HUSEIN SUGAR MILLS LIMITED

ANNUAL REPORT 2014

Contents

Vision Statement

- A leading producer of sugar and its bye-products by providing the highest quality of products and service to its customers.
- Lowest cost supplier with assured access to long-term supplies.
- Sustained growth in earning in real terms.
- Highly ethical company and be respected corporate citizen to continue playing due role in the social and environmental sectors of the company.
- To develop an extremely motivated and professional trained work force which would drive growth through innovation and renovation?
- To strive for excellence through commitment, integrity, honesty and team work.

Mission Statement

Our mission is to be a dynamic, profitable and growth oriented company by providing good return on investment to its shareholders and investors, quality products to its customers, promote agriculture sector, a secured and friendly environment place of work to its employees and present the company as a reliable partner to all sugarcane growers and other business associates.

COMPANY INFORMATION

BOARD OF DIRECTORS	Mst. Nusrat Shamim	Executive Director	CEO
	Mr. Ahmed Ali Tariq	Non Executive Director	Chairman
	Mr. Mustafa Ali Tariq	Executive Director	
	Mr. Shahzad Aslam	Non Executive Director	
	Mr. Aamir Naseem	Non Executive Director	
	Mr. Ejaz Ahmad	Independent Director	
	Mr. Muhammad Shams Amin	Non Executive Director	
AUDIT COMMITTEE	Mr. Ejaz Ahmad	Independent Director	Chairman
	Mr. Ahmed Ali Tariq	Non Executive Director	Member
	Mr.Aamir Naseem	Non Executive Director	Member
HUMAN RESOURCE & REMUNERATION COMMITTEE	Mr. Ahmed Ali Tariq	Non Executive Director	Chairman
	Mr. Ejaz Ahmad	Independent Director	Member
	Mr.Mustafa Ali Tariq	Executive Director	Member

CHIEF FINANCIAL OFFICER
Mr.Farooq Ahmed

COMPANY SECRETARY
Syed Arif Hussain

LEAGAL ADVISOR
Manzoor Hussain Syed

BANKERS
MCB Bank Limited
Bank Alfalah Limited
Habib Bank Limited
National Bank of Pakistan
Allied Bank Limited
Faysal Bank Limited
Meezan Bank Limited
United Bank Limited
The Bank of Punjab
Albarkah Bank (Pakistan) Limited
Bank Islami Pakistan Limited
Summit Bank Limited
NIB Bank Limited

SHARE REGISTRAR
M/S Hameed Majeed Associates (Pvt) Limited
Ist Floor, H. M. House, 7-Bank Square, Lahore.
Ph:042- 37235081-2 Fax: 042- 37358817

AUDITORS
Riaz Ahmad & Company
Chartered Accountants

MILLS
Lahore Raod, Jaranwala

REGISTERED HEAD OFFICE
30-A E/1, Old FCC Gulberg III, Lahore
Ph: 35762089 - 35762090 Fax: 042-35712680
E-mail: info@huseinsugarmills.com
Website: www.huseinsugarmills.com

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 48th Annual General Meeting of the Shareholders of **HUSEIN SUGAR MILLS LIMIED** will be held on Friday the 30th January, 2015 at 11-00 A.M at its Registered Office – 30-A E/1, Old F.C.C., Gulberg III, Lahore to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of last Extra Ordinary General Meeting held on March 29, 2014.

2. To receive, consider and adopt, the Annual Audited Financial Statements for the year ended September 30, 2014 together with the Directors' and Auditors' Reports thereon.

3. To appoint auditors of the company for the year 2014-15 ending September 30, 2015 and to fix their remuneration. The audit committee of the Board has recommended the retiring auditors M/s. Riaz Ahmad & Company, Chartered Accountants, being eligible have offered them-selves for re-appointment.

OTHER BUSINESS

4. To transact any other business of the company with the permission of the Chairman.

By Order Of the Board

Lahore: 8th January, 2015

Syed Arif Hussain
Company Secretary

NOTES:

1. The members' register will remain closed from 24th January 2015 to 30th January 2015 (both days inclusive).Transfers received at the Registrar office of the company by the close of business on 23rd January 2015 will be entertained.

2. A member eligible to attend and vote at this meeting may appoint another member as proxy to attend and vote in the meeting. Proxies in order to be effective must be received by the company at the registered office not later than 48 hours before the time for holding the meeting.

3. Shareholders are requested to immediately notify the change in address, if any to our Share Registrar M/s Hameed Majeed Associates (Pvt.) Limited, 7-Bank Square, Lahore.

4. CDC account holders will further have to follow the guidelines as laid down by the Securities and Exchange Commission of Pakistan (SECP) vide its Circular 1 of January 26, 2000 as:

a. FOR ATTENDING THE MEETING

i). In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall authenticate his/her identity by showing his original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.

ii). In case of corporate entity, the board of directors' resolution/power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

b. FOR APPOINTING PROXIES

i). In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall submit the proxy form as per the above requirement.

ii). Proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

iii). Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

iv). Proxy shall produce his original CNIC or original passport at the time of the meeting.

v). In case of corporate entity, the board of directors' resolution/power of attorney with specimen signatures shall be submitted (unless it has been provided earlier) along with proxy form to the company.

5. Those shareholders who have not yet submitted their valid CNICs are once again advised to provide attested copies of their valid CNICs to the Company's Share Registrar As directed by the SECP through its Circular No. EMD/D-II/Misc./2009-1342 of April 4, 2013

6. In order to enable a more efficient method of cash dividend, through its Circular No. 8(4) SM/CDC 2008 of April 5, 2013, the SECP has announced an e-dividend mechanism where shareholders can get their dividend credited directly into their respective bank accounts electronically by authorizing the Company to electronically credit their dividend to their accounts. Accordingly, all non CDC shareholders are requested to send their bank account details to the Company's Registrar. Shareholders who hold shares with CDC or Participants/ Stock Brokers, are advised to provide the mandate to CDC or their Participants/ Stock Brokers

7. The Government of Pakistan through Finance Act, 2014 has made certain amendments in section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These tax rates are as under.

(a) For filers of income tax returns.	10 %
(b) For non-filers of income tax returns.	15 %

To enable the company to make tax deduction on the amount of cash dividend @10% instead of 15%, all the shareholders whose names are not entered into the Active Tax-Payer's List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date for payment of the cash dividend otherwise tax on their cash dividend will be deducted @15% instead @10%.

The corporate shareholders having CDC accounts are required to have their National Tax Number NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the company or its Share Registrar M/s Hameed Majeed Associates (Pvt.) Limited, 7-Bank Square, Lahore. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio number.

8. Securities and Exchange Commission of Pakistan (SECP) through its Notification SRO 787 (I)/2014 dated September 8, 2014 has allowed the circulation of Audited Financial Statements along with Notice of Annual General Meeting to the members of the Company through e-mail. Therefore, all members of the Company who want to receive soft copy of Annual Report are requested to send their e-mail addresses on complete consent form to Company's Share Registrar, Hameed Majeed Associates (Pvt) Limited. The Company shall, however, provide hard copy of the Audited Financial Statements to its shareholders, on request, free of cost, within seven days of receipt of such request. The standard consent form for electronic transmission is available at the Company's website i.e. ***www.huseinsugarmills.com***

DIRECTORS' REPORT TO THE SHAREHOLDERS

We are pleased to present the annual Report of Husein Sugar Mills Limited for the year ended September 30, 2014.

The Company's performance for current and last year is as under:

		2014	2013
OPERATIONS			
Operating days	(Nos)	**114**	113
Sugarcane crushed	(M. Tons)	**429,611**	580,167
Sugar produced	(M. Tons)	**40,415**	55,368
Sugar recovery	(% age)	**9.41**	9.55
		Rupees in Thousand	
FINANCIAL			
Sales		**2,694,801**	2,234,951
Gross (Loss) / Profit		**(54,950)**	24,125
Operating Loss		**(197,430)**	(95,843)
Finance cost		**(90.544)**	121,178
Loss after taxation		**(294,645)**	(190,805)
Loss per share (Rupees)		**(17.33)**	(11.22)

The year under review was marked as low crushing year in comparison with the availability of sugarcane. This was mainly because of cut throat competition for sugarcane among the mills for cane procurement during the sufficient sugarcane availability. This lead unnecessary increased sugarcane price compared with low prevailing and anticipated future sugar prices. Increase of minimum wages also adversely affected the profitability. These factors restricted the Company to procure limited sugarcane at disciplined price which resulted low crushing with marginal drop in recovery. Further, due to low sugar prices, the Company was forced to sell its stocks, even at below the cost, for payments to growers and to fulfill the financial commitments. The inadequate allowance of sugar exports without reasonable subsidy by the Government during the depressed international market due to sugar glut, the sugar exports did not contributed to improve the margins. Further, the non release of freight subsidy against sugar exports, the cash flow remained under pressure. Sentiment of local sugar market was frequently disturbed due to excessive availability of sugar stocks. The buffer sugar stocks with Trading Corporation of Pakistan also played pivotal role to control the domestic sugar prices. Further, the sugar is still the only commodity left which is affected by the inflation for the last three consecutive years. The sugar industry needs immediate supportive measures by the Government otherwise it may sink swiftly into sick segment.

The management of the Company closely monitoring the situation and putting its best to avoid adverse effects as much as possible including but not limited to injection of sponsors fresh funds and cost cut measures along with maintenance of financial discipline to convert this situation into favorable.

Despite heavy losses, the Company was able to clear all payments of sugarcane growers against the cane supplies for the current year. The Company was also able to pay its financial commitments of banks and financial institutions.

GOING CONCERN ASSUMPTION

In response to the auditors' observation regarding Company's ability to continue as going concern, the directors submit as under:

The Company suffered gross loss mainly due to procurement of sugarcane at higher prices, whereas the sugar prices remained low because of surplus availability of sugar in the Country. The inadequate sugar exports during the low international sugar prices due to excessive sugar stocks available internationally did not improve the margins. Therefore, the current year loss along with previous year's loss converted the equity balance as negative. However, the Company was able to repay its loans and quarterly installments including due mark-up to all banks / financial institutions within stipulated period and nothing is overdue.

Working capital deficiency arises mainly due to low sugar production because of limited disciplined sugarcane procurement due to anticipated low sugar prices during the period of sugar glut in the country. Further, Government pressure for payments to growers, forced sugar sales were made at discounting sales rates and below the cost which caused deficiency in working capital. The management of the Company is focused to obtain maximum fresh quality sugarcane with regular supplies at minimum support price to achieve better sugar recovery to reduce cost of cane per ton of sugar. The improved productivity will increase the margins and financial strength of the Company.

Further, the cost cut measures through right sizing of work force and implementation of continuous reviewing of all policies to control the overheads have been undertaken. In addition to the above, benefit from the existing and newly installed equipment will be ensured through close monitoring of plant efficiency.

The sponsoring directors have assured further injection of funds to improve the liquidity. The timely policy decision by the Government regarding export of surplus sugar will also help to improve the financial position of the Company.

The management of the Company is confident that these steps along with measures stated in Note 1.2 of financial statements will surely increase the financial strength of the Company which will help to maintain the Company's status as going concern.

DIVIDEND

No dividend is recommended for the time being in view of the current financial situation.

FUTURE OUTLOOK

During the crushing season 2014-15, shortage of approximately 18% to 25% of sugarcane is estimated. However, availability of sugar will be more than the domestic needs, mainly due to available sugar stocks of previous crushing season and more sugar production due to availability of quality sugarcane with better sugar recovery. Therefore trend of low sugar prices may prevail in the local market. The unrealistic increase of minimum sugarcane price by the Government is another major factor which would affect adversely on the profit margins.

The future outlook of the industry is not yet cleared mainly due to non relevance of cost of sugarcane with the price of sugar, as the cost of sugarcane alone is approximately the 90% of the cost of sugar manufacturing which is controlled by the Government through fixation of minimum support price. Government's immediate support is much needed to secure sugar industry and require necessary amendments in the current laws for procurement of sugarcane through realistic review of sugarcane price based on sugar prices and in accordance with the present global free economy where the whole world become a village.

CORPORATE SOCIAL RESPONSIBILITY

The Company provides a safe, healthy, learning and environment friendly atmosphere to its all employees, besides promoting culture of tolerance, respect, friendship, self-help and mutual trust and confidence.

Besides offering apprenticeship to fresh graduates and post graduates and professional and technical young persons, the Company employs appropriate persons purely on merit basis. The Company also provides employment to disables and special persons to make them a useful part of the society.

