



# ANSARI SUGAR MILLS LIMITED

## TWENTY FOURTH ANNUAL REPORT 2013

CONTENTS	PAGE No.
Company Profile	2
Notice of Annual General Meeting	3
Vision and Mission Statement	4
Directors' Report	5-7
Statement of Compliance with the Code of Corporate Governance	8-9
Pattern of Shareholding	10
Pattern of Shareholding as per requirements of Code of Corporate Governance	11-12
Statement of Ethics & Business Practice	13-14
Six Years Review at a Glance	15
Review Report to the Members on Statement of Compliance with the Best Practices of Code of Corporate Governance	16
Auditors' Report	17
Balance Sheet	18
Profit and Loss Account	19
Statement of Comprehensive Income	20
Cash Flow Statement	21
Statement of Changes in Equity	22
Notes to the Financial Statements	23-47
Form of Proxy	



## COMPANY PROFILE

### BOARD OF DIRECTORS

Rashid Ahmed Khan  
Khawaja Anver Majid  
Khawaja Ali Kamal Majid  
Khawaja Aleem Majid  
Nihal Anwar  
Dawoodi Morkas  
Aurangzeb Khan

Chairman, Non-Executive Director (Independent)  
Chief Executive & Executive Director  
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, 3<sup>rd</sup> 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 24th Annual General Meeting of the shareholders of Ansari Sugar Mills Limited, will be held on Friday, January 31, 2014 at 02:45 pm 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, 2013.
- To receive, consider and adopt the audited accounts of the Company for the year ended September 30, 2013, together with the Directors Report and Auditors report thereon.
- To appoint Auditors and fix their remuneration for the year ending September 30, 2014. 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 10, 2014

Company Secretary

### NOTES:

1. The shares transfer book of the company will remain close from January 24, 2014 to January 31, 2014 (both day inclusive).
2. A member entitles to attend and vote at this meeting may appoint another member as 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 cost effective product.
- To ensure professionalism and healthy working environment .
- To create a reliable product through adoption of latest technology/ 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 24th Annual audited financial statements of the Company for the year ended September 30, 2013 along with operational result, and Auditors' Report thereon.

### Operating Results

	(Rupees in thousands)
Loss before taxation	(195,605)
Add: Taxation	108,231
Loss after taxation	(87,232)
Accumulated loss brought forward	(455,984)
Accumulated loss carried forward	(543,216)
Loss per share – Basic and diluted	<u>(3.58)</u>

### **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 2012-13 commenced on 29th November 2012 and the plant operated up to 22 March 2013 for 114 days as against 87 days in the preceding season. Sugarcane crushed during the current season was 400,573 M.Tons with average sucrose recovery of 10.55% and sugar production of 42,300 M.Tons, as compared with crushing of 428,693 M.Tons with average sucrose recovery of 8.34 % and sugar production of 35,810 M.Tons during the preceding season this significant improvement in sugar recovery has nullified to some extent by increase 11.69% in sugarcane price, as notified by the Government, and unfavorable price trend of sugar. The Government of Sindh fixed the minimum sugarcane support price at Rs. 172 per 40 kgs for the crushing season 2012-13 as against Rs. 154 per 40 kgs for the crushing season 2011-12.

Finally, the management of your Company thanks its all stake-holders for their support during this extremely difficult time.

		2012-13	2011-12
Crushing duration	Days	114	87
Sugarcane crushed	M.Tons	400,574	428,693
Sugar production	M.Tons	42,300	35,810
Sugar recovery	%	10.56	8.35
Molasses production	M.Tons	17,255	19,350
Molasses recovery	%	4.30	4.55

Audited accounts show that company earned a gross profit of Rs. 186.12 million during the year, as compared to gross loss 63.84 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 Accountant.



### **Future Prospects**

The Government has not increased the sugar cane prices for crushing season 2013-14, and 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 also has recently allowed export of left over export quota of sugar of around 0.5million tons from previously allowed 1.2 million tons, that will some positive impact on local sugar market and these measurement 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 them 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 its 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 the 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.
11. The Directors, CEO, CFO, Company Secretary and their spouses and minor children did not carry out any trade in the shares of the Company.
12. The Company will enroll its directors for the training program and, as well as appoint the qualified CFO as required by the CCG before the next 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 10, 2014



## STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

ANSARI SUGAR MILLS LIMITED  
YEAR ENDED 30 SEPTEMBER 2013

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:

<b>CATEGORY</b>	<b>NAME</b>
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. A casual vacancy 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 10, 2013



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

Number of Shares Holders	From	Share Holding	To	Total Shares Held
732	1	-	100	35,160
606	101	-	500	204,259
246	501	-	1,000	184,055
354	1,001	-	5,000	751,062
59	5,001	-	10,000	393,850
22	10,001	-	15,000	272,031
6	15,001	-	20,000	101,029
9	20,001	-	25,000	195,762
7	25,001	-	30,000	187,886
3	30,001	-	35,000	93,390
2	35,001	-	40,000	74,126
1	40,001	-	45,000	42,300
1	45,001	-	50,000	47,154
1	50,001	-	65,000	62,652
2	65,001	-	70,000	137,862
2	70,001	-	80,000	156,990
1	80,001	-	100,000	85,565
1	100,001	-	300,000	102,937
1	300,001	-	400,000	307,876
1	400,001	-	500,000	412,344
1	500,001	-	1,000,000	559,980
1	1,000,001	-	2,000,000	1,917,000
1	2,000,001	-	2,200,000	2,020,000
1	2,200,001	-	3,000,000	2,243,560
1	3,000,001	-	13,900,000	13,818,368
<b>2,062</b>				<b>24,407,198</b>



**PATTERN OF SHAREHOLDING UNDER REGULATION 37(XX)(I)  
OF THE CODE OF CORPORATE GOVERNANCE  
AS AT SEPTEMBER 30, 2013**

CATEGORIES OF SHAREHOLDERS	NO. OF SHARE HOLDERS	SHARES HELD	PERCENTAGE
1. <b>Associated Companies</b>	-	-	0.00%
2. <b>NIT and ICP</b>	2	156,990	0.64%
3. <b>Directors, CEO, their Spouses &amp; Minor Children</b>	7	16,784,148	68.77%
4. <b>Executives</b>	-	-	0.00%
5. <b>Public Sector Companies &amp; Corporations</b>	9	2,174,686	8.91%
6. <b>Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Modarbas &amp; Mutual Funds</b>	11	76,429	0.31%
7. <b>Individuals</b>	2,033	5,214,945	21.37%
<b>TOTAL</b>	<b>2,062</b>	<b>24,407,198</b>	<b>100.00%</b>

**DETAILS OF CATAGORIES OF SHAREHOLDERS**

CATEGORIES OF SHAREHOLDERS	NO. OF SHARE HOLDERS	SHARES HELD	PERCENTAGE
1. <b><u>Associated Companies</u></b>	-	-	-
2. <b><u>NIT and ICP</u></b>			
2.1 INVESTMENT CORPORATION OF PAKISTAN	1	78,890	0.32%
2.2 NATIONAL BANK OF PAKISTAN	1	78,100	0.32%
	<b>2</b>	<b>156,990</b>	<b>0.64%</b>
3. <b><u>Directors, CEO, their Spouses &amp; Minor Children</u></b>			
<b><u>Directors and CEO</u></b>			
3.1 KHAWAJA ANVER MAJID	1	13,818,368	56.62%
3.2 KHAWAJA NIMR MAJEED	1	2,243,560	9.19%
3.3 KHAWAJA MUSTAFA ZULQARNAIN MAJID	1	412,344	1.69%
3.4 KHAWAJA ALI KAMAL MAJID	1	307,876	1.26%
3.5 SAIMA ALI MAJID	1	1,000	0.00%
3.6 RASHID AHMED KHAN	1	500	0.00%
3.7 NIHAL ANVER	1	500	0.00%
	<b>7</b>	<b>16,784,148</b>	<b>68.77%</b>
<b><u>Spouses of Directors and CEO</u></b>	-	-	-
<b><u>Minor Children of Directors and CEO</u></b>	-	-	-
	<b>7</b>	<b>16,784,148</b>	<b>68.77%</b>



