# 25th Annual Report

## CONTENTS

# COMPANY INFORMATION

| | | |
|---|---|---|
| **Board of Directors** | Mr. Akbar Khan | (Chairman) |
| | Mr. Haroon Khan | (Chief Executive) |
| | Mr. Ghazi Khan | |
| | Mrs. Rasheeda Begum | |
| | Mrs. Mobina Akbar Khan | |
| | Mr. Saeed Ullah Khan Paracha | |
| | Mr. Tahir Farooq Malik | |
| **Company Secretary and Chief Financial Officer** | Mr. Ahmad Jehanzeb Khan | |
| **Bankers** | Allied Bank Limited | |
| | Bank Alfalah Limited | |
| | Habib Bank Limited | |
| | MCB Bank Limited | |
| | National Bank of Pakistan Limited | |
| | The Bank of Punjab | |
| | United Bank Limited | |
| **Legal Advisors** | 1) Bandial & Associates<br>House # 12/A, Block 'H'<br>Gulberg II, Lahore | 2) Ali Subtain Fazli & Associates<br>Mall Mansion 30<br>The Mall, Lahore |
| **Audit Committee** | Mr. Saeed Ullah Khan Paracha | Chairman |
| | Mr. Akbar Khan | Member |
| | Mr. Ghazi Khan | Member / Secretary |
| **Auditors** | *KPMG* Taseer Hadi & Co.<br>Chartered Accountants | |
| **Share Registrar** | Corplink (Private) Limited<br>1-K, Model Town, Lahore | |
| **Sugar Mills:** | | |
| ***Unit 1*** | Kanjwani, Tehsil Tandlianwala<br>District, Faisalabad | |
| ***Unit 2*** | Taunsa Road, Indus Highway<br>Dera Ismail Khan | |
| ***Unit 3*** | Shah Jamal Road<br>Muzaffargarh | |
| **Distillery:**<br>***Unit 1*** | Kanjwani, Tehsil Tandlianwala<br>District, Faisalabad | |
| **Top Gas:** | Kanjwani, Tehsil Tandlianwala<br>District, Faisalabad | |
| **Registered Office** | 32-N, Gulberg-II, Lahore | |

# VISION, MISSION & STRATEGY

**Mission**

- To be the market leader and a world-class organization by meeting and proactively anticipating customer needs.
- To maximize the wealth of stakeholders by optimizing the long term returns and growth of the business.
- To be amongst the most efficient and lowest cost producers in the industry.
- To ensure a safe, harmonious and challenging working environment for the employees.

**Corporate Strategy**

- To grow our base business in sugar and build those related activities where there is opportunity to smooth the impact of sugar price cycles.
- To produce sugar which is of highest international standards.
- To make investment in sugarcane crop to ensure regular supply of cane and profitability of growers.
- To establish modern corporate sugarcane farm of international standards.
- To offer equal and fair growth opportunities to all employees.
- To undertake and support community development and welfare projects in order to fulfill social commitments.

# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the twenty fifth Annual General Meeting of the Shareholders of Tandlianwala Sugar Mills Limited will be held on Friday, February 28, 2014 at 10:00 a.m at Noor Shadi Hall, 49-N, Industrial Area, Gulberg-II, Lahore, for transacting the following business:

**Ordinary Business:**

1. To confirm the Minutes of the Annual General Meeting held on March 02, 2013.

2. To receive, consider and adopt the audited accounts of the Company for the year ended September 30, 2013 together with the Directors' and Auditors' report thereon.

3. To appoint Auditors for the year ending 30 September 2014 and fix their remuneration. M/s KPMG Taseer Hadi & Co., Chartered Accountants, the retiring Auditors, have offered themselves for re-appointment.

**Special Business:**

1. To elect 7 Directors of the Company as fixed by Board under section 178(1) of the Companies Ordinance, 1984 for the term of three years commencing from 28th February 2014. Retiring Directors are eligible for re-election.

2. To consider any other business with the permission of the Chairman.

By Order of the Board

Ahmad Jehanzeb Khan

(Company Secretary)

Lahore:
February 07, 2014

**Notes:**

1. The shares transfer books of the Company will remain closed from 21st February 2014 to 28th February 2014 (both days inclusive).

2. Any member who seeks to contest the election to the office of the Director shall whether he/she is retiring or otherwise, file with the Company not later than 14 days before the date of the meeting at which the elections are to be held, a notice of his/her intention to offer himself/herself for election as a Director. Declaration in accordance with the listing Regulations of the Karachi Stock Exchange along with consent to act as director of the Companies Ordinance, 1984 is also to be filed.

3. A member eligible to attend and vote at the meeting is entitled to appoint another member as his / her Proxy to attend and vote instead of him / her. A proxy must be a member of the Company. Proxy to be effective must be received at the Registered Office of the Company at least forty eight (48) hours before the meeting.

4. The corporate shareholders shall nominate someone to represent them at the Meeting. The nomination in order to be effective must be received by the Company not later than forty eight (48) hours before the meeting. Representative of corporate members should bring the usual documents required for such purpose.

5. Any individual beneficial owner of Central Depository Company (CDC) entitled to attend and vote at this meeting must bring his / her original National Identity card (CNIC) or Passport. Account and Participant ID number to prove him / her identity, and in case of proxy must enclose an attested copy of his / her CNIC or passport.

6. Shareholders are requested to immediately notify change of Address, if any to the Company's Registrar M/s Corplink (Pvt.) Limited, Wings Arcade, 1-K Commercial Area, Model Town, Lahore.

# Directors Report

Your Directors are pleased to welcome you at the 25th Annual General Meeting of the Company together with the Audited Financial Statements of the Company for the year ended September 30, 2013.

**Sugar Division**

The combined crushing at all our three sugar producing Units, on the average operated for 124 days during the year under review as against 132 days last year.

The Company has enjoyed the same trend of Gross Profit amounting to Rs. 859.581 million as compared to last year profit amounting to Rs. 868,527 million. The gross profit ratio has slightly dropped due to depressed sugar prices and increased production costs caused by disproportionate increase in the minimum support price of Sugarcane and rock bottom prices of sugar throughout the year. Depreciation charges, administrative expenses, distribution & marketing expenses and other expenses also augmented, owing to increase in operations and further drift towards inflation, as compared to last year. Net outcome from sale of sugar was very discouraging despite of better sucrose recoveries.

An analysis of key operating results indicates that there is a 42% increase in gross turnover. The Company has successfully managed its sales volume of around Rs. 12.707 billion. There is 6% increase in financial charges which is mainly attributable to increase and carrying of short term borrowing. The Company is fulfilling its financial obligations on time and enjoying good relations with all the financial institutions.

The balance sheet enormity has amplified from 10.609 billion to 11.897 billion, while the long term debts of the Company remain minimal

The Company, although manufactured higher quantity of sugar as compared to the corresponding year, but significantly enhanced procurement costs of sugarcane together with increase in other overhead expenses, as well as mismatching in prices of sugar and carry over stocks of sugar as compared with the corresponding year, were the main factors that had directly affected the financial results of the Company for the year.

Although export quota approved by ECC benefited the Company to avail relief in FED, but higher sugar production and unsold carryover sugar stock in the Country depressed the overall sugar prices.

**Distillery Division**

The operating results during this fourth year of our commercial production were as under:

| | September 2013 | September 2012 |
|---|---|---|
| Season started | 01-10-2012 | 01-10-2011 |
| Season closed | 30-09-2013 | 30-09-2012 |
| Working Days | 331 | 319 |
| Actual Production (Liters) | 34,997,313 | 32,750,187 |

The division continued to enjoy good profits during the year under review. The performance of distillery, this year also touched its peak capacity.

In distillery division, we envision bright future due to the consistent demand of ethanol in the international market and improved availability of molasses, because of enhanced production capacity of sugar division.

During the current year under review, we sold (export & local) ethanol worth Rs. 2.290 billion (2012: Rs. 1.759 billion) which is a marked improvement compared to last year and illustrates that our product continues to be widely acclaimed in international and local markets.

**CO2 Division**

We have successfully installed the CO2 plant and after having its testing phase, we commenced commercial production, which had a very pleasant & positive effect on the overall financials of our Company.

This new Division of our Company has managed to earn a net profit of Rs. 91.048 million during its first season. CO2 production & its profitability confirms as to how efficiently we have achieved our goal to make diversified and effective divisions within the Company.

The demand for the CO2 product is rapidly increasing in the local market as we have gained the interest and trust of the local consumers in a very short span of time.

**Future Outlook of the Company**

The sugarcane crop is expected to be even higher during the season 2013-2014, as compared to the year under review, due to considerable cane support price increase by the Government.

We are pleased to inform you that the Company has completed its BMR programs and has effectively enhanced its efficienies & capacities in the Sugar Division, which would result in better sugar and molasses production during the current crushing season 2013-2014.

We are presently also in the process of Construction of the Second Distillery unit at our Unit-3 in Muzaffargarh, as we see a very good potential in future of ethanol business. This second distillery unit would be in production line from January 2015, to strengthen further the future profitability of the Company.

These diversifications and increase in efficacies of the Company will provide us opportunity to hold higher level of market share of all our products .i.e. white crystalline sugar, rectified ethanol and CO2.

Overall, with the outlook remaining positive, your Company is committed to bettering the performance in future and confident of improving the profitability.

**Corporate Social Responsibility**

Your Company is socially responsible and committed to conduct its business ethically and with responsibility. The Company is conscious of the role to play as responsible corporate citizen in fulfilling the various needs of the society concerning health, safety, environment, employee relationship and social welfare of the society. The Company considers itself accountable to its stakeholders and has identified dimensions of performing the social responsibilities which are contributing to economy, environment and society. The management pursues the strategy by following strategic guidelines to be a good corporate citizen:

- Encouraging employment of work force living in the rural areas in order to yield significant gain and uplift their living standard.
- Continuously striving to improve greenery, maintain a clean environment around the factory and better housekeeping.
- Making arrangement for civic, health, education and accommodation facilities to employees.
- Support social causes.

On the corporate social responsibility front, the Company has already launched education program and accordingly providing education facilities at premises adjacent to employees colony at the factory in order to provide primary education facilities by qualified staff on concessional fees basis to the children of the factory employees and others living nearby in the rural areas in order to alleviate illiteracy and poverty. The Company has always supported other noble causes which help the members of the society. Sustainability of the Company, its employees and shareholders of the Company is the prime concern of your directors and various developments on this are under active consideration which will be reported in the ensuing periods.

**Statement on Corporate and financial reporting framework**

- 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.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
- 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.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern as it has adequate resources and improving its results to continue in operation for the foreseeable future as has been explained in the Chief Executive's Review and financial statements.
- There has been no material departure from the best practices of the corporate governance as detailed in the listing regulations.
- A statement regarding key financial data for the last six years is annexed to this report.
- Information about taxes and levies is given in the notes to the financial statements.

**Six Years Review at a Glance**

The six years review at a glance is annexed.

**Pattern of Shareholdings**

The pattern of shareholdings as on September 30, 2013 is annexed.

**Audit Committee**

The Board has constituted an Audit Committee consisting of three members including Chairman of the Committee. The Committee regularly meets as per requirement of the code. The Committee assists the Board in reviewing internal audit manual and internal audit system.

The Audit Committee comprises of the following members:

| | |
|---|---|
| Mr. Saeed Ullah Khan Paracha | Chairman |
| Mr. Akbar Khan | Member |
| Mr. Ghazi Khan | Member / Secretary |

**Human Resource Committee**

The Board has constituted a Human Resource Committee in compliance with the Code of Corporate Governance 2013.

**Board Meetings**

There have been 9 meetings during the year and the attendance of each director is stated as under:

| Name of Directors | Board | | Audit Committee | | Human Resource and Remuneration Committee | |
|---|---|---|---|---|---|---|
| | Required | Attended | Required | Attended | Required | Attended |
| **NON – EXECUTIVE DIRECTORS** | | | | | | |
| Mr. Akbar Khan | 4 | 4 | 4 | 4 | 1 | 1 |
| Mr. Ghazi Khan | 4 | 4 | 4 | 4 | 1 | 1 |
| Mrs. Rasheeda Begum | 4 | 4 | | | | |
| Mrs. Mobina Akbar Khan | 4 | 4 | | | 1 | 1 |
| Mr. Saeed Ullah Khan Paracha | 4 | 3 | 4 | 4 | | |
| **EXECUTIVE DIRECTORS** | | | | | | |
| Mr. Akbar Khan | 4 | 4 | | | | |
| Mr. Ghazi Khan | 4 | 4 | | | | |

(However, leaves of absence were granted to the Directors who could not attend the Board Meetings due to their preoccupations.)

**Trading in Shares**

Trading in shares by Directors, CEO, CFO, Company Secretary and their spouses and minor children has been disclosed in FORM 34 annexed to this annual report.

**Outstanding Statutory Dues**

Details of outstanding dues towards minimum tax and those relating to other statutory obligations are set out in note 14 and 30 respectively.

**Dividend**

No dividend is being recommended by the Board of Directors for the year ended September 30, 2013.

**Staff Retirement Benefits**

The company operates an un-funded gratuity scheme for all employees with qualifying service period of six months.

