



Ansari Sugar Mills Limited



**25th
Annual Report
2014**



ANSARI SUGAR MILLS LIMITED

TWENTY FIFTH ANNUAL REPORT 2014

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COMPANY PROFILE

BOARD OF DIRECTORS

Rashid Ahmed Khan
Khawaja Anver Majid

Chairman, Non-Executive Director (Independent)
Chief Executive & Executive Director

Khawaja Ali Kamal Majid
Khawaja Aleem Majid
Nihal Anwar
Dawoodi Morkas
Aurangzeb Khan

Executive Director
Non- Executive Director
Non Executive Director (Independent)
Executive Director
Executive Director

AUDIT COMMITTEE

Nihal Anwar
Dawoodi Morkas
Khawaja Aleem Majid

Chairman, Non Executive Director (Independent)
Member, Executive Director
Member, Non Executive Director

HUMAN RESOURCE & REMUNERATION COMMITTEE

Khawaja Aleem Majid
Nihal Anwar
Khawaja Ali Kamal Majid

Chairman, Non Executive Director
Member, Non Executive Director (Independent)
Member Executive Director

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Zafar Ali

BANKERS

National Bank Of Pakistan
Sindh Bank Limited
Summit Bank Limited
UBL Bank Limited
MCB Bank Limited

AUDITORS

M/s. Nazir Chaudhri & Co. Chartered Accountants

COST AUDITOR

Siddiqi and Company
Cost and Management Accountants

LEGAL ADVISOR

Ahmed & Qazi Advocates & Legal Consultants

REGISTRAR

BMF Consultants Pakistan (Pvt) Ltd
Room # 310, 311, 3rd Floor Anum Estate Building
49 Darul Aman Society, Main Sharah-e-Faisal
Karachi

REGISTERED OFFICE

1st Floor Block-2, Hockey Club of Pakistan Liaquat Barrack
Karachi.

FACTORY

Deh Jagsiyani,
Taluka Tando Ghulam Hayder
District Tando Muhammad Khan, Sindh.



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 25th Annual General Meeting of the shareholders of **Ansari Sugar Mills Limited**, will be held on Friday, January 30, 2015 at 09:00 am at the Registered office of the company situated at 1st Floor Block # 02 Hockey Club of Pakistan Stadium Liaquat Barrack Karachi for transacting following business.

Ordinary Business

- To confirm the minutes of the annual general meeting held on January 31, 2014.
- To receive, consider and adopt the audited accounts of the Company for the year ended September 30, 2014, together with the Directors Report and Auditors report thereon.
- To appoint Auditors and fix their remuneration for the year ending September 30, 2015. The Present auditors M/s. Nazir Chaudhri & Co, Chartered Accountants, retire and being eligible have offered themselves for reappointment.
- Any other business with the permission of the chair.

for **ANSARI SUGAR MILLS LIMITED**

Karachi
Dated: January 09, 2015

Company Secretary

NOTES:

1. The shares transfer book of the company will remain close from January 24, 2015 to January 30, 2015 (both day inclusive).
2. A member entitled to attend and vote at this meeting may appoint another member on his/her behalf. Proxies, in order to be effective, must be received by the company not less than 48 hours before the meeting.
3. The share holders are requested to notify any change in their address immediately.
4. Kindly quote your folio number in all correspondences with the company.



VISION & MISSION STATEMENT

VISION

To make a product of International Standard acceptable as a brand in the world market. To explore business opportunities available under the World Trade Organization regime.

MISSION

- To sustain contribution to the National Economy by producing the most cost effective product.
- To ensure professionalism and healthy working environment.
- To create a reliable product through adoption of latest technological advancement.
- To promote research & development and provide technical know-how to growers for improvement of sugar cane yield/recovery.



DIRECTORS' REPORT

Dear Shareholders:- Assalam-o-Alekum

On behalf of the Board of Directors and myself, I am pleased to present 25th Annual audited accounts financial statements of the Company for the year ended September 30, 2014 along with operational results, and Auditors' Report thereon.

OPERATING RESULTS

(Rupees in thousands)

| | |
|------------------------------------|-----------|
| Profit before taxation | 46,691 |
| Add: Taxation | (278,753) |
| Loss after taxation | (232,062) |
| Accumulated loss brought forward | (154,667) |
| Accumulated loss carried forward | (343,798) |
| Loss per share – Basic and diluted | (9.51) |

Performance Review

By the Grace of Allah, the overall performance of the Company continued to be satisfactory during the year.

Your Company started the crushing operations 2013-14 commenced on 1st November 2013 and the plant operated up to 14th March 2014 for 134 days as against 114 days in the preceding season. Sugarcane crushed during the current season was 382,090 M. Tons with average sucrose recovery of 10.89 % and sugar production of 41,643 M. Tons, as compared with crushing of 400,578 M. Tons with average sucrose recovery of 10.56 % and sugar production of 42,300 M. Tons during the preceding season.

| | | 2013-14 | 2012-13 |
|---------------------|---------|---------|---------|
| Crushing duration | Days | 134 | 114 |
| Sugarcane crushed | M. Tons | 382,090 | 400,573 |
| Sugar production | M. Tons | 41,643 | 42,300 |
| Sugar recovery | % | 10.89 | 10.55 |
| Molasses production | M. Tons | 17,090 | 17,255 |
| Molasses recovery | % | 4.47 | 4.30 |

Audited accounts show that company earned a gross profit of Rs. 248.489 million during the year, as compared to gross profit 186.058 million preceding year.

The company's financial results were also subject to cost audit under the Companies (Audit and Cost Account) Rules 1998 as in previous years. The cost audit was conducted by Messrs. Siddiqi & Company, Cost & Management Accountants.

Future Prospects

Your Company is considering for corporate farming in order to secure high quality sugar cane at lower cost in order to earn better return on capital employed.



Furthermore that the government has very recently allowed export of 650,000 M. Tons and also allowed freight subsidy of Rs. 2/Kg and cash subsidy of Rs.8/Kg on export of sugar that will have some positive impact on local sugar market and these measurements will bring relief to the Company to some extent and sugar industry will recoup from the current crises.

Corporate Social Responsibility

Since the sugarcane growers are considered to be the important stakeholders, your Company is committed to facilitate the local farmers of the area. In order to support the farmer of the area the company has given the substantial amount as grower's loan and advances particularly for fertilizer and seeds.

Auditors

The auditors Messrs. Nazir Chaudhri & Co, Chartered Accountants, retire and being eligible have offered themselves for re-appointment. The Audit Committee has recommended considering the re-appointment of Messrs. Nazir Chaudhri & Co Chartered Accountants, as auditors of the Company for the ensuing year.

Statement on Corporate and Financial Reporting Framework

1. The financial statements, prepared by the Company, present fairly its state of affairs, the result of operations, cash flows and changes in equity.
2. Proper books of account of the Company have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of the financial statements. Changes, if any have been adequately disclosed and accounting estimates are based on reasonable and prudent judgment.
4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and deviation there from if any, has been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored regularly.
6. There are no significant doubts upon the Company's ability to continue as a going concern.
7. There has been no material departure from the best practices of the corporate governance, as detailed in the listing regulations.
8. Key operating and financial data for last six years in summarized form is given.
9. Information about the taxes and levies is given in the notes to the financial statements.
10. The pattern of shareholding and additional information regarding pattern of shareholding is given in the notes to the financial statements.
11. The Directors, CEO, CFO, Company Secretary and their spouses and minor children did not carry out trade in the shares of the Company.



12. The Company will enrolled its directors for the training programs and, as well as appoint the qualified CFO as required by the CCG before the next of accounting year.

GENERAL

The directors place on record their appreciation of the devoted services and hard work put in by the officers, staff and workers of the Company.

On behalf of the Board of Directors

Khawaja Anver Majid
Chief Executive

Karachi: January 09, 2015



STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35 of listing regulations of the Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG 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:

| CATEGORY | NAME |
|-------------------------------------|--|
| Non-Executive Independent Directors | Mr. Rashid Ahmed Khan Mr. Nihal Anwar |
| Non-Executive Directors | Mr. Khawaja Aleem Majid |
| Executive Directors | Mr. Khawaja Anver Majid Mr. Khawaja Ali Kamal Majid Mr. Dawoodi Morkas Mr. Aurangzeb Khan |

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.
4. Three causal vacancies occurring on the board was filled up by the directors within 30 days.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board/shareholders.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met 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. No training programs were arranged by the Board for its directors during the year. However, these courses will be arranged by the Board in the next year.



10. The Board has approved appointment of CFO and Company Secretary including their remuneration and terms and conditions of employment. However, the CFO of the Company does not possess the qualification and experience as required by the code however, board is considering appointment of new CFO.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of three members, of whom two are non-executives directors including the chairman of the committee.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. 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 three members, of whom two are non-executive directors including the chairman of the committee.
18. The Board has set-up an effective internal audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the company.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the CCG have been complied with except for the Board Evaluation and qualification of CFO, towards which the company will seek compliance by the end of next accounting year.

For and on behalf of the Board

Khawja Anver Majid
Chief Executive Officer

Karachi January 09, 2015



**PATTERN OF SHAREHOLDING
OF THE SHARES HELD BY THE SHAREHOLDERS
AS ON SEPTEMBER 30, 2013**

| Number of Shareholders | Shareholdings | | | | Total Shares held |
|------------------------|---------------|---|------------|--------|-------------------|
| 849 | 1 | - | 100 | Shares | 36,514 |
| 595 | 101 | - | 500 | Shares | 200,565 |
| 256 | 501 | - | 1,000 | Shares | 197,526 |
| 355 | 1,001 | - | 5,000 | Shares | 770,801 |
| 59 | 5,001 | - | 10,000 | Shares | 407,766 |
| 25 | 10,001 | - | 15,000 | Shares | 310,801 |
| 7 | 15,001 | - | 20,000 | Shares | 119,369 |
| 8 | 20,001 | - | 25,000 | Shares | 180,917 |
| 5 | 25,001 | - | 30,000 | Shares | 136,827 |
| 1 | 30,001 | - | 35,000 | Shares | 30,550 |
| 3 | 35,001 | - | 40,000 | Shares | 114,126 |
| 4 | 40,001 | - | 45,000 | Shares | 164,854 |
| 1 | 45,001 | - | 50,000 | Shares | 46,000 |
| 1 | 50,001 | - | 65,000 | Shares | 55,900 |
| 4 | 65,001 | - | 70,000 | Shares | 274,852 |
| 1 | 70,001 | - | 100,000 | Shares | 81,265 |
| 1 | 100,001 | - | 120,000 | Shares | 102,937 |
| 1 | 120,001 | - | 300,000 | Shares | 125,000 |
| 1 | 300,001 | - | 500,000 | Shares | 414,580 |
| 1 | 500,001 | - | 1,000,000 | Shares | 720,220 |
| 2 | 1,000,001 | - | 2,000,000 | Shares | 3,854,000 |
| 1 | 2,000,001 | - | 16,100,000 | Shares | 16,061,828 |
| 2,181 | TOTAL | | | | 24,407,198 |



**PATTERN OF SHAREHOLDING UNDER REGULATION 37(XX)(I)
OF THE CODE OF CORPORATE GOVERNANCE
AS AT SEPTEMBER 30, 2014**

| Categories of Shareholders | Number of Shareholders | Number of Shares held | % of Shareholding |
|---|------------------------|-----------------------|-------------------|
| 1. Associated Companies | - | - | 0.00% |
| 2. NIT and ICP | 2 | 111,290 | 0.46% |
| 3. Directors, CEO, their Spouses & Minor Children | 7 | 16,784,148 | 68.77% |
| 4. Executives | - | - | 0.00% |
| 5. Public Sector Companies & Corporations | 10 | 2,170,379 | 8.89% |
| 6. Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Modarbas & Mutual Funds | 12 | 136,839 | 0.56% |
| 7. Individuals | 2,150 | 5,204,542 | 21.32% |
| TOTAL | 2,181 | 24,407,198 | 100.00% |

DETAILS OF CATEGORIES OF SHAREHOLDERS

| Names | Number of Shareholders | Number of Shares held | % of Shareholding |
|--|------------------------|-----------------------|-------------------|
| 1. <u>Associated Companies</u> | - | - | - |
| 2. <u>NIT and ICP</u> | | | |
| 2.1 INVESTMENT CORPORATION OF PAKISTAN | 1 | 69,990 | 0.29% |
| 2.2 NATIONAL BANK OF PAKISTAN TRUSTEE DEPARTMENT | 1 | 41,300 | 0.17% |
| | 2 | 111,290 | 0.46% |
| 3. <u>Directors, CEO, their Spouses & Minor Children</u> | | | |
| <u>Directors and CEO</u> | | | |
| 3.1 KHAWAJA ANVER MAJID | 1 | 16,061,828 | 65.81% |
| 3.2 KHAWAJA ALI KAMAL MAJID | 1 | 720,220 | 2.95% |
| 3.3 KHAWAJA ALEEM MAJID | 1 | 1,000 | 0.00% |
| 3.4 NIHAL ANVER | 1 | 500 | 0.00% |
| 3.5 RASHID AHMED KHAN | 1 | 500 | 0.00% |
| 3.6 AURANGZEB KHAN | 1 | 50 | 0.00% |
| 3.7 DAWOOD MORKAS | 1 | 50 | 0.00% |
| | 7 | 16,784,148 | 68.77% |
| <u>Spouses of Directors and CEO</u> | - | - | - |
| <u>Minor Children of Directors and CEO</u> | - | - | - |
| | 7 | 16,784,148 | 68.77% |



**PATTERN OF SHAREHOLDING UNDER REGULATION 37(XX)(I)
OF THE CODE OF CORPORATE GOVERNANCE
AS AT SEPTEMBER 30, 2014**

SHAREHOLDERS HOLDING 5% OR MORE OF THE VOTING SHARES/ INTERESTS IN THE COMPANY

| | Names | Number of Shareholders | Number of Shares held | % of Shareholding |
|---|-------------------------------------|-------------------------------|------------------------------|--------------------------|
| 1 | KHAWAJA ANVER MAJID | 1 | 16,061,828 | 65.81% |
| 2 | SAYED ABDUL BAQAR NAQVI | 1 | 1,937,000 | 7.94% |
| 3 | UNICOR PROPERTY DEVELOPMENT LIMITED | 1 | 1,917,000 | 7.85% |

DETAILS OF TRADING IN THE SHARES OF THE COMPANY BY DIRECTORS, CEO, CFO, COMPANY SECRETARY, THEIR SPOUSES AND MINOR CHILDREN



STATEMENT OF ETHICS & BUSINESS PRACTICE

Ansari Sugar Mills Limited was established with an aim of producing high quality sugar for its customer and meeting the expectation of its stakeholders. We ensure transparency and professionalism at every step of our dealings, and look after the interests of our stakeholders.

