Annual Report
2013

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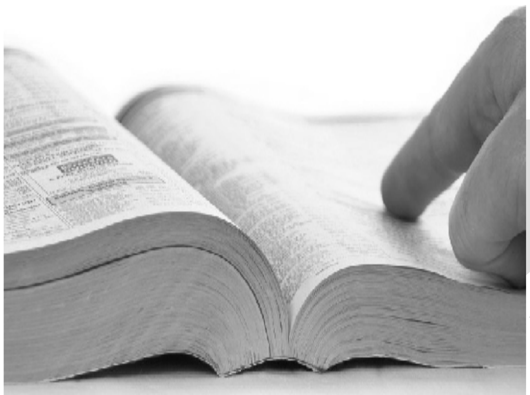
Company Information



BOARD OF DIRECTORS

Haji Khuda Bux Rajar	(Chairman/Chief Executive)
Mr. Jam Mitha Khan	
Mr. Ghulam Dastagir Rajar	
Mr. Mohammad Aslam	
Mr. Gul Mohammad	
Mr. Qazi Shamsuddin	
Mr. Shahid Aziz	(Nominee of NIT)
Mr. Irshad Husain	(Nominee of NIT)

AUDIT COMMITTEE

Mr. Ghulam Dastagir Rajar	(Chairman)
Mr. Jam Mitha Khan	(Member)
Mr. Shahid Aziz	(Member)

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Ghulam Dastagir Rajar	(Chairman)
Mr. Jam Mitha Khan	(Member)
Mr. Shahid Aziz	(Member)

EXECUTIVE DIRECTOR & COMPANY SECRETARY

Mr. Abdul Ghafoor Ateeq

CHIEF FINANCIAL OFFICER

Syed Rehan Ahmad Hashmi

SHARE REGISTRAR

Hameed Majeed Associates (Pvt) Ltd.
Karachi Chambers,Hasrat Mohani Road, Karachi
Phone : 021 - 32424826
Fax : 021 - 32424835

STATUTORY AUDITORS

Hyder Bhimji & Co
Chartered Accountants
Member of Kreston International

COST AUDITORS

Siddiqi & Company
Cost & Management Accountants

REGISTERED OFFICE

101 – First Floor, Ocean Centre, Talpur Road, Karachi
Phone : 021-32427171–72
Fax No : 021–32410700
Website: www.sangharsugarmills.com
E-mail : info@sangharsugarmills.com

FACTORY

13th Km, Sanghar – Sindhri Road,
Deh Kehore, District Sanghar, Sindh
Phone : (0345) 3737001 – 8222911
(0235) 542158

BANKERS

Allied Bank Limited
Askari Bank Limited
Al-Baraka Bank (Pakistan) Limited
Bank Al-Falah Limited
Habib Bank Limited
MCB Bank Limited
National Bank of Pakistan

Statement of Vision, Mission, Objectives, Corporate Strategy & Strategic Planning

VISION STATEMENT

To have eminent position in manufacturing and supplying quality white refined sugar and allied products and thereby play an important role in the economic and social development of the country.

MISSION STATEMENT

We the Management of Enterprise, have set forth our belief as to the purpose for which the Company is established and the principles under which it should operate. We pledge our entire efforts to the accomplishment of the purpose within the agreed principles. Sanghar Sugar Mills Limited is committed to:

- Manufacture to the highest quality standards. Pursuing the improvement in shareholders' value through team work and continuous improvement in the system in a competitive business environment.
- Be ethical in practice and fulfill social responsibilities.
- Ensure a fair return to stakeholders.
- Realize responsibility towards society and contribute to the environment as good corporate citizen.

CORPORATE OBJECTIVES

The over riding objective of the Company is to optimize over the time, the return to its shareholders. To achieve this objective, the Company shall endeavor to ensure long term viability of its business and to manage effectively its relationship with stakeholders. Sanghar Sugar Mills Limited shall:

- Recognize the need of working at the highest standard to achieve greater level of performance in order to meet the expectations of the stakeholders.
- Optimize over the time, the returns to shareholders of the Company.
- Strive for excellence and build on the Company's core competencies.
- Conduct Company's business with integrity and supply only quality and credible information.
- Respect confidentiality of the information acquired during the course of dealings with the interested parties and refrain from acting in any manner which might discredit the Company.
- Operate within the regulatory framework and be free of any vested interest which might be incompatible with Organization's integrity, objectivity and independence.

CORPORATE STRATEGY

Production of sugar and sugar by-products are the Company's main area of business. The Company, its Director and Management:-

- Believe in diversification through new manufacturing facilities and through equity participation.
- Recognize the value of technological improvement and acquire the benefits of current innovation and development in their business field.
- Believe in professional management and modern practices and use latest techniques available for growth and overall prosperity.
- Consider their human resource as the most important asset and help them in providing facilities with regard to training and updating their knowledge and skill and keep them highly motivated.
- Believe in integrity in business and the Company's integrity depends on integrity of each one of its employees.
- Consider the sugar cane growers as the most important part of the business.

STRATEGIC PLANNING

- Keep up with technological advancement and continuously update the company in the field of sugar technology.
- Maintain all relevant technical and professional standards to be compatible with the requirement of the trade.
- Gauge the market conditions and availability of substitute products and services and ensure quality with cost effectiveness.
- Inculcate efficient, ethical and time tested business practice in the Company's management.

Code of Conduct

The entire Organization of **Sanghar Sugar Mills Limited** will be guided by the following principles of Code of Conduct in its pursuit of excellence in all activities for the attainment of the Company's Objectives.

THE COMPANY

- Fulfills all statutory requirements of the government and follows all applicable laws of the Country together with compliance with accepted accounting principles, rules and procedures required.
- Activities and involvement of directors and employees of the Company in no way conflict with the interest of the Company. All acts and decisions of the management are motivated by the interest of the Company rather their own.
- Uses all means to protect the environment and ensures health and safety of the employees.
- Meets the expectations of the spectrum of society and government agencies by implementing an effective and fair system of financial reporting and internal controls.
- Deals with all stakeholders in objective and transparent manner so as to meet the expectations of those who rely on the Company.
- Ensure efficient and effective utilization of its resources.

AS DIRECTORS

- Promote and develop conducive environment through responsive policies and guidelines to facilitate viable and timely decisions.
- Support and adherence to compliance of legal and industry requirements.
- Maintain organizational effectiveness for the achievement of the Company's goals.
- Promote a culture that supports enterprise and innovation, with appropriate short-term and long-term performance related rewards that are fair and achievable in motivating management and employees effectively and productively.
- Ensure protection and safeguard the interest and assets of the Company and meet obligations of the Company.

AS EXECUTIVES AND MANAGERS

- Ensure cost effectiveness and profitability of operations.
- Provide direction and leadership for the organization and take viable and timely decisions.
- Promote and develop culture of excellence, conservation and continual improvement.
- Develop and cultivate work ethics and harmony among colleagues and associates.
- Encourage initiatives and self realization in employees through meaningful empowerment.
- Provide pleasant work atmosphere and ensure an equitable way of working and rewarding system.
- Institute commitment to environmental, health and safety performance.

AS EMPLOYEES AND WORKERS

- Observe Company policies, regulations and code of best business practices.
- Devote productive time and continued efforts to strengthen the Company.
- Make concerted struggle for excellence and quality.
- Exercise prudence in effective, efficient and economical utilization of resources of the Company.
- Protect and safeguard the interest of the Company and avoid conflict of interest.
- Maintain financial integrity and must avoid making personal gain at the Company's expense by participating in or assisting activities which compete with the Company.

Notice of Annual General Meeting

Notice is hereby given that Twenty Eighth Annual General Meeting of **Sanghar Sugar Mills Limited** will be held on Friday January 31, 2014 at 11:30 a.m. at Beach Luxury, M. T. Khan Road, Karachi to transact the following business:

1. To confirm the minutes of Twenty Seventh Annual General Meeting of the Company held on January 31, 2013.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended September 30, 2013 together with Directors' and Auditors' Reports thereon.
3. To appoint Auditors for the year 2013-2014 and fix their remuneration. The present Auditors M/s Hyder Bhimji & Co. Chartered Accountants, retire and being eligible, have offered themselves for re-appointment.
4. To transact any other ordinary business with the permission of the Chair.

By Order of the Board

Karachi: January 09, 2014

Company Secretary

NOTES :

1. The Share Transfer Books of the Company will remain closed from January 22, 2014 to January 31, 2014 (both days inclusive).
2. A member entitled to attend and vote at this meeting may appoint another member as proxy to attend and vote on his/her behalf. The completed Proxy Form must be received at the Registered Office of the Company 101-First Floor, Ocean Centre, Talpur Road, Karachi, at least 48 hours before the time for holding this meeting.
3. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting must bring his/her original CNIC, CDC Account and Participant's ID number to prove his/her identity, and in case of Proxy, must enclose an attested copy of his/her CNIC. Representatives of corporate members should bring the usual documents required for such purpose.
4. Members are advised to notify to the Company's Share Registrar of any change in their registered addresses immediately.
5. Members holding physical shares of the Company are once again reminded, in their own interest, to send an attested copy of their valid Computerized National Identity Card (CNIC) mentioning their Folio No. thereon directly to the Company's Share Registrar, M/s. Hameed Majeed Associates (Pvt) Limited, Karachi Chambers, Hasrat Mohani Road, Karachi in order to comply with requirements of the Securities & Exchange Commission of Pakistan, since the Members were previously requested also through notices of AGM published in newspapers on January 07, 2011, January 09, 2012 and 2013 for submission copy of their CNIC.

Directors' Report

Your Directors are pleased to welcome you at the twenty eighth Annual General Meeting of the Company and present Annual Report together with the Audited Financial Statements of the Company for the year ended September 30, 2013.

Review of the Performance of the Company

The crushing season for the year 2012-2013 started on November 03, 2012 and completed on March 03, 2013. The Government has continued the long debated 'mismatch' in the policy while fixing the minimum price of sugarcane whereas adopting free market policy with regard to price of sugar. This is evident from the fact that though price of sugar crashed, the Government enhanced the minimum price of sugarcane from Rs 154 for the season, 2011-2012 to Rs 172 per 40 Kg for the season, 2012-2013. This policy together with the increasing inflationary pressure on other overhead expenses exposed the Company under tremendous strain. The Company, under these circumstances, has made its best efforts to play its role with regard to uplift of the people in the rural areas of the Country, particularly Sanghar district which was devastated by natural calamities.

Operating Results

A brief summary of operating results of the Company for the year ended September 30, 2013 along with the comparatives for the corresponding year is given as under.

	2012-2013	2011-2012
Season started on	**03-11-2012**	25-11-2011
Season completed on	**03-03-2013**	12-03-2012
Duration of crushing days	**121**	109
Sugarcane Crushed (M.Tons)	**542,289**	483,352
Cane sugar produced (M.Tons)	**52,823**	46,516
Sucrose recovery (%)	**9.77**	9.62

Review of Operation

The Company operated at optimum level during the year ended September 30, 2013 under the prevailing circumstances as compared with the previous year.

Financial Results

The key financial figures of the Company for the year ended September 30, 2013 along with the comparatives for the corresponding year are summarized as under:

	2013	**2012**
	(Rupees in '000)	
Profit/(Loss) before taxation	**14,271**	(424)
Taxation	**7,370**	6,130
Profit/(Loss) after taxation	**6,901**	(6,554)
Earning/(Loss) per share-basic and diluted (Rupees)	**0.58**	(0.55)

Review of Financial Results

As reported above and in the previous reports, the Company although manufactured the higher quantity of sugar as compared with the corresponding year, but significantly enhanced procurement cost of sugarcane together with increasing other overhead expenses, mismatching prices of sugar and carry over stock of sugar as compared with the corresponding year were the main factors that had directly affected the financial results of the Company for the year ended September 30, 2013 to some extent. Although export quota approved by ECC has benefited the Company to avail relief in FED, but higher sugar production and unsold carryover sugar stock in the Country depressed sugar prices. The Company has earned profit after tax amounting to Rs. 6,901 thousand during the year as compared to loss after tax amounting to Rs. 6,554 thousand in the last year ended September 30, 2012.

Emphasis Paragraph contained in Audit Report

The auditors have drawn attention to note 23.1.4 in the financial statements and for which the Directors reiterated that no further adverse financial impact is foreseeable other than impact recorded in the financial statements.

