million), Rs. 329.28 million (2013: Rs. 350.06 million) and Rs. 2,867.75 million respectively, had there been no revaluation.



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014

|  | Note | 2014<br>(Rupees in thousand) | 2013           |
|--|------|------------------------------|----------------|
| <b>15.1.5</b> The depreciation charge has been allocated as follows: |      |                              |                |
| Cost of sales  | 28   | 298,972                      | 308,714        |
| Administrative expenses  | 29   | 28,845                       | 33,832         |
|  |      | <b>327,817</b>               | <b>342,546</b> |

**15.1.6** The Company reviews the useful lives of property, plant and equipment on regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with the corresponding effect on the depreciation charge and impairment.

|   | Note   | 2014<br>(Rupees in thousand) | 2013           |
|---|--------|------------------------------|----------------|
| <b>15.2 Capital work-in-progress</b>        |        |                              |                |
| Civil works                                 |        | 1,154                        | 3,634          |
| Plant and machinery                         |        | 41,001                       | 224,312        |
|   |        | <b>42,155</b>                | <b>227,946</b> |
| Advances given for capital work in progress | 15.2.1 | 41,112                       | 93,199         |
|   |        | <b>83,267</b>                | <b>321,145</b> |

### 15.2.1 Advances

|   |        |               |                |
|---|--------|---------------|----------------|
| Considered good:                          |        |               |                |
| - Plant and machinery                     | 15.2.4 | 41,112        | 93,199         |
| Considered doubtful:                      |        |               |                |
| - Plant and machinery                     |        | 1,310         | 1,310          |
| - Intangibles                             |        | 15,274        | 15,274         |
|   |        | <b>16,584</b> | <b>16,584</b>  |
|   |        | <b>57,696</b> | <b>109,783</b> |
| Less: Provision against doubtful advances | 15.2.3 | (16,584)      | (16,584)       |
| Less: Impairment charged during the year  |        | -             | -              |
|   |        | <b>41,112</b> | <b>93,199</b>  |

**15.2.2** These advances include interest free amount due to an associated company amounting to Rs. 0.246 million (2013: Rs. 3.17 million) in the normal course of business.

|   | 2014<br>(Rupees in thousand) | 2013          |
|---|------------------------------|---------------|
| <b>15.2.3 Provision against doubtful advances</b> |                              |               |
| As at 01 October                                  | 16,584                       | 12,984        |
| Provision during the year                         | -                            | 3,600         |
| As at 30 September                                | <b>16,584</b>                | <b>16,584</b> |



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014



**15.2.4** Advances include an amount given to Mian Muhammad Sugar Mill in pursuance to a purchase arrangement whereby the Company will get a beneficial interest in the machinery installed at the premises. The movement to date is as follows:

|                    | Note     | 2014<br>(Rupees in thousand) | 2013               |
|--------------------|----------|------------------------------|--------------------|
| Advance to date    |          | 217,817                      | 211,217            |
| Machinery received |          | (169,315)                    | (145,776)          |
| Impairment charged | 15.2.3.1 | 48,502<br>(28,148)           | 65,441<br>(28,148) |
|                    |          | 20,354                       | 37,293             |

**15.2.3.1** This represents impairment charged to date on advance payment made by the Company for purchase of plant and machinery. The impairment has been recorded based on the valuation carried out on a yearly basis. The latest valuation has been conducted by Saleem Engineers (Pvt) Limited. As a result of valuation, no impairment occurred during the year.

## 16. INTANGIBLE ASSETS

|                              | 2014<br>(Rupees in thousand)     |   |                                    |   |   |   |   |
|------------------------------|----------------------------------|---|------------------------------------|---|---|---|---|
|                              | Cost as at<br>01 October<br>2013 | Additions/<br>(transfers/<br>deletions) | Cost as at<br>30 September<br>2014 | Accumulated<br>amortization<br>01 October<br>2013 | Amorti-<br>zation<br>charge for<br>the year | Accumulated<br>amortization<br>30 September<br>2014 | Book value<br>as at 30<br>September<br>2014 |
| Computer software - acquired | 2,000                            | -                                       | 2,000                              | 1,820   | 60  | 1,880   | 120   |
| NEPRA license fee            | 1,007                            | -                                       | 1,007                              | 232   | 30  | 262   | 745   |
|                              | 3,007                            | -                                       | 3,007                              | 2,052   | 90  | 2,142   | 865   |

|                              | 2013<br>(Rupees in thousand)     |   |                                    |   |   |   |   |
|------------------------------|----------------------------------|---|------------------------------------|---|---|---|---|
|                              | Cost as at<br>01 October<br>2012 | Additions/<br>(transfers/<br>deletions) | Cost as at<br>30 September<br>2013 | Accumulated<br>amortization<br>01 October<br>2012 | Amorti-<br>zation<br>charge for<br>the year | Accumulated<br>amortization<br>30 September<br>2013 | Book value<br>as at 30<br>September<br>2013 |
| Computer software - acquired | 2,000                            | -                                       | 2,000                              | 1,760   | 60  | 1,820   | 180   |
| Nepa license fee             | 1,007                            | -                                       | 1,007                              | 202   | 30  | 232   | 775   |
|                              | 3,007                            | -                                       | 3,007                              | 1,962   | 90  | 2,052   | 955   |

**16.1** The amortization charge for the year has been allocated to cost of sales as referred to in note 28.



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014

|                              | Note | 2014<br>(Rupees in thousand) | 2013   |
|------------------------------|------|------------------------------|--------|
| <b>17. BIOLOGICAL ASSETS</b> |      |                              |        |
| <i>Sugarcane</i>             |      |                              |        |
| Mature                       |      | 19,148                       | 22,272 |
| Immature                     |      | -                            | 4,089  |
|                              |      | 19,148                       | 26,361 |
| Rice - mature                |      | 7,920                        | 5,550  |
| Others - mature              |      | 2,409                        | 689    |
| Livestock - mature           |      | 13,654                       | 13,975 |
|                              |      | 43,131                       | 46,575 |
| <b>Non - current</b>         |      | 13,654                       | 13,975 |
| <b>Current</b>               |      | 29,477                       | 32,600 |
|                              | 17.3 | 43,131                       | 46,575 |

**17.1** The value of sugarcane crops is based on estimated average yield of 683 (2013: 595) maunds per acre on cultivated area of 189.5 (2013: 240) acres. The value of rice crops is based on the estimated yield of 37.5 (2013: 34) maunds per acre on cultivated area of 132 (2013: 86) acres.

**17.2** Nil acres (2013: 100 acres) relates to sugarcane cultivation which is valued at a cost of Rs. nil (2013: Rs. 4.09 million).

|   | Note | 2014<br>(Rupees in thousand) | 2013     |
|---|------|------------------------------|----------|
| <b>17.3 Movement during the year</b>  |      |                              |          |
| <b><i>Livestock</i></b>   |      |                              |          |
| As at 01 October  |      | 13,975                       | 8,895    |
| Increase due to purchases/costs incurred  |      | 413                          | 413      |
| Gain / (loss) arising from changes in fair value less estimated point of sale costs |      | 2,066                        | 5,548    |
| Decrease due to sale / deceased livestock   |      | (2,800)                      | (881)    |
| As at 30 September  |      | 13,654                       | 13,975   |
| <b><i>Crops</i></b>   |      |                              |          |
| As at 01 October  |      | 32,600                       | 37,395   |
| Increase due to purchases/costs incurred  |      | 39,364                       | 43,461   |
| Decrease due to harvest / sales   |      | (28,058)                     | (34,327) |
| Fair value loss related to sales during the year                                    |      | (11,306)                     | (10,001) |
| Transferred to finished goods   |      | 685                          | (685)    |
| Fair value adjustment of agricultural assets  | 31   | (3,808)                      | (3,243)  |
| As at 30 September  |      | 29,477                       | 32,600   |
|   |      | 43,131                       | 46,575   |



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014



|   | Note | 2014<br>(Rupees in thousand) | 2013      |
|---|------|------------------------------|-----------|
| <b>18. INVESTMENTS - RELATED PARTIES</b>  |      |                              |           |
| In equity instruments of associates   | 18.1 | 603,687                      | 528,633   |
| Available for sale  | 18.3 | -                            | 553,089   |
|   |      | 603,687                      | 1,081,722 |
| <b>18.1 In equity instruments of associates</b>   |      |                              |           |
| Cost  |      | 444,494                      | 545,793   |
| Brought forward amounts of post acquisition reserves,<br>profits and negative goodwill recognized directly in<br>profit and loss accounts |      | 84,139                       | 107,087   |
|   |      | 528,633                      | 652,880   |
| Share of movement in reserves during the year   |      | (3,062)                      | 7,042     |
| Share of profit for the year  |      |                              |           |
| - before taxation   |      | 122,618                      | 198,667   |
| - provision for taxation  | 34   | (37,430)                     | (32,825)  |
|   |      | 85,188                       | 165,842   |
|   |      | 610,759                      | 825,764   |
| Dividends received during the year  |      | (7,072)                      | (32,200)  |
| Transferred to available for sale   |      | -                            | (264,931) |
|   |      | (7,072)                      | (297,131) |
| Balance as on 30 September  | 18.2 | 603,687                      | 528,633   |



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014

|  | Note   | 2014<br>(Rupees in thousand) | 2013           |
|--|--------|------------------------------|----------------|
| <b>18.2 In equity instruments of associates</b>  |        |                              |                |
| <b>Quoted</b>  |        |                              |                |
| <b>Crescent Steel and Allied Products Limited</b>  |        |                              |                |
| 2,992,068 (2013: 2,720,062) fully paid ordinary shares of Rs. 10 each Inclusive of bonus issue @ 10% during the year | 18.2.5 | 264,369                      | 246,809        |
| Equity held: 4.82% (2013: 4.82%)   |        |                              |                |
| <b>Unquoted</b>  |        |                              |                |
| <b>Shakarganj Food Products Limited</b>  |        |                              |                |
| 74,654,596 (2013: 74,654,596) fully paid ordinary shares of Rs. 10 each  | 18.2.6 | 339,318                      | 281,824        |
| Equity Held: 49.24% (2013: 49.24%)   |        |                              |                |
|  |        | <b>603,687</b>               | <b>528,633</b> |

**18.2.1** Investments in associates include goodwill amounting to Rs. 82.89 million (2013: Rs. 82.89 million).

**18.2.2** The Company's share of the results of its principal associates, all of which are incorporated in Pakistan, and its share of the assets (including goodwill) and liabilities are as follows:

| Name                                       | Percentage interest held | Assets           | Liabilities          | Revenues         | Profit/(loss) |
|--|--------------------------|------------------|----------------------|------------------|---------------|
|  |                          | -----            | (Rupees in thousand) | -----            | -----         |
| <b>2014</b>                                |                          |                  |                      |                  |               |
| Crescent Steel and Allied Products Limited | 4.82%                    | 297,021          | (44,276)             | 194,161          | 26,659        |
| Shakarganj Food Products Limited           | 49.24%                   | 989,606          | (721,550)            | 3,346,242        | 58,529        |
|  |                          | <b>1,286,627</b> | <b>(765,826)</b>     | <b>3,540,403</b> | <b>85,188</b> |

| Name                                       | Percentage interest held | Assets           | Liabilities          | Revenues         | Profit/(loss)  |
|--|--------------------------|------------------|----------------------|------------------|----------------|
|  |                          | -----            | (Rupees in thousand) | -----            | -----          |
| <b>2013</b>                                |                          |                  |                      |                  |                |
| Crescent Steel and Allied Products Limited | 4.82%                    | 279,086          | (43,901)             | 240,964          | 42,901         |
| Shakarganj Food Products Limited           | 49.24%                   | 787,759          | (577,765)            | 2,435,397        | (17,259)       |
| Safeway Mutual Fund Limited                | 30.45%                   | 358,808          | (8,753)              | 148,327          | 140,200        |
|  |                          | <b>1,425,653</b> | <b>(630,419)</b>     | <b>2,824,688</b> | <b>165,842</b> |



## > NOTES TO THE FINANCIAL STATEMENTS



For the year ended 30 September 2014

**18.2.3** The Company's investment in Crescent Steel and Allied Products Limited is less than 20% but it is considered to be an associate as per the requirements of IAS - 28 'Investments in Associates' because the Company has significant influence over its financial and operating policies through chief executive of the Company.

**18.2.4** The above figures of Crescent Steel and Allied Products Limited is based on audited consolidated financial statements as at 30 June 2014.