This statement of the company is based on the following principles:

Quality of Product

- We strive to produce the high quality of sugar for our customers.
- We believe in technology and innovation and strive to implement innovative ideas in the Company.
- We maintain all relevant technical and professional standards to be compatible with the requirements of the trade.

Dealing with Employees

- We recognize and reward employees for their performance.
- We measure the performance of our employees by their ability to meet their objectives, their conduct at work, dealing with others both within and outside the organization, their contribution towards training people and succession planning, and innovation at their work place.
- We provide a congenial work atmosphere where all employees are treated with respect and dignity and work as a team for a common goal.
- Unless specifically mentioned, all rules and regulation prevailing in the company apply to all levels of employees of the company.

Responsibility to Society / Interested Parties

- We have an important role towards our society, shareholders, creditors, the Government and public at large. We are objective and transparent in our dealings with all our stakeholders so as to meet the expectations of the people who rely on us.
- We meet all our obligations and ensure timely compliance.

Financial Reporting and Internal Control

- To meet the expectations of the wide spectrum of society and Government agencies, we have implemented an effective, transparent and fair system of financial reporting and internal control.
- To ensure efficient and effective utilization of Company's resources, we have placed financial planning and reporting at the heart of management practice at this not only serves to facilitate viable and timely decisions, but also makes Company dealings more transparent and objective oriented.
- We have a sound and efficient Internal Audit department to enhance the reliability of the financial information and data generated by the Company. It also helps building the confidence of our external stakeholders.

Purchase of Goods and Timely Payment

- To ensure cost effectiveness, we only purchase goods and services that meet our specifications and are priced appropriately. To gauge the market conditions and availability of substitute or services, we obtain quotations from various sources before finalizing our decision.



- We ensure timely payments, which over the year, has built trust and reliability amongst our suppliers.

Conflict of Interest

- Activities and involvements of the directors and employees of the Company in no way conflict with the interest of the Company. All acts and decisions of the management are made in the interest of the Company.

Observance to laws of the Country

- The Company fulfills all statutory requirements of the Government and follows all applicable laws of the country.

Environmental Protection

- The Company uses all means to protect the environment and to ensure health and safety of the work force. We have, and will continue to attain, necessary technology to ensure protection of the environment and well being of the people living in adjoining areas of our plant.

Objectives of the Company

- We at Ansari Sugar Mills Limited, recognize the need of working at the highest standards to meet the expectations of all our stakeholders.
- We conduct the business of the Company with integrity and supply only quality and credible information.
- We produce and supply goods and information with great care and competence, to ensure that customers and creditors receive the best quality and care.
- We respect the confidentiality of the information acquired during the course of our work with our business associates, and refrain from acting in any manner which could discredit the Company.
- Our organization is free of all vested interests that could affect its integrity, objectivity and independence.



SIX YEARS REVIEW AT A GLANCE

(Rupees in thousand)

| FINANCIAL RESULTS | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| Sales | 1,481,835 | 2,731,253 | 1,628,242 | 1,927,676 | 2,635,631 | 1,269,457 |
| Gross profit/(loss) | 248,489 | 186,126 | (63,839) | 174,515 | 7,951 | 103,099 |
| Operating profit/(loss) | 161,570 | 77,925 | (133,228) | 109,650 | (42,116) | 59,446 |
| Profit/(loss) before taxation | 46,691 | (195,605) | (441,444) | (181,583) | (168,255) | 464,865 |
| (Loss)/profit after taxation | (232,062) | (87,374) | (441,985) | (159,128) | (93,929) | 516,328 |
| Accumulated (loss)/profit for the year | (343,798) | (497,163) | (455,984) | (31,170) | 109,881 | 189,725 |
| OPERATING RESULTS | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
| Season Started | 01-11-2013 | 29-11-2012 | 21-12-2011 | 09-12-2010 | 04-12-2009 | 28-11-2008 |
| Season Closed | 14-03-2014 | 22-03-2013 | 16-03-2012 | 11-04-2011 | 13-03-2010 | 19-03-2009 |
| Days Worked | 134 | 114 | 87 | 124 | 100 | 112 |
| Sugarcane crushed (tonnes) | 382,090 | 400,574 | 428,693 | 604,273 | 532,262 | 491,346 |
| Sugar Recovery (%) | 10.89% | 10.56 | 8.35 | 8.31 | 7.71 | 7.88 |
| Sugar produced (tonnes) | 41,643 | 42,300 | 35,810 | 50,312 | 40,955 | 38,686 |
| Molasses recovery (%) | 4.47 | 4.30 | 4.51 | 4.63 | 4.65 | 4.98 |
| Molasses produced (tonnes) | 17,090 | 17,255 | 19,350 | 28,240 | 24,700 | 24,450 |
| ASSETS EMPLOYED | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
| Fixed capital expenditure | 3,302,064 | 3,238,354 | 2,097,820 | 1,998,006 | 2,082,902 | 1,266,002 |
| Long term loans and deposits | 2,726 | 1,982 | 1,643 | 747 | 729 | 652 |
| Current Assets | 2,365,424 | 2,012,999 | 2,058,550 | 1,915,465 | 659,864 | 704,105 |
| Total Assets employed | 5,670,514 | 5,253,335 | 4,158,013 | 3,914,218 | 2,743,495 | 1,970,759 |
| FINANCED BY | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
| | Rupees | | | | | |
| Shareholders' equity | (72,726) | 116,405 | (80,606) | 239,901 | 380,954 | 460,797 |
| Long term liabilities | 1,244,670 | 1,504,742 | 1,150,021 | 777,587 | 826,551 | 779,150 |
| Deferred Liabilities | 694,626 | 423,083 | 269,598 | 271,214 | 313,858 | 269,009 |
| Current Liabilities | 2,882,433 | 1,980,062 | 2,373,526 | 1,991,306 | 574,275 | 366,682 |
| Total funds invested | 4,749,005 | 4,024,292 | 3,712,539 | 3,280,008 | 2,095,638 | 1,895,638 |
| Break-up value per share | 40.35 | 50.41 | 17.03 | 0.98 | 1.56 | 1.89 |
| (Loss)/Earnings per share | (9.51) | 6.24 | (13.84) | (6.52) | (3.85) | 21.15 |



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

We have reviewed the enclosed Statement of Compliance with the best practices ('the Statement') contained in the Code of Corporate Governance ('the Code') prepared by the Board of Directors of **Ansari Sugar Mills Limited** ('the Company') for the year ended 30 September 2014 to comply with the requirements of Listing Regulation No.35 of Chapter XI of The Karachi Stock Exchange (Guarantee) Limited and Listing Regulation No.35 of Chapter XI of The Lahore Stock Exchange (Guarantee) Limited, where the Company is listed. The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively be verified, whether the Statement reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As 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 of Directors' statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 September 2014. Further, we highlight below instances of non compliance with the requirements of the Code as reflected in the paragraph 23 of the Statement of Compliance.

- (a) As disclosed in point 9 of the Statement, none of the Directors obtained certification under directors' training program as required under clause (XI) of the Code; and
- (b) As disclosed in point 10 of the Statement, CFO of the Company does not possess the required qualification and experience as required under clause (XIII) of the Code.

Nazir Chaudhri & Co.

Nazir Chaudhri & Co.

Chartered Accountants

Engagement Partner: Abdul Rafay, ACA

Karachi
January 09, 2015



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Ansari Sugar Mills Limited** ('the Company') as at 30 September 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes described in note 3.1 to the accompanying financial statements with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of Company's affairs as at 30 September 2014 and of the loss, total 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 & Ushr Ordinance, 1980 (XVIII of 1980).

Without qualifying our opinion, we draw attention to note 2.5 to the financial statements which indicates that the Company has incurred net loss of Rs.232.062 million for the year and as at 30 September 2014, the Company has accumulated losses of Rs.343.798 million and the equity of the Company is negative by Rs. 72.726 million. These conditions along with other matters as set forth in note 2.5 to the financial statements indicate the existence of material uncertainty, which may cast significant doubt about the Company's ability to continue as a going concern.

Karachi
January 9, 2015

Nazir Chaudhri & Co.
Nazir Chaudhri & Co.
Chartered Accountants
Engagement Partner: Abdul Rafay, ACA



BALANCE SHEET AS AT SEPTEMBER 30, 2014

| | Note | 2014 Rupees | 2013 Rupees Restated | 2012 Rupees Restated |
|--|------|----------------------|----------------------------|----------------------------|
| ASSETS | | | | |
| NON CURRENT ASSETS | | | | |
| Property, plant and equipment | 5 | 3,302,064,223 | 3,238,354,199 | 2,097,820,401 |
| Intangible assets | 6 | 339,578 | 824,485 | 547,055 |
| Long term investment | 7 | 135,907,037 | 121,174,627 | 108,039,218 |
| Long term loans | 8 | 2,227,679 | 1,483,567 | 1,143,990 |
| Long term deposits | | 498,500 | 498,500 | 498,500 |
| | | 3,441,037,017 | 3,362,335,378 | 2,208,049,164 |
| CURRENT ASSETS | | | | |
| Biological assets | 9 | 176,017,778 | - | - |
| Stores, spares and loose tools | 10 | 284,423,455 | 222,803,949 | 157,890,401 |
| Stock-in-trade | 11 | 968,721,425 | 483,387,856 | 1,197,758,125 |
| Trade debts | 12 | 308,436,728 | 578,844,222 | 304,926,204 |
| Loans and advances | 13 | 355,266,958 | 448,882,784 | 386,084,676 |
| Short term deposits, prepayments and other receivables | 14 | 101,219,914 | 52,339,417 | 1,829,438 |
| Tax refunds due from the government | 15 | 6,970,197 | 7,741,317 | 7,741,317 |
| Cash and bank balances | 16 | 164,367,559 | 218,999,242 | 2,319,656 |
| | | 2,365,424,014 | 2,012,998,787 | 2,058,549,817 |
| | | 5,806,461,031 | 5,375,334,165 | 4,266,598,981 |
| EQUITY AND LIABILITIES | | | | |
| SHARE CAPITAL AND RESERVES | | | | |
| Authorised capital 30,000,000 (2013 : 30,000,000) Ordinary shares of Rs.10 each | | 300,000,000 | 300,000,000 | 300,000,000 |
| Issued, subscribed and paid-up capital | 17 | 244,071,980 | 244,071,980 | 244,071,980 |
| General reserve | | 27,000,000 | 27,000,000 | 27,000,000 |
| Accumulated losses | | (343,798,111) | (154,667,341) | (351,678,386) |
| | | (72,726,131) | 116,404,639 | (80,606,406) |
| Surplus on revaluation of fixed assets | 18 | 1,057,455,393 | 1,113,972,951 | 496,193,871 |
| NON CURRENT LIABILITIES | | | | |
| Long term finances | 19 | 1,244,669,737 | 1,504,742,485 | 1,150,020,711 |
| Deferred liabilities | 20 | 694,628,170 | 423,429,192 | 268,456,030 |
| Subordinate loan | 21 | - | 236,722,565 | 59,008,547 |
| | | 1,939,297,907 | 2,164,894,242 | 1,477,485,288 |
| CURRENT LIABILITIES | | | | |
| Current portion of long term finances | 19 | 387,300,013 | 225,772,204 | 40,857,920 |
| Short term borrowings | 22 | 2,234,003,612 | 1,456,910,220 | 1,825,706,254 |
| Trade and other payables | 23 | 104,454,728 | 178,292,189 | 394,071,295 |
| Accrued mark-up | | 131,181,633 | 97,188,854 | 95,925,126 |
| Taxation - net | | 25,493,876 | 21,898,866 | 16,965,633 |
| | | 2,882,433,862 | 1,980,062,333 | 2,373,526,228 |
| CONTINGENCIES AND COMMITMENTS | | | | |
| | 24 | | | |
| | | 5,806,461,031 | 5,375,334,165 | 4,266,598,981 |

The annexed notes from 1 to 42 form an integral part of these financial statements.