**PATTERN OF SHAREHOLDING UNDER REGULATION 37(XX)(I)  
OF THE CODE OF CORPORATE GOVERNANCE  
AS AT SEPTEMBER 30, 2013**

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

<b>CATEGORIES OF SHAREHOLDERS</b>	<b>NO. OF SHARE HOLDERS</b>	<b>SHARES HELD</b>	<b>PERCENTAGE</b>
1 KHAWAJA ANVER MAJID	1	13,818,368	56.62%
2 KHAWAJA NIMR MAJEED	1	2,243,560	9.19%
3 SAYED ABDUL BAQAR NAQVI	1	2,020,000	8.28%
4 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)

<b>FINANCIAL RESULTS</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Sales	2,731,253	1,628,242	1,927,676	2,635,631	1,269,457	1,338,470
Gross profit/(loss)	186,126	(63,839)	174,515	7,951	103,099	(94,565)
Operating profit/(loss)	77,925	(133,228)	109,650	(42,116)	59,446	(180,363)
Profit/(loss) before taxation	(195,605)	(441,444)	(181,583)	(168,255)	464,865	(190,167)
Profit/(loss) after taxation	(87,374)	(441,985)	(159,128)	(93,929)	516,328	(190,167)
Accumulated (loss)/profit for the year	(497,163)	(455,984)	(31,170)	109,881	189,725	(464,188)
<b>OPERATING RESULTS</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Season Started	29-11-2012	21-12-2011	09-12-2010	04-12-2009	28-11-2008	16-11-2007
Season Closed	22-03-2013	16-03-2012	11-04-2011	13-03-2010	19-03-2009	11-04-2008
Days Worked	114	87	124	100	112	148
Sugarcane crushed (tonnes)	400,574	428,693	604,273	532,262	491,346	788,409
Sugar Recovery (%)	10.56	8.35	8.31	7.71	7.88	8.45
Sugar produced (tonnes)	42,300	35,810	50,312	40,955	38,686	66,600
Molasses recovery (%)	4.30	4.51	4.63	4.65	4.98	5.416
Molasses produced (tonnes)	17,255	19,350	28,240	24,700	24,450	42,692
<b>ASSETS EMPLOYED</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Fixed capital expenditure	3,238,354	2,097,820	1,998,006	2,082,902	1,266,002	692,490
Long term loans and deposits	1,982	1,643	747	729	652	609
Current Assets	2,012,999	2,058,550	1,915,465	659,864	704,105	339,193
<b>Total Assets employed</b>	<b>5,253,335</b>	<b>4,158,013</b>	<b>3,914,218</b>	<b>2,743,495</b>	<b>1,970,759</b>	<b>1,032,292</b>
<b>FINANCED BY</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
	Rupees					
Shareholders' equity	(226,091)	(184,912)	239,901	380,954	460,797	(193,116)
Long term liabilities	1,504,742	1,150,021	777,587	826,551	779,150	366,470
Deferred Liabilities	423,083	269,598	271,214	313,858	289,009	5,590
Current Liabilities	1,980,062	2,373,526	1,991,306	574,275	366,682	853,348
<b>Total funds invested</b>	<b>3,681,797</b>	<b>3,608,234</b>	<b>3,280,008</b>	<b>2,095,638</b>	<b>1,895,638</b>	<b>1,032,292</b>
<b>Break-up value per share</b>	<b>(9.26)</b>	<b>(0.76)</b>	<b>0.98</b>	<b>1.56</b>	<b>1.89</b>	<b>(0.79)</b>
<b>(Loss)/Earnings per share</b>	<b>(3.58)</b>	<b>(18.11)</b>	<b>(6.52)</b>	<b>(3.85)</b>	<b>21.15</b>	<b>(7.79)</b>



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

We have reviewed the Statement of Compliance with the best practices ( 'the Statement' ) contained in the Code of Corporate Governance ('the Code') for the year ended 30 September 2013 prepared by the Board of Directors of **Ansari Sugar Mills Limited** ('the Company') to comply with the 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. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

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

Further, Sub-Regulation ( xiii a ) of Listing Regulation No. 35 notified by The Karachi Stock Exchange (Guarantee ) Limited vide circular KSE/N-269 dated 19 January 2009 require the Company to place before the board of directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are not required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, we report that:

- (a) no arrangements were made by the Company to carry out orientation courses for their directors to acquaint them with the Code of Corporate Governance, applicable laws and their duties and responsibilities as required by Sub-Regulation (xi) of Listing Regulations 35, refer note no. 9 and 23 of the Statement of Compliance with the Code of Corporate Governance;
- (b) CFO of the Company does not possess the required qualification and experience as required by sub regulation (xiii) of Listing Regulations 35, refer note no. 10 and 23 of the statement of compliance with best practices of code of corporate governance.

Except for matters discussed in (a) & (b) above paragraphs, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code effective for the year ended 30 September 2013.

Karachi:  
January 10, 2014

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





## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Ansari Sugar Mills Limited** ('the Company') as at 30 September 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of 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 changes as stated 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 2013 and of the loss, total comprehensive loss, its cash flow 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).

We draw attention to the following matters:

- i) note 19.2.1 to the financial statements which describes the fact that the Company based on five years financial projections including projections for taxable profits will be able to recover the deferred tax asset against which Company's deferred tax liability as at September 30, 2013 is reduced. The projected financial statements are approved by Board of directors of the Company. The preparation of projections involve management's assumptions regarding future business and economic conditions and therefore any significant change in such assumptions may have an effect on the realisability of the deferred tax asset.
- ii) note 2.5 to the financial statements which indicates that the Company has incurred net loss of Rs.87.374 million for the year and as at 30 September 2013, the Company has accumulated losses of Rs.497.163 million and the equity of the Company is negative by Rs. 226.091 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.

Our opinion is not qualified regarding above mentioned matters.

Karachi:  
January 10, 2014

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



## BALANCE SHEET AS AT SEPTEMBER 30, 2013

	Note	2013 Rupees	2012 Rupees
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	5	3,238,354,199	2,097,820,401
Intangible assets	6	824,485	547,055
Long term investment	7	121,174,627	108,039,218
Long term loans	8	1,483,567	1,143,990
Long term deposits		498,500	498,500
		<b>3,362,335,378</b>	<b>2,208,049,164</b>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	9	222,803,949	157,890,401
Stock-in-trade	10	483,387,856	1,197,758,125
Trade debts	11	578,844,222	304,926,204
Loans and advances	12	448,882,784	386,084,676
Short term deposits, prepayments and other receivables	13	52,339,417	1,829,438
Tax refunds due from the government	14	7,741,317	7,741,317
Cash and bank balances	15	218,999,242	2,319,656
		<b>2,012,998,787</b>	<b>2,058,549,817</b>
		<b>5,375,334,165</b>	<b>4,266,598,981</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital			
30,000,000 (2012 : 30,000,000) Ordinary shares of Rs.10 each		<b>300,000,000</b>	<b>300,000,000</b>
Issued, subscribed and paid-up capital	16	244,071,980	244,071,980
General reserve		27,000,000	27,000,000
Accumulated losses		(497,163,429)	(455,983,839)
		<b>(226,091,449)</b>	<b>(184,911,859)</b>
Surplus on revaluation of fixed assets	17	1,113,972,951	496,193,871
<b>NON CURRENT LIABILITIES</b>			
Long term finances	18	1,504,742,485	1,150,020,711
Deferred liabilities	19	423,083,309	269,598,493
Subordinate loan	20	579,564,536	162,171,537
		<b>2,507,390,330</b>	<b>1,581,790,741</b>
<b>CURRENT LIABILITIES</b>			
Current portion of long term finances	18	225,772,204	40,857,920
Short term borrowings	21	1,456,910,220	1,825,706,254
Trade and other payables	22	178,292,189	394,071,295
Accrued mark-up		97,188,854	95,925,126
Taxation - net		21,898,866	16,965,633
		<b>1,980,062,333</b>	<b>2,373,526,228</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	23		
		<b>5,375,334,165</b>	<b>4,266,598,981</b>

The annexed notes 1 to 41 form an integral part of these financial statements.