As a corporate citizen, the Company is committed for a sustainably equitable social setup. The Company has, for this purpose, promoted establishment of non-profit institutions for the welfare of the poor and needy, primarily in the field of education and health. The aforesaid institutions have provided free medical facilities and quality education facilities to the people of the area.

CORPORATE GOVERNANCE

As required by the Code of Corporate Governance, following is the statement in compliance with the Corporate and Financial Reporting Framework of the Code of Corporate Governance:

a. The financial statements prepared by the management of the Company present fairly its state of affairs, the results of its operations, cash flows and changes in equity.

b. Proper books of account of the Company have been maintained in the manner as required by the Companies Ordinance, 1984.

c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

d. The International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

e. The system of internal control is sound in design and has been effectively implemented and monitored.

f. There are no significant doubts upon the Company's ability to continue as a going concern as it has adequate resources and improving its results to continue in operation for the foreseeable future as has been explained in this report and Note 1.2 of financial statements.

g. There has been no material departure from the best practices of Corporate Governance as listed in the listing regulations of stock exchanges where the company is listed.

h. Provident Fund is managed by a duly executed separate Trust and the Trust has invested Rupees 53.716 million, as at September 30, 2014 (2013: Rupees 68.067 million).

i. Detail of transactions in the shares of the Company by Directors, Chief Executive, Company Secretary, Chief Financial Officer, their spouses and minor children is as under:

Shares Sold/Transferred out:	**Number of Shares**
Mr. Ahmed Ali Tariq	344,997
Mr. Irfan Qamar	2,500
Shares Purchased/Transferred in:	
Mr. Mustafa Ali Tariq	344,997
Mr. Ejaz Ahmad	2,500

MEETINGS OF BOARD OF DIRECTORS AND ITS SUB-COMMITTEES

Board of Directors

The Board of the Company met five times during current year. Attendance of the directors at these meetings is as under:

Directors' Names		**Total No. of Meetings Held ***	**No. of Meetings Attended**
Mst. Nusrat Shamim	(Re-elected)	5	5
Mr. Ahmed Ali Tariq	(Re-elected)	5	5
Mian Shahzad Aslam	(Re-elected)	5	5
Mian Aamir Naseem	(Re-elected)	5	5
Mrs. Ayesha Shahzad **		3	3
Mr. Mustafa Ali Tariq	(Re-elected)	5	3
Mian M. Shams Amin	(Re-elected)	5	3
Mr. Irfan Qamar ***		3	3
Mr. Ejaz Ahmad ****		2	2

Notes:

* Meetings held during the period when concerned Director was on the Board.
** Didn't offer for re-appointment.
*** Resigned with effect from February 24, 2014.
**** Appointed with effect from April 01, 2014, as independent Director on the Board.

Leaves of absences were granted to the directors who could not attend the Board meetings.

Audit Committee

The audit committee is performing its duties in line with its terms of reference framed by the Company's Board of Directors. Five meetings of audit committee were held during the year, as under:

	Meetings Held *	Meetings Attended
Mian Shahzad Aslam	3	3
Mrs. Ayesha Shahzad	3	3
Mr. M. Shams Amin	3	1
Mr. Ejaz Ahmad	2	2
Mr. Ahmed Ali Tariq	2	2
Mian Aamir Naseem	2	2

** Held during the period when concerned Director was the member of the Committee*.

Human Resources and Remuneration Committee

As per requirements of Code of Corporate Governance, the Company has constituted Human Resources and Remuneration Committee, as well as determined its terms of reference. Composition of the Human Resources and Remuneration Committee is as under:

Mr. Ahmed Ali Tariq	Chairman
Mr. Ejaz Ahmad	Member
Mr. Mustafa Ali Tariq	Member

DIRECTORS' TRAINING

As required under the Code of Corporate Governance, two out of three directors of the Company have completed Training Courses. Other directors, who are not exempted from the requirement of directors' training, would acquire it within prescribed time period.

PATTERN OF SHAREHOLDING

Pattern of shareholding as at September 30, 2014 is annexed.

DISCLOSURE U/S 218 OF THE COMPANIES ORDINANCE, 1984

Disclosure u/s 218 of the Companies Ordinance, 1984 is annexed.

ELECTION OF DIRECTORS

The election of directors was held at the EOGM of 2014. The retiring directors being eligible filed their intentions to contest the Election and following persons were elected directors for next term of three years. The term of the present directors will expire on April 01, 2017.

1. Mst. Nusrat Shamim
2. Mr. Ahmed Ali Tariq
3. Mian Shahzad Aslam
4. Mian Aamir Naseem
5. Mr. Mustafa Ali Tariq
6. Mr. M. Shams Amin
7. Mr. Ejaz Ahmad

POST BALANCE SHEET EVENTS

Subsequent to balance sheet date, no significant change has occurred or come to the knowledge of the Board that warrants reporting to shareholders.

SHAREHOLDERS'S ROLE

Company's shareholders are regularly informed about Company's state of affairs through quarterly accounts available on the Company's website. Active participation in the members' meetings is encouraged to ensure accountability and transparency.

AUDITORS

The present auditors, Riaz Ahmad and Company, Chartered Accountants, retire and offer themselves for reappointment for 2014-15. Audit Committee has also recommended them for reappointment.

APPRECIATION

The Board acknowledges with thanks the continued support and cooperation extended by the shareholders, bankers, sugarcane farmers and all other stakeholders. The Board also places on record its appreciation for employees of the Company for its devotion and hard work.

Chief Executive
(By the order of the Board)

Lahore: December 31, 2014

DISCLOSURE TO MEMBERS U/S 218(2) OF THE COMPANIES ORDINANCE 1984 OF DIRECTORS' INTEREST REGARDING INCREASE IN REMUNERATION

Dear Members,

In pursuance of Section 218 of the Companies Ordinance, 1984, the members of the Company are here by informed that upon recommendation of Human Resource and Remuneration (HR & R) Committee the Board of Directors in their meeting held on December 31, 2014 have approved the revision of remunerations of Chief Executive and Executive Director of the Company, effective from January 01, 2015 and following resolution was passed unanimously:

RESOLVED that Board considered and approved to revise the remunerations net of all taxes and deductions of Mst. Nusrat Shamim, Chief Executive of the Company from Rs. 500,000/- to Rs. 700,000/- and Mr. Mustafa Ali Tariq, Executive Director of the Company increased from Rs. 300,000/- to Rs. 400,000/- w.e.f. January 01,2015. All other terms and condition would remained the same.

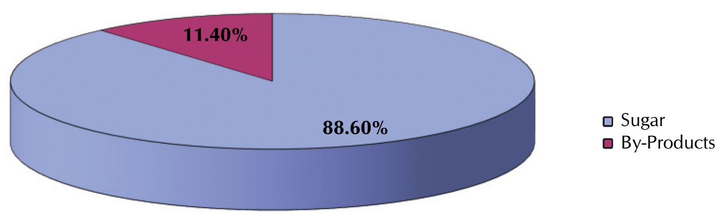
The interest of the above directors in the aforesaid business is to the extent of their remuneration and perquisites as stated above.

Syed Arif Hussain
Company Secretary

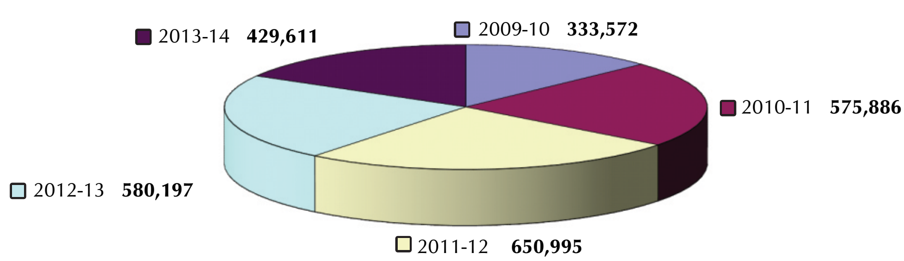
Lahore: December 31, 2014

PERFORMANCE AT A GLANCE

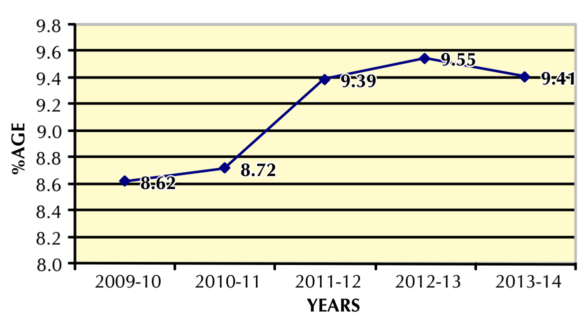
LOCAL SALES BREAK UP (CURRENT YEAR)



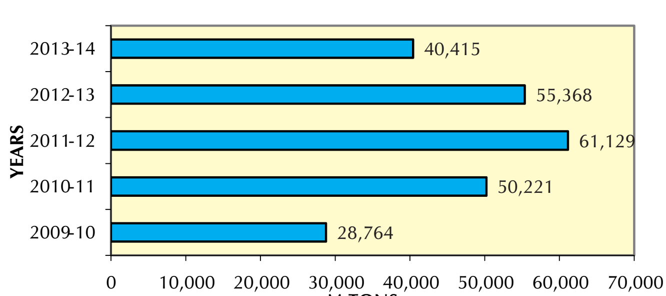
5 YEARS OMPARISON OF SUGARCANE CUSHING (M.TONS)



SUGAR RECOVERY (%AGE)



SUGAR PRODUCTION (M. TONS)



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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of **HUSEIN SUGAR MILLS LIMITED** ("the Company") for the year ended 30 September 2014 to comply with the requirements of Listing Regulation No. 35 of the Karachi and Lahore Stock Exchanges 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 verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

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

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

Following instance of non-complaince with the requirement of the Code was observed which is not stated in the Statement of Compliance:

(i) During the year, the board of directors has not made arrangements for directors' training program for one non-exempted director of the Company as required by clause (xi) of the Code.

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

Riaz Ahmad & Co

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Syed Mustafa Ali

Lahore: December 31, 2014

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

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

The company 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 interest on its board of directors. At present the board includes:

Category	Names
Independent Directors	Mr. Ejaz Ahmad
Executive Directors	Mst. Nusrat Shamim Mr. Mustafa Ali Tariq
Non-Executive Directors	Mian Ahmed Ali Tariq Mian Shahzad Aslam Mian Aamir Naseem Mr. Muhammad Shams Amin

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

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.

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

4. Casual vacancy was occurred on the board. However, it was filled before 90 days through election of new board of directors on expiry of its current term.

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.

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 timely circulated.

9. In accordance with the requirement of clause (xi) of the Code, two directors have completed the director's training program. The directors other than those who are not exempted from the requirement of director's training program will acquire certification within the specified time.

10. No new appointment of Company Secretary and Head of Internal Audit has been made by the Board during the year except CFO whose remuneration and terms and conditions of employment have been approved by the Board.

11. The directors' report for this year has been prepared in compliance with the requirements of the CCG 2012 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 3 members of whom 2 are Non-Executive Directors and 1 is Independent Director.

16. The meetings of the audit committee were held at least once every quarter, prior to the approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been approved by the Board 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 and the chairman of the committee is a non executive director.

18. The Board has set up an effective internal audit function and the members of internal audit function are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company

19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

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

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's Securities, was determined and intimated to directors, employees and stock exchanges.

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 requirements of the CCG have been complied with.