Chief Executive

Director



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

| | Note | 2014 Rupees | 2013 Rupees Restated |
|---|------|-----------------------------|----------------------------|
| Sales - net | 25 | 1,481,835,741 | 2,731,253,087 |
| Cost of sales | 26 | <u>(1,233,346,574)</u> | <u>(2,545,194,662)</u> |
| Gross profit | | 248,489,167 | 186,058,425 |
| Operating expenses | | | |
| Selling and distribution expenses | 27 | <u>(1,818,718)</u> | <u>(26,762,412)</u> |
| Administrative expenses | 28 | <u>(74,032,649)</u> | <u>(82,808,156)</u> |
| Other operating expenses | 29 | <u>(11,067,518)</u> | <u>(9,353,826)</u> |
| | | <u>(86,918,885)</u> | <u>(118,924,394)</u> |
| Operating profit | | 161,570,282 | 67,134,031 |
| Other income | 30 | <u>331,902,165</u> | <u>331,877,492</u> |
| | | <u>493,472,447</u> | <u>399,011,523</u> |
| Finance cost | 31 | <u>(446,780,855)</u> | <u>(355,055,646)</u> |
| Profit before taxation | | 46,691,592 | 43,955,877 |
| Taxation | 32 | <u>(278,753,951)</u> | <u>108,231,652</u> |
| (Loss) / profit after taxation | | <u>(232,062,359)</u> | <u>152,187,529</u> |
| (Loss) / earning per share - Basic & Diluted | 33 | <u>(9.51)</u> | <u>6.24</u> |

The annexed notes from 1 to 42 form an integral part of these financial statements.


Chief Executive


Director



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

| | | 2014 Rupees | 2013 Rupees |
|---|------|----------------------|-------------------------|
| (Loss) / profit after taxation | | (232,062,359) | Restated 152,187,529 |
| Items not to be reclassified to profit or loss in subsequent period: | | | |
| Loss on remeasurment of post employment benefit obligations | 20.3 | (287,720) | (1,370,401) |
| Incremental depreciation on revalued fixed assets - net of tax | 18 | 43,219,309 | 46,193,917 |
| Total comprehensive (loss) / income for the year | | <u>(189,130,770)</u> | <u>197,011,045</u> |

The annexed notes from 1 to 42 form an integral part of these financial statements.

Chief Executive

Director



CASH FLOW STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2014

| | Note | 2014 Rupees | 2013 Rupees Restated |
|---|------|----------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net cash generated from operations | 37 | (104,039,405) | 322,657,820 |
| Taxes paid | | (17,288,436) | (33,350,503) |
| Gratuity paid | | (1,429,814) | (1,355,863) |
| Workers' Welfare Fund paid | | (9,353,826) | - |
| Long term staff loans sanctioned | | (744,112) | (339,577) |
| Finance cost paid | | (383,694,859) | (307,071,451) |
| Net cash used in operating activities | | <u>(516,550,452)</u> | <u>(19,459,574)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Fixed capital expenditure incurred | | (216,677,044) | (333,078,753) |
| Intangible assets acquired during the year | | - | (652,915) |
| Proceeds from disposal of property, plant and equipment | | 47,360 | 1,719,000 |
| Net cash used in investing activities | | <u>(216,629,684)</u> | <u>(332,012,668)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Short term borrowings received / (repaid) during the year - net | | 777,093,392 | (428,497,390) |
| Directors' loan received during the year - net | | - | 417,392,999 |
| Long term finances (repaid) / received during the year - net | | (98,544,939) | 579,256,219 |
| Net cash flow from financing activities | | <u>678,548,453</u> | <u>568,151,828</u> |
| Net (decrease) / increase in cash and cash equivalents | | (54,631,683) | 216,679,586 |
| Cash and cash equivalents at the beginning of the year | | 218,999,242 | 2,319,656 |
| Cash and cash equivalents at the end of the year | | <u>164,367,559</u> | <u>218,999,242</u> |

The annexed notes from 1 to 42 form an integral part of these financial statements.


Chief Executive


Director



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

| | Issued, subscribed and paid-up capital | General reserve | Accumulated losses | Total |
|---|---|--------------------|-----------------------|---------------------|
| -----Rupees----- | | | | |
| Balance as at 30 September 2012 - as previously reported | 244,071,980 | 27,000,000 | (455,983,839) | (184,911,859) |
| Effect of change in accounting policy - note 4.1 | - | - | 1,142,463 | 1,142,463 |
| Effect of correction of error - note 4.21 | - | - | 103,162,990 | 103,162,990 |
| Balance as at 30 September 2012 - Restated | 244,071,980 | 27,000,000 | (351,678,386) | (80,606,406) |
| Loss after taxation | - | - | 152,187,529 | 152,187,529 |
| Other Comprehensive Income | | | | |
| Remeasurment of defined benefit liability | - | - | (1,370,401) | (1,370,401) |
| Incremental depreciation on revalued fixed assets - net of tax | - | - | 46,193,917 | 46,193,917 |
| | - | - | 44,823,516 | 44,823,516 |
| Balance as at 30 September 2013 - Restated | 244,071,980 | 27,000,000 | (154,667,341) | 116,404,639 |
| Loss after taxation | - | - | (232,062,359) | (232,062,359) |
| Other Comprehensive Income | | | | |
| Remeasurment of defined benefit liability | - | - | (287,720) | (287,720) |
| Incremental depreciation on revalued fixed assets - net of tax | - | - | 43,219,309 | 43,219,309 |
| | - | - | 42,931,589 | 42,931,589 |
| Balance as at 30 September 2014 | 244,071,980 | 27,000,000 | (343,798,111) | (72,726,131) |

The annexed notes from 1 to 42 form an integral part of these financial statements.

Chief Executive

Director



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

1 STATUS AND NATURE OF BUSINESS

Ansari Sugar Mills Limited ('the Company') was incorporated in Pakistan on July 09, 1989 as a Public Limited Company and its shares are quoted in Karachi and Lahore Stock Exchanges. The principal business of the Company is manufacture and sale of white sugar. The registered office of the Company is situated at 1st floor, Block # 2, Hockey Club of Pakistan Stadium, Liaquat Barracks, Karachi and its factory is located at Deh Jagsiyani, Taluka Tando Mohammad Khan, District Hyderabad, Sindh.

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. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for:

- Freehold land, factory building, non-factory building and plant and machinery which stated at revalued amounts less accumulated depreciation and impairment losses, if any, in accordance with IAS-16;
- Biological assets that are valued at fair value less estimated cost to sell in accordance with IAS 41;
- Obligation under certain employees retirement benefits that are based on actuarial valuation in accordance with IAS 19; and
- Long term investments, subordinate loan and certain long term finances stated at amortised cost in accordance with IAS 39;

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupee which is also the Company's functional currency and figures are rounded off to nearest Rupee except stated otherwise.

2.4 Significant accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise judgment, estimates and assumptions in the process of applying accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. In the process of applying the Company's accounting policies, management has made the following estimates and judgments, which are significant to the financial statements:

- Useful lives of property, plant and equipment (note: 5)
- Provision against doubtful debts (note: 12)
- Provision for taxation and deferred taxation (note: 32 and 20)
- Valuation of stores, spares and loose tools and stock in trade (note: 10 and 11)
- Valuation of biological assets (note: 9)
- Accounting for staff retirement benefits (note 20.3)



2.5 Going concern

The financial statements of the Company for the year ended 30 September 2014 reflect loss after taxation of Rs.232.062 million (2013 : restated profit of Rs.152.188 million) and as of that date its has accumulated losses of Rs.343.798 million (2013: restated Rs. 154.667 million) and the equity of the Company is fully eroded and is negative by Rs.72.726 million (2013: restated positive equity of Rs.116.405 million). The Company has negative net current assets of Rs. 517.01 million (2013: positive net current assets of Rs. 32.936 million). Further, the repayment installments of long term loans amounting to Rs.62.805 million (2013: Rs. Nil) are overdue as at 30 September 2014. These conditions indicate the existence of material uncertainty, which may cast significant doubt about the Company's ability to continue as going concern.

However, due to cost control through effective management, increased plant efficiency and providing the technical facilities to growers the Company has been able to generate operating profit of Rs. 161.57 million as compared to operating profit of Rs.67.134 million in last year.

Further, the Company is a member of Pakistan Sugar Mills Association (PSMA), from which platform, all sugar mills are endeavouring to make pleas through different platforms, legal and otherwise to bring down the cost of production and to raise the revenues, to achieve this objective the PSMA become able to secure the decision of Economic Co-ordination Committee (ECC) of Cabinet for export of 650,000 Metric tons of sugar at subsidy of Rs.10 per kg. The management is confident that this decision of ECC to allow export of excess stock of sugar from the country and subsidy thereon will positively effect the current market and help sugar mills to off load excess stock from country and improve prices in the local market. The management is also considering to file an appeal along with othermembers of PSMA Sindh chapter in Honourable Supreme Court of Pakistan against decision of Honourable High Court of Sindh for fixation of sugarcane prices affordable for both, growers and mill owners. These factors will enable the Company to increase it revenue and profits.

Further, the Company has started sugarcane farming in order to secure high quality sugar cane at lower cost. This will improve overall sucrose recovery of the company and will reduce the cost of production that will also improve the Company liquidity position by using its own cane instead of purchasing from cane growers.

Further, the sponsors of the Company have waived off their loans to the Company to help reduce burden of the liabilities on the Company and are committed to finance further, if required, to help the Company meet its cash flow requirements. The Company's long term loans are approaching to maturity for repayment, the Company is making timely payments and repaid Rs. 128.025 million. Further, the Company has also been able to repay the overdue installments of long term loans amounting to Rs.62.805 million before these financial statements were authorised for issue. The repayment of these loans will help the Company in reducing its finance cost and improve its profitability.

During the year the Company was able to obtain / enhance existing limits of short term borrowings aggregating to Rs. 436.88 million. Short term borrowings of the Company have become due before these financial statements have been authorised for issue. The Company is also negotiating with the banks to obtain renewal of short term borrowings and management is confident that it will obtain the renewal for next one year.

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

3 STANDARDS, AMENDMENTS OR INTERPRETATIONS WHICH BECAME EFFECTIVE DURING THE YEAR AND FORTHCOMING REQUIREMENTS

3.1 Adoption of standards, amendments and interpretations effective during the year

Following are the amended / revised standards which are considered to be relevant and became effective as of October 1, 2013.

| | | |
|---|----------|---|
| - | IFRS 7 | Financial Instruments: Disclosures - (Amendments) |
| - | IAS 16 | Property, plant and equipment - (Amendments) |
| - | IAS-19 | Employee Benefits - (Revised) |
| - | IFRIC 20 | Stripping Costs in the Production Phase of a Surface Mine |

The adoption of the above amendments did not have any effect on these financial statements, except for IAS-16 "Property, plant and equipment" and IAS-19 "Employee Benefits (Revised)". The change in accounting policies and related impacts are disclosed in note 4.3 and note 4.1 to the financial statements, respectively.

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

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



| Standards / Interpretation | | Effective date (annual periods beginning on or after) |
|-----------------------------------|--|--|
| IFRS 10 | Consolidated Financial Statements | January 01, 2015 |
| IFRS 11 | Joint Arrangements | January 01, 2015 |
| IFRS 12 | Disclosure of Interests in Other Entities | January 01, 2015 |
| IFRS 13 | Fair Value Measurement | January 01, 2015 |
| IAS 16 & 38 | Clarification of Acceptable Methods of Depreciation and Amortization | January 01, 2016 |
| IAS 16 & 41 | Agriculture : Bearer Plants | January 01, 2016 |
| IAS 19 | Employee Contributions (Amendment) | July 01, 2014 |
| IAS 27 | Separate Financial Statements | January 01, 2015 |
| IAS 28 | Investments in Associates and Joint Ventures (Revised) | January 01, 2015 |
| IAS 32 | Offsetting of financial assets and financial liabilities (Amendment) | January 1, 2014 |
| IAS 36 | Recoverable Amount for Non-financial Assets (Amendment) | January 1, 2014 |
| IAS 39 | Novation of Derivatives and continuation of Hedge Accounting (Amendment) | January 1, 2014 |
| IFRIC 21 | Levies | January 1, 2014 |

In addition to the above amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 July 2014. The Company expects that the adoption of the above revision, amendments and interpretation of the standards will not affect the Company's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

| Standards | | (annual periods beginning on or after) |
|------------------|---------------------------------------|---|
| IFRS 9 | Financial Instruments | January 01, 2018 |
| IFRS 14 | Regulatory Deferral Accounts | January 01, 2016 |
| IFRS 15 | Revenue from Contracts with Customers | January 01, 2017 |

The Company expects that the adoption of the above new standards will not have any material impact on the Company's financial statements in the period of initial application except for IFRS 15, for which the Company is currently evaluating its impact on the financial statements.



4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Employees benefits

Defined benefit plan

The Company operates an unfunded gratuity scheme for all its permanent employees. An actuarial valuation has been carried out at September 30, 2014, using the Project Unit Credit Method, to cover the obligation under the scheme for its employees eligible to gratuity benefits.

