



Progressing through changing Dynamics



Progressing through changing Dynamics

The year has been challenging for the industry. There is already a sugar glut locally and globally and a new cane harvest is ready. This upcoming cane harvest is expected to bring about an even larger cane crop creating a situation that might not be favorable for both the growers and the mills. However, Mehran Sugar Mills has managed to progress because of appropriate risk management. This has been because of the foresightedness and long term strategies adopted. We are confident that we will not only be able to come through as a company that can withstand this time, but also maintain to be profitable and continue to grow our footprint. As the theme of our annual report this year, we will demonstrate how we are progressing through changing dynamics and maintaining our leadership position.



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We have been fortunate to have a board which can think diversely and encourages the company to think like that. Our timely investments in non core businneses and portfolio management gave us a strong hedge and much needed financial strength which is a buffer during tough times and a growth catalyst during good times.





Progressing with **Diverse** thinking



Key Figures

| | | |
|-----------------------------------------------------|------------------------------------------------|--|
| Turnover (Rs.) 5,897,272,317 | Sucrose Recovery 11.06% | |
| Profit before tax (Rs.) 198,546,258 | Earnings per share (Rs.) 4.11 | |
| Sugar Production (M.Tons) 116,780 | Molasses production (M. Tons) 48,864 | |
| Market Capitalization (Rs.) 4,484,374,300 | Dividend declared 32.5% | |

Our Core Values

MAXIMIZING RETURNS

Our shareholders are a key stakeholder and we continually strive to create value for them. We pay dividends on regular basis to our shareholders and we intend to be progressive.

BINDING ASSOCIATIONS

We maintain a long-term working relationship with relevant stakeholders as they are part and parcel of our quest in enhancing our business opportunities. Our investments in joint venture companies such as Unicol, UniEnergy and Unifood Industries is a reflection of this.

EMPOWERING GROWERS

We are committed to facilitate our growers and assist them in whatever way possible within our resources. Our premium quality seed loan policy for pest management is a reflection of this. We work with our farmer and support him in finding innovative and progressive solutions to sugarcane farming.

ENSURING SAFETY

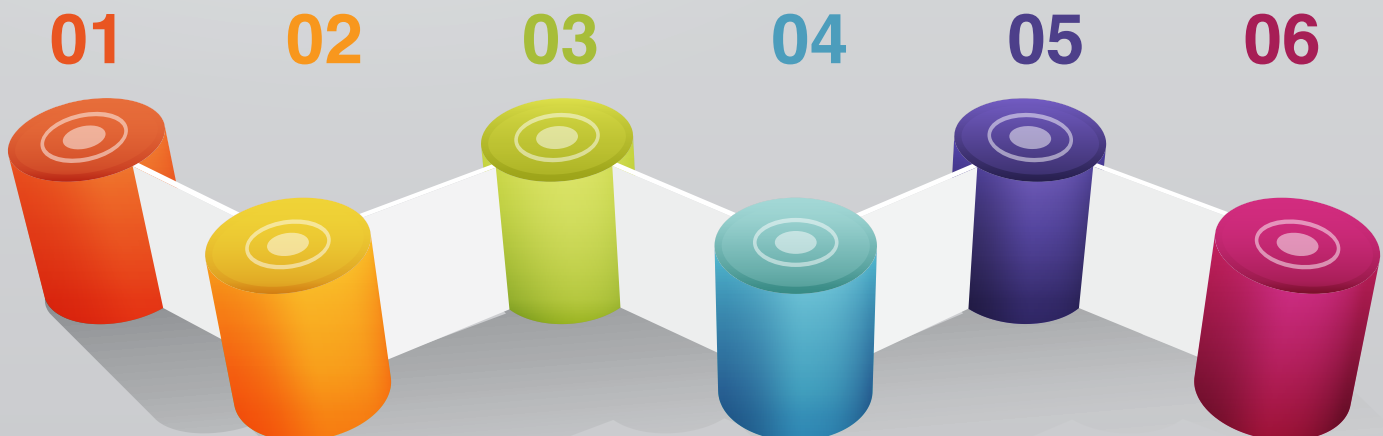
We conduct our business with high regard for the health, safety and environment. We have established an HSE department and continually strive to make sure we can create a conducive work environment.

CLEANER ENVIRONMENT

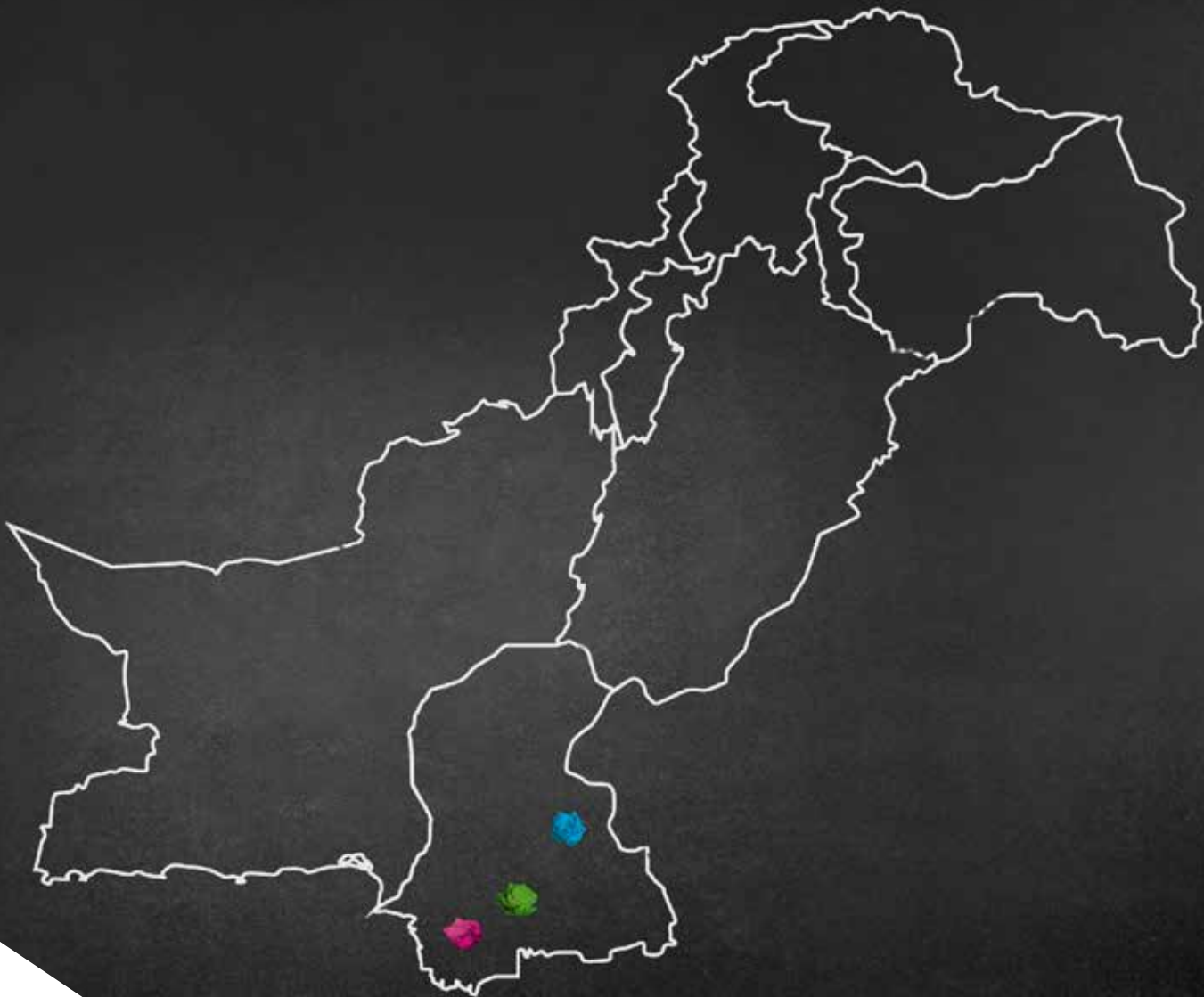
We are committed to minimizing environmental impacts by reducing wastes and emissions. Mehran is proud to be one of the pioneers in establishing a fly ash discharge system and a state of the art Effluent Treatment Plant (ETP).

PROVIDING EDUCATION

We live by our principle of corporate social responsibility and make a difference through our social development programs. Education in the rural sector is direly needed and we continue to play a strong role in ensuring to fulfill this need. Our three schools i.e. DMS, TCF I and TCF II have combined enrolment of more than 1,000 students.



To remain competitive one should strive for continual improvement. With our 26.5 MW Biomass/Bagasse Based Power Project, we are going to sustain our competitiveness by adding further value to the business of cane milling. Efficiency of plant operation and producing indigenous power from our sugar fuel source is a major shift for our company. While being a growth opportunity and value creator it is also an excellent national cause as it reduces the countries dependence on imported fuels.





Progressing with maintaining Competitiveness



Vision

We remain focused on being one of Pakistan's leading and largest sugar producers. A modern sugar mill must utilise its raw materials efficiently to produce sugar, ethanol and power at the most competitive pricing. Our vision remains to be the most economical producer of sugar by utilising these raw materials effectively.





Mission

Our Mission remains to ensure we can provide sustainable results and consistent growth to our shareholders. Our objective is to achieve this by utilising sugar and its by-products to add value and grow our business.

Basic Purpose:

The basic purpose of our Enterprise is to perpetuate as a Public Limited Company engaged in manufacturing and marketing white refined cane sugar and brown sugar while utilising its by-products such as molasses and Baggasse to produce ethanol and power respectively. To ensure sustainability we also look to make long term investments in industries which we feel add value to our shareholders and to the country.