Future Prospects

As mentioned above, the sugar industry is functioning under the peculiar environment affected by the policies of the Government as well as the trend of the international and local markets. The rising trend of procurement cost of sugarcane along with increasing other overhead expenses, mismatching in the sale price of sugar with its cost of production, glut of sugar in the country, and other unpredictable circumstances prevailing in the sugar industry might affect the profitability of the Company currently and in the future as well. Under these circumstances, certain remedial measures taken by the Government to reduce the surplus stock of sugar, stability and rationality in sugar prices in the local and international market will shape the future prospect of the sugar industry which must operate viably to continue providing various economic and financial opportunities to uplift the rural community of the Country.

Contribution to the Economy

The Company's contribution to the National Exchequer in the form of income tax, sales tax and other levies and charges, was Rs. 96,588 thousands during the year as compared to Rs 298,154 thousand during the last year. This does not include withholding tax that is deducted by the Company from payments made to employees, suppliers etc and deposited with Government Treasury.

Health, Safety and Environment

Your Company, its directors and management are conscious to follow the needs of the society concerning health, safety and environment for achieving the objective. The Company is responsive to make efforts to minimize the accidental risks, have necessary medical facilities and continuously shrine to improve greenery and maintain clean and safe environment around the factory, better housekeeping, safeguarding the health of employees and application of the principles of safety in its operations, the consumers and public at large by following the rules and regulations in this regards.

Corporate Social Responsibility

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

i) Encouraging employment of work force living in the rural areas in order to yield significant gain and uplift their living standard.

ii) Continuously striving to improve greenery, maintain a clean environment around the factory and better housekeeping.

iii) Making arrangement for civic, health, education and accommodation facilities to employees.

iv) Support social causes.

On the corporate social responsibility front, the Company has already launched education program and accordingly providing education facilities at premises adjacent to employees colony at the factory in order to provide primary education facilities by qualified staff on concessional fees basis to the children of the factory employees and others living nearby in the rural areas in order to alleviate illiteracy and poverty. The Company has always supported other noble causes which help the members of the society.

Sustainability of the Company, its employees and shareholders of the Company is the prime concern of your directors and various developments on this are under active consideration which will be reported in the ensuing periods.

Statement on Corporate and Financial Reporting Framework

In compliance with the Code of Corporate Governance, the Board of Directors hereby confirms that:

i. The financial statements for the year ended September 30, 2013, prepared by the Management, present its state of affairs fairly, the results of its operations, cash flows and changes in equity.

ii. Proper books of accounts of the Company have been maintained.

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

iv. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from has been adequately disclosed and explained.

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

vi. There are no significant doubts upon the Company's ability to continue as going concern.

vii. There has been no material departure from the best practices of the Corporate Governance as detailed in the Listing Regulations.

viii. The key operating and financial data for last ten years in summarized form are annexed.

ix. Keeping in view the factors stated under Review of the Performance of the Company, Review of Financial Results and Future Prospects mentioned above do not permit to recommend dividend for the year ended September 30, 2013.

x. There are no over dues and statutory payments due on account of taxes duties, levies and charges are being made in the normal course of business.

xi. An unfunded gratuity scheme is in operation for all permanent employees. Provision are made annually to cover the obligation on the basis of actuarial valuation and charge to income currently, related details of which are mentioned in the Notes to the Financial Statements.

xii. The Pattern of Shareholding as on September 30, 2013 is annexed.

xiii. To the best of our knowledge, the Directors, Executives and their spouse and their minor children have not undertaken any trading of Company's shares during the year 2012-2013.

xiv. A statement of Compliance with the Code of Corporate Governance for the year ended September 30, 2013 is annexed with the Report.

Board of Directors

During the year ended September 30, 2013, there was no change in the Board of Directors of the Company. The condition in relation to the Chairman and CEO will be applicable after election of next Board of Directors of the Company due in November 2014 as provided under proviso of the clause (vi) of the CCG. The Board is composed of three Executive and five Non-Executive Directors. During the year ended September 30, 2013, five meetings of the Board were held. Leave of absence was granted to the Directors who could not attend the Board meeting. Attendance by each director was as follows:

Name of Directors	Status	Category	No. of meetings attended
Haji Khuda Bux Rajar	Chairman & Chief Executive	Executive Director	5
Mr. Jam Mitha Khan	Director	Non-Executive Director	4
Mr. Ghulam Dastagir Rajar	Director	Non-Executive Director	5
Mr. Mohammad Aslam	Director	Executive Director	5
Mr. Gul Mohammad	Director	Executive Director	4
Mr. Qazi Shamsuddin	Director	Non-Executive Director	3
Mr. Shahid Aziz	Director	Non-Executive Director	4
Mr. Irshad Husain	Director	Non-Executive Director	5

Audit Committee

The Board has already setup an Audit Committee comprising three Non-Executive Directors. Its five meetings were held during the year ended September 30, 2013. Leave of absence was granted to the directors who could not attended the meeting. Attendance by each director was as follows:

Name of Directors		No. of meetings attended
Mr. Ghulam Dastagir Rajar	(Chairman)	5
Mr. Jam Mitha Khan	(Member)	4
Mr. Shahid Aziz	(Member)	4

Human Resource & Remuneration Committee

The Board has already formed a Human Resource & Remuneration Committee comprising three Non-Executive Directors. Its one meeting was held during the year ended September 30, 2013. Attendance by each director was as follows:

Name of Directors		No. of meetings attended
Mr. Ghulam Dastagir Rajar	(Chairman)	1
Mr. Jam Mitha Khan	(Member)	1
Mr. Shahid Aziz	(Member)	1

Threshold for determining Executive

Pursuant to the requirement of sub-clause (I) of clause (xvi) of the Code of Corporate Governance, the Board has revised and set out as Threshold for determining an 'Executive' whose annual basic salary exceeds Rupees 1.2 million in the financial year ended September 30, 2013.

Auditors

The present auditors M/s. Hyder Bhimji & Co. Chartered Accountants retire at the conclusion of forthcoming Annual General Meeting and being eligible, have offered themselves for re-appointment. As suggested by the Audit Committee in terms of the Code of Corporate Governance, the Board of Directors has recommended their appointment as Auditors of the Company for the year ending September 30, 2014.

Acknowledgement

Your Directors place on record their appreciation for devotion of duty, loyalty and hard work of the executives, officers, staff members and workers for smooth running of the Company's affair and hope that they will continue for enhancement of productivity with great zeal and spirit under the blessings of Almighty Allah.

The Directors would like to thank all the government functionaries, banking and non-banking financial institutions, suppliers and shareholders for their continued support and cooperation for the betterment and prosperity of the Company.

For and on behalf of the Board of Directors

Karachi: January 09, 2014

Chief Executive

Key Operating & Financial Data of Last Ten Years

	2013	2012 Restated	2011 Restated	2010	2009	2008	2007	2006	2005	2004
OPERATIONAL DATA										
Duration of Season (Days)	**121**	109	117	114	132	182	146	126	103	159
Cane crushed (Tons)	**542,289**	483,352	491,205	484,452	597,111	853,592	526,439	419,498	330,744	532,824
Sucrose Recovery (%)	**9.77**	9.62	9.57	9.60	9.58	9.50	8.68	9.42	9.15	8.90
Sugar Made (Tons)	**52,823**	46,516	47,008	46,547	57,308	87,026	45,602	39,837	30,024	47,274
Molasses (Tons)	**27,460**	26,503	24,004	23,785	30,279	49,360	26,200	19,773	17,351	35,142
All figures in Rs in '000										
TRADING RESULTS										
Turnover (NET)	**2,771,454**	3,005,261	1,498,297	2,679,922	1,679,489	1,861,248	1,065,461	1,052,760	568,370	680,996
Gross profit	**148,572**	195,512	245,956	377,383	225,504	233,621	71,575	178,720	541,191	82,824
Operating profit/ (loss)	**80,157**	95,814	159,342	308,572	162,815	171,328	28,489	134,932	(9,341)	38,886
Profit/(loss) before taxation	**14,271**	(424)	64,345	213,047	115,257	134,232	(12,373)	94,186	(30,701)	18,915
Profit/(loss) after taxation	**6,901**	(6,554)	37,759	134,431	66,912	98,603	(19,755)	55,461	(62,052)	4,215
ASSETS EMPLOYED										
Operating Assets	**729,685**	747,116	754,005	477,508	494,031	516,797	524,078	539,306	555,559	545,510
Long Term Deposits	**45,300**	36,369	36,396	2,223	2,223	2,223	2,223	2,385	913	1,013
Current Assets	**461,593**	935,108	1,471,518	240,366	277,084	119,007	125,784	125,371	102,118	120,499
Total Assets Employed	**1,236,578**	1,718,593	2,261,919	720,097	773,338	638,027	652,085	667,062	658,590	667,022
FINANCED BY										
Shareholders equity	354,765	329,931	327,682	305,462	179,574	106,967	2,757	28,566	(30,370)	24,007
Surplus on Revaluation of Land, Building and Plant & Machinery	146,801	160,241	169,043	46,213	49,624	55,319	103,695	109,587	115,910	101,387
Long Term Liabilities	75,242	64,908	85,089	23,159	75,812	210,646	250,621	240,218	242,647	258,985
Deferred Liabilities	210,011	217,741	217,014	145,489	150,054	145,697	128,348	125,374	86,444	48,375
Current Liabilities	449,759	945,772	1,463,091	199,774	318,274	119,398	166,664	163,317	243,959	234,268
Total Fund Invested	1,236,578	1,718,593	2,261,919	720,097	773,338	638,027	652,085	667,062	658,590	667,022

Stakeholders Information

Stock Exchange Listing

Sanghar Sugar Mills Limited is a listed Company and its shares are traded on Karachi and Lahore Stock Exchanges. The Company's shares are quoted in leading newspapers under Sugar Sector.

Communication with Users of Financial Statements

Communication with users of financial statements is given high priority. Annual, half yearly and quarterly reports are distributed to the shareholders and provided to other users within the time specified in the Companies Ordinance, 1984. There is also an opportunity for individual shareholder to participate at the annual general meetings to ensure high level of accountability.

Shareholders Information

Enquiries concerning verification of transfer deeds, transfer of share certificates, change of address etc., should be directed to the Shares Registrar, Hameed Majeed Associates (Pvt) Ltd. Karachi Chambers, Hasrat Mohani Road, Karachi Phone No: 021- 32424826, Fax No: 021-32424835.

Public Information

Financial analysts, stock brokers, interested investors and financial media desiring information about Sanghar Sugar Mills Limited and its products should contact the Executive Director/Chief Financial Officer at Registered Office, Karachi Phone: 021–32427171–72 Fax: 021–32410700.

Investors Information for Ten Years

	2013	2012 Restated	2011 Restated	2010	2009	2008	2007	2006	2005	2004
Gross Profit Ratio (%)	**5.36**	6.51	16.42	14.08	13.43	12.55	6.72	16.97	4.78	12.16
Profit / (Loss) before Tax Ratio (%)	**0.25**	(0.22)	2.52	5.02	6.86	7.21	(1.16)	8.94	(5.40)	2.78
Inventory Turnover Ratio	**6.19**	3.08	1.96	17.51	11.72	26.36	18.41	16.28	9.03	10.69
Fixed Assets Turnover Ratio (%)	**383.94**	403.72	200.02	561.23	339.96	360.15	203.30	195.21	102.31	124.84
Price Earning Ratio	**39.47**	(44.91)	3.39	1.23	2.81	2.96	(5.14)	1.93	(0.96)	21.71
Return on Capital Employed (%)	**71.43**	42.17	47.43	85.86	77.37	41.48	19.49	24.92	6.58	10.03
Market Value per Share	**22.89**	24.70	10.71	13.84	15.75	24.45	8.50	8.50	5.00	7.60
Book Value per Share	**29.70**	27.62	27.43	25.57	15.03	8.95	0.23	2.39	(2.54)	2.01
Earning per Share	**0.58**	(0.55)	3.16	11.25	5.60	8.25	(1.65)	4.40	(5.19)	0.35
Debt Equity Ratio	**1.05**	2.06	3.12	1.05	1.97	2.30	1.60	1.24	1.82	2.07
Current Ratio	**1.03**	0.99	1.01	1.203	0.871	0.997	0.75	0.77	0.42	0.51
Interest Cover Ratio	**1.18**	1.00	1.68	4.11	4.14	6.30	0.67	3.77	(0.44)	1.83