Chief Executive
(By the order of the Board)

LAHORE: December 31, 2014

KEY OPERATING AND FINANCIAL DATA

OPERATING DATA	2014	2013	2012	2011	2010	2009
Cane crushed (M.Tons)	**429,617**	580,197	650,995	575,886	333,572	428,960
Sugar produced from sugarcane (M.Tons)	**40,415**	55,368	61,129	50,221	28,764	36,920
Average recovery from sugarcane (%)	**9.41**	9.55	9.39	8.72	8.62	8.60
Number of days worked	**114**	113	121	122	106	108
	..........(Rupees in 000)..........					
FINANCIAL DATA						
Sales	**2,694,801**	2,234,951	3,010,669	3,477,699	1,824,195	1,468,262
Gross (loss)/profit	**(54,950)**	24,125	198,169	293,358	(149,607)	49,580
Operating (loss)/profit	**(197,430)**	(95,843)	109,205	185,749	(226,107)	(25,038)
(Loss) / profit before taxation	**(287,973)**	(217,021)	24,492	119,245	(297,450)	(87,608)
Taxation	**(6,672)**	26,216	(17,571)	(49,353)	126,487	13,215
(Loss) / profit after taxation	**(294,645)**	(190,805)	6,921	69,892	(170,963)	(74,393)
(Loss) / earning per share (rupees)	**(17.33)**	(11.22)	0.41	5.32	(13.87)	(6.15)
Total assets	**3,149,633**	2,183,840	1,450,996	1,397,393	1,281,549	666,340
Current liabilities	**1,411,531**	1,538,575	574,318	370,957	607,123	339,678
Capital Employed	**1,738,103**	645,265	876,678	1,026,436	674,426	326,662
Represented by:						
Share capital	**170,000**	170,000	170,000	170,000	121,000	121,000
Reserves	**203,987**	207,471	192,171	192,920	191,232	195,168
Unappropriated profit / (accumulated loss)	**(594,721)**	(300,076)	(109,271)	(116,192)	(186,085)	(15,121)
Shareholders' Equity	**(220,734)**	77,395	252,900	246,728	126,147	301,047
Non - current Liabilities						
Liabilities against assets subject to finance lease	**7,576**	17,574	25,718	5,816	9,956	24,626
Long term finance	**-**	49,967	99,933	279,341	45,000	-
Long term deposits	**6,753**	5,144	5,442	1,578	-	-
Deferred income tax liability	**295,705**	-	-	-	-	-
Deferred income	**-**	-	-	289	639	989
	310,034	72,685	131,093	285,446	55,595	25,615

AUDITORS' REPORT TO THE MEMBERS

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

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

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

(a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 September 2014 and of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

We draw attention to note 1.2 to the financial statements, which indicates that the company has incurred net loss of Rupees 294.645 million during the year ended 30 September 2014. Equity of the company stands at a negative balance of Rupees 220.734 million due to accumulated losses of Rupees 594.722 as on 30 September 2014. At the balance sheet date, the company's current liabilities exceeded its current assets by Rupees 845.834 million. These conditions, alongwith other matters as set forth in the note 1.2, indicate the existence of material uncertainty which may cast doubt about the company's ability to continue as a going concern. These financial statements do not include any adjustments relating to the realization of the company's assets and liquidation of any liabilities that may be necessary should the company be unable to continue as a going concern. Our opinion is not qualified in respect of this matter.

Riaz Ahmad & Co

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Syed Mustafa Ali

Lahore: December 31, 2014

BALANCE SHEET

	NOTE	2014 Rupees	2013 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 50,000,000 (2013: 50,000,000) ordinary shares of Rupees 10 each		**500,000,000**	500,000,000
Issued, subscribed and paid-up share capital	3	**170,000,000**	170,000,000
Reserves	4	**(390,734,171)**	(92,604,681)
Total equity		**(220,734,171)**	77,395,319
Share deposit money		**107,000,000**	2,500,000
Surplus on revaluation of operating fixed assets - net of deferred income tax	5	**1,541,802,260**	492,684,029
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term finance	6	**-**	49,966,664
Liabilities against assets subject to finance lease	7	**7,576,147**	17,574,113
Long term deposits		**6,753,535**	5,144,134
Deferred income tax liability	8	**295,704,769**	-
		310,034,451	72,684,911
CURRENT LIABILITIES			
Trade and other payables	9	**1,015,893,600**	530,055,891
Accrued mark-up	10	**12,037,547**	26,878,506
Short term borrowings	11	**316,430,454**	907,317,840
Current portion of non-current liabilities	12	**60,318,011**	62,359,429
Provision for taxation		**6,850,985**	11,963,831
		1,411,530,597	1,538,575,497
Total liabilities		**1,721,565,048**	1,611,260,408
CONTINGENCIES AND COMMITMENTS	13		
TOTAL EQUITY AND LIABILITIES		**3,149,633,137**	2,183,839,756

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

MST. NUSRAT SHAMIM
Chief Executive

AS AT 30 SEPTEMBER 2014

	NOTE	2014 Rupees	2013 Rupees
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	14	**2,558,087,353**	999,194,004
Long term investments	15	**15,944,250**	19,428,255
Long term deposits	16	**9,904,929**	17,119,929
Deferred income tax asset	8	**-**	145,762,848
		2,583,936,532	1,181,505,036
CURRENT ASSETS			
Stores, spare parts and loose tools	17	**112,585,164**	151,472,558
Stock-in-trade	18	**106,541,620**	666,453,039
Trade debts	19	**15,529,595**	19,416,713
Advances	20	**32,580,568**	46,875,869
Short term deposits and prepayments	21	**20,716,782**	17,547,294
Other receivables	22	**151,077,178**	87,178,780
Cash and bank balances	23	**106,465,698**	13,390,467
		545,496,605	1,002,334,720
Non-current asset held for sale	24	**20,200,000**	-
		565,696,605	1,002,334,720
TOTAL ASSETS		**3,149,633,137**	2,183,839,756

AHMED ALI TARIQ
Chairman / Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2014

	NOTE	2014 Rupees	2013 Rupees
SALES	25	2,694,800,903	2,234,951,394
COST OF SALES	26	(2,749,750,765)	(2,210,826,627)
GROSS (LOSS) / PROFIT		(54,949,862)	24,124,767
DISTRIBUTION COST	27	(9,198,868)	(10,310,796)
ADMINISTRATIVE EXPENSES	28	(133,000,020)	(130,205,493)
OTHER EXPENSES	29	(5,082,334)	-
		(147,281,222)	(140,516,289)
		(202,231,084)	(116,391,522)
OTHER INCOME	30	4,801,441	20,548,697
LOSS FROM OPERATIONS		(197,429,643)	(95,842,825)
FINANCE COST	31	(90,543,802)	(121,178,197)
LOSS BEFORE TAXATION		(287,973,445)	(217,021,022)
TAXATION	32	(6,672,040)	26,216,167
LOSS AFTER TAXATION		(294,645,485)	(190,804,855)
LOSS PER SHARE - BASIC AND DILUTED	33	(17.33)	(11.22)

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

Nusrat Shamim

MST. NUSRAT SHAMIM
Chief Executive

Ahmed Ali Tariq

AHMED ALI TARIQ
Chairman / Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2014

	2014 Rupees	2013 Rupees
LOSS AFTER TAXATION	(294,645,485)	(190,804,855)
OTHER COMPREHENSIVE (LOSS) / INCOME		
Items that will not be reclassified to profit and loss account	-	-
Items that may be reclassified subsequently to profit and loss account:		
(Deficit) / surplus on remeasurement of available for sale investments	(3,484,005)	15,299,755
Other comprehensive (loss) / income for the year	(3,484,005)	15,299,755
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(298,129,490)	(175,505,100)

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

MST. NUSRAT SHAMIM
Chief Executive

AHMED ALI TARIQ
Chairman / Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2014

	2014 Rupees	2013 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	**(287,973,445)**	(217,021,022)
Adjustments for non-cash charges and other items:		
Depreciation	**32,153,196**	60,517,026
Amortization of intangible asset	**-**	333,400
Finance cost	**90,543,802**	121,178,197
Profit on bank deposits	**(192,622)**	(330,342)
Balances written back	**-**	(572,487)
Impairment loss on operating fixed asset	**740,212**	-
Loss / (gain) on disposal of operating fixed assets	**53,922**	(1,966,383)
Provision for doubtful sales tax and federal excise duty	**2,713,697**	-
Provision for doubtful advances to sugarcane growers	**1,519,503**	-
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES	**(160,441,735)**	(37,861,611)
WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	**38,887,394**	(8,843,763)
Stock-in-trade	**559,911,419**	(622,858,865)
Trade debts	**3,887,118**	1,952,737
Advances	**12,775,798**	(18,474,541)
Short term deposits and prepayments	**1,821,012**	(5,684,463)
Other receivables	**(32,415,135)**	(15,857,074)
Increase in current liabilities:		
Trade and other payables	**485,837,709**	163,582,472
	1,070,705,315	(506,183,497)
CASH GENERATED FROM / (USED IN) OPERATIONS	**910,263,580**	(544,045,108)
Finance cost paid	**(105,384,761)**	(107,002,013)
Income tax paid	**(46,002,283)**	(34,595,377)
Net increase in long term deposits	**2,224,500**	(65,200)
NET CASH GENERATED FROM / (USED IN) OPERATING ACTIVITIES	**761,101,036**	(685,707,698)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of operating fixed assets	**1,375,000**	5,750,000
Property, plant and equipment - acquired	**(122,829,831)**	(46,296,326)
Profit on bank deposits received	**213,059**	336,725
NET CASH USED IN INVESTING ACTIVITIES	**(121,241,772)**	(40,209,601)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of liabilities against assets subject to finance lease	**(12,039,380)**	(9,776,515)
Share deposit money received	**104,500,000**	2,500,000
Repayment of long term finance	**(49,966,668)**	(49,966,668)
Long term deposits - net	**1,609,401**	274,774
Short term borrowings - net	**(590,887,386)**	785,517,807
NET CASH (USED IN) / FROM FINANCING ACTIVITIES	**(546,784,033)**	728,549,398
NET INCREASE IN CASH AND CASH EQUIVALENTS	**93,075,231**	2,632,099
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**13,390,467**	10,758,368
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**106,465,698**	13,390,467

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

MST. NUSRAT SHAMIM
Chief Executive

AHMED ALI TARIQ
Chairman / Director

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

	SHARE CAPITAL	RESERVES							TOTAL EQUITY
		Capital			Revenue				
		Premium on issue of right shares	Fair value reserve	Sub total	General	Accumulated loss	Sub total	Total	
	Rupees								
Balance as on 30 September 2012	170,000,000	21,093,550	1,628,050	22,721,600	169,450,000	(109,271,181)	60,178,819	82,900,419	252,900,419
Loss for the year ended 30 September 2013	-	-	-	-	-	(190,804,855)	(190,804,855)	(190,804,855)	(190,804,855)
Other comprehensive income for the year	-	-	15,299,755	15,299,755	-	-	-	15,299,755	15,299,755
Total comprehensive loss for the year	-	-	15,299,755	15,299,755	-	(190,804,855)	(190,804,855)	(175,505,100)	(175,505,100)
Balance as on 30 September 2013	170,000,000	21,093,550	16,927,805	38,021,355	169,450,000	(300,076,036)	(130,626,036)	(92,604,681)	77,395,319
Loss for the year ended 30 September 2014	-	-	-	-	-	(294,645,485)	(294,645,485)	(294,645,485)	(294,645,485)
Other comprehensive loss for the year	-	-	(3,484,005)	(3,484,005)	-	-	-	(3,484,005)	(3,484,005)
Total comprehensive loss for the year	-	-	(3,484,005)	(3,484,005)	-	(294,645,485)	(294,645,485)	(298,129,490)	(298,129,490)
Balance as on 30 September 2014	**170,000,000**	**21,093,550**	**13,443,800**	**34,537,350**	**169,450,000**	**(594,721,521)**	**(425,271,521)**	**(390,734,171)**	**(220,734,171)**

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

MST. NUSRAT SHAMIM
Chief Executive

AHMED ALI TARIQ
Chairman / Director

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

1. THE COMPANY AND ITS OPERATIONS

1.1 Husein Sugar Mills Limited (“the Company”) is a public limited company incorporated in Pakistan under the Companies Act, 1913 (Now the Companies Ordinance, 1984). The shares of the Company are listed on Lahore and Karachi Stock Exchanges. Its registered office is situated at 30-A E/1, Old FCC, Gulberg-III, Lahore. The Company is principally engaged in the business of production and sale of sugar and by products.