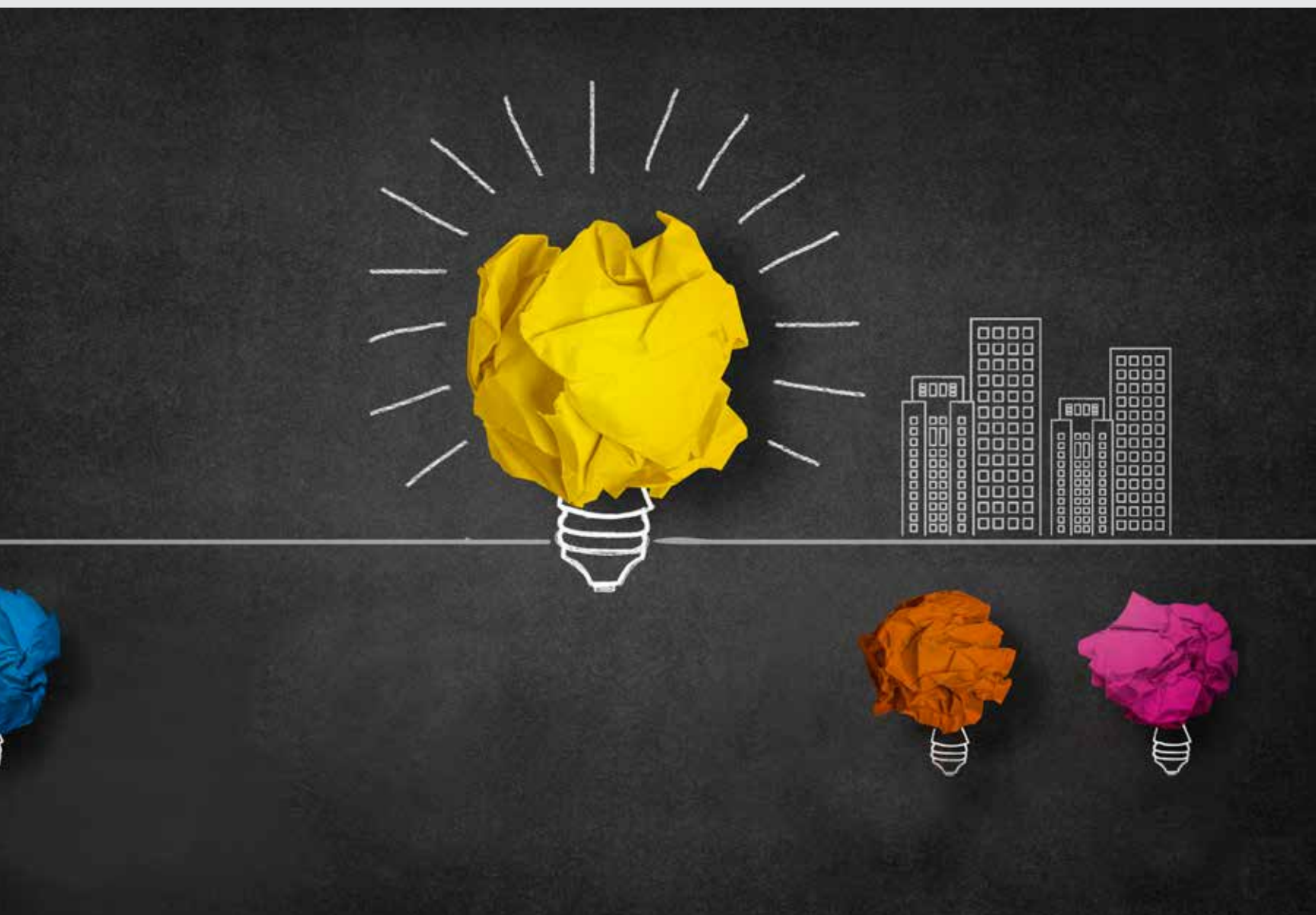


In our continual effort to vertically and horizontally integrate we have decided to invest in the FMCG sector through an investment in Unifood Industries Limited. This investment in a commercial cake and baking line allows us to tap Pakistan's growing youth and middle income population. We strongly believe that by utilizing our institutional and synergic strengths, we can develop a strong set of products and brands organically through this FMCG venture.





Progressing with widened Horizons



Important Events In 2017

This year MSML remained Profitable despite the industry turmoil and global and local sugar markets. While our sugar division had an operational loss, we were still able to achieve a net profit of **Rs. 131.675 million** in one of the toughest sugar years in history.

Despite a challenging scenario we continued to pay regular dividend of **Rs. 176.17 million** this year.

Our Sucrose Recovery trend maintained its standard and this year again we achieved a sucrose recovery of **11.06%** which was amongst highest in the country.

Our last year investment in BMRE particularly in context of improvement in “steam efficiency of plant” has delivered its fruits this year in the form of excess Bagasse savings which reached a level of **30,000 Tons**.

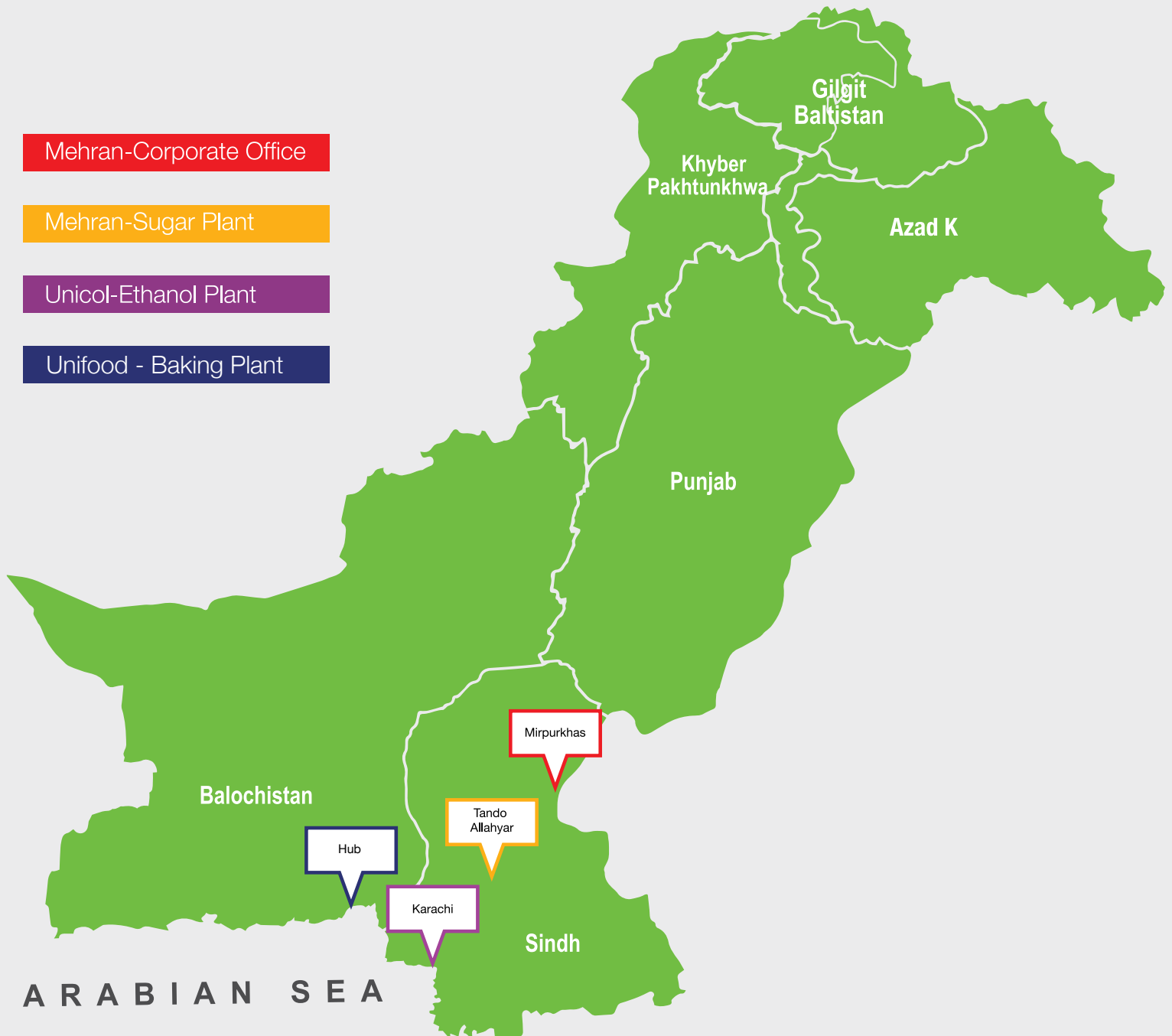
Supply of electricity to National Grid through **HESCO** continued during the season. We supplied **3.45 million kwh** electricity to the grid this year.

Progress on “**26.5 MW Bagasse based Cogeneration Power Plant**” remained satisfactory this year. **NEPRA** has awarded the Generation License and Upfront Tariff to “**Mehran Energy Limited**” whereas **AEDB** issued us the Letter of Support (LOS) to initiate implementation procedure of the Project. In next steps, we will sign Energy Purchase Agreement (EPA) and Implementation Agreement (IA) with Government.

Erection and Construction work on “**Baking and confectionery**” Project under the banner of “**Unifood Industries Limited**” is in progress under the supervision of overseas technicians. The major Plant & Machinery of the Project is imported and already reached at project SITE. The Project will incept its trial run in **1st quarter of 2018**.

The state of the art “**Effluent Treatment Plant**” has commenced its operations this year after successful trial run in off-season. Now our Company is fully compliant to the provincial / federal “**environmental standards**”.

Geographical Location



Our History

1930

Mehran has a long, rich heritage with Haji Hasham and his son Usman's vision to set up a sugar factory. Haji Hasham started his business career by trading in commodities in the 1930's in the Indo-Pak Subcontinent.

1965

In 1965, Mehran Sugar Mills Limited (MSML) was incorporated as a public limited company with an annual capacity of 1,500 TCD. MSML procured a modern sugar plant from Mitsubishi Japan; set-up the factory in Tando Allahyar which was very conducive for plantation of sugar cane. Total initial investment was USD 10 Million. In 1968, shares of the Company were listed on the Karachi Stock Exchange and in parallel the Plant commenced its trial production.

1978

In 1978, through steady re-engineering Mehran Sugar increased its crushing capacity to 3,500 TCD. Within a span of 18 years from the date of incorporation Mehran Sugar was recognized by the Karachi Stock Exchange as one of the Top 25 Companies in the year 1983 and yet again in the year 1986.

1994

Second parallel milling unit of Mehran Sugar started commercial production in the year 1994 resultantly the crushing capacity was enhanced to 7,000 TCD. In 1998, the Company was awarded ISO-9002 QMS Certification.

2001

Continuing our progress, in 2001 Mehran Sugar achieved a milestone of 1.0 Billion Turnover and in next five years the Turnover showed a growth of 100% and reached to 2.0 Billion milestone.

2003

In the year 2003, Mehran Sugar invested in a JV ethanol company, Unicol Limited. Unicol Limited commenced its commercial production in the year 2007.



2010

By 2010, MSML crossed 4.0 Billion Turnover milestone and in the year 2013 Mehran Sugar first time ever crossed sucrose recovery of 11 percent and production of 100,00 M. Tons of sugar.



2007

At different intervals from 2007 to 2013, Mehran Sugar continually spent on BMR and operational efficiencies resultantly the crushing capacity increased from 7,000 to 10,000 TCD.