Chief Executive

Director



## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Note	2013 Rupees	2012 Rupees
Sales - net	24	2,731,253,087	1,628,242,420
Cost of sales	25	<u>(2,545,126,810)</u>	<u>(1,692,081,764)</u>
<b>Gross profit / (loss)</b>		<b>186,126,277</b>	<b>(63,839,344)</b>
<b>Operating expenses</b>			
Distribution cost	26	<u>(26,762,412)</u>	<u>(3,951,051)</u>
Administrative expenses	27	<u>(81,438,901)</u>	<u>(65,437,320)</u>
		<u>(108,201,313)</u>	<u>(69,388,371)</u>
<b>Operating profit / (loss)</b>		<b>77,924,964</b>	<b>(133,227,715)</b>
Finance cost	28	<u>(328,416,374)</u>	<u>(342,764,674)</u>
Other income	29	65,559,239	36,097,515
Other charges	30	<u>(10,672,988)</u>	<u>(1,548,935)</u>
		<u>(273,530,123)</u>	<u>(308,216,094)</u>
<b>Loss before taxation</b>		<b>(195,605,159)</b>	<b>(441,443,809)</b>
Taxation	31	<u>108,231,652</u>	<u>(541,523)</u>
<b>Loss after taxation</b>		<b>(87,373,507)</b>	<b>(441,985,332)</b>
<b>Loss per share - Basic &amp; Diluted</b>	32	<b>(3.58)</b>	<b>(18.11)</b>

*The annexed notes 1 to 41 form an integral part of these financial statements.*

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director



## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED SEPTEMBER 30, 2013

		2013 Rupees	2012 Rupees
Loss after taxation		(87,373,507)	(441,985,332)
Incremental depreciation on revalued fixed assets - net of tax	17	46,193,917	17,171,992
Total comprehensive loss for the year		(41,179,590)	(424,813,340)

*The annexed notes 1 to 41 form an integral part of these financial statements.*

---

Chief Executive

---

Director



## CASH FLOW STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Note	2013 Rupees	2012 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Net cash generated from operations</b>	36	<b>322,657,820</b>	192,585,990
Taxes paid		<b>(33,350,503)</b>	(20,881,166)
Gratuity paid		<b>(1,355,863)</b>	(3,063,686)
Long term staff loans (sanctioned) / received		<b>(339,577)</b>	(986,055)
Finance cost paid		<b>(307,071,451)</b>	(211,712,612)
<b>Net cash used in operating activities</b>		<b>(19,459,574)</b>	(44,057,529)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure incurred		<b>(333,078,753)</b>	(198,759,997)
Intangible assets acquired during the year		<b>(652,915)</b>	(816,500)
Long term deposits received		-	90,726
Proceeds from disposal of property, plant and equipment		<b>1,719,000</b>	-
<b>Net cash used in investing activities</b>		<b>(332,012,668)</b>	(199,485,771)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Short term borrowings (repaid) / received during the year - net		<b>(428,497,390)</b>	317,581,113
Directors' loan received / (repaid) during the year - net		<b>417,392,999</b>	(54,999,999)
Long term finances received / (repaid) during the year - net		<b>579,256,219</b>	(20,428,960)
<b>Net cash flow from financing activities</b>		<b>568,151,828</b>	242,152,154
Net increase /(decrease) in cash and cash equivalents		<b>216,679,586</b>	(1,391,146)
Cash and cash equivalents at the beginning of the year		<b>2,319,656</b>	3,710,802
Cash and cash equivalents at the end of the year		<b>218,999,242</b>	2,319,656

*The annexed notes 1 to 41 form an integral part of these financial statements.*

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director



## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Issued, subscribed and paid-up capital	General reserve	Accumulated losses	Total
	-----Rupees-----			
<b>Balance as at 30 September 2011</b>	244,071,980	27,000,000	(31,170,499)	239,901,481
Loss after taxation	-	-	(441,985,332)	(441,985,332)
Incremental depreciation on revalued fixed assets - net of tax	-	-	17,171,992	17,171,992
<b>Balance as at 30 September 2012</b>	<u>244,071,980</u>	<u>27,000,000</u>	<u>(455,983,839)</u>	<u>(184,911,859)</u>
Loss after taxation	-	-	(87,373,507)	(87,373,507)
Incremental depreciation on revalued fixed assets - net of tax	-	-	46,193,917	46,193,917
<b>Balance as at 30 September 2013</b>	<u><u>244,071,980</u></u>	<u><u>27,000,000</u></u>	<u><u>(497,163,429)</u></u>	<u><u>(226,091,449)</u></u>

*The annexed notes 1 to 41 form an integral part of these financial statements.*

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

### 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 International Accounting Standard Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

#### 2.2 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 stated at revalued amounts less accumulated depreciation and impairment losses, if any, certain staff retirement benefits stated at present value and long term investments and certain long term finances stated at amortised cost.

#### 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: 11)
- Provision for taxation and deferred taxation (note: 31 and 19)
- Valuation of stock in trade (note: 10)

#### 2.5 Going concern

The financial statements of the Company for the year ended 30 September 2013 reflect loss after taxation of Rs.87.374 million (2012 : 441.985 million) and as of that date its has accumulated losses of Rs.497.163 million (2012: 455.984 million) and the equity of the Company is fully eroded and is negative by Rs.226.091 million (2012: Rs.184.912 million). These conditions indicate the existence of material uncertainty, which may cast significant doubt about the Company's ability to continue as going concern.



However, anticipating improved market conditions due to export of excess stock of sugar from the country and cost control through effective management and increased plant efficiency, the Company has been able to generate operating profit of Rs. 77.925 million as compared to operating loss of Rs.133.228 million in last year. According to SRO No. 77(01)/2013 of February 07, 2013 the Government of Pakistan has allowed reduced rate of FED @ 0.5% on quantity of local sale equivalent to quantity exported by sugar manufacturer. Because the Company has exported 27,869.2 M.Tons of sugar upto November 2013, therefore, the Company is eligible to claim / adjust reduced rate of FED on equivalent quantity of 15,633 M.T of local sales. Besides Freight subsidy @ 1,750 per M.T was also announced on export of sugar by Government of Pakistan.

Further, the Company's long term loans are approaching to maturity in coming year that would reduce the finance cost of the Company. The directors, during the year, have injected Rs. 417.393 million and are committed to continue finance the Company's operations. Further, crushing season for the year 2013-14 has been started and the government has not increased the sugarcane prices from last year and the sugar prices are expected to be increased due to off loading of excess stock from the country. This will help the Company to increase gross profit in the next year.

As the crushing season 2013-14 has started and also short term borrowings of the Company have become due before these financial statements have been authorized for issue. The Company is able to pay markup due on the financing amounting to Rs.72.076 million. Further, the Company has also been able to repay the installment due on its long term loans amounting to Rs.10.214 million. The Company is also negotiating with the banks to obtain deferment of short term borrowings and management is confident that it will obtain the deferment for next 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**

The Company has adopted the following IFRSs which became effective during the year:

- IAS 1 - Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (Amendment)
- IAS 12 - Income Taxes - Recovery of Underlying Assets (Amendment)

The adoption of the above amendments did not have any material effect on the financial statements.