**Auditors**

The retiring Auditors, M/s *KPMG* Taseer Hadi & Co., Chartered Accountants, being eligible, offer themselves for re-appointment for the year ending September 30, 2014 on the rotation of Engagement partner.

**Appreciation**

The Board would like to articulate their appreciation for the allegiance, hard toil of the workers, staff and members of the management team. Growers are the key element of our industry and we thank them for their continued co-operation.

On behalf of Board of Directors

Haroon Khan
(Chief Executive)
February 07, 2014

# SIX YEARS REVIEW AT A GLANCE

Figures in '000

| | | 2013 (Rupees) | 2012 (Rupees) | 2011 (Rupees) | 2010 (Rupees) | 2009 (Rupees) | 2008 (Rupees) |
|---|---|---|---|---|---|---|---|
| FINANCIAL RESULTS | | | | | | | |
| Sales (Net) | | 12,294,796 | 8,376,917 | 7,759,465 | 10,169,643 | 5,805,824 | 2,366,286 |
| Cost of Sales | | 11,435,215 | 7,508,390 | 6,321,536 | 8,798,140 | 4,748,963 | 1,848,084 |
| **Gross profit** | | **859,581** | **868,527** | **1,437,929** | **1,371,503** | **1,056,861** | **518,202** |
| Operating, financial and Other expenses | | 1,263,727 | 1,016,758 | 912,167 | 762,035 | 925,542 | 663,432 |
| Other income | | 119,737 | 13,083 | 6,416 | 12,966 | 2,653 | 5,805 |
| Net profit / (loss) before wppf | | **(284,409)** | **(135,148)** | **532,178** | **622,434** | **133,972** | **(139,425)** |
| Workers' profit participation fund | | - | - | 26,609 | 31,122 | 6,699 | - |
| Workers' Welfare fund | | - | - | (11,826) | 11,826 | 2,545 | - |
| **Net (loss) / profit before Taxation** | | **(284,409)** | **(135,148)** | **517,395** | **579,486** | **124,728** | **(139,425)** |
| Provision for taxation | | 98,310 | (197,690) | 22,839 | 249,966 | 86,823 | 80,026 |
| **Net (loss) / profit after taxation** | | (382,719) | 62,542 | 494,556 | 329,520 | 37,905 | (219,451) |
| **Cash dividend** | | - | - | - | - | - | **5%** |
| **(Loss) / Earning per share (Rs.)** | | (3.25) | 0.42 | 4.20 | 2.80 | 0.32 | (1.864) |
| **Authorized capital** | | 1,200,000 | 1,200,000 | 1,200,000 | 1,200,000 | 1,200,000 | 1,200,000 |
| **Paid-up capital** | | 1,177,063 | 1,177,063 | 1,177,063 | 1,177,063 | 1,177,063 | 1,177,063 |
| **Fixed capital expenditures (Net)** | | 7,645,295 | 5,460,225 | 5,221,206 | 5,415,846 | 5,471,067 | 4,133,348 |
| OPERATING RESULTS | | | | | | | |
| Sugarcane crushed - Unit - 1 | M. Tons | 556,144 | 457,219 | 472,492 | 427,828 | 420,858 | 515,900 |
| Sugarcane crushed - Unit - 2 | M. Tons | 724,066 | 465,491 | 593,420 | 545,032 | 497,762 | 569,314 |
| Sugarcane crushed - Unit - 3 | M. Tons | 897,054 | 686,936 | 514,105 | 561,893 | 387,661 | 411,735 |
| Sugar recovery - Unit - 1 | % | 9.17 | 9.47 | 9.16 | 9.23 | 9.68 | 9.07 |
| Sugar recovery - Unit - 2 | % | 8.45 | 8.38 | 8.37 | 8.35 | 8.17 | 7.51 |
| Sugar recovery - Unit - 3 | % | 9.50 | 9.76 | 9.28 | 9.20 | 9.50 | 9.66 |
| Sugar production - Unit - 1 | M. Tons | 50,997 | 43,311 | 43,261 | 39,519 | 40,727 | 46,820 |
| Sugar production - Unit - 2 | M. Tons | 61,172 | 39,015 | 49,683 | 45,481 | 40,652 | 42,745 |
| Sugar production - Unit - 3 | M. Tons | 85,201 | 67,042 | 47,732 | 51,696 | 36,852 | 39,774 |
| Season started - Unit - 1 | | 29-11-2012 | 18-11-2011 | 26-11-2010 | 17-11-2009 | 25-11-2008 | 26-11-2007 |
| Season started - Unit - 2 | | 29-11-2012 | 29-11-2011 | 26-11-2010 | 02-12-2009 | 22-11-2008 | 06-12-2007 |
| Season started - Unit - 3 | | 29-11-2012 | 18-11-2011 | 26-11-2010 | 17-11-2009 | 25-11-2008 | 10-11-2007 |
| Season closed - Unit - 1 | | 30-03-2013 | 23-03-2012 | 07-04-2011 | 10-03-2010 | 20-03-2009 | 11-04-2008 |
| Season closed - Unit - 2 | | 01-04-2013 | 29-03-2012 | 01-04-2011 | 11-03-2010 | 09-03-2009 | 22-04-2008 |
| Season closed - Unit - 3 | | 03-04-2013 | 12-04-2012 | 01-04-2011 | 16-03-2010 | 20-03-2009 | 12-04-2008 |
| Crushing days - Unit - 1 | No. | 122 | 127 | 133 | 114 | 116 | 137 |
| Crushing days - Unit - 2 | No. | 124 | 122 | 127 | 100 | 108 | 138 |
| Crushing days - Unit - 3 | No. | 126 | 147 | 127 | 120 | 116 | 154 |

# FORM 34

**THE COMPANIES ORDINANCE 1984**
**(Section 236(1) and 464)**
**PATTERN OF SHAREHOLDING**

1. Incorporation Number: **L-01226**

2. Name of the Company: **TANDLIANWALA SUGAR MILLS LIMITED**

3. Pattern of holding of the shares held by the shareholders as at **30-09-2013**

| | ------Shareholding------ | | |
|---|---|---|---|
| **4. No. of Shareholders** | **From** | **To** | **Total Shares Held** |
| 105 | 1 | 100 | 2,909 |
| 442 | 101 | 500 | 409,179 |
| 75 | 501 | 1,000 | 65,535 |
| 77 | 1,001 | 5,000 | 160,438 |
| 12 | 5,001 | 10,000 | 87,181 |
| 7 | 10,001 | 15,000 | 88,661 |
| 4 | 15,001 | 20,000 | 73,155 |
| 2 | 20,001 | 25,000 | 42,000 |
| 2 | 25,001 | 30,000 | 55,920 |
| 1 | 45,001 | 50,000 | 50,000 |
| 1 | 140,001 | 145,000 | 144,300 |
| 1 | 550,001 | 555,000 | 552,500 |
| 2 | 1,390,001 | 1,395,000 | 2,789,689 |
| 1 | 1,395,001 | 1,400,000 | 1,395,343 |
| 1 | 1,400,001 | 1,405,000 | 1,401,747 |
| 1 | 1,890,001 | 1,895,000 | 1,894,064 |
| 1 | 3,000,000 | 3,100,000 | 3,094,155 |
| 1 | 5,455,001 | 5,460,000 | 5,459,419 |
| 1 | 5,745,001 | 5,750,000 | 5,745,514 |
| 1 | 10,610,001 | 10,615,000 | 10,610,937 |
| 1 | 20,195,001 | 20,200,000 | 20,197,535 |
| 1 | 20,250,001 | 20,255,000 | 20,253,274 |
| 1 | 21,480,001 | 21,485,000 | 21,481,857 |
| 1 | 21,650,001 | 21,655,000 | 21,650,988 |
| 742 | | | **117,706,300** |

| 5. Categories of shareholders | Share held | Percentage |
|---|---|---|
| 5.1 Directors, Chief Executive Officers, and their spouse and minor childern | 92,839,588 | 78.8739% |
| 5.2 Associated Companies, undertakings and related parties. | --- | --- |
| 5.3 NIT and ICP | 7,500 | 0.0064% |
| 5.4 Banks Development Financial Institutions, Non Banking Financial Institutions. | 227,568 | 0.1933% |
| 5.5 Insurance Companies | 2,000 | 0.0017% |
| 5.6 Modarabas and Mutual Funds | 14,556 | 0.0124% |
| 5.7 Share holders holding 10% or more | 89,191,433 | 75.7746% |
| 5.8 General Public | | |
| a. Local | 13,991,758 | 11.8870% |
| b. Foreign | --- | --- |
| 5.9 Others (to be specified) | | |
| **1-Joint Stock Companies** | 7,960 | 0.0068% |
| **2-Non-Residence/Foreign Companies** | 10,612,037 | 9.0157% |
| **3- Pension Funds** | 3,220 | 0.0027% |
| **4-Others** | 113 | 0.0001% |

| | |
|---|---|
| 6. Signature of Company Secretary | |
| 7. Name of Signatory | AHMAD JEHANZEB KHAN |
| 8. Designation | COMPANY SECRETARY |
| 9 Date | 30 / 09 / 2013 |

# Categories of Shareholding required under Code of Corporate Governance (CCG) As on September 30, 2013

| Sr. No. | Name | No. of Shares Held | Percentage |
|---|---|---|---|
| **Associated Companies, Undertakings and Related Parties (Name Wise Detail):** | | - | - |
| **Mutual Funds (Name Wise Detail)** | | | |
| 1 | GOLDEN ARROW SELECTED STOCKS FUND LIMITED (CDC) | 5,356 | 0.0046% |
| **Directors and their Spouse and Minor Chidren (Name Wise Detail):** | | | |
| 1 | MR. AKBAR KHAN | 21,592,481 | 18.3444% |
| 2 | MR. HAROON KHAN | 23,063,235 | 19.5939% |
| 3 | MR. GHAZI KHAN | 22,887,700 | 19.4448% |
| 4 | MRS. RASHEEDA BEGUM | 21,648,017 | 18.3916% |
| 5 | MRS. MOBINA AKBAR KHAN | 1,000 | 0.0008% |
| 6 | MR. SAEED ULLAH KHAN PARACHA | 3,094,155 | 2.6287% |
| 7 | MR. TAHIR FAROOQ MALIK | 500 | 0.0004% |
| 8 | MRS. SHAHNAZ W/O SAEED ULLAH KHAN PARACHA | 552,500 | 0.4694% |
| **Executives:** | | - | - |
| **Public Sector Companies & Corporations:** | | - | - |
| **Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:** | | 241,988 | 0.2056% |

**Shareholders holding five percent or more voting intrest in the listed company (Name Wise Detail)**

| S. No. | Name | Holding | Percentage |
|---|---|---|---|
| 1 | MR. AKBAR KHAN | 21,592,481 | 18.3444% |
| 2 | MR. HAROON KHAN | 23,063,235 | 19.5939% |
| 3 | MR. GHAZI KHAN | 22,887,700 | 19.4448% |
| 4 | MRS. RASHEEDA BEGUM | 21,648,017 | 18.3916% |

**All trades in the shares of the listed company, carried out by its Directors, Executives and their spouses and minor children shall also be disclosed:**

| S.No | NAME | SALE | PURCHASE |
|---|---|---|---|
| 1 | MR. HAROON KHAN | | 49,500 |
| 2 | MR. GHAZI KHAN | | 50,500 |

# Statement of Compliance with the Code of Corporate Governance For the year ended 30 September 2013

This statement is being presented to comply with the Code of Corporate Governance contained in the Listing Regulations of the 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 Tandlianwala Sugar Mills Limited has applied the principles contained in the Code in the following manner:

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

| **Category** | **Names** |
|---|---|
| Executive Directors | i. Mr. Haroon Khan |
| | ii. Mr. Tahir Farooq Malik |
| Non-Executive Directors | iii. Mr. Akbar Khan |
| | iv. Mr. Ghazi Khan |
| | v. Mrs. Rasheeda Begum |
| | vi. Mrs. Mobina Akbar Khan |
| | vii. Mr. Saeed Ullah Khan Paracha* |

*The above person was elected as "independent non-executive director" on February 28, 2011 for the period of three years. However, according to the revised CCG, any person who has served on the board for more than three consecutive terms shall not be considered as an independent director provided that such person shall be deemed "independent director" after a lapse of one term. In compliance with revised CCG, above director has been classified as non-executive directors.

2. The Directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.

3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking Company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No causal vacancy in the Board of Directors has arised during the year ended September 30, 2013.

5. The Company has prepared a "Code of Conduct" and has insured 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, over all corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive and non executives Directors, have been taken by the Board.

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 at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. All the Directors on the Board are well conversant with their responsibilities as Directors of corporate bodies as the Company had arranged briefing for its Directors to apprise them of their duties and responsibilities. Four (04) Directors of the Company are exempt from Directors training programme due to 14 years of education and approximately 20 years of experience on the Board of listed Company, however, the company plans to arrange training for the remaining of Directors in next year.

10. No new appointment of CFO, Company Secretary or Head of Internal Audit has occurred during the year.

11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.

13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance.

15. The Board has formed an Audit Committee. It comprises of three members. All the members are non-executive directors including the Chairman of the Committee.