2014

Year 2014 was an extension of our success and Company accomplished many landmarks such as recorded highest sugar production of 123,210 M. Tons; Turnover crossed 6.0 Billion and UniCol Limited doubled its ethanol production to 200,000 liters per day.



2015

In year 2015 our growth trend continued as Mehran Sugar recorded highest sucrose recovery of 11.42 percent which was the highest achieved in the country; in addition Company crossed half a billion profit before tax, started supplying electricity to the National Grid and paid its highest dividend of 176 Million. Further, through investment in BMR crushing capacity of Mehran Sugar reached at level of 11,000 TCD.

For better market penetration, Mehran Sugar launched three new variants of retail sugar moist, icing, caster in consumer packs under the umbrella of our brown sugar brand “Sugarie”.

Re-diversified ourselves by entering in renewable energy sector and finalized plans to set up a new SPV named UniEnergy which is in process of setting up a 50 MW Wind Power Project.

Going ahead, Mehran Sugar will remain focused on our core operations through our business values and creating value addition by diversification policy which is evident from our future strategic plans adequately covered in this annual report.

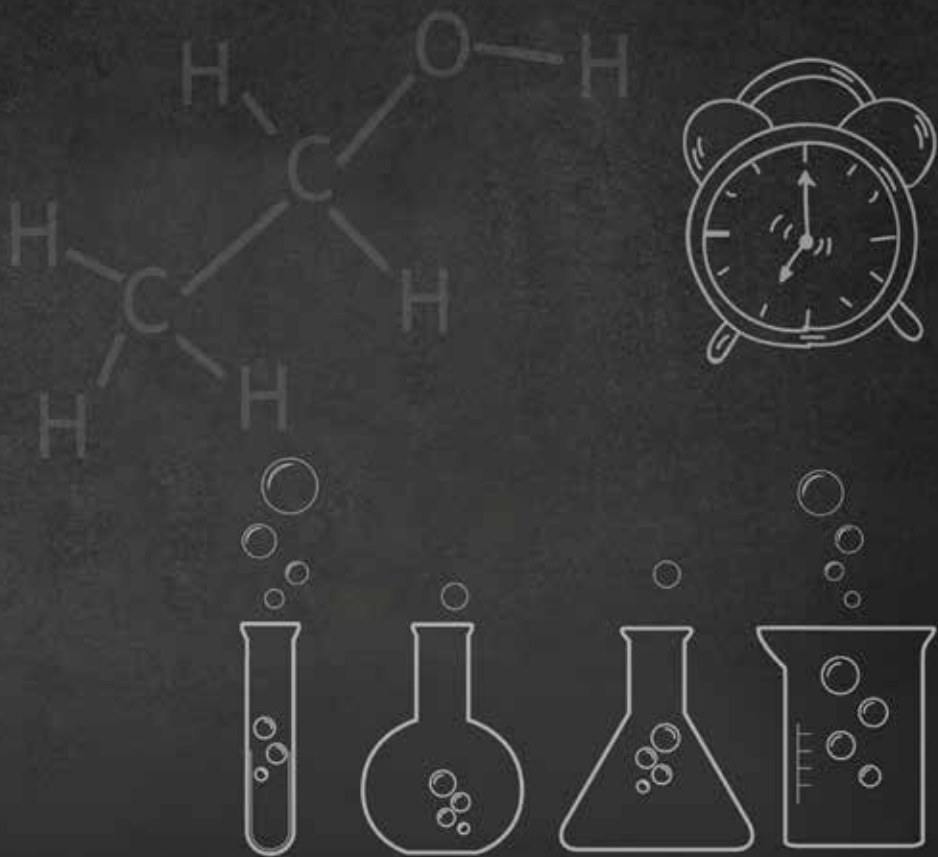
Key Achievements

| | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| <p>1978</p> <p>Steady re-engineering increase the crushing capacity to 3,500 TCD.</p> | <p>1983</p> <p>Recognised by the Karachi Stock Exchange as one of the Top 25 Company Award for the year.</p> | |
| <p>1986</p> <p>Again selected by the Karachi Stock Exchange for its Top 25 Company Award for the year.</p> | <p>1998</p> <p>The Company is awarded ISO-9002 - QMS Certification.</p> | <p>2001</p> <p>Sales cross Rs. 1.0 Billion.</p> |
| <p>2006</p> <p>The Company crosses the Rs. 2.0 Billion sales milestone.</p> | <p>2007</p> <p>The joint venture distillery, Unicol Limited commences commercial production.</p> | <p>2010</p> <p>The Company crosses the Rs. 4.0 Billion sales milestone.</p> |
| <p>2013</p> <p>Company first time ever crossed sucrose recovery of 11 percent.</p> <p>The Company crossed the 100,000 M. tons milestone production for the first time.</p> | <p>2014</p> <p>Record highest sugar production of 123,210 M. tons.</p> <p>Sales crossed Rs. 6.0 Billion.</p> <p>Associated Company Unicol Limited doubled its ethanol production to 200,000 LPD.</p> | |
| <p>2015</p> <p>Record highest sucrose recovery of 11.42 percent, which was the highest achieved in the country.</p> <p>Company crossed half a billion profit before tax.</p> <p>Started supply of co-generated electricity to the National Grid.</p> | <p>2016</p> <p>The company crosses the Rs. 7.0 billion sales milestone.</p> <p>Company paid its highest dividend of 57.5% translating into Rs. 184 million for the year.</p> | |
| <p>2017</p> <p>Sucrose Recovery of 11.06% was amongst highest in the country.</p> <p>Bagasse Savings reached level of 30,000 Tons this year.</p> <p>The state of the art Effluent Treatment Plant commenced its operations.</p> <p>The Company further diversified its stake in new business ventures namely Mehran Energy Ltd. and Unifood Industries Ltd.</p> <p>Upfront Tariff & Generation License have been awarded to 26.5 MW Hp-Cogen Power Plant.</p> | | |



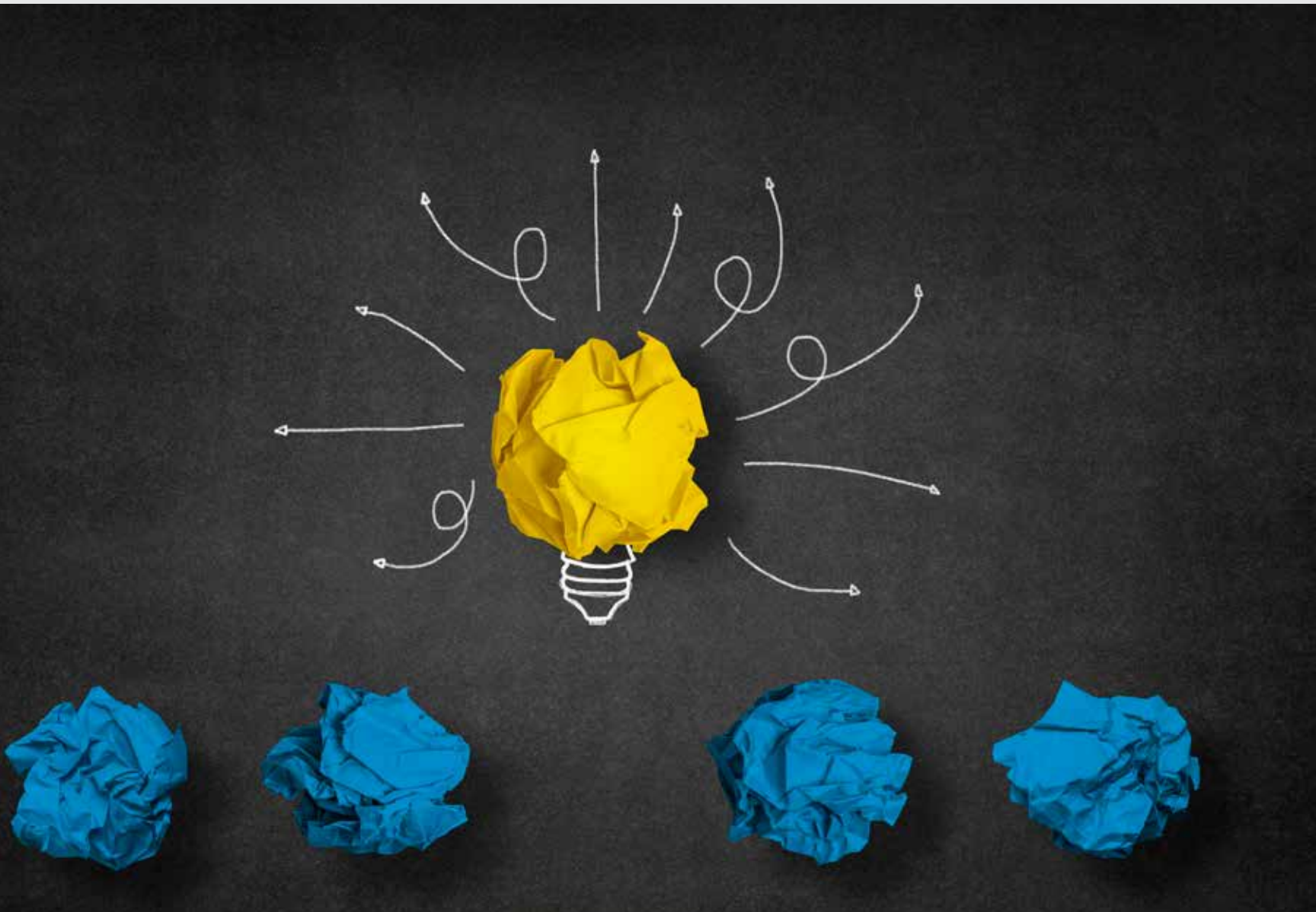


The timely decision of our associated company Unicol Limited to procure molasses for its ethanol plants at fairly competitive prices shall ensure promising numbers in terms of operational profitability for the upcoming year. Unicol now stands in a good position to pay continual dividends which will help us invest in future projects.





Progressing because of well-timed **Decisions**



Company Information

Audit Committee

Mr. Amjad Waheed - Chairman
Mr. Mohammed Hussain Hasham – Member
Mr. Khurram Kasim - Member
Mr. Muhammad Iqbal- Member
Mr. Haseeb Atif - Secretary

CFO and Company Secretary

Mr. Muhammad Hanif Aziz
FCMA, FCIS

Auditors

EY Ford Rhodes
Chartered Accountants

Legal Advisor

Sayeed & Sayeed
Advocate & Legal Consultants

KMS Law Associates
Advocates & Corporate Consultants

Share Registrar

C & K Management Associates (Pvt) Ltd.