Change in accounting policy

IAS 19 (revised) - 'Employee Benefits' effective for annual periods beginning on or after January 1, 2013 amends the accounting for employee benefits. The standard requires immediate recognition of past service cost and also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year.

Further, a new term "remeasurements" has been introduced. This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The standard requires "remeasurements" to be recognised in the Balance Sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.

Following the application of IAS 19 (revised), the Company's policy for Staff Retirement Benefits - Defined Benefit Plans stands amended as follows:

- The amount arising as a result of remeasurements are recognised in the Balance Sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.
- The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

The Company's financial statements are affected by the 'remeasurements' relating to prior years. The effects have been summarised below:

| | 2013 Rupees | 2012 Rupees |
|---|----------------|----------------|
| Impact on Balance Sheet | | |
| Increase / (decrease) in deferred liabilities | 345,883 | (1,142,463) |
| Increase in accumulated losses | 1,488,346 | 1,142,463 |
| Impact on Statement of Changes in Equity | | |
| Increase in accumulated losses | 1,488,346 | 1,142,463 |
| Impact on Profit & Loss | | |
| Decrease in cost of sales | (67,852) | - |
| Decrease in administrative expenses | (50,093) | - |
| Impact on Other Comprehensive Income | | |
| Loss on remeasurment of post employment benefit obligations | (1,370,401) | (1,142,463) |



There is no cash flow impact as a result of the retrospective application of change in accounting policy, due to adoption of IAS 19 (revised). Further, the impact of this change is immaterial to EPS of the Company.

Defined contribution plan

The Company operates a recognized provident fund for those permanent employees who have opted for it. Equal monthly contributions are made to the fund by the Company and employees in accordance with the fund's rules. Contributions are made at the rate of 10% of the aggregate of basic salary.

4.2 Taxation

Income tax expense comprises current and deferred tax.

Current

Provision for current taxation 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 from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. 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 periods when the differences reverse based on tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to equity in which case it is included in the equity.

4.3 Property, plant and equipment

Freehold land, factory building, non-factory building and plant & machinery are shown at revalued figures less accumulated depreciation and any identified impairment loss. Additions subsequent to that date are stated at cost less accumulated depreciation and any identified impairment loss. All other property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss.

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

The Company assesses at each balance sheet date that 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 cost to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.



Depreciation is charged to income 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 5. Depreciation on additions is charged from the quarter in which the assets become available for use while on disposals depreciation is charged upto the quarter of deletion.

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

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

Gains / losses on disposal of property, plant and equipment are included in the income currently.

Classification of major stores and spare parts:

IAS 16, 'Property, Plant and Equipment' as amended by annual improvements to IFRSs 2009-2011 Cycle (issued May 2013) clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment. The previous wording of IAS 16 indicated that servicing equipment should be classified as inventory, even if it was used for more than one period. Following the amendment, the equipment used for more than one period is classified as property, plant and equipment.

The Company in pursuant to this change has accordingly classified the stores as property, plant and equipment that meet the definition of property, plant and equipment. However this change does not affect the financial statements of the Company for the year ended 30 September 2012 and 2013, therefore, no reclassification in comparative figures have been made.

Major stores and spare parts are valued on the basis mentioned in Note 4.5 of these Financial Statements.

4.4 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of the qualifying assets under construction are capitalized and added to the asset's cost until such time the assets are substantially ready for their intended use, i.e., when they are capable of commercial production. All other borrowing costs are recognized as an expense in the income statement in the period in which they are incurred.

4.5 Stores, spares and loose tools

These are valued at lower of cost and net realizable value except for items in transit, which are valued at cost comprising invoice value and related expenses incurred thereon upto the balance sheet date, cost is calculated on First In First Out (FIFO) basis. Obsolete and used stores, spares and loose tools are recorded at nil value.

4.6 Stock-in-trade

The basis of valuation has been specified against each.

| | |
|------------------|---|
| Finished goods | Cost [First In First Out (FIFO) basis] and net realizable value which ever is lower |
| Molasses | net realizable value |
| Sugar in process | Cost of raw material consumed and proportionate manufacturing expenses |

Provision for obsolete and slow moving stock are made as and when required. Net realizable value signifies the estimated selling price in the ordinary course of business and cost necessary to be included in order to make the sale.



4.7 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 when identified.

4.8 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.

Financial income is recognized as it accrues, using the effective mark up rates.

4.9 Foreign currency transactions

All monetary assets and liabilities in foreign currencies are translated into rupees at the exchange rate prevailing on 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 currently.

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 Impairment

The carrying amounts of the assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If any such indication exists, the recoverable amount of that asset is estimated and impairment losses are recognized in the profit and loss account.

4.12 Related party transactions

All transactions between the Company and related parties are recorded at arm's length. Prices are determined in accordance with comparable uncontrolled price method, except for the allocation of expenses such as electricity, gas, water, repair and maintenance that are shared with the associated companies based on actual.

4.13 Investments

Held to maturity investments

When the Company has the positive intent and ability to hold debt securities to maturity, then such investments are classified as held to maturity. Held to maturity investments are recognised initially at fair value plus any directly attributable direct cost. Subsequent to initial recognition held to maturity investments are measured at amortized cost using the effective interest rate method, less any impairment losses.

4.14 Financial Instruments

Financial assets

Significant financial assets include investments, advances, receivables and cash & bank balances. Loans and receivables from clients are stated at their nominal value as reduced by provision for doubtful loans and receivables, investments are stated at amortised cost while other financial assets are stated at cost.



Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities include short term and long term finances, interest accrued and trade and other payables. Certain long term finances are carried at amortised cost while other liabilities are stated at their nominal value.

Recognition and derecognition

All the financial assets and liabilities are recognised at the time when the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished i.e. when the obligation specified in the contract is discharged or cancelled. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income.

4.15 Off setting of financial assets and liabilities

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

4.16 Cash and cash equivalents

Cash and cash equivalents are carried at cost in the balance sheet. For the purpose of the cash flow statement, cash and cash equivalents comprises cash in hand and bank balances.

4.17 Trade and other payables

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

4.18 Dividends

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

4.19 Intangible asset and amortization

Intangible asset represents the cost of computer software acquired and is stated at cost less accumulated amortization and any identified impairment loss.

Amortization is charged to income on the straight line basis so as to write off the cost of an asset over its estimated useful life. Amortization on additions is charged from the quarter in which an asset is acquired or capitalized while no amortization is charged for the quarter in which the asset is disposed off. Amortization is being charged at the rate disclosed in note 6.

4.20 Biological assets

The Company reviews the fair value of biological assets to assess changes in fair value less cost to sell during a period. Agriculture produce is measured at fair value less cost to sell at the point of harvest because harvested produce is a marketable commodity as there is no "measurement reliability" exception for produce.



4.21 Prior period error

Recording of interest free subordinate loan at amortised cost

Interest free subordinate loans were carried at cost in prior years. However in current year these have been discounted using discount rate of 12.7% and carried at amortized cost as required under International Accounting Standard 39 (IAS-39) "Financial Instruments: Recognition and Measurement". The interest free loans have been adjusted retrospectively as per International Accounting Standard 8 (IAS - 8) "Accounting policies, changes in accounting estimates and errors". Further, the management has presented three years balance sheet in accordance with requirements of IAS-1 "Presentation of Financial Statements". Details of correction of error are as follows:

| | As per audited financial statements | Effect of prior period error Rupees | Restated amount |
|---|--|---|------------------------|
| Effects of prior period error on financial statements for the year ended 30 September 2012 | | | |
| Balance sheet | | | |
| Accumulated losses | (455,983,839) | 103,162,990 | (352,820,849) |
| Subordinate loan | 162,171,537 | (103,162,990) | 59,008,547 |
| Profit and loss account | | | |
| Finance cost | (342,764,674) | (6,617,046) | (349,381,720) |
| (Loss) per share | (18.11) | (0.27) | (18.38) |
| Effects of prior period error on financial statements for the year ended 30 September 2013 | | | |
| Balance sheet | | | |
| Accumulated losses | (497,163,429) | 342,841,971 | (154,321,458) |
| Subordinate loan | 579,564,536 | (342,841,971) | 236,722,565 |
| Profit and loss account | | | |
| Finance cost | (328,416,374) | (26,639,272) | (355,055,646) |
| Other Income | 65,559,239 | 266,318,253 | 331,877,492 |
| (Loss) / Earning per share | (3.58) | 9.82 | 6.24 |
| 5 PROPERTY, PLANT AND EQUIPMENT | Note | 2014 Rupees | 2013 Rupees |
| Operating fixed assets | 5.1 | 3,087,434,067 | 3,137,312,561 |
| Capital work in progress | 5.2 | 214,630,156 | 101,041,638 |
| | | <u>3,302,064,223</u> | <u>3,238,354,199</u> |



5.1 Operating fixed assets

As at 01 October 2012

| | Firefield Limit | Factory Building | Non-factory building | Plant and machinery | Electrical installation | Weightbridge equipments and shafts | Office equipments and shafts | Electrical appliances | Furniture and fixtures | Vehicles | Tent and tarpaulins | Tools and articles | Total |
|--------------------------|-----------------|------------------|----------------------|---------------------|-------------------------|------------------------------------|------------------------------|-----------------------|------------------------|--------------|---------------------|--------------------|---------------|
| Cost | 179,176,750 | 945,666,500 | 111,048,152 | 2,552,940,190 | 9,675,081 | 4,577,916 | 7,759,640 | 7,450,071 | 2,889,452 | 34,560,982 | 6,570,321 | 1,969,824 | 1,753,845,086 |
| Accumulated depreciation | (195,610,000) | (195,610,000) | (106,158,023) | (759,373,452) | (6,722,472) | (916,492) | (4,810,180) | (3,959,899) | (2,762,118) | (20,061,928) | (4,795,620) | (1,366,360) | (863,560,203) |
| Net book value | 178,178,750 | 750,056,500 | 2,889,990 | 1,793,566,738 | 2,952,609 | 3,661,424 | 2,949,460 | 3,490,172 | 1,127,334 | 14,499,054 | 1,774,701 | 603,464 | 890,284,883 |

Year Ended 30 September 2013

| | | | | | | | | | | | | | |
|---------------------------|-------------|--------------|------------|---------------|-----------|-----------|-----------|-----------|-----------|------------|-----------|---------|---------------|
| Opening net book value | 179,178,750 | 750,056,500 | 2,889,990 | 1,793,566,738 | 2,952,609 | 3,661,424 | 2,949,460 | 3,490,172 | 1,127,334 | 14,499,054 | 1,774,701 | 603,464 | 890,284,883 |
| Additions during the year | - | 85,484,320 | 17,367,209 | 15,963,881 | 102,000 | 35,303 | 414,100 | 1,600,016 | 319,006 | 2,863,800 | - | - | 338,772,691 |
| Revaluation | 60,382,500 | (62,568,124) | 20,742,482 | 954,691,302 | - | - | - | - | - | - | - | - | 894,227,638 |
| Disposals | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Cost | - | - | - | - | - | - | - | - | - | - | - | - | (1,719,000) |
| Accumulated depreciation | - | - | - | - | - | - | - | - | - | - | - | - | 104,134 |
| Depreciation for the year | - | - | - | - | - | - | - | - | - | - | - | - | (794,869) |
| Closing net book value | 245,541,250 | 812,972,699 | 3,127,481 | 3,543,121,721 | 3,054,609 | 3,701,727 | 3,363,560 | 5,090,188 | 1,446,340 | 17,362,854 | 1,774,701 | 603,464 | 1,528,977,202 |

| | 3% | 5% | 8% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 20% | 20% | 33% |
|---------------------------|-------------|-------------|-------------|---------------|-----------|-----------|-----------|-----------|---------|------------|-----------|--------|---------------|
| Depreciation for the year | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Closing net book value | 245,541,250 | 289,616,750 | 376,824,409 | 2,150,718,136 | 2,459,942 | 3,362,864 | 2,956,667 | 4,655,075 | 952,018 | 13,077,615 | 1,209,150 | 18,075 | 3,137,212,561 |

Depreciation rates

As at 01 October 2013

| | | | | | | | | | | | | | |
|--------------------------|---------------|---------------|---------------|---------------|-------------|-------------|-------------|-------------|-------------|--------------|-------------|-------------|-----------------|
| Cost | 245,541,250 | 482,575,830 | 494,711,872 | 3,023,588,971 | 9,457,081 | 4,402,570 | 6,168,745 | 9,000,094 | 3,217,459 | 35,611,362 | 6,570,321 | 1,993,027 | 4,254,006,034 |
| Accumulated depreciation | (132,955,080) | (147,807,463) | (166,867,835) | (1,180,264) | (6,997,119) | (1,280,264) | (5,212,059) | (4,373,016) | (2,755,449) | (22,433,247) | (6,301,171) | (1,974,646) | (1,117,613,043) |
| Net book value | 245,541,250 | 329,819,710 | 327,844,037 | 1,843,324,136 | 2,459,942 | 3,182,306 | 2,956,687 | 4,627,078 | 462,010 | 13,177,615 | 1,269,150 | 18,075 | 3,137,212,561 |