**18.2.5** The Company has assessed the recoverable amount of investment in Crescent Steel and Allied Products Limited based on value in use calculation. This calculation has been made on discounted cashflow methodology which assumes gross profit margin of 13.04% - 16.17%, EBITDA of 23.86% - 29.15%, terminal growth rate of 3.5% and weighted average cost of capital of approximately 15.16%.

**18.2.6** The Company has assessed the recoverable amount of investment in Shakarganj Food Products Limited based on value in use calculation. This calculation has been made on discounted cash flow methodology which assumes gross profit margin of 14.87% - 15.56%, EBITDA of 3.77% - 4.15%, terminal growth rate of 4% and discount rate of approximately 14.64%.

**18.2.7** The board of directors of Safeway Mutual Fund Limited in their meeting resolved to convert the company (close end fund) into an open end fund. By virtue of this change in status of the fund, Shakarganj Mills Limited could not exercise significant influence which it had through common directorship. Accordingly the investment in Safeway Mutual Fund Limited has been reclassified to available for sale. This treatment has been done in accordance with the guidelines in IAS-28 i.e. the carrying value has been determined in accordance with the funds net assets value at the conversion date of 16 September 2013 and the resulting gain has been charged to profit and loss account.

|  | Note   | 2014<br>(Rupees in thousand) | 2013      |
|--|--------|------------------------------|-----------|
| Net assets value at conversion date  |        | -                            | 374,025   |
| Less: Carrying value on the basis of equity method before transfer to available for sale |        | -                            | (264,931) |
| Gain on transfer from equity investment to available for sale                            |        | -                            | 109,094   |
| <b>18.3 Available for sale</b>   |        |                              |           |
| Associated companies - at cost   | 18.3.1 | 3,000                        | 3,000     |
| Others - at cost   | 18.3.2 | 2,200                        | 521,142   |
|  |        | 5,200                        | 524,142   |
| Add: Cumulative fair value gain  | 18.3.5 | -                            | 122,204   |
| Less: Cumulative impairment losses recognized  | 18.3.6 | (5,200)                      | (93,257)  |
| Impairment loss/fair value gain  |        | (5,200)                      | 28,947    |
|  |        | -                            | 553,089   |



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014

|   | Note   | 2014<br>(Rupees in thousand) | 2013    |
|---|--------|------------------------------|---------|
| <b>18.3.1 Associated companies</b>  |        |                              |         |
| <b>Unquoted</b>   |        |                              |         |
| Crescent Standard Telecommunications Limited<br>300,000 (2013: 300,000) fully paid ordinary shares of Rs. 10 each |        | 3,000                        | 3,000   |
|   |        | 3,000                        | 3,000   |
| <b>18.3.2 Others</b>  |        |                              |         |
| <b>Quoted</b>   |        |                              |         |
| <b>Crescent Jute Products Limited</b>   |        |                              |         |
| Nil (2013: 536,817) fully paid ordinary shares of Rs. 10 each<br>Market value - Nil (2013: Rs. 0.83 million)      |        | -                            | -       |
| <b>Unquoted</b>   |        |                              |         |
| <b>Crescent Group Services (Private) Limited</b>  |        |                              |         |
| 220,000 (2013: 220,000) fully paid ordinary shares of Rs. 10 each   |        | 2,200                        | 2,200   |
| <b>Mutual Funds - Open end</b>  |        |                              |         |
| <b>Safeway Mutual Fund</b>  |        |                              |         |
| Nil (2013: 19,066,014) units of Rs. 10 each<br>Market value - Nil (2013: 350.05 million)                          | 18.3.3 | -                            | 374,025 |
| <b>Asian Stocks Fund</b>  |        |                              |         |
| Nil (2013: 17,675,292) units of Rs. 10 each<br>Market value - Nil (2013: Rs. 202.21 million)                      | 18.3.4 | -                            | 144,917 |
|   |        | 2,200                        | 521,142 |

**18.3.3** Rs. 410.88 million realised on sale of 19.07 million units resulted in a profit of Rs. 36.86 million. The proceeds were substantially used for the repayment of borrowings from Standard Chartered Bank and United Bank Limited.

**18.3.4** Rs. 243.68 million realised on sale of 17.68 million units resulted in a profit of Rs. 186.82 million. The proceeds were substantially used for the repayment of borrowings from United Bank Limited.

|  | 2014<br>(Rupees in thousand) | 2013    |
|--|------------------------------|---------|
| <b>18.3.5 Cumulative fair value gain</b> |                              |         |
| As at 01 October                         | 122,204                      | 41,155  |
| Disposal of shares/units                 | (122,204)                    | -       |
| Fair value gain during the year          | -                            | 81,049  |
| As at 30 September                       | -                            | 122,204 |



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014



2014  
(Rupees in thousand)

2013

### 18.3.6 Cumulative impairment losses recognized

As at 01 October  
Reversed during the year

93,257  
(88,057)

93,257  
-

As at 30 September

5,200

93,257

**18.3.7** Investments with face value of Rs. 594.25 million (2013: Rs. 922.49 million) and market value of Rs. 651 million (2013: Rs. 1,157.94 million) are pledged as security against long term running finances and short term borrowings as referred to in note 7 and 11 respectively.

Note

2014  
(Rupees in thousand)

2013

### 19. LONG TERM LOANS, ADVANCES, DEPOSITS AND PREPAYMENTS

Loan to Sui Northern Gas Pipelines Limited -  
considered good

19.2

1,242

1,656

Less: Current portion shown under short term advances

25

414

414

Advance to Creek Marina (Private) Limited -  
considered doubtful  
Security deposits

19.3

828

1,242

38,557

38,557

36,796

37,346

Less: Provision against doubtful receivables

19.1

76,181

77,145

(38,822)

(38,822)

37,359

38,323

### 19.1 Provision against doubtful receivables

As at 01 October  
Provision during the year

29

38,822

38,557

-

265

As at 30 September

38,822

38,822

**19.2** This represents an un-secured loan given to SNGPL for development of infrastructure for supply of gas to the principal facility. Mark-up is charged at the rate of 1.5% per annum. This amount is receivable in 10 equal annual installments ending May 2017.

**19.3** This represents payment for two apartments in the Creek Marina Projects pursuant to a settlement agreement entered into by the Company and the former Crescent Standard Investment Bank Limited (CSIBL) in year 2006. The construction work at the site has been halted since year 2011 due to differences between Defence Housing Authority and the developer. As per minutes of the Third General Body Meeting of Creek Marina Action Committee (CMAC), held in September 2012, the resumption of construction work is still uncertain in near future. Consequently, based on prudence principal the Company provided the above advance in full.



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014

### 20. DEFERRED TAXATION

The deferred tax liability/asset comprises temporary differences relating to:  
Accelerated tax depreciation  
Revaluation surplus on property, plant and equipment  
Unused tax losses  
Undistributed reserves of associates

|  | 2014<br>(Rupees in thousand) | 2013      |
|--|------------------------------|-----------|
|  | (488,281)                    | (561,171) |
|  | (1,247,005)                  | (168,777) |
|  | 618,558                      | 698,485   |
|  | 26,903                       | 31,463    |
|  | (1,089,825)                  | -         |

Deferred tax asset on tax losses available for carry forward and those representing minimum tax paid available for carry forward u/s 113 of the Income Tax Ordinance, 2001 are recognized to the extent that the realization of related tax benefits through future taxable profits is probable. The company has not recognized deferred tax assets of Rs. 1,841.78 million (2013: Rs. 2,173.82 million) in respect of tax losses and Rs. 271.70 million (2013: Rs. 280.18 million) in respect of minimum tax paid and available for carry forward u/s 113 of the Income Tax Ordinance, 2001, as sufficient tax profits may not be available to set these off in the foreseeable future. Minimum tax paid u/s 113 aggregating to Rs. 271.70 million would not be available for carry forward against future tax liabilities subsequent to years 2016 through 2020. Tax losses amounting to Rs. 472.62 million, Rs. 390.49 million, Rs. 781.29 million, Rs. 51.77 million and Rs. 661.76 million expire in tax year 2016, 2017, 2018, 2019 2020 and 2021 respectively.

### 21. STORES, SPARES AND LOOSE TOOLS

Stores  
Spares  
Loose tools

|                                    | 2014<br>(Rupees in thousand) | 2013    |
|------------------------------------|------------------------------|---------|
|                                    | 59,079                       | 63,248  |
|                                    | 44,388                       | 54,916  |
|                                    | 1,430                        | 1,532   |
|                                    | 104,897                      | 119,696 |
| Less: Provision for obsolete items | (4,610)                      | (4,610) |
|                                    | 100,287                      | 115,086 |

21.1 Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.

### 22. STOCK-IN-TRADE

Raw materials  
Work-in-process  
Finished goods

|  | 2014<br>(Rupees in thousand) | 2013    |
|--|------------------------------|---------|
|  | 43,171                       | 23,552  |
|  | 18,781                       | 11,771  |
|  | 417,992                      | 486,684 |
|  | 479,944                      | 522,007 |



## > NOTES TO THE FINANCIAL STATEMENTS



For the year ended 30 September 2014

**22.1** Raw materials and finished goods amounting to Rs. 419.08 million (2013: Rs. 385.70 million) are pledged with lenders as security against long term running finances and short term borrowings as referred to in note 7 and note 11 respectively.

**22.2** The amount charged to profit and loss account on account of write down of finished goods to net realizable value amounts to Rs. 6.87 million (2013: Rs. 9.84 million).

|   | Note | 2014<br>(Rupees in thousand) | 2013   |
|---|------|------------------------------|--------|
| <b>23. TRADE DEBTS</b>                      |      |                              |        |
| <i>Considered good:</i>                     |      |                              |        |
| - Unsecured                                 | 23.2 | 38,888                       | 71,619 |
| <i>Considered doubtful:</i>                 |      |                              |        |
| - Unsecured                                 |      | 5,436                        | -      |
|   |      | 44,324                       | 71,619 |
|   |      | (5,436)                      | -      |
| Less: Provision for doubtful debts          | 23.1 | 38,888                       | 71,619 |
| <b>23.1 Provision for doubtful balances</b> |      |                              |        |
| Balance as at 01 October                    |      | -                            | -      |
| Provision for the year                      | 29   | 5,436                        | -      |
| Balance as at 30 September                  |      | 5,436                        | -      |

**23.2** These include receivable from Shakarganj Food Products Limited (SFPL), an associated company amounting to Rs. 0.49 million (2013: Rs. 2.16 million) in the normal course of business and is over-due by more than 180 days.

|   | Note | 2014<br>(Rupees in thousand) | 2013    |
|---|------|------------------------------|---------|
| <b>24. INVESTMENTS</b>  |      |                              |         |
| Available for sale - at cost  | 24.1 | 125,307                      | 125,307 |
| Add: Cumulative fair value gain   | 24.2 | 170,414                      | 123,300 |
|   |      | 295,721                      | 248,607 |
| <b>24.1 Available for sale - at cost</b>                                |      |                              |         |
| <b>Altern Energy Limited - Quoted</b>                                   |      |                              |         |
| 12,530,582 (2013: 12,530,582) fully paid ordinary shares of Rs. 10 each |      | 125,307                      | 125,307 |
| Market value - Rs. 295.721 million (2013: Rs. 248.607 million)          |      |                              |         |
| <b>Innovative Investment Bank Limited - Unquoted</b>                    |      |                              |         |
| 51,351 (2013: 51,351) fully paid ordinary shares of Rs. 10 each         |      | -                            | -       |
|   |      | 125,307                      | 125,307 |