Bankers

Al Baraka Bank (Pakistan) Limited
Allied Bank Limited
Askari Bank Limited
Bank Al Habib Limited
Bank Alfalah Limited
Bank of Punjab Limited
BankIslami Pakistan Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
MCB Bank Limited
Meezan Bank Limited
Standard Chartered Bank Limited

Registered Office

Executive Tower, Dolmen City,
14th Floor, Block-4,
Marine Drive, Clifton,
Karachi-75600
Tel : (92 21) 35297814-17
Fax : (92 21) 35297818, 35297827
msm@mehransugar.com
www.mehransugar.com

Mills

Tando Adam Road, Distt. Tando Allahyar.
Tel:(022) 3414501, 3414502, 3414503
Fax:(022) 3414504



Our newly renovated mill entrance and new outer cane yard across the boundary.

SWOT Analysis



strengths

- Over 95 percent of cane in Mehran's cane zone is early maturing and high yielding which allows the Company to achieve sucrose recoveries which are approximately 10% higher than the national average. This gives the Company a comparative advantage as compared to most other sugar mills in Pakistan.
- Mehran's goodwill in the region for payment and commitment allows it to procure cane competitively. The Company is thus able to get a preference in terms of quality, quantity and pricing.
- Mehran has a crushing capacity which is 50% larger than the national average of Pakistan sugar mills which allows it to produce sugar at a lower cost per ton due to better absorption of overheads.
- Mehran's investment in Unicol Limited has diversified its income base and allowed it to add value to its by product, molasses. Unicol has recently doubled its ethanol capacity to 200,000 LPD, besides establishing a CO₂ plant which uses raw carbon dioxide, a by-product, which was being flared in the air earlier. This investment started paying dividends from this year which shall become a recurring source of revenue for Mehran in the future.
- Mehran also manages an equity portfolio. The market value of the portfolio has now exceeded Rs. 800 million. Dividends and capital gains from this portfolio allow a continual income stream which further strengthens the balance sheet.
- Mehran's strength lies in its policy to grow in a conservative yet sustainable manner. This has allowed it to establish a strong balance Sheet which is not heavily leveraged, hence allowing the Company to explore other business avenues to maximise Shareholder return.

weakness



- The nature of the sugar industry remains a controlled one. The provincial government sets cane prices which at times are not in line with sugar sales prices. This reliance on government intervention especially considering cane and sugar can be politically sensitive can have a negative impact on the overall business.
- Change in the size of the sugarcane crop can have an effect on the financial results of the Company. Sugarcane crop sizes vary depending on the weather, water availability and pricing of competitive crops. Sugarcane disease can have a detrimental effect on both farmer and factory yields which could also affect profitability.
- Since sugar is a commodity, the Company does not have much pricing power or any relative advantage as compared to its competitors. The only advantage the Company has, is the timing of its sales keeping in mind the market movements.
- Sugar prices have continued to remain extremely volatile which doesn't allow one to forecast future revenue streams. While sugar production is a seasonal operation, sales continue throughout the year, thus holding inventory is a risk, especially in a high interest rate environment like Pakistan.
- Sugar cane prices are set by the government on the basis of cost of sugarcane production. Low farmer yields have meant that this price is set higher than the global average. The high sugar cane price makes sugar production at times unviable for sale in the global market.
- With changing global environment, innovation is the need of hour to remain competitive, profitable and sustainable. Sugarcane required continuous research for development of new varieties which are disease resistant and have high farm and factory yields. Sadly public or private institutions have not been able to establish any quality research institutes in the country which could eventually make sugarcane farming and sugar milling globally incompetent.
- The country's law and order situation has at times created hindrances to attract foreign quality manpower in areas of innovation for farm and factory.



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opportunities

- A modern sugar complex is a sugar, ethanol and power producer. While we at Mehran have tapped sugar production and recently ethanol production the opportunity to produce power remains a huge one.
- Pakistan remains a power deficit nation and the opportunity to produce power remains huge. The sugar industry has the potential to produce over 3,000 MW of power whereby individual mills can set up plants as large as 100 MW. Mehran has also stepped into power generation and its supply to the national grid by signing a 5 MW PPA with NEPRA. By realizing the further potential of generating power from our indigenous source of fuel i.e. bagasse, a by product of sugar mill, we have embarked upon putting up a co-gen plant of 26.5 MW. This will also become a regular source of income.
- The need of the time is to bring new varieties with high sucrose recovery to improve our overall sugar production. Therefore, research and development needs to be given preferred attention for continuous improvement. While Pakistan's national recovery remains between 9.50-10.50% there are varieties being developed which could fetch recoveries of 12.00 % and higher. Such varieties would make Pakistan globally competitive thus enhancing both farmer and miller revenue. Mehran at its own has initiated a research project with the assistance of Mauritius Sugar Research Institute to study and suggest ways and means to increase farm yield.
- There also lies potential in increasing farm yields which would reduce the cost of the farmer thus making sugar cane cheaper as a raw material.
- Pakistan has a large indigenous population of close to 200 Million. This population continues to grow at a healthy rate. The population growth along with income prosperity means that demand for sugar is expected to grow continually for the foreseeable future allowing for future growth in the industry. We foresee sugar demand growing at 4-5 percent annually while many developed countries are seeing stagnant growth.
- Growing awareness has paved the way for brand loyalty. Mehran has also ventured into retail segment by launching Branded Sugar through its two brands "Sugarie" and "Chashnik". These products have yet to tap the full potential of the niche market.

threats



- Mehran has one of the most densely populated cane zones in Pakistan. The quantity of cane in the area allows the company to pay minimal transport costs for cane arrivals which gives it a comparative advantage, though frequent intervention by other sugar mills has somewhat diluted this advantage.
- Sugar mills are typically located in rural areas which are more susceptible to Law and Order situation. The movement of our cane team as well as farming team in specific areas can also be difficult and restricted.
- Inflation affects the business due to cost increases. It also reduces the consumer buying power. Pakistan has been suffering from inflation since last few years. In order to curb inflation, State Bank of Pakistan regularly intervenes and revises interest rates which affect the cost of doing business. A sudden surge in borrowing rates could adversely affect the Company's financials, though at present the rate has been declining. With increasing inflation, Sugar Mills have to produce specific quantity which allows them to get benefit of economies of scale. It requires huge investment for expanding the capacity as well as robust maintenance activity, which may not be possible for every mill due to variety of factors. Hence their competitiveness is affected.
- Proper maintenance during the off-season enables the plant to run smoothly during the season. Since the season is for a limited duration, a major breakdown could affect financial results for the entire year.
- In the last two decades the industry has consistently increased its sugarcane crushing capacities without objectively ensuring an increase in the size of crop. A major challenge going ahead is to ensure increased sugarcane cultivation to match crushing capacity. This requires not only availability of sufficient water but also motivation to growers towards sugarcane crop.
- Sugar cane requires abundant quantity of water for cultivation. Pakistan with its growing population can in the future face such water constraints which could mitigate the growth of sugarcane and the industry.

Code of Conduct & Ethical Values

The Company's reputation and its actions as a legal entity depend on the conduct of its employees. Each employee must commit to act according to the highest ethical standards and to know and abide by applicable laws. We each must assure that our personal conduct is beyond doubt and complies with the highest standards of conduct and business ethics.

These principles highlight our responsibility to:

- promote ethical business practices
- respect the environment and communities in which we operate
- assure equal employment opportunities
- value diversity in the workplace
- provide healthy and safe working environment
- respect human rights and trade ethically



CONFIDENTIALITY

Confidential business information must not be shared with others outside the company or used for the personal gain of oneself or others. Employees, their family and close acquaintances should not buy or sell company shares if they have material information that has not been made public and could affect our share price.

We expect employees to keep all information confidential. This might include plans to buy or sell business, product formulation, manufacturing processes, advertising, marketing plans, concepts, research and development, suppliers, customers, financial information, personnel and employment matters, and other information which is not generally known to the public. We will make sure that they are aware of their obligations and also expect them to take steps to prevent unintentional disclosure. These obligations apply to all Employees, including those who leave the company.



HEALTH AND SAFETY

We recognize the importance of health and safety within our business. We seek to provide a healthy, safe and clean working environment in line with local laws, regulations and industrial practice. We measure, appraise and report performance, as part of our commitment to the health and safety of our employees, contractors and everyone who works on or visits our sites.

THE ENVIRONMENT

We recognize our environmental responsibilities and our contribution to sustainable development. Our environment policy and its management processes deal not only with the environmental issues connected to our manufacturing processes and facilities, but also with Protecting the ecosystems from which we derive our raw materials, management of our supply chain, and distributing, selling and consumption of our products.



WORK ATMOSPHERE

MSML respects and highly values its diverse employee population. Accordingly, the company has an unwavering ethical commitment toward promoting a workplace that is respectful of personal differences and free of discrimination and harassment. This principle applies in our hiring and interviewing process as well as all aspects of our work environment.

Business Strategy & Goals

Mehran Sugar Mills Limited is a progressive and diversified sugarcane milling company with an objective to achieve growth through maximum capacity utilization, economies of scale and cost rationalization, without compromising the premium quality of products produced. We invest in our production facility and latest technologies on a systematic basis to achieve maximum productivity. Our ultimate goal is to ensure maximum returns to the shareholders within our resources.



Management Committees

Various committees have been formed to look after the operational and financial matters of the Company. A brief description of the composition and their related tasks are as follows:

Executive Committee

The Committee meets to discuss and coordinate various operational activities of the Company. The Chief Executive Officer of the Company is the Chairman of the Committee while Managing Director, Chief Financial Officer, Resident Director, Director Cane/Development are the members of the Committee.



Human Resource Development Committee

The Human Resource Development Committee is responsible for necessary training and capacity building of staff at mill site as well as at Head office. It is also responsible for staff annual appraisal and compensation. The Committee comprises of Chairman, a non-executive Director and Chief Executive Officer.

Audit Committee

It is a statutory Committee formed as per requirements of Code of Corporate Governance; it is responsible to ensure that all functions of the Company operations are regularly audited and their reports are reviewed regularly for ensuring the work as per Company policy. It consists of a Chairman and two other Directors (including one non-executive Director).

Board of Directors

**Muhammad
Ebrahim Hasham**
Chief Executive Officer

M.A (Management)
Chapman University,
California, USA.



**Ahmed
Ebrahim Hasham**
Managing Director

Bachelor of Arts
(Economics and IR)
Tufts University,
Medford MA, USA



**Muhammad
Kasim Hasham**
Chairman

Bachelor's Degree from
Karachi University.



**Muhammad
Hussain Hasham**
Director (Non-Executive)

B.A (Business)
Chapman University,
California, USA.