#### **3.2 Standards, interpretations and amendments to published accounting standards that are issued but 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 interpretations:





<b>Standard or Interpretation</b>	<b>Effective date (annual periods beginning on or after)</b>
IFRS 7      Financial Instruments: Disclosures (Amendments) Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	January 01, 2013
IAS 19      Employee Benefits - (Revised)	January 01, 2013
IAS 32      Offsetting Financial Assets and Financial Liabilities (Amendment)	January 01, 2014
IFRIC 20    Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013
IFRIC 21    Levies	January 01, 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 other than the amendments to IAS 19 'Employees Benefits'. Such amendments range from fundamental changes to simple clarification and re-wording. While the Company is currently assessing the full impact of the above amendments which are effective from January 01, 2013 on the financial statements, it is expected that the adoption of the said amendments will result in change in the Company's accounting policy related to recognition of actuarial gain / (loss) to recognize actuarial gain / (loss) in total in other comprehensive income in the period in which they occur. However, this change will not have material impact on the financial results of the Company as the staff gratuity balance is immaterial in relation to the financial statements.

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 January 01, 2013. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

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

<b>Standards</b>	<b>Effective date (annual periods beginning on or after)</b>
IFRS 9      Financial Instruments	January 01, 2015
IFRS 10     Consolidated Financial Statements	January 01, 2013
IFRS 11     Joint Arrangements	January 01, 2013
IFRS 12     Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13     Fair Value Measurement	January 01, 2013



#### **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, 2013, using the Project Unit Credit Method, to cover the obligation under the scheme for its employees eligible to gratuity benefits.

###### **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.

#### **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 up to 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	Lower of cost and net realizable value
Molasses	net realizable value
Baggase	net realizable value
Sugar in process	Cost of raw material consumed and proportionate manufacturing expenses
Cotton sticks	net realizable value

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 as specified in note 6.

## 5 PROPERTY, PLANT AND EQUIPMENT

		2013 Rupees	2012 Rupees
Operating fixed assets	5.1	3,137,312,561	2,091,084,835
Capital work in progress	5.2	101,041,638	6,735,566
		<u>3,238,354,199</u>	<u>2,097,820,401</u>



5.1 Operating Fixed Assets

	Freehold Land	Factory Building	Non-factory building	Plant and machinery	Electrical installation	Weightbridge equipments and others	Office equipments and others	Electrical appliances	Furniture and fixtures	Vehicles	Tent and tarpaulins	Tools and tackles	Total
Rupees													
<b>As at October 01, 2011</b>													
Cost	179,178,750	586,631,110	33,779,307	1,987,690,690	8,825,781	878,917	7,622,126	5,504,641	2,736,702	33,029,062	6,570,321	1,993,521	2,854,942,928
Accumulated depreciation	-	(111,001,290)	(24,894,768)	(687,545,558)	(6,487,404)	(767,370)	(4,605,172)	(3,653,666)	(2,080,340)	(16,751,120)	(3,876,738)	(1,951,475)	(863,614,891)
Net book value	179,178,750	475,629,820	8,884,549	1,300,045,132	2,338,377	111,547	3,016,954	1,850,975	656,362	16,277,942	2,693,583	42,046	1,990,728,037
<b>Year Ended September 30, 2012</b>													
Opening net book value	179,178,750	475,629,820	8,884,549	1,300,045,132	2,338,377	111,547	3,016,954	1,850,975	656,362	16,277,942	2,693,583	42,046	1,990,728,037
Additions during the year	-	59,028,826	67,269,845	65,350,000	249,290	3,648,998	132,520	1,925,438	160,750	1,537,500	-	-	199,902,157
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation for the year	-	(24,609,540)	(3,263,504)	(65,827,882)	(240,069)	(149,127)	(305,008)	(233,233)	(81,776)	(3,332,463)	(888,882)	(13,875)	(98,945,359)
Closing net book value	179,178,750	510,049,106	72,889,890	1,299,567,250	2,347,588	3,611,418	2,844,466	3,543,180	737,336	14,482,979	1,804,701	28,171	2,091,084,835
Depreciation Rates	-	5%	10%	5%	10%	10%	10%	10%	10%	20%	33%	33%	33%
<b>As at October 1, 2012</b>													
Cost	179,178,750	645,659,936	101,048,152	2,052,940,690	9,075,061	4,527,915	7,754,646	7,430,079	2,899,452	34,566,562	6,570,321	1,993,521	3,053,645,085
Accumulated depreciation	-	(135,610,830)	(28,158,262)	(753,373,440)	(6,727,473)	(916,497)	(4,910,180)	(3,866,889)	(2,162,116)	(20,083,583)	(4,765,820)	(1,965,350)	(862,560,250)
Net book value	179,178,750	510,049,106	72,889,890	1,299,567,250	2,347,588	3,611,418	2,844,466	3,543,180	737,336	14,482,979	1,804,701	28,171	2,091,084,835
<b>Year Ended September 30, 2013</b>													
Opening net book value	179,178,750	510,049,106	72,889,890	1,299,567,250	2,347,588	3,611,418	2,844,466	3,543,180	737,336	14,482,979	1,804,701	28,171	2,091,084,835
Additions during the year	-	99,484,520	117,921,238	15,953,999	382,000	35,003	414,100	1,600,015	318,006	2,663,800	-	-	238,772,681
Revaluation	66,862,500	(262,568,626)	205,742,482	954,891,282	-	-	-	-	-	-	-	-	964,227,638
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-	-	-	(1,719,000)	-	-	(1,719,000)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	924,134	-	-	924,134
Depreciation for the year	-	(17,348,250)	(19,729,201)	(113,494,395)	(269,646)	(363,767)	(301,879)	(488,120)	(103,324)	(3,274,298)	(595,551)	(9,296)	(155,977,727)
Closing net book value	245,541,250	329,616,750	376,824,409	2,156,718,136	2,459,942	3,282,654	2,956,687	4,655,075	952,018	13,077,615	1,209,150	18,875	3,137,312,561
<b>As at September 30, 2013</b>													
Cost	245,541,250	482,575,830	424,711,872	3,023,585,971	9,457,061	4,562,918	8,168,746	9,030,094	3,217,458	35,511,362	6,570,321	1,993,521	4,254,926,404
Accumulated depreciation	-	(152,959,080)	(47,887,463)	(866,867,835)	(6,997,119)	(1,280,264)	(5,212,059)	(4,375,019)	(2,265,440)	(22,433,747)	(5,361,171)	(1,974,646)	(1,117,613,843)
Net book value	245,541,250	329,616,750	376,824,409	2,156,718,136	2,459,942	3,282,654	2,956,687	4,655,075	952,018	13,077,615	1,209,150	18,875	3,137,312,561
Depreciation Rates	-	5%	5%	5%	10%	10%	10%	10%	10%	20%	33%	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 during the year. 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 (2012: Rs.9.253 million), Rs. 201.017 million (2012: Rs.112.112 million), Rs.181.369 million (2012: Rs.72.89 million) and Rs.1,150.948 million (2012: Rs.1,195.554 million) respectively, had there been no revaluation.

5.1.3 During the year management has revised its estimates of the useful life of non factory building and reduced the depreciation rate from 10% to 5%. The impact of such change is considered as change in estimates in accordance with IAS 8 "Accounting Policies, Change in Accounting Estimates and Errors", accordingly the impact of such change has been adjusted in profit and loss account in the current period. Had there been no such change in estimates, the depreciation charge would have been higher by Rs.19,729,201.