Year Ended September 30, 2014

| | | | | | | | | | | | | | |
|---------------------------|-------------|-------------|-------------|---------------|-----------|-----------|-----------|-----------|---------|------------|-----------|--------|---------------|
| Opening net book value | 245,541,250 | 329,819,710 | 327,844,037 | 1,843,324,136 | 2,459,942 | 3,182,306 | 2,956,687 | 4,627,078 | 462,010 | 13,177,615 | 1,269,150 | 18,075 | 3,137,212,561 |
| Additions during the year | - | - | - | 191,001,828 | - | - | 1,101,716 | - | - | 911,960 | - | - | 103,008,536 |
| Revaluation | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Cost | - | - | - | - | - | - | - | - | - | - | - | - | (92,500) |
| Accumulated depreciation | - | - | - | - | - | - | - | - | - | - | - | - | 45,140 |
| Depreciation for the year | - | - | - | - | - | - | - | - | - | - | - | - | (47,360) |
| Closing net book value | 245,541,250 | 313,267,459 | 327,844,037 | 2,144,871,765 | 2,459,942 | 3,182,306 | 3,058,307 | 4,188,957 | 856,816 | 11,075,681 | 818,136 | 12,646 | 3,087,434,027 |

| | | | | | | | | | | | | | |
|--------------------------|---------------|---------------|---------------|---------------|-------------|-------------|-------------|-------------|-------------|--------------|-------------|-------------|-----------------|
| Cost | 245,541,250 | 482,575,830 | 494,711,872 | 3,023,588,971 | 9,457,081 | 4,402,570 | 6,168,745 | 9,000,094 | 3,217,459 | 35,611,362 | 6,570,321 | 1,993,027 | 4,254,006,034 |
| Accumulated depreciation | (132,955,080) | (147,807,463) | (166,867,835) | (1,180,264) | (6,997,119) | (1,280,264) | (5,212,059) | (4,373,016) | (2,755,449) | (22,433,247) | (6,301,171) | (1,974,646) | (1,117,613,043) |
| Net book value | 245,541,250 | 329,819,710 | 327,844,037 | 1,843,324,136 | 2,459,942 | 3,182,306 | 2,956,687 | 4,627,078 | 462,010 | 13,177,615 | 1,269,150 | 18,075 | 3,137,212,561 |

As at September 30, 2014

| | | | | | | | | | | | | | |
|--------------------------|---------------|---------------|---------------|---------------|-------------|-------------|-------------|-------------|-------------|--------------|-------------|-------------|-----------------|
| Cost | 245,541,250 | 482,575,830 | 494,711,872 | 3,023,588,971 | 9,457,081 | 4,402,570 | 6,168,745 | 9,000,094 | 3,217,459 | 35,611,362 | 6,570,321 | 1,993,027 | 4,254,006,034 |
| Accumulated depreciation | (132,955,080) | (147,807,463) | (166,867,835) | (1,180,264) | (6,997,119) | (1,280,264) | (5,212,059) | (4,373,016) | (2,755,449) | (22,433,247) | (6,301,171) | (1,974,646) | (1,117,613,043) |
| Net book value | 245,541,250 | 329,819,710 | 327,844,037 | 1,843,324,136 | 2,459,942 | 3,182,306 | 2,956,687 | 4,627,078 | 462,010 | 13,177,615 | 1,269,150 | 18,075 | 3,137,212,561 |
| Depreciation rates | 5% | 5% | 5% | 5% | 10% | 10% | 10% | 10% | 10% | 20% | 20% | 33% | 33% |



5.1.1 Revaluation of Freehold land, factory building, non-factory building and plant & machinery has been carried out in December 2012 by M/s. Tracom (Private) Limited, an approved professional valuers on the panel of Pakistan Banks' Association, related to the year which has been incorporated showing revaluation surplus of Rs. 1,636,104,199 which has been incorporated in the year of revaluation. Previously, free hold land, factory building and plant & machinery were revalued by the same valuers in December 2009.

5.1.2 The carrying amount of free hold land, factory building, non-factory building and plant & machinery would have been Rs.9.253 million (2013: Rs.9.253 million), Rs. 191.098 million (2013: Rs.201.017 million), Rs.172.301 million (2013: Rs.181.369 million) and Rs.1,189.39 million (2013: Rs.1,195.554 million) respectively, had there been no revaluation.

| | Note | 2014 Rupees | 2013 Rupees |
|--|------|--------------------|--------------------|
| 5.1.3 Depreciation for the year has been allocated as under: | | | |
| Manufacturing expenses | 26.1 | 129,704,986 | 131,215,708 |
| Administrative expenses | 28 | 23,214,674 | 24,762,019 |
| | | <u>152,919,660</u> | <u>155,977,727</u> |

5.2 Capital work in progress

| | | |
|--|--------------------|--------------------|
| Non-factory building | - | 101,041,638 |
| Plant and machinery - Stores held for capitalization | 214,630,156 | - |
| | <u>214,630,156</u> | <u>101,041,638</u> |

5.3 Disposal of property, plant and equipment

| Description | Particulars of purchaser | Cost | Accumulated depreciation | Book Value | Sale proceed | Gain / (Loss) | Mode of disposal |
|-------------|------------------------------|------------------|--------------------------|----------------|------------------|----------------|-----------------------------|
| Vehicles | | | | | | | |
| Rupees | | | | | | | |
| Motorcycle | Mr. Najam Ismail - Employee | 43,000 | 17,656 | 25,344 | 25,344 | - | As per the Company's policy |
| Motorcycle | Mr. Faisal Afridi - Employee | 49,500 | 27,484 | 22,016 | 22,016 | - | As per the Company's policy |
| | 2014 | <u>49,500</u> | <u>27,484</u> | <u>22,016</u> | <u>22,016</u> | - | |
| | 2013 | <u>1,719,000</u> | <u>924,134</u> | <u>794,866</u> | <u>1,719,000</u> | <u>924,134</u> | |

6 INTANGIBLE ASSETS

Softwares

Cost:

| | | |
|---------------------------|------------------|------------------|
| Opening balance | 1,469,415 | 816,500 |
| Additions during the year | - | 652,915 |
| Total cost | <u>1,469,415</u> | <u>1,469,415</u> |

Amortization:

| | | |
|------------------------------|------------------|----------------|
| Opening balance | 644,930 | 289,445 |
| Amortization during the year | 484,907 | 375,485 |
| Accumulated Amortization | <u>1,129,837</u> | <u>644,930</u> |

| | | |
|-----------------------|----------------|----------------|
| Net book value | <u>339,578</u> | <u>824,485</u> |
|-----------------------|----------------|----------------|

| | | |
|-------------------|------------|------------|
| Amortization rate | <u>33%</u> | <u>33%</u> |
|-------------------|------------|------------|



| 7 LONG TERM INVESTMENT | Note | 2014 Rupees | 2013 Rupees |
|---|------|--------------------|--------------------|
| Held to maturity | | | |
| Defence Saving Certificates (DSCs) | 7.1 | 72,000,000 | 72,000,000 |
| Accrued profit | 7.2 | 63,907,037 | 49,174,627 |
| | | <u>135,907,037</u> | <u>121,174,627</u> |
| 7.1 This represents the DSCs purchased by the Company on March 18, 2009 with a maturity of 10 years having effective interest rate of 12.16%. These have been pledged with National Bank of Pakistan as a security of repayment of Long Term Loan of Rs. 213.551 million (2013: 213.551 million). | | | |
| 7.2 The amount represents accrued profit on DSCs purchased by the Company calculated using the effective rate of interest. | | | |
| 8 LONG TERM LOANS | | | |
| <i>Secured - considered good</i> | | | |
| Long term loan to executive | | 1,267,500 | - |
| Long term loan to other employees | | 1,827,419 | 2,265,267 |
| Less: Current portion shown under current assets | | <u>(867,240)</u> | <u>(781,700)</u> |
| | | <u>2,227,679</u> | <u>1,483,567</u> |
| These are interest free loans given to employees other than directors of the Company. The loan is recoverable in 60 to 84 installments from the date of disbursement and is secured against outstanding balance of gratuity of employees. | | | |
| 9 BIOLOGICAL ASSETS | | | |
| Sugarcane | | | |
| Expenditure on cultivation | | 126,284,445 | - |
| Gain arising from initial recognition of standing crop less costs to sell | | 49,733,333 | - |
| | | <u>176,017,778</u> | <u>-</u> |
| The value of sugarcane crop is based on estimated average yield of 600 (2013: Nil) mounds per acre on cultivated area of 3,064 (2013: Nil) acres. | | | |
| 10 STORES, SPARES AND LOOSE TOOLS | | | |
| Store and spare parts | | 271,751,330 | 211,631,824 |
| Packing material | | 12,672,125 | 11,172,125 |
| | | <u>284,423,455</u> | <u>222,803,949</u> |
| 11 STOCK-IN-TRADE | | | |
| In hand | | | |
| Finished goods | | | |
| Sugar | 11.1 | 741,954,415 | 261,204,426 |
| Molasses | | 222,300,000 | 197,600,000 |
| In process | | | |
| Sugar | | 4,302,438 | 2,016,553 |
| Molasses | | 164,572 | 86,820 |
| In transit | | | |
| Finished goods - sugar | | - | 22,480,057 |
| | | <u>968,721,425</u> | <u>483,387,856</u> |
| 11.1 The above stocks in hand of the Company have been pledged with the Banks against the short term borrowings refer note 22 to these financial statements. | | | |



| | Note | 2014 Rupees | 2013 Rupees |
|--|-------------------|-----------------------|--------------------|
| 12 TRADE DEBTS - unsecured & considered good | | | |
| -Related party | 12.1 | 250,621,870 | 439,966,204 |
| -Others | | 57,814,858 | 138,878,018 |
| | | <u>308,436,728</u> | <u>578,844,222</u> |
| 12.1 This represents receivable from Pak Ethanol (Private) Limited a related party against sale of molasses. | | | |
| 13 LOANS AND ADVANCES | | | |
| Current portion of long term loans | 8 | 867,240 | 781,700 |
| Considered good, unsecured | | | |
| Advance to cane growers | | 269,400,124 | 399,043,943 |
| Advance to suppliers and contractors | | 81,155,400 | 45,766,683 |
| Advance to staff | | 3,844,194 | 3,290,458 |
| | | <u>354,399,718</u> | <u>448,101,084</u> |
| | | <u>355,266,958</u> | <u>448,882,784</u> |
| 14 SHORT TERM DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES | | | |
| Prepayments | | 12,067,941 | 248,496 |
| Security deposit to Sindh Bank against guarantee to TCP | | - | 2,290,616 |
| Other receivables - unsecured, considered good | | 322,619 | 28,064 |
| Refundable against freight subsidy | | 48,969,101 | 46,111,100 |
| Sales tax refundable - net | | 39,860,253 | 3,661,141 |
| | | <u>101,219,914</u> | <u>52,339,417</u> |
| 15 TAX REFUNDS DUE FROM THE GOVERNMENT | | | |
| Sales tax | 24.1.5 & 24.1.6 | 6,970,197 | 7,741,317 |
| | | <u>6,970,197</u> | <u>7,741,317</u> |
| 16 CASH AND BANK BALANCES | | | |
| Cash in hand | | 88,190 | 827,077 |
| Cash with banks - current account | | 164,279,369 | 218,172,165 |
| | | <u>164,367,559</u> | <u>218,999,242</u> |
| 17 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL | | | |
| Ordinary shares of Rs.10 each | | | |
| 2014 | 2013 | | |
| 18,296,250 | 18,296,250 | Issued for cash | 182,962,500 |
| 6,110,948 | 6,110,948 | Issued as bonus share | 61,109,480 |
| <u>24,407,198</u> | <u>24,407,198</u> | | <u>244,071,980</u> |
| | | | <u>244,071,980</u> |



18 SURPLUS ON REVALUATION OF FIXED ASSETS

Freehold land

| | 2014 Rupees | 2013 Rupees |
|--|--------------------|--------------------|
| Revaluation surplus over written down value at beginning | 236,288,520 | 169,926,020 |
| Surplus arising on revaluation carried out during the year | - | 66,362,500 |
| | 236,288,520 | 236,288,520 |

Factory building

| | | |
|---|---------------------|---------------------|
| Revaluation surplus over written down value at beginning | 128,599,746 | 397,936,780 |
| Decrease in surplus on revaluation carried out during the year | - | (262,568,626) |
| Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax | (4,179,492) | (4,467,149) |
| Related deferred tax liability of incremental depreciation charged during the year | (2,250,496) | (2,301,259) |
| | 122,169,758 | 128,599,746 |
| Related deferred tax liability at beginning | (43,723,913) | (139,277,873) |
| Decrease in related tax liability on revaluation carried out during the year | - | 89,273,333 |
| Less: related to incremental depreciation | 2,250,496 | 2,301,259 |
| Less: (Increase) / Reduction in deferred tax liability due to change in estimation of tax rate | (1,285,997) | 3,979,368 |
| | (42,759,414) | (43,723,913) |