Statement of Value Addition and Its Distribution

Value Addition:	2013 (Rs. '000)	%	2012 (Rs. '000)	%
Turnover Gross	**2,841,777**		3,222,158	
Other Income	**34,801**		3,698	
	2,876,578		3,225,856	
Sugarcane Procurement Expenses	**2,386,120**		1,929,052	
Direct Costs & Services	**122,632**		742,574	
	2,508,752		2,671,626	
	367,826		554,230	
Value Distribution:				
Distributed as follows				
To Employees as:				
– Remuneration	**141,533**	**38.48**	126,462	22.82
– Worker's profit participation fund	**1,466**	**0.40**	—	—
	142,999		126,462	
To Government:				
– Sales Tax, FED & SED	**70,323**	**19.12**	216,897	39.13
– Income Tax	**31,646**	**8.60**	83,773	15.12
– Deferred Tax	**(14,193)**	**(3.86)**	(10,369)	(1.87)
– Cess & Fees	**8,812**	**2.40**	7,853	1.42
	96,588		298,154	
To Providers of Capital as:				
– Finance Cost	**80,309**	**21.83**	93,952	16.95
– Dividend	—	—	—	—
	80,309		93,952	
Retained in the Business as:				
– Depreciation	**41,029**	**11.15**	42,216	7.62
– Profilt/(loss) for the year	**6,901**	**1.88**	(6,554)	(1.18)
	47,930		35,662	
	367,826	**100.00**	554,230	100.00

Statement of Compliance with the Code of Corporate Governance

Name of company: **SANGHAR SUGAR MILLS LIMITED**

Year ended: **September 30, 2013**

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in listing regulations of Karachi and Lahore Stock Exchanges 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 interests on its Board of Directors. At present the Board includes:

	Category	**Name**
(i)	**Independent Directors**	—
(ii)	**Executive Directors**	1. Haji Khuda Bux Rajar 2. Mr. Mohammad Aslam 3. Mr. Gul Mohammad
(iii)	**Non-Executive Directors**	1. Mr. Jam Mitha Khan 2. Mr. Ghulam Dastagir Rajar 3. Mr. Qazi Shamsuddin 4. Mr. Shahid Aziz 5. Mr. Irshad Husain

   The condition of clause i(b) of the CCG in relation to independent director will be applicable after election of next Board of Directors of the Company due in November 2014, as provided under proviso of the clause (vi) 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. None of the directors of the Company is a member of the stock exchange.
4. No casual vacancy occurred on the Board during the year.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive, 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 the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board is well aware of their duties and responsibilities under the Code. One Director is exempt from training programme in accordance with criteria define in cluase (xi) of CCG. The Company will be taking necessary steps to fully comply with the requirements of the CCG against training programme of remaining Directors by the end of ensuing accounting year.
10. During the year, the Board has approved appointment of CFO including his remuneration and terms and conditions of employment. During the year, there was no change in the office of Company Secretary and Head of Internal Audit.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The Financial Statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, Chief Executive 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 the Audit Committee. It comprises three members who are non-executive directors including the Chairman of the Committee. The condition of independent director as the Chairman of the Committee under clause 1(b) of the CCG will be applicable after election of next Board of Directors of the Company as provided under proviso of clause (vi) of the CCG.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed a Human Resource & Remuneration Committee. It comprises three members who are non-executive directors including the Chairman of the Committee.
18. The Board has set up an effective internal audit function.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of Institute of Chartered Accountants of Pakistan (the ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the CCG have been complied with except for the matter stated in point 9 above towards which reasonable progress will be made by the Company to seek compliance by end of next ensuing year.

For and On Behalf of Board of Directors

Karachi: January 09, 2014

Chief Executive Officer

Review Report to the Members on Statement of Compliance With Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended **September 30, 2013** prepared by the Board of Directors of **SANGHAR SUGAR MILLS LIMITED** to comply with the Listing Regulation no. 35 of the Karachi and Lahore Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal controls covers all controls and the effectiveness of such internal controls.

Further, the Listing Regulations requires the Company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

With the exception of non-compliance of matters as more fully explained in paragraph 9 and 23 of the Statement of Compliance with the code of corporate governance, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the status of Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended **September 30, 2013**.

Hyder Bhimji & Co.
Chartered Accountants

Karachi: January 09, 2014

Engagement Partner: Shaikh Mohammad Tanvir

Auditor's Report to the Members

We have audited the annexed Balance Sheet of **M/s. SANGHAR SUGAR MILLS LIMITED** as at September 30, 2013 and the related Profit and Loss Account, Statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on 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 the accounting policies consistently applied except for change described in Note 5 with which we concur;

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and 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 September 30, 2013 and of the profit, total comprehensive income, 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).

Emphasis of matter paragraph:

We draw attention to the contents of notes 23.1.4 of the annexed financial statements relating to the un-authorized transactions and ultimate transfer to deceased executive's account and provision there-against as well as recognition of other transactions the ultimate outcome whereof cannot be precisely ascertained. Our opinion is not qualified in respect of this matter.

Hyder Bhimji & Co.
Chartered Accountants

Karachi: January 09, 2014

Engagement Partner: Shaikh Mohammad Tanvir

Balance Sheet
As at September 30, 2013

	Notes	2013	2012 Restated	2011 Restated
		.... (Rupees in '000)		....
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	6	**729,685**	747,116	754,005
Long Term Deposits	7	**45,300**	36,369	36,396
		774,985	783,485	790,401
CURRENT ASSETS				
Stores, spare parts and loose tools	8	**43,246**	50,204	45,906
Stock-in-trade	9	**302,300**	499,923	1,355,937
Trade debts	10	**—**	317,421	12,425
Loans and advances	11	**24,909**	39,097	42,060
Trade deposits & short term prepayments	12	**14,135**	994	1,552
Other Receivables	13	**23,077**	—	—
Income tax refundable - Payments less provision		**32,209**	22,128	—
Cash and bank balances	14	**21,717**	5,341	13,638
		461,593	935,108	1,471,518
TOTAL ASSETS		**1,236,578**	1,718,593	2,261,919
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Authorized capital				
20,000,000 shares of Rs.10 each		**200,000**	200,000	200,000
Issued, subscribed and paid up capital	15	**119,460**	119,460	119,460
Unappropriated profit		**235,305**	210,471	208,222
		354,765	329,931	327,682
Surplus on Revaluation of Property, Plant & Equipment	16	**146,801**	160,241	169,043
NON CURRENT LIABILITIES				
Liabilities against assets subject to finance lease	17	**75,242**	64,908	85,089
Deferred liabilities	18	**210,011**	217,741	217,014
		285,253	282,649	302,103
CURRENT LIABILITIES				
Trade and other payables	19	**415,817**	475,558	1,004,548
Accrued mark-up	20	**1,688**	20,176	19,595
Short term borrowings	21	**—**	428,420	355,274
Current portion of long term financing & liabilities against assets subject to finance lease	22	**32,254**	21,618	38,527
Provision for taxation - provision less payments		**—**	—	45,147
		449,759	945,772	1,463,091
CONTINGENCIES AND COMMITMENTS	23			
TOTAL EQUITY AND LIABILITIES		**1,236,578**	1,718,593	2,261,919

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

Chief Executive **Director**

Profit and Loss Account

For the year ended September 30, 2013

	Note	2013	2012
		(Rupees in '000)	
Sales	24	**2,771,454**	3,005,261
Cost of sales	25	**2,622,882**	2,809,749
Gross Profit		**148,572**	195,512
Distribution cost	26	**6,934**	9,578
Administrative expenses	27	**61,481**	90,120
		68,415	99,698
Finance cost	28	**80,309**	93,952
Other operating expenses	29	**20,378**	5,984
Other income	30	**(34,801)**	(3,698)
		65,886	96,238
Profit / (Loss) before taxation		**14,271**	(424)
Taxation	31	**7,370**	6,130
Profit / (Loss) after taxation		**6,901**	(6,554)
Earnings / (Loss) per share - Basic and diluted (Rupees)	32	**0.58**	(0.55)

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

Chief Executive **Director**

Statement of Comprehensive Income

For the year ended September 30, 2013

	2013	2012
	(Rupees in '000)	
Profit / (Loss) after taxation	**6,901**	(6,554)
Other Comprehensive Income		
Items that will not be reclassified to Profit & Loss:		
Incremental depreciation charged on surplus on revaluation of property, plant & equipment - net of deferred tax	**5,914**	8,803
Surplus on revaluation of property, plant and equipment realized on account of disposal of assets and incremental depreciation charged on related assets - net of deferred tax	**9,706**	—
Actuarial Gain recognized during the year	**3,505**	—
Impact of deferred tax	**(1,192)**	—
	2,313	—
Total Other Comprehensive Income	**17,933**	8,803
Total Comprehensive Income for the year	**24,834**	2,249

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

Chief Executive **Director**

Cash Flow Statement

For the year ended September 30, 2013

	Note	2013	2012
		(Rupees in '000)	
Profit / (Loss) before taxation		**14,271**	(424)
Adjustment for non cash charges and other items:			
Depreciation		**41,029**	42,216
Employees retirement benefits expense		**10,440**	8,529
Provision for market committee fee		**5,423**	4,833
Loss / (gain) on disposal of property, plant & equipment - net		**825**	(1,068)
Provision for due from deceased executive		**12,996**	—
Provision for slow moving and obsolete stores and spare parts		**1,786**	3,216
Finance cost		**80,309**	93,952
		152,808	151,678
		167,079	151,254
Changes in Working capital			
Decrease / (Increase) in current assets			
Stores, spare parts and loose tools		**5,172**	(7,487)
Stock - in - trade		**197,623**	856,014
Trade debts		**317,421**	(304,996)
Loans and advances		**1,192**	2,963
Trade deposits & Short term prepayments		**(13,141)**	558
Other Receivables		**(23,077)**	—
		485,190	547,052
Decrease in current liabilities			
Trade and other payables		**(59,741)**	(528,990)
Cash generated from Operations		**592,528**	169,316
Employees retirement benefits paid during the year		**(4,905)**	(2,266)
Finance cost paid		**(98,797)**	(93,371)
Income tax paid during the year		**(31,646)**	(83,773)
		(135,348)	(179,410)
Net cash inflow / (out flow) from operating activities		**457,180**	(10,094)
CASH FLOW FROM INVESTING ACTIVITIES			
Additions in operating fixed assets		**(16,171)**	(11,273)
Additions in capital work in progress		**(11,420)**	(24,351)
Addition through sale & lease back		**(40,000)**	—
Proceeds from disposal of property, plant & equipment		**43,168**	1,365
Net cash outflow from investing activities		**(24,423)**	(34,259)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from sale & lease back of property, plant & equipment		**40,000**	—
Increase in long term deposits		**(8,931)**	—
Repayment of Long term financing		—	(23,159)
Payments of liabilities against assets subject to finance lease		**(19,030)**	(13,931)
Net cash inflow / (out flow) from financing activities		**12,039**	(37,090)
Net increase / (decrease) in cash and cash equivalents		**444,796**	(81,443)
Cash and cash equivalents at beginning of the year		**(423,079)**	(341,636)
Cash and cash equivalents at end of the year	33	**21,717**	(423,079)

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

Chief Executive **Director**

Statement of Changes in Equity

For the year ended September 30, 2013

Particulars	Share Capital	Unappropriated profit	Total
	....	(Rs in '000)	....
Balance as at October 01, 2011 as previously reported	119,460	208,989	328,449
Effect of retrospective application of change in an accounting policy referred in note 5	—	(1,180)	(1,180)
Impact of Deferred tax	—	413	413
	—	(767)	(767)
Balance as at October 01, 2011 as restated	**119,460**	**208,222**	**327,682**
Total Comprehensive Income for the year			
Loss after tax for year ended September 30, 2012	—	(6,554)	(6,554)
Incremental depreciation charged on surplus on revaluation of property, plant & equipment - net of deferred tax	—	8,803	8,803
	—	2,249	2,249
Balance as at September 30, 2012 as restated	**119,460**	**210,471**	**329,931**
Balance as at October 01, 2012 as restated	**119,460**	**210,471**	**329,931**
Total Comprehensive Income for the year			
Profit after tax for year ended September 30, 2013	—	**6,901**	**6,901**
Incremental depreciation charged on surplus on revaluation of property, plant & equipment - net of deferred tax	—	**5,914**	**5,914**
Surplus on revaluation of property, plant and equipment realized on account of disposal of assets and incremental depreciation charged on related assets - net of deferred tax	—	**9,706**	**9,706**
	—	**15,620**	**15,620**
Actuarial Gain recognized during the year	—	**3,505**	**3,505**
Impact of Deferred tax	—	**(1,192)**	**(1,192)**
	—	**2,313**	**2,313**
	—	**24,834**	**24,834**
Balance as at September 30, 2013	**119,460**	**235,305**	**354,765**

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

Chief Executive **Director**

Notes to the Financial Statements

For the year ended September 30, 2013

1 COMPANY AND ITS OPERATIONS

The Company is a public limited Company incorporated in 1986 in Pakistan under the Companies Ordinance, 1984. Its shares are quoted on Karachi and Lahore Stock Exchanges. The Company is principally engaged in the manufacture and sale of sugar and its by-products. The registered office of the Company is situated at 101, 1st Floor, Ocean Centre, Talpur Road, Karachi and its manufacturing facilities are located in district Sanghar, Sindh.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

These financial statements have been prepared in accordance with the 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 (IASB) as are notified under the Companies Ordinance, 1984 (the Ordinance), provisions and directives issued under the Ordinance. In case requirements differ, the provisions or directives of the Ordinance shall prevail.