**Muhammad
Bashir**

Director (Independent)

B.Com, LLB, Chartered
Accountant
Institute of Chartered Accountants
of Pakistan.



**Khurram
Kasim**

Director (Non-Executive)

Bachelor of Science
(Marketing) Babson College,
Massachusetts, USA.



**Dr. Amjad
Waheed**

Director (Independent)

Ph. D
(Business Administration)
Southern Illinois University, USA.

**Muhammad
Iqbal**

Director (Non-Executive)

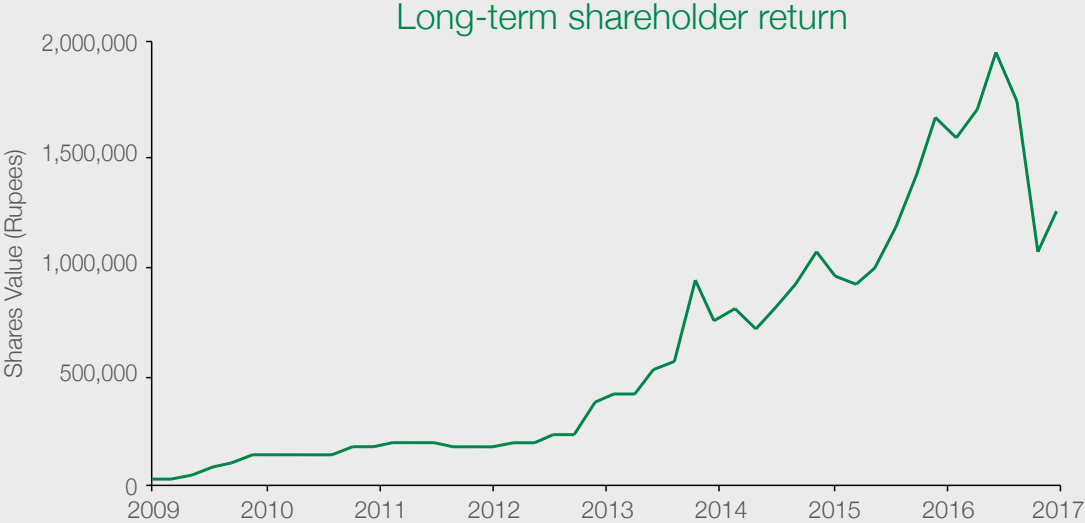
C.A – Finalist
Institute of Chartered Accountants
of Pakistan.



Investing in Mehran Sugar

Long-term shareholder return

A shareholder, who on October 1, 2008 invested Rs. 50,000 and acquired 1,863 shares of Mehran Sugar Mills Ltd. at a price of Rs. 26.84 per share, and if all the dividends received were re-invested, would have Mehran shares worth Rs. 1,246,420 on September 30, 2017 representing a cumulative gain of 2,401%. The average annual return of the Mehran share over this period was 57.6% versus the average annual return of the KSE 100 index was 19.34%.

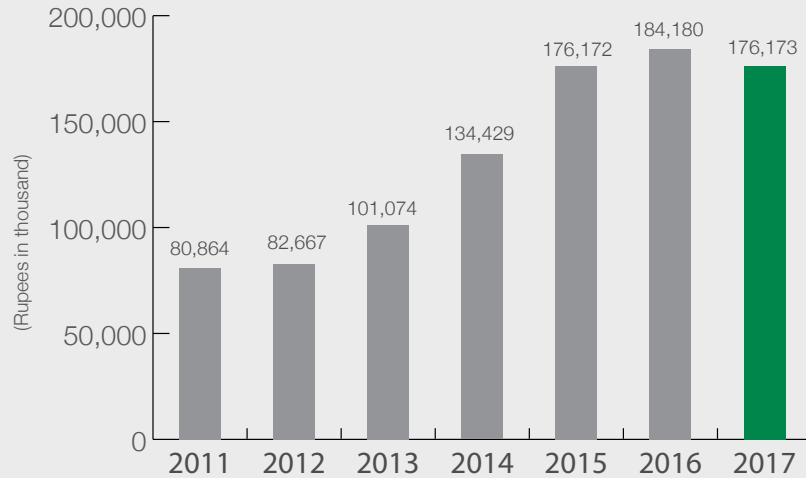


Share performance 2017



Mehran Sugar Mills Limited assigned Rs. 176.17 million to Dividends in 2016-17

Shareholders' Remuneration



Investor Relations

Share Registrar

C & K Management Associates (Pvt) Ltd.
404, Trade Tower, Abdullah Haroon Road,
Near Metropole Hotel, Karachi
Ph: +92 - 21 -35687839, 35685930

Contact Person

Mr. Muhammad Zakir

Date of Annual General meeting

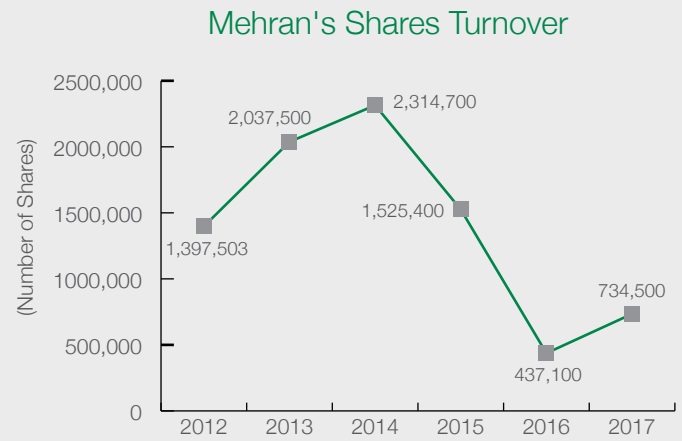
26/01/2018

Date of Board of Directors meeting (Tentative)

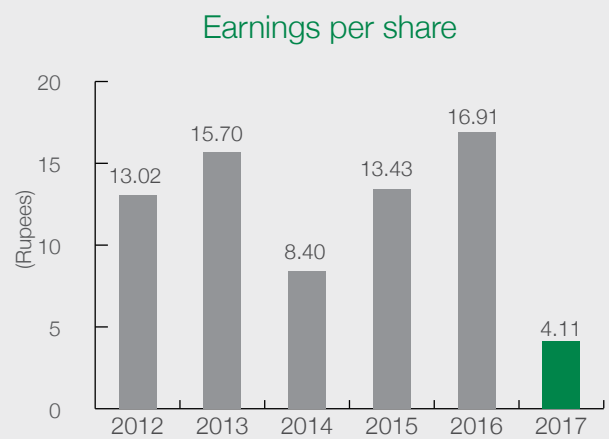
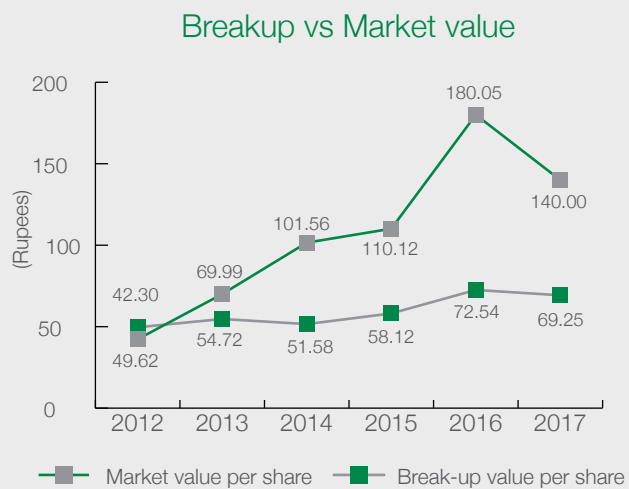
| 1st Qtr | Half Year | 3rd Qtr | Annual |
|------------|------------|------------|------------|
| 29/01/2018 | 22/05/2018 | 25/07/2018 | 19/12/2018 |

| 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|------|------|------|------|------|------|
|------|------|------|------|------|------|

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|-----------------------------------------------------|----------------------|---------------|---------------|---------------|---------------|-------------|
| Number of Shares (Issued / Paid-up) | 32,031,245 | 32,031,245 | 32,031,245 | 32,031,245 | 25,321,143 | 20,926,565 |
| Earning per share | 4.11 | 16.91 | 13.43 | 8.40 | 15.70 | 13.02 |
| Break-up value per share | 69.25 | 72.54 | 58.12 | 51.58 | 54.72 | 49.62 |
| Market Capitalization | 4,484,374,300 | 5,767,225,662 | 3,527,280,699 | 3,253,093,242 | 1,772,226,799 | 885,193,700 |
| Market value of share on 30 th September | 140.00 | 180.05 | 110.12 | 101.56 | 69.99 | 42.30 |
| P/E Ratio | 34.06 | 10.65 | 8.20 | 12.09 | 4.46 | 3.25 |
| Cash Dividend % | 32.50 | 65.00 | 60.00 | 26.00 | 25.00 | 25.00 |
| Bonus Shares % | - | - | - | 10.00 | 25.00 | 20.00 |
| Number of shares Traded | 734,500 | 437,100 | 1,525,400 | 2,314,700 | 2,037,500 | 1,397,503 |
| Highest price during the year | 241.50 | 210.00 | 143.32 | 131.99 | 75.40 | 56.99 |
| Lowest price during the year | 110.00 | 108.00 | 79.01 | 64.50 | 41.26 | 38.00 |



Mehran's Shereholders Equity has increased from Rs. 1,038.31 million in 2012 to Rs. 2,218.25 million in 2017, thus representing an increase of 114% in six years



Management Team



Mr. Mohammed Ebrahim Hasham

Chief Executive Officer

Joined Mehran in 1973

M.A. (Management)
Chapman University,
California, USA

Work Experience:
44 years of practical
experience in the
sugar industry.

Mr. Ahmed Ebrahim Hasham

Managing Director

Joined Mehran in 2000

Bachelor of Arts
(Economics and IR)
Tufts University,
Medford MA, USA

Work Experience:
17 years of practical
experience in various
sectors.



Mr. Muhammad Hanif Aziz

CFO & Company Secretary

Joined Mehran in 2004

FCMA - Institute of Cost &
Management Accountants of
Pakistan
FCIS - Institute of Corporate
Secretaries of Pakistan

Work Experience:
33 years of practical
experience with
multinational and
national companies.

Mr. Ikhlas Ahmed Khan

Resident Director

Joined Mehran in 2007

B. Sc & PGD in Chemical
Engineering & Technology
From University of
Punjab – Lahore

Work Experience:
36 years of practical
experience in the
sugar industry.