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014

|  |      | 2014<br>(Rupees in thousand) | 2013                         |         |
|--|------|------------------------------|------------------------------|---------|
| <b>24.2 Cumulative fair value gain</b>   |      |                              |                              |         |
| As at 01 October   |      | 123,300                      | (6,266)                      |         |
| Fair value gain during the year  |      | 47,114                       | 129,566                      |         |
| As at 30 September   |      | 170,414                      | 123,300                      |         |
| <b>24.3</b> Investments with a face value of Rs. 124.66 million (2013: Rs. 124.66 million) and market value of Rs. 294.20 million (2013: Rs. 247.33 million) are pledged as security against short term borrowings as referred to in note 11 respectively. |      |                              |                              |         |
|  |      | Note                         | 2014<br>(Rupees in thousand) | 2013    |
| <b>25. LOANS, ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES</b>  |      |                              |                              |         |
| Advances - considered good   |      |                              |                              |         |
| - to employees   |      |                              | 3,118                        | 9,091   |
| - to suppliers and contractors   | 25.1 |                              | 150,726                      | 52,530  |
| - to sugarcane growers   |      |                              | 56,829                       | 72,240  |
|  |      |                              | 210,673                      | 133,861 |
| Advances - considered doubtful:  |      |                              |                              |         |
| - to employees   |      |                              | 491                          | 177     |
| - to suppliers and contractors   |      |                              | 7,625                        | 7,231   |
| - to sugarcane growers   |      |                              | 237                          | 237     |
|  |      |                              | 8,353                        | 7,645   |
| Due from related parties - unsecured and considered good   | 25.2 |                              | 6,531                        | 1,147   |
|  |      |                              | 6,531                        | 1,147   |
| Due from related parties -unsecured considered doubtful.   |      |                              | 80                           | -       |
|  |      |                              | 80                           | -       |
| Current portion of long term loan receivable from Sui Northern Gas Pipelines Limited   | 25.1 |                              | 414                          | 414     |
| Receivable from Government   |      |                              |                              |         |
| - Income tax   |      |                              | 196,419                      | 116,296 |
| - Export rebate  |      |                              | 39,137                       | 39,137  |
| Security deposits - considered good  |      |                              | -                            | 12,989  |
| Prepayments  |      |                              | 4,788                        | 6,068   |
| Margins against bank guarantees  |      |                              | 4,200                        | 2,800   |
| Others:  |      |                              |                              |         |
| - considered good  |      |                              | 347                          | 11,570  |
| - considered doubtful  |      |                              | 4,551                        | 1,645   |
|  |      |                              | 475,493                      | 333,572 |
| Less: Provision against doubtful receivables   | 25.3 |                              | (12,984)                     | (9,290) |
|  |      |                              | 462,509                      | 324,282 |



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014



**25.1** These relate to normal business of the Company and are interest free.

### **25.2 Due from related parties - unsecured and considered good**

Crescent Cotton Mills Limited  
Shakarganj Energy Limited  
Crescent Steel and Allied Products Limited  
Shakarganj Food Products Limited

**2014** **2013**  
**(Rupees in thousand)**

|              |              |  |
|--------------|--------------|--|
|              |              |  |
| -            | 80           |  |
| 2,405        | 1,009        |  |
| 4,126        | 4            |  |
| -            | 54           |  |
| <b>6,531</b> | <b>1,147</b> |  |

**25.2.1** These are interest free in the normal course of business and are due by three to six months.

**Note** **2014** **2013**  
**(Rupees in thousand)**

### **25.3 Provision against doubtful receivables**

As at 01 October  
Provision during the year

As at 30 September

|               |              |  |
|---------------|--------------|--|
|               |              |  |
| 9,290         | 8,417        |  |
| 3,694         | 873          |  |
| <b>12,984</b> | <b>9,290</b> |  |

### **26. CASH AND BANK BALANCES**

At banks on:  
- Saving accounts  
- Pak rupees  
- Foreign currency

- Current accounts

In hand  
In transit

26.1  
26.2

|               |                |  |
|---------------|----------------|--|
|               |                |  |
| -             | 5              |  |
| 83            | 654            |  |
| 83            | 659            |  |
| 91,564        | 99,049         |  |
| 91,647        | 99,708         |  |
| 345           | 661            |  |
| 3,000         | -              |  |
| <b>94,992</b> | <b>100,369</b> |  |

**26.1** Profit on balances in saving accounts ranges from 0.10% to 6.00% (2013: 0.10% to 6.00%) per annum.

**26.2** Foreign currency accounts include US Dollars Nil (2013: 5,353) and Euros 635 (2013: 635).



# > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014

## 27. SALES

|                                   | Sugar     |           | Bio Fuel  |           | Bio Power |         | Building Materials |        | Textile   |           | Farms  |        | Others |        | Total      |            |
|-----------------------------------|-----------|-----------|-----------|-----------|-----------|---------|--------------------|--------|-----------|-----------|--------|--------|--------|--------|------------|------------|
|                                   | 2014      | 2013      | 2014      | 2013      | 2014      | 2013    | 2014               | 2013   | 2014      | 2013      | 2014   | 2013   | 2014   | 2013   | 2014       | 2013       |
| Gross sales                       |           |           |           |           |           |         |                    |        |           |           |        |        |        |        |            |            |
| - Local                           | 5,507,518 | 6,358,149 | 279,887   | 238,613   | -         | 180,427 | 81,971             | 94,198 | 1,447,687 | 1,869,083 | 39,988 | 45,466 | 37,943 | 47,005 | 7,394,994  | 8,832,941  |
| - Export                          | 163,071   | 872,705   | 4,299,416 | 4,289,589 | -         | -       | -                  | -      | -         | -         | -      | -      | -      | -      | 4,452,489  | 5,162,294  |
| - By-products                     | -         | -         | -         | 30,567    | -         | -       | -                  | -      | 19,482    | 32,378    | -      | -      | -      | -      | 19,482     | 62,945     |
| - Inter-segment                   | 1,160,538 | 1,011,392 | 195,595   | 121,548   | 159,018   | 65,435  | -                  | 915    | -         | -         | 13,446 | 15,058 | -      | -      | -          | -          |
|                                   | 6,831,127 | 8,242,246 | 4,774,900 | 4,680,317 | 159,018   | 245,862 | 81,971             | 95,113 | 1,467,169 | 1,901,461 | 53,434 | 60,524 | 37,943 | 47,005 | 11,876,965 | 14,058,180 |
| Less:                             |           |           |           |           |           |         |                    |        |           |           |        |        |        |        |            |            |
| Commission to selling agents      | 6,491     | 6,849     | 89        | 334       | -         | -       | 5,515              | 6,892  | 5,431     | 10,168    | -      | -      | 2,213  | 17     | 19,739     | 24,260     |
| Sales tax and Special Excise Duty | 417,354   | 432,606   | 42,080    | 33,151    | -         | 24,895  | 12,504             | 13,290 | 28,948    | 22,753    | -      | -      | -      | -      | 500,886    | 526,695    |
|                                   | 423,845   | 439,455   | 42,169    | 33,485    | -         | 24,895  | 18,019             | 20,182 | 34,379    | 32,921    | -      | -      | 2,213  | 17     | 520,625    | 550,955    |
| Net sales                         | 6,407,282 | 7,802,791 | 4,732,731 | 4,646,832 | 159,018   | 220,967 | 63,952             | 74,931 | 1,432,790 | 1,868,540 | 53,434 | 60,524 | 35,730 | 46,988 | 11,356,340 | 13,507,225 |

27.1 Inter-segment sales have been eliminated from total figures.

## 28. COST OF SALES

|   | Sugar     |           | Bio Fuel  |           | Bio Power |         | Building Materials |          | Textile   |           | Farms  |         | Others  |         | Total      |            |
|---|-----------|-----------|-----------|-----------|-----------|---------|--------------------|----------|-----------|-----------|--------|---------|---------|---------|------------|------------|
|   | 2014      | 2013      | 2014      | 2013      | 2014      | 2013    | 2014               | 2013     | 2014      | 2013      | 2014   | 2013    | 2014    | 2013    | 2014       | 2013       |
| Inter-segment   | 149,308   | 10,274    | 1,137,960 | 972,317   | 73,046    | 121,548 | 37,904             | 39,507   | 127,329   | 61,994    | 2,244  | 8,308   | 806     | 400     | -          | -          |
| Raw materials consumed                                      | 5,440,131 | 6,061,183 | 2,859,635 | 1,947,766 | -         | -       | -                  | 887      | 1,035,863 | 1,361,558 | 2,418  | 1,410   | 20,182  | 23,185  | 9,358,229  | 9,395,989  |
|   | 5,589,439 | 6,071,457 | 3,997,595 | 2,920,083 | 73,046    | 121,548 | 37,904             | 40,394   | 1,163,192 | 1,423,552 | 4,662  | 9,718   | 20,988  | 23,585  | 9,358,229  | 9,395,989  |
| Salaries, wages and other benefits - note 28.2              | 321,612   | 300,822   | 53,590    | 49,539    | 3,234     | 2,688   | 7,061              | 8,041    | 109,631   | 111,232   | 7,658  | 6,890   | 1,611   | 1,976   | 504,387    | 481,188    |
| Stores and spares consumed                                  | 131,817   | 145,883   | 12,353    | 22,855    | 8,083     | 25,762  | 1,727              | 1,565    | 24,546    | 46,503    | 10,118 | 7,983   | 15      | 35      | 188,659    | 250,586    |
| Dyes and chemicals  | 40,625    | 40,442    | 76,067    | 63,557    | 282       | 216     | 23,678             | 20,236   | -         | -         | -      | -       | -       | -       | 149,852    | 124,451    |
| Packing material consumed                                   | 67,103    | 72,407    | -         | -         | -         | -       | -                  | -        | 19,905    | 21,685    | -      | -       | 2,130   | 2,066   | 89,138     | 96,158     |
| Fuel and power  | 370,366   | 430,514   | 93        | 151       | 8,106     | 36,429  | -                  | 23       | 100,112   | 171,477   | 4,986  | 5,270   | -       | -       | 483,063    | 643,864    |
| Repairs and maintenance                                     | 22,086    | 39,593    | 37,858    | 10,988    | 9,054     | 13,848  | 709                | 825      | 673       | 855       | 1,873  | 2,105   | 9       | 15      | 72,262     | 68,229     |
| Insurance   | 4,955     | 4,933     | 2,148     | 2,528     | 713       | 908     | 108                | 122      | 2,258     | 2,735     | 141    | 511     | -       | -       | 10,323     | 11,737     |
| Vehicle running and maintenance                             | 10,230    | 9,838     | -         | -         | -         | -       | 18                 | 213      | -         | -         | -      | -       | -       | -       | 10,248     | 10,051     |
| Travelling and conveyance                                   | 1,452     | 2,495     | 274       | 293       | -         | -       | 6                  | 25       | 1,414     | 1,651     | -      | -       | -       | -       | 3,146      | 4,464      |
| Printing and stationery                                     | 425       | 1,018     | 117       | 80        | 2         | 2       | 1                  | 2        | -         | -         | -      | -       | -       | -       | 545        | 1,102      |
| Rent, rates and taxes                                       | 823       | 2,420     | -         | -         | -         | -       | -                  | -        | 223       | 198       | 4,371  | 5,447   | -       | -       | 5,417      | 8,065      |
| Land preparation and irrigation expense                     | -         | -         | -         | -         | -         | -       | -                  | -        | -         | -         | 17,836 | 12,636  | -       | -       | 17,836     | 12,636     |
| Sugarcane research and development - note 28.2              | 2,020     | 3,552     | -         | -         | -         | -       | -                  | -        | -         | -         | -      | -       | -       | -       | 2,020      | 3,552      |
| Staff training and development                              | 13        | 25        | -         | -         | -         | -       | -                  | -        | -         | -         | -      | -       | -       | -       | 13         | 25         |
| Depreciation on property, plant and equipment - note 15.1.5 | 181,427   | 192,854   | 67,277    | 60,883    | 26,658    | 28,670  | 2,043              | 2,200    | 20,020    | 21,990    | 1,547  | 2,117   | -       | -       | 296,972    | 308,714    |
| Amortization on intangibles                                 | 60        | 60        | -         | -         | 30        | 30      | -                  | -        | -         | -         | -      | -       | -       | -       | 90         | 90         |
| Other expenses  | 37,766    | 34,540    | 7,609     | 11,060    | 1,094     | 702     | 1,982              | 2,219    | 2,227     | 2,755     | 819    | 419     | 74      | 501     | 51,571     | 52,196     |
|   | 6,791,219 | 7,352,853 | 4,254,971 | 3,142,017 | 130,302   | 230,803 | 75,237             | 75,865   | 1,444,201 | 1,804,633 | 54,011 | 53,096  | 24,827  | 28,178  | 11,246,171 | 11,473,097 |
| Opening work-in-process                                     | 1,654     | 1,711     | -         | -         | -         | -       | 768                | 1,556    | 9,349     | 7,973     | -      | -       | -       | -       | 11,771     | 11,240     |
| Less: Closing work-in-process                               | (2,401)   | (1,654)   | -         | -         | -         | -       | (6,334)            | (768)    | (10,047)  | (9,349)   | -      | -       | -       | -       | (18,782)   | (11,771)   |
|   | (747)     | 57        | -         | -         | -         | -       | (5,566)            | 788      | (698)     | (1,376)   | -      | -       | -       | -       | (7,011)    | (531)      |
| Cost of goods produced                                      | 6,790,472 | 7,352,910 | 4,254,971 | 3,142,017 | 130,302   | 230,803 | 69,671             | 76,653   | 1,443,503 | 1,803,257 | 54,011 | 53,096  | 24,827  | 28,178  | 11,239,160 | 11,472,566 |
| Opening stock of finished goods                             | 396,694   | 928,080   | 58,610    | 579,564   | -         | -       | 11,862             | 9,020    | 26,240    | 13,289    | 1,551  | 942     | 3,049   | 494,348 | 1,534,553  |            |
| Less: Closing stock of finished goods                       | (84,972)  | (396,694) | (212,926) | (58,610)  | -         | -       | (14,690)           | (11,862) | (14,293)  | (26,240)  | -      | -       | (4,394) | (942)   | (331,275)  | (494,348)  |
|   | 311,722   | 531,386   | (154,316) | 520,954   | -         | -       | (2,828)            | (2,842)  | 11,947    | (12,951)  | 1,551  | (3,452) | 2,107   | 163,073 | 1,040,205  |            |
|   | 7,102,194 | 7,884,296 | 4,100,655 | 3,662,971 | 130,302   | 230,803 | 66,843             | 73,811   | 1,455,450 | 1,790,306 | 54,011 | 54,647  | 21,375  | 30,285  | 11,402,233 | 12,512,771 |