Non factory building

| | | |
|---|---------------------|---------------------|
| Revaluation surplus over written down value at beginning | 195,455,358 | - |
| Surplus arising on revaluation carried out during the year | - | 205,742,482 |
| Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax | (6,352,299) | (6,789,502) |
| Related deferred tax liability of incremental depreciation charged during the year | (3,420,469) | (3,497,622) |
| | 185,682,590 | 195,455,358 |
| Related deferred tax liability at beginning | (66,454,822) | - |
| Related deferred tax liability on revaluation carried out during the year | - | (69,952,444) |
| Less: related to incremental depreciation | 3,420,469 | 3,497,622 |
| Less: Increase in deferred tax liability due to change in estimation of tax rate | (1,954,554) | - |
| | (64,988,907) | (66,454,822) |

Plant and machinery

| | | |
|---|----------------------|----------------------|
| Revaluation surplus over written down value at beginning | 1,005,769,791 | 104,013,761 |
| Surplus arising on revaluation carried out during the year | - | 954,691,282 |
| Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax | (32,687,518) | (34,937,266) |
| Related deferred tax liability of incremental depreciation charged during the year | (17,600,971) | (17,997,986) |
| | 955,481,302 | 1,005,769,791 |
| Related deferred tax liability at beginning of the year | (341,961,729) | (36,404,817) |
| Deferred tax arising on revaluation carried out during the year | - | (324,595,036) |
| Less: related to incremental depreciation | 17,600,971 | 17,997,986 |
| Less: (increase) / reduction in deferred tax liability due to change in estimation of tax rate | (10,057,698) | 1,040,138 |
| | (334,418,456) | (341,961,729) |
| | 1,057,455,393 | 1,113,972,951 |



| 19 LONG TERM FINANCES | Note | 2014 Rupees | 2013 Rupees |
|--|------|----------------------|----------------------|
| National Bank of Pakistan - Demand-Finance | 19.1 | 139,821,429 | 145,000,000 |
| National Bank of Pakistan - BMR & E | 19.2 | 468,000,000 | 468,000,000 |
| National Bank of Pakistan - Frozen Mark-up Facility - I | 19.3 | 213,551,000 | 213,551,000 |
| National bank of Pakistan - Long Term Grower Finance Loan | 19.4 | 200,168,544 | 212,677,132 |
| National Bank of Pakistan - Frozen Mark-up | 19.5 | 18,376,653 | 55,130,181 |
| Summit Bank Limited - Frozen Mark-up | 19.6 | 2,052,124 | 6,156,376 |
| National Bank of Pakistan - Long Term Finance Facility | 19.7 | 360,000,000 | 400,000,000 |
| Syndicated Term Finance Facility | 19.8 | 230,000,000 | 230,000,000 |
| | | 1,631,969,750 | 1,730,514,689 |
| Less: Current portion shown under current liabilities | | | |
| Over due installments | | (62,805,121) | - |
| Due within next twelve months | | (324,494,892) | (225,772,204) |
| | | (387,300,013) | (225,772,204) |
| | | 1,244,669,737 | 1,504,742,485 |

- 19.1** The facility was availed for payment to growers' outstanding balances for the year 2007-08. This carries fixed rate of markup at the rate of 10% per annum payable quarterly. The principal is repayable in twenty eight quarterly installments and first installment will fall due on May 25, 2014. The facility is secured against the property already mortgaged, including additional charge on present and future fixed assets of the Company situated at Deh Jagsiyani Taluka Tando Ghulam Haider District, Tando Muhammad Khan along with personal guarantee of directors.
- 19.2** The facility of Rs.468 million under markup arrangement availed for the purpose of Balancing, Modernization, Replacement and Expansion (BMR & E) of the Company which envisage enhancement in cane crushing capacity from existing 6,000 TCD to 8,000 TCD. This carries fixed rate of markup at the rate of 10% payable semi annually. The principal is repayable in fourteen semi-annually installments and first installment will fall due on April 22, 2014. This facility is secured against fixed assets of the Company along with personal guarantee of the directors.
- 19.3** The Company had entered into an agreement dated February 23, 2009 with National Bank of Pakistan (NBP) in respect of settlement of long term loans amounting to Rs. 956.437 million against which Rs. 656.40 million was reflected in Company's books (NBP - I of Rs. 34.30 million, NBP - II of Rs. 116.45 million of General Term Finance, NBP LCY of Rs. 127.636 and frozen markup on these loans amounting to Rs. 377.20 million). The above settlement resulted in the extinguishment of debt by Rs. 484.9 million. According to the agreement, the Company has to pay an amount of Rs. 213.551 million after ten (10) years from the date of agreement i.e. by January 01, 2019. The amount is secured against the pledge of Defense Saving Certificates (DSCs) of Rs.72 million as explained in note 7.2 to these financial statements.

The NBP will retain the 1st charge but release the sponsor's shares lying pledged in lieu of security in the shape of DSCs of Rs. 72 million to be kept under lien with NBP till recovery of entire settlement amount. However, NBP may consider request for NOC 1st pari passu charge with the approval of competent authority.

| | | |
|---|--------------------|--------------------|
| 19.4 National Bank of Pakistan - Long Term Grower Finance Loan | 188,800,000 | 188,800,000 |
| Amortization of deferred mark up | | |
| Opening balance | 23,877,132 | 9,885,966 |
| Markup amortised during the year | 29,480,488 | 13,991,166 |
| | 53,357,620 | 23,877,132 |
| Repaid during the year | (41,989,076) | - |
| | 200,168,544 | 212,677,132 |



National Bank of Pakistan had restructured a short term Running Finance Facility of Rs. 200 million as Long Term Grower Finance Loan to the extent of Rs. 189 million with effect from 1st January 2012. The principal and markup thereon is repayable in six years including two years grace period in sixteen quarterly installments and 1st installment will due on March 31, 2014. The facility carries mark-up @ 3 month KIBOR plus 2.5% p.a. The mark up charged during grace period will be payable in sixteen quarterly installments after the grace period. The Facility is secured against 1st equitable mortgage charge over all present and future fixed assets of the Company including land, building, plant & machinery and 1st exclusive hypothecation charge over present and future plant and machinery of the Company situated at deh Jagsiyani, Tappo Fateh Bagh, Taluka Tando Ghulam Hyder, district Tando Muhammad Khan, Sindh.

- 19.5** This represent deferment of mark-up accrued for December 2011 quarter and partial mark-up for September 2011 quarter on various financing facilities obtained from National Bank of Pakistan. This mark-up is frozen and is repayable in 12 quarterly installments starting from 30 June 2012.
- 19.6** This represent deferment of mark-up accrued for December 2011 quarter and partial mark-up for September 2011 quarter on Running Finance Facility obtained from Summit Bank Limited. This mark-up is frozen and is repayable in 12 quarterly installments starting from 30 June 2012.
- 19.7** This represent Long term Finance Facility of Rs 400 million from National Bank of Pakistan for repayment of growers' liability of Rs. 180 million, suppliers' liability of Rs.20 million and for meeting permanent working capital requirement and other expenses amounting to Rs. 200 million. The facility carries markup at the rate of 3 month KIBOR plus 300 bps payable quarterly. The principal is repayable in 20 quarterly installment commencing from 12 March 2014. The facility is secured against first equitable mortgage charge over all present and future fixed assets of the Company including land & building, first exclusive hypothecation charge over present and future plant and machinery of the Company and personal guarantee of sponsoring directors of the Company.
- 19.8** This represent Syndicated Term Finance Facility (STFF) of Rs 230 million to settle cane growers and suppliers/contractors liabilities and to improve liquidity position. The parties of the syndicates are Sindh Bank Limited with the share of Rs. 200 million and Summit Bank Limited (agent) with the share of Rs. 30 million. The loan is repayable in five years including one year grace period in eight equal consecutive semi-annual installments commencing from 21 July 2014. The facility carries markup at the rate of 6-month KIBOR plus 200 bps payable semi-annually. The facility is secured by first pari passu charge over all present and future fixed assets of the Company.

| | Note | 2014 Rupees | 2013 Rupees Restated |
|--------------------------------------|---------------|--------------------|----------------------------|
| 20 DEFERRED LIABILITIES | | | |
| Quality premium | 20.1 & 24.1.7 | 264,108,125 | 264,108,125 |
| Deferred taxation | 20.2 | 424,908,008 | 153,739,254 |
| Staff retirement benefits - Gratuity | 20.3 | 5,612,037 | 5,581,813 |
| | | 694,628,170 | 423,429,192 |

- 20.1** As required under the provisions of Sugar Factories Control Act, 1950, sugar mills in Sindh are required to pay quality premium to cane growers at the rate of 50 paises per 40 Kg cane for each 0.1 percent of excess sucrose recovery above the benchmark of 8.7 percent, determined on the aggregate sucrose recovery of each mill. The Federal Government in its steering meeting held on July 16, 2007 suspended the quality premium till decision of the Honorable Supreme Court of Pakistan/consensus on uniform formula is developed in the Ministry of Food and Agriculture. The matter of quality premium has been declared unlawful by the Lahore High Court while appeal against the conflicting judgment of the Sindh High Court is pending with the Honorable Supreme Court of Pakistan since the year 2004 after it granted leave to defend on the question of issue of quality premium. The Apex court also ordered that no coercive action for recovery of quality premium shall be taken against the mills till the case is decided. The Company has made the provision of the quality premium up to the year 2004. The impact of quality premium from year 2005 to onward is discussed in note 24.1.7.



20.2 Deferred taxation

| | Note | 2014 Rupees | 2013 Rupees |
|---|------|----------------|----------------|
| Taxable temporary differences | | | Restated |
| Accelerated tax depreciation | | 337,496,479 | 322,223,228 |
| Surplus on revaluation of fixed assets | | 442,166,778 | 452,140,464 |
| | | 779,663,257 | 774,363,692 |
| Deductible temporary differences | | | |
| Unabsorbed tax losses | | (354,755,249) | (620,624,438) |
| | | 424,908,008 | 153,739,254 |

20.3 Staff retirement benefits - Gratuity

a Principal assumptions

| | | |
|---|-----------------|-----------------|
| Discount rate | 13.5% per annum | 12.5% per annum |
| Expected rate of eligible salary increase in future years | 10.5% per annum | 9.5% per annum |

b Liability for gratuity arose in the following manner:

| | | | |
|----------------------------|---|-------------|-------------|
| Opening net liability | | 5,581,813 | 4,347,905 |
| Expense for the year | e | 1,172,318 | 1,219,370 |
| Other Comprehensive Income | | 287,720 | 1,370,401 |
| Benefits paid | | (1,429,814) | (1,355,863) |
| Closing net liability | | 5,612,037 | 5,581,813 |

c Comparison for five years

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|--|------------------|-----------|-----------|-----------|-----------|
| | -----Rupees----- | | | | |
| Present value of defined benefit obligations | 5,612,037 | 5,581,813 | 4,347,905 | 8,692,257 | 7,671,797 |

d Expected charge for the year ending 30 September 2015 is Rs.1,171,409.

e Charge for the Defined Benefit Plan

| | | |
|----------------------|-----------|-----------|
| Current service cost | 563,955 | 760,624 |
| Net Interest | 608,363 | 458,747 |
| | 1,172,318 | 1,219,371 |

21 SUBORDINATE LOAN - unsecured

Sponsors' loan

| | | | |
|---|------|---------------|---------------|
| Original loan amount | 21.1 | 579,564,536 | 579,564,536 |
| Present value adjustment | 21.2 | (390,937,584) | (390,937,584) |
| | | 188,626,952 | 188,626,952 |
| Interest charged to profit and loss account | | | |
| Charged in previous years | | 48,095,613 | 21,456,341 |
| Charge for the year | | 29,093,217 | 26,639,272 |
| | | 77,188,830 | 48,095,613 |
| | | 265,815,782 | 236,722,565 |
| Loan waived off by sponsors during the year | 30 | (265,815,782) | - |
| | | - | 236,722,565 |



- 21.1 These are unsecured and interest free loans, repayable at the convenience of the Company. However, during the year these long term interest free loans have been waived off by the sponsors on 22 August 2014.
- 21.2 These long term interest free loans have been measured at amortized cost and have been discounted using the weighted average interest rate of 12.7%.

| | Note | 2014 Rupees | 2013 Rupees |
|---|------|----------------------|----------------------|
| 22 SHORT TERM BORROWINGS - secured | | | |
| Cash finances | 22.1 | 1,598,496,842 | 971,349,264 |
| Running finances | 22.2 | 635,506,770 | 485,560,956 |
| | | <u>2,234,003,612</u> | <u>1,456,910,220</u> |

- 22.1 During the year the Company has availed cash finances amounting to Rs. 1,611.88 million (2013: Rs. 1,325 million). The rate of mark-up applicable during the year was 3 month KIBOR Plus 2.5% (2013 : 3 month KIBOR Plus 2.5%) on the outstanding balance or part thereof to be paid quarterly. These facilities are secured against charge over all present and future current assets (including stocks and receivables).
- 22.2 The Company has availed running finance facilities amounting to Rs. 811 million (2013: 661 million). The rate of mark-up applicable during the year is 3 month KIBOR Plus 2.5% 3 month KIBOR Plus 3% (2013: 3 month KIBOR plus 2.5% to 3 month KIBOR plus 3%) on the outstanding balance or part thereof to be paid quarterly. The facility is secured against 1st charge on Fixed Assets of the Company including land, building and plant & machinery installed, at Deh Jagsiyani, Taluka Tando Ghulam Hyder, District Tando Muhammad Khan, standing in the name of the Company, hypothecation of stocks of raw material and hypothecation of all book debts and receivables including all other current assets of the Company.