2.2 Accounting Convention

These financial statements have been prepared under the historical cost convention without any adjustments for the effect of inflation or current values, except for, certain employees retirement benefits that are based on actuarial valuation and items of property, plant and equipment which are carried at revalued amounts.

2.3 STANDARDS, AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARD AND INTERPRETATIONS

2.3.1 New and amended standards and interpretations became effective

During the year, the following approved accounting standards, interpretations, amendments / revisions to the approved accounting standards became effective for the accounting periods beginning from the dates specified below;

IAS 1 **Presentation of Financial Statement**- Amendments to Presentation of items of comprehensive income (Effective for annual periods beginning on or after July 01, 2012).

This introduce new requirement to group together items in 'other comprehensive income' (OCI) that may be subsequently reclassified to profit or loss (reclassification adjustments) in order to facilitate the assessment of their impact on overall performance of the entity. The amendment has no effect on the Company's financial statement except for additional disclosure / improved presentation in the Statement of Other Comprehensive Income.

IAS 12 **Income Taxes** - (Amendment) Deferred Taxes: Recovery of underlying assets (Effective for annual periods beginning on or after July 01, 2012)

The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sales. Furthermore, it introduces the requirement that deferred tax on non depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the assets. The amendment is not relevant to the Company's financial statements.

2.3.2 Approved standards, Interpretations and Amendments to published approved accounting standards issued but not yet effective for the current financial year

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

IAS 27 **Separate Financial Statements-** Amendment (Effective for annual periods beginning on or after January 01, 2013)

The Standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with IFRS 9 Financial Instruments / IAS 39 Financial Instruments: Recognition and Measurement. The Standard also deals with the recognition of dividends, certain group reorganizations and includes a number of disclosure requirements.

IAS 28 **Investments in Associates and Joint Ventures -** Amendment (Effective for annual periods beginning on or after January 01, 2013)

This Standard supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The Standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.

IAS -32 **Financial Instruments: Presentation**- Disclosures about offsetting of financial assets and liabilities (Effective for annual periods beginning on or after January 01, 2014)

These clarify certain aspects in the 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'.

IFRS-7 **Financial Instruments:** Disclosures - Disclosures about offsetting of financial assets and liabilities (Effective for annual periods beginning on or after January 01, 2013)

These amendments require entities to disclose gross amount subject to right of set off, amounts set off in accordance with accounting standards followed, and the related net credit exposure. These disclosures are intended to facilitate comparison between those entities that prepare financial statements based on IFRS and those that prepare financial statements based on US GAAP.

IFRIC -20 **Striping Costs in the Production Phase of Surface Mine:** (Effective for annual periods beginning on or after January 01, 2013)

The cost of stripping activity to be accounted for in accordance with the principles of IAS 2 Inventories to the extent that the benefit from the stripping activity is realized in the form of inventory produced.

The above amendments, revisions and interpretations are either irrelevant to the company or their adoption will not have material impact on the Company's financial statements except for additional disclosures.

2.3.3 Annual improvements to IFRS — 2009 — 2011 cycle - (Effective for annual periods beginning on or after January 01, 2013)

The International Accounting Standards Board (the Board) has issued the Annual Improvements to IFRSs – 2009–2011 Cycle, which contains following amendments / improvements to the approved accounting standards;

IAS-1 **Presentation of Financial Statements –** Clarification of the requirements for comparative information

This clarifies that additional comparative information is not necessary for periods beyond the minimum comparative financial statement requirements of IAS 1. If additional comparative information is provided, the information should be presented in accordance with IFRSs, including disclosure of comparative information for any additional statements included beyond the minimum comparative financial statement requirements. Presenting additional comparative information voluntarily would not trigger a requirement to provide a complete set of financial statements.

In addition, the opening statement of financial position (known as the third balance sheet) must be presented in the following circumstances: when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. The opening statement would be at the beginning of the preceding period. However, unlike the voluntary comparative information, the related notes are not required to accompany the third balance sheet period.

IAS-16 **Property, Plant and Equipment-** Clarification of the servicing equipments

Clarifies that Spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment and as inventory otherwise.

IAS-32 **Financial Instruments: Presentation-** Tax effect of distributions to holders of equity instruments

The amendment removes the perceived inconsistency between IAS 32 and IAS 12 and clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

IAS 34 **Interim Financial Reporting -** Interim financial reporting and segment information for total assets and liabilities

The total assets and total liabilities for a particular reportable segment would be separately disclosed in interim financial reporting only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

These amendments / clarification are not likely to have any material impact on the company's financial statements.

2.3.4 New Standards issued by IASB but not yet notified by SECP

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

IFRS 9 **Financial Instruments** (Effective for annual periods beginning on or after Jan 01, 2015)

This is the first part of new standards on classification and measurement of financial assets that will replace IAS 39. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest / mark-up.

IFRS 10 **Consolidated Financial Statements** (Effective for annual periods beginning on or after January 01, 2013)

This is a new standard that replaces the consolidation requirements in SIC - 12 Consolidation: Special Purpose Entities and IAS 27 - Consolidated and Separate Financial Statements. The proposed standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess.

IFRS 11 **Joint Arrangements** (Effective for annual periods beginning on or after January 01, 2013)

This is a new standard that deals with the accounting for joint arrangements and focuses on the rights and obligations of the arrangements, rather than its legal form. Standard requires a single method for accounting for interests in jointly controlled entities.

IFRS 12 **Disclosure of Interest in Other Entities** (Effective for annual periods beginning on or after January 01, 2013)

This is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

IFRS 13 **IFRS-13 Fair Value Measurement** (Effective for annual periods beginning on or after January 01, 2013)

This standard applies to IFRSs that require or permit fair value measurement or disclosures and provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement. The standard defines fair value on the basis of an 'exit-price' notion and uses 'a fair value hierarchy', which results in market-based, rather than entity-specific measurement.

3 Critical accounting estimates, judgments and assumptions

The preparation of these financial statements in conformity with the approved accounting standards requires management to make judgments, estimates and assumptions that affects the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under that circumstances, the results of which form the basis of making judgment about carrying value of assets and liabilities that are not readily apparent from other sources. However, uncertainty about these assumptions and estimates could result in outcome that require material adjustment to the carrying amount of the asset or liability affected in future periods.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and any future period affected.

Judgments made by the management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

In the process of applying the accounting policies, management has made the following estimates, judgments and assumptions which are significant to the financial statements:

— **Taxation**

In making the estimate for income tax payable by the Company, the Company takes into account the applicable tax laws and decision by the appellate authorities on certain issues in past.

— **Defined Benefit Plan**

Certain actuarial assumptions have been adopted as disclosed in these financial statements for valuation of present value of defined benefit obligation. Any changes in these assumptions in future years might effect gains and losses in those years. The actuarial valuation involves making assumptions about discount rates, expected rate of return on assets, future salary increases and mortality rates.

— **Property, Plant and Equipment**

The Company's management determines the estimated useful lives and related depreciation charge for its property, plant and equipment. The Company reviews the value of assets for possible impairment on financial year end. Any change in the estimate in the future years might effect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on the depreciation charge and impairment.

— **Stock in trade**

The Company reviews the net realizable value of stock in trade to assess any diminution in the respective carrying values. Net realizable value is determined with reference to the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

— **Contingencies**

Nature of contingencies is evaluated based on the element of issue involved, opinion of the legal counsel and conclusion is accordingly reflected in the financial statements.

— **Provision against trade debts, advances and other receivables**

The Company reviews the recoverability of its trade debts, advances and other receivables to assess amount of doubt full & bad debts and provision required there against on annual basis.

— **Slow Moving and Stores Obsolescence**

In making estimates of quantum of slow moving and obsolescence, the aging analysis, current condition of various items component of realization and expected use in future are considered.

— **Impairment**

The Company reviews carrying amount of assets annually to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated and impairment losses are recognized in the profit and loss account.

4 SIGNIFICANT ACCOUNTING POILICIES

4.1 Taxation

4.1.1 Current

The Company falls under the final tax regime under section 154 and 169 of the Income Tax Ordinance, 2001 to the extent of export sales. For sales other than export sales, the charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credits, rebates and exemptions available, if any, or minimum tax under section 113 of the Income Tax Ordinance, 2001, whichever is higher. The charge for current tax also includes adjustments, where considered necessary, to provision for taxation made in previous years arising from assessments framed during the year for such years.

4.1.2 Deferred

Deferred tax is recognized using the balance sheet liability method in respect of all temporary differences arising between the carrying amount of assets and liabilities in the financial statements and their tax base and is recognized on the basis of the expected manner of the realization or settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantially enacted at the balance sheet date. Deferred tax asset is recognized to the extent that it is probable that the future taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax asset is reduced to the extent that is no longer probable that the related tax benefit will be realized.

4.1.3 Sales tax and Federal Excise Duty (FED)

Revenues, expenses and assets are recognized net off amount of sales tax/FED except:

— Where amount incurred on a purchase of asset or service is not recoverable from the taxation authorities, in which case the tax / duty is recognized as part of the cost of the acquisition of the assets or as part of the expense item as applicable; and

— Receivables or payables that are stated with the amount of Sales tax / FED included.

The net amount of sales tax and FED recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

4.2 Employees Retirement benefits

4.2.1 Defined benefit plan

After termination of provident fund scheme on June 30, 2003 an unfunded gratuity scheme is in operation for all employees eligible to the scheme with qualifying service period. Provision is made annually to cover the obligation on the basis of actuarial valuation carried out using Projected Unit Credit Method, and is charged to profit and loss account, related details of which are given in the respective note to the financial statements. Actuarial gains or losses are amortized in full as and when arise and charged to other comprehensive income. Also refer to note no. 5 for change in accounting policy.

4.3 Property, plant and equipment

4.3.1 Owned assets

These are stated at cost less accumulated depreciation and impairment, if any, except for free hold land, buildings and plant and machinery which are stated at revalued amounts.

Depreciation is charged, on a systematic basis over the economic useful life of the asset, on reducing balance method, which reflects the pattern in which the assets economic benefits are consumed by the Company, at the rates specified in respective note. Depreciation on additions is charged from the month in which the assets are put to use while no depreciation is charged in the month in which the assets are disposed off.

In compliance with the revised International Accounting Standard No. 16, " Property, Plant and Equipment" the Company adopted revaluation model for its property, plant and equipment and the revalued figures treated as deemed costs. The Surplus on revaluation of Property, Plant and Equipment, however, is recognized in accordance with section 235 of the Companies Ordinance, 1984. The surplus on revaluation of Property, Plant and Equipment to the extent of incremental depreciation net of deferred tax thereon charged on the related assets is transferred by the Company to statement of changes in equity under unappropriated profit. In case of disposal of revalued Property, Plant and Equipment, any revaluation surplus is directly transferred to retained earning through statement of Other Comprehensive Income. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

Profit or loss on disposal of property, plant and equipment, if any, is taken to profit and loss account.

4.3.2 Assets subject to finance lease

Assets held under finance lease are stated at cost less accumulated depreciation and accumulated impairment losses, if any. These are accounted for by recording the assets at the lower of present value of minimum lease payments under the lease agreements and the fair value of assets acquired. The related obligation under the lease is accounted for as liability. Financial charges are allocated to the accounting period in a manner so as to provide a constant periodic rate of change on the net standing liability.

Depreciation is charged to the profit and loss account using the same basis as for owned assets.

4.3.3 Capital work-in-progress

Capital work-in-progress is stated at cost accumulated up to the balance sheet date less impairment, if any, and represents expenditure incurred on property, plant and equipment in the course of construction. These expenditures are transferred to relevant category of property, plant and equipment as and when the assets becomes available for use.

4.4 Stores, spare parts and loose tools

These are valued at cost calculated on moving average basis less provision for obsolescence, and slow moving items, except for the items in transit, which are valued at cost accumulated upto the balance sheet date.

4.5 Stock in trade

Sugar are valued at lower of the weighted average cost and estimated net realizable value. By products i.e. Molasses and Baggasse are valued at net realizable value (NRV).