16. The meetings of the audit committee were held at least once in every quarter prior to approval of interim and final results of the Company as required by the Code of Corporate Governance. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has formed an HR and Remuneration Committee. It comprises of three Board members, All the members are non-executive directors including the chairman of the committee.

18. The Board has set-up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedure 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 Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The "close period" prior to the announcement of interim/final results and business decisions, which may materially affect the market price of the Company's securities, was determined and intimated to Directors, employees and stock exchange(s).

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. All related party transactions have been placed before the audit committee and Board of Directors on quarterly and have been approved by the Board of Directors to comply with the requirements of listing regulations of the Karachi and Lahore Stock Exchanges.

24. We confirm that all other material principles enshrined in the Code of Corporate Governance have been complied with.

| | | |
|---|---|---|
| **Lahore** | **Akbar Khan** | **Haroon Khan** |
| **February 07, 2014** | **Chairman** | **Chief Executive** |

# 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 prepared by the Board of Directors of **Tandlianwala Sugar Mills Limited ("the company")** to comply with the Listing Regulations of Karachi and Islamabad 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 of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the company personnel and review of various documents prepared by the company to comply with the Code. As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We 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.

Further, Sub- Regulation (x) of Listing Regulation No. 35 notified by the respective stock exchanges where the Company is listed, requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee.

We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price.

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 2013.

**Lahore**
**February 07, 2014**

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

# Auditors' Report to the Members

We have audited the annexed balance sheet of Tandlianwala Sugar Mills Limited ("the Company") as at 30 September 2013 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;

   ii. the expenditure incurred during the year was for the purpose of the Company's business; and

   iii. the business conducted, investment made and 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 2013 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).

**Lahore**
**February 07, 2014**

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

# Balance Sheet

| | Note | 2013<br>Rupees | 2012<br>Rupees<br>*Restated* | 2011<br>Rupees<br>*Restated* |
|---|---|---|---|---|
| **LIABILITIES** | | | | |
| **Share capital and reserves** | | | | |
| **Authorised capital** | | | | |
| 120,000,000 (2012: 120,000,000) shares of Rs. 10 each | | **1,200,000,000** | 1,200,000,000 | 1,200,000,000 |
| Issued, subscribed and paid up capital 117,706,300 (2012: 117,706,300) ordinary shares of Rs 10 each | *5* | **1,177,063,000** | 1,177,063,000 | 1,177,063,000 |
| Equity portion of Directors' loan | *6* | **1,337,169,540** | 1,491,497,576 | 459,163,271 |
| Reserves | | **879,302,049** | 1,262,021,099 | 1,212,561,675 |
| | | **3,393,534,589** | 3,930,581,675 | 2,848,787,946 |
| **Non current liabilities** | | | | |
| Long term finances - secured | *8* | **135,799,408** | - | 21,816,125 |
| Loans from Directors - unsecured | *7* | **1,025,014,048** | 957,292,829 | 249,623,808 |
| Liabilities against assets subject to finance lease | *9* | **66,525,544** | 101,626,719 | 128,160,366 |
| Advances from customers | *10* | **1,054,646,732** | 733,147,700 | 1,010,476,781 |
| Deferred liabilities | *11* | **334,157,508** | 212,872,943 | 411,691,729 |
| | | **2,616,143,240** | 2,004,940,191 | 1,821,768,809 |
| **Current liabilities** | | | | |
| Short term borrowings - secured | *12* | **3,609,662,545** | 3,264,347,032 | 2,451,508,028 |
| Current portion of long term liabilities | *13* | **102,762,520** | 126,076,683 | 403,656,670 |
| Trade and other payables | *14* | **2,060,281,305** | 1,138,888,253 | 1,471,605,465 |
| Accrued finance cost | *15* | **114,162,759** | 119,996,984 | 115,626,562 |
| Provision for taxation | | **-** | 24,173,915 | 95,484,389 |
| | | **5,886,869,129** | 4,673,482,867 | 4,537,881,114 |
| **Contingencies and commitments** | *16* | | | |
| | | **11,896,546,958** | 10,609,004,733 | 9,208,437,869 |

The annexed notes 1 to 39 form an integral part of these financial statements.

**Lahore**
**February 07, 2014**

**Chief Executive**

# As at 30 September 2013

| | Note | 2013 Rupees | 2012 Rupees *Restated* | 2011 Rupees *Restated* |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non current assets** | | | | |
| Property, plant and equipment | *17* | **7,755,012,318** | 6,336,521,136 | 5,624,360,290 |
| Long term deposits | *18* | **65,943,232** | 60,632,434 | 63,097,282 |
| | | **7,820,955,550** | 6,397,153,570 | 5,687,457,572 |
| **Current assets** | | | | |
| Stores, spares and loose tools | *19* | **628,139,722** | 703,262,845 | 543,972,131 |
| Stock in trade | *20* | **2,136,242,304** | 2,842,061,019 | 2,527,963,071 |
| Trade debts | *21* | **33,232,863** | - | 9,452,788 |
| Advances, deposits, prepayments and other receivables | *22* | **375,088,038** | 160,158,957 | 130,180,316 |
| Advance income tax | | **137,528,423** | 61,071,313 | 75,473,886 |
| Cash and bank balances | *23* | **765,360,058** | 445,297,029 | 233,938,105 |
| | | **4,075,591,408** | 4,211,851,163 | 3,520,980,297 |
| | | **11,896,546,958** | 10,609,004,733 | 9,208,437,869 |

**Director**

# Profit and Loss Account

*For the year ended 30 September 2013*

| | Note | 2013<br>Rupees | 2012<br>Rupees |
|---|---|---|---|
| Sales - net | *24* | **12,294,795,993** | 8,376,916,696 |
| Cost of sales | *25* | **(11,435,214,945)** | (7,508,389,950) |
| **Gross profit** | | **859,581,048** | 868,526,746 |
| Administrative expenses | *26* | **(292,574,415)** | (261,661,359) |
| Distribution expenses | *27* | **(328,319,420)** | (159,283,090) |
| Other income | *28* | **119,736,792** | 13,082,644 |
| **Profit from operations** | | **358,424,005** | 460,664,941 |
| Finance cost | *29* | **(642,832,818)** | (608,895,642) |
| **Loss before taxation** | | **(284,408,813)** | (148,230,701) |
| Taxation | *30* | **(98,310,237)** | 197,690,125 |
| **(Loss) / profit after taxation** | | **(382,719,050)** | 49,459,424 |
| **(Loss) / profit per share** | *37* | **(3.25)** | 0.42 |

The annexed notes 1 to 39 form an integral part of these financial statements.

**Lahore**
**February 07, 2014**

**Chief Executive**

**Director**

# Statement of Comprehensive Income
*For the year ended 30 September 2013*

| | 2013 Rupees | 2012 Rupees |
|---|---|---|
| **(Loss) / profit for the year** | **(382,719,050)** | 49,459,425 |
| **Other comprehensive income** | | |
| *Items that may be reclassified to profit and loss* | - | - |
| **Total comprehensive (loss)/income for the year** | **(382,719,050)** | 49,459,425 |

The annexed notes 1 to 39 form an integral part of these financial statements.

**Lahore**
**February 07, 2014**

**Chief Executive**

**Director**

# Cash Flow Statement
## *For the year ended 30 September 2013*

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Loss before taxation | | **(284,408,813)** | (148,230,701) |
| Adjustments for non cash items: | | | |
| Depreciation on property, plant and equipment | | **334,831,270** | 283,811,473 |
| Gain on disposal of property, plant and equipment | | **(350,891)** | (2,058,166) |
| Finance cost | | **642,832,818** | 608,895,642 |
| Provision for employees' retirement benefits | | **23,244,393** | 21,375,694 |
| Return on bank deposits | | **(12,176,401)** | (11,024,478) |
| | | **988,381,189** | 901,000,165 |
| **Operating profit before working capital changes** | | **703,972,376** | 752,769,464 |
| Decrease / (Increase) in current assets: | | | |
| Stores, spares and loose tools | | **75,123,123** | (159,290,714) |
| Stock in trade | | **705,818,715** | (314,097,948) |
| Advances, deposits, prepayments and other receivables | | **(214,929,081)** | (29,978,641) |
| Trade debts | | **(33,232,863)** | 9,452,788 |
| | | **532,779,894** | (493,914,515) |
| Increase / (decrease) in current liabilities: | | | |
| Trade and other payables | | **921,393,052** | (338,600,916) |
| **Cash generated from / (used in) operations** | | **2,158,145,322** | (79,745,967) |
| Finance cost paid | | **(648,667,043)** | (598,641,516) |
| Employees' retirement benefits paid | | **(270,065)** | (835,986) |
| Taxes paid | | **(100,631,025)** | (78,576,270) |
| (Increase) / decrease in deposits | | **(5,310,798)** | 2,464,848 |
| | | **(754,878,931)** | (675,588,924) |
| **Net cash generated from / (used in) operating activities** | | **1,403,266,391** | (755,334,891) |
| **Cash flow from investing activities** | | | |
| Fixed capital expenditure | | **(1,753,706,183)** | (867,388,248) |
| Proceeds from sale of property, plant and equipment | | **734,622** | 3,190,091 |
| Income received from bank deposits | | **12,176,401** | 11,024,478 |
| **Net cash used in investing activities** | | **(1,740,795,160)** | (853,173,679) |
| **Cash flow from financing activities** | | | |
| Long term finances - net | | **122,507,987** | (281,132,250) |
| Short term borrowings | | **345,315,513** | 812,839,004 |
| Loans from directors | | **(86,606,817)** | 1,740,003,326 |
| Finance lease liabilities - net | | **(45,123,917)** | (174,513,505) |
| Advances from customers | | **321,499,032** | (277,329,081) |
| **Net cash generated from financing activities** | | **657,591,798** | 1,819,867,494 |
| **Net increase in cash and cash equivalents** | | **320,063,029** | 211,358,924 |
| **Cash and cash equivalents at the beginning of the year** | | **445,297,029** | 233,938,105 |
| **Cash and cash equivalents at the end of the year** | *23* | **765,360,058** | 445,297,029 |

The annexed notes 1 to 39 form an integral part of these financial statements.

**Lahore**
**February 07, 2014**

**Chief Executive** **Director**

# Statement of Changes in Equity
*For the year ended 30 September 2013*

| | Share capital | RESERVES Share premium | RESERVES Un-appropriated profit | RESERVES Sub total | Equity portion of Directors' loan | Total |
|---|---|---|---|---|---|---|
| | Rupees | | | | | |
| **Balance as at 30 September 2011 - as previously reported** | 1,177,063,000 | 290,741,640 | 921,820,035 | 1,212,561,675 | - | 2,389,624,675 |
| Effect of adjustment as referred to note 6.2 | - | - | - | - | 459,163,271 | 459,163,271 |
| **Balance as at 30 September 2011 - restated** | 1,177,063,000 | 290,741,640 | 921,820,035 | 1,212,561,675 | 459,163,271 | 2,848,787,946 |
| Equity portion of directors' loan for the year | - | - | - | - | 1,059,792,924 | 1,059,792,924 |
| Imputed interest on directors' loan | - | - | - | - | (27,458,619) | (27,458,619) |
| Total comprehensive income for the year | - | - | 49,459,424 | 49,459,424 | - | 49,459,424 |
| **Balance as at 30 September 2012 - restated** | 1,177,063,000 | 290,741,640 | 971,279,459 | 1,262,021,099 | 1,491,497,576 | 3,930,581,675 |
| Equity portion of directors' loan for the year | - | - | - | - | (49,025,825) | (49,025,825) |
| Imputed interest on directors' loan | - | - | - | - | (105,302,211) | (105,302,211) |
| Total comprehensive loss for the year | - | - | (382,719,050) | (382,719,050) | - | (382,719,050) |
| **Balance as at 30 September 2013** | **1,177,063,000** | **290,741,640** | **588,560,409** | **879,302,049** | **1,337,169,540** | **3,393,534,589** |

The annexed notes 1 to 39 form an integral part of these financial statements.

**Lahore**
**February 07, 2014**

**Chief Executive** **Director**

# Notes to the financial statements
*For the year ended 30 September 2013*

1 **Legal status and nature of business**

Tandlianwala Sugar Mills Limited ("the Company") was incorporated in Pakistan on 01 November 1988 as a public limited company under the Companies Ordinance, 1984. The shares of the Company are quoted on Karachi and Lahore Stock Exchanges. The principal activity of the Company is production and sale of white crystalline sugar, ethanol and top gas (Carbon dioxide). The manufacturing facilities of the Company are located at Kanjwani (Unit I), Dera Ismail Khan (Unit II) and Muzafargarh (Unit III). The registered office of the Company is situated at 32 - N, Gulberg II, Lahore.

2 **Basis of preparation**

2.1 **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 and Islamic Financial Reporting Standards (IFAs) issued by the Institute of Chartered Accountants of Pakistan 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.

2.2 **Functional and presentation currency**

These financial statements are presented in Pakistani rupees which is also the Company's functional currency. All the financial information presented has been rounded to nearest rupees.

2.3 **Accounting convention**

These financial statements have been prepared under the historical cost convention except for employees' retirement benefits which are recognized at present value.