1.2 GOING CONCERN ASSUMPTION

The Company incurred loss after taxation of Rupees 190.805 million in the preceding financial year ended 30 September 2013 and further incurred loss after taxation of Rupees 294.645 million for the current financial year ended 30 September 2014. These continuing losses have resulted in erosion of the Company's equity and depletion of working capital base. During last few years, the Company is facing financial crunch mainly due to low sugar prices, as abundant supply of sugar is available in local and international markets. Further, cut throat completion among sugar mills for procurement of sugarcane at higher prices and Government pressure to make timely payments to sugarcane growers, forced the sugar industry to sell the sugar at below its cost of manufacturing. During the year, efforts were made for obtaining long term loans from banks / financial institutions which could not be materialized due to uncertain conditions of the sugar industry, the Company's previous year's loss and adverse financial ratios. Therefore, before start of crushing season 2014-15, liquidity was raised through injection of fresh funds from sponsors and advances from customers. These funds were mainly utilized for making payments to sugarcane growers and fulfillment of financial commitments with the banks / financial institutions. In order to turn the current state of affairs around, the Company undertook significant measures to improve its productivity, financial results and liquidity. During the current season, crushing target of approved varieties of cane has been fixed at maximum available capacity in addition to close monitoring of regular supplies of quality sugarcane to get better sugar recovery and saving in bagasse. The cost cut measures have also taken through right sizing of work force. Flexible Government policies regarding export of sugar will further help in improving the liquidity as well as profitability. The management is confident that these steps will bring the Company out of the existing crises and the Company will continue as a going concern. These financial statements, therefore, do not include any adjustment relating to realization of its assets and liquidation of any liabilities that might be necessary should the Company be unable to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

a) Statement of compliance

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

b) Accounting convention

These financial statements have been prepared under the historical cost convention, except for freehold land, buildings on freehold land and plant and machinery which are carried at revalued amount and certain financial instruments which are carried at their fair value.

c) Critical accounting estimates and judgements

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

- **Income taxes**: In making the estimates for income taxes payable by the Company, the management considers current income tax law and the decisions of appellate authorities on certain cases issued in past. Where the final tax outcome is different from the amount that was initially recorded, such differences will impact the income tax provision in the period in which such final outcome is determined.

- **Useful lives, patterns of economic benefits and impairments**: Estimates with respect to residual values, useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

- **Inventories**: Net realizable value of inventories is estimated with reference to the estimated selling price in the ordinary course of business less estimated costs necessary to make the sales.

d) Amendments to published approved standards that are effective in current year and are relevant to the Company

The following amendments to published approved standards are mandatory for the Company's accounting periods beginning on or after 01 October 2013:

IFRS 7 (Amendment) 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 January 2013). The International Accounting Standards Board (IASB) has amended the accounting requirements and disclosures related to offsetting of financial assets and financial liabilities by issuing amendments to IAS 32 'Financial Instruments: Presentation' and IFRS 7. These amendments are the result of IASB and US Financial Accounting Standard Board undertaking a joint project to address the differences in their respective accounting standards regarding offsetting of financial instruments. The application of the amendments does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

On 17 May 2012, IASB issued Annual Improvements to IFRS: 2009 – 2011 Cycle, incorporating amendments to five IFRS more specifically in IAS 1 'Presentation of Financial Statements' and IAS 32 'Financial instruments: Presentation' that are considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 October 2013. The application of the amendments does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

e) Standards, interpretation and amendments to published approved standards that are effective in current year but not relevant to the Company

There are other standards, new interpretation and amendments to published standards that are mandatory for accounting periods beginning on or after 01 October 2013 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

f) Standards, interpretation and amendments to published standards that are not yet effective but relevant to the Company

Following standards, interpretation and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 October 2014 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2018). A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 'Financial Instruments: Recognition and Measurement'. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. It introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IFRS 13 'Fair value Measurement' (effective for annual periods beginning on or after 01 January 2015). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. This standard is not expected to have a material impact on the Company's financial statements.

IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2017). IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are: identify the contract with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contracts; and recognize revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IAS 16 (Amendments) 'Property, Plant and Equipment' (effective for annual periods beginning on or after 01 January 2016). The amendments clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment; and add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset. However, the amendments are not expected to have a material impact on the Company's financial statements.

IAS 32 (Amendments) 'Financial Instruments: Presentation' (effective for annual periods beginning on or after 01 January 2014). Amendments have been made to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas: the meaning of 'currently has a legally enforceable right of set-off'; the application of simultaneous realization and settlement; the offsetting of collateral amounts and the unit of account for applying the offsetting requirements. However, the amendments are not expected to have a material impact on the Company's financial statements.

IAS 36 (Amendments) 'Impairment of Assets' (effective for annual periods beginning on or after 01 January 2014). Amendments have been made in IAS 36 to reduce the circumstances in which the recoverable amount of assets or cash- generating units is required to be disclosed, clarify the disclosures required and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. However, the amendments are not expected to have a material impact on the Company's financial statements.

On 12 December 2013, IASB issued Annual Improvements to IFRSs: 2010 – 2012 Cycle, incorporating amendments to seven IFRSs more specifically in IFRS 8 'Operating Segments', IFRS 13 'Fair Value Measurement' and IAS 16 'Property, Plant and Equipment', which are considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 October 2014. These amendments are unlikely to have a significant impact on the Company's financial statements and have therefore not been analyzed in detail.

On 12 December 2013, IASB issued Annual Improvements to IFRSs: 2011 – 2013 Cycle, incorporating amendments to four IFRSs more specifically in IFRS 13 'Fair Value Measurement', that is considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 October 2014. These amendments are unlikely to have a significant impact on the Company's financial statements and have therefore not been analyzed in detail.

IFRIC 21 'Levies' (effective for annual periods beginning on or after 01 January 2014). The interpretation provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and those where the timing and amount of the levy is certain. The interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. However, the interpretation is not expected to have a material impact on the Company's financial statements.

g) Standards and amendments to published approved standards that are not yet effective and not considered relevant to the Company

There are other standards and amendments to published approved standards that are mandatory for accounting periods beginning on or after 01 October 2014 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.2 Staff retirement benefits

The Company operates a funded provident fund scheme covering all permanent employees. Equal monthly contributions are made to the fund both by the Company and employees at the rate of 10 percent of basic pay plus cost of living allowance.

2.3 Taxation

Current

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

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of the assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

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

2.4 Foreign currencies

The financial statements are presented in Pak Rupees, which is the Company's functional currency. Transactions in foreign currency during the year are initially recorded in the functional currency at the rates prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at functional currency rates of exchange prevailing at the balance sheet date. All differences are taken to the profit and loss account.

2.5 Fixed assets

Property, plant, equipment and depreciation

Owned

Property, plant and equipment except freehold land, buildings on freehold land, plant and machinery and capital work-in-progress are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Freehold land is stated at revalued amount less accumulated impairment losses (if any). Buildings on freehold land and plant and machinery are stated at revalued amount less accumulated depreciation and accumulated impairment losses (if any), while capital work-in-progress is stated at cost less accumulated impairment losses (if any). Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable cost of brining the asset to working condition.

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 benefit associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit and loss account during the period in which they are incurred.

Any revaluation surplus is credited to surplus on revaluation of operating fixed assets except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss, in which case the increase is recognized in profit or loss. A revaluation deficit is recognized in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in surplus on revaluation of operating fixed assets.

Leased

Finance leases

Leases where the Company has substantially all the risk and rewards of ownership are classified as finance lease. Assets subject to finance lease are capitalized at the commencement of the lease term at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets, each determined at the inception of the lease.

The related rental obligation net of finance cost is included in liabilities against assets subject to finance lease. The liabilities are classified as current and long term depending upon the timing of payments.

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

Depreciation of assets subject to finance lease is recognized in the same manner as for owned assets. Depreciation of the leased assets is charged to profit and loss account.

Operating lease

Leases where significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income on a straight-line basis over the period of lease.

Depreciation

Depreciation on all operating fixed assets is charged to profit and loss account applying the reducing balance method so as to write off the depreciable amount of the assets over their estimated useful lives at the rates given in Note 14.1. The residual values and useful lives are reviewed by the management at each financial year end and adjusted if impact on depreciation is significant. Depreciation on additions is charged from the date on which the assets are available for use and on deletions upto the date on which the assets are deleted.

Previously, depreciation on operating fixed assets was being charged by applying straight line method. Further, depreciation rates of buildings on freehold land, plant and machinery and office equipment have been changed from 2.5%, 7.5% and 10% to 10%, 5% and 20% respectively. These changes in accounting estimates have been incorporated in accordance with IAS - 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Had there been no change in depreciation method and depreciation rates, loss after tax for the year and carrying amount of operating fixed assets as on 30 September 2014 would have been higher and lower by Rupees 30.371 million respectively.

Derecognition

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit and loss account in the year the asset is de-recognized.

Intangible assets

Intangible assets, which are non-monetary assets without physical substance, are recognized at cost, which comprise purchase price, non-refundable purchase taxes and other directly attributable expenditures relating to their implementation and customization. After initial recognition, an intangible asset is carried at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized from the month when these assets are available for use, using the straight line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Company. The useful life and amortization method are reviewed and adjusted, if appropriate, at each reporting date.

2.6 Financial instruments

Financial Instruments carried on the balance sheet include investments, deposits, trade debts, advances, other receivables, cash and bank balances, short-term borrowings, accrued mark-up, trade and other payables, liabilities against assets subject to finance lease and long term finance. Financial assets and liabilities are recognized initially at fair value when the Company becomes a party to the contractual provisions of instrument.

The particular measurement methods adopted are disclosed in the following individual policy statements associated with each item. Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement (except available for sale investments) and derecognition is charged to the profit and loss account currently.

Off setting

Financial assets and liabilities are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

2.7 Trade and other receivables

Trade debts and other receivables are carried at original invoice value 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.

2.8 Borrowings

Borrowings are recognized initially at fair value and are subsequently stated at amortized cost, any difference between the proceeds and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest rate method.

2.9 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value, which is normally the transaction cost.

2.10 Investments

The Company's management determines the appropriate classification of its investments at the time of purchase.

Investments are initially measured at fair value plus transaction costs directly attributable to acquisition, except for “investment at fair value through profit and loss account” which is initially measured at fair value.

Investment at fair value through profit and loss account

Investment classified as held-for-trading and those designated as such are included in this category. Investments are classified as held-for-trading if they are acquired for the purpose of selling in the short term.

Gains or losses on investments held-for-trading are recognized in profit and loss account.

Held-to-maturity

Investments with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held to maturity are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between the initially recognized amount and the maturity amount. For investments carried at amortized cost, gains and losses are recognized in profit and loss account when the investments are derecognized or impaired, as well as through the amortization process.

Available-for-sale

Investments intended to be held for an indefinite period of time, which may be sold in response to need for liquidity, or changes to interest rates or equity prices are classified as available-for-sale.

After initial recognition, investments which are classified as available-for-sale are measured at fair value. Gains or losses on available-for-sale investments are recognized directly in statement of comprehensive income until the investment is sold, derecognized or is determined to be impaired, at which time the cumulative gain or loss previously reported in statement of comprehensive income is included in profit and loss account.

For investments that are actively traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bids at the close of business on the balance sheet date. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

2.11 Inventories

Inventories, except for stock in transit, molasses, bagasse and press mud are stated at lower of cost and net realizable value. Cost is determined as follows:

Stores, spare parts and loose tools

Useable stores, spare parts and loose tools are valued principally at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

Stock-in-trade

Cost of work-in-process and finished goods comprise cost of direct material, labour and appropriate manufacturing overheads.

Molasses, bagasse and press mud are valued at their net realizable value.

Net realizable value is determined on the basis of the estimated selling price of the product in the ordinary course of business less estimated costs of completion and estimated costs necessary to make a sale.

2.12 Borrowing cost

Interest, mark-up and other charges on long-term financing are capitalized up to the date of commissioning of the respective qualifying assets acquired out of the proceeds of such borrowings. All other interest, mark-up and other charges are charged to income.

2.13 Provisions

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

2.14 Impairment

Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated by reference to its current fair value.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Non-financial assets

The carrying amounts of assets are reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amounts. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

2.15 Revenue recognition

Revenue from sales is recognized on delivery of goods to customers.

Dividend income is recognized when the right to receive the dividend is established.

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

2.16 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

2.17 Share capital

Ordinary shares are classified as equity.

2.18 Dividend and transfer of reserve

Dividend distribution to the shareholders is recognized as a liability in the Company's financial statements in period in which the dividends are declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

3. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2014 (Number of shares)	2013 (Number of shares)		2014 Rupees	2013 Rupees
8,156,250	8,156,250	Ordinary shares of Rupees 10 each fully paid	**81,562,500**	81,562,500
161,900	161,900	Ordinary shares of Rupees 10 each issued fully paid for consideration other than cash	**1,619,000**	1,619,000
8,681,850	8,681,850	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	**86,818,500**	86,818,500
17,000,000	17,000,000		**170,000,000**	170,000,000

4. RESERVES

	2014 Rupees	2013 Rupees
Composition of reserves is as follows:		
Capital		
Premium on issue of right shares (Note 4.1)	**21,093,550**	21,093,550
Fair value reserve (Note 4.2)	**13,443,800**	16,927,805
	34,537,350	38,021,355
Revenue		
General	**169,450,000**	169,450,000
Accumulated loss	**(594,721,521)**	(300,076,036)
	(425,271,521)	(130,626,036)
	(390,734,171)	(92,604,681)

4.1 This reserve can be utilized by the Company only for the purposes specified in Section 83(2) of the Companies Ordinance, 1984.