5.1.4 Depreciation for the year has been allocated as under:		2013 Rupees	2012 Rupees
Manufacturing expenses	25.1	131,215,708	90,600,424
Administrative expenses	27	24,762,019	8,344,935
		<u>155,977,727</u>	<u>98,945,359</u>

#### 5.1.5 Disposal of property, plant and equipments

Description	Particulars of purchaser	Cost	Accumulated depreciation	Book Value	Sale proceed	Gain / (Loss)	Mode of disposal
-----Rupees-----							
Vehicle	TPL Direct Insurance Limited	1,719,000	924,134	794,866	1,719,000	924,134	Insurance claim
	2013	<u>1,719,000</u>	<u>924,134</u>	<u>794,866</u>	<u>1,719,000</u>	<u>924,134</u>	
	2012	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	

#### 5.2 Capital work in progress

*Non-factory building:*

Opening balance	6,735,566	-
Additions during the year	91,875,836	6,735,566
Borrowing cost capitalised during the year	2,430,236	-
	<u>101,041,638</u>	<u>6,735,566</u>

#### 6 INTANGIBLE ASSETS

##### Softwares

*Cost:*

Opening balance	816,500	-
Additons during the year	652,915	816,500
Total cost	1,469,415	816,500

*Amortization:*

Opening balance	269,445	-
Amortization during the year	375,485	269,445
Accumulated Amortization	644,930	269,445

<b>Net book value</b>	<u>824,485</u>	<u>547,055</u>
-----------------------	----------------	----------------

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



7 LONG TERM INVESTMENT		2013 Rupees	2012 Rupees
<b>Held to maturity</b>			
Defence Saving Certificates (DSCs)	7.1	72,000,000	72,000,000
Accrued profit	7.2	49,174,627	36,039,218
		<u>121,174,627</u>	<u>108,039,218</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 12.15%. These have been pledged with National Bank of Pakistan as a security of repayment of Long Term Loan of Rs. 213.551 million (2012: 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

*Secured - considered good*

Long term loan to employees	8.1	2,265,267	1,550,190
Less: Current portion shown under current assets		(781,700)	(406,200)
		<u>1,483,567</u>	<u>1,143,990</u>

8.1 These are interest free loans given to employees other than directors and executives 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 STORES, SPARES AND LOOSE TOOLS

Store and spare parts		211,631,824	148,218,276
Packing material		11,172,125	9,672,125
		<u>222,803,949</u>	<u>157,890,401</u>

## 10 STOCK-IN-TRADE

***In hand***

Finished goods	10.1	261,204,426	904,943,602
Molasses		197,600,000	247,560,000
Baggase		-	28,007,040
Sugar in process		2,016,553	2,162,825
Molasses in process		86,820	77,820
Cotton sticks		-	3,465,000

***In transit***

Finished goods		22,480,057	11,541,838
		<u>483,387,856</u>	<u>1,197,758,125</u>

10.1 The above stocks in hand of the Company have been pledged with the Banks against the short term borrowings refer note 21 to these financial statements.





		2013 Rupees	2012 Rupees
<b>11 TRADE DEBTS - unsecured &amp; considered good</b>	<b>Note</b>		
-Related party	11.1	439,966,204	304,926,204
-Others		<u>138,878,018</u>	<u>-</u>
		<u><u>578,844,222</u></u>	<u><u>304,926,204</u></u>
<b>11.1</b> This represents receivable from Pak Ethanol (Private) Limited a related party against sale of molasses.			
<b>12 LOANS AND ADVANCES</b>			
Current portion of long term loans	8	781,700	406,200
<b>Considered good, unsecured</b>			
Advance to cane growers		<u>399,043,943</u>	<u>362,933,674</u>
Advance to suppliers and contractors		<u>45,766,683</u>	<u>20,901,558</u>
Advance to staff		<u>3,150,684</u>	<u>1,741,684</u>
Advance against salaries		<u>139,774</u>	<u>101,560</u>
		<u><u>448,101,084</u></u>	<u><u>385,678,476</u></u>
		<u><u>448,882,784</u></u>	<u><u>386,084,676</u></u>
<b>13 SHORT TERM DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Prepayments		248,496	21,080
Security deposit to Sindh Bank against guarantee to TCP		2,290,616	1,687,007
Other receivables - unsecured, considered good		28,064	121,351
Refundable against freight subsidy		46,111,100	-
Sales tax refundable - net		<u>3,661,141</u>	<u>-</u>
		<u><u>52,339,417</u></u>	<u><u>1,829,438</u></u>
<b>14 TAX REFUNDS DUE FROM THE GOVERNMENT</b>			
Sales tax	23.1.5 & 23.1.6	<u>7,741,317</u>	<u>7,741,317</u>
		<u><u>7,741,317</u></u>	<u><u>7,741,317</u></u>
<b>15 CASH AND BANK BALANCES</b>			
Cash in hand		827,077	11,510
Cash with banks - current account		<u>218,172,165</u>	<u>2,308,146</u>
		<u><u>218,999,242</u></u>	<u><u>2,319,656</u></u>
<b>16 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>			
Ordinary shares of Rs.10 each			
		2013	2012
		18,296,250	18,296,250
		6,110,948	6,110,948
		<u>24,407,198</u>	<u>24,407,198</u>
		182,962,500	182,962,500
		61,109,480	61,109,480
		<u>244,071,980</u>	<u>244,071,980</u>



	2013 Rupees	2012 Rupees
<b>17 SURPLUS ON REVALUATION OF FIXED ASSETS</b>		
<b>Freehold land</b>		
Revaluation surplus over written down value at beginning	169,926,020	169,926,020
Surplus arising on revaluation carried out during the year	66,362,500	-
	<b>236,288,520</b>	169,926,020
<b>Factory building</b>		
Revaluation surplus over written down value at beginning	397,936,780	418,880,821
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	(4,467,149)	(13,613,627)
Related deferred tax liability of incremental depreciation charged during the year	(2,301,259)	(7,330,414)
	<b>128,599,746</b>	397,936,780
Related deferred tax liability at beginning	(139,277,873)	(146,608,287)
Decrease in related tax liability on revaluation carried out during the year	89,273,333	-
Less: related to incremental depreciation	2,301,259	7,330,414
Less: Reduction in deferred tax liability due to change in future tax rate	3,979,368	-
	<b>(43,723,913)</b>	(139,277,873)
<b>Non factory building</b>		
Revaluation surplus over written down value at beginning	-	-
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	(6,789,502)	-
Related deferred tax liability of incremental depreciation charged during the year	(3,497,622)	-
	<b>195,455,358</b>	-
Related deferred tax liability at beginning	-	-
Related deferred tax liability on revaluation carried out during the year	(69,952,444)	-
Less: related to incremental depreciation	3,497,622	-
	<b>(66,454,822)</b>	-
<b>Plant and machinery</b>		
Revaluation surplus over written down value at beginning	104,013,761	109,488,169
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	(34,937,266)	(3,558,365)
Related deferred tax liability of incremental depreciation charged during the year	(17,997,986)	(1,916,043)
	<b>1,005,769,791</b>	104,013,761
Related deferred tax liability at beginning of the year	(36,404,817)	(38,320,860)
Deferred tax arising on revaluation carried out during the year	(324,595,036)	-
Less: related to incremental depreciation	17,997,986	1,916,043
Less: Reduction in deferred tax liability due to change in future tax rate	1,040,138	-
	<b>(341,961,729)</b>	(36,404,817)
	<b>1,113,972,951</b>	496,193,871



18 LONG TERM FINANCES	Note	2013 Rupees	2012 Rupees
National Bank of Pakistan - Demand Finance	18.1	145,000,000	145,000,000
National Bank of Pakistan - BMR & E	18.2	468,000,000	468,000,000
National Bank of Pakistan - Frozen Mark-up Facility - I	18.3	213,551,000	213,551,000
National bank of Pakistan - Long Term Grower Finance Loan	18.4	212,677,132	198,685,966
Summit Bank Limited - Growers Loan	18.5	-	63,497,293
National Bank of Pakistan - Frozen Mark-up	18.6	55,130,181	91,883,744
Summit Bank Limited - Frozen Mark-up	18.7	6,156,376	10,260,628
National Bank of Pakistan - Long Term Finance Facility	18.8	400,000,000	-
Syndicated Term Finance Facility	18.9	230,000,000	-
		<u>1,730,514,689</u>	<u>1,190,878,631</u>
Less: Current portion shown under current liabilities		<u>(225,772,204)</u>	<u>(40,857,920)</u>
		<u>1,504,742,485</u>	<u>1,150,020,711</u>

**18.1** 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 Jagsiani Taluka Tando Ghulam Haider District, Tando Muhammad Khan along with personal guarantee of directors.