2.4 **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 2013:

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. This amendment could change the measurement of the company's obligation for its retirement benefit related amount of profit and loss account and other comprehensive income.

  The company has not planned to adopt this amendment early, however, had this amendment been adopted early, other comprehensive income would have been increased by Rs 6.999 million.

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.

- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. The amendment would not have significant impact on financial statement of the company.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. The amendment would not have significant impact on financial statement of the company.

***Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following five standards, with consequential amendments to other standards and interpretations.***

- IAS 1 *Presentation of Financial Statements is amended to clarify that* only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position.

- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.

- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.
- IFRIC 21- Levies „an Interpretation on the accounting for levies imposed by governments (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.
- IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).
- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

Apart from above certain other standards, amendments to published standards and interpretations of accounting standards became effective for accounting periods beginning on or after 1 January 2013, however, they do not affect the company's financial statements.

**3 Use of estimates and Judgments**

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to Company's financial statements or where judgments were exercised in application of accounting policies are:

| | |
|---|---|
| - Employees' retirement benefits | *note 4.1* |
| - Taxation | *note 4.2* |
| - Useful lives and residual values of property, plant and equipment | *note 4.5* |
| - Provisions and contingencies | *note 4.10* |

**4 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.

**4.1 Employees' retirement benefits**

The Company operates an un-funded gratuity scheme for all employees with qualifying service period of six months. Provisions are made annually to cover the obligation under the scheme on the basis of actuarial valuations and are charged to income currently. The most recent valuation was carried out on 30 September 2013 using "Projected Unit Credit Method".

The amount recognized in balance sheet represents the present value of the defined benefits obligation as on 30 September 2013 as adjusted for unrecognized actuarial gains and losses.

The principal assumptions used in the valuation as at 30 September 2013 were as follows:

| | |
|---|---|
| Expected rate of salary increase in future years | 10.5% (2012: 10.5%) |
| Discount rate | 11.5% (2012: 11.5%) |
| Average expected remaining working life-time of employees | 13 years (2012: 11 years) |

Retirement benefits are payable to employees on completion of prescribed qualifying period of service under this scheme.

**4.2 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 after taking into account tax credits, rebates and exemptions, if any. 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 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.

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 utilized.

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.

**4.3 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.

**4.4 Dividends and appropriations to general reserve**

Dividend distribution to Company's shareholders is recognized as a liability in the period in which the dividends are approved.

**4.5 Property, plant and equipment**

***Owned***

Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss except freehold land which is stated at cost less any identified impairment loss. Cost includes direct cost, related overheads, interest and borrowing cost as referred to in note 4.16.

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. Major renewals and improvements are capitalized. All other repair and maintenance costs are charged to income during the period in which they are incurred.

Depreciation is charged to profit on reducing balance method so as to write off the written down value of assets over their estimated useful lives at rates disclosed in note 17.

Depreciation on additions is charged from the month the asset is available for use while no depreciation is charged in the month in which the asset is disposed off.

Depreciation methods, residual values and useful lives of assets are reviewed at each financial year end, and adjusted if impact on depreciation is significant.

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 amounts 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 loss is recognized in income currently. The recoverable amount is the higher of an asset's fair value less costs 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.

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.

**4.6 *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. At inception, finance leases are capitalized at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets, less accumulated depreciation and impairment loss, if any.

The related rental obligations, net of finance costs, are included in liabilities against assets subject to finance lease as referred to in note 9. The liabilities are classified as current and non-current depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance costs 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.

Assets acquired under a finance lease are depreciated over the estimated useful life of the assets on reducing balance method at the rates disclosed in note 17. Depreciation of leased assets is charged to profit and loss account.

Depreciation on additions is charged from the month the asset is available for use while no depreciation is charged in the month in which the asset is disposed off.

Depreciation methods, residual values and useful lives of the assets are reviewed at each financial year end, and adjusted if impact on depreciation is significant.

The finance cost is calculated at the interest rates implicit in the lease and are charged to income.

***Operating leases***

Leases including Ijarah financing 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 / Ijarah term unless another systematic basis is representative of the time pattern of the Company's benefit.

**4.7 Stores, spares and loose tools**

These are valued at weighted average cost except for items in transit, which are valued at cost comprising invoice value and related expenses incurred thereon up to the balance sheet date. Obsolete and used items are recorded at nil value. Provision is made in the financial statements for obsolete and slow moving stores and spares based on management's estimate.

**4.8 Stock in trade**

These are valued at the lower of weighted average cost and net realizable value except for stock in transit, which is valued at cost comprising invoice value and related expenses incurred thereon up to the balance sheet date.

Cost is determined as follows:

| | |
|---|---|
| Raw materials | at weighted average cost |
| Work-in-process and finished goods | at lower of weighted average cost plus related manufacturing expenses and net realizable value |

Cost of own produced molasses, a by product, is determined on the basis of monthly average cost of molasses purchased from third parties.

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

**4.9 Trade debts**

Trade debts are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off as and when identified.

**4.10 Provisions**

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

### 4.11 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.

### 4.12 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.

Financial assets include trade debts, advances, deposits, prepayments and other receivables and cash and bank balances.

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

### 4.13 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 or settle the liabilities simultaneously.

### 4.14 Foreign currency transactions

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into rupees at the spot rate. All non-monetary items are translated into rupees at exchange rates prevailing on the date of transactions or on the date when fair values are determined. Exchange differences are included in the income statement currently.

### 4.15 Revenue recognition

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer i.e. on dispatch of goods in case of local sales and on preparation of Bill of Lading in case of export sales.

Return on deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

### 4.16 Borrowing costs

Borrowing costs incurred on long term finances obtained for the construction of qualifying assets are capitalized up to the date, the respective assets are available for intended use. The Company recognises other borrowing costs as an expense in the period in which it incurs.

**4.17 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.

| | 2013 Number | 2012 Number | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|
| **5 Issued, subscribed and paid up capital** | | | | |
| Ordinary shares of Rs. 10 each fully paid in cash | **117,706,300** | 117,706,300 | **1,177,063,000** | 1,177,063,000 |

| | Note | 2013 Rupees | 2012 Rupees (Restated) |
|---|---|---|---|
| **6 Equity portion of Directors' loan** | *6.1* | **1,337,169,540** | 1,491,497,576 |

**6.1** This represents equity portion relating to interest free loan from Directors amounting to Rs. 2,362 million (2012: Rs. 2,449 million).

**6.2** Interest free loans received from directors has been discounted using discount rate of 11% and classified separately in equity portion and long term loan in the current year as referred to in note 7. The interest free loan has been adjusted retrospectively and as per International Accounting Standard 8 (IAS 8) "Accounting Policies, Changes in Accounting Estimates and Errors" the adjustments of such classification have been made retrospectively for in the said years. Consequently, directors' loan as at 30 September 2012 have been (decreased) / increased by (Rs. 1,032.33 million) [2011: (Rs. 459.16 million)] with a corresponding increase / (decrease) in equity portion of sponsors' loan by Rs 1,032.33 million [2011: Rs. 459.16 million]. Such classification has no impact on basic and diluted profit/(loss) per share of the company for the year ended 30 September 2012 and 2011.

**7 Loans from Directors - unsecured**

This represents interest free unsecured loans from Directors of the Company and are of long term nature.

| | Note | 2013 Rupees | 2012 Rupees (Restated) |
|---|---|---|---|
| Interest free loan | *7.1* | **2,362,183,588** | 2,448,790,405 |
| Present value adjustment | | **(1,337,169,540)** | (1,491,497,576) |
| | *7.2* | **1,025,014,048** | 957,292,829 |

**7.1** It represents long term loan portion relating to unsecured and interest free loan from directors amounting to Rs. 2,362 million (2012: Rs. 2,449 million).

**7.2** These have been recognised at amortised cost using discount rate of 11%. The resulting change has been charged to equity portion of directors' loan as referred to in note 6.

Loan to the extent of Rs. 300 million is subordinated to Bank Of Punjab against Term Finance Facility as explained in note 8.3.

| | Note | 2013 Rupees | 2012 Rupees | Mark-up | Principal repayments |
|---|---|---|---|---|---|
| **8 Long term finances** | | | | | |
| **MCB Bank Limited** | | | | | |
| DF - Term Loan - II | 8.1 | - | 21,816,125 | Six month KIBOR plus 2.5% p.a to be serviced on semi annual basis. | 8 semi annual installments with grace period of one year commencing from October 2007 and ended in October 2012. |
| **Syndicated loan** | 8.2 | | | | |
| - Allied Bank Limited | | - | 14,062,500 | Six month KIBOR plus 3% p.a to be serviced on semi annual basis. | 16 equal quarterly installments with grace period of two years commencing from September 2006 and ended in September 2012. |
| - The Bank of Punjab | | - | 15,625,000 | | |
| - Silk Bank Limited | | - | 9,375,000 | | |
| - First Women Bank Limited | | - | 1,875,000 | | |
| - Pak Oman Investment Company Limited | | - | 6,250,000 | | |
| - First Credit and Investment Bank Limited | | - | 1,250,000 | | |
| - Bank Alfalah Limited | | - | 6,250,000 | | |
| - Saudi Pak Industrial & Agricultural Investment Company (Private) Limited | | - | 4,687,500 | | |
| | | - | 59,375,000 | | |
| **The Bank of Punjab** | | | | | |
| Term Finance | 8.3 | **203,699,112** | - | During Grace Period: Three month KIBOR plus 3.25% p.a. After Grace Period: Three month KIBOR plus 3% p.a. | 12 equal quarterly installments with grace period of nine months commencing from October 2012 and ending in July 2016. |
| | | **203,699,112** | 81,191,125 | | |
| Less: Transferred to current maturity | 13 | **67,899,704** | 81,191,125 | | |
| | | **135,799,408** | - | | |

**8.1** This loan was secured by way of first Pari passu charge of Rs. 319 million over all present and future fixed assets of Unit-I including plant and machinery of the company, first exclusive charge of Rs. 225 million over imported and local machinery of distillery Unit, ranking charge of Rs. 175 million over imported and local machinery and personal guarantees of all sponsor Directors of the Company. The loan has been repaid during the year.

**8.2** This loan was secured by way of first pari passu charge over all present and future fixed assets with 25% margin of Unit - III situated at Muzaffargarh and ranking charge over all present and future fixed assets at Unit - I with 25% margin and personal guarantees of all sponsor Directors of the Company. The loan has been repaid during the year.

**8.3** This loan is secured by way of ranking charge of Rs. 320 million over all present and future fixed assets of Unit-1, Unit-II & Unit-III (Land, Building and Plant & Machinery) of the Company, specific charge of Rs. 320 million over Carbon Dioxide Recovery Plant and personal guarantees of all sponsor Directors of the Company. Directors loan to the extent of Rs 300 million is subordinated to this loan. The ranking charge in favor of BOP over all present and future fixed assets of all units was to be replaced with 1st pari passu charge over all present & future fixed assets of Unit-1 till 31st March, 2013. However to date this has not been done and as a result the bank has been charging markup at the rate of three month KIBOR plus 5% p.a.

**9 Liabilities against assets subject to finance lease**

The amount of future minimum lease payments along with their present value and the periods during which they will fall due are:

| | Note | 2013 Minimum lease payments | 2013 Future finance cost | 2013 Present value |
|---|---|---|---|---|
| | | ---------- Rupees ---------- | | |
| **Particulars** | | | | |
| Not later than one year | *13* | **39,923,577** | **5,060,761** | **34,862,816** |
| Later than one year and not later than five years | | **67,107,125** | **581,581** | **66,525,544** |
| | | **107,030,702** | **5,642,342** | **101,388,360** |

| | Note | 2012 Minimum lease payments | 2012 Future finance cost | 2012 Present value |
|---|---|---|---|---|
| | | ---------- Rupees ---------- | | |
| **Particulars** | | | | |
| Not later than one year | *13* | 57,125,753 | 12,240,195 | 44,885,558 |
| Later than one year and not later than five years | | 107,889,292 | 6,262,573 | 101,626,719 |
| | | 165,015,045 | 18,502,768 | 146,512,277 |

The Company has entered into finance lease arrangements with various financial institutions for the lease of vehicles and plant and machinery as shown in note 17. The liabilities under these arrangements are payable in monthly, quarterly and semi annual installments and include finance cost ranging from 12.39% to 15.97% per annum (2012: 14.93% to 19.47% per annum) which has been used as the discounting factor.

All lease agreements carry renewal option at the end of lease period, however, the Company intends to exercise its option to purchase the leased assets upon completion of the respective lease terms. Residual value of the leased assets has already been paid at the inception of the lease in the form of security deposit. There are no financial restrictions imposed by lessors. Taxes, repairs, replacements and insurance costs are borne by the lessee.