4.2 This represents unrealized gain on remeasurement of available for sale investments and is not available for distribution. This will be transferred to profit and loss account on realization.

5. SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS - NET OF DEFERRED INCOME TAX

	2014 Rupees	2013 Rupees
Balance as at 01 October	**492,684,029**	492,684,029
Add: Surplus incorporated during the year (Note 14.1)	**1,490,585,848**	-
Balance as at 30 September	**1,983,269,877**	492,684,029
Less: Related deferred income tax liability	**441,467,617**	-
	1,541,802,260	492,684,029

6. LONG TERM FINANCE

	2014 Rupees	2013 Rupees
From banking company - secured		
MCB Bank Limited (Note 6.1)	**49,966,664**	99,933,332
Less: Current portion shown under current liabilities (Note 12)	**49,966,664**	49,966,668
	-	49,966,664

6.1 This represents diminishing musharka credit facility of Rupees 149.900 million obtained from MCB Bank Limited - Islamic Banking to enhance the production efficiency of the Company. This facility is secured against ranking charge over present and future assets (both current and fixed) of the Company to the extent of Rupees 199.867 million with 25% margin and personal guarantees of two directors of the Company. Mark-up is payable quarterly at the rate of 3 months KIBOR plus 2.50% (2013: 3 months KIBOR plus 2.50%) per annum. Effective rate of mark-up ranges from 11.56% to 12.68% (2013: 11.56% to 14.48%) per annum. This facility is repayable in four years in 12 quarterly installments.

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2014 Rupees	2013 Rupees
Future minimum lease payments	**18,764,688**	32,245,992
Less: Un-amortized finance charge	**837,194**	2,279,118
Present value of future minimum lease payments	**17,927,494**	29,966,874
Less: Current portion shown under current liabilities (Note 12)	**10,351,347**	12,392,761
	7,576,147	17,574,113

7.1 Minimum lease payments have been discounted using implicit interest rates ranging from 12.94% to 14.93% (2013: 12.53% to 16.70%) per annum. Balance rentals are payable in monthly installments. Taxes, repairs and insurance costs are to be borne by the Company. In case of termination of the agreement, the Company shall pay entire amount of rentals for unexpired period of lease agreement. These are secured against the leased assets, demand promissory notes, personal guarantees of directors and deposits of Rupees 11.809 million (2013: Rupees 14.134 million).

7.2 Minimum lease payments and their present values are regrouped as under:

	2014		2013	
	Not later than one year	Later than one year and not later than five years	Not later than one year	Later than one year and not later than five years
	------------------------------ Rupees --------------------------------			
Future minimum lease payments	**11,137,214**	**7,627,474**	14,028,304	18,217,688
Less: Un-amortized finance charge	**785,867**	**51,327**	1,635,543	643,575
Present value of future minimum lease payments	**10,351,347**	**7,576,147**	12,392,761	17,574,113

8. DEFERRED INCOME TAX LIABILITY

	2014 Rupees	2013 Rupees
The (liability) / asset for deferred taxation comprises temporary differences arising due to:		
Taxable temporary differences		
Accelerated tax depreciation	**(88,057,173)**	(85,276,939)
Finance lease	**(3,583,051)**	(1,645,791)
Surplus on revaluation of operating fixed assets	**(441,467,617)**	-
	(533,107,841)	(86,922,730)
Deductible temporary differences		
Available tax losses	**251,233,839**	200,900,912
Turnover tax available for carry forward	**31,784,666**	31,784,666
	283,018,505	232,685,578
Deferred income tax (liability) / asset - net	**(250,089,336)**	145,762,848
Less: Deferred income tax asset not recognized	**45,615,433**	-
Net deferred income tax (liability) / asset recognized	**(295,704,769)**	145,762,848

	2014 Rupees	2013 Rupees
9. TRADE AND OTHER PAYABLES		
Creditors	**206,754,951**	263,242,397
Advances from customers	**783,424,217**	239,410,649
Advance against sale of land (Note 24)	**10,000,000**	-
Security deposits - interest free	**494,000**	599,000
Accrued liabilities	**8,282,671**	21,262,295
Income tax deducted at source	**3,423,581**	2,211,556
Payable to provident fund trust	**1,079,743**	856,018
Unclaimed dividend	**1,208,842**	1,208,842
Others	**1,225,595**	1,265,134
	1,015,893,600	530,055,891
10. ACCRUED MARK-UP		
Long term finance	**1,492,812**	2,721,910
Short term borrowings	**10,475,599**	24,032,196
Liabilities against assets subject to finance lease	**69,136**	124,400
	12,037,547	26,878,506
11. SHORT TERM BORROWINGS		
From banking companies - secured		
Cash finances (Note 11.1)	**64,000,000**	779,123,636
Running finances (Note 11.2)	**102,975,454**	128,194,204
Agri finance (Note 11.3)	**149,455,000**	-
	316,430,454	907,317,840

11.1 These facilities, forming part of total credit facilities of Rupees 450.000 million (2013: Rupees 1,725.000 million) are secured against pledge of refined sugar with a margin from 10% to 25% and personal guarantees of two directors of the Company. Mark-up is payable at the rate of 1 month KIBOR to 6 month KIBOR plus 1.40% to 2.50% (2013: 1 month KIBOR to 6 month KIBOR plus 1.40% to 2.50%) per annum. Effective rate of mark-up ranges from 10.84% to 12.66% (2013: 10.42% to 12.06%) per annum.

11.2 These facilities, forming part of total credit facilities of Rupees 150.000 million (2013: Rupees 150.000 million) are secured against first pari passu charge over all present and future fixed and current assets of the Company to the extent of Rupees 201.000 million with a margin of 25% and personal guarantees of two directors of the Company. Mark-up is payable at the rate of 1 month KIBOR to 3 month KIBOR plus 2.00% to 2.50% (2013: 1 month KIBOR to 3 month KIBOR plus 2.00% to 2.50%) per annum. Effective rate of mark-up ranges from 11.19% to 12.68% (2013: 11.01% to 12.70%) per annum.

11.3 This represents growers finance facility, forming part of total credit facility of Rupees 150.000 million. This facility is secured against joint pari passu charge over fixed assets of the Company (including land, building and machinery) of Rupees 180.000 million and personal guarantees of two directors of the Company. Mark-up is payable quarterly at the rate of 6 months KIBOR plus 3.00% per annum. Effective rate of mark-up ranges from 13.15% to 13.18% per annum .

	2014 Rupees	2013 Rupees
12. CURRENT PORTION OF NON-CURRENT LIABILITIES		
Long term finance (Note 6)	**49,966,664**	49,966,668
Liabilities against assets subject to finance lease (Note 7)	**10,351,347**	12,392,761
	60,318,011	62,359,429

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

13.1.1 The tax department raised demand of Rupees 44.039 million in show cause notice issued to the Company on 10 November 2014, alleging that the Company charged federal excise duty (FED) at the rate of 0.5% instead of 8% on local supplies made during the period from January 2014 to June 2014 against quantity of white crystalline sugar exported to Afghanistan which was not in accordance with clause (d) of SRO 77(1)/2013 dated 07 February 2013. Consequently, the Company filed a writ petition against this notice in the Honorable Lahore High Court, Lahore on the basis that the FED at the rate of 0.5% has been charged as allowed by the order dated 08 November 2013 passed in W.P No. 4927/2013, which declared that clause (d) of SRO No. 77/2013 is unlawful. The writ petition filed by the Company was fixed for hearing on 17 December 2014 which could not be heard because of non availability of the Bench. Based on the advice of the legal counsel, the management expects a favourable outcome of the matter. Hence, no provision has been made in these financial statements.

13.1.2 Guarantees of Rupees 42.800 million (2013: Rupees 42.800 million), Rupees 20.000 million (2013: Rupees 43.800 million) and Rupees 16.577 million (2013: Rupees 12.989 million) are given by the banks of the Company to Sui Northern Gas Pipelines Limited against gas connection, Engro Fertilizers Limited against supply of fertilizers and Trading Corporation of Pakistan against sale of sugar respectively.

	2014 Rupees	2013 Rupees
13.2 Commitments		
For capital expenditure	**Nil**	Nil
Letters of credit other than capital expenditure	**7,061,123**	Nil
14. FIXED ASSETS		
Property, plant and equipment		
Operating fixed assets		
- Owned (Note 14.1)	**2,440,054,016**	964,239,884
- Leased (Note 14.1)	**28,785,225**	34,954,120
	2,468,839,241	999,194,004
Capital work-in-progress (Note 14.2)	**89,248,112**	-
Intangible asset (Note 14.1)	**-**	-
	2,558,087,353	999,194,004

Note 14.1 Reconciliation of carrying amounts of operating fixed assets and intangible asset at the beginning and end of the year is as follows:

DESCRIPTION	OPERATING FIXED ASSETS													INTANGIBLE ASSET
	OWNED												LEASED	
	Freehold land	Buildings on freehold land	Plant and machinery	Stand by equipment	Factory equipment	Gas and electric installations	Railway siding	Furniture and fixtures	Office equipment	Computer equipment	Vehicles	Total	Vehicles	Computer software
	Rupees													
As at 30 September 2012														
Cost / revalued amount	515,578,191	93,612,755	915,065,644	1,349,729	7,185,931	9,603,214	492,072	4,099,314	5,430,716	4,127,149	28,345,114	1,584,889,829	53,319,988	1,000,000
Accumulated depreciation / amortization	-	(34,310,232)	(573,716,540)	(165,379)	(5,200,926)	(7,958,932)	(492,072)	(3,027,909)	(4,398,019)	(3,571,226)	(21,526,248)	(654,367,483)	(10,527,716)	(666,600)
Net book value	515,578,191	59,302,523	341,349,104	1,184,350	1,985,005	1,644,282	-	1,071,405	1,032,697	555,923	6,818,866	930,522,346	42,792,272	333,400
Year ended 30 September 2013														
Opening net book value	515,578,191	59,302,523	341,349,104	1,184,350	1,985,005	1,644,282	-	1,071,405	1,032,697	555,923	6,818,866	930,522,346	42,792,272	333,400
Additions	1,360,370	5,291,097	75,249,306	1,768,429	-	113,378	-	119,117	116,515	364,808	65,144	84,448,164	5,731,865	-
Disposals:														
Cost	-	-	(7,626,492)	-	-	-	-	-	-	-	(10,147,500)	(17,773,992)	-	-
Accumulated depreciation	-	-	7,626,492	-	-	-	-	-	-	-	6,363,883	13,990,375	-	-
	-	-	-	-	-	-	-	-	-	-	(3,783,617)	(3,783,617)	-	-
Transferred from leased assets:														
Cost	-	-	-	-	-	-	-	-	-	-	14,249,000	14,249,000	(14,249,000)	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	(7,520,349)	(7,520,349)	7,520,349	-
	-										6,728,651	6,728,651	(6,728,651)	
Depreciation / amortization charge	-	(2,213,753)	(46,743,604)	(170,150)	(434,793)	(265,976)	-	(152,012)	(116,869)	(417,896)	(3,160,607)	(53,675,660)	(6,841,366)	(333,400)
Closing net book value	516,938,561	62,379,867	369,854,806	2,782,629	1,550,212	1,491,684	-	1,038,510	1,032,343	502,835	6,668,437	964,239,884	34,954,120	-
As at 30 September 2013														
Cost / revalued amount	516,938,561	98,903,852	982,688,458	3,118,158	7,185,931	9,716,592	492,072	4,218,431	5,547,231	4,491,957	32,511,758	1,665,813,001	44,802,853	1,000,000
Accumulated depreciation / amortization	-	(36,523,985)	(612,833,652)	(335,529)	(5,635,719)	(8,224,908)	(492,072)	(3,179,921)	(4,514,888)	(3,989,122)	(25,843,321)	(701,573,117)	(9,848,733)	(1,000,000)
Net book value	516,938,561	62,379,867	369,854,806	2,782,629	1,550,212	1,491,684	-	1,038,510	1,032,343	502,835	6,668,437	964,239,884	34,954,120	-
Year ended 30 September 2014														
Opening net book value	516,938,561	62,379,867	369,854,806	2,782,629	1,550,212	1,491,684	-	1,038,510	1,032,343	502,835	6,668,437	964,239,884	34,954,120	-
Additions	285,892	-	24,143,564	-	108,609	2,958,208	-	35,400	1,469,369	127,660	4,453,017	33,581,719	-	-
Disposals:														
Cost	-	-	-	(492,475)	-	-	-	-	(39,000)	-	(416,000)	(947,475)	(1,523,165)	-
Accumulated depreciation	-	-	-	87,757	-	-	-	-	23,824	-	416,000	527,581	514,137	-
	-	-	-	(404,718)	-	-	-	-	(15,176)	-	-	(419,894)	(1,009,028)	-
Transfer to non-current asset held for sale (Note 24)														
Cost	(20,940,212)	-	-	-	-	-	-	-	-	-	-	(20,940,212)	-	-
Impairment loss	740,212	-	-	-	-	-	-	-	-	-	-	740,212	-	-
	(20,200,000)	-	-	-	-	-	-	-	-	-	-	(20,200,000)	-	-
Depreciation charge	-	(6,237,987)	(18,275,659)	(256,907)	(156,880)	(377,264)	-	(105,131)	(407,396)	(172,390)	(1,003,715)	(26,993,329)	(5,159,867)	-
Impairment loss	(740,212)	-	-	-	-	-	-	-	-	-	-	(740,212)	-	-
Revaluation surplus (Note 5)	152,805,189	440,317,370	897,463,289	-	-	-	-	-	-	-	-	1,490,585,848	-	-
Closing net book value	649,089,430	496,459,250	1,273,186,000	2,121,004	1,501,941	4,072,628	-	968,779	2,079,140	458,105	10,117,739	2,440,054,016	28,785,225	-
As at 30 September 2014														
Cost / revalued amount	649,089,430	539,221,222	1,904,295,311	2,625,683	7,294,540	12,674,800	492,072	4,253,831	6,977,600	4,619,617	36,548,775	3,168,092,881	43,279,688	1,000,000
Accumulated depreciation / amortization	-	(42,761,972)	(631,109,311)	(504,679)	(5,792,599)	(8,602,172)	(492,072)	(3,285,052)	(4,898,460)	(4,161,512)	(26,431,036)	(728,038,865)	(14,494,463)	(1,000,000)
Net book value	649,089,430	496,459,250	1,273,186,000	2,121,004	1,501,941	4,072,628	-	968,779	2,079,140	458,105	10,117,739	2,440,054,016	28,785,225	-
Depreciation rate % per annum		10	5	10	10	10	5	10	20	30	20		20	33.33