**18.2** The facility of Rs.468 million under markup arrangement availed was for 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.

**18.3** 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.

<b>18.4</b> National Bank of Pakistan - Long Term Grower Finance Loan	<b>188,800,000</b>	188,800,000
Add: Amortization of deferred mark up		
Opening balance	<u>9,885,966</u>	-
Markup amortised during the year	<u>13,991,166</u>	9,885,966
	<u>23,877,132</u>	9,885,966
	<u>212,677,132</u>	<u>198,685,966</u>

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 Jagsiani, Tappo Fateh Bagh, Taluka Tando Ghulam Hyder, district Tando Muhammad Khan, Sindh.



- 18.5** This represents a portion of short term loan amounting to Rs. 59.7 million and interest accrued thereon amounting to Rs. 3.8 million payment of which was deferred by the bank in the year ending 30 September, 2012. However, during the current period the bank has revoked the restructuring of loan, accordingly the loan and interest accrued thereon is transferred to short term borrowings and finance cost.
- 18.6** 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.
- 18.7** 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.
- 18.8** The Company has obtained 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.
- 18.9** During the year the Company has obtained 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. 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.

<b>19 DEFERRED LIABILITIES</b>	<b>Note</b>	<b>2013 Rupees</b>	<b>2012 Rupees</b>
Quality premium	19.1 & 23.1.7	<b>264,108,125</b>	264,108,125
Deferred taxation	19.2	<b>153,739,254</b>	-
Staff retirement benefits - Gratuity	19.3	<b>5,235,930</b>	5,490,368
		<b><u>423,083,309</u></b>	<b><u>269,598,493</u></b>

- 19.1** 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 paisas 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 23.1.7.



## 19.2 Deferred taxation

	Note	2013 Rupees	2012 Rupees
<b>Taxable temporary differences</b>			
Accelerated tax depreciation		322,223,228	323,788,869
Surplus on revaluation of fixed assets		452,140,464	175,682,690
		774,363,692	499,471,559
<b>Deductible temporary differences</b>			
Provision for staff retirement and other benefits		-	(1,921,629)
Unused tax losses and unabsorbed tax depreciation	19.2.1	(620,624,438)	(497,549,930)
		(620,624,438)	(499,471,559)
		153,739,254	-

**19.2.1** Deferred tax asset on tax losses available for carry forward are recognized to the extent that the realization of related tax benefits through future taxable profits is probable. Deferred tax assets recognised includes deferred tax assets on unused tax losses for the tax year 2013 (accounting year 2012) - Rs.235.091 and tax year 2014 (accounting year 2013) - Rs.110.660 million will expire in tax year 2019 (accounting year 2018) and tax year 2020 (accounting year 2019) respectively. Further, the Company has not recognized deferred tax assets amounting to Rs. 58.879 million in respect of unused tax losses as management is of the view that sufficient profits will not be available to set off these losses.

The Company has prepared five years' financial projections which are approved by the Board of Directors of the Company. These includes projections for taxable profits and concluded that there would be enough profits against which deferred tax asset created on unused tax losses can be utilised. The plan is based on the assumptions that includes increased plant efficiency, sugarcane farming that will increase sucrose recovery and cost control through effective management.

## 19.3 Staff retirement benefits - Gratuity

### a Principal assumptions

Discount rate	12.5% per annum	12.5% per annum
Expected rate of eligible salary increase in future years	9.5% per annum	10% per annum

### b Liability for gratuity arose in the following manner:

Opening net liability		5,490,368	7,105,836
Expense for the year	f	1,101,425	1,448,218
Benefits paid		(1,355,863)	(3,063,686)
Closing net liability		5,235,930	5,490,368

### c Reconciliation of the liability

Present value of defined benefit obligations		5,581,813	4,347,905
Net actuarial gains/(losses) not recognized		(345,883)	1,142,463
Total balance sheet liability		5,235,930	5,490,368

### d Comparison for five years

	2013	2012	2011	2010	2009
	-----Rupees-----				
Present value of defined benefit obligations	5,581,813	4,347,905	8,692,257	7,671,797	5,120,100

e Expected charge for the year ending 30 September 2014 is Rs.1,195,769.



f	Charge to profit and loss account	Note	2013 Rupees	2012 Rupees
	Current service cost		760,624	343,304
	Interest cost		458,747	1,002,458
	Actuarial (gains) / losses to be recognized		<u>(117,945)</u>	<u>102,456</u>
	Total amount chargeable to profit and loss account		<u>1,101,426</u>	<u>1,448,218</u>
<b>20</b>	<b>SUBORDINATE LOAN - unsecured</b>			
	Sponsors' loan	20.1	<u>579,564,536</u>	<u>162,171,537</u>
<b>20.1</b>	These are unsecured and interest free loans, repayable at the convenience of the Company after repayment to the lending banks.			
<b>21</b>	<b>SHORT TERM BORROWINGS - secured</b>			
	Cash finances	21.1	971,349,264	1,224,846,654
	Running finances	21.2	485,560,956	600,859,600
			<u>1,456,910,220</u>	<u>1,825,706,254</u>
<b>21.1</b>	During the year the Company has availed cash finances amounting to Rs. 1,325 million (2012: Rs. 1,325 million). The rate of mark-up applicable during the year was 3 month KIBOR Plus 2.5% (2012 : 3 month KIBOR Plus 2.5% to 3 month KIBOR plus 3%) 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).			
<b>21.2</b>	The Company has availed running finance facilities amounting to Rs. 661 million (2012: 661 million). The rate of mark-up applicable during the year is 3 month KIBOR Plus 2.5% (2012: 3 month KIBOR plus 2.5% to 3 month KIBOR plus 3% to) 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.			
<b>22</b>	<b>TRADE AND OTHER PAYABLES</b>			
	Creditors	22.1	25,296,415	39,513,257
	Accrued expenses		4,339,405	1,716,618
	<b>Other liabilities</b>			
	Advances from customers	22.2	137,932,135	339,552,688
	Sales tax payable		-	12,098,985
	Unclaimed dividend		405,083	405,084
	Workers' welfare fund		9,353,826	-
	Others		965,325	784,663
			<u>148,656,369</u>	<u>352,841,420</u>
			<u>178,292,189</u>	<u>394,071,295</u>
<b>22.1</b>	This includes Rs. 6,024,213 (2012: Rs. 4,872,981) payable to Omni Polymer Packages (Private) Limited, a related party, in respect of purchases of polypropylene bags.			
<b>22.2</b>	This represents advances received against delivery of sugar for which delivery orders have been issued or sale contracts have been made.			
<b>23</b>	<b>CONTINGENCIES AND COMMITMENTS</b>			
<b>23.1</b>	<b>Contingencies</b>			
<b>23.1.1</b>	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.			