23 TRADE AND OTHER PAYABLES

| | | | |
|------------------------------------|------|--------------------|--------------------|
| Creditors | 23.1 | 27,909,784 | 25,296,415 |
| Accrued expenses | | 6,845,814 | 4,339,405 |
| Advances from customers | 23.2 | 57,687,770 | 137,932,135 |
| Unclaimed dividend | | 405,083 | 405,083 |
| Workers' welfare fund | | 8,179,562 | 9,353,826 |
| Workers' Profit Participation Fund | | 2,887,956 | - |
| Others | | 538,759 | 965,325 |
| | | <u>104,454,728</u> | <u>178,292,189</u> |

- 23.1 This includes Rs. 5,671,252 (2013: Rs. 6,024,213) payable to Omni Polymer Packages (Private) Limited, a related party, in respect of purchases of polypropylene bags.
- 23.2 This represents advances received against delivery of sugar for which delivery orders have been issued or sale contracts have been made.

24 CONTINGENCIES AND COMMITMENTS

24.1 Contingencies

- 24.1.1 Excise duty rebate on excess production during the crushing season 1992-93 over the previous three years average production amounting to Rs. 11,969 million refunded by the department had been claimed back by the Collector of Customs and Central Excise on the ground that the amount was erroneously refunded. The Company has filed appeal before the High Court against the decision of the Sales Tax Appellate Tribunal Karachi. No provision has been made in accounts as in view of legal advisor the Company expects a favorable outcome.



- 24.1.2** Excise duty rebate on excess production during the crushing season 1993-94 over the previous three years average production amounting to Rs. 22.40 million refunded by the department had been claimed back by the Collector of Customs and Central Excise on the ground that the amount was erroneously refunded. The Sales Tax Appellate Tribunal decided the case in favor of Company vide its order dated 20-10-2003. Against the said order the department has filed appeal before the High Court. The Company expects a favorable outcome of the case in view of legal advisor, hence no provision has been made in these financial statements.
- 24.1.3** The Company is contesting an order passed by the Deputy Commissioner Inland Revenue (DCIR) raising demand of Rs. 12.971 million on account of short payment of SED by the Company during the period from October 2007 to March 2011. The Company preferred an appeal before the Commissioner Inland Revenue (Appeals) against the order who passed a favourable order dated 10 January 2013. However, the department filed an appeal before the Appellate Tribunal Inland Revenue against the order. Meanwhile, the Honourable High Court of Sindh declared the Special Excise Duty as void-abinitio and of no legal effect. However, The Department has filed an appeal before Honourable Supreme Court of Pakistan against the decision of Honourable High Court of Sindh. The Company has made no provision as in view of its legal counsel the Company has a case on merit which is expected to be decided favourably.
- 24.1.4** The Company is contesting a case relating to additional sales tax amounting to Rs. 10.364 million on account of in house consumption of baggase as fuel for production during season 1996-97. The matter was under appeal at the Sales Tax Appellate Tribunal which passed an unfavorable order dated 22-05-2004. The other bench of the Tribunal had however remanded back similar case of other mills to the department to consider afresh the valuation aspect of baggase and exemption offered by the government for additional taxes and penalties on discharging only the principal sales tax liability in installments by the mills. The Company has preferred an appeal before the High Court against the order and has made no provision as in view of its legal council the Company has a case on merit which is expected to be decided favorably.
- 24.1.5** The Company is also contesting order passed by the Collector of sales tax raising demands of Rs.11.229 million by virtue of audit conducted by the sales tax auditors of the audit period 2003 to 2005. Against the above order, the Company preferred appeal before the Sales Tax Appellate Tribunal which resultantly set aside the order and remanded the instant case to Commissioner Inland Revenue with direction to hold fresh appellate proceeding against the set order. The matter was also being examined by Alternative Dispute Resolution Committee (ADRC). The Company made a payment of Rs. 0.771 million in this regard and recorded as asset. However, during the year the appeal has been disposed off in favour of the Company by the Commissioner Inland Revenue. The management has decided to charge the amount recorded as asset to profit and loss account as the management is of the view that the same will not be recoverable. No further provision has been made in this regard.
- 24.1.6** The Company is defending the case of further tax amounting to Rs. 31.181 million under the Sales Tax Act, 1990 pending adjudication before the High Court of Sindh. Earlier, the High Court maintained the favourable order of the Sales Tax Appellate Tribunal, Karachi wherein it was decided that the taxpayer companies were not required to charge impugned further tax. Upon the appeal of Collector of sales tax, the Honourable Supreme Court of Pakistan has remanded the case back to the High Court. The Company has paid a sum of Rs. 6.97 million in the same case in respect of further tax of Rs. 6.45 million and additional tax of Rs. 0.517 million under protest and recorded it as an asset in the financial statements. The Company expects that the High Court will maintain its previous favourable order, hence it does not expect any liability to be materialised and no provision is made in these financial statements.
- 24.1.7** As discussed in note 20.1, the Company has adjusted the quality premium against the subsidies paid above minimum cane price level for the year ranging from 2004 to 2007 to the growers. The Company has no liability for the period 2007-08 to 2011-12 due to recovery rate is less than the threshold of quality premium. However, for the season 2012-13 and 2013-14, as a matter of prudence the Company has not made any provision for quality premium amounting to Rs.19.82 million (2013: Rs. 9.313 million).



24.1.8 The Company has issued bank guarantees of Rs.13,557,365 (Rs.19,493,714) in favour of Trading Corporation of Pakistan (TCP) against performance of contracts.

| | Note | 2014 Rupees | 2013 Rupees Restated |
|---|--------|----------------------|----------------------------|
| 25 SALES - Net | | | |
| Sugar - Local | | 1,346,878,165 | 1,534,542,644 |
| Sugar - Export | | 165,888,320 | 1,269,691,822 |
| | | <u>1,512,766,485</u> | <u>2,804,234,466</u> |
| Federal Excise Duty | | (30,930,744) | (72,981,379) |
| | | <u>1,481,835,741</u> | <u>2,731,253,087</u> |
| 26 COST OF SALES | | | |
| Sugarcane consumed | | 1,649,673,566 | 1,736,542,087 |
| Manufacturing expenses | 26.1 | 222,816,577 | 232,322,306 |
| | | <u>1,872,490,143</u> | <u>1,968,864,393</u> |
| Opening stock | | | |
| Sugar in process | | 2,016,553 | 2,162,825 |
| Finished goods | | 261,204,426 | 904,943,602 |
| Molasses | | 197,600,000 | 247,560,000 |
| Molasses in process | | 86,820 | 77,820 |
| Baggase | | - | 28,007,040 |
| Cotton stick | | - | 3,465,000 |
| Finished goods - in transit | | 22,480,057 | 11,541,838 |
| | | <u>483,387,856</u> | <u>1,197,758,125</u> |
| Closing stock | | | |
| Sugar in process | | (4,302,438) | (2,016,553) |
| Finished goods - in hand | | (741,954,415) | (261,204,426) |
| Molasses | | (222,300,000) | (197,600,000) |
| Molasses in process | | (164,572) | (86,820) |
| Finished goods - in transit | | - | (22,480,057) |
| | | <u>(968,721,425)</u> | <u>(483,387,856)</u> |
| Less : Sale of by product - Molasses | | <u>(153,810,000)</u> | <u>(138,040,000)</u> |
| | | <u>1,233,346,574</u> | <u>2,545,194,662</u> |
| 26.1 Manufacturing expenses | | | |
| Salaries, wages including bonus and staff amenities | 26.1.1 | 37,274,467 | 43,474,495 |
| Process material | | 14,773,880 | 13,947,610 |
| Packing material | | 19,873,522 | 22,701,672 |
| Fuel and power | | 4,238,158 | 6,196,321 |
| Repair and maintenance | | 3,982,765 | 3,468,674 |
| Vehicle maintenance | | 1,733,428 | 1,234,409 |
| Insurance | | 11,235,371 | 10,083,417 |
| Depreciation | 5.1.3 | 129,704,986 | 131,215,708 |
| | | <u>222,816,577</u> | <u>232,322,306</u> |

26.1.1 This includes Rs. 1,779,298 (2013: Rs.1,797,422) in respect of contribution to provident fund and Rs.741,201 (2013: Rs.704,366) in respect of charge for staff gratuity.



| | Note | 2014 Rupees | 2013 Rupees Restated |
|--|---|-------------------|----------------------------|
| 27 SELLING AND DISTRIBUTION EXPENSES | | | |
| Commission expenses on export sales | | 1,067,999 | 25,656,717 |
| Loading and stacking | | 750,719 | 1,105,695 |
| | | <u>1,818,718</u> | <u>26,762,412</u> |
| 28 ADMINISTRATIVE EXPENSES | | | |
| Salaries including bonus and staff amenities | 28.1 | 25,915,135 | 31,754,414 |
| Rent, rates and taxes | | 1,835,826 | 2,182,756 |
| Insurance | | 1,786,799 | 1,203,447 |
| Water, gas and electricity | | 749,965 | 480,744 |
| Printing and stationery | | 1,132,679 | 1,306,823 |
| Postage, telegram and telephone | | 1,110,375 | 567,591 |
| Vehicle maintenance | | 906,418 | 1,019,174 |
| Repairs and maintenance | | 993,488 | 2,181,630 |
| Travelling and conveyance | | 386,185 | 246,833 |
| Fees and subscription | | 652,535 | 716,935 |
| Legal and professional | | 6,805,657 | 5,984,206 |
| Entertainment | | 2,696,413 | 1,879,994 |
| Advertisement | | 123,293 | 56,303 |
| Depreciation | 5.1.3 | 23,214,674 | 24,762,019 |
| Amortization | 6 | 484,907 | 375,485 |
| Watch and wards | | 1,371,774 | 4,563,960 |
| Auditors' remuneration | 28.2 | 1,347,362 | 1,303,662 |
| Charity and donation | 28.3 | 399,475 | 15,500 |
| Sales tax witten off | 24.1.5 | 771,120 | - |
| Others | | 1,348,569 | 2,206,680 |
| | | <u>74,032,649</u> | <u>82,808,156</u> |
| 28.1 | This includes Rs. 251,150 (2013: Rs.296,568) in respect of contribution to provident fund and Rs.431,108 (2013: Rs. 515,005) in respect of charge for staff gratuity. | | |
| 28.2 Auditors' remuneration | | | |
| Audit fee - annual | | 900,000 | 900,000 |
| Half yearly review | | 200,000 | 200,000 |
| Certification - Code of Corporate Governance | | 125,000 | 100,000 |
| Cost audit fee | | 50,000 | 40,000 |
| Out of pocket expenses | | 72,362 | 63,662 |
| | | <u>1,347,362</u> | <u>1,303,662</u> |
| 28.3 | None of the directors or their spouse had any interest in the donees. | | |
| 29 OTHER OPERATING EXPENSES | | | |
| Workers' Welfare Fund | | 8,179,562 | 9,353,826 |
| Workers' Profit Participation Fund | | 2,887,956 | - |
| | | <u>11,067,518</u> | <u>9,353,826</u> |



| | Note | 2014 Rupees | 2013 Rupees Restated |
|--|--|----------------------|----------------------------|
| 30 OTHER INCOME | | | |
| <i>Income from financial assets</i> | | | |
| Profit on investment | | 14,732,410 | 13,135,409 |
| Exchange (loss) / gain | | (1,187,360) | 5,388,596 |
| <i>Income from non financial assets/others</i> | | | |
| Freight subsidy on export | 30.1 | 2,808,000 | 46,111,100 |
| Loans waived off by sponsors | 21 | 265,815,782 | - |
| Fair value gain on revaluation of biological assets | | 49,733,333 | - |
| Amortization of sponsors' subordinate loan | | - | 266,318,253 |
| Gain on disposal of property, plant and equipment | | - | 924,134 |
| | | <u>331,902,165</u> | <u>331,877,492</u> |
| 30.1 | This represent freight subsidy announced by the Government of Pakistan on export of sugar @ 1.75 per kg on export of 0.895 million tons of sugar from the country. During the year, the Company has exported 4,914 tons (2013 : 26,349 tons) of sugar and has claimed the subsidy from Government. | | |
| 31 FINANCE COST | | | |
| Mark-up on long term finances | | 168,973,533 | 131,556,771 |
| Mark-up on short term borrowings | | 245,794,386 | 195,087,101 |
| Bank charges | | 2,919,719 | 1,772,502 |
| Unwinding of discount on subordinate loan | | 29,093,217 | 26,639,272 |
| | | <u>446,780,855</u> | <u>355,055,646</u> |
| 32 TAXATION | | | |
| For the year | | | |
| - current | 32.1 | 21,218,152 | 29,158,290 |
| - prior | | (334,706) | 9,125,446 |
| - deferred | | 257,870,505 | (146,515,388) |
| | | <u>278,753,951</u> | <u>(108,231,652)</u> |
| 32.1 Current | | | |
| Income tax assessments of the Company deemed to be finalized up to the accounting year 2012 corresponding to tax year 2013 u/s 120 of the Income Tax Ordinance 2001. In view of the carry forward tax losses of the Company; current year taxation charge, except for income covered under the presumptive tax regime and income from other sources, has been determined as the minimum tax under Section 113 of the Income Tax Ordinance, 2001. Following course, gross turnover from all sources upto 30 September 2014 have been taxed @ 1%; advance tax deducted under the presumptive tax regime and gross income from other sources have been taxed @ 33% to determine the current tax liability of the Company for the year. Hence a reconciliation of the accounting and taxable profits is deemed not applicable in the instance. | | | |
| 33 (LOSS) / EARNING PER SHARE- Basic & Diluted | | | |
| Net (loss) / profit for the year | Rupees | <u>(232,062,359)</u> | <u>152,187,529</u> |
| Number of ordinary shares | Number | <u>24,407,198</u> | <u>24,407,198</u> |
| (Loss) / earning per share - Basic | Rupees | <u>(9.51)</u> | <u>6.24</u> |
| 33.1 | There is no dilutive effect of basic earning per share of the Company. | | |



34 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

| | 2014 | | 2013 | |
|--|------------------|-------------------|------------------|------------------|
| | Directors | Executives | Directors | Executives |
| | -----Rupees----- | | | |
| Managerial remuneration | 882,576 | 7,553,372 | 656,645 | 3,323,616 |
| Company's contribution to provident fund | 88,260 | 487,268 | 68,184 | 332,362 |
| Perquisites, benefits and utilities | 485,424 | 2,382,668 | 362,355 | 1,827,348 |
| | <u>1,456,260</u> | <u>10,423,308</u> | <u>1,087,184</u> | <u>5,483,326</u> |
| Number | 1 | 10 | 1 | 5 |

34.1 In addition, no remuneration has been paid to chief executive and other directors of the Company. Further, certain executives are provided with Company maintained cars.