Cost in relation to work in process and finished goods consists of material cost, proportionate manufacturing overheads.

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

4.6 Trade debts

Trade debts are carried at original invoice amount less provision, if any. Provision for doubtful debts is based on management's assessment of customers and their credit worthiness. Bad debts are written off when there is no realistic prospect of recovery.

4.7 Trade and other payables

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

4.8 Ijarah Lease contracts

Leases, where a significant portion of the risk and rewards of ownership are retained by the lessor, are classified as Ijarah lease. Payments made under the Ijarah agreements are charged to profit & loss account on a straight line basis over the Ijarah lease term.

4.9 Revenue recognition

Revenue is recognized to the extent that it is probable that the future economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and government levies.

Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods to customers.

4.10 Functional and presentation currency

These financial statements are presented in Pakistan Rupee which is the Company's functional and presentation currency.

4.11 Foreign currency transaction and translation

Transactions in foreign currencies are translated into reporting currency at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into reporting currency using year-end spot foreign exchange rates. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. Exchange differences on foreign currency translations are included in profit and loss account.

4.12 Provisions

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

4.13 Borrowing cost

Mark-up, interest and other charges on loans are capitalized upto the date of commissioning of the respective qualifying assets. All other mark-up, interest, profit and other charges are charged to income.

4.14 Financial Instruments

Financial assets and liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and derecognized when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liability when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account currently.

4.15 Offsetting of financial assets and liabilities

All financial assets and financial liabilities are offset and the net amount is reported in the balance sheet, if the Company has a legal enforceable right to set off the recognized amounts and intends either to settle on net basis or to realize the assets and settle the liabilities simultaneously.

4.16 Cash and cash equivalents

Cash and cash equivalents are carried at cost.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand and bank balances net of short term borrowings.

4.17 Dividend and appropriation to reserves

Dividend and appropriation to reserve are recognized in the financial statements in the period in which these are approved.

4.18 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicated that one or more events have had a negative effect on the estimated future cash flows of that asset.

The company considers evidence of impairment for receivable and other financial assets at specific asset level. Impairment losses are recognized as expense in profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Non-Financial assets

The carrying amount of non-financial assets is assessed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount of such assets is estimated. Recoverable amount is higher of an asset's fair value less cost to sell and value in use. An impairment loss is recognized as expense in the profit and loss account for the amount by which asset's carrying amount exceeds its recoverable amount.

4.19 Employee compensated absences

The Company provides for compensated absences for all eligible employees in the period in which these are earned in accordance with the terms of employment.

5 CHANGES IN ACCOUNTING POLICIES

5.1 Amendment to IAS 1 “Presentation of Financial statements” regarding “Other Comprehensive Income”

The primary change resulting from this amendment is that the Company has grouped items presented in “Other Comprehensive Income” on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

Had there been no change in the aforementioned accounting, there would not have been any bifurcation of items appearing in the “Other Comprehensive Income”

5.2 Adoption of amendments in IAS 19, (Revised) “Employee Benefits”

IAS 19 (Revised) “Employee benefits” amends the accounting for the Company's defined benefit plan. The revised standard has been applied retrospectively in accordance with the transition provisions of the standard. The impact of the adoption of IAS 19 (revised) has been in the following areas:

– The standard requires all actuarial gains and losses to be recognized immediately in “Other Comprehensive Income”. This has resulted in unrecognized actuarial loss aggregating Rs. 1,180 thousand as at September 30, 2011 being recognized in “Other Comprehensive Income”

– The standard requires past service cost to be recognized immediately in profit & Loss. This has already been recognized in the Profit & Loss for the current & previous years.

– There is new term “remeasurements”. This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost.

– The standard replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year. There is no change to determining these changes.

– “Retirement benefits obligation” as previously reported has been restated at the balance sheet dates to reflect the effect of above. The amount has been restated as Rs. 767 thousand net of deferred tax as at September 30, 2011.

– The effect of this change due to change in accounting policy has no impact in the profit & loss account however other comprehensive income for the current year has been increased by Rs. 2,313 thousand net of deferred tax with a corresponding impact in employees retirement benefits of Rs. 3,505 thousand and deferred taxation of Rs. 1,192 thousand.

5.3 Amendments to IAS 1 “Presentation of financial statements regarding disclosure requirements for comparative information”

The amendments classifies the disclosure requirements for comparative information when an entity provides a third balance sheet as required by IAS 8 “Accounting policies, changes in accounting estimates and errors”, the balance sheet should be as at the beginning of the preceding period i.e. the opening position. No notes are required to support this balance sheet.

			2013	2012
6	**PROPERTY, PLANT AND EQUIPMENT**		**(Rupees in ‘000)**	
	These are comprised as under:			
	Operating fixed assets	**Note- 6.1**	**721,841**	744,393
	Capital work-in-progress	**Note- 6.2**	**7,844**	2,722
			729,685	747,115

6.1 Operating Fixed Assets

	OWNED									LEASED		OWNED & LEASED
Net carrying value as at Sept 30, 2013	Free hold land	Factory Building on free hold land	Non-Factory Building on free hold land	Plant and Machinery	Furniture and Fittings	Vehicles	Computer Equipment & Appliances	Stores & Spares held for capital expenditure	Sub - Total	Plant and Machinery	Sub - Total	Grand Total
	..... Rupees in’000											
Opening Net Book Value (NBV)	25,600	40,301	9,667	553,751	2,184	10,881	2,534	—	**644,918**	99,476	**99,476**	**744,394**
Additions (at Cost)	—	—	—	5,028	27	6,540	797	3,779	**16,171**	—	—	**16,171**
Transfer from Capital Work in Progress	—	1,579	—	4,719	—	—	—	—	**6,298**	—	—	**6,298**
Addition through Sale & Lease back	—	—	—	—	—	—	—	—	—	40,000	**40,000**	**40,000**
Disposal through Sale & Lease back	—	—	—	(41,509)	—	—	—	—	**(41,509)**	—	—	**(41,509)**
Disposal (at NBV)	—	—	—	—	—	(2,484)	—	—	**(2,484)**	—	—	**(2,484)**
Depreciation	—	(4,044)	(967)	(27,281)	(219)	(2,511)	(350)	(16)	**(35,388)**	(5,641)	**(5,641)**	**(41,029)**
Closing Net Book Value	**25,600**	**37,836**	**8,700**	**494,708**	**1,992**	**12,426**	**2,981**	**3,763**	**588,006**	**133,835**	**133,835**	**721,841**
Gross carrying value as at Sept 30, 2013												
Cost	7,043	25,271	11,589	538,688	6,425	21,567	11,076	3,779	**625,438**	148,322	**148,322**	**773,760**
Accumulated Depreciation - Cost	—	(14,567)	(7,688)	(206,357)	(4,433)	(9,141)	(8,095)	(16)	**(250,297)**	(14,487)	**(14,487)**	**(264,784)**
	7,043	10,704	3,901	332,331	1,992	12,426	2,981	3,763	375,141	**133,835**	133,835	**508,976**
Revaluation	18,557	56,787	11,668	221,147	—	—	—	—	**308,159**	—	—	**308,159**
Accumulated Depre-ciation - Revaluation	—	(29,655)	(6,869)	(58,770)	—	—	—	—	**(95,294)**	—	—	**(95,294)**
	18,557	27,132	4,799	162,377	—	—	—	—	**212,865**	—	—	**212,865**
Total Net Book Value	**25,600**	**37,836**	**8,700**	**494,708**	**1,992**	**12,426**	**2,981**	**3,763**	**588,006**	**133,835**	**133,835**	**721,841**

	OWNED									LEASED		OWNED & LEASED
Net carrying value as at Sep 30, 2012	Free hold land	Factory Building on free hold land	Non-Factory Building on free hold land	Plant and Machinery	Furniture and Fittings	Vehicles	Computer Equipment & Appliances	Stores & Spares held for capital expenditure	Sub - Total	Plant and Machinery	Sub - Total	Grand Total
	..... Rupees in’000											
Opening Net Book Value (NBV)	25,600	44,779	10,741	550,878	1,916	7,834	2,628	—	**644,376**	104,711	**104,711**	**749,087**
Additions (at Cost)	—	—	—	4,923	471	5,608	271	—	**11,273**	—	—	**11,273**
Transfer from Capital Work in Progress	—	—	—	26,547	—	—	—	—	**26,547**	—	—	**26,547**
Disposal/Adjustment (at NBV)	—	—	—	—	—	(297)	—	—	**(297)**	—	—	**(297)**
Depreciation	—	(4,478)	(1,075)	(28,597)	(203)	(2,264)	(365)	—	**(36,982)**	(5,235)	**(5,235)**	**(42,217)**
Closing Net Book Value	**25,600**	**40,301**	**9,666**	**553,751**	**2,184**	**10,881**	**2,534**	**—**	**644,917**	**99,476**	**99,476**	**744,393**
Gross carrying value as at Sep 30, 2012												
Cost	7,043	23,692	11,589	555,743	6,398	17,511	10,279	—	**632,255**	108,322	**108,322**	**740,577**
Accumulated Depreciation - Cost	—	(13,538)	(7,255)	(184,487)	(4,214)	(6,630)	(7,745)	—	**(223,869)**	(8,846)	**(8,846)**	**(232,715)**
	7,043	10,154	4,334	371,256	2,184	10,881	2,534	—	**408,386**	99,476	**99,476**	**507,862**
Revaluation	18,557	56,787	11,668	235,853	—	—	—	—	**322,865**	—	—	**322,865**
Accumulated Depre-ciation - Revaluation	—	(26,640)	(6,336)	(53,358)	—	—	—	—	**(86,334)**	—	—	**(86,334)**
	18,557	30,147	5,332	182,495	—	—	—	—	**236,531**	—	—	**236,531**
Total Net Book Value	**25,600**	**40,301**	**9,666**	**553,751**	**2,184**	**10,881**	**2,534**	**—**	**644,917**	**99,476**	**99,476**	**744,393**
Depreciation rate % per annum	**—**	**10**	**10**	**5**	**10**	**20**	**10 & 20**	**5**		**5**		

6.1.1 The Company's freehold land, building and plant and machinery were revalued on September 30, 2011 by independent professional valuers M/s Akbani & Javed Associates at fair market value. The resultant revaluation on surplus has been adjusted to the surplus on revaluation of property, plant and equipment. The Fair Values were determined with reference to market based evidence, based on active market prices and relevant enquiries and information as considered necessary, adjusted for any difference in nature, location or condition of the specific property.

6.1.2 Depreciation charge for the year has been allocated as under:

		2013	2012
		(Rupees in '000)	
Cost of Sales	**Note - 25**	**36,966**	38,310
Administrative Expenses	**Note - 27**	**4,063**	3,906
		41,029	42,216

6.1.3 The following Property, plant and equipments were disposed off during the year:

Particulars	**Cost**	**Written Down Value**	**Sale Proceeds**	**Gain/ (Loss)**	**Mode of Disposal**	**Purchaser**
	......................**Rupees in '000**......................					
Vehicles						
Two Motor Bikes - Honda	128	97	82	(15)	Insurance Claim	Adamjee Insurance Company Limited
Toyota Corolla - AXF 363	1,540	1385	1,442	57	Insurance Claim	Adamjee Insurance Company Limited
Toyota Altis - ARN 903	1,809	791	1,100	309	Negotiation	Imran Fayyaz - Karachi
Suzuki Cultus - AQW 720	677	211	544	333	Negotiation	Taj Motors - Mirpurkhas
	4,154	2,484	3,168	684		
Plant & Machinery						
Vaccum Pan, Vapour Cell, Crystallizers	61,364	41,509	40,000	(1,509)	Sale & Lease Back	Orix leasing Pakistan Limited
Sept 30, 2013	**65,518**	**43,993**	**43,168**	**(825)**		
Sep. 30, 2012	1,369	297	1,365	1,068		

6.2 Capital work-in-progress

	Cost at October 01	**Capital expenditure incurred during the year**	**Transferred to operating fixed assets**	**Cost at September 30**
	.... **Rupees in '000**			
Plant and Machinery - under erection	**2,722**	**9,841**	**4,719**	**7,844**
Civil Works	—	**1,579**	**1,579**	—
As at Sept 30, 2013	**2,722**	**11,420**	**6,298**	**7,844**
As at Sep 30, 2012	4,918	24,351	26,547	2,722

			2013	2012
			(Rupees in ‘000)	
7	**LONG TERM DEPOSITS**			
	Lease deposits		**44,753**	35,822
	Security deposits		**547**	547
			45,300	36,369
8	**STORES, SPARE PARTS AND LOOSE TOOLS**			
	Stores		**27,895**	30,177
	Spare parts		**28,167**	30,992
	Loose tools		**511**	576
			56,573	61,745
	Provision for slow moving items and obsolescence	Note 8.1	**13,327**	11,541
			43,246	50,204
8.1	**Reconciliation of provision for slow moving and obsolete items**			
	Opening balance at the beginning of the year		**11,541**	8,352
	Charge for the year		**1,786**	3,189
	Closing balance at the end of the year		**13,327**	11,541
9	**STOCK-IN-TRADE**			
	Sugar	Note 9.1	**299,754**	497,147
	Sugar in process		**1,936**	1,156
	Molasses in process		**490**	175
	Baggasse		**120**	1,445
			302,300	499,923

9.1 The closing stock of sugar having carrying value of Rs. Nil (2012: 494,111 thousands) has been pledged against cash finance obtained from the Banking Companies.