14.1.1 Latest revaluation of freehold land was carried out on 31 March 2014, whereas revaluation of buildings on freehold land and plant and machinery was carried out on 30 September 2014, by Messrs Unicorn International Surveyors, an approved valuer. Previously, freehold land was revalued by Messrs Sama Engineering Associates as on 30 September 2010. Had there been no revaluation, the cost, accumulated depreciation and net book value of revalued assets would have been as follows:

	2014			2013		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
	Rupees			Rupees		
Freehold land	3,600,212	-	3,600,212	24,254,532	-	24,254,532
Buildings on freehold land	98,903,852	42,761,972	56,141,880	-	-	-
Plant and machinery	1,006,832,022	631,109,311	375,722,711	-	-	-
	1,109,336,086	673,871,283	435,464,803	24,254,532	-	24,254,532

14.1.2 Detail of operating fixed assets disposed of during the year is as follows:

Description	Cost	Accumulated Depreciation	Net Book Value	Sale Proceeds	Gain / (Loss)	Mode of Disposal	Particulars of purchasers
	Rupees						
Vehicles							
Toyota Corolla (LEB-7390)	1,523,165	514,137	1,009,028	1,200,000	190,972	Insurance Claim	Premier Insurance Company Limited
Suzuki Bolan (LWJ-7403)	416,000	416,000	-	50,000	50,000	Negotiation	Mr. Dost Muhammad (Employee)
	1,939,165	930,137	1,009,028	1,250,000	240,972		
Standby equipment							
Generator	492,475	87,757	404,718	110,000	(294,718)	Negotiation	Mr. Zar Khan (Lahore)
Office equipmant							
Photocopy machine	39,000	23,824	15,176	15,000	(176)	Negotiation	M/S Bilal Traders (Lahore)
	2,470,640	1,041,718	1,428,922	1,375,000	(53,922)		

14.1.3 Depreciation charge for the year has been allocated as follows:

	2014 Rupees	2013 Rupees
Cost of sales (Note 26)	**24,235,842**	49,448,961
Distribution cost (Note 27)	**1,068,854**	379,318
Administrative expenses (Note 28)	**6,848,500**	10,688,747
	32,153,196	60,517,026

14.1.4 The cost of operating fixed assets as on 30 September 2014 includes fully depreciated operating fixed assets of Rupees 353.783 million (2013: Rupees 354.199 million) and fully amortized intangible asset of Rupees 1 million (2013: Rupees 1 million) which are still in use of the Company.

	2014 Rupees	2013 Rupees
14.2 Capital work-in-progress		
Advances for plant and machinery	**87,167,612**	-
Advances for vehicles	**2,080,500**	-
	89,248,112	-

15. LONG TERM INVESTMENTS

	2014 Rupees	2013 Rupees
AVAILABLE FOR SALE		
Associated companies - Quoted		
Shadab Textile Mills Limited		
375,000 (2013: 375,000) fully paid ordinary shares of Rupees 10 each	**2,500,000**	2,500,000
Sargodha Spinning Mills Limited		
500 (2013: 500) fully paid ordinary shares of Rupees 10 each	**5,000**	5,000
	2,505,000	2,505,000
Add: Fair value adjustment (Note 4)	**13,443,800**	16,927,805
Less: Impairment loss	**4,550**	4,550
	15,944,250	19,428,255

16. LONG TERM DEPOSITS

	2014 Rupees	2013 Rupees
Margin against bank guarantees	**4,397,989**	4,397,989
Security deposits against leased assets	**11,809,200**	14,133,900
Security deposits - others	**1,012,940**	912,740
	17,220,129	19,444,629
Less: Current portion shown under current assets (Note 21)	**7,315,200**	2,324,700
	9,904,929	17,119,929

17. STORES, SPARE PARTS AND LOOSE TOOLS

	2014 Rupees	2013 Rupees
Stores	**97,546,747**	137,709,616
Spare parts	**14,134,718**	12,820,532
Loose tools	**903,699**	942,410
	112,585,164	151,472,558

18. STOCK-IN-TRADE

	2014 Rupees	2013 Rupees
Work-in-process	**1,659,576**	1,272,242
Finished goods	**104,882,044**	665,180,797
	106,541,620	666,453,039

18.1 Stock-in-trade includes inventory amounting to Rupees 45.631 million (2013: Rupees 19.515 million) is being carried at net realizable value.

18.2 Aggregate amount of write-down of inventories to net realizable value recognized as an expense during the year was Rupees 1.807 million (2013: Rupees Nil).

	2014 Rupees	2013 Rupees
19. TRADE DEBTS		
Considered good - unsecured:		
Other than related parties (Note 19.1)	**15,529,595**	19,416,713

19.1 As at 30 September 2014, trade debts of Rupees 15.530 million (2013: Rupees 19.417 million) were past due but not impaired. These relate to independent customers from whom there is no recent history of default. Age analysis of these trade debts is as follows:

	2014 Rupees	2013 Rupees
Upto 1 month	**12,781,876**	13,100,880
1 to 6 months	**2,747,719**	6,315,833
	15,529,595	19,416,713

	2014 Rupees	2013 Rupees
20. ADVANCES		
Considered good		
Advances to:		
Employees - interest free	**1,498,492**	1,562,002
Employees against expenses	**277,798**	423,071
Suppliers	**19,155,050**	20,033,302
Contractors	**23,000**	148,500
Sugarcane growers (Note 20.1)	**11,589,488**	24,708,994
Margin against letters of credit	**36,740**	-
	32,580,568	46,875,869
20.1 Advances to sugarcane growers		
Considered good	**11,589,488**	24,708,994
Considered doubtful	**1,519,503**	-
Provision for doubtful advances (Note 29)	**(1,519,503)**	-
	-	-
	11,589,488	24,708,994
21. SHORT TERM DEPOSITS AND PREPAYMENTS		
Deposits:		
Margins against bank guarantees and security deposit	**9,144,351**	12,248,880
Security deposit	**1,000,000**	-
Current portion of long term deposits (Note 16)	**7,315,200**	2,324,700
	17,459,551	14,573,580
Prepayments	**3,257,231**	2,973,714
	20,716,782	17,547,294
22. OTHER RECEIVABLES		
Considered good		
Advance income tax	**103,725,865**	69,508,468
Sales tax and federal excise duty (Note 22.1)	**8,713,250**	243,325
Accrued mark-up	**16,037**	36,474
Freight subsidy receivable	**36,295,750**	16,100,000
Others	**2,326,276**	1,290,513
	151,077,178	87,178,780

	2014 Rupees	2013 Rupees
22.1 Sales tax and federal excise duty		
Considered good	**8,713,250**	243,325
Considered doubtful	**2,713,697**	-
Provision for doubtful sales tax and federal excise duty (Note 29)	**(2,713,697)**	-
	-	-
	8,713,250	243,325

23. CASH AND BANK BALANCES

	2014 Rupees	2013 Rupees
Cash in hand	**1,360,738**	77,449
Cash with banks on :		
Current accounts (Note 23.1)	**84,494,614**	10,001,892
Saving accounts (Note 23.2)	**20,610,346**	3,311,126
	105,104,960	13,313,018
	106,465,698	13,390,467

23.1 Cash with banks on current accounts include foreign currency balance of US$ 597.6 (2013: US$ 597.6).

23.2 Rate of profit on bank deposits ranges from 4.60% to 7.00% (2013: 3.78% to 7.00%) per annum.

24. NON-CURRENT ASSET HELD FOR SALE

The Company entered on 05 June 2014 in agreement to sell its freehold land situated at Canal View Co-operative Housing Society Phase I, Lahore. In this regard an advance of Rupees 10.000 million has been received during the year. Subsequent to reporting date, balance amount of Rupees 10.200 million has been received and land has been transferred in the name of the buyer.

25. SALES

	2014 Rupees	2013 Rupees
Export - sugar	**914,969,135**	441,418,925
Local sales (Note 25.1)	**1,759,636,018**	1,777,432,469
Freight subsidy	**20,195,750**	16,100,000
	2,694,800,903	2,234,951,394

25.1 Local sales

	2014 Rupees	2013 Rupees
Sugar	**1,627,313,739**	1,661,956,883
By Products:		
Molasses	**205,535,359**	242,705,635
Press mud	**198,977**	1,964,978
Bagasse	**3,603,600**	19,153,737
	1,836,651,675	1,925,781,233
Less: Federal excise duty and sales tax	**77,015,657**	148,348,764
	1,759,636,018	1,777,432,469

26. COST OF SALES

	2014 Rupees	2013 Rupees
Raw material consumed:		
Sugarcane purchased	**1,887,435,739**	2,476,339,933
Sugarcane development cess	**10,739,277**	14,508,579
Market committee fee	**2,151,267**	2,920,647
	1,900,326,283	2,493,769,159
Salaries, wages and other benefits (Note 26.1)	**111,805,320**	105,966,199
Workers' welfare	**2,908,913**	4,888,478
Stores, spare parts and loose tools consumed	**9,285,071**	11,078,083
Chemicals consumed	**28,857,981**	22,552,472
Packing material consumed	**21,660,929**	24,761,489
Fuel and power	**22,547,696**	18,699,870
Repair and maintenance	**57,261,175**	94,818,060
Insurance	**4,968,962**	5,255,310
Other factory overheads	**5,981,174**	2,447,411
Depreciation (Note 14.1.3)	**24,235,842**	49,448,961
	2,189,839,346	2,833,685,492
Work-in-process		
Opening stock	**1,272,242**	370,926
Closing stock	**(1,659,576)**	(1,272,242)
	(387,334)	(901,316)
Cost of goods manufactured	**2,189,452,012**	2,832,784,176
Finished goods		
Opening stock	**665,180,797**	43,223,248
Closing stock	**(104,882,044)**	(665,180,797)
	560,298,753	(621,957,549)
	2,749,750,765	2,210,826,627

26.1 Salaries, wages and other benefits include Rupees 2.435 million (2013: Rupees 2.067 million) in respect of employees' provident fund contribution by the Company.