28.1 Inter-segment purchases have been eliminated from total figures.



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014



- 28.2** Salaries, wages and other benefits and sugarcane research and development include following in respect of retirement benefits:

|                | Note | 2014<br>(Rupees in thousand) | 2013   |
|----------------|------|------------------------------|--------|
| Pension fund   |      | 3,850                        | 5,125  |
| Gratuity fund  |      | 2,253                        | 1,717  |
| Provident fund |      | 7,145                        | 6,492  |
|                |      | 13,248                       | 13,334 |

### 29. ADMINISTRATIVE EXPENSES

|  |        |         |         |
|--|--------|---------|---------|
| Salaries, wages and other benefits                     | 29.1   | 208,745 | 175,685 |
| Repairs and maintenance                                |        | 6,906   | 11,889  |
| Insurance  |        | 3,379   | 4,132   |
| Vehicle running and maintenance                        |        | 12,457  | 13,361  |
| Travelling and conveyance                              |        | 4,999   | 7,935   |
| Printing and stationery                                |        | 1,664   | 1,970   |
| Electricity and gas                                    |        | 2,844   | 2,075   |
| Telephone, postage and telegram                        |        | 5,303   | 5,243   |
| Legal and professional charges                         | 29.2   | 9,829   | 9,058   |
| Consultancy and advisory services                      |        | 4,515   | 4,537   |
| Rent, rates and taxes                                  |        | 3,674   | 3,362   |
| Staff training and development                         |        | 152     | 508     |
| Entertainment  |        | 4,442   | 5,482   |
| Subscriptions  |        | 11,427  | 9,613   |
| Advertisements   |        | 326     | 618     |
| Registered office expenses                             |        | 762     | 729     |
| Bad debts written off                                  |        | 83      | 266     |
| Provision for doubtful:                                |        |         |         |
| - Long term loans, advances, deposits and receivables  | 19.1   | -       | 265     |
| - Short term loans, advances, deposits and receivables | 25.3   | 3,694   | 873     |
| - Trade debtors  | 23     | 5,436   | -       |
| - Advances given for capital work in progress          | 15.2.3 | -       | 3,600   |
| Depreciation on property, plant and equipment          | 15.1.5 | 28,845  | 33,832  |
| Others   |        | 4,349   | 3,759   |
|  |        | 323,831 | 298,792 |

- 29.1** Salaries, wages and other benefits include following in respect of retirement benefits:

|                |        |       |
|----------------|--------|-------|
| Pension fund   | 9,171  | 4,564 |
| Gratuity fund  | 2,353  | 1,425 |
| Provident fund | 3,028  | 2,269 |
|                | 14,552 | 8,258 |

### 29.2 Professional services

The charges for professional services include the following in respect of auditors' services for:

|                          |       |       |
|--------------------------|-------|-------|
| - Statutory audit        | 1,350 | 1,350 |
| - Half yearly review     | 550   | 550   |
| - Certification charges  | 100   | 100   |
| - Out of pocket expenses | 275   | 300   |
|                          | 2,275 | 2,300 |



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014

|   | Note   | 2014<br>(Rupees in thousand) | 2013           |
|---|--------|------------------------------|----------------|
| <b>30. DISTRIBUTION AND SELLING COSTS</b>   |        |                              |                |
| Salaries, wages and other benefits  | 31.1   | 3,514                        | 4,512          |
| Freight and forwarding  |        | 293,552                      | 306,961        |
| Handling and distribution   |        | 2,881                        | 2,781          |
| Loading and unloading charges   |        | 9,936                        | 9,961          |
| Sales promotion expenses  |        | 863                          | 1,104          |
| Insurance   |        | 2,572                        | 4,811          |
| Others  |        | 23                           | 257            |
|   |        | <b>313,341</b>               | <b>330,387</b> |
| <b>30.1 Salaries, wages and other benefits include following in respect of retirement benefits:</b> |        |                              |                |
| Pension fund  |        | 125                          | 88             |
| Gratuity fund   |        | -                            | 24             |
| Provident fund  |        | 107                          | 118            |
|   |        | <b>232</b>                   | <b>230</b>     |
| <b>31. OTHER OPERATING EXPENSES</b>   |        |                              |                |
| Workers' Profit Participation Fund  |        | -                            | 17,335         |
| Social action programme expenses  | 31.1   | 7,118                        | 7,917          |
| Loss on sale of property, plant and equipment   | 15.1.1 | -                            | 34,903         |
| Net exchange loss   |        | 20,522                       | 43,875         |
| Donations   | 31.2   | 1,500                        | 2,312          |
| Waste water drainage  |        | 10,418                       | 7,772          |
| Fair value adjustment of agricultural assets  | 17.3   | 3,808                        | 3,243          |
| Others  |        | 3,990                        | 478            |
|   |        | <b>47,356</b>                | <b>117,835</b> |
| <b>31.1 Social action programme expenses include following in respect of retirement benefits:</b>   |        |                              |                |
| Pension fund  |        | 165                          | 37             |
| Gratuity fund   |        | 74                           | 10             |
| Provident fund  |        | 74                           | 59             |
|   |        | <b>313</b>                   | <b>106</b>     |

**31.2** None of the directors and their spouses had any interest in any of the donees.



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014



|   | Note   | 2014<br>(Rupees in thousand) | 2013           |
|---|--------|------------------------------|----------------|
| <b>32. OTHER INCOME</b>                                     |        |                              |                |
| <b><u>Income from financial assets</u></b>                  |        |                              |                |
| Dividend income from related parties                        |        | 25,061                       | 13,809         |
| Gain on marked to market valuation of interest rate swap    |        | -                            | 13,457         |
| Profit on sale of 'Available for Sale' investments          |        | 226,934                      | -              |
| Gain on transfer of equity investment to available for sale | 18.2.7 | -                            | 109,094        |
| Return on bank deposits                                     |        | 515                          | 547            |
|   |        | <b>252,510</b>               | <b>136,907</b> |
| <b><u>Income from non-financial assets</u></b>              |        |                              |                |
| Scrap sales   |        | 24,902                       | 34,043         |
| Profit on sale of:  |        |                              |                |
| - Property, plant and equipment                             |        | 20,781                       | 11,866         |
| - Store items   |        | -                            | 1,371          |
| Liabilities written back                                    |        | 14,192                       | 73,587         |
| Rental income   |        | 5,561                        | 9,262          |
| Export rebate   |        | -                            | 39,137         |
| Others  |        | 33,600                       | 15,212         |
|   |        | <b>99,036</b>                | <b>184,478</b> |
|   |        | <b>351,546</b>               | <b>321,385</b> |
| <b>33. FINANCE COST</b>                                     |        |                              |                |
| Interest and mark-up on:                                    |        |                              |                |
| - Long term finances  | 33.1   | 95,510                       | 199,535        |
| - Short term borrowings                                     | 33.1   | 185,894                      | 192,632        |
| - Workers' profit participation fund                        |        | 2,161                        | 1,841          |
| - Due to gratuity and pension funds - related party         |        | 33,483                       | 27,922         |
| - Due to provident fund - related party                     |        | -                            | 889            |
| - Finance lease   |        | 1,763                        | 3,253          |
| Bank charges, commission and excise duty                    |        | 7,909                        | 8,780          |
| Others  |        | 1,608                        | 3,278          |
|   |        | <b>328,328</b>               | <b>438,130</b> |

**33.1** This includes penalties aggregating to Rs. 1.31 million (2013: Rs.1.71 million) levied by financial institutions due to delayed payments.



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014

### 34. TAXATION

For the year

- Current

- Deferred

Prior year

- Current

Associates

2014  
(Rupees in thousand)

2013

|  | 2014<br>(Rupees in thousand) | 2013     |
|--|------------------------------|----------|
|  | 16,794                       | 110,647  |
|  | -                            | -        |
|  | 16,794                       | 110,647  |
|  | -                            | (81,122) |
|  | 16,794                       | 29,525   |
|  | 37,430                       | 32,825   |
|  | 54,224                       | 62,350   |

**34.1** The Company takes into account the current income tax law and the decisions taken by appellate authorities. Instance where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its views on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

**34.2** In view of gross loss during the year, the provision for current taxation represents tax on income under 'Final Tax Regime' and is not available for set off against normal tax liabilities.

For the purposes of current taxation, the tax losses available for carry forward as at 30 September 2014 are estimated approximately at Rs. 7,029.53 million (2013: Rs. 8,447.96 million).

### 34.3 Tax charge reconciliation

Numerical reconciliation between the average effective tax rate and the applicable tax rate

Applicable tax rate

Tax effect for income under presumptive tax regime

Effect of tax credit

Tax effect of amounts that are not deductible for tax purposes

Impact of tax related to associates

Impact of exempt income

Average effective tax rate charged to profit and loss account

2014  
%

2013  
%

|  | 2014<br>% | 2013<br>% |
|--|-----------|-----------|
|  | 34.00     | 34.00     |
|  | 12.58     | (68.86)   |
|  | (5.19)    | (9.09)    |
|  | (18.18)   | 73.43     |
|  | (0.73)    | (10.54)   |
|  | (13.20)   | -         |
|  | (24.72)   | (15.06)   |
|  | 9.28      | 18.94     |



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014



### 35. (LOSS)/EARNINGS PER SHARE

#### 35.1 Basic (loss)/earnings per share

|   |               | 2014          | 2013        |
|---|---------------|---------------|-------------|
| (Loss)/profit for the year  | <i>Rupees</i> | (638,809,000) | 267,012,000 |
| Weighted average number of ordinary shares in issue during the year | <i>Number</i> | 69,523,798    | 69,523,798  |
| (Loss)/earnings per share - basic                                   | <i>Rupees</i> | (9.19)        | 3.84        |

#### 35.2 Diluted (loss)/earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has a commitment to convert 1,000 preference shares into 167 ordinary shares of Rs. 10 each. For the purposes of computing the diluted EPS the convertible preference shares are assumed to have been converted into ordinary shares, and the loss/profit is adjusted to eliminate the preference dividend.

|   |               | 2014          | 2013        |
|---|---------------|---------------|-------------|
| (Loss)/profit for the year  |               | (638,809,000) | 267,012,000 |
| (Loss)/profit used to determine diluted earnings per share                | <i>Rupees</i> | (638,809,000) | 267,012,000 |
| Weighted average number of ordinary shares in issue during the year       | <i>Number</i> | 69,523,798    | 69,523,798  |
| Assumed conversion of convertible preference shares into ordinary shares  | <i>Number</i> | 5,774,108     | 5,774,108   |
| Weighted average number of ordinary shares for diluted earnings per share | <i>Number</i> | 75,297,906    | 75,297,906  |
| (Loss)/profit per share - diluted   | <i>Rupees</i> | (8.48)        | 3.55        |

The effect of conversion of preference shares into ordinary shares is anti-dilutive for the current year, accordingly the diluted EPS is restricted to the basic EPS.