10 This represents advances received from customers against sale of sugar from 2014-2015 production.

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| **11 Deferred liabilities** | | | |
| Employees' retirement benefits - Gratuity | *11.1* | **121,245,210** | 98,270,882 |
| Deferred taxation | *11.2* | **212,912,298** | 114,602,061 |
| | | **334,157,508** | 212,872,943 |

| | | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|
| **11.1** | **Employees' retirement benefits - Gratuity** | | | |
| **11.1.1** | **Amount recognized in balance sheet is as follows** | | | |
| | Present value of defined benefit obligation | *11.1.3* | **114,176,546** | 84,072,072 |
| | Unrecognized actuarial gain | *11.1.4* | **6,998,664** | 14,198,810 |
| | Benefits due but not paid during the year | | **70,000** | - |
| | **Liability as at 30 September 2013** | | **121,245,210** | 98,270,882 |
| **11.1.2** | **Movement in liability recognized in balance sheet** | | | |
| | Opening balance as at 01 October | | **98,270,882** | 77,731,174 |
| | Add: Expense for the year | *11.1.5* | **23,244,393** | 21,375,694 |
| | Less: Benefits paid during the year | | **(270,065)** | (835,986) |
| | Closing balance as at 30 September | | **121,245,210** | 98,270,882 |
| **11.1.3** | **Movement in liability for defined benefit obligation** | | | |
| | Present value of defined obligation as at 01 October | | **84,072,072** | 71,175,007 |
| | Current service cost | | **14,102,614** | 12,478,818 |
| | Interest cost for the year | | **9,668,288** | 8,896,876 |
| | Benefits paid during the year | | **(270,065)** | (835,986) |
| | Benefits due but not paid during the year | | **(70,000)** | - |
| | Actuarial loss/(gain) on present value of defined benefit obligation | | **6,673,637** | (7,642,643) |
| | **Present value of defined benefit obligation as at 30 September** | | **114,176,546** | 84,072,072 |
| **11.1.4** | **Changes in actuarial gains** | | | |
| | Unrecognized actuarial gains / (losses) | | **14,198,810** | 6,556,167 |
| | Actuarial (loss)/gain during the year | | **(6,673,637)** | 7,642,643 |
| | Actuarial (gains)/losses charged to profit and loss account | | **(526,509)** | - |
| | **Unrecognized actuarial gains** | | **6,998,664** | 14,198,810 |
| **11.1.5** | **The amounts recognized in the profit and loss account are as follows:** | | | |
| | Current service cost | | **14,102,614** | 12,478,818 |
| | Interest cost | | **9,668,288** | 8,896,876 |
| | Actuarial (gains)/losses charge | | **(526,509)** | - |
| | Net amount chargeable to profit and loss account | | **23,244,393** | 21,375,694 |

| | 2013 Rupees | 2012 Rupees | 2011 Rupees | 2010 Rupees | 2009 Rupees |
|---|---|---|---|---|---|
| **Historical Information** | | | | | |
| Present value of defined benefit obligations | **114,176,546** | 84,072,072 | 71,175,007 | 54,970,623 | 45,009,954 |
| Experience adjustment arising on plan liability (gains) / losses | **6,673,637** | (7,642,643) | (1,784,005) | (5,991,813) | 1,886,835 |

**11.2** The liability for deferred taxation comprises of temporary differences relating to:

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| Accelerated tax depreciation | | **958,377,950** | 995,132,266 |
| Retirement benefits | | **(25,227,667)** | (27,859,795) |
| Leased assets | | **31,016,069** | 34,469,261 |
| Unused tax losses and tax credits | *11.2.1* | **(751,254,054)** | (887,139,671) |
| | | **212,912,298** | 114,602,061 |

**11.2.1** Deferred tax asset on unused tax losses, tax credits available for carry forward are recognized to the extent it is probable that future taxable profits would be available against which these unused tax losses and tax credits would be utilized.

## 12 Short term borrowings - secured

| Banking & Financial Institutions | Limit (Rupees in million) | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|
| **Cash Finance** | | | | |
| MCB Bank Limited | 1100 | *12.1* | **503,872,000** | 893,553,000 |
| Allied Bank Limited | 550 | *12.2* | **444,333,500** | 438,493,000 |
| United Bank Limited | 500 | *12.3* | **200,000,000** | 137,197,550 |
| National Bank of Pakistan | 650 | *12.4* | **294,325,625** | 458,468,750 |
| Burj Bank Limited | 250 | *12.5* | **250,000,000** | 250,000,000 |
| Summit Bank Limited | 200 | *12.6* | **5,277,173** | 91,528,000 |
| The Bank Of Punjab | 700 | *12.7* | **312,315,794** | - |
| Sind Bank Limited | 1500 | *12.8* | **635,784,553** | - |
| **Running Finance** | | | | |
| MCB Bank Limited (within CF) | 100 | *12.9* | **99,041,900** | 98,806,732 |
| **Export Refinance/ Finance against Packing Credit** | | | | |
| MCB Bank Limited | 300 | *12.10* | **300,000,000** | 296,300,000 |
| Sindh Bank Limited | 1000 | *12.11* | **564,712,000** | 600,000,000 |
| | | | **3,609,662,545** | 3,264,347,032 |

**12.1** This facility is secured by way of pledge of refined sugar bags at Unit I, Unit II & Unit III. It carries mark-up at the rate of 1 month KIBOR plus 3%. Also included in it is a one-off cash finance facility of Rs. 400 million which carries mark up at the rate of 1 month KIBOR plus 3.25%.

In addition, this facility is secured by way of ranking charge of Rs. 667 million over all present and future current assets of the Company, first registered equitable mortgage charge of Rs. 50 million over fixed assets of the Company admeasuring 724 Kanals and 07 Marlas situated at Unit I and personal guarantees of all the sponsor Directors of the Company, as mentioned in note 12.9 and 12.10.

12.2 This facility is secured by way of pledge of refined sugar bags with 25% margin and personal guarantees of all the sponsor Directors of the Company. It carries mark-up at the rate of 1 month KIBOR plus 3.5%.

12.3 This facility is secured by way of pledge of sugar bags with 25% margin present at Unit I, Unit II & Unit III. and personal guarantees of all the sponsor Directors of the Company. It carries mark-up at the rate of 1 month KIBOR plus 3%.

12.4 This facility is secured by way of pledge of sugar with 25% margin and personal guarantees of all the sponsor Directors of the Company. It carries mark-up at the rate of 6 month KIBOR plus 2.75%.

12.5 This facility is secured by way of pledge of refined sugar with 30% margin, ranking hypothecation charge of Rs. 334 million on all present and future current assets of the Company and personal guarantees of all the sponsor Directors of the Company. It carries mark-up at the rate of matching KIBOR plus 4.25%.

12.6 This facility is secured by way of pledge of refined sugar with 25% margin, ranking charge of Rs. 67 million on all present and future fixed assets of Unit I and personal guarantees of all the sponsor Directors of the Company. It carries mark-up at the rate of 3 month KIBOR plus 5%.

12.7 This facility is secured by way of pledge of refined sugar with 25% margin and personal guarantees of all the sponsor Directors of the Company. It carries mark-up at the rate of 3 month KIBOR plus 3.25%. Also included in it is a one-off cash finance facility of Rs. 235 million which is secured by ranking charge of Rs. 314 million on all present and future fixed assets of the Company. It carries mark up at the rate of 3 month KIBOR plus 3.50%.

12.8 This facility is secured by way of pledge of refined sugar with 20% margin and personal guarantees of all the sponsor Directors. It carries mark-up at the rate of 3 month KIBOR plus 3.5% with a floor of 14%. Also included in it is a one-off cash finance facility of Rs. 300 million. It carries mark up at the rate of 14% to be charged quarterly.

12.9 This facility is secured by way of first registered joint pari passu charge of Rs. 318.667 million on all present and future fixed assets of the Company. It carries mark-up at the rate of 1 month KIBOR plus 3.25%.

12.10 This facility is secured by way of lien of irrevocable LC, first pari passu charge of Rs. 319 million over the present and future fixed assets of the company, first exclusive charge of Rs. 225 million over imported and local machinery of distillery Unit, ranking charge of Rs. 175 million over imported and local machinery of distillery Unit and personal guarantees of all the sponsor directors of the Company. It carries mark-up at the rate of 1 month KIBOR plus 3% or SBP plus 1%.

12.11 The facility is secured by way of lien of irrevocable LC, ranking charge over the current assets of the company with 25% margin and personal guarantees of all the sponsor Directors of the Company. It carries mark-up at SBP rate plus maximum spread allowed by SBP. Also included in it is a one-off export refinance (ERF) facility of Rs. 300 million which is secured by way of lien over export LC, ranking charge of Rs. 300 million over the present current assets of the company. It carries mark up at SBP rate or at the rate of 3 month KIBOR plus 3.50% with a floor of 14%.

12.12 In addition, the Company also availed cash finance limits of Rs. 800 million and FAPC/FATR limits of Rs. 1,120 million during the year, from various banks against pledge of sugar and personal guarantees of all the sponsor Directors of the Company. However, these were paid off before the year end.

| | | Note | 2013<br>Rupees | 2012<br>Rupees |
|---|---|---|---|---|
| 13 | **Current portion of long term liabilities** | | | |
| | Long term loans | 8 | **67,899,704** | 81,191,125 |
| | Liabilities against assets subject to finance lease | 9 | **34,862,816** | 44,885,558 |
| | | | **102,762,520** | 126,076,683 |

| | | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|
| **14** | **Trade and other payables** | | | |
| | Trade creditors | | **331,213,699** | 226,789,091 |
| | Creditors for capital expenditure | | **435,297,321** | 341,022,445 |
| | Contractors and suppliers | *14.1* | **39,014,125** | 44,767,671 |
| | Advances from customers | *14.2* | **1,009,401,668** | 200,610,563 |
| | Retention money payable | | **20,279,453** | 19,035,240 |
| | Sales tax payable | | **-** | 97,285,178 |
| | Income tax deducted at source | | **2,366,776** | 978,068 |
| | Workers Profit Participation Fund | *14.3* | **-** | 37,300,707 |
| | Unclaimed dividend | | **5,077,781** | 5,077,781 |
| | Accrued liabilities | | **45,612,752** | 34,815,126 |
| | Other liabilities | | **172,017,730** | 131,206,383 |
| | | | **2,060,281,305** | 1,138,888,253 |

**14.1** This represents payable to contractor and suppliers after close of 2013-2014 sugar season as per terms of the contract.

**14.2** This includes Rs. 158.13 million received from Trading Corporation of Pakistan (TCP) against sale of sugar. In the year 2009 the Food Directorate of the Government, in conjunction with the law enforcement agencies lifted and sold TCP sugar stocks, despite protest from the Company.

This lifting of the sugar stocks by government constituted an event of force majeure under clause 12 of terms of tenders and the tenders would, therefore, be discharged due to frustration of the contract. Accordingly the management, based on the legal opinion, is of the view that the Company after the event of force majeure is not required to make delivery of sugar to TCP and no penalties or incidental charges will arise on non performance of the contract. Further, the Company agreed to settle the remaining amount to TCP subject to reconciliation of quantity forcibly lifted by TCP which to-date is pending.

| | | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| **14.3** | **Workers' Profit Participation Fund** | | |
| | Opening balance | **37,300,707** | 63,471,893 |
| | Add: Expense for the year | **-** | - |
| | Interest on funds utilized in the Company's business | **-** | 5,883,704 |
| | | **37,300,707** | 69,355,597 |
| | Less: Paid during the year / payment made by the company on behalf of WPPF fund | **(37,300,707)** | (32,054,890) |
| | Closing balance | **-** | 37,300,707 |

| | | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| **15** | **Accrued finance cost** | | |
| | Long term loans-secured | **4,041,126** | 4,948,194 |
| | Short term borrowings-secured | **110,121,633** | 115,048,790 |
| | | **114,162,759** | 119,996,984 |

**16 Contingencies and commitments**

**16.1 Contingencies**

**(i)** Claims against the company not acknowledged as debts of Rs. 7.940 million (2012: Rs 7.940 million) other than disclosed below.

**(ii)** 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 3rd July 2013, levy a charge of Rs.2 per liter on manufacturing of spirit (ethanol). The management through its legal council is of the view that imposition of said levy has placed the distilleries in the Punjab province in a disadvantageous position as compared to other provinces and accordingly filed a writ petition no 18347/2012 against the above levy 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 the financial statements.

**(iii)** 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 and 2013 of Rs 60.84 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.

**16.2 Commitments**

**(i)** The Company has capital commitments of Rs. 80.56 million (2012: Rs. 97.05 million) on account of import of machinery and its related components.

**(ii)** The Company has given a bank guarantee with 100% cash margin of Rs. 1 million (2012: Rs. 1 million) to the Excise and Taxation Department for the export of ethanol.