- 23.1.2** 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.
- 23.1.3** 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, during the year the department has filed an appeal before the Appellate Tribunal Inland Revenue against the order. The Company has made no provision as in view of its legal council the Company has a case on merit which is expected to be decided favourably.
- 23.1.4** 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.
- 23.1.5** 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 Collector ( Appeals) with direction to hold fresh appellate proceeding against the set order. The matter is also being examined by Alternative Dispute Resolution Committee (ADRC). The Company has made a payment of Rs. 0.771 million in this regard and recorded as asset. Further, no provision has been made since the legal counsels of the Company are confident of a favourable outcome.
- 23.1.6** 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.
- 23.1.7** As discussed in note 19.1, 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, as a matter of prudence the Company has not made any provision for quality premium amounting to Rs.9.313 million
- 23.1.8** The Company has issued bank guarantees of Rs.19,493,714 in favour of Trading Corporation of Pakistan (TCP) against performance of contracts.

<b>24 SALES - Net</b>	<b>2013</b>	<b>2012</b>
	<b>Rupees</b>	<b>Rupees</b>
Sugar - Local	<b>1,534,542,644</b>	1,700,017,348
Sugar - Export	<b>1,269,691,822</b>	54,152,280
	<b>2,804,234,466</b>	1,754,169,628
Federal Excise Duty	<b>(72,981,379)</b>	(125,927,208)
	<b>2,731,253,087</b>	1,628,242,420





	Note	2013 Rupees	2012 Rupees
<b>25 COST OF SALES</b>			
Sugarcane consumed		1,736,542,087	1,652,976,176
Manufacturing expenses	25.1	232,254,454	190,312,891
		<u>1,968,796,541</u>	<u>1,843,289,067</u>
<b>Opening stock</b>			
Sugar in process		2,162,825	2,653,393
Finished goods		904,943,602	992,653,382
Molasses		247,560,000	322,818,000
Molasses in process		77,820	152,880
Baggase		28,007,040	19,090,000
Cotton stick		3,465,000	5,250,000
Finished goods - in tansit		11,541,838	-
Rice husk		-	4,900,000
		<u>1,197,758,125</u>	<u>1,347,517,655</u>
<b>Less: Stock damaged</b>		-	(49,967,833)
		<u>1,197,758,125</u>	<u>1,297,549,822</u>
<b>Closing stock</b>			
Sugar in process		(2,016,553)	(2,162,825)
Finished goods - in hand		(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 tansit		(22,480,057)	(11,541,838)
		<u>(483,387,856)</u>	<u>(1,197,758,125)</u>
Less : Sale of by product - Molasses		<u>(138,040,000)</u>	<u>(250,999,000)</u>
		<u><u>2,545,126,810</u></u>	<u><u>1,692,081,764</u></u>
<b>25.1 Manufacturing expenses</b>			
Salaries, wages including bonus and staff amenities	25.1.1	43,406,643	50,209,527
Process material		13,947,610	12,270,301
Packing material		22,701,672	16,052,110
Fuel and power		6,196,321	7,578,303
Repair and maintenance		3,468,674	3,159,381
Vehicle maintenance		1,234,409	1,729,920
Insurance		10,083,417	8,673,150
Depreciation	5.1.4	131,215,708	90,600,424
Others		-	39,775
		<u>232,254,454</u>	<u>190,312,891</u>

**25.1.1** This includes Rs.1,797,422 (2012: Rs.1,895,047) in respect of contribution to provident fund and Rs.636,514 (2012: Rs.941,342) in respect of charge for staff gratuity.





<b>26 DISTRIBUTION COST</b>	<b>Note</b>	<b>2013 Rupees</b>	<b>2012 Rupees</b>
Commission expenses on export sales		25,656,717	2,052,275
Commission expenses on local sales		-	278,838
Loading and stacking		<u>1,105,695</u>	<u>1,619,938</u>
		<u><b>26,762,412</b></u>	<u><b>3,951,051</b></u>
<b>27 ADMINISTRATIVE EXPENSES</b>			
Salaries including bonus and staff amenities	27.1	31,704,321	30,625,440
Rent, rates and taxes		2,182,756	2,468,792
Insurance		1,203,447	1,349,902
Water, gas and electricity		480,744	461,644
Printing and stationery		1,306,823	1,810,989
Postage, telegram and telephone		567,591	665,410
Vehicle maintenance		1,019,174	1,017,460
Repairs and maintenance		2,181,630	1,208,318
Travelling and conveyance		246,833	1,794,987
Fees and subscription		716,935	603,876
Legal and professional		5,984,206	10,982,344
Entertainment		1,879,994	1,707,873
Advertisement		56,303	252,710
Depreciation	5.1.4	24,762,019	8,344,935
Amortization	6	375,485	269,445
Watch and Wards		4,563,960	-
Others		2,206,680	1,873,195
		<u><b>81,438,901</b></u>	<u><b>65,437,320</b></u>
<b>27.1</b> This includes Rs.296,568 (2012: Rs.255,686) in respect of contribution to provident fund and Rs. 464,912 (2012: Rs.506,876) in respect of charge for staff gratuity.			
<b>28 FINANCE COST</b>			
Mark-up on long term finances		131,556,771	73,168,893
Mark-up on short term borrowings		195,087,101	268,576,254
Bank charges		<u>1,772,502</u>	<u>1,019,527</u>
		<u><b>328,416,374</b></u>	<u><b>342,764,674</b></u>
<b>29 OTHER INCOME</b>			
Profit on investment		13,135,409	11,711,522
Insurance claim income		-	15,032,167
Reversal of provision for Workers' Welfare Fund		-	9,353,826
Gain on disposal of property, plant and equipment		924,134	-
Freight subsidy on export	29.1	46,111,100	-
Exchange gain		<u>5,388,596</u>	<u>-</u>
		<u><b>65,559,239</b></u>	<u><b>36,097,515</b></u>
<b>29.1</b> 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. The Company has exported 26,349 tons of sugar till 30 September 2013 and has claimed the subsidy from Government.			

**30 OTHER CHARGES**

	Note	2013 Rupees	2012 Rupees
Auditors' remuneration	30.1	1,303,662	1,278,220
Charity and donation	30.2	15,500	270,715
Workers' Welfare Fund - prior year	30.3	9,353,826	-
		<u>10,672,988</u>	<u>1,548,935</u>

**30.1 Auditors' remuneration**

Audit fee - Annual	900,000	750,000
Half yearly review	200,000	150,000
Certification - Code of Corporate Governance	100,000	60,000
Cost audit fee	40,000	35,000
Internal audit fee	-	124,690
Out of pocket expenses	63,662	158,530
	<u>1,303,662</u>	<u>1,278,220</u>

**30.2** None of the directors or their spouse had any interest in the donees.

**30.3** The Deputy Commissioner inland revenue levied Worker Welfare Fund (WWF) amounting to Rs. 9.35 million on the Company's income from extinguishment of Principal portion of loan by the financial institutions in the tax year 2010. The Company had made a provision for this and filed an appeal before Commissioner Inland Revenue against the order of Deputy Commissioner. The Commissioner inland revenue, passed an order No. 94/A-1 dated 5 January 2012 in favour of the Company, as a result of which the Company reversed the liability for WWF in 2012. However, during the year Honourable Sindh High Court in its decision dated 1 March 2013 held certain amendments under Finance Act, 2006 and 2008 in Workers' Welfare Fund Ordinance, 1971 were valid. Hence the management is of the view that WWF earlier reversed is now chargeable on the Company and as a matter of prudence, has accordingly recorded the provision of the same.

**31 TAXATION****For the year**

- current	31.1	29,158,290	541,523
- prior		9,125,446	-
- deferred		(146,515,388)	-
		<u>(108,231,652)</u>	<u>541,523</u>

**31.1 Current**

Income tax assessments of the Company deemed to be finalized up to the accounting year 2011 corresponding to tax year 2012 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, 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 2013 have been taxed @ 1% and advance tax deducted under the presumptive tax regime have been determined as the current tax liability of the Company for the year and that preceding. Hence a reconciliation of the accounting and taxable profits is deemed not applicable in the instance.