Mr. Syed Ehtesham-ud-Din
Director Cane/Development

Joined Mehran in 2004

Bachelor of Arts

Work Experience:
36 years of practical
experience in the
sugar Industry.

Mr. Ubaid-Ur-Rehman
GM Technical

Joined Mehran in 2012

B-Tech (Hons) in
Mechanical Engineering
From Mehran University of
Engineering - Jamshoro

Work Experience:
35 years of practical
experience in the
sugar Industry.



Mr. Sanaullah
GM Production

Joined Mehran in 2011

Bachelor of Science
(Chemistry, Physics,
Mathematics)
From Mehran University of
Engineering - Jamshoro

Work Experience:
24 years of practical
experience in the
sugar Industry.

Mr. Rashid Ali Baloch
GM Human Resource & Administration

Joined Mehran in 2007

PhD in Public Administration,
LLB & M.A Economics from
reputable universities of
Pakistan

Work Experience:
30 years of practical
experience in various
industries.



Horizontal & Vertical Analysis Profit & Loss Account

Rupees in million

HORIZONTAL ANALYSIS

| | 2017 | | 2016 | |
|------------------------------------|---------------|----------------|---------------|--------------|
| | Rs. | % | Rs. | % |
| Turnover | 5,500.84 | (22.67) | 7,113.23 | 63.10 |
| Cost of sales | (5,232.83) | (17.86) | (6,370.35) | 73.04 |
| Gross Profit | 268.00 | (63.92) | 742.88 | 9.26 |
| Distribution costs | (83.04) | 125.12 | (36.89) | (8.90) |
| Administrative expenses | (243.24) | 23.20 | (197.44) | 13.88 |
| Other operating expenses | (9.36) | (77.29) | (41.21) | 48.56 |
| Other operating income | 362.73 | 98.19 | 183.03 | 13.56 |
| Finance costs | (196.67) | 99.41 | (98.63) | (32.71) |
| Share of Profit from an associates | 100.11 | (13.89) | 116.26 | 23.72 |
| Profit before tax | 198.55 | (70.28) | 668.01 | 22.15 |
| Taxation | (66.87) | (47.01) | (126.20) | 8.01 |
| Profit after taxation | 131.68 | (75.70) | 541.81 | 25.99 |

VERTICAL ANALYSIS

| | 2017 | | 2016 | |
|------------------------------------|---------------|-------------|---------------|--------------|
| | Rs. | % | Rs. | % |
| Turnover | 5,500.84 | 100.00 | 7,113.23 | 100.00 |
| Cost of sales | (5,232.83) | (95.13) | (6,370.35) | (89.56) |
| Gross Profit | 268.00 | 4.87 | 742.88 | 10.44 |
| Distribution costs | (83.04) | (1.51) | (36.89) | (0.52) |
| Administrative expenses | (243.24) | (4.42) | (197.44) | (2.78) |
| Other operating expenses | (9.36) | (0.17) | (41.21) | (0.58) |
| Other operating income | 362.73 | 6.59 | 183.03 | 2.57 |
| Finance costs | (196.67) | (3.58) | (98.63) | (1.39) |
| Share of Profit from an associates | 100.11 | 1.82 | 116.26 | 1.63 |
| Profit before tax | 198.55 | 3.61 | 668.01 | 9.39 |
| Taxation | (66.87) | (1.22) | (126.20) | (1.77) |
| Profit after taxation | 131.68 | 2.39 | 541.81 | 7.62 |

| 2015 | | 2014 | | 2013 | | 2012 | |
|---------------|--------------|---------------|----------------|---------------|--------------|---------------|----------------|
| Rs. | % | Rs. | % | Rs. | % | Rs. | % |
| 4,361.36 | (32.88) | 6,498.22 | 12.09 | 5,797.47 | 39.69 | 4,150.11 | (4.71) |
| (3,681.45) | (37.25) | (5,866.92) | 12.49 | (5,215.46) | 38.27 | (3,771.97) | (0.04) |
| 679.91 | 7.70 | 631.30 | 8.47 | 582.01 | 53.92 | 378.14 | (34.96) |
| (40.49) | (62.12) | (106.90) | 13.82 | (93.92) | 240.60 | (27.58) | 434.02 |
| (173.38) | 12.53 | (154.08) | 16.46 | (132.30) | 29.54 | (102.13) | (1.17) |
| (27.74) | 21.20 | (22.89) | 45.73 | (15.70) | 12.09 | (14.01) | (67.83) |
| 161.18 | 21.98 | 132.13 | (11.44) | 149.20 | 133.62 | 63.87 | (20.43) |
| (146.57) | (29.87) | (209.00) | 11.86 | (186.84) | 60.63 | (116.32) | (13.04) |
| 93.97 | 77.36 | 52.98 | (58.80) | 128.58 | (25.10) | 171.67 | 322.4 |
| 546.88 | 69.03 | 323.54 | (24.94) | 431.02 | 21.88 | 353.64 | (15.09) |
| (116.84) | 114.64 | (54.44) | 62.39 | (33.52) | (58.65) | (81.08) | (13.41) |
| 430.03 | 59.80 | 269.11 | (32.30) | 397.50 | 45.84 | 272.56 | (15.58) |

| 2015 | | 2014 | | 2013 | | 2012 | |
|---------------|--------------|---------------|-------------|---------------|--------------|---------------|-------------|
| Rs. | % | Rs. | % | Rs. | % | Rs. | % |
| 4,361.36 | 100.00 | 6,498.22 | 100.00 | 5,797.47 | 100.00 | 4,150.11 | 100.00 |
| (3,681.45) | (84.41) | (5,866.92) | (90.29) | (5,215.46) | (89.96) | (3,771.97) | (90.89) |
| 679.91 | 15.59 | 631.30 | 9.72 | 582.01 | 10.04 | 378.14 | 9.11 |
| (40.49) | (0.93) | (106.90) | (1.65) | (93.92) | (1.62) | (27.58) | (0.66) |
| (173.38) | (3.98) | (154.08) | (2.37) | (132.30) | (2.28) | (102.13) | (2.46) |
| (27.74) | (0.64) | (22.89) | (0.35) | (15.70) | (0.27) | (14.01) | (0.34) |
| 161.18 | 3.70 | 132.13 | 2.03 | 149.20 | 2.57 | 63.87 | 1.54 |
| (146.57) | (3.36) | (209.00) | (3.22) | (186.84) | (3.22) | (116.32) | (2.80) |
| 93.97 | 2.15 | 52.98 | 0.82 | 128.58 | 2.22 | 171.67 | 4.14 |
| 546.88 | 12.54 | 323.54 | 4.98 | 431.02 | 7.43 | 353.64 | 8.52 |
| (116.84) | (2.68) | (54.44) | (0.84) | (33.52) | (0.58) | (81.08) | (1.95) |
| 430.03 | 9.86 | 269.11 | 4.14 | 397.50 | 6.86 | 272.56 | 6.57 |

Horizontal Analysis Balance Sheet

Rupees in million

| | 2017 | | 2016 | |
|-------------------------------------------------------------------------|-----------------|---------------|-----------------|----------------|
| | Rs. | % | Rs. | % |
| ASSETS | | | | |
| NON-CURRENT ASSETS | | | | |
| Property, plant and equipment | 2,188.13 | 12.04 | 1,952.92 | 18.43 |
| Long term investment | 977.68 | 27.71 | 765.56 | 17.35 |
| Long term deposits | 1.11 | 30.47 | 0.85 | (19.16) |
| | 3,166.92 | 16.46 | 2,719.34 | 18.10 |
| CURRENT ASSETS | | | | |
| Biological assets | 17.66 | (59.72) | 43.85 | (10.20) |
| Stores and spare parts | 83.88 | 16.09 | 72.25 | (24.66) |
| Stock-in-trade | 1,205.46 | 192.56 | 412.04 | (71.83) |
| Trade debts - unsecured | 174.51 | 1,552.61 | 10.56 | (74.92) |
| Loans and advances - unsecured | 148.34 | 37.08 | 108.22 | 205.89 |
| Trade deposits and short term prepayments | 7.75 | 18.94 | 6.52 | (33.60) |
| Other receivables | 4.49 | 20.89 | 3.72 | (45.61) |
| Short term investments | 830.32 | (24.91) | 1,105.80 | 52.44 |
| Advance Income Tax | 54.62 | 100.00 | - | (100.00) |
| Cash and bank balances | 28.76 | (16.49) | 34.44 | (24.40) |
| | 2,555.80 | 42.19 | 1,797.40 | (27.60) |
| TOTAL ASSETS | 5,722.73 | 26.70 | 4,516.74 | (5.61) |
| EQUITY AND LIABILITIES | | | | |
| SHARE CAPITAL AND RESERVES | | | | |
| Issued, subscribed and paid-up capital | 320.31 | - | 320.31 | - |
| Reserves | 1,897.94 | (5.25) | 2,003.10 | 29.95 |
| | 2,218.25 | (4.53) | 2,323.42 | 24.80 |
| NON-CURRENT LIABILITIES | | | | |
| Long-term financing - secured | 448.75 | 47.20 | 304.85 | 11.57 |
| Liabilities against assets subject to finance leases | 31.69 | 49.39 | 21.21 | 15.30 |
| Deferred liabilities | 4.88 | 4.98 | 4.65 | (50.64) |
| Deferred taxation | 288.21 | (10.67) | 322.64 | 11.55 |
| Provision for quality premium | 119.29 | - | 119.29 | - |
| Provision for market committee fee | 65.97 | (6.20) | 70.33 | 168.86 |
| | 958.79 | 13.74 | 842.97 | 14.57 |
| CURRENT LIABILITIES | | | | |
| Trade and other payables | 1,088.93 | (2.17) | 1,113.13 | (33.38) |
| Accrued mark-up | 32.32 | 265.60 | 8.84 | (23.28) |
| Short term borrowings - secured | 1,117.04 | 100.00 | - | (100.00) |
| Current portion of long term financing | 156.02 | (6.97) | 167.72 | 11.06 |
| Current maturity of liabilities against assets subject to finance lease | 24.43 | 61.51 | 15.13 | 1.77 |
| Provision for market committee fee | 19.97 | 112.29 | 9.41 | (81.00) |
| Current portion of market committee fee | 3.76 | - | 3.76 | 100.00 |
| Income tax payable | - | (100.00) | 22.20 | 100.00 |
| Sales tax / excise duty payable | 103.20 | 915.64 | 10.16 | (89.70) |
| | 2,545.68 | 88.52 | 1,350.35 | (38.27) |
| TOTAL EQUITY AND LIABILITIES | 5,722.73 | 26.70 | 4,516.74 | (5.61) |