			2013	2012
10	**TRADE DEBTS**			
	— Unsecured Considered good			
	– Local		—	219,560
	– Foreign		—	97,861
			—	317,421

		2013	2012
		(Rupees in '000)	

11 LOANS AND ADVANCES - Interest free

Loans to Employees - Other than CEO, Directors & Executives	Note 11.1	**680**	1,166
Advances to employees against salaries		**116**	172
Un-Secured			
Advances to			
– Growers – Considered good	Note 11.2	**15,132**	27,357
– Considered doubtful		**6,925**	6,925
		22,057	34,282
Provision against doubtful growers loan		**6,925**	6,925
		15,132	27,357
– Contractors and suppliers		**8,981**	10,402
		24,909	39,097

11.1 Loans and advances have been given for the purchase of house hold equipments and housing assistance in accordance with the terms of the employments and are repayable in the different monthly installments and are non-interest / mark-up bearing. These are secured against the retirement benefits.

11.2 During the year, the Company has advanced to growers which comprises of payments and fertilizers / seeds, as an advance which is adjustable against the supplies of sugarcane during the ensuing season.

12 TRADE DEPOSITS & SHORT TERM PREPAYMENTS

Trade Deposits			
Bank Guarantee Margin	Note 23.2	**12,500**	—
Short Term Prepayments			
Prepaid Insurance		**1,273**	918
Others		**362**	76
		14,135	994

13 OTHER RECEIVABLES

Inland Freight Subsidy receivable	Note 13.1	**18,713**	—
Due from deceased executive	Note 13.2	—	—
Further sales tax refundable		**4,283**	—
Insurance Claim		**81**	—
		23,077	—

13.1 These are receivable against Inland freight cost from the Government of Pakistan through Trade Development Authority of Pakistan, as a subsidy.

13.2 Reconcilliation of due from deceased executive

Due from deceased executive	Note 23.1.4	**12,996**	—
Provision against due from deceased executive		**(12,996)**	—
		—	—

	2013	2012
	(Rupees in '000)	

14 CASH AND BANK BALANCES

Cash in hand	**78**	192
Cash at banks		
– current accounts	**21,639**	5,149
	21,717	5,341

15 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2013	2012			
10,860,000	10,860,000	Ordinary shares of Rs.10 each allotted for consideration fully paid in cash	**108,600**	108,600
1,086,000	1,086,000	Ordinary shares of Rs.10 each allotted as bonus shares	**10,860**	10,860
11,946,000	11,946,000		**119,460**	119,460

16 SURPLUS ON REVALUATION OF PROPERTY, PLANT & EQUIPMENT

Gross opening balance at the beginning of the year	**236,531**	250,074
Incremental depreciation charged on surplus on revaluation of property, plant & equipment - net of deferred tax	**(5,914)**	(8,803)
Deferred Tax on Incremental Depreciation charged on surplus on revaluation of property, plant & equipment	**(3,046)**	(4,740)
	(8,960)	(13,543)
Incremental depreciation charged on related assets of surplus on revaluation of property, plant and equipment realized, on account of disposal of assets - net of deferred tax	**(9,706)**	—
Deferred Tax on Incremental depreciation charged on related assets of surplus on revaluation of property, plant and equipment realized, on account of disposal of assets	**(5,000)**	—
	(14,706)	—
	(23,666)	(13,543)
Gross closing balance at the end of the year	**212,865**	236,531
Related Deferred Tax	**(66,064)**	(76,290)
Revaluation surplus - net of deferred tax	**146,801**	160,241

17 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Present Value of Minimum Lease Payments		**107,496**	86,526
Less: Current Portion shown under current liabilities	Note 22	**32,254**	21,618
		75,242	64,908

17.1 The amounts of future payments for the lease and the period of their maturity is as follows:

	Minimum Lease Payments (MLP)	Financial Charges	Present Value of MLP
Lease Rentals due within one year	41,207	8,953	32,254
Lease Rentals due after one year but within five years	80,949	5,707	75,242
	122,156	**14,660**	**107,496**

17.1.1 The Company has entered into combined lease agreement, for an amount of Rs. 108,322 thousands with ORIX Leasing Pakistan Limited (Rs. 62,264 thousands) and National Bank of Pakistan Leasing (NBP Leasing)(Rs. 46,058 thousands) to acquire Generator and Steam Turbine for enhancing Company's power generation capacity by 6 MW. The Company has option to purchase the assets upon expiry of the lease term by making payment of residual value by way of adjustment of security deposit. Minimum lease payments have been discounted using rates linked with KIBOR aggregating to 17.39% to 14.99% (2012: 17.51% to 20.54%). Lease rentals are payable in 48 months on quarterly basis starting from March 2011.

17.1.2 During the year, the Company has entered into sale & lease back agreement, for an amount of Rs. 40,000 thousands with Orix Leasing Pakistan Limited for Vapourcell, Crystallizers and Vaccum Pan. The Company has option to purchase the assets upon expiry of the lease term by making payment of residual value by way of adjustment of security deposit. Minimum lease payments have been discounted using rates linked with KIBOR aggregating to 14.12%. Lease rentals are payable in 48 months on monthly basis starting from July 2013.

		2013	2012
		(Rupees in '000)	
			Restated
18 DEFERRED LIABILITIES			
Deferred taxation	Note 18.1	**141,015**	156,198
Market committee fee	Note 23.1.1	**34,239**	28,816
Employees retirement benefits			
- Defined benefit plan	Note 18.2	**34,757**	32,727
		210,011	217,741

18.1 Deferred taxation

	2013	2012
Opening Balance at the beginning of the year	**156,198**	166,980
Effect of change in tax rate	**(2,182)**	—
Impact of deferred tax on actuarial gain / (loss)	**1,192**	(413)
Reversal during the year	**(14,193)**	(10,369)
Closing balance at the end of the year	**141,015**	156,198

	2013	2012
	(Rupees in '000)	
18.1.1 Deferred tax (debit) / credit arising due to:		
Deferred tax credit arising due to:		
- surplus on revaluation	**66,064**	76,290
- accelerated depreciation	**99,567**	109,759
- assets obtained under finance lease	**8,955**	12,099
	174,586	198,148
Deferred tax debit arising due to:		
- provisions & losses	**(33,571)**	(28,383)
- Minimum tax	—	(13,567)
	(33,571)	(41,950)
	141,015	156,198

18.2 Defined Benefits Plan:

The Company operates an unfunded gratuity scheme for its employees eligible to the benefit effective from July 01, 2003 and provision is made as per actuarial valuation of the scheme conducted for the year ended September 30, 2013 vide Actuarial Valuation Report by M/s Nauman Associates (Consulting Actuaries) dated November 07, 2013 under the "Projected Unit Credit " method. The principal assumptions used for actuarial valuation for the gratuity scheme are as follows:

		2013	2012 Restated
		(Rupees in '000)	
Discount rate		**11.50 % p.a**	12.50 % p.a
Expected rate of future salary increase		**10.50 % p.a**	11.50 % p.a
Average expected remaining working life time of employees		**8 years**	9 years
18.2.1 Movement in the present value of the obligation			
Present value of obligation at the beginning of the year		**32,727**	26,464
Expenses for the year		**10,440**	8,529
Benefits paid during the year		**(4,905)**	(2,266)
Actuarial gain on present value of defined benefit obligation for the year		**(3,505)**	—
Present value of obligation at the end of the year		**34,757**	32,727
18.2.2 Expense for the year ended September 30			
Current service cost		**6,349**	5,221
Interest cost		**4,091**	3,308
		10,440	8,529
18.2.3 Charge for the year has been allocated as under:			
Cost of Sales	Note 25.1	**7,830**	6,397
Administrative Expenses	Note 27.1	**2,610**	2,132
		10,440	8,529

18.2.4 Estimated charge to Profit & Loss for the year 2013-14 aggregates at Rs. 9,234 thousand which comprises of current service cost Rs. 5,237 thousand and interest cost Rs. 3,997 thousand.

			2013	2012
			(Rupees in '000)	
19	**TRADE AND OTHER PAYABLES**			
	Creditors		**72,416**	7,211
	Accrued liabilities		**12,867**	14,474
	Advances from customers		**322,427**	405,445
	Sales tax / FED payable		**2,350**	44,846
	Worker's Profit Participation Fund	Note 19.1	**1,466**	—
	Worker's Welfare Fund		**586**	—
	Unclaimed dividend		**1,554**	1,639
	Other liabilities	Note 19.2	**2,151**	1,943
			415,817	475,558
19.1	**Workers Profit Participation Fund**			
	Opening balance at the beginning of the year		—	3,456
	Interest paid on funds utilized by the Company		—	201
			—	3,657
	Less: Payments made during the year		—	(3,657)
			—	—
	Add: Contribution for the year		**1,466**	—
	Closing balance at the end of the year		**1,466**	—
19.2	**Other liabilities**			
	Sales tax withhold		**153**	—
	Income tax deducted at source		**658**	796
	Cane field staff	Note 19.2.1	**527**	321
	Others		**813**	826
			2,151	1,943

19.2.1 These represents amount received from cane field employees under Company's motor cycle policy.

20	**ACCRUED MARK-UP**			
	Mark-up on			
	- Liabilities against assets subject to finance lease		**1,688**	2,295
	- Short term borrowings		—	17,881
			1,688	20,176
21	**SHORT TERM BORROWINGS -Secured**			
	Cash Finance	Note 22.1	—	428,420
			—	428,420

21.1 The aggregate financing facilities available amounting to Rs. 900,000 thousands (2012: 800,000 thousands), are secured by pledge of sugar stocks under the supervision of approved muccadum and hypothecation over current assets of the Company totaling to Rs. 666,000 thousands and 1st hypothecation charge of Rs. 40,000 thousands on Company's movables and first charge upto Rs. 150,000 thousands over fixed assets of the Company. The financing facilities are collaterally secured by the personal guarantees of all the sponsor directors . The facilities carries markup at 3 months KIBOR as base rate plus 2.25% & 3% per annum (2012: 2.25% & 3%) chargeable and payable quarterly. The facility is renewable annually at the time of maturity.

			2013	2012
			(Rupees in '000)	
22	**CURRENT PORTION OF NON CURRENT LIABILITIES**			
	Current portion of liabilities against assets subject to finance lease	Note 17	**32,254**	21,618
			32,254	21,618

23 CONTINGENCIES AND COMMITMENTS

23.1 Contingencies

23.1.1 The Company has filed a case in the Honourable High Court of Sindh against the levy of market committee fee by the Government of Sindh on sugarcane purchases at the factory. The Sindh High Court has granted status quo. Full provision of Rs. 34,239 thousands (2012: 28,816 thousands) has been made as a matter of prudence, which includes Rs. 5,423 thousands for the current crushing season 2012-2013.

23.1.2 The Company in 2010, has filed a petition in the Honourable Supreme Court of Pakistan against a show cause notice issued by Competition Commission of Pakistan (CCP), challenging the vary jurisdiction of the Competition Commission. The Honourable Supreme Court of Pakistan has disposed the petition on the ground that this matter is already under proceedings with Honourable High Courts and refrained CCP from passing any final / penal order till a final decision is achieved at Honourable High Courts. Therefore, there are no financial implications related to this at the moment.

23.1.3 The Company in 2010, has filed a suit before the Honourable High Court of Sindh against Pakistan Standards and Quality Control Authority (the Authority), challenging the levy of marking fee under PSQCA Act-VI of 1996. The Authority has demanded a fee payment @ 0.1% of ex-factory price for the year 2008-2009 amounting to Rs. 1,915 thousands. The Company is of the view that demand notifications so raised are without any lawful authority under the PSQCA Act-VI of 1996 and are in violation of the constitution. The Honourable High Court of Sindh has accepted the petition and termed that impugned notifications have been issued without lawful authority and suspended the operation of the impugned notifications. On December 04, 2012, the said petition filed in the Honourable High Court of Sindh has allowed in favour of the Company. Furthermore, the Company has filed caveat in respect of an appeal to be filed by PSQCA against the judgment in CP-2515 of 2010 in the Honourable Supreme Court of Pakistan. No provision has been made in this regard since the management is confident that the outcome would be in Company's favour and the amount is insignificant and is not likely to be materialized.