**(iii)** The amount of future Ijarah rentals for Ijarah financing and the period in which these payments will become due are as follows:

| | **2013** | 2012 |
|---|---|---|
| | **Rupees** | Rupees |
| Not later than one year | **6,925,848** | - |
| Later than one year and not later than five years | **13,637,442** | - |
| | **20,563,290** | - |

## 17 Property, plant and equipment

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| Operating assets | 17.1 | 7,645,294,506 | 5,460,224,848 |
| Capital work in progress | 17.2 | 109,717,812 | 876,296,288 |
| | | 7,755,012,318 | 6,336,521,136 |

### 17.1 Property, plant and equipment

| | 2013 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | COST | | | | | DEPRECIATION | | | | |
| | As at 01 October 2012 | Additions / (deletions) during the year | Transfers | As at 30 September 2013 | Rate | As at 01 October 2012 | For the year | Transfers | As at 30 September 2013 | Net book value as at 30 September 2013 |
| | Rupees | | | | % | Rupees | | | | |
| *Owned* | | | | | | | | | | |
| Freehold land | 128,828,215 | 9,507,964 | - | 138,336,179 | | - | - | - | - | 138,336,179 |
| Building and roads on freehold land | 1,233,639,111 | 348,469,125 | - | 1,582,108,236 | 5 | 273,462,850 | 53,929,896 | - | 327,392,746 | 1,254,715,490 |
| Plant and machinery | 5,133,821,728 | 2,108,268,891 | - | 7,242,090,619 | 5 | 1,164,414,746 | 245,115,053 | - | 1,409,529,799 | 5,832,560,820 |
| Furniture and fittings | 10,876,286 | 1,681,080 | - | 12,557,366 | 10 | 5,322,761 | 633,552 | - | 5,956,313 | 6,601,053 |
| Telephone installations | 3,231,625 | 855,754 | - | 4,087,379 | 10 | 1,520,837 | 240,625 | - | 1,761,462 | 2,325,917 |
| Vehicles | 120,063,308 | 1,780,409<br>(3,209,821) | -<br>- | 118,633,896 | 20 | 92,445,939 | 5,693,860<br>(2,826,090) | - | 95,313,709 | 23,320,187 |
| Office equipment | 51,521,533 | 8,034,335 | - | 59,555,868 | 10 | 20,653,012 | 3,528,489 | - | 24,181,501 | 35,374,367 |
| Electrical equipment | 57,298,655 | 30,839,898 | - | 88,138,553 | 10 | 16,721,309 | 5,150,802 | - | 21,872,111 | 66,266,442 |
| Workshop and agricultural implements | 29,225,364 | 1,091,140 | - | 30,316,504 | 10 | 13,827,891 | 1,566,004 | - | 15,393,895 | 14,922,609 |
| Tube wells | 11,152,956 | 217,350 | - | 11,370,306 | 10 | 4,690,043 | 666,215 | - | 5,356,258 | 6,014,048 |
| Arms and ammunitions | 542,406 | - | - | 542,406 | 10 | 404,329 | 13,807 | - | 418,136 | 124,270 |
| Laboratory equipment | 9,003,550 | 9,538,713 | - | 18,542,263 | 10 | 3,613,145 | 648,862 | - | 4,262,007 | 14,280,256 |
| | 6,789,204,737 | 2,520,284,659<br>(3,209,821) | - | 9,306,279,575 | | 1,597,076,862 | 317,187,165<br>(2,826,090) | - | 1,911,437,937 | 7,394,841,638 |
| *Leased* | | | | | | | | | | |
| Vehicles | 43,745,521 | - | - | 43,745,521 | 20 | 15,483,839 | 5,652,341 | - | 21,136,180 | 22,609,341 |
| Plant and machinery | 286,737,615 | - | - | 286,737,615 | 5 | 46,902,324 | 11,991,764 | - | 58,894,088 | 227,843,527 |
| | 330,483,136 | - | - | 330,483,136 | | 62,386,163 | 17,644,105 | - | 80,030,268 | 250,452,868 |
| | 7,119,687,873 | 2,520,284,659<br>(3,209,821) | - | 9,636,762,711 | | 1,659,463,025 | 334,831,270<br>(2,826,090) | - | 1,991,468,205 | 7,645,294,506 |

#### 17.1.1 The depreciation charge for the year has been allocated as follows:

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| Cost of sales | 25 | 319,082,403 | 267,283,496 |
| Administrative expenses | 26 | 15,748,867 | 16,527,977 |
| | | 334,831,270 | 283,811,473 |

| | 2012 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | COST | | | | | DEPRECIATION | | | | |
| | As at 01 October 2011 | Additions / (deletions) during the year | Transfers | As at 30 September 2012 | Rate | As at 01 October 2011 | For the year | Transfers | As at 30 September 2012 | Net book value as at 30 September 2012 |
| | Rupees | | | | % | Rupees | | | | |
| *Owned* | | | | | | | | | | |
| Freehold land | 128,828,215 | - | - | 128,828,215 | | - | - | - | - | 128,828,215 |
| Building and roads on freehold land | 1,123,744,448 | 109,894,663 | - | 1,233,639,111 | 5 | 226,568,262 | 46,894,588 | - | 273,462,850 | 960,176,261 |
| Plant and machinery | 4,661,834,017 | 257,214,344 | 214,773,367 | 5,133,821,728 | 5 | 922,629,786 | 196,465,125 | 45,319,835 | 1,164,414,746 | 3,969,406,982 |
| Furniture and fittings | 10,278,309 | 597,977 | - | 10,876,286 | 10 | 4,742,687 | 580,074 | - | 5,322,761 | 5,553,525 |
| Telephone installations | 2,696,233 | 535,392 | - | 3,231,625 | 10 | 1,374,112 | 146,725 | - | 1,520,837 | 1,710,788 |
| Vehicles | 123,587,513 | 2,031,159 | - | 120,063,308 | 20 | 89,786,755 | 7,508,607 | - | 92,445,939 | 27,617,369 |
| | | (5,555,364) | - | | | | (4,849,423) | | | |
| Office equipment | 44,671,169 | 6,850,364 | - | 51,521,533 | 10 | 17,509,487 | 3,143,525 | - | 20,653,012 | 30,868,521 |
| Electrical equipment | 40,837,684 | 16,460,971 | - | 57,298,655 | 10 | 13,387,608 | 3,333,701 | - | 16,721,309 | 40,577,346 |
| Workshop and agricultural implements | 30,757,364 | 93,000 | - | 29,225,364 | 10 | 13,313,864 | 1,713,043 | - | 13,827,891 | 15,397,473 |
| | | (1,625,000) | | | | | (1,199,016) | | | |
| Tube wells | 11,152,956 | - | - | 11,152,956 | 10 | 3,971,941 | 718,102 | - | 4,690,043 | 6,462,913 |
| Arms and ammunitions | 542,406 | - | - | 542,406 | 10 | 388,988 | 15,341 | - | 404,329 | 138,077 |
| Laboratory equipment | 8,435,050 | 568,500 | - | 9,003,550 | 10 | 3,035,266 | 577,879 | - | 3,613,145 | 5,390,405 |
| | 6,187,365,364 | 394,246,370 | 214,773,367 | 6,789,204,737 | | 1,296,708,756 | 261,096,710 | 45,319,835 | 1,597,076,862 | 5,192,127,875 |
| | | (7,180,364) | | | | | (6,048,439) | | | |
| *Leased* | | | | | | | | | | |
| Vehicles | 30,509,521 | 13,236,000 | - | 43,745,521 | 20 | 10,334,794 | 5,149,045 | - | 15,483,839 | 28,261,682 |
| Plant and machinery | 385,030,982 | 116,480,000 | (214,773,367) | 286,737,615 | 5 | 74,656,441 | 17,565,718 | (45,319,835) | 46,902,324 | 239,835,291 |
| | 415,540,503 | 129,716,000 | (214,773,367) | 330,483,136 | | 84,991,235 | 22,714,763 | (45,319,835) | 62,386,163 | 268,096,973 |
| | 6,602,905,867 | 523,962,370 | - | 7,119,687,873 | | 1,381,699,991 | 283,811,473 | - | 1,659,463,025 | 5,460,224,848 |
| | | (7,180,364) | | | | | (6,048,439) | | | |

**17.1.2 Disposal schedule of operating property, plant and equipment:**

| Particulars | Cost | Accumulated depreciation | Book value | Sales proceeds | Gain/ (loss) | Mode of disposal | Sold to |
|---|---|---|---|---|---|---|---|
| | ----- | ----- | Rupees | ----- | ----- | | |
| ***Vehicles*** | | | | | | | |
| Suzuki Margalla LWO - 1975 and Honda Civic LXE - 0434 | 1,361,701 | 1,319,113 | 42,588 | 413,126 | **370,538** | Sale | Mr. Mazhar Inayat and Mr Raja Mustansar |
| Suzuki Pothohar LZV - 6609 | 741,000 | 585,601 | 155,399 | 145,039 | **(10,360)** | Sale | Mr. Ehsan Ullah |
| Honda Civic LZK - 9291 | 1,107,120 | 921,376 | 185,744 | 176,457 | **(9,287)** | Sale | Mr. Sadqain Sibghatullah |
| **2013** | **3,209,821** | **2,826,090** | **383,731** | **734,622** | **350,891** | | |
| 2012 | 7,180,364 | 6,048,439 | 1,131,925 | 3,190,091 | 2,058,166 | | |

| | | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| **17.2** | **Capital work in progress** | | |
| | *Owned* | | |
| | Civil works | 49,638,456 | 127,461,315 |
| | Plant and machinery | 56,903,921 | 635,392,914 |
| | Electric equipment | - | 103,123,023 |
| | Other | 3,175,435 | 10,319,036 |
| | | 109,717,812 | 876,296,288 |
| **17.2.1** | **Movement in the accounts is as follows:** | | |
| | Opening balance as at 01 October | 876,296,288 | 403,154,414 |
| | Addition made during the year | | |
| | Civil works | 138,545,408 | 144,981,887 |
| | Plant and machinery | 975,960,680 | 595,827,882 |
| | Electric equipment | 130,099,486 | 106,926,142 |
| | Other | 23,099,090 | 8,884,474 |
| | | 1,267,704,664 | 856,620,385 |
| | Capitalized during the year | | |
| | Civil works | (216,368,267) | (92,381,679) |
| | Plant and machinery | (1,554,449,672) | (281,134,642) |
| | Electric equipment | (233,222,511) | (8,342,190) |
| | Other | (30,242,690) | (1,620,000) |
| | | (2,034,283,140) | (383,478,511) |
| | Closing balance as at 30 September | 109,717,812 | 876,296,288 |
| **18** | **Long term deposits** | | |
| | Deposits against leased assets | 41,606,300 | 40,210,910 |
| | Others | 24,336,932 | 20,421,524 |
| | | 65,943,232 | 60,632,434 |
| **19** | **Stores, spares and loose tools** | | |
| | Stores and spares | 560,175,266 | 633,820,088 |
| | Oil and lubricants | 21,860,266 | 23,218,044 |
| | Chemicals | 46,104,190 | 46,224,713 |
| | | 628,139,722 | 703,262,845 |

**19.1** Stores and spares includes items which may result in fixed capital expenditure but are not distinguishable.

| | | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| **20** | **Stock in trade** | | |
| | Sugar | **1,898,385,668** | 2,194,679,979 |
| | Ethanol | **189,200,244** | 360,917,677 |
| | Molasses | **47,010,923** | 286,463,363 |
| | Top Gas | **1,645,469** | - |
| | | **2,136,242,304** | 2,842,061,019 |

The amount charged to profit and loss account on account of write down of Sugar to net realizable value amounted to Rs. 118.25 million (2012: Rs. Nil).

| | | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| **21** | **Trade debts** | | |
| | Considered good: | | |
| | - Unsecured | **33,232,863** | - |

This includes amount due from Riaz Bottlers (Pvt.) Limited, an associated Company against sale of sugar and top gas amounting to Rs. 15.77 million (2012: Rs. Nil) in the normal course of business and is over due by less than 180 days.

| | | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|
| **22** | **Advances, deposits, prepayments and other receivables** | | | |
| | Advances to sugar cane growers - unsecured, considered good | | **15,030,118** | 18,650,362 |
| | Advances to suppliers and contractors - unsecured, considered good | *22.1* | **189,012,487** | 105,925,468 |
| | Advances to staff - unsecured, considered good | | **26,595,400** | 8,309,648 |
| | Deposits | | **12,413,300** | 11,429,048 |
| | Advance against Letter of Credit | | **8,389,420** | 7,132,170 |
| | Prepayments | | **8,847,707** | 6,420,343 |
| | Export rebate | *28.1* | **99,877,750** | - |
| | Sales tax receivable | | **13,410,288** | - |
| | Other receivables | | **1,511,568** | 2,291,918 |
| | | | **375,088,038** | 160,158,957 |

**22.1** This represents unsecured interest free advances to contractors and suppliers for normal repair and maintenance.

| | | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|
| **23** | **Cash and bank balances** | | | |
| | Cash in hand | | **1,038,080** | 905,288 |
| | Cash at bank | | | |
| | - current accounts | | **338,713,829** | 365,186,327 |
| | - saving accounts | *23.1* | **425,608,149** | 79,205,414 |
| | | | **764,321,978** | 444,391,741 |
| | | | **765,360,058** | 445,297,029 |