**32 LOSS PER SHARE- Basic & Diluted**

Net loss for the year	Rupees	<u>(87,373,507)</u>	<u>(441,985,332)</u>
Number of ordinary shares	Number	<u>24,407,198</u>	<u>24,407,198</u>
Loss per share - Basic	Rupees	<u>(3.58)</u>	<u>(18.11)</u>

**32.1** There is no dilutive effect of basic earning per share of the Company.



### 33 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2013		2012	
	Directors	Executives	Directors	Executives
	-----Rupees-----			
Remuneration	656,645	3,323,616	732,540	2,033,032
Company's contribution to provident fund	68,184	332,362	73,254	203,303
Perquisites, benefits and utilities	362,355	1,827,348	407,460	1,128,968
	<u>1,087,184</u>	<u>5,483,326</u>	<u>1,213,254</u>	<u>3,365,303</u>
<b>Number</b>	<b>1</b>	<b>5</b>	<b>2</b>	<b>3</b>

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

### 34 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 operated (Metric tons)
2012 - 2013	114	8,000	912,000	400,574
2011 - 2012	87	8,000	696,000	428,693

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

### 35 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.

#### 35.1 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.

Concentration 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. Concentration 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 minimise the credit risk exposure through having receivables and 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:

	2013	2012
	Rupees	Rupees
Long term investment	121,174,627	108,039,218
Long term loans	1,483,567	1,143,990
Long term deposits	498,500	498,500
Trade debts	578,844,222	304,926,204
Loans and advances	4,072,158	2,249,444
Other receivables	28,064	121,351
Bank balances	218,172,165	2,308,146
	<u>924,273,303</u>	<u>419,286,853</u>



### 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:

#### 35.1.1 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.

	2013 Rupees	2012 Rupees
<b>35.1.2 Tarde debts</b>		
Customers with no default in past one year	<u>578,844,222</u>	<u>304,926,204</u>
<b>35.1.3 Bank balances</b>		
A1+	51,678,374	33,349,469
A1-	-	521,310
A2-	-	20,375
A-1+	166,473,416	-
A-2	20,375	-
	<u>218,172,165</u>	<u>33,891,154</u>

#### 35.2 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	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	579,564,536	-	-	579,564,536
Accrued markup	97,188,854	97,188,854	-	-
	<u>3,894,779,444</u>	<u>1,810,472,423</u>	<u>313,129,347</u>	<u>1,771,177,674</u>
	-----Rupees-----			
	2012			
Financial Liabilities	Carrying Amount	Less than 12 months	1 to 2 years	2 years and above
	-----Rupees-----			
Long term finances	1,190,878,631	40,857,920	101,540,401	1,048,480,310
Short term borrowings	1,825,706,254	1,825,706,254	-	-
Trade and other payables	42,014,538	42,014,538	-	-
Subordinate loan	162,171,537	-	-	162,171,537
Accrued markup	95,925,126	95,925,126	-	-
	<u>3,316,696,086</u>	<u>2,004,503,838</u>	<u>101,540,401</u>	<u>1,210,651,847</u>

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



### 35.3 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.

#### 35.3.1 Foreign currency risk

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

##### 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:

	2013		2012	
	Rupees	US dollars	Rupees	US dollars
Trade debts	61,404,326	583,137	-	-
<b>Net exposure</b>	<b>61,404,326</b>	<b>583,137</b>	-	-

The following significant exchange rates were used during the year:

	Average rate		Balance sheet date rate	
	2013	2012	2013	2012
US Dollar	100.25	-	105.30	-

##### Sensitivity analysis

At 30 September 2013, 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. 4.189 million (2012: Rs.Nil) lower/higher, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated trade debts.

#### 35.3.2 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:

	2013	2012	2013	2012
	Effective Rate (%)		Rupees	Rupees
<b>Financial liabilities</b>				
Long-term finances	3 MK plus 200 to 300 bps	3 MK plus 250 to 300 bps	842,677,132	262,183,259
Short-term borrowings	3 MK plus 250 bps	3 MK plus 250 to 300 bps	1,456,910,220	1,825,706,254

##### 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.

		2013	2012
Change in interest rates	±	1%	1%
Effect on Profit before tax (Rupees)	±	16,849,497	15,418,788



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.

### 35.4 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.

### 35.5 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 commensuration to the circumstances. The Company finances its expansions 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 leverage gearing.

The Company is not subject to externally imposed capital requirements.

### 36 NET CASH GENERATED FROM OPERATIONS

	2013 Rupees	2012 Rupees
Loss before taxation	(195,605,159)	(441,443,809)
<b>Adjustments for :</b>		
Depreciation	155,977,727	98,945,359
Amortization	375,485	269,445
Finance cost	328,416,374	341,745,147
Provision for gratuity	1,101,426	1,448,218
Unrealized profit on investment	(13,135,409)	(11,711,522)
Provision / (reversal of provision) for Workers' Welfare Fund	9,353,826	(9,353,826)
Gain on sale of property, plant and equipment	(924,134)	-
	<b>481,165,295</b>	<b>421,342,821</b>
<b>Operating profit / (loss) before working capital changes</b>	<b>285,560,136</b>	<b>(20,100,988)</b>
<b>Changes in working capital :</b>		
<b>(Increase) / decrease in current assets:</b>		
Stores, spares and loose tools	(64,913,548)	(93,742,187)
Stock-in-trade	714,370,269	149,759,530
Trade debts	(273,918,018)	(141,164,147)
Loans and advances	(62,798,108)	(67,643,053)
Short term deposits, prepayments and other receivables	(50,509,979)	3,943,334
	<b>262,230,616</b>	<b>(148,846,523)</b>
<b>Increase in current liabilities:</b>		
Trade and other payables	(225,132,932)	361,533,501
	<b>37,097,684</b>	<b>212,686,978</b>
	<b>322,657,820</b>	<b>192,585,990</b>



### 37 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:

	2013 Rupees	2012 Rupees
Loan received from / (repaid to) directors - net	<u>417,392,999</u>	<u>(54,999,999)</u>
<b>Pak Ethanol (Private) Limited</b>		
Sales of Molasses	<u>138,040,000</u>	<u>250,999,000</u>
<b>Omni Polymer Packages (Private) Limited</b>		
Purchases of Polypropylene bags	<u>17,707,075</u>	<u>29,590,562</u>
<b>Ansari Sugar Mills Limited Employees' Provident Fund Trust</b>		
Contributions to provident fund	<u>2,093,990</u>	<u>1,817,700</u>

### 38 NUMBER OF EMPLOYEES

Number of persons employed as at year end were 278 (2012: 311) and the average number of persons employed during the year were 295 (2012: 306).

### 39 PROVIDENT FUND RELATED DISCLOSURES

	Un-audited	Un-audited
Size of the fund - Total assets	<u>33,729,883</u>	<u>34,120,334</u>
Cost of investments made	<u>33,456,676</u>	<u>33,846,420</u>
Percentage of investments made	<u>99.19%</u>	<u>99.20%</u>
Fair value of investments	<u>33,456,676</u>	<u>33,846,420</u>

#### 39.1 Break-up of fair value of investment is:

	-----2013-----		-----2012-----	
	Rupees	--%--	Rupees	--%--
Term Deposit Receipt (TDR)	5,532	0.02%	4,401	0.01%
Saving Accounts	<u>33,451,144</u>	<u>99.98%</u>	<u>33,842,019</u>	<u>99.99%</u>
	<u>33,456,676</u>	<u>100%</u>	<u>33,846,420</u>	<u>100%</u>

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.

### 40 CORRESPONDING FIGURES

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

### 41 DATE OF AUTHORIZATION

These financial statements were authorized for issue on **10 January 2014** 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 2014.

**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.