| 2015 | | 2014 | | 2013 | | 2012 | |
|----------|---------|----------|---------|----------|---------|----------|----------|
| Rs. | % | Rs. | % | Rs. | % | Rs. | % |
| 1,649.07 | 4.05 | 1,584.88 | 5.01 | 1,509.20 | 8.68 | 1,388.68 | 27.54 |
| 652.36 | 16.83 | 558.40 | 10.48 | 505.42 | 34.12 | 376.83 | 73.88 |
| 1.06 | - | 1.06 | (62.36) | 2.80 | (39.59) | 4.64 | (45.69) |
| 2,302.49 | 7.38 | 2,144.33 | 6.29 | 2,017.42 | 13.97 | 1,770.15 | 34.71 |
| 48.83 | (17.13) | 58.92 | 4.67 | 56.30 | (1.97) | 57.42 | 32.57 |
| 95.91 | 54.14 | 62.22 | (7.16) | 67.02 | (8.43) | 73.20 | (5.91) |
| 1,462.63 | 218.01 | 459.93 | (33.19) | 688.43 | (37.15) | 1,095.30 | (24.91) |
| 42.10 | (1.81) | 42.87 | 330.27 | 9.96 | (86.38) | 73.17 | 1,462.43 |
| 35.38 | 3.02 | 34.34 | (35.64) | 53.35 | 59.07 | 33.54 | 8.09 |
| 9.82 | (65.29) | 28.29 | (25.80) | 38.12 | 87.26 | 20.36 | 38.78 |
| 6.84 | 45.49 | 4.70 | 42.46 | 3.30 | 113.37 | 1.55 | 227.32 |
| 725.42 | 48.68 | 487.90 | 66.80 | 292.50 | 43.11 | 204.40 | 25.41 |
| 9.97 | (82.69) | 57.59 | (31.04) | 83.51 | 30.97 | 63.76 | 100.00 |
| 45.55 | 37.24 | 33.19 | 442.85 | 6.11 | (95.78) | 144.77 | 1,112.14 |
| 2,482.45 | 95.48 | 1,269.95 | (2.21) | 1,298.61 | (26.53) | 1,767.46 | (2.11) |
| 4,784.94 | 40.14 | 3,414.28 | 2.96 | 3,316.04 | (6.26) | 3,537.62 | 13.40 |
| 320.31 | - | 320.31 | 26.50 | 253.21 | 21.00 | 209.27 | 21.00 |
| 1,541.45 | 15.73 | 1,331.94 | 17.63 | 1,132.34 | 36.58 | 829.04 | 33.74 |
| 1,861.77 | 12.68 | 1,652.25 | 19.25 | 1,385.55 | 33.44 | 1,038.30 | 30.96 |
| 273.23 | (14.17) | 318.35 | (29.92) | 454.24 | 19.44 | 380.31 | 117.32 |
| 18.40 | (18.57) | 22.59 | 40.60 | 16.07 | 30.98 | 12.27 | (12.74) |
| 9.41 | 17.62 | 8.00 | 5.82 | 7.56 | 17.48 | 6.44 | 13.32 |
| 289.25 | 23.28 | 234.62 | (2.46) | 240.54 | 4.17 | 230.90 | 46.09 |
| 119.29 | - | 119.29 | - | 119.29 | - | 119.29 | - |
| 26.16 | (7.69) | 28.34 | 100.00 | - | - | - | - |
| 735.74 | 0.62 | 731.20 | (12.71) | 837.70 | 11.81 | 749.21 | 58.70 |
| 1,670.97 | 480.14 | 288.03 | (36.77) | 455.50 | (61.05) | 1,169.36 | (28.44) |
| 11.53 | (60.75) | 29.36 | 33.43 | 22.00 | 56.49 | 14.06 | 46.05 |
| 190.89 | (58.32) | 457.97 | 15.31 | 397.18 | 22.05 | 325.43 | 100.00 |
| 151.02 | 11.13 | 135.89 | 7.79 | 126.07 | (14.35) | 147.19 | 14.32 |
| 14.87 | (6.67) | 15.93 | 29.83 | 12.27 | 72.34 | 7.12 | 12.12 |
| 49.51 | 17.26 | 42.22 | (28.63) | 59.16 | 18.31 | 50.00 | 16.88 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | (100.00) |
| 98.66 | 60.59 | 61.43 | 198.07 | 20.61 | (44.21) | 36.94 | 201.35 |
| 2,187.43 | 112.20 | 1,030.84 | (5.67) | 1,092.79 | (37.56) | 1,750.10 | (5.63) |
| 4,784.94 | 40.14 | 3,414.28 | 2.96 | 3,316.04 | (6.26) | 3,537.62 | 13.40 |

Vertical Analysis Balance Sheet

Rupees in million

| | 2017 | | 2016 | |
|-------------------------------------------------------------------------|-----------------|---------------|-----------------|---------------|
| | Rs. | % | Rs. | % |
| ASSETS | | | | |
| NON-CURRENT ASSETS | | | | |
| Property, plant and equipment | 2,188.13 | 38.24 | 1,952.92 | 43.24 |
| Long term investment | 977.68 | 17.08 | 765.56 | 16.95 |
| Long term deposits | 1.11 | 0.02 | 0.85 | 0.02 |
| | 3,166.92 | 55.34 | 2,719.34 | 60.21 |
| CURRENT ASSETS | | | | |
| Biological assets | 17.66 | 0.31 | 43.85 | 0.97 |
| Stores and spare parts | 83.88 | 1.47 | 72.25 | 1.60 |
| Stock-in-trade | 1,205.46 | 21.06 | 412.04 | 9.12 |
| Trade debts - unsecured | 174.51 | 3.05 | 10.56 | 0.23 |
| Loans and advances - unsecured | 148.34 | 2.59 | 108.22 | 2.40 |
| Trade deposits and short term prepayments | 7.75 | 0.14 | 6.52 | 0.14 |
| Other receivables | 4.49 | 0.08 | 3.72 | 0.08 |
| Short term investments | 830.32 | 14.51 | 1,105.80 | 24.48 |
| Advance Income Tax | 54.62 | 0.95 | - | - |
| Cash and bank balances | 28.76 | 0.50 | 34.44 | 0.76 |
| | 2,555.80 | 44.66 | 1,797.40 | 39.79 |
| TOTAL ASSETS | 5,722.73 | 100.00 | 4,516.74 | 100.00 |
| EQUITY AND LIABILITIES | | | | |
| SHARE CAPITAL AND RESERVES | | | | |
| Issued, subscribed and paid-up capital | 320.31 | 5.60 | 320.31 | 7.09 |
| Reserves | 1,897.94 | 33.17 | 2,003.10 | 44.35 |
| | 2,218.25 | 38.76 | 2,323.42 | 51.44 |
| NON-CURRENT LIABILITIES | | | | |
| Long-term financing - secured | 448.75 | 7.84 | 304.85 | 6.75 |
| Liabilities against assets subject to finance leases | 31.69 | 0.55 | 21.21 | 0.47 |
| Deferred liabilities | 4.88 | 0.09 | 4.65 | 0.10 |
| Deferred taxation | 288.21 | 5.04 | 322.64 | 7.14 |
| Provision for quality premium | 119.29 | 2.08 | 119.29 | 2.64 |
| Provision for market committee fee | 65.97 | 1.15 | 70.33 | 1.56 |
| | 958.79 | 16.75 | 842.97 | 18.66 |
| CURRENT LIABILITIES | | | | |
| Trade and other payables | 1,088.93 | 19.03 | 1,113.13 | 24.64 |
| Accrued mark-up | 32.32 | 0.56 | 8.84 | 0.20 |
| Short term borrowings - secured | 1,117.04 | 19.52 | - | - |
| Current portion of long term financing | 156.02 | 2.73 | 167.72 | 3.71 |
| Current maturity of liabilities against assets subject to finance lease | 24.43 | 0.43 | 15.13 | 0.34 |
| Provision for market committee fee | 19.97 | 0.35 | 9.41 | 0.21 |
| Current portion of market committee fee | 3.76 | 0.07 | 3.76 | 0.08 |
| Income tax payable | - | - | 22.20 | 0.49 |
| Sales tax / excise duty payable | 103.20 | 1.80 | 10.16 | 0.23 |
| | 2,545.68 | 44.48 | 1,350.35 | 29.90 |
| TOTAL EQUITY AND LIABILITIES | 5,722.73 | 100.00 | 4,516.74 | 100.00 |