**23.1** These carry mark up at the rates ranging from 5% to 7% per annum (2012: 6% to 7% per annum).

| | | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|
| **24** | **Sales** | | | |
| | **Local** | | | |
| | Sugar | | 7,543,225,538 | 7,147,711,343 |
| | Ethanol | | 83,782,875 | 181,554,310 |
| | Top Gas | | 149,366,039 | - |
| | | | 7,776,374,452 | 7,329,265,653 |
| | **Export** | | | |
| | Sugar | | 2,712,700,849 | - |
| | Ethanol | | 2,217,940,659 | 1,602,153,244 |
| | | | 4,930,641,508 | 1,602,153,244 |
| | | | 12,707,015,960 | 8,931,418,897 |
| | **Less:** Sales tax | | 33,421,853 | 25,041,975 |
| | Federal excise duty | | 378,798,114 | 529,460,226 |
| | | | 412,219,967 | 554,502,201 |
| | | | 12,294,795,993 | 8,376,916,696 |
| **25** | **Cost of sales** | | | |
| | Raw material consumed | | 9,439,008,902 | 6,690,822,716 |
| | Salaries, wages and other benefits | *25.1* | 255,530,137 | 227,310,971 |
| | Depreciation | *17.1.1* | 319,082,403 | 267,283,496 |
| | Stores consumption | | 285,115,756 | 231,922,331 |
| | Fuel and power | | 111,522,563 | 85,002,247 |
| | Repair and maintenance | | 255,422,990 | 273,684,608 |
| | Vehicle running expenses | | 21,754,312 | 20,093,973 |
| | Insurance | | 25,463,524 | 15,454,998 |
| | Other expenses | | 16,495,643 | 10,912,558 |
| | | | 10,729,396,230 | 7,822,487,898 |
| | Opening stock - finished goods | | 2,842,061,019 | 2,527,963,071 |
| | | | 13,571,457,249 | 10,350,450,969 |
| | Closing stock - finished goods | | (2,136,242,304) | (2,842,061,019) |
| | | | 11,435,214,945 | 7,508,389,950 |

**25.1** Salaries, wages and other benefits include Rs. 15,296,009 (2012: Rs. 14,546,891) in respect of employee retirement benefit.

| | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|
| **26 Administrative expenses** | | | |
| Salaries, wages and other benefits | *26.1* | **148,427,161** | 136,816,290 |
| Rent, rates and taxes | | **9,655,505** | 6,020,768 |
| Depreciation | *17.1.1* | **15,748,867** | 16,527,977 |
| Electricity charges | | **1,026,066** | 1,064,272 |
| Printing and stationery | | **8,621,318** | 9,454,424 |
| Insurance | | **2,103,027** | 4,131,822 |
| Postage, telephone and telegrams | | **5,086,539** | 4,378,707 |
| Vehicle running expenses | | **38,791,611** | 33,548,439 |
| Repair and maintenance | | **8,816,330** | 4,314,414 |
| Travelling and conveyance | | **15,736,015** | 13,189,550 |
| Subscription, books and periodicals | | **3,333,404** | 2,461,212 |
| Written off advances | | **-** | 790,602 |
| Legal and professional charges | | **4,869,294** | 6,230,955 |
| Auditors' remuneration | *26.2* | **1,775,000** | 1,615,000 |
| Entertainment | | **11,380,276** | 9,683,445 |
| Ijarah lease rentals | | **2,105,761** | - |
| Other expenses | | **15,098,241** | 11,433,482 |
| | | **292,574,415** | 261,661,359 |

**26.1** Salaries, wages and other benefits include Rs. 7,948,384 (2012: Rs. 6,828,803) in respect of employee retirement benefit.

| | 2013 Rupees | 2012 Rupees |
|---|---|---|
| **26.2 Auditors' remuneration** | | |
| Audit fee | **1,350,000** | 1,200,000 |
| Half yearly review | **385,000** | 385,000 |
| Out of pocket expenses | **40,000** | 30,000 |
| | **1,775,000** | 1,615,000 |

| | 2013 Rupees | 2012 Rupees |
|---|---|---|
| **27 Distribution expenses** | | |
| Handling and distribution | **83,877,048** | 39,421,785 |
| Transportation | **227,059,510** | 94,964,740 |
| Others | **17,382,862** | 24,896,565 |
| | **328,319,420** | 159,283,090 |

| | | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|
| 28 | **Other income** | | | |
| | **Income from financial assets** | | | |
| | Profit on saving accounts | | **12,176,401** | 11,024,478 |
| | **Income from non financial assets** | | | |
| | Profit on sale of fixed assets | *17.1.2* | **350,891** | 2,058,166 |
| | Exchange gain | | **7,331,750** | - |
| | Export rebate | *28.1* | **99,877,750** | - |
| | | | **119,736,792** | 13,082,644 |

**28.1** This represents inland freight rebate provided to exporters of sugar @ Rs. 1.75 per kg pursuant to public notice by Trade Development Authority of Pakistan (TDAP) dated 8th Feb, 2013.

| | | Note | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|
| 29 | **Finance cost** | | | |
| | Mark up on long term loans - secured | | **1,476,183** | 32,460,118 |
| | Mark up on short term bank borrowings - secured | | **611,453,937** | 521,485,670 |
| | Mark up on finance leases | | **11,524,257** | 35,615,346 |
| | Interest on Workers' Profit Participation Fund | | - | 5,883,704 |
| | Bank charges | | **1,751,688** | 4,628,759 |
| | Other charges | | **16,626,753** | 8,822,045 |
| | | | **642,832,818** | 608,895,642 |
| 30 | **Taxation** | | | |
| | For the year | | | |
| | - Current | *30.1* | - | 24,173,915 |
| | - Deferred tax | *30.2* | **98,310,237** | (219,358,494) |
| | | | **98,310,237** | (195,184,579) |
| | Prior year | | | |
| | - Current | | - | (2,505,546) |
| | | | **98,310,237** | (197,690,125) |

**30.1** In view of available tax losses, the provision for current tax represents tax under 'Final tax Regime' (FTR) and tax on minimum turnover u/s 113, of Income Tax Ordinance, 2001. Tax charge (normal and final) for current year has been restricted to zero because of the tax credit related to balancing, modernisation and replacement of plant and machinery already installed, as available u/s 65B of the Income Tax Ordinance, 2001. Minimum tax is available for set off for five years against normal tax liabilities arising in future years.

Tax under 'Final Tax Regime' represents tax on export of sugar and ethanol and is treated as a full and final discharge u/s 154 of Income Tax Ordinance, 2001. Current tax included tax under FTR amounting to Rs. 49.306 million (2012 : Rs. 16.021 million).

**30.2** The liability for deferred taxation comprise of timing differences relating to accelerated tax depreciation, leased assets, retirement benefits and unused tax losses and tax credits as mentioned in note 11.2.

**30.3** Since the Company is liable to pay minimum tax, therefore no numerical tax reconciliation is given.

**31 Capacity and production**

| | 2013 | | | |
|---|---|---|---|---|
| | **Unit I** | **Unit II** | **Unit III** | **Total** |
| ***Sugar plant*** | | | | |
| Season started on | **29 November '12** | **29 November '12** | **29 November '12** | **29 November '12** |
| Season closed on | **30 March '13** | **01 April '13** | **03 April '13** | **03 April '13** |
| Working Days | **122** | **124** | **126** | **372** |
| Crushing capacity (Metric tons) based on 160 days | **960,000** | **1,600,000** | **1,600,000** | **4,160,000** |
| Sugar cane crushed (Metric tons) | **556,144** | **724,066** | **897,054** | **2,177,264** |
| Sugar produced (Metric tons) | **50,997** | **61,172** | **85,201** | **197,369** |
| Recovery ratio | **9.17%** | **8.45%** | **9.50%** | **9.06%** |

Under utilisation of capacity is due to the fact that additional capacity became available after the closure of crushing season of 2012-2013. The increased capacity will be utilised during the crushing season of 2013-2014.

| | 2012 | | | |
|---|---|---|---|---|
| ***Sugar plant*** | Unit I | Unit II | Unit III | Total |
| Season started on | 18 November '11 | 29 November '11 | 18 November '11 | 18 November '11 |
| Season closed on | 23 March '12 | 29 March '12 | 12 April '12 | 12 April '12 |
| Working Days | 127 | 122 | 147 | 396 |
| Crushing capacity (Metric tons) based on 160 days | 960,000 | 1,120,000 | 800,000 | 2,880,000 |
| Sugar cane crushed (Metric tons) | 457,219 | 465,491 | 686,936 | 1,609,646 |
| Sugar produced (Metric tons) | 43,311 | 39,015 | 67,042 | 149,368 |
| Recovery ratio | 9.47% | 8.38% | 9.76% | 9.28% |

Due to normal technical stoppages during the season, 100% crushing capacity could not be achieved.

| | **2013** | 2012 |
|---|---|---|
| ***Ethanol-Distillery plant*** | | |
| Season started on | **01 October 12** | 01 October 11 |
| Season closed on | **30 September 13** | 30 September 12 |
| Working Days | **331** | 319 |
| Rated capacity (Liters) based on 300 days | **37,500,000** | 30,000,000 |
| Actual production (Liters) | **37,683,232** | 32,750,187 |
| ***Top Gas-Carbon dioxide plant*** | | |
| Season started on | **28 May 13** | - |
| Season closed on | **30 September 13** | - |
| Working Days | **99** | - |
| Rated capacity (Metric tons per day) | **48** | - |
| Actual production (Metric tons) | **3,058** | - |

The production of top gas/carbon dioxide started in month of May 28, 2013.

**32 Financial risk management**

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Market risk
- Operational risk
- Liquidity risk

The Board of Directors have the overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

**32.1 Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Out of the total financial assets of Rs. 1,124.83 million (2012: Rs. 590.73 million) financial assets which are subject to credit risk amount to Rs. 1,123.79 million (2012: Rs. 589.82 million).

To manage exposure to credit risk in respect of trade receivables, management reviews credit worthiness taking into account the customer's financial position, past experience and other factors. Export sales are secured through letters of credit. The management has set a policy of making sales to customers on a prepayment basis.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

**(i) Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is:

| | 2013 Rupees | 2012 Rupees |
|---|---|---|
| Trade debtors | 33,232,863 | - |
| Deposits | 326,234,643 | 145,428,966 |
| Bank balances | 764,321,978 | 444,391,741 |
| | 1,123,789,484 | 589,820,707 |

Trade debtor at the balance sheet date represents domestic parties and are not impaired.

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

| | Rating | | Rating | 2013 | 2012 |
|---|---|---|---|---|---|
| | Short term | Long term | Agency | Rupees | Rupees |
| Al-Baraka Islamic Bank | A1 | A | PACRA | 2,331,003 | 2,407,199 |
| Allied Bank Limited | A1+ | AA+ | PACRA | 45,532,549 | 29,261,485 |
| Bank Alfalah Limited | A1+ | AA | PACRA | 26,599,649 | 3,232,033 |
| The Bank of Punjab | A1+ | AA - | PACRA | 5,152,910 | 14,702,184 |
| Barclays Bank PLC | A1 | A+ | S&P | 44,163 | 41,846 |
| Burj Bank | A-1 | A | JCR-VIS | 214,844 | 540,909 |
| Dubai Islamic Bank | A-1 | A | JCR-VIS | 9,085 | 9,085 |
| Faysal Bank Limited | A1+ | AA | PACRA | 85,333 | 84,516 |
| Habib Bank Limited | A-1+ | AA+ | JCR-VIS | 14,796,581 | 445,891 |
| KASB Bank Limited | A3 | BBB | PACRA | 206,972 | 27,940,884 |
| MCB Bank Limited | A1+ | AAA | PACRA | 396,174,511 | 52,349,663 |
| NIB Bank Limited | A1+ | AA- | PACRA | 501,144 | 516,631 |
| National Bank of Pakistan | A-1+ | AAA | JCR-VIS | 33,384,635 | 7,296,591 |
| Silk bank Limited | A-2 | A - | JCR-VIS | 241,101 | 241,101 |
| Standard Chartered Bank Limited | A1+ | AAA | PACRA | 263,529 | 263,529 |
| Samba Bank Limited | A-1 | AA- | JCR-VIS | 52,751 | 15,245 |
| Sindh Bank Limited | A-1 | AA - | JCR-VIS | 83,616,552 | 139,497,503 |
| Summit Bank Limited | A-1 | A- | JCR-VIS | 5,960,398 | 1,597,436 |
| The bank Of Khyber | A-3 | A | JCR-VIS | 9,912 | 9,912 |
| United Bank Limited | A-1+ | AA+ | JCR-VIS | 149,144,356 | 163,938,098 |
| | | | | 764,321,978 | 444,391,741 |

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

**32.2 Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

**32.2.1 Currency risk**

The Company believes that it is not exposed to currency risk.

**32.2.2 Interest rate risk**

Interest rate risk is the risk that the value of financial instrument will fluctuate due to changes in market interest rates. Significant interest rate risk exposures are primarily managed by a mix of borrowings at variable interest rates. At the reporting date the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

| | **2013** | 2012 | **2013** | 2012 |
|---|---|---|---|---|
| | **Effective rate in** | | **Carrying amount** | |
| | ---------- **Percentage** ---------- | | ---------- **Rupees** --------- | |
| **Financial assets** | | | | |
| ***Fixed rate instruments*** | | | | |
| Bank balances - deposit accounts | **5% to 7%** | 6% to 7% | **425,608,149** | 79,205,414 |
| **Financial liabilities** | | | | |
| ***Floating rate instrument*** | | | | |
| Long term finances - PKR | **12.40% to 14.52%** | 13.35% to 16.39% | **203,699,112** | 81,191,125 |
| Liabilities against assets subject to finance lease | **12.39% to 15.97%** | 14.93% to 19.47% | **101,388,360** | 146,512,277 |
| Short term borrowings - PKR | **9.20% to 16.27%** | 9.50% to 17.45% | **3,609,662,545** | 3,264,347,032 |

***Fair value sensitivity analysis for fixed rate instruments***

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 profit and loss account.