27. DISTRIBUTION COST

	2014 Rupees	2013 Rupees
Salaries, wages and other benefits (Note 27.1)	**3,627,592**	4,014,858
Handling and distribution	**3,451,616**	3,472,021
Commission to selling agent	**702,972**	2,022,776
Repair and maintenance	**335,043**	392,593
Printing and stationery	**12,791**	13,030
Depreciation (Note 14.1.3)	**1,068,854**	379,318
Miscellaneous	**-**	16,200
	9,198,868	10,310,796

27.1 Salaries, wages and other benefits include Rupees 0.125 million (2013: Rupees 0.155 million) in respect of employees' provident fund contribution by the Company.

	2014 Rupees	2013 Rupees
28. ADMINISTRATIVE EXPENSES		
Salaries and other benefits (Note 28.1)	**92,182,931**	90,414,741
Traveling and conveyance	**1,663,149**	1,026,708
Communication	**1,679,345**	1,355,560
Rent, rates and taxes	**4,440,802**	3,970,351
Printing and stationery	**1,613,517**	1,656,668
Repair and maintenance	**1,450,758**	1,342,893
Vehicle's running	**10,315,244**	10,107,821
Fee and subscription	**1,651,573**	1,570,938
Legal and professional	**2,004,262**	614,250
Auditors' remuneration (Note 28.2)	**899,125**	833,750
Entertainment	**1,789,657**	1,404,228
Advertisement	**156,880**	51,800
Insurance	**2,043,513**	1,780,995
Amortization (Note 14.1)	**-**	333,400
Depreciation (Note 14.1.3)	**6,848,500**	10,688,747
Miscellaneous	**4,260,764**	3,052,643
	133,000,020	130,205,493

28.1 Salaries and other benefits include Rupees 1.974 million (2013: Rupees 1.709 million) in respect of employees' provident fund contribution by the Company.

	2014 Rupees	2013 Rupees
28.2 Auditors' remuneration		
Audit fee	**650,375**	591,250
Certification fee	**50,000**	50,000
Half yearly review	**130,000**	130,000
Reimbursable expenses	**68,750**	62,500
	899,125	833,750

	2014 Rupees	2013 Rupees
29. OTHER EXPENSES		
Donations (Note 29.1)	**55,000**	-
Loss on disposal of operating fixed assets	**53,922**	-
Provision for doubtful advances to sugarcane growers (Note 20.1)	**1,519,503**	-
Provision for doubtful sales tax and federal excise duty (Note 22.1)	**2,713,697**	-
Impairment loss on operating fixed asset (Note 14.1)	**740,212**	-
	5,082,334	-

29.1 There is no interest in the donees fund, of any director or their spouses.

	2014 Rupees	2013 Rupees
30. OTHER INCOME		
Income from financial assets		
Profit on bank deposits	**192,622**	330,342
Balances written back	**-**	572,487
Income from investment in associated company		
Dividend income (Note 30.1)	**562,500**	375,000
	755,122	1,277,829
Income from non-financial assets		
Sale of scrap	**1,277,333**	9,748,817
Gain on sale of operating fixed assets	**-**	1,966,383
Gain on sale of fertilizers and seeds to growers	**2,244,827**	7,075,168
Miscellaneous	**524,159**	480,500
	4,801,441	20,548,697

30.1 It represents dividend received from Shadab Textile Mills Limited - associated company.

31. FINANCE COST

	2014 Rupees	2013 Rupees
Mark up on :		
- Long term finance	**8,619,773**	13,569,490
- Short term borrowings	**71,039,589**	99,638,035
Finance charges on lease liabilities	**1,627,006**	2,713,497
Interest on workers' profit participation fund	**-**	54,185
Bank charges and commission	**9,257,434**	5,202,990
	90,543,802	121,178,197

32. TAXATION

	2014	2013
Current tax:		
For the year (Note 32.1)	**6,850,985**	11,963,831
Prior year	**(178,945)**	11,452,467
Deferred tax	**-**	(49,632,465)
	6,672,040	(26,216,167)

32.1 In view of taxable loss for the year, provision for current tax represents final tax on exports, rental income and dividend income under the Income Tax Ordinance, 2001. Therefore, in view of final tax, it is impracticable to prepare the tax charge reconciliation for the year presented. The Company has carry forwardable tax losses of Rupees 761.315 million (2013: Rupees 608.791 million).

33. LOSS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic loss per share.

		2014	2013
Loss after taxation attributable to ordinary shareholders	**Rupees**	**(294,645,485)**	(190,804,855)
Weighted average number of ordinary shares	**Numbers**	**17,000,000**	17,000,000
Loss per share - Basic	**Rupees**	**(17.33)**	(11.22)

34. REMUNERATION OF CHIEF EXEXCUTIVE, DIRECTORS AND EXECUTIVES

Aggregate amount charged in these financial statements for remuneration including all benefits to the chief executive, directors and executives of the Company is as follows:

	2014		
	Chief Executive	**Directors**	**Executives**
	Rupees		
Managerial remuneration	**5,764,392**	**4,466,344**	**19,333,696**
House rent	**1,728,000**	**1,483,204**	**5,838,544**
Contribution to provident fund	**-**	**330,935**	**1,468,188**
Utilities / medical allowance	**488,537**	**620,952**	**1,712,010**
Reimbursable expenses	**678,122**	**882,404**	**-**
	8,659,051	**7,783,839**	**28,352,438**
Number of persons	**1**	**3**	**20**

	2013		
	Chief Executive	Directors	Executives
	Rupees		
Managerial remuneration	5,799,732	6,029,356	13,044,022
House rent	1,728,000	1,900,587	5,261,051
Contribution to provident fund	-	423,687	1,040,207
Utilities / medical allowance	418,608	558,842	1,169,110
Reimbursable expenses	141,979	1,011,661	-
	8,088,319	9,924,133	20,514,390
Number of persons	1	3	13

34.1 In addition to above, the chief executive, directors and certain executives are provided with the free use of the Company's maintained cars. Fourteen (2013: Ten) executives are also provided with furnished accomodation including utilities.

34.2 No meeting fee was paid to directors during the year (2013: Rupees Nil).

34.3 No remuneration was paid to non-executive directors of the Company.

35. TRANSACTIONS WITH RELATED

Related parties comprise associated undertakings, other related companies, employees provident fund trust and key management personnel. The Company in the normal course of business carries out transactions with related parties. Detail of transactions with related parties are specifically disclosed in these financial statements and there are no other related party transactions during the year.

36. PLANT CAPACITY AND ACTUAL PRODUCTION

		2014	2013
Installed crushing capacity for 114 (2013:113) working days	Metric tons	**741,000**	734,500
Actual crushing	Metric tons	**429,611**	580,197
Actual production	Metric tons	**40,415**	55,368
Sugar recovery	Percentage	**9.41**	9.55

37. UNUTILIZED CREDIT FACILITIES

The Company has total credit facilities amounting to Rupees 750.000 million (2013: Rupees 1,875.000 million) out of which Rupees 433.570 million (2013: Rupees 967.682 million) remained unutilized at the end of the year.

38. PROVIDENT FUND RELATED DISCLOSURES

The following information is based on un-audited financial statements of the provident fund as on 30 September 2013 and 30 September 2014:

	2014 Rupees	2013 Rupees
Size of the fund	**88,608,724**	94,275,868
Cost of investments	**53,716,312**	68,066,509
Percentage of investments made	**60.62%**	72.20%
Fair value of investments	**53,790,430**	68,403,224

38.1 Break-up of cost of investments is as follows:

	2014 Percentage	2013 Percentage	2014 Rupees	2013 Rupees
Term deposit receipts	**28**	37	**15,000,000**	25,000,000
Saving bank accounts	**9**	31	**4,735,105**	21,166,509
National saving scheme	**44**	32	**23,900,000**	21,900,000
Mutual funds	**19**	-	**10,081,207**	-
	100	100	**53,716,312**	68,066,509

38.2 Investments, out of 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

39. NUMBER OF EMPLOYEES

	2014	2013
Number of employees as on September 30	**625**	731
Average number of employees during the year	**969**	935

40. FINANCIAL RISK MANAGEMENT

40.1 Financial risk factors

The Company's activities may expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

(a) Market risk

(i) Currency risk

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

Currently, the Company's foreign exchange risk exposure is restricted to bank balances in United States Dollar (USD) as disclosed in note 23 to these financial statements which, in management's opinion, is considered to be insignificant.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to commodity price risk.

Sensitivity analysis

The table below summarizes the impact of increase / decrease in the Karachi Stock Exchange (KSE) Index on the Company's loss after taxation for the year and on equity (fair value reserve). The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Company's equity instruments moved according to the historical correlation with the index:

Index	Impact on loss after taxation		Impact on comprehensive (loss) / income (fair value reserve)		
	2014 Rupees	2013 Rupees		2014 Rupees	2013 Rupees
KSE 100 (5% increase)	-	-	Increase in fair value reserve	797,213	971,413
KSE 100 (5% decrease)	-	-	Decrease in fair value reserve	(797,213)	(971,413)

Equity (fair value reserve) would increase / decrease as a result of gains / losses on equity investments classified as available for sale.

(iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no long-term interest-bearing assets except for saving bank accounts. The Company's interest rate risk arises from long term finance, liabilities against assets subject to finance lease and short term borrowings. Borrowings and finance leases obtained at variable rates expose the Company to cash flow interest rate risk.

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	2014 Rupees	2013 Rupees
Floating rate instruments		
Financial assets		
Bank balances - saving accounts	**20,610,346**	3,311,126
Financial liabilities		
Long term finance	**49,966,664**	99,933,332
Liabilities against assets subject to finance lease	**17,927,494**	29,966,874
Short term borrowings	**316,430,454**	907,317,840

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, loss after taxation for the year would have been higher / lower by Rupees 3.637 million (2013: Rupees 10.339 million), mainly as a result of higher / lower interest expense on floating rate financial instruments. This analysis is prepared assuming the amounts of financial instruments outstanding at reporting dates were outstanding for the whole year.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2014 Rupees	2013 Rupees
Long term investments	**15,944,250**	19,428,255
Deposits	**27,364,480**	31,693,509
Trade debts	**15,529,595**	19,416,713
Advances	**1,498,492**	1,562,002
Other receivables	**2,342,313**	1,326,987
Bank balances	**105,104,960**	13,313,018
	167,784,090	86,740,484

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (If available) or to historical information about counterparty default rate:

	Rating			2014	2013
	Short Term	Long term	Agency	Rupees	Rupees
Banks					
Allied Bank Limited	A1+	AA+	PACRA	**1,289,103**	200,727
Bank Alfalah Limited	A1+	AA	PACRA	**5,249,663**	1,621,657
Bank Islami Pakistan Limited	A1	A	PACRA	**5,567,722**	502,391
Faysal Bank Limited	A1+	AA	PACRA	**327,367**	327,507
The Bank of Punjab	A1+	AA-	PACRA	**1,912,289**	340,731
Habib Bank Limited	A-1+	AAA	JCR-VIS	**44,801,017**	2,191,249
Meezan Bank Limited	A-1+	AA	JCR-VIS	**59,186**	59,186
MCB Bank Limited	A1+	AAA	PACRA	**20,887,934**	3,992,195
National Bank of Pakistan	A-1+	AAA	JCR-VIS	**137,918**	1,482,733
United Bank Limited	A-1+	AA+	JCR-VIS	**1,337,413**	468,648
Al-Baraka Bank (Pakistan) Limited	A1	A	PACRA	**16,445**	2,115,994
Summit Bank Limited	A-3	A-	JCR-VIS	**8,903**	10,000
NIB Bank Limited	A-3	A-	JCR-VIS	**23,510,000**	-
				105,104,960	13,313,018

The Company's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 19.