35 CAPACITY AND PRODUCTION

| Years | Number of days mill operated | Installed crushing capacity (Metric tons) | Total crushing on the basis of number of days mill operated (Metric tons) | Total actual crushing on the basis of number of days mill |
|-------------|------------------------------|---|---|---|
| 2013 - 2014 | 134 | 8,000 | 1,072,000 | 382,090 |
| 2012 - 2013 | 114 | 8,000 | 912,000 | 400,574 |

The low crushing was due to shortage of sugarcane and funds.

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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

This note presents the information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to react changes in market conditions and the Company's activities.

36.1 Credit risk

Credit risk is the risk which arises with possibility that one party to financial instrument will fail to discharge its obligations and cause the other party to incur financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transaction with specific counterparties and continually assessing the credit worthiness of counterparties.



Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company is exposed to credit risk on long term investment, loans, advances, deposits, trade debts and other bank balances. The Company seeks to minimize the credit risk exposure through exposures only to customers considered credit worthy and obtaining securities where applicable. The maximum exposure to credit risk at the reporting date is as follows:

| | 2014 Rupees | 2013 Rupees |
|---|--------------------|--------------------|
| | 135,907,037 | 121,174,627 |
| | 2,227,679 | 1,483,567 |
| Long term deposits | 498,500 | 498,500 |
| Trade debts | 308,436,728 | 578,844,222 |
| Loans and advances | 4,711,434 | 4,072,158 |
| Short term deposits and other receivables | 322,619 | 28,064 |
| Bank balances | 164,279,369 | 218,172,165 |
| | 616,383,366 | 924,273,303 |

Quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or the historical information about counterparty default rate as shown below:

36.1.1 Long term investments

The Company has made investments in Defence Saving Certificates which are debt securities issued by Federal Government and are considered highly secure.

36.1.2 Trade debts

| | | |
|--|--------------------|--------------------|
| Customers with no default in past one year | 308,436,728 | 578,844,222 |
|--|--------------------|--------------------|

36.1.3 Bank balances

| | | |
|------|--------------------|--------------------|
| A1+ | 10,211,175 | 51,678,374 |
| A-1+ | 154,047,818 | 166,473,416 |
| A-2 | 20,375 | 20,375 |
| | 164,279,368 | 218,172,165 |

36.2 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, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. For this purpose the Company has sufficient running finance facilities available from commercial banks to meet its liquidity requirements. Further liquidity position of the Company is closely monitored through budgets, cash flow projections and comparison with actual results by the board.



Following is the maturity analysis of financial liabilities:

| Financial Liabilities | 2014 | | | |
|-----------------------------|----------------------|----------------------|--------------------|----------------------|
| | Carrying Amount | Less than 12 months | 1 to 2 years | 2 years and above |
| | -----Rupees----- | | | |
| Long term finances | 1,631,969,750 | 387,300,013 | 284,555,969 | 960,113,768 |
| Short term borrowings | 2,234,003,612 | 2,234,003,612 | - | - |
| Trade and other payables | 35,294,357 | 35,294,357 | - | - |
| Accrued markup | 131,181,633 | 131,181,633 | - | - |
| | <u>4,032,449,352</u> | <u>2,787,779,615</u> | <u>284,555,969</u> | <u>960,113,768</u> |
| | -----Rupees----- | | | |
| Financial Liabilities | 2013 | | | |
| | Carrying Amount | Less than 12 months | 1 to 2 years | 2 years and above |
| | -----Rupees----- | | | |
| Long term finances | 1,730,514,689 | 225,772,204 | 313,129,347 | 1,191,613,138 |
| Short term borrowings | 1,456,910,220 | 1,456,910,220 | - | - |
| Trade and other payables | 30,601,145 | 30,601,145 | - | - |
| Subordinate loan - restated | 236,722,565 | - | - | 236,722,565 |
| Accrued markup | 97,188,854 | 97,188,854 | - | - |
| | <u>3,551,937,473</u> | <u>1,810,472,423</u> | <u>313,129,347</u> | <u>1,428,335,703</u> |

Effective interest rates for the monetary financial assets and liabilities are mentioned in the respective notes to the financial statements.

36.3 Market risk

Market risk is a risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices such as foreign exchange rates, interest rates and equity price risks. The objective of market risk management is to manage and control market risk exposures within an acceptable range.

36.3.1 Foreign currency risk

Foreign currency risk is the risk that the value of financial assets or a financial liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions in foreign currency.

Risk exposure

The Company is exposed to currency risk on trade debts in a currency other than the functional currency of the Company, primarily in US dollar. The currencies in which these transactions primarily are denominated is US dollars. The Company's exposure to foreign currency risk is as follows:

| | 2014 | | 2013 | |
|---------------------|------------------|---------------|-------------------|----------------|
| | Rupees | US dollars | Rupees | US dollars |
| Trade debts | 9,130,700 | 89,080 | 61,404,326 | 583,137 |
| Net exposure | <u>9,130,700</u> | <u>89,080</u> | <u>61,404,326</u> | <u>583,137</u> |



The following significant exchange rates were used during the year:

| | Average rate | | Balance sheet date rate | |
|-----------|--------------|--------|-------------------------|--------|
| | 2014 | 2013 | 2014 | 2013 |
| US Dollar | 103.90 | 100.25 | 102.50 | 105.30 |

Sensitivity analysis

At 30 September 2014, if the Rupee had weakened / strengthened by 10% against US dollar with all other variables held constant, post tax profit for the year would have been Rs. 0.913 million (2013: Rs.4.189 million) lower/higher, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated trade debts.

36.3.2 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rate relates primarily to the Company's long term and short term loan facilities.

At the reporting date, the interest rate profile of the company's interest bearing financial instruments was as follows:

| | 2014 | 2013 | 2014 | 2013 |
|------------------------------|------------------------------|--------------------------|---------------|---------------|
| | Effective Rate (%) | | Rupees | Rupees |
| Financial liabilities | | | | |
| Long-term finances | 3 MK plus 200 to 300 bps | 3 MK plus 200 to 300 bps | 790,168,544 | 842,677,132 |
| Short-term borrowings | 3 MK plus 250 bps to 300 bps | 3 MK plus 250 bps | 2,234,003,612 | 1,456,910,220 |

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (1%) in interest rates at the reporting date would have changed the Company's profit before tax for the year by the amount shown below, with all other variable held constant.

| | | 2014 | 2013 |
|--------------------------------------|---|------------|------------|
| Change in interest rates | ± | 1% | 1% |
| Effect on Profit before tax (Rupees) | ± | 27,776,045 | 16,849,497 |

The Company does not account for any fixed rate assets and liabilities at fair value through profit and loss. Therefore, a change in interest rate at the reporting date would not affect the carrying value of any of Company's assets or liabilities.

36.4 Fair value of financial instruments

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

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



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

36.5 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares and take other measures commensurate to the circumstances. The Company finances its expansion projects through equity, borrowings and management of its working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

The Company monitors capital using a gearing ratio, which is net debt divided by total shareholders equity and sponsors loan plus net debt. Net debt is calculated as total loans and borrowings including any finance cost thereon, less cash and bank balances. The Company's strategy was to maintain leveraged gearing.

The Company is not subject to externally imposed capital requirements.

| | 2014 Rupees | 2013 Rupees Restated |
|--|----------------------|----------------------------|
| 37 NET CASH GENERATED FROM OPERATIONS | | |
| Profit before taxation | 46,691,592 | 43,955,877 |
| Adjustments for: | | |
| Depreciation | 152,919,660 | 155,977,727 |
| Amortization | 484,907 | 375,485 |
| Provision for gratuity | 1,172,318 | 1,219,371 |
| Workers' Welfare Fund | 8,179,562 | 9,353,826 |
| Workers' Profit Participation Fund | 2,887,956 | - |
| Sales tax written off | 771,120 | - |
| Unrealized profit on investment | (14,732,410) | (13,135,409) |
| Loans waived off by sponsors | (265,815,782) | - |
| Fair value gain on revaluation of biological assets | (49,733,333) | - |
| Fair value gain on subordinate loan | - | (266,318,253) |
| Gain on sale of property, plant and equipment | - | (924,134) |
| Finance cost | 446,780,855 | 355,055,646 |
| | 282,914,853 | 241,604,259 |
| Operating profit before working capital changes | 329,606,445 | 285,560,136 |
| Changes in working capital: | | |
| (Increase) / decrease in current assets: | | |
| Biological assets | (126,284,445) | - |
| Stores, spares and loose tools | (61,619,506) | (64,913,548) |
| Stock-in-trade | (485,333,569) | 714,370,269 |
| Trade debts | 270,407,494 | (273,918,018) |
| Loans and advances | 93,615,826 | (62,798,108) |
| Short term deposits, prepayments and other receivables | (48,880,497) | (50,509,979) |
| | (358,094,697) | 262,230,616 |
| Increase in current liabilities: | | |
| Trade and other payables | (75,551,153) | (225,132,932) |
| | (433,645,850) | 37,097,684 |
| | (104,039,405) | 322,657,820 |



38 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise directors, key management personnel, post employment benefit plan and other related companies. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties and remuneration of chief executive, directors and executives are shown under respective notes to the accounts. Other transactions with related parties are as follows:

| | 2014 Rupees | 2013 Rupees |
|---|----------------|----------------|
| Loan received from directors / sponsors - net | - | 417,392,999 |
| Loan wived off by directors / sponsors | 579,564,536 | - |
| Pak Ethanol (Private) Limited | | |
| Sales of Molasses | 153,810,000 | 138,040,000 |
| Omni Polymer Packages (Private) Limited | | |
| Purchases of Polypropylene bags | 23,372,878 | 17,707,075 |
| Ansari Sugar Mills Limited Employees' Provident Fund Trust | | |
| Contributions to provident fund | 2,030,448 | 2,093,990 |

39 NUMBER OF EMPLOYEES

Number of persons employed as at year end were 252 (2013: 278) and the average number of persons employed during the year were 287 (2013: 295).

40 PROVIDENT FUND RELATED DISCLOSURES

| | Un-audited | Audited |
|--------------------------------|------------|------------|
| Size of the fund - Net assets | 55,429,268 | 48,428,940 |
| Cost of investments made | 46,583,484 | 39,126,029 |
| Percentage of investments made | 84.04% | 80.79% |
| Fair value of investments | 46,583,484 | 39,126,029 |

40.1 Break-up of fair value of investment is:

| | -----2014----- | | -----2013----- | |
|-----------------|----------------|--------|----------------|--------|
| | Rupees | --%-- | Rupees | --%-- |
| Saving Accounts | 46,583,484 | 100.0% | 39,126,029 | 100.0% |
| | 46,583,484 | 100% | 39,126,029 | 100% |

40.2 Investments out of the Provident Fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

41 CORRESPONDING FIGURES

Comparative figures have been reclassified and restated wherever necessary to facilitate comparison, no significant reclassification to report during the year.

42 DATE OF AUTHORIZATION

These financial statements were authorized for issue on **9 January 2015** by the Board.


Chief Executive


Director



FORM OF PROXY

The Director
ANSARI SUGAR MILLS LIMITED
1st Floor, Block 2, Hockey Club of Pakistan Stadium,
Liaquat Barracks, Karachi.

I We, _____

of _____

being a member of ANSARI SUGAR MILLS LIMITED and holder of _____

ordinary shares, as per Register Folio No. _____

who is also a Member of the Company of as my / our Proxy to vote for me / us and on my /our behalf at the
24th Annual General Meeting of the Company to be held on _____ and at any
adjournment thereof.

Signed _____ day of 2015.

**RUPEES FIVE
REVENUE STAMP**

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

NOTES :

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 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.