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014

|  | 2014<br>(Rupees in thousand) | 2013<br>Restated |
|--|------------------------------|------------------|
| <b>36. CASH GENERATED FROM OPERATING ACTIVITIES</b>            |                              |                  |
| (Loss)/profit before taxation                                  | (584,585)                    | 320,770          |
| Adjustment for:  |                              |                  |
| Depreciation/amortization of:                                  |                              |                  |
| - property, plant and equipment                                | 327,817                      | 342,546          |
| - intangible assets  | 90                           | 90               |
| Liabilities written back                                       | (14,192)                     | (73,587)         |
| (Gain)/loss on sale of property, plant and equipment           | (20,781)                     | 23,037           |
| Interest from bank deposits                                    | (515)                        | (547)            |
| Provision for doubtful:  |                              |                  |
| - Long term loans, advances, deposits and receivables          | -                            | 265              |
| - Short term loans, advances, deposits and receivables         | 3,694                        | 873              |
| - Advances given for capital work in progress                  | -                            | 3,600            |
| - Trade debtors  | 5,436                        | -                |
| Provision for employees' retirement benefits                   | 17,991                       | 21,582           |
| Dividend income  | (25,061)                     | (13,809)         |
| Net income from livestock                                      | 321                          | (5,080)          |
| Gain on marked to market valuation of interest rate swap       | -                            | (13,457)         |
| Gain on transfer of equity investment to available for sale    | -                            | (109,094)        |
| Gain on sale of 'Available for sale' investments               | (226,934)                    | -                |
| Share of profit from associates                                | (122,618)                    | (198,667)        |
| Finance cost   | 328,328                      | 438,130          |
|  | 273,576                      | 415,882          |
| (Loss)/profit before working capital changes                   | (311,009)                    | 736,652          |
| Effect on cash flow due to working capital changes:            |                              |                  |
| Decrease in stores and spares                                  | 14,799                       | 14,776           |
| Decrease in stock in trade                                     | 42,063                       | 1,243,728        |
| Decrease in biological assets - net                            | 3,123                        | 4,795            |
| Decrease in trade debts  | 27,295                       | 171,519          |
| Increase in loans, advances, prepayments and other receivables | (61,798)                     | (54,476)         |
| Increase in trade and other payables                           | 832,653                      | 773,372          |
|  | 858,135                      | 2,153,714        |
| Cash generated from operating activities                       | 547,126                      | 2,890,366        |



## > NOTES TO THE FINANCIAL STATEMENTS



For the year ended 30 September 2014

### 37. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

37.1 The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the full time working directors and executives of the Company is as follows:

|   | Directors                    |                              | Executives                   |                              |
|---|------------------------------|------------------------------|------------------------------|------------------------------|
|   | 2014<br>(Rupees in thousand) | 2013<br>(Rupees in thousand) | 2014<br>(Rupees in thousand) | 2013<br>(Rupees in thousand) |
| Managerial remuneration                                       | 3,000                        | 3,000                        | 67,529                       | 58,530                       |
| Contribution to provident fund,<br>gratuity and pension funds | 210                          | 210                          | 13,268                       | 10,371                       |
| House rent  | 1,200                        | 1,200                        | 21,282                       | 16,156                       |
| Utilities   | 300                          | 300                          | 4,768                        | 5,955                        |
| Reimbursable expenses   | 2                            | 180                          | 322                          | 424                          |
| Others  | -                            | -                            | 7,063                        | 1,515                        |
|   | <u>4,712</u>                 | <u>4,890</u>                 | <u>114,232</u>               | <u>92,951</u>                |
| <b>Number of persons</b>                                      | 1                            | 1                            | 46                           | 46                           |

37.2 These financial statements do not include any charge in respect of remuneration or benefits to the Chief Executive.

37.3 The Company also provides some of its executives with company maintained cars, travel facilities and club membership.

37.4 Aggregate amount charged in the financial statements for the year for fee to 7 directors (2013: 7 directors) was Rs. 330,000 (2013: Rs. 290,000).

### 38. PROVIDENT FUND RELATED DISCLOSURE

The company operates a provident fund for its employees as explained in note 3.24.3

The following information is based on financial statements of the Fund;

|   | Un-audited<br>2014<br>(Rupees in thousand) | Audited<br>2013 |
|---|--|-----------------|
| Size of the fund                          | 163,736                                    | 148,783         |
| Cost of investment made                   | 79,445                                     | 101,426         |
| Fair value of investments                 | 18,433                                     | 44,826          |
| Percentage of investments made            | 11%  | 30%             |
| The breakup of investments is as follows: |  |                 |
| <b>Available for sale</b>                 |  |                 |
| Ordinary shares - listed companies        | 15,736                                     | 9,856           |
| Preference shares - listed companies      | 2,101                                      | 2,954           |
| Mutual funds                              | 596  | 32,016          |
|   | <u>18,433</u>                              | <u>44,826</u>   |

The fund has made investment in both the ordinary shares and preference shares of the Company which is not in line with the requirements of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014

### 39. NUMBER OF EMPLOYEES

The Company has employed following number of persons:

|                               | 2014<br>(Number of persons) | 2013  |
|-------------------------------|-----------------------------|-------|
| - As at 30 September          | 2,014                       | 2,118 |
| - Average number of employees | 2,066                       | 2,169 |

### 40. RELATED PARTY DISCLOSURES

The related parties comprise associated undertakings, post employment benefit plans, other related companies, and key management personnel. The company in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under receivables and payables, contingencies and commitments are disclosed in note 14 and remuneration of the key management personnel is disclosed in note 37. Other significant transactions with related parties are as follows:

| Relationship with the company            | Nature of transactions                                 | 2014<br>(Rupees in thousand) | 2013      |
|--|--|------------------------------|-----------|
| i. Associated Undertakings               |  |                              |           |
| Crescent Steel & Allied Products Limited | Purchase of goods                                      | 3,572                        | 38,584    |
|  | Sale of goods  | 1,770                        | 150       |
|  | Rendering services                                     | -                            | 38        |
|  | Sale of land (Crescent Hadeed (Pvt) Ltd)               | 36,250                       | 70,000    |
|  | Use of material and services                           | -                            | -         |
|  | Salary expense and other common expenses               | 6,906                        | 2,816     |
|  | Dividend income  | 7,072                        | 8,160     |
| Shakarganj Food Products Limited         | Sale of goods  | 8,890                        | 16,181    |
|  | Salary expense and other common expenses               | 1,832                        | 2,058     |
| Premier Insurance Limited                | Insurance expenses                                     | 4,736                        | 5,437     |
| Asian Stocks Fund Limited                | Dividend Income  | -                            | 13,809    |
| Safeway Mutual Funds Limited             | Dividend Income  | -                            | 24,040    |
| ii. Post employment benefit plans        | Expense charged in respect of retirement benefit plans | 28,345                       | 21,928    |
|  | Transactions with pension and gratuity fund account    |                              |           |
|  | - Funds received                                       | 1,694,361                    | 3,360,441 |
|  | - Funds paid   | 1,694,361                    | 3,360,441 |
|  | - Markup expense                                       | 33,483                       | 27,922    |

40.1 All transactions with related parties have been carried out on bilaterally agreed terms.



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014



2014

2013

### 41. CAPACITY AND PRODUCTION

#### Sugar

Rated crushing capacity -

On the basis of 140 days (2013: 135 days)

MT

2,126,000

2,088,000

Actual cane crushed

MT

1,259,272

1,409,811

The low crushing was due to shortage of sugarcane and liquidity crunch.

#### Ethanol

On the basis of 303 days (2013: 306 days) working

Litres

82,600,000

93,897,270

Actual production

Litres

76,377,765

63,372,339

The actual production is 92% of the capacity. The low production was due to non-availability of quality raw material.

#### Building Materials

On the basis of 184 days (2013: 206 days) working

Cubic meter

5,888

6,592

Actual production

Cubic meter

5,650

6,894

The actual production is more than 100% of the production capacity.

#### Textile

Capacity (converted in 20s counts)

Kg

7,543,731

7,207,893

Actual production (converted in 20s counts)

Kg

7,531,592

6,879,867

The actual production is 100% of the capacity which is within normal working standards.

#### Power

On the basis of 240 days (2013: 253 days)

KWh

23,040,000

27,081,120

Actual generation

KWh

12,857,000

22,864,600

The actual production is 56% of the capacity. The low production was due to shortage of raw material.



# > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014

## 42. BUSINESS SEGMENTS INFORMATION

(Rupees in thousand)