23.1.4 During the year, transactions / withdrawals were examined and unauthorized transactions were identified which were attributable to a deceased executive which have been transferred from the Company's Trade Debts to his account which has a net impact of Rs. 14,915 thousand, whereas provision has been recorded for the amount transferred after adjustment of redundancy dues of the deceased executive of Rs. 1,919 thousand as disclosed in note 13. All other transactions are recognized. Consequently, no further adverse financial impact is foreseeable in this behalf.

23.2 Guarantee

Rs. 50,000 thousands (2012: Nil) guarantee issued by the Bank for six months period in favour of Engro Fertilizers Limited on behalf of the Company for the procurement of Fertilizers for onward supply to sugarcane growers for the next season. The guarantee is secured against the 25% cash margin and rest against the existing charge over current and fixed assets of the Company held as collateral.

23.3 Commitments

23.3.1 Commitments in respect of plant and machinery amount to Rs. 8,200 thousands (2012: Rs. 31,222 thousands).

23.3.2 During the year, the Company has entered into Ijarah Lease agreement, for the amount of Rs. 29,508 thousands with Al-Baraka Bank Pakistan Limited to acquire of Shredder Turbine for enhancing power generation capacity. The Company has option to purchase the assets upon expiry of the lease term by making payment of residual value / adjustment of security deposit. Minimum lease payments have been discounted using discount rates linked with KIBOR aggregating to 14.59%. Lease rentals are payable in 20 quarterly installments starting from March 2014.

The Company is committed for minimum Ijarah rental payments for each of the following period as follows:

	2013	2012
	(Rupees in '000)	
Not more than one year	**5,824**	—
More than one year but not more than five years	**30,131**	—
More than five years but not more than six years	**1,883**	—
	37,838	—

24 SALES

	2013	2012
Export Sales	**905,437**	291,846
Local Sales	**1,936,340**	2,930,312
Less: Federal Excise Duty	**70,323**	216,897
	1,866,017	2,713,415
	2,771,454	3,005,261

			2013	2012
			(Rupees in '000)	
25	**COST OF SALES**			
	Sugar cane consumed (including procurement expenses)		**2,386,120**	1,929,052
	Market committee fee		**5,423**	4,833
	Road cess		**3,389**	3,020
	Salaries, wages and staff benefits	Note 25.1	**96,809**	73,865
	Stores and spares consumed		**68,918**	65,242
	Fuel, power & utilities		**9,417**	7,734
	Insurance		**9,774**	8,071
	Repairs and maintenance		**7,565**	8,312
	Packing materials consumed		**24,026**	17,304
	Vehicle running expenses		**9,777**	5,213
	Depreciation	Note 6.1.1	**36,966**	38,310
	Other expenses		**10,155**	2,421
			2,668,339	2,163,377
	Sugar -in-process			
	– Opening		**1,156**	3,859
	– Closing		**(1,936)**	(1,156)
			(780)	2,703
			2,667,559	2,166,080
	Sale of Molasses	Note 25.2	**238,655**	192,443
	Inventory adjustment		**315**	(151)
			238,970	192,292
	Sale of Baggasse	Note 25.2	**4,425**	17,199
	Inventory adjustment		**(1,325)**	(578)
			3,100	16,621
	Cost of goods manufactured		**2,425,489**	1,957,167
	Finished sugar			
	– Opening stock		**497,147**	1,349,729
	– Closing stock		**(299,754)**	(497,147)
			197,393	852,582
			2,622,882	2,809,749

25.1 Salaries, wages and staff benefits include Rs. 7,830 thousands (2012: 6,397 thousands) in respect of defined benefits plan.

25.2 These figures are net off sales tax of Rs. 4,416 thousands (2012: 246 thousands) in respect of molasses and Rs. 708 thousands (2012: Rs. 2,752 thousands) in respect of Baggasse.

			2013	2012
			(Rupees in '000)	
26	**DISTRIBUTION COST**			
	Handling and stacking		**3,112**	9,578
	Export Expenses		**3,822**	—
			6,934	9,578
27	**ADMINISTRATIVE EXPENSES**			
	Salaries, wages and staff benefits	Note 27.1	**44,724**	52,597
	Rent, rates and taxes		**473**	1,182
	Communication		**828**	1,307
	Repairs and maintenance		**319**	4,492
	Utilities		**769**	2,311
	Entertainment		**525**	1,618
	Subscription		**597**	1,021
	Cartage		**478**	4,299
	Printing and stationery		**985**	1,358
	Insurance		**3,258**	2,691
	Conveyance and traveling		**2,318**	7,363
	Depreciation	Note 6.1.1	**4,063**	3,906
	Legal and professional charges		**499**	2,908
	Mess Expenses		**300**	1,049
	Others		**1,345**	2,018
			61,481	90,120

27.1 Salaries, wages and staff benefits include Rs. 2,610 thousands (2012: 2,132 thousands) in respect of defined benefits plan.

			2013	2012
28	**FINANCE COST**			
	Mark-up on			
	– Long term financing		—	2,433
	– Short-term borrowings		**69,664**	79,850
	Mark-up on liabilities against assets subject to finance lease		**7,816**	10,282
	Bank charges & guarantee commission		**2,829**	1,186
	Interest on Workers Profit Participation Fund		—	201
			80,309	93,952
29	**OTHER OPERATING EXPENSES**			
	Auditors' remuneration	Note 29.1	**642**	630
	Corporate social responsibility costs	Note 29.2	**1,226**	2,165
	Loss on sale and lease back of property, plant and equipment		**1,509**	—
	Workers Profit Participation Fund		**1,466**	—
	Provision for due from deceased executive		**12,996**	—
	Workers Welfare Fund		**586**	—
	Provision for slow moving and obsolete stores & spare Parts		**1,786**	3,189
	Others		**167**	—
			20,378	5,984

	2013	2012
	(Rupees in '000)	
29.1 Auditors' remuneration		
Statutory Auditors		
Hyder Bhimji and Co.		
Audit fee	**500**	500
Half yearly review fee	**25**	25
Code of corporate governance certification	**15**	15
Out of pocket expenses	—	8
	540	548
Cost Auditors		
Siddiqi and Co.		
Audit fee	**90**	70
Out of pocket expenses	**12**	12
	102	82
	642	630

29.2 Corporate social responsibility costs do not include any amount paid to any person or organization in which any director or their spouse had any interest.

30 OTHER INCOME

	2013	2012
Income from financial assets:		
Exchange gain realized during the year	**5,305**	286
Income from non financial assets:		
Inland freight subsidy	**18,713**	—
Scrap Sales	**8,627**	1,262
Gain on sale of property, plant and equipment	**683**	1,068
Unclaimed liabilities written back	—	814
Others - Rent & Miscellaneous receipts	**1,473**	268
	34,801	3,698

31 TAXATION

	2013	2012
Current year	**30,493**	16,499
Prior years'	**(8,930)**	—
Deferred	**(14,193)**	(10,369)
	7,370	6,130

Provision for current taxation represents the final tax on exports and minimum tax being the turnover tax under section 113 of Income Tax Ordinance, 2001. Hence, tax reconciliation of tax expense with accounting profit is not presented for the current year.

	2013	2012
	(Rupees in ‘000)	

32 EARNING PER SHARE - Basic and Diluted

There is no dilutive effect on the basic earnings per share of the Company, which is based on.

	2013	2012
Profit / (Loss) after taxation (Rupees '000)	6,901	(6,554)
Number of ordinary shares	11,946,000	11,946,000
Earning / (Loss) per share - (Rupees)	0.58	(0.55)

33 CASH AND CASH EQUVALENTS

Cash and cash equivalent comprise of the following items

	2013	2012
Cash and bank balances	21,717	5,341
Less: Short Term Borrowings	—	(428,420)
	21,717	(423,079)

34 FINANCIAL INSTRUMENTS

34.1 FINANCIAL ASSETS AND LIABILITIES

Table below summarizes the maturity profile of the Company's financial assets and liabilities at the following reporting periods.

FINANCIAL ASSETS AND LIABILITIES

	2013							
		Interest / Mark-up bearing			Non Interest / Mark-up bearing			
	Interest / markup rate	Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year	Maturity after one year	Sub Total	Total 2013
		(Rupees in ‘000)						
Financial Assets								
Deposits		—	—	—	12,500	45,300	57,800	**57,800**
Loans and Advances		—	—	—	796	—	796	**796**
Other Receivables		—	—	—	81	—	81	**81**
Cash and bank balances		—	—	—	21,717	—	21,717	**21,717**
T O T A L 2013		**—**	**—**	**—**	**35,094**	**45,300**	**80,394**	**80,394**
Financial Liabilities								
Liabilities against assets subject to finance lease	17.39% to 14.99%	32,254	75,242	107,496	—	—	—	**107,496**
Trade & other payables		—	—	—	415,817	—	415,817	**415,817**
Accrued mark-up		—	—	—	1,688	—	1,688	**1,688**
Short-term borrowings	3 M KIBOR + 2.25% to 3%	—	—	—	—	—	—	—
T O T A L 2013		**32,254**	**75,242**	**107,496**	**417,505**	**—**	**417,505**	**525,001**

	Interest / markup rate	Interest / Mark-up bearing			Non Interest / Mark-up bearing			
2012		Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year	Maturity after one year	Sub Total	Total 2012
		....	(Rupees in '000)	....				
Financial Assets								
Long term deposits		—	—	—	—	36,369	36,369	**36,369**
Loans and advances		—	—	—	1,338	—	1,338	**1,338**
Trade debts		—	—	—	317,421	—	317,421	**317,421**
Cash and bank balances		—	—	—	5,341	—	5,341	**5,341**
T O T A L 2012		**—**	**—**	**—**	**324,100**	**36,369**	**360,469**	**360,469**
Financial Liabilities								
Liabilities against assets subject to finance lease	6M KIBOR + 5.5 %	21,618	64,908	86,526	—	—	—	**86,526**
Short-term borrowings	3M KIBOR + 2.25% to 3%	428,420	—	428,420	—	—	—	**428,420**
Trade & other payables		—	—	—	475,558	—	475,558	**475,558**
Accrued mark-up		—	—	—	20,176	—	20,176	**20,176**
T O T A L 2012		**450,038**	**64,908**	**514,946**	**495,734**	**—**	**495,734**	**1,010,680**

35 FINANCIAL RISKS MANAGEMENT

35.1 Financial Risk Management Objectives, Policies and Responsibilities

The Company's overall risk management programs focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial statements. The Company's risk management policies are established to identify and analyze the risk faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company's senior management provides policies for overall risk management, as well as policies covering specific areas such as foreign exchange risks, interest rate risks, credit risks, financial instruments and investment of excess liquidity. It is the Company's policy that no trading in derivatives for speculative purpose shall be undertaken.

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

- Market risk
- Credit risk
- Liquidity risk

35.1.1 Market Risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer of the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The company is subject to following market risks;

35.1.1.1 Foreign Exchange Risk

Foreign exchange risk represents the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises mainly from future economic transaction or receivables or payables that exist due to transactions in foreign exchange. The Company is exposed to currency risk on Trade Debts, Advances from Customers and import of machinery mainly denominated in United States Dollar and Euro. The Company's exposure to foreign currency risk is as follows which is insignificant as at the balance sheet date:

	2013	2012
	(Rupees in '000)	
Balance Sheet Exposure		
Trade Debts	—	$1,034
Advances from Customers	—	$98
Net Exposure	**—**	**$1,132**

The following exchange rate has been applied:

	Average rate		**Reporting date rate**	
	2013	2012	**2013**	2012
US$ to PKR	—	94.36	—	94.70 / 95.00

Sensitivity analysis

At reporting date, if the PKR would strengthen by 10% against the foreign currency with all other variables held constant , effect of increase / decrease on the equity and profit and loss account will be as shown below:

	2013	2012
	(Rupees in '000)	
Effects in Pak Rupees of US $ Exposure	—	**8,864**

The sensitivity analysis prepared is not necessarily indicative of the effects on profit/loss for the year and assets / liabilities of the Company.

The Company is not exposed to any material foreign exchange risk other than disclosed above.