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

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 30 September 2014, the Company had Rupees 433.570 million (2013: Rupees 967.682 million) available credit limits from financial institutions and Rupees 106.466 million (2013: Rupees 13.390 million) cash and bank balances. The management believes the liquidity risk to be low. Following are the contractual maturities of financial liabilities, including interest payments. The amount disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 30 September 2014

	Carrying amount	Contractual cash flows	6 month or less	6-12 month	1-2 Year	More than 2 years
	---------- Rupees ----------					
Non - derivative financial liabilities						
Long term finance	**49,966,664**	**54,271,522**	**28,107,825**	**26,163,697**	**-**	**-**
Liabilities against assets subject to finance lease	**17,927,494**	**18,764,688**	**7,926,221**	**3,210,993**	**7,627,474**	**-**
Trade and other payables	**217,966,059**	**217,966,059**	**217,966,059**	**-**	**-**	**-**
Accrued mark-up	**12,037,547**	**12,037,547**	**12,037,547**	**-**	**-**	**-**
Short term borrowings	**316,430,454**	**325,673,958**	**325,673,958**	**-**	**-**	**-**
	614,328,218	**628,713,774**	**591,711,610**	**29,374,690**	**7,627,474**	**-**

Contractual maturities of financial liabilities as at 30 September 2013

	Carrying amount	Contractual cash flows	6 month or less	6-12 month	1-2 Year	More than 2 years
	---------- Rupees ----------					
Non - derivative financial liabilities						
Long term finance	99,933,332	113,707,928	30,816,087	29,188,832	53,703,009	-
Liabilities against assets subject to finance lease	29,966,874	32,245,992	6,373,162	7,655,142	18,051,137	166,551
Trade and other payables	287,577,668	287,577,668	287,577,668	-	-	-
Accrued mark-up	26,878,506	26,878,506	26,878,506	-	-	-
Short term borrowings	907,317,840	962,656,888	791,368,284	171,288,604	-	-
	1,351,674,220	1,423,066,982	1,143,013,707	208,132,578	71,754,146	166,551

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark-up rates effective as at 30 September. The rates of interest / mark-up have been disclosed in Note 6, 7 and 11 to these financial statements.

40.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped in to levels 1 to 3 based on the degree to which fair value is observable:

	Level 1	Level 2	Level 3	Total
	Rupees			
As at 30 September 2014				
Assets				
Available for sale financial assets	**15,944,250**	**-**	**-**	**15,944,250**
As at 30 September 2013				
Assets				
Available for sale financial assets	19,428,255	-	-	19,428,255

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial instruments held by the Company is the current bid price. These financial instruments are classified under level 1 in above referred table.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value a financial instrument are observable, those financial instruments are classified under level 2 in above referred table.

If one or more of the significant inputs is not based on observable market data, the financial instrument is classified under level 3. The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

40.3 Financial instruments by categories

	Loans and receivables	Available for sale	Total
As at 30 September 2014	Rupees		
Assets as per balance sheet			
Long term investments	**-**	**15,944,250**	**15,944,250**
Deposits	**27,364,480**	**-**	**27,364,480**
Trade debts	**15,529,595**	**-**	**15,529,595**
Advances	**1,498,492**	**-**	**1,498,492**
Other receivables	**2,342,313**	**-**	**2,342,313**
Cash and bank balances	**106,465,698**	**-**	**106,465,698**
	153,200,578	**15,944,250**	**169,144,828**

	Loans and receivables	Available for sale	Total
As at 30 September 2013			
Assets as per balance sheet	Rupees		
Long term investments	-	19,428,255	19,428,255
Deposits	31,693,509	-	31,693,509
Trade debts	19,416,713	-	19,416,713
Advances	1,562,002	-	1,562,002
Other receivables	1,326,987	-	1,326,987
Cash and bank balances	13,390,467	-	13,390,467
	67,389,678	19,428,255	86,817,933

Liabilities as per balance sheet at amortized cost	2014 Rupees	2013 Rupees
Long term finance	**49,966,664**	99,933,332
Liabilities against assets subject to finance lease	**17,927,494**	29,966,874
Trade and other payables	**217,966,059**	287,577,668
Accrued mark-up	**12,037,547**	26,878,506
Short term borrowings	**316,430,454**	907,317,840
	614,328,218	1,351,674,220

40.4 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 an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

40. SEGMENT INFORMATION

These financial statements have been prepared on the basis of a single reportable segment.

Sales of sugar represents 92.52% (2013: 88.93%) of the total sales of the Company.

65.30 % of the sales of the Company relates to customers in Pakistan. Of the remaining sales of the Company relating to customers outside Pakistan, 100 % of those sales are made to customers in Afghanistan.

All non-current assets of the Company as at 30 September 2014 were located in Pakistan.

22.56% (2013: 11.77%) of the total sales of the Company are made to a single customer in Pakistan.

41. DATE OF AUTHORIZATION

These financial statements have been approved and authorized by the Board of Directors of the Company for issue on December 31, 2014.

42. CORRESPONDING FIGURES

Corresponding figures have been rearranged / regrouped wherever necessary for the purpose of comparison. However, no significant reclassification / rearrangement of comparative figures has been made in these financial statements.

43. GENERAL

Figures have been rounded off to nearest of Rupee.

MST. NUSRAT SHAMIM
Chief Executive

AHMED ALI TARIQ
Chairman / Director

INFORMATION UNDER COMPANIES ORDINANCE, 1984
{Section 236(1) and (464)}

PATTERN OF SHAREHOLDINGS HELD BY THE SHAREHOLDERS

(FORM 34)

1. Incorporation Number	2202
2. Name of Company	Husein Sugar Mills Limited
3. Pattern of holding of the shares held by the shareholders as at	30-09-2014

4. Number of ShareHolders	Shareholding		Number of Share Held	% of Capital
	From	To		
287	1	100	5,990	0.04
105	101	500	32,164	0.19
54	501	1000	38,456	0.23
54	1001	5000	131,669	0.77
18	5001	10000	123,311	0.73
7	10001	15000	94,603	0.56
1	15001	20000	19,089	0.11
1	40001	45000	40,905	0.24
1	45001	50000	48,104	0.28
1	60001	65000	60,150	0.35
2	65001	70000	130,525	0.77
1	100001	105000	102,092	0.60
4	105001	110000	432,524	2.54
1	110001	115000	113,993	0.67
1	120001	125000	124,548	0.73
1	130001	135000	130,583	0.77
1	135001	140000	139,605	0.82
1	140001	145000	141,164	0.83
1	145001	150000	148,910	0.88
1	155001	160000	159,951	0.94
1	160001	165000	163,818	0.96
1	205001	210000	205,537	1.21
2	340001	345000	686,927	4.04
1	350001	355000	354,397	2.08
1	385001	390000	385,184	2.27
1	410001	415000	411,449	2.42
1	545001	550000	545,138	3.21
1	585001	590000	588,219	3.46
1	650001	655000	653,192	3.84
1	820001	825000	824,077	4.85
1	1610001	1615000	1,610,257	9.47
1	1700001	1705000	1,703,789	10.02
1	2045001	2050000	2,048,767	12.05
1	4600001	4605000	4,600,913	27.06
558	**<-----TOTAL----->**		**17,000,000**	**100.00**

5.	CATEGORIES OF SHAREHOLDERS		SHARES HELD	PERCENTAGE
5.1	NIT and ICP		1,219	0.01
5.2	Associated Companies, Undertakings and related parties		-	-
5.3	Directors/Chief Executive and their spouse and minor children		12,133,117	71.37
5.4	Banks, Development Finance Institutions, Non-Banking Financial Institutions		2,001	0.01
5.5	Insurance Companies		-	-
5.6	Modarbas and Mutual Funds		-	-
5.7	Shareholders 10% or more *		10,308,703	60.64
5.8	General Public	a Local	4,850,246	28.53
		b Foreign	-	-
5.9	Others (to be specified)	a Joint Stock Companies	1,603	0.01
		b Public Sector Companies & Corporations	9,295	0.05
		c Pension Funds	117	0.00
		d Others	2,402	0.01
	TOTAL: -		**17,000,000**	**100.00**

* Shareholders having 10% or above shares exist in other categories therefore not included in total.

6.	Signature of Company Secretary	Sd/
7.	Name of Signatory	Syed Arif Hussain
8.	Designation	Company Secretary
9.	CNIC Number	35201-2193696-3
10.	Date	30-09-2014

CATEGORIES OF SHAREHOLDERS REQUIRED UNDER C.C.G.

AS ON SEPTEMBER 30, 2014

S. No.	Name	Shares Held	%age of Capital
A)	**Associated Companies, Undertakings and Related Parties**	-	-
B)	**Mutual Funds**	-	-
C)	**Directors/Chief Executive and their spouse and minor children**		
1.	Mst. Nusrat Shamim	6,211,170	36.54
2.	Mr. Ahmed Ali Tariq	2,048,767	12.05
3.	Mr. Mustafa Ali Tariq	2,048,766	12.05
4.	Mian Shahzad Aslam	793,756	4.67
5.	Mian Aamir Naseem	831,196	4.89
6.	Mr. Muhammad Shams Amin	12,264	0.07
7.	Mrs. Fatima Aamir	184,698	1.09
8.	Mr. Ejaz Ahmad	2,500	0.01
		12,133,117	**71.37**
D)	**Executives**	-	-
E)	**Public Sector Companies & Corporations**		
1.	Investment Corporation of Pakistan,	1,219	0.01
2.	Mercantile Cooperative Finance Corp. Ltd.	9,295	0.05
		10,514	**0.06**
F)	**Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds**		
1.	Habib Bank Limited	2,000	0.01
2.	National Bank of Pakistan	1	0.00
3.	Trustee National Bank of Pakistan Employees Pension Fund	117	0.00
		2,118	**0.01**
G)	***Shareholding 5% or more**		
1.	Mst. Nusrat Shamim	6,211,170	36.54
2.	Mr. Ahmed Ali Tariq	2,048,767	12.05
3.	Mr. Mustafa Ali Tariq	2,048,766	12.05
		10,308,703	**60.64**
H)	**Joint Stock Companies**		
1.	Al-Hoqani Securities & Inv.Corp (Pvt) Ltd	1	0.00
2.	Naeem Securities Ltd.	56	0.00
3.	Capital Vision Securities (Pvt) Ltd.	1,546	0.01
		1,603	**0.01**
I)	**Investment Companies**		
J)	**Others**		
1.	Trustee National Bank of Pakistan Emp Benevolent Fund	4	0.00
2.	Pakistan Cloth Merchants Association	1,434	0.01
3.	The Okhai Memon Anjuman	953	0.01
4.	Fikree's (Smc-Pvt) Ltd.	11	0.00
		2,402	**0.02**
K)	**General Public**	**4,850,246**	**28.53**
	TOTAL	**17,000,000**	**100.00**

* Shareholders having 5% or above shares exist in other categories therefore not included in total.

DETAILS OF CATEGORIES UNDER CODE OF CORPORATE GOVERNANCE AS ON SEPTEMBER 30, 2014

All trade in the Company's shares, carried out by its Directors, CEO, CFO, Company Secretary and their spouses and minor children during the year are as under:

		Sale	Purchase
1.	Mr. Ahmed Ali Tariq	344,977	-
2.	Mr. Mustafa Ali Tariq	-	344,977
3.	Mr.Irfan Qamar	2,500	-
4.	Mr. Ejaz Ahmad	-	2,500

PROXY FORM

I/We ______________________________ of ______________________________

being the member of HUSEIN SUGAR MILLS LIMITED

hereby appoint Mr. /Mrs./Miss. ______________________________

who is a member of the company vide Registered Folio/CDC participant ID.No. ____________

or failing whom Mr. /Mrs./Miss. ______________________________

who is also a member of the company vide Registered Folio/CDC participant ID.No. ____________

as my proxy to attend and vote for me and own my behalf at the Annual General Meeting of the Company to be held on at its Registered Office, 30-A E/I, Old FCC, Gulberg III, Lahore on Friday, January 30, 2015 at 11:00 A.M. and any adjournment thereof.

Folio No.	CDC Account No.		No. of Shares	(Signature on Rupees Five Revenue Stamp)
	Participant I.D.	Account No.		

Signature registered with the company

I. Signature ______________________________

Name ______________________________

Address ______________________________

____

CNIC No. [| | | | | - | | | | | | | | - |]

or Passport No. ______________________________

Date: ______________________________

II. Signature ______________________________

Name ______________________________

Address ______________________________

____

CNIC No. [| | | | | | | | | | | | | | |]

- -

or Passport No. ______________________________

Date: ______________________________

Notes:

1. 1.This instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing, or if the appointer is a corporation either under the common seal or under the hand of an official or attorney so authorized. No person shall be appointed as proxy who is not a member of the Company qualified to vote except that a corporation being a member may appoint a person who is not a member.

2. The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a notarially certified copy of that power of authority, shall be deposited at the office of the Company not less than 48 (forty eight) hours before the time for holding the meeting at which the person named in the instrument proposes to vote, and in default the instrument of a proxy shall not be treated as valid.

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AFFIX
CORRECT
POSTAGE

The Company Secretary
HUSEIN SUGAR MILLS LIMITED
30-A E/I, Old FCC, Gulberg III, Lahore
Ph: 35762089 - 35762090
Fax: (042) 35712680

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30-A E/I, Old FCC, Gulberg III, Lahore. Ph: (042) 35762089 - 35762090
Fax: (042) 35712680 E-mail: info@huseinsugarmills.com
Website: www.huseinsugarmills.com