|   |      |           |           |           |           |           |          |                    |        |           |           |         |         |        |        |             | Notes in millions |            |            |
|---|------|-----------|-----------|-----------|-----------|-----------|----------|--------------------|--------|-----------|-----------|---------|---------|--------|--------|-------------|-------------------|------------|------------|
|   | Note | Sugar     |           | Bio Fuel  |           | Bio Power |          | Building Materials |        | Textile   |           | Farms   |         | Others |        | Elimination |                   | Total      |            |
|   |      | 2014      | 2013      | 2014      | 2013      | 2014      | 2013     | 2014               | 2013   | 2014      | 2013      | 2014    | 2013    | 2014   | 2013   | 2014        | 2013              | 2014       | 2013       |
| Revenue   |      |           |           |           |           |           |          |                    |        |           |           |         |         |        |        |             |                   |            |            |
| - External  | 27   | 1,246,744 | 6,791,399 | 4,537,136 | 4,525,284 | -         | 155,532  | 63,952             | 74,016 | 1,432,790 | 1,868,540 | 39,988  | 45,466  | 35,730 | 46,988 | -           | -                 | 11,356,340 | 13,507,225 |
| - Intersegment  | 27   | 1,160,538 | 1,011,392 | 195,595   | 121,548   | 159,018   | 65,435   | -                  | 915    | -         | -         | 13,446  | 15,058  | -      | -      | (1,528,597) | (1,214,348)       | -          | -          |
|   |      | 6,407,282 | 7,802,791 | 4,732,731 | 4,646,832 | 159,018   | 220,967  | 63,952             | 74,931 | 1,432,790 | 1,868,540 | 53,434  | 60,524  | 35,730 | 46,988 | (1,528,597) | (1,214,348)       | 11,356,340 | 13,507,225 |
| Segment expenses  |      |           |           |           |           |           |          |                    |        |           |           |         |         |        |        |             |                   |            |            |
| Cost of sales   |      |           |           |           |           |           |          |                    |        |           |           |         |         |        |        |             |                   |            |            |
| - Intersegment  | 28   | 148,308   | 10,274    | 1,137,960 | 972,317   | 73,046    | 121,548  | 37,904             | 35,507 | 127,329   | 61,994    | 2,244   | 8,308   | 808    | 400    | (1,528,597) | (1,214,348)       | -          | -          |
| - External  | 28   | 6,912,686 | 7,874,022 | 2,962,695 | 2,690,654 | 57,256    | 109,255  | 28,939             | 34,304 | 1,328,121 | 1,728,312 | 51,767  | 46,339  | 25,509 | 29,885 | -           | -                 | 11,402,233 | 12,512,771 |
|   |      | 7,061,194 | 7,884,296 | 4,100,655 | 3,662,971 | 130,302   | 230,803  | 66,843             | 73,811 | 1,455,450 | 1,790,306 | 54,011  | 54,647  | 21,375 | 30,285 | (1,528,597) | (1,214,348)       | 11,402,233 | 12,512,771 |
| Gross (loss)/profit   |      | (694,912) | (81,505)  | 632,076   | 983,861   | 28,716    | (9,896)  | (2,891)            | 1,120  | (22,660)  | 78,234    | (577)   | 5,877   | 14,355 | 16,703 | -           | -                 | (45,893)   | 994,454    |
| Administrative expenses   | 29   | 142,675   | 160,940   | 120,158   | 95,858    | 4,038     | 4,559    | 1,624              | 1,546  | 31,220    | 32,380    | 3,207   | 2,539   | 908    | 970    | -           | -                 | 325,831    | 298,792    |
| - Distribution and selling costs  | 30   | 17,203    | 54,247    | 294,478   | 273,959   | -         | -        | 40                 | 60     | 1,620     | 2,121     | -       | -       | -      | -      | -           | -                 | 313,341    | 330,387    |
|   |      | 179,878   | 215,187   | 414,637   | 369,817   | 4,038     | 4,559    | 1,664              | 1,606  | 32,840    | 34,501    | 3,207   | 2,539   | 908    | 970    | -           | -                 | 637,172    | 629,179    |
| Segment results   |      | (874,790) | (296,692) | 217,439   | 614,044   | 24,678    | (14,395) | (4,553)            | (486)  | (55,500)  | 43,733    | (3,784) | 3,338   | 13,447 | 15,733 | -           | -                 | (683,065)  | 365,275    |
| Other operating expenses  |      |           |           |           |           |           |          |                    |        |           |           |         |         |        |        |             |                   | (47,356)   | (117,835)  |
| Operating (loss)/profit   |      |           |           |           |           |           |          |                    |        |           |           |         |         |        |        |             |                   | (730,421)  | 247,440    |
| Finance costs   |      |           |           |           |           |           |          |                    |        |           |           |         |         |        |        |             |                   | (328,328)  | (438,130)  |
| Other income  |      |           |           |           |           |           |          |                    |        |           |           |         |         |        |        |             |                   | 351,546    | 321,385    |
| Taxation  |      |           |           |           |           |           |          |                    |        |           |           |         |         |        |        |             |                   | (16,794)   | (29,525)   |
| Share of income from associates-net of tax  |      |           |           |           |           |           |          |                    |        |           |           |         |         |        |        |             |                   | 85,188     | 165,842    |
| (Loss)/profit for the year  |      |           |           |           |           |           |          |                    |        |           |           |         |         |        |        |             |                   | (638,809)  | 267,012    |
| 42.1 Inter-segment sales and purchases  |      |           |           |           |           |           |          |                    |        |           |           |         |         |        |        |             |                   |            |            |
| Inter-segment sales and purchases have been eliminated from total figures.              |      |           |           |           |           |           |          |                    |        |           |           |         |         |        |        |             |                   |            |            |
| 42.2 Basis of inter-segment pricing   |      |           |           |           |           |           |          |                    |        |           |           |         |         |        |        |             |                   |            |            |
| All inter-segment transfers are made at cost.   |      |           |           |           |           |           |          |                    |        |           |           |         |         |        |        |             |                   |            |            |
| 42.3 Segment assets   |      | 5,590,260 | 3,214,691 | 2,225,761 | 946,962   | 451,857   | 432,164  | 80,136             | 40,635 | 430,900   | 325,341   | 720,427 | 747,346 | 6,367  | 942    | -           | -                 | 9,505,690  | 5,706,081  |
| Unallocated assets  |      |           |           |           |           |           |          |                    |        |           |           |         |         |        |        |             |                   | 2,905,736  | 3,109,222  |
|   |      |           |           |           |           |           |          |                    |        |           |           |         |         |        |        |             |                   | 12,411,426 | 8,815,303  |
| All non-current assets of the Company as at the reporting date are located in Pakistan. |      |           |           |           |           |           |          |                    |        |           |           |         |         |        |        |             |                   |            |            |
| 42.4 Segment liabilities  |      | 4,466,701 | 4,824,046 | 1,586,602 | 1,266,031 | 6,141     | 18,124   | 2,139              | 2,489  | 114,782   | 178,232   | 16,854  | 14,917  | -      | -      | -           | -                 | 6,193,219  | 6,303,830  |
| Unallocated liabilities   |      |           |           |           |           |           |          |                    |        |           |           |         |         |        |        |             |                   | 1,575,194  | 344,137    |
|   |      |           |           |           |           |           |          |                    |        |           |           |         |         |        |        |             |                   | 7,768,413  | 6,647,967  |
| 42.5 Capital expenditure  |      | 294,296   | 81,261    | 2,665     | 117,659   | 2,906     | -        | -                  | -      | 77        | 68,066    | 4,202   | -       | -      | -      | -           | -                 | 304,146    | 266,986    |
| Unallocated   |      |           |           |           |           |           |          |                    |        |           |           |         |         |        |        |             |                   | 11,065     | 45,706     |
|   |      |           |           |           |           |           |          |                    |        |           |           |         |         |        |        |             |                   | 315,211    | 312,692    |
| 42.6 Depreciation on property, plant and equipment                                      |      | 181,427   | 192,854   | 67,277    | 60,883    | 26,658    | 28,670   | 2,043              | 2,200  | 20,020    | 21,990    | 1,547   | 2,117   | -      | -      | -           | -                 | 298,972    | 308,714    |
| Unallocated   |      |           |           |           |           |           |          |                    |        |           |           |         |         |        |        |             |                   | 28,845     | 33,832     |
|   |      |           |           |           |           |           |          |                    |        |           |           |         |         |        |        |             |                   | 327,817    | 342,546    |
| 42.7 Amortization on intangible assets  |      | 60        | 60        | -         | -         | 30        | 32       | -                  | -      | -         | -         | -       | -       | -      | -      | -           | -                 | 90         | 92         |
|   |      |           |           |           |           |           |          |                    |        |           |           |         |         |        |        |             |                   | 90         | 92         |
| 42.8 Secondary reporting format   |      |           |           |           |           |           |          |                    |        |           |           |         |         |        |        |             |                   |            |            |
| Segment revenue from external customers by geographical areas is as follows:            |      |           |           |           |           |           |          |                    |        |           |           |         |         |        |        |             |                   |            |            |
| Export sales - Europe   |      | -         | -         | 158,634   | 1,703,159 | -         | -        | -                  | -      | -         | -         | -       | -       | -      | -      | -           | -                 | 158,634    | 1,703,159  |
| Export sales - Africa   |      | -         | 115,877   | 81,580    | -         | -         | -        | -                  | -      | -         | -         | -       | -       | -      | -      | -           | -                 | 81,580     | 115,877    |
| Export sales - Asia   |      | 163,071   | 756,820   | 4,059,204 | 2,586,430 | -         | -        | -                  | -      | -         | -         | -       | -       | -      | -      | -           | -                 | 4,222,275  | 3,343,258  |
| Local sales   |      | 5,083,673 | 5,918,694 | 237,718   | 233,695   | -         | 155,532  | 63,952             | 74,016 | 1,432,790 | 1,868,540 | 39,988  | 45,466  | 35,730 | 46,988 | -           | -                 | 6,893,851  | 8,344,931  |
|   |      | 5,246,744 | 6,791,399 | 4,537,136 | 4,525,284 | -         | 155,532  | 63,952             | 74,016 | 1,432,790 | 1,868,540 | 39,988  | 45,466  | 35,730 | 46,988 | -           | -                 | 11,356,340 | 13,507,225 |

42.9 Segment assets and liabilities figures for 2013 have been restated in respect of employee retirement benefits as referred to in note 3.24.2



## > NOTES TO THE FINANCIAL STATEMENTS



For the year ended 30 September 2014

### 43. FINANCIAL RISK MANAGEMENT

#### 43.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. The company uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the finance and risk management departments under policies approved by the board of directors. These departments evaluate and hedge financial risks in close co-operation with the company's operating units. The board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

#### (a) Market risk

##### (i) Currency risk

Currency risk is the risk that value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises mainly where receivables and payables exist due to transactions with foreign buyers and suppliers. The company, where considered necessary, uses money market borrowing contracts against receivables exposed to foreign currency risks.

The Company is exposed to currency risk arising only with respect to the United States Dollar (USD). The Company has a minimal bank balance in Euro and thus is not exposed to currency risk in respect of Euros. Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivable from / payable to the foreign entities and cash at banks. The Company's exposure to currency risk is as follows:

|                                     | Note | 2014<br>(USD) | 2013      |
|-------------------------------------|------|---------------|-----------|
| <b><u>Financial assets</u></b>      |      |               |           |
| Trade debts                         | 23.2 | 6,107         | 5,616     |
| Cash and bank balances              | 26.2 | -             | 5,353     |
| <b><u>Financial liabilities</u></b> |      |               |           |
| Export refinance                    | 11.2 | 6,726,900     | 2,851,718 |
| Trade and other payables            | 12   | 45,075        | -         |

The following significant exchange rates were applied during the year:

#### Rupees per USD

|                     |        |        |
|---------------------|--------|--------|
| Average rate        | 102.03 | 98.83  |
| Reporting date rate | 102.70 | 105.50 |

At 30 September 2014, if the Rupee had weakened/strengthened by 10% against the US dollar with all other variables held constant, post-tax loss for the year would have been higher / lower as under, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated short term borrowings, trade receivables and cash and bank balances.



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014

### Foreign currency sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Company's loss before tax and equity. The Company's exposure to foreign currency changes for all other currencies is not material.

|             | Change in<br>Exchange<br>rate<br>% | Effect on<br>loss<br>before tax<br>(Rupees in thousand) | Effect on<br>equity |
|-------------|------------------------------------|---|---------------------|
| <b>2014</b> | 10%                                | (69,485)  | (69,485)            |
|             | -10%                               | 69,485  | 69,485              |
| 2013        | 10%                                | (29,970)  | (29,970)            |
|             | -10%                               | 29,970  | 29,970              |

### (ii) Price risk

The company is exposed to equity securities price risk because of investments held by the company and classified as available for sale. The company is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the company.

The company's investments in equity of other entities that are publicly traded are listed on the following three stock exchanges, Karachi Stock Exchange, Lahore Stock Exchange and Islamabad Stock Exchange.

The summary below explains the impact of increase of the KSE-100 index on equity. The analysis is based on the assumption that the KSE-100 index had increased/decreased by 10% with all other variables held constant and all the company's equity instruments moved according to the historical correlation with the KSE-100 index:

|                        | Impact on other<br>components of equity<br>2014      2013<br>(Rupees in thousand) |        |
|------------------------|---|--------|
| Karachi Stock Exchange | 29,572  | 24,944 |

Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as available for sale.

### (iii) Fair value of financial instruments

The carrying value of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial instruments carried at fair value are categorized as follows:

- Level 1: Quoted market prices
- Level 2: Valuation techniques (market observable)
- Level 3: Valuation techniques (non-mark et observable)



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014



### Financial assets

Short term investments-Available for sale  
Long term investments-Equity method  
Biological assets

| 2014    |         |         |         |
|---------|---------|---------|---------|
| Level 1 | Level 2 | Level 3 | Total   |
| 295,721 | -       | -       | 295,721 |
| -       | -       | 603,687 | 603,687 |
| -       | -       | 43,131  | 43,131  |
| 295,721 | -       | 646,818 | 942,539 |

### Financial assets

Short term investments-Available for sale  
Long term investments-Equity method  
Biological assets

| 2013    |         |         |           |
|---------|---------|---------|-----------|
| Level 1 | Level 2 | Level 3 | Total     |
| 248,607 | -       | -       | 248,607   |
| 553,089 | -       | 528,633 | 1,081,722 |
| -       | -       | 46,575  | 46,575    |
| 801,696 | -       | 575,208 | 1,376,904 |

### (iv) **Cash flow and fair value interest rate risk**

As the company has no significant interest-bearing assets, the company's income is substantially independent of changes in market interest rates.

The company's interest rate risk arises from both long-term and short term borrowings. Borrowings issued at variable rates expose the company to cash flow interest rate risk. During 2014 and 2013, the company's borrowings at variable rates were denominated in Rupees.

The company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the company calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

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 rates at the reporting date would not affect the carrying value of any of company's assets or liabilities.

At 30 September 2014, if interest rates on both short term and long borrowings had been 1% higher/lower with all other variables held constant, post-tax loss for the year would have been Rs. 2.10 million (2013: Rs. 2.85 million) higher/lower, mainly as a result of higher/lower interest expense on KIBOR based borrowings.



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014

### (b) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and other customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a strong credit rating are accepted. If customers are independently rated, these ratings are used. If there is no independent rating, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored and major sales to customers are settled in cash.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the balance sheet date was:

|                                       | 2014<br>(Rupees in thousand) | 2013           |
|---------------------------------------|------------------------------|----------------|
| Long term loan and deposits           | 37,359                       | 38,323         |
| Trade debts                           | 38,888                       | 71,619         |
| Loans, advances and other receivables | 299,370                      | 257,444        |
| Cash and bank balances                | 91,647                       | 99,708         |
|                                       | <b>467,264</b>               | <b>467,094</b> |

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Company believes that it is not exposed to major concentration of credit risk as its exposure is spread over a large number of counter parties. The company does not hold any collateral or any other credit enhancement instruments in relation to trade receivables. The aging of trade receivables is as follows:

|                    | 2014<br>(Rupees in thousand) | 2013          |
|--------------------|------------------------------|---------------|
| Upto 30 days       | 15,171                       | 7,349         |
| 30 to 60 days      | 14,874                       | 27,680        |
| 60 to 180 days     | 1,210                        | 23,639        |
| 180 to 365 days    | 5,560                        | 4,902         |
| More than 365 days | 2,073                        | 8,049         |
|                    | <b>38,888</b>                | <b>71,619</b> |

The management estimates the recoverability of trade receivables on the basis of financial position and past history of its customers based on the objective evidence that it will not received the amount due from the particular customer. The provision is written off by the Company when it expects that it cannot recover the balance due. Any subsequent repayments in relation to amount written off, are credited to income statement.