35.1.1.2 Interest rate risk

Interest rate risk is the risk that the value or future cash flows of the financial instruments will fluctuate because of changes in market interest rate . The Company has liabilities against asset subject to finance lease and short term borrowings which are based at varying rates.

At the reporting date, the interest rate profile of the Company's significant interest bearing financial instruments are as follows:

	2013	2012	**2013**	2012
	Effective interest rate (in percent)		**Carrying amount (Rupees in '000)**	
Financial liabilities				
Fixed rate instruments				
Finance lease	**17.39% to 14.99%**	6M KIBOR + 5.5 %	**107,496**	86,526
Short term borrowings	**3M KIBOR + 2.25% & 3%**	3M KIBOR + 2.25% & 3%	**—**	428,420
Workers Profit Participation Fund	**3M KIBOR + 2.25% & 3%**		**1,466**	—
			108,962	514,946

Sensitivity analysis

Cash flow sensitivity analysis for fixed rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit/loss for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. As at the balance sheet date the Company has no exposure to fixed rate financial liabilities.

Cash flow sensitivity analysis for variable rate instruments.

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit/loss for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2012.

	Profit and loss 100 bp	
Financial liabilities	**increase**	**decrease**
	(Rupees in thousand)	
As at September 30, 2013		
Cash flow sensitivity	**(1,090)**	**1,090**
As at September 30, 2012		
Cash flow sensitivity	(5,149)	5,149

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

35.1.1.3 Other Price Risk

Other price risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to 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 instruments traded in the market. The Company does not have financial instruments dependent on market prices.

35.1.2 Credit Risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed to perform as contracted. The Company manages credit risk interalia by setting out credit limits in relation to individual customers and / or by obtaining advance against the sales and / or through letter of credits and / or by providing for doubtful debts.

To manage exposure to credit risk in respect of trade receivables, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Sales contracts and credit terms are approved by the Chief Executive Officer and Executive Directors. Where considered necessary, advance payments are obtained from certain parties. The management has set a maximum credit period of 90 days in respect of all sales to reduce the credit risk.

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

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

	2013	2012
	(Rupees in '000)	
Deposits	**57,800**	36,369
Trade debts	**—**	317,421
Other Receivables	**81**	—
Bank balances	**21,717**	5,149
	79,598	358,939

a) Deposits

Deposits are due from leasing companies, Commercial Bank and others. Major amount of the deposits are from leasing companies and Commercial Bank which have good credit ratings from the rating agencies. These are secured against the leased asset. The Company believes that it is not exposed to major concentration of any risk.

b) Trade debts

Trade debts are essentially due from local individuals and foreign entities in 2012. In view of the credit worthiness of the parties as discussed above, the Company does not expect that these debtors will fail to meet their obligations.

The aging of trade debts at the reporting date was:

Past due 30-90 days	—	317,421

c) Balances with Bank

The Company limits its exposure to credit risk by maintaining bank balances only with counter-parties that have stable credit rating. Management actively monitors credit ratings of the counter parties and given their high credit ratings, management does not expect that the counter party will fail to meet their obligations.

The bank balances along with the short term credit ratings are tabulated below:

	2013	2012
	(Rupees in '000)	
A1+	**13,533**	4,610
A1	**194**	538
A-1+	**7,911**	—
A3	**1**	—
A2	**—**	1
	21,639	5,149

35.1.2.1 Financial assets that are either past due or impaired

The credit quality of financial assets that are either past due or impaired can be assessed by reference to historical information and external ratings or to historical information about counter party default rates as disclosed in respective notes.

Management believes that there are no financial asset that are either past due or impaired.

35.1.3 Liquidity Risk

Liquidity risk represent the risk where the Company will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and ensuring the fund availability through adequate credit facilities. As at September 30, 2013, the Company has available sanctioned borrowing facilities of Rs. 900,000 thousands (2012: 800,000 thousands) from various commercial banks. Unutilized borrowing facilities Rs. 900,000 thousands (2012: Rs. 371,580 thousands) and also has deposit of Rs. 21,717 thousands (2012: 5,149 thousands) at banks. Based on the above, the management believes that the Company is not significantly exposed to the liquidity risk.

The maturity profile of the Company's financial assets and liabilities as at the balance sheet date with respect to period lags is given in Note 34.

35.2 Fair Value of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

The carrying value of all the financial assets and liabilities reflected in the financial statements approximates their fair values. The method used in determining fair values of each class of financial assets and liabilities are disclosed in the respective policy notes.

35.3 CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is 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, issue new shares and take other measures commensuration to the circumstances. The Company finances its expansions projects through equity, borrowings and management of its working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

The Company monitors capital using a gearing ratio, which is net debt divided by total shareholders equity plus net debt. Net debt is calculated as total loans and borrowings less cash and bank balances. The Company's strategy was to maintain leveraged gearing. The gearing ratios as at the balance sheet are as follows:

	2013	2012 Restated
	(Rupees in '000)	
Total financing and borrowings including finance lease	**107,496**	509,605
Less: Cash and bank balances	**(21,717)**	(5,341)
Net debt	**85,779**	504,264
Total Equity	**354,765**	329,931
Total Capital employed	**440,544**	834,195
Gearing Ratio	**19.47%**	60.45%

36 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Chief Executive		Directors		Executives		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	(Rupees in '000)							
Non executive Directors' fee - 5 Directors	**—**	—	**145**	135	**—**	—	**145**	135
Managerial remuneration	**5,106**	4,775	**1,236**	1,204	**5,398**	5,320	**11,740**	11,299
Allowances & Others	**1,827**	1,796	**804**	781	**2,230**	2,377	**4,861**	4,954
	6,933	6,571	**2,040**	1,985	**7,628**	7,697	**16,601**	16,253
Number of persons	**1**	1	**2**	2	**4**	3	**7**	6

The Chief Executive, two Executive Directors and Executives as stated above are provided with the Company maintained cars for the business and personal use and the Chief Executive and two Executive Directors are also provided with telephone facilities for the business and personal use.

37 RELATED PARTY TRANSACTIONS

The Company in the normal course of business carried out transactions with related parties as detailed below:

Relationship with Company	Nature of Transaction	2013	2012
		(Rupees in '000)	
Key Management Personnel and their relatives	Purchase of sugarcane	**93,643**	29,940

Transactions, as applicable in relation to Directors of the Company and Key Management Personnel (KMP) have been disclosed in note # 36. Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly.

Receivable / payables as at the balance sheet date are disclosed in the respective notes to the financial statements.

38 ENTITY - WIDE INFORMATION

38.1 The Company constitutes of a single reportable segment, the principal class of product is Sugar and by products are Molasses and Baggasse.

38.2 Information about products

The Company's principal class of product accounted for are disclosed in respective notes to the financial statements.

38.3 Information about geographical areas

The Company does not hold non-current assets in any foreign country. Revenues from external customers attributed to foreign countries in aggregate are not material in the overall context of these financial statements. The analysis of sugar sales are as follows and the others are disclosed in respective notes to the financial statements:

	2013	2012
	(Rupees in '000)	
Export Sales	**905,437**	291,846
Local Sales - net	**1,866,017**	2,713,415
	2,771,454	3,005,261
	(In percentage)	
Export Sales	**32.67%**	9.71%
Local Sales - net	**67.33%**	90.29%
	100.00%	100.00%

38 CAPACITY AND PRODUCTION

	2013		2012	
	Quantity M. Tons	No. of days	Quantity M. Tons	No. of days
Crushing capacity	**6,000**	**Per day**	6,000	Per day
Capacity based on actual working days	**726,000**	**121**	654,000	109
Actual Crushing	**542,289**	**121**	483,352	109
Sucrose recovery (in %)	**9.77**	—	9.62	—
Sugar production from cane	**52,823**	—	46,515	—

38.1 Main reason for under utilization of production capacity is lesser availability of sugarcane during the season.

39 CORRESPONDING FIGURES

Corresponding figures have been re-arranged / reclassified, whenever necessary, for the purpose of compliance, comparison and better presentation. There were no major / material changes made during the year.

40 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on January 09, 2014 by the Board of Directors of the Company.

41 NUMBER OF EMPLOYEES

The number of employees as at year end was 534 (2012: 529) and average number of employees during the year was 741 included seasonal employees - (2012: 728 included seasonal employees).

42 GENERAL

Figures have been rounded off to nearest thousand of rupees.

Chief Executive **Director**

Pattern of Share Holding

As at September 30, 2013

Number of Shareholders	Share Holding From	Share Holding To	Total Shares Held
695	1	100	22,645
116	101	500	32,542
85	501	1000	52,375
80	1001	5000	183,936
38	5001	10000	236,130
5	10001	15000	62,181
3	15001	20000	54,530
4	20001	25000	93,060
4	25001	30000	107,330
3	35001	40000	109,827
2	40001	45000	89,650
1	55001	60000	55,750
2	60001	65000	125,400
2	75001	80000	150,355
1	80001	85000	82,584
1	85001	90000	87,840
3	95001	100000	289,140
1	105001	110000	106,075
2	125001	130000	251,615
1	130001	135000	131,752
1	240001	245000	241,487
3	280001	285000	854,076
2	290001	295000	587,000
1	360001	365000	360,179
1	400001	405000	403,100
1	410001	415000	410,740
1	520001	525000	522,600
1	655001	660000	659,250
1	670001	675000	674,750
1	855001	860000	858,000
1	910001	915000	913,000
1	975001	980000	979,000
1	1060001	1065000	1,063,616
1	1090001	1095000	1,094,485
1,066			**11,946,000**

* There is no shareholding in the slab not mentioned

	Category of Shareholders	Number of Shares Held	Percentage %
01	Directors, Chief Executive Officer, and their spouse and minor children.	1,649,137	13.8049
02	Associated Companies, undertakings and related parties.	–	–
03	Executives	25,290	0.2117
04	NIT & ICP	1,091,406	9.1362
05	Banks, DFIs, NBFIs, Mudaraba and Pension Fund	101,665	0.8510
06	Insurance Companies	418,040	3.4994
07	Shareholders holding 5% or more	3,844,485	32.1822
08	Limited Companies	235,818	1.9741
09	General Public - Local	4,580,159	38.3405
	TOTAL	**11,946,000**	**100.0000**

REGISTERED OFFICE:

101-First Floor, Ocean Centre, Talpur Road, Karachi - Pakistan.
Phone : 021-32427171–72 Fax No : 021–32410700
E-mail: info@sangharsugarmills.com

FACTORY:

13th Km, Sanghar Sindhri Road, Deh Kehar, District Sanghar, Sindh.
Phone : 02355–42158, 0345–8222911, 0345–3737001

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Detail of Pattern of Share Holding

As per Requirement of Code of Corporate Governance

As at September 30, 2013

Category Name	Number of shares held	Percentage %	Category wise Number of shareholders	Category wise shares held	Percentage %
Directors, Chief Executive and their spouse and minor children			7	1,649,137	13.8049
Haji Khuda Bux Rajar	241,487	2.0215			
* Mr. Ghulam Dastagir Rajar	659,250	5.5186			
Mr. Jam Mitha Khan	62,700	0.5249			
Mr. Mohammad Aslam	3,300	0.0276			
Mr. Qazi Shamsuddin	4,900	0.0410			
* Mr. Gul Mohammad	674,750	5.6483			
Mrs. Khanzady W/o Haji Khuda Bux Rajar	2,750	0.0230			
Associated Companies, Undertaking and related parties			-	-	-
Executives			1	25,290	0.2117
NIT & ICP			3	1,091,406	9.1362
National Investment Trust Limited	27,390	0.2293			
* NBP Trustee - NI(U)T (LOC) Fund	1,063,616	8.9035			
Investment Corporation of Pakistan	400	0.0033			
Banks, DFIs, NBFIs, Mudaraba and Pension Funds			5	101,665	0.8510
Insurance Companies			3	418,040	3.4994
* **Shareholders holding 5% or more**			4	3,844,485	32.1822
Limited Companies			9	235,818	1.9741
General Public - Local			1034	4,580,159	38.3405
			1,066	**11,946,000**	**100.000**

* Shareholders having 5% or more shares marked as (*) are shown in their relevant categories. The name wise details of the remaining shareholders having 5% or more given below:

Name of Shareholders	Number of shares held	Percentage %
Ali Ghulam	858,000	7.1823
Khuda Bux	913,000	7.6427
Abdul Jabbar	979,000	8.1952
Pir Baksh	1,094,485	9.1620
	3,844,485	**32.1822**

Information under clause (xvi) (l) of the Code of Corporate Governance

The Directors, Executives and their spouse and their minor children have not undertaking any trading of Company's shares during the year 2012-2013