***Cash flow sensitivity analysis for variable rate instruments***

If interest rates at the year end, fluctuate by 1% higher / lower with all the other variables held constant, profit and loss after taxation for the year would have been Rs 39.15 million higher / lower, mainly as a result of higher / lower interest expense on floating rate borrowings.

**32.2.3 Other price risk**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Company believes that it is not exposed to other price risk.

**32.2.4 Fair value of financial instruments**

The carrying values of the financial assets and financial liabilities approximate their fair values.

**32.3 Operational risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within the Company. This responsibility is supported by the development of overall company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective

**32.3.1 Capital 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 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. The Company monitors capital on the basis of the debt-to-equity ratio - calculated as a ratio of total debt to equity.

The debt-to-equity ratios as at 30 September 2013 and at 30 September 2012 were as follows:

| | **2013 Rupees** | 2012 Rupees Restated |
|---|---|---|
| Total debt | **4,939,764,065** | 4,449,343,263 |
| Total equity and debt | **8,333,298,654** | 8,379,924,938 |
| Debt-to-equity ratio | **59%** | 53% |

The increase in the debt-to-equity ratio in 2013 resulted primarily from the increase in borrowings during the year. For working capital requirements and capital expenditure, the company primarily relies substantially on short term borrowings.

### 32.4 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. The Company is not materially exposed to liquidity risk as substantially all obligations / commitments of the Company are short term in nature and are restricted to the extent of available liquidity. In addition, the Company has obtained short term working capital facilities from various commercial banks to meet any deficit, if required to meet the short term liquidity commitments.

The following are the contractual maturities of the financial liabilities, including estimated interest payments:

| | 2013 | | | |
|---|---|---|---|---|
| | **Carrying Amount** | **Less than one year** | **One to five years** | **More than five year** |
| | Rupees | | | |
| ***Financial liabilities*** | | | | |
| Long term finances | 203,699,112 | 67,899,704 | 135,799,408 | - |
| Loans from Directors-unsecured | 1,025,014,048 | - | - | 1,025,014,048 |
| Liabilities against asset subject to finance lease | 101,388,360 | 34,862,816 | 66,525,544 | - |
| Short term borrowings-secured | 3,609,662,545 | 3,609,662,545 | - | - |
| Trade and other payables | 2,060,281,305 | 2,060,281,305 | - | - |
| Accrued finance cost | 114,162,759 | 114,162,759 | - | - |
| | **7,114,208,129** | **5,886,869,129** | **202,324,952** | **1,025,014,048** |

| | 2012 | | | |
|---|---|---|---|---|
| | Carrying Amount | Less than one year | One to five years | More than five year |
| | Rupees | | | |
| | *(Restated)* | | | |
| ***Financial liabilities*** | | | | |
| Long term loans-secured | 81,191,125 | 81,191,125 | - | - |
| Loans from Directors - unsecured | 957,292,829 | - | - | 957,292,829 |
| Liabilities against asset subject to finance lease | 146,512,277 | 44,885,558 | 101,626,719 | - |
| Short term borrowings - secured | 3,264,347,032 | 3,264,347,032 | - | - |
| Trade and other payables | 1,138,888,253 | 1,138,888,253 | - | - |
| Accrued finance cost | 119,996,984 | 119,996,984 | - | - |
| | 5,708,228,500 | 4,649,308,952 | 101,626,719 | 957,292,829 |

33 **Business segments information**

| | Sugar | | Distillery | | Top Gas | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2013 Rupees** | 2012 Rupees | **2013 Rupees** | 2012 Rupees | **2013 Rupees** | 2012 Rupees | **2013 Rupees** | 2012 Rupees |
| **Sales - Net** | | | | | | | | |
| - External | **9,877,128,297** | 6,618,251,116 | **2,289,924,865** | 1,758,665,580 | **127,742,831** | - | **12,294,795,993** | 8,376,916,696 |
| - Inter-segment | **555,387,055** | 835,413,183 | **-** | - | **-** | - | **555,387,055** | 835,413,183 |
| | **10,432,515,352** | 7,453,664,299 | **2,289,924,865** | 1,758,665,580 | **127,742,831** | - | **12,850,183,048** | 9,212,329,879 |
| **Cost of sales** | | | | | | | | |
| - External | **10,487,688,574** | 7,251,834,133 | **919,016,311** | 256,555,817 | **28,510,060** | - | **11,435,214,945** | 7,508,389,950 |
| - Inter-segment | **-** | - | **555,387,055** | 835,413,183 | **-** | - | **555,387,055** | 835,413,183 |
| | **10,487,688,574** | 7,251,834,133 | **1,474,403,366** | 1,091,969,000 | **28,510,060** | - | **11,990,602,000** | 8,343,803,133 |
| **Gross (loss) / profit** | **(55,173,222)** | 201,830,166 | **815,521,499** | 666,696,580 | **99,232,771** | - | **859,581,048** | 868,526,746 |
| - Administrative expenses | **265,581,473** | 242,506,214 | **24,656,687** | 19,155,145 | **2,336,255** | - | **292,574,415** | 261,661,359 |
| - Distribution and selling expenses | **151,742,672** | 18,469,730 | **170,727,788** | 140,813,360 | **5,848,960** | - | **328,319,420** | 159,283,090 |
| | **417,324,145** | 260,975,944 | **195,384,475** | 159,968,505 | **8,185,215** | - | **620,893,835** | 420,944,449 |
| **Segment results** | **(472,497,367)** | (59,145,778) | **620,137,024** | 506,728,075 | **91,047,556** | - | **238,687,213** | 447,582,297 |
| Other operating expenses | | | | | | | **-** | - |
| Other income | | | | | | | **119,736,792** | 13,082,644 |
| **Profit from operations** | | | | | | | **358,424,005** | 460,664,941 |
| Finance cost | | | | | | | **(642,832,818)** | (608,895,642) |
| **(Loss) before taxation** | | | | | | | **(284,408,813)** | (148,230,701) |
| Taxation | | | | | | | **(98,310,237)** | 197,690,125 |
| **(Loss)/Profit after taxation** | | | | | | | **(382,719,050)** | 49,459,424 |

33.1 **Inter-segment sales and purchases and basis of pricing**

Inter-segment sales and purchases have been eliminated from total figure and all inter-segment transfers are made at market price.

| | | Sugar | | Distillery | | Top Gas | | Total | |
|---|---|---|---|---|---|---|---|---|---|
| | | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| | | **Rupees** | Rupees | **Rupees** | Rupees | **Rupees** | Rupees | **Rupees** | Rupees |
| 33.2 | **Segment assets** | **9,187,591,619** | 6,818,177,652 | **2,395,750,721** | 3,790,827,081 | **313,204,618** | - | **11,896,546,958** | 10,609,004,733 |
| 33.3 | **Segment liabilities** | **9,217,366,617** | 6,894,277,073 | **2,365,975,723** | 3,714,727,660 | **313,204,618** | - | **11,896,546,958** | 10,609,004,733 |
| 33.4 | **Capital expenditure** | **2,031,176,965** | 765,982,404 | **284,301,854** | 101,405,844 | **204,805,840** | - | **2,520,284,659** | 867,388,248 |
| 33.5 | **Depreciation on property, plant and equipment** | **266,305,141** | 213,282,333 | **49,662,266** | 47,814,377 | **1,219,758** | - | **317,187,165** | 261,096,710 |
| 33.6 | **Depreciation on leased assets** | **17,483,651** | 22,589,925 | **160,454** | 124,838 | **-** | - | **17,644,105** | 22,714,763 |

33.7 **Secondary reporting format**

Segment revenues from external customers by geographical areas is as follows:

| | Sugar | | Distillery | | Top Gas | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| | **Rupees** | Rupees | **Rupees** | Rupees | **Rupees** | Rupees | **Rupees** | Rupees |
| Export sales | **2,712,700,849** | - | **2,217,940,659** | 1,602,153,244 | **-** | - | **4,930,641,508** | 1,602,153,244 |
| Local sales | **7,164,427,424** | 6,618,251,116 | **71,984,230** | 156,512,336 | **127,742,831** | - | **7,364,154,485** | 6,774,763,452 |
| | **9,877,128,273** | 6,618,251,116 | **2,289,924,889** | 1,758,665,580 | **127,742,831** | - | **12,294,795,993** | 8,376,916,696 |

Export sales are 40.1% (2012: 19.13%) of total sales made by the Company.

## 34 Remuneration of chief executive, directors and executives

The aggregate amounts charged in the financial statements for the year for remuneration, including all benefits to the Chief Executive, Directors and Executives of the Company were as follows:

| | Chief Executive | | Directors | | Executives | |
|---|---|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| | **Rupees** | Rupees | **Rupees** | Rupees | **Rupees** | Rupees |
| Managerial remuneration | **5,880,000** | 5,600,000 | - | - | **7,131,600** | 7,108,267 |
| Medical allowance | **420,000** | 400,000 | - | - | **509,400** | 507,733 |
| | **6,300,000** | 6,000,000 | - | - | **7,641,000** | 7,616,000 |
| Number of persons | **1** | 1 | **6** | 6 | **7** | 8 |

The chief executive officer, directors and executives are provided with free use of Company maintained cars.

## 35 Number of employees

The Company has employed following number of persons:

| | **2013** | 2012 |
|---|---|---|
| | **(Number of persons)** | |
| - As at 30 September | **1,428** | 1,365 |
| - Average number of employees | **1,396** | 1,322 |

## 36 Transactions with related parties

The related parties comprise associated companies, directors of the Company, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties Amounts due from and to related parties are shown under receivables and payables and remuneration of directors and key management personnel are disclosed in note 34. Other significant transactions with related parties are as follows:

| Name of party | Relationship | Nature of Transaction | 2013 Rupees | 2012 Rupees |
|---|---|---|---|---|
| Riaz Bottlers (Pvt) Limited | Associated Company | Sale of sugar | **9,269,908** | 60,474,000 |
| | | Sale of top gas | **6,508,115** | - |
| | | Land and Building | - | - |
| Directors of the Company | Directors | Loan (repaid)/received | **(86,606,817)** | 1,740,003,326 |
| | | Guest house rent | **4,800,000** | 4,800,000 |
| **Other related parties** | | | | |
| Gratuity fund | | | **23,244,393** | 21,375,694 |

**37 Earnings per share**

**37.1 (Loss)/Profit per share - Basic**

| | | 2013 | 2012 |
|---|---|---|---|
| (Loss)/Profit after taxation | *Rupees* | **(382,719,050)** | 49,459,424 |
| Weighted average number of ordinary shares | *No. of shares* | **117,706,300** | 117,706,300 |
| (Loss)/Profit per share - basic | *Rupees* | **(3.25)** | 0.42 |

**37.2 Diluted earnings per share**

Diluted earnings per share has not been presented as the Company doesn't have any convertible instrument in issue as at the reporting date which would have any effect on the earnings per share if the option to convert is exercised.

**38 Date of authorization for issue**

These financial statements were authorized for issue on February 07, 2014 by the Board of Directors of the Company.

**39 General**

**39.1** Figures have been rounded off to the nearest rupee.

**39.2** Corresponding figures have been re-classified and re-arranged, where necessary for better presentation as per reporting framework.

**39.3** On 27th January, 2013, a fire broke at the head office (also the registered office) of the company i.e. 32-N Gulberg, II. Immediately following the incident, a data recovery and gathering exercise was initiated by the management. The management of the company was successful in retrieving the backup of data for the current financial year stored in the management Information systems i.e. accounting system, cane procurement system, stock and sales system and others.

**Lahore**
**February 07, 2014**

**Chief Executive** **Director**

# PROXY FORM

The Secretary
Tandlianwala Sugar Mills Limited
32-N, Gulberg II
LAHORE.

I/we ____________________________________________

of ____________________________________________

being a Member of **TANDLIANWALA SUGAR MILLS LIMITED** and a holder of ____________ Ordinary shares, as per Register Folio No. ________________ who is also Member of the Company of ____________________________ as my/our proxy to vote for me/us and on my/our behalf of the 25th Annual General Meeting of the Company to be held on February 28, 2014 and at any adjournment thereof.

As witness my hand this ______________ day of 2014 signed by ______________ in the presence of ____________________

Revenue
Stamp

(Signature should agree with the specimen signature registered with the Company)

**NOTE**:

1. This form of Proxy duly completed and signed, must be deposited at the Company's Registered Office not later than 48 hours before the meeting.

2. This form should be signed by the Member or by his/her Attorney duly authorized in writing. If the member is a corporation, its common seal should be affixed to the instrument.
3. A Member entitled to attend and vote at the meeting may appoint any other Member as his/her proxy to attend and vote on his/her behalf except that a corporation may appoint a person who is not a member.