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014



The credit quality of Company's bank balances can be assessed with reference to external credit ratings as follows:

|                              | Rating<br>Short term | Rating<br>Long term | Rating<br>Agency | 2014<br>(Rupees in thousand) | 2013          |
|------------------------------|----------------------|---------------------|------------------|------------------------------|---------------|
| Askari Bank Limited          | A1+                  | AA                  | PACRA            | 102                          | 1,272         |
| Al-Baraka Islamic Bank       | A1                   | A                   | PACRA            | -                            | 1             |
| Allied Bank Limited          | A1+                  | AA+                 | PACRA            | 9,564                        | 15,973        |
| Bank Alfalah Limited         | A1+                  | AA                  | PACRA            | 1,140                        | 22,124        |
| Bank Islami Pakistan Limited | A1                   | A                   | PACRA            | -                            | 3             |
| The Bank of Punjab           | A1+                  | AA -                | PACRA            | 2,255                        | 769           |
| Barclays Bank PLC            | A1                   | A+                  | S&P              | -                            | -             |
| Samba Bank Limited           | A-1                  | AA-                 | JCR-VIS          | -                            | -             |
| Faysal Bank Limited          | A1+                  | AA                  | PACRA            | -                            | 1,210         |
| Habib Bank Limited           | A-1+                 | AAA                 | JCR-VIS          | 3,738                        | 29,660        |
| KASB Bank Limited            | C                    | B                   | PACRA            | 72                           | 69            |
| MCB Bank Limited             | A1+                  | AAA                 | PACRA            | 1,913                        | 8,046         |
| Meezan Bank Limited          | A-1+                 | AA                  | JCR-VIS          | -                            | -             |
| NIB Bank Limited             | A1+                  | AA-                 | PACRA            | -                            | 1,160         |
| National Bank of Pakistan    | A-1+                 | AAA                 | JCR-VIS          | 78                           | 2,828         |
| Silkbank Limited             | A-2                  | A -                 | JCR-VIS          | -                            | 278           |
| Standard Chartered           | A1+                  | AAA                 | PACRA            | 72,647                       | 1,078         |
| United Bank Limited          | A-1+                 | AA+                 | JCR-VIS          | 3                            | 15,231        |
| Sindh Bank Limited           | A-1                  | AA -                | JCR-VIS          | -                            | 6             |
| Dubai Islamic Bank           | A-1                  | A+                  | JCR-VIS          | 135                          | -             |
|                              |                      |                     |                  | <b>91,647</b>                | <b>99,708</b> |

Due to the Company's long standing business relationships with theses counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly, the credit risk is minimal.

### (c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the company's businesses, the finance department maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors the forecasts of the company's undrawn borrowing facilities (note 11) and cash and cash equivalents (note 26) on the basis of expected cash flow. In addition, the company's liquidity management policy involves projecting cash flows in each quarter and considering the level of liquid assets necessary to meet its liabilities; monitoring balance sheet liquidity ratios against internal and external regulatory requirements; and maintaining debt financing plans.



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014

The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

|                                     | (Rupees in thousand) |                       |                       |              |
|-------------------------------------|----------------------|-----------------------|-----------------------|--------------|
|                                     | Less than 1 year     | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
| <b>At 30 September 2014</b>         |                      |                       |                       |              |
| Fixed rate long term debt           | 345,756              | -                     | -                     | -            |
| Floating rate long term debt        | 1,008,034            | -                     | -                     | -            |
| Finance lease liabilities - Gross   | 10,804               | -                     | -                     | -            |
| Variable rate short term borrowings | 1,861,493            | -                     | -                     | -            |
| Trade and other payables            | 2,836,493            | -                     | -                     | -            |
| Accrued finance cost                | 606,721              | -                     | -                     | -            |
|                                     | <u>6,669,301</u>     | <u>-</u>              | <u>-</u>              | <u>-</u>     |

|                                     | (Rupees in thousand) |                       |                       |              |
|-------------------------------------|----------------------|-----------------------|-----------------------|--------------|
|                                     | Less than 1 year     | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
| <b>At 30 September 2013</b>         |                      |                       |                       |              |
| Fixed rate long term debt           | 345,756              | -                     | -                     | -            |
| Floating rate long term debt        | 1,763,982            | 26,003                | -                     | -            |
| Finance lease liabilities - Gross   | 9,812                | 10,961                | -                     | -            |
| Variable rate short term borrowings | 1,155,480            | -                     | -                     | -            |
| Trade and other payables            | 2,422,533            | -                     | -                     | -            |
| Accrued finance cost                | 916,193              | -                     | -                     | -            |
|                                     | <u>6,613,756</u>     | <u>36,964</u>         | <u>-</u>              | <u>-</u>     |

### 43.2 Fair value estimation

The carrying value of financial assets and liabilities reflected in the financial statements approximate their fair values.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the company are the current bid prices.

The financial instruments that are not traded in active market are carried at cost and are tested for impairment according to IAS 39.

The carrying value less impairment provision of trade receivables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014



### 43.3 Financial instruments by categories

|   |
|---|
| Long term deposits                                    |
| Trade debts   |
| Advances, deposits, prepayments and other receivables |
| Cash and Bank balances                                |

#### Loans and receivables

| 2014                 | 2013 |
|----------------------|------|
| (Rupees in thousand) |      |

|         |         |
|---------|---------|
| 37,359  | 38,323  |
| 38,888  | 71,619  |
| 299,370 | 257,444 |
| 91,647  | 99,708  |

#### Available for sale

| 2014                 | 2013 |
|----------------------|------|
| (Rupees in thousand) |      |

Investments - available for sale

|         |         |
|---------|---------|
| 295,721 | 801,696 |
|---------|---------|

#### Financial liabilities at amortized cost

| 2014                 | 2013 |
|----------------------|------|
| (Rupees in thousand) |      |

|   |
|---|
| Long term finances                                  |
| Liabilities against assets subject to finance lease |
| Short term borrowings - secured                     |
| Trade and other payables                            |
| Accrued finance cost                                |

|           |           |
|-----------|-----------|
| 1,354,663 | 2,135,741 |
| 9,931     | 18,020    |
| 1,861,493 | 1,155,480 |
| 2,836,493 | 2,422,533 |
| 606,721   | 916,193   |

### 43.4 Capital risk management

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The board of directors monitors the return on capital employed, which the Company defines as operating income divided by total capital employed. The board of directors also monitors the level of dividends to ordinary shareholders.

The company's objectives when managing capital are:

- (i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- (ii) to provide an adequate return to shareholders.

The company monitors capital on the basis of the debt-to-equity ratio - calculated as a ratio of total debt to equity.



## > NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014

The gearing ratios are as follows:

|                       | 2014<br>(Rupees in thousand) | 2013      |
|-----------------------|------------------------------|-----------|
| Total debt            | 3,226,087                    | 3,309,241 |
| Total equity          | (654,867)                    | 25,422    |
| Total debt and equity | 2,571,220                    | 3,334,663 |
| Gearing ratio         | 125%                         | 99%       |

The company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

For working capital requirements and capital expenditure, the company primarily relies substantially on short term borrowings.

#### 44. DATE OF AUTHORIZATION OF ISSUE

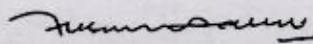
These financial statements were authorized for issue on 26 December 2014 by the board of directors of the company.

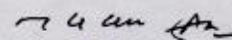
#### 45. EVENTS AFTER THE BALANCE SHEET DATE

There are no subsequent events occurring after balance sheet date.

#### 46. CORRESPONDING FIGURES

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purposes of comparison and better presentation as per reporting framework however, no significant re-arrangements have been made.

  
Chief Executive

  
Chairman



## > PATTERN OF SHAREHOLDING



The Companies Ordinance 1984  
(Section 236(1) and 464)

Form - 34

1. Incorporation Number **0002546**
2. Name of The Company **Shakarganj Mills Limited**
3. Pattern of Holding of the Shares held by the Shareholders as at : **30 September 2014**

| No. of<br>Shareholders | From    | Shareholding<br>To | Total shares<br>held |
|------------------------|---------|--------------------|----------------------|
| 393                    | 1       | 100                | 12,600               |
| 288                    | 101     | 500                | 90,999               |
| 213                    | 501     | 1,000              | 166,722              |
| 394                    | 1,001   | 5,000              | 957,106              |
| 92                     | 5,001   | 10,000             | 695,214              |
| 39                     | 10,001  | 15,000             | 477,563              |
| 23                     | 15,001  | 20,000             | 400,074              |
| 15                     | 20,001  | 25,000             | 350,168              |
| 8                      | 25,001  | 30,000             | 220,262              |
| 9                      | 30,001  | 35,000             | 298,043              |
| 6                      | 35,001  | 40,000             | 224,152              |
| 7                      | 40,001  | 45,000             | 296,985              |
| 9                      | 45,001  | 50,000             | 444,867              |
| 4                      | 50,001  | 55,000             | 209,518              |
| 8                      | 55,001  | 60,000             | 467,680              |
| 5                      | 60,001  | 65,000             | 316,231              |
| 4                      | 65,001  | 70,000             | 266,598              |
| 2                      | 70,001  | 75,000             | 142,791              |
| 2                      | 75,001  | 80,000             | 151,705              |
| 1                      | 80,001  | 85,000             | 83,262               |
| 1                      | 85,001  | 90,000             | 88,500               |
| 4                      | 90,001  | 95,000             | 367,668              |
| 3                      | 95,001  | 100,000            | 299,544              |
| 2                      | 100,001 | 105,000            | 201,745              |
| 1                      | 105,001 | 110,000            | 108,866              |
| 2                      | 110,001 | 115,000            | 225,724              |
| 1                      | 115,001 | 120,000            | 117,197              |
| 4                      | 120,001 | 125,000            | 495,052              |
| 6                      | 135,001 | 140,000            | 817,224              |
| 2                      | 140,001 | 145,000            | 284,947              |
| 2                      | 145,001 | 150,000            | 297,127              |
| 2                      | 150,001 | 155,000            | 307,090              |
| 2                      | 155,001 | 160,000            | 316,306              |
| 1                      | 170,001 | 175,000            | 174,850              |



| No. of<br>Shareholders | From       | Shareholding | To         | Total shares<br>held |
|------------------------|------------|--------------|------------|----------------------|
| 2                      | 175,001    |              | 180,000    | 354,961              |
| 2                      | 195,001    |              | 200,000    | 398,000              |
| 1                      | 200,001    |              | 205,000    | 201,400              |
| 2                      | 220,001    |              | 225,000    | 447,566              |
| 1                      | 275,001    |              | 280,000    | 278,502              |
| 1                      | 285,001    |              | 290,000    | 290,000              |
| 1                      | 320,001    |              | 325,000    | 325,000              |
| 1                      | 370,001    |              | 375,000    | 374,249              |
| 1                      | 410,001    |              | 415,000    | 412,563              |
| 1                      | 525,001    |              | 530,000    | 528,000              |
| 1                      | 535,001    |              | 540,000    | 539,696              |
| 1                      | 650,001    |              | 655,000    | 654,703              |
| 1                      | 655,001    |              | 660,000    | 657,754              |
| 1                      | 760,001    |              | 765,000    | 765,000              |
| 1                      | 850,001    |              | 855,000    | 851,000              |
| 1                      | 1,065,001  |              | 1,070,000  | 1,066,138            |
| 1                      | 1,120,001  |              | 1,125,000  | 1,123,442            |
| 1                      | 1,540,001  |              | 1,545,000  | 1,544,000            |
| 1                      | 2,250,001  |              | 2,255,000  | 2,255,000            |
| 1                      | 2,865,001  |              | 2,870,000  | 2,865,830            |
| 1                      | 3,065,001  |              | 3,070,000  | 3,070,000            |
| 1                      | 3,300,001  |              | 3,305,000  | 3,304,300            |
| 1                      | 4,225,001  |              | 4,230,000  | 4,227,104            |
| 1                      | 4,795,001  |              | 4,800,000  | 4,798,502            |
| 1                      | 5,425,001  |              | 5,430,000  | 5,427,488            |
| 1                      | 7,140,001  |              | 7,145,000  | 7,144,553            |
| 1                      | 15,240,001 |              | 15,245,000 | 15,244,665           |
| <b>1,585</b>           |            |              |            | <b>69,523,796</b>    |





| Categories of Shareholder   | Physical         | CDC               | Total             | %age          |
|---|------------------|-------------------|-------------------|---------------|
| <b>Directors, Chief Executive Officer, Their Spouses and Minor Children</b> |                  |                   |                   |               |
| <b>Chief Executive</b>  |                  |                   |                   |               |
| Mr. Ahsan M. Saleem   | -                | 528,000           | 528,000           | 0.76          |
| <b>Directors</b>  |                  |                   |                   |               |
| Mr. Ali Altaf Saleem  | -                | 290,000           | 290,000           | 0.42          |
| Mr. Khalid Bashir   | -                | 58,212            | 58,212            | 0.08          |
| Mr. Muhammad Anwar  | -                | 67,222            | 67,222            | 0.10          |
| Mr. Muhammad Arshad   | -                | 143,136           | 143,136           | 0.21          |
| Mr. Shehryar Mazhar   | 598              | -                 | 598               | 0.00          |
| <b>Director's Spouses and Their Minor Children</b>                          |                  |                   |                   |               |
| Mrs. Shahnaz A. Saleem  | -                | 146,300           | 146,300           | 0.21          |
|   | <b>598</b>       | <b>1,232,870</b>  | <b>1,233,468</b>  | <b>1.77</b>   |
| <b>Executive</b>  |                  | <b>6,176,000</b>  | <b>6,176,000</b>  | <b>8.88</b>   |
| <b>Associated Companies, Undertakings &amp; Related Parties</b>             |                  |                   |                   |               |
| Crescent Steel And Allied Products Limited                                  | -                | 15,244,665        | 15,244,665        | 21.93         |
| Crescent Sugar Mills & Distillery Limited                                   | -                | 2,865,830         | 2,865,830         | 4.12          |
| CS Capital (Pvt) Limited  | -                | 4,227,104         | 4,227,104         | 6.08          |
| The Crescent Textile Mills Limited  | -                | 5,427,488         | 5,427,488         | 7.81          |
| Trustees - SGML Gratuity Fund   | -                | 60,000            | 60,000            | 0.09          |
| Trustees - SGML Pension Fund  | -                | 157,000           | 157,000           | 0.23          |
| Trustees - SGML Provident Fund  | -                | 765,000           | 765,000           | 1.10          |
|   | -                | <b>28,747,087</b> | <b>28,747,087</b> | <b>41.35</b>  |
| <b>NIT &amp; ICP (Name Wise Detail)</b>                                     |                  |                   |                   |               |
| CDC - Trustee National Investment (Unit) Trust                              | -                | 7,144,553         | 7,144,553         | 10.28         |
| National Bank of Pakistan-Trustee Wing                                      | 71               | -                 | 71                | 0.00          |
|   | <b>71</b>        | <b>7,144,553</b>  | <b>7,144,624</b>  | <b>10.28</b>  |
| <b>Mutual Funds</b>   |                  |                   |                   |               |
| Golden Arrow Selected Stocks Fund Limited                                   | -                | 4,798,502         | 4,798,502         | 6.90          |
| CDC - Trustee AKD Opportunity Fund  | -                | 1,544,000         | 1,544,000         | 2.22          |
|   | -                | <b>6,342,502</b>  | <b>6,342,502</b>  | <b>9.12</b>   |
| <b>Banks, NBFCs, DFIs, Takaful, Pension Funds</b>                           |                  |                   |                   |               |
|   | <b>102,741</b>   | <b>1,049,970</b>  | <b>1,152,711</b>  | <b>1.66</b>   |
| <b>Modarabas</b>  |                  |                   |                   |               |
|   | <b>453</b>       | -                 | <b>453</b>        | <b>0.00</b>   |
| <b>Insurance Companies</b>  |                  |                   |                   |               |
|   | <b>8</b>         | -                 | <b>8</b>          | <b>0.00</b>   |
| <b>Other Companies, Corporate Bodies, Trust etc.</b>                        |                  |                   |                   |               |
|   | <b>544,354</b>   | <b>3,742,247</b>  | <b>4,286,601</b>  | <b>6.17</b>   |
| <b>General Public</b>   |                  |                   |                   |               |
|   | <b>853,088</b>   | <b>13,587,254</b> | <b>14,440,342</b> | <b>20.77</b>  |
|   | <b>1,501,313</b> | <b>61,679,981</b> | <b>69,523,796</b> | <b>100.00</b> |
| <b>Shareholders More Than 5.00%</b>   |                  |                   |                   |               |
| Crescent Steel and Allied Products Limited                                  |                  |                   | 15,244,665        | 21.93         |
| CDC - Trustee National Investment (Unit) Trust                              |                  |                   | 7,144,553         | 10.28         |
| The Crescent Textile Mills Limited  |                  |                   | 5,427,488         | 7.81          |
| Golden Arrow Selected Stocks Fund Limited                                   |                  |                   | 4,798,502         | 6.90          |
| CS Capital (Pvt) Limited  |                  |                   | 4,227,104         | 6.08          |



## > NOTICE OF 47TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the 47th Annual General Meeting of the shareholders of SHAKARGANJ MILLS LIMITED (the "Company") will be held on Thursday, 29 January 2015 at 11:00 a.m. at Qasr-e-Noor, 9-E-2, Main Boulevard Gulberg-III, Lahore, to transact the following business:

### Ordinary Business:

1. To receive, consider and adopt the Directors' and Auditors' Reports and Audited Financial Statements of the Company for the year ended 30 September 2014.
2. To appoint Company's auditors for the financial year ending 30 September 2015 and to fix their remuneration.

### Special Business:

3. To consider the change of name of the Company from Shakarganj Mills Limited to Shakarganj Limited and if thought fit, to pass the following resolution as special resolution, with or without any modification:

**RESOLVED** as and by way of special resolution that subject to the approval of the Securities and Exchange Commission of Pakistan / Registrar of Companies, the name of the Company be changed from **Shakarganj Mills Limited to Shakarganj Limited**.

**RESOLVED FURTHER THAT** that the name of the Company wherever appearing in the Memorandum and Articles of Association and all other documents of the Company be and is hereby altered to read as **Shakarganj Limited**.

**RESOLVED FURTHER THAT** the Company Secretary be and is hereby authorized to do or cause to be done all acts, deeds and things and necessary actions and fulfill all legal, corporate, secretarial and procedural formalities including filing of returns with the Registrar of Companies, SECP, intimation to stock exchange(s) and SECP under applicable provision and making of necessary entries in the statutory registers to that effect and for accomplishing the change of name of the Company and for alteration of the Company's Memorandum and Articles of Association.

**By Order of the Board**


**Asif Ali**  
**Company Secretary**

Lahore: 26 December 2014

### NOTES:

1. The Share Transfer Book of the Company will remain closed from 22 January 2015 to 29 January 2015 (both days inclusive) to determine the names of members entitled to attend the meeting and vote. Transfers received in order at the Share Registrar Office of the Company, M/s.CorpTec Associates (Private) Limited, 503-E, Johar Town, Lahore by the close of business on 21 January 2015 will be treated in time for attending the meeting.
2. A member entitled to attend and vote at this meeting may appoint any other member as his/her proxy to attend, speak and vote for him/her behalf. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarized attested copy of the power of attorney must be deposited at the Registered Office of the Company at least 48 hours before the time of holding the meeting, and must be signed, stamped and witnessed.



- 
3. Members are requested to timely notify any change in their addresses.
  4. Members who have deposited their shares in the Central Depository System of the Central Depository Company of Pakistan Limited will have to follow the under mentioned guidelines as laid down by Securities and Exchange Commission of Pakistan:

**A. For Attending the Meeting**

- a. In case of Individuals, the account holder and/or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall authenticate his/her identity by showing his/her original CNIC or original Passport alongwith Participant ID number and the Account number at the time of attending the Meeting.
- b. In case of corporate entity, the Board's 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**

- a. In case of individuals, the account holder and/or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per above requirements.
- b. The proxy form shall be witnessed by two persons, whose names, addresses and CNIC numbers shall be mentioned on the form.
- c. Attested copies of the CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.
- d. The proxy shall produce his original CNIC or original passport at the time of the Meeting.
- e. In case of corporate entity, the Board's resolution / power of attorney with specimen signature shall be furnished (unless it has been provided earlier) along with proxy form to the Company.

**5. Notice to Shareholders who have not provided CNIC:**

In terms of the directive of the Securities and Exchange Commission of Pakistan ("SECP") the Computerized National Identity Card Numbers (CNIC) of the registered shareholders or the authorized person except in the case of minor(s) and corporate shareholders are required to be mentioned in the annual return filed by the Company with the SECP. Therefore, the shareholders who have not yet provided copies of their CNICs are advised to provide at earliest the attested copies of their CNICs (if not already provided) directly to our Independent Share Registrar at the address given herein above.

**6. Placement of Financial Statements**

The Company has placed the Audited Financial Statements for the year ended 30 September 2014 along with Auditors and Directors Reports thereon on its website: [www.shakarganj.com.pk](http://www.shakarganj.com.pk)



### **Statement under Section 160(1)(b) of the Companies Ordinance, 1984**

This statement set out the material facts concerning the special business to be transacted at the annual general meeting of the Company to be held on 29 January 2015.

The Company is engaged in production and sale of sugar, its by-products, bio-fuel, building materials, yarn, power generation and investments, strategic or otherwise. It is, therefore, expedient that the name of the Company be changed by deleting the word "mills" from the existing name of the Company. Hence it is proposed to change the name of the company from Shakarganj Mills Limited to Shakarganj Limited. The Board of Directors has approved the change of name of the Company, subject to the sanction of the Securities and Exchange Commission of Pakistan / Registrar of Companies.

Further, the change of name will also require alteration of the Memorandum and Articles of Association and other documents of the company by substituting the previous name wherever appearing with the new name. The business of the company will be unaffected by the proposed change of name and all existing agreements will remain unaltered with corresponding rights and obligations assumed under the new name.

None of the directors have any interest directly or indirectly in the proposed business except to the extent of their respective shareholdings.



## > FORM OF PROXY



I/We \_\_\_\_\_ S/o, D/o, W/o \_\_\_\_\_ of \_\_\_\_\_  
(full address) a member(s) of  
Shakarganj Mills Limited and holder of \_\_\_\_\_ shares as per Registered  
Folio No. \_\_\_\_\_ and/or CDC Participant I.D. No. \_\_\_\_\_ and Sub Account No. \_\_\_\_\_  
do hereby appoint \_\_\_\_\_ of \_\_\_\_\_ (full address)  
or failing him/her \_\_\_\_\_ of \_\_\_\_\_  
(full address) as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the Annual General  
Meeting of Shakarganj Mills Limited scheduled to be held on 29 January 2015 at 11:00 a.m. at the Qasr-e-Noor,  
9-E-2, Main Boulevard Gulberg-III, Lahore and at any adjournment thereof.

As witness my / our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2015.

Member \_\_\_\_\_

Witness \_\_\_\_\_

Address \_\_\_\_\_

Dated \_\_\_\_\_

Please affix here  
Revenue Stamp of  
Rs. 5/-

### Notes:

1. A member entitled to attend and vote at a General Meeting is entitled to appoint a proxy.
2. The instrument appointing a Proxy, together with the Power of Attorney, if any, under which it is signed or a notarially certified copy thereof, should be deposited at the Registered office, not less than 48 hours before the time of holding the Meeting.
3. CDC account holders will further have to follow the under mentioned guidelines as laid down in circular No. 1 dated 26 January 2000 of the Securities & Exchange Commission of Pakistan 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 requirement.
  - ii. The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.
  - iii. Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
  - iv. The proxy shall produce his original NIC or original passport at the time of the meeting.
  - v. In case of a corporate entity, the Board of Directors' resolution/power of attorney with specimen signatures of the proxy holder shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.



BOOK POST



If undelivered, please return to:

**Shakarganj Mills Limited**

10<sup>th</sup> Floor, BOP Tower, 10-B Block E2, Gulberg III, Lahore, Pakistan

Tel: (042) 3578 3801- 06 Fax: (042) 3578 3811

[www.shakarganj.com.pk](http://www.shakarganj.com.pk)