| 2015 | | 2014 | | 2013 | | 2012 | |
|----------|--------|----------|--------|----------|--------|----------|--------|
| Rs. | % | Rs. | % | Rs. | % | Rs. | % |
| 1,649.07 | 34.46 | 1,584.88 | 46.42 | 1,509.20 | 45.51 | 1,388.68 | 39.25 |
| 652.36 | 13.63 | 558.40 | 16.35 | 505.42 | 15.24 | 376.83 | 10.65 |
| 1.06 | 0.02 | 1.06 | 0.03 | 2.80 | 0.08 | 4.64 | 0.13 |
| 2,302.49 | 48.12 | 2,144.33 | 62.80 | 2,017.42 | 60.84 | 1,770.15 | 50.04 |
| 48.83 | 1.02 | 58.92 | 1.73 | 56.30 | 1.70 | 57.42 | 1.62 |
| 95.91 | 2.00 | 62.22 | 1.82 | 67.02 | 2.02 | 73.20 | 2.07 |
| 1,462.63 | 30.57 | 459.93 | 13.47 | 688.43 | 20.76 | 1,095.30 | 30.96 |
| 42.10 | 0.88 | 42.87 | 1.26 | 9.96 | 0.30 | 73.17 | 2.07 |
| 35.38 | 0.74 | 34.34 | 1.01 | 53.35 | 1.61 | 33.54 | 0.95 |
| 9.82 | 0.21 | 28.29 | 0.83 | 38.12 | 1.15 | 20.36 | 0.58 |
| 6.84 | 0.14 | 4.70 | 0.14 | 3.30 | 0.10 | 1.55 | 0.04 |
| 725.42 | 15.16 | 487.90 | 14.29 | 292.50 | 8.82 | 204.40 | 5.78 |
| 9.97 | 0.21 | 57.59 | 1.69 | 83.51 | 2.52 | 63.76 | 1.80 |
| 45.55 | 0.95 | 33.19 | 0.97 | 6.11 | 0.18 | 144.77 | 4.09 |
| 2,482.45 | 51.88 | 1,269.95 | 37.20 | 1,298.61 | 39.16 | 1,767.46 | 49.96 |
| 4,784.94 | 100.00 | 3,414.28 | 100.00 | 3,316.04 | 100.00 | 3,537.62 | 100.00 |
| 320.31 | 6.69 | 320.31 | 9.38 | 253.21 | 7.64 | 209.27 | 5.92 |
| 1,541.45 | 32.21 | 1,331.94 | 39.01 | 1,132.34 | 34.15 | 829.04 | 23.43 |
| 1,861.77 | 38.91 | 1,652.25 | 48.39 | 1,385.55 | 41.78 | 1,038.30 | 29.35 |
| 273.23 | 5.71 | 318.35 | 9.32 | 454.24 | 13.70 | 380.31 | 10.75 |
| 18.40 | 0.38 | 22.59 | 0.66 | 16.07 | 0.48 | 12.27 | 0.35 |
| 9.41 | 0.20 | 8.00 | 0.23 | 7.56 | 0.23 | 6.44 | 0.18 |
| 289.25 | 6.05 | 234.62 | 6.87 | 240.54 | 7.25 | 230.90 | 6.53 |
| 119.29 | 2.49 | 119.29 | 3.49 | 119.29 | 3.60 | 119.29 | 3.37 |
| 26.16 | 0.55 | 28.34 | 0.83 | - | - | - | - |
| 735.74 | 15.38 | 731.20 | 21.42 | 837.70 | 25.26 | 749.21 | 21.18 |
| 1,670.97 | 34.92 | 288.03 | 8.44 | 455.50 | 13.74 | 1,169.36 | 33.06 |
| 11.53 | 0.24 | 29.36 | 0.86 | 22.00 | 0.66 | 14.06 | 0.40 |
| 190.89 | 3.99 | 457.97 | 13.41 | 397.18 | 11.98 | 325.43 | 9.20 |
| 151.02 | 3.16 | 135.89 | 3.98 | 126.07 | 3.80 | 147.19 | 4.16 |
| 14.87 | 0.31 | 15.93 | 0.47 | 12.27 | 0.37 | 7.12 | 0.20 |
| 49.51 | 1.03 | 42.22 | 1.24 | 59.16 | 1.78 | 50.00 | 1.41 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 98.66 | 2.06 | 61.43 | 1.80 | 20.61 | 0.62 | 36.94 | 1.04 |
| 2,187.43 | 45.71 | 1,030.84 | 30.19 | 1,092.79 | 32.95 | 1,750.10 | 49.47 |
| 4,784.94 | 100.00 | 3,414.28 | 100.00 | 3,316.04 | 100.00 | 3,537.62 | 100.00 |

Our Mills Profile

Date of Incorporation

December 22, 1965

Date of Commencement of Business

March 19, 1966

Start of Commercial Production

January 1969

Installed Capacity

11,500 Tons Cane Crushing Per Day

Total Land Area

127 Acres

Total Farming Area

180 Acres

Permanent Employees

370

Facilities at our Mills

- Two Mosques - Factory & Colony.
- Mobile Dispensary along with a qualified MBBS Doctor and trained staff.
- Recreation Centre at officers messs equipped with Indoor Games, TV, Videos and other facilities.
- Cricket Ground, Tennis Court, Park and Rose Garden, School/ College Bus facility.
- Private Electric Generator for Uninterrupted Power Supply.
- Clean Water Supply with UV Filters.
- Transport Facility for City & Adjoining Areas.
- Accommodation for Officers and Company Guests with all facilities.
- Hostel of 36,000 sq.ft for accommodation for seasonal workers and staff of various contractors engaged during crushing season.

Population of the Staff Colony

1098

No. of Students

Daood Memorial School – 550

MSM Colony

The Citizens Foundation – 321

Piyaro Lund

The Citizens Foundation – 241

Hurri

No. of Faculty members

Daood Memorial School - 21

The Citizens Foundation Piyaro Lund – 19

The Citizens Foundation Hurri – 10

No. of Apprentice at Vocational Training Centre

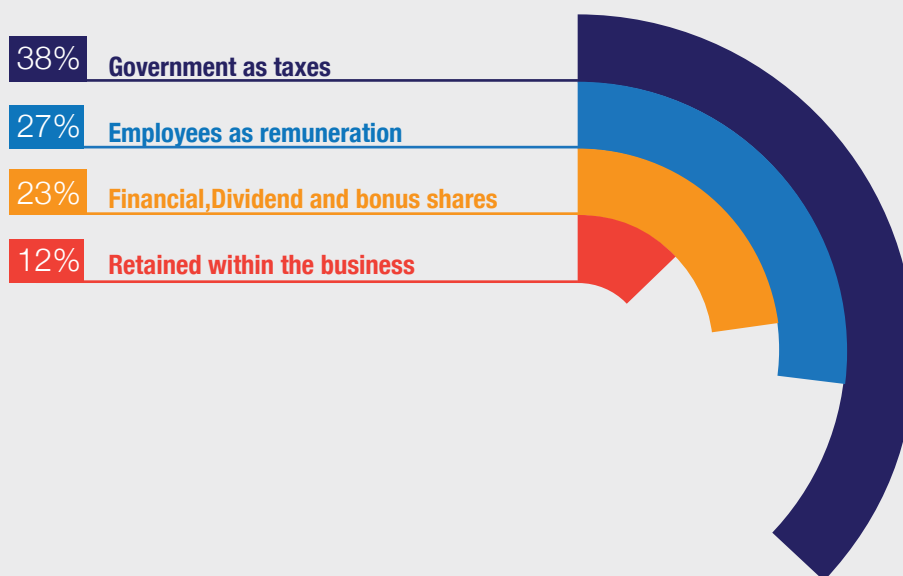
17

Housing

96 Family Homes for Executives, Officers and Workers and a Hostel consisting of 60 rooms for Workers and Contractors

How We Added Value

| | 2017 | | 2016 | |
|-------------------------------------------------|----------------------|------------|----------------------|------------|
| | Rupees | % | Rupees | % |
| WEALTH GENERATED | | | | |
| Net revenue | 5,897,272,317 | | 7,674,145,009 | |
| Expenses | 4,596,514,704 | | 5,872,265,612 | |
| Wealth generated | 1,300,757,613 | 100 | 1,801,879,397 | 100 |
| WEALTH DISTRIBUTED | | | | |
| To Government | | | | |
| Sales Tax, Income Tax, Road Cess, WWF | 496,569,577 | 38 | 662,492,118 | 37 |
| To Employees | | | | |
| Salaries, WPPF, Benefits and Other related cost | 351,594,717 | 27 | 338,875,327 | 19 |
| To Providers of capital | | | | |
| Mark-up on borrowed funds | 196,674,589 | 15 | 98,626,401 | 05 |
| Shareholders as Dividend/Bonus shares | 104,102,408 | 08 | 208,203,992 | 11 |
| | 300,776,997 | 23 | 306,830,393 | 16 |
| Retained with the business | | | | |
| Depreciation | 152,920,439 | 12 | 137,410,827 | 08 |
| Retained profit | (1,104,117) | 0 | 356,270,731 | 20 |
| | 151,816,321 | 12 | 493,681,558 | 28 |
| | 1,300,757,613 | 100 | 1,801,879,397 | 100 |



Mehran has always been conscious of the environment we work in. In the last decade we have invested heavily in ensuring all levels of environmental compliance. Initially we invested heavily in fly ash systems and then in reducing our effluent water flow which we reduced by 65-70 percentage. With this reduced water we set up an ETP plant. Our state-of-the-art Effluent Treatment Plant (ETP) installed in 2017 is procured/installed by a world renowned Manufacturer. Our going green plans initiated a decade ago make us proud as we are now fully compliant with the provincial/federal environmental regulations.





Progressing by being **Responsible**



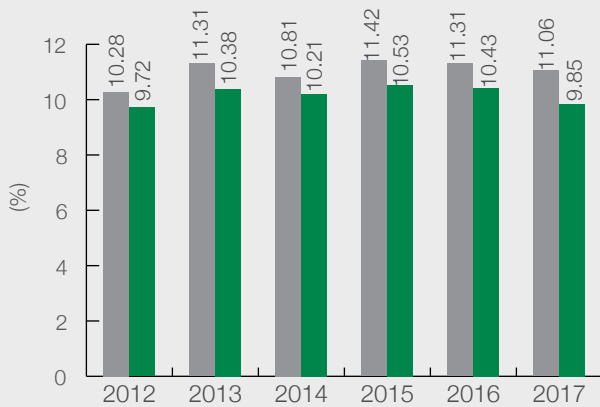
Six Years' Review at a Glance

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|--------------------------------------------------|------------|-------------------|----------|-----------|----------|----------|
| Operational Trends | | | | | | |
| Sugarcane crushed - M.Tons | 1,056,198 | 940,626 | 946,871 | 1,140,502 | 915,666 | 722,120 |
| Sugar produced - M.Tons | 116,780 | 106,400 | 108,136 | 123,210 | 103,580 | 74,201 |
| Average sucrose recovery - % | 11.06 | 11.31 | 11.42 | 10.81 | 11.31 | 10.28 |
| Crushing days | 133 | 105 | 108 | 122 | 108 | 104 |
| Average crushing per day - M.Tons | 7,941 | 8,958 | 8,767 | 9,348 | 8,478 | 6,943 |
| Balance Sheet | | | | | | |
| | | Rupees in million | | | | |
| Share capital | 320.31 | 320.31 | 320.31 | 320.31 | 253.21 | 209.27 |
| Reserves | 1,897.94 | 2,003.10 | 1,541.45 | 1,331.94 | 1,132.34 | 829.04 |
| Shareholders' equity | 2,218.25 | 2,323.41 | 1,861.76 | 1,652.25 | 1,385.55 | 1,038.31 |
| Non current liabilities | 958.79 | 842.97 | 735.74 | 731.20 | 837.70 | 749.21 |
| Current liabilities | 2,545.68 | 1,350.35 | 2,187.43 | 1,030.84 | 1,092.79 | 1,750.10 |
| Total Equity & Liabilities | 5,722.72 | 4,516.73 | 4,784.93 | 3,414.29 | 3,316.04 | 3,537.62 |
| Fixed Assets | 2,188.13 | 1,952.92 | 1,649.07 | 1,584.88 | 1,509.20 | 1,388.68 |
| Non current assets | 978.79 | 766.42 | 653.42 | 559.46 | 508.23 | 381.48 |
| Current assets | 2,555.80 | 1,797.39 | 2,482.44 | 1,269.95 | 1,298.61 | 1,767.46 |
| Total assets | 5,722.72 | 4,516.73 | 4,784.93 | 3,414.29 | 3,316.04 | 3,537.62 |
| Financial Trends | | | | | | |
| | | Rupees in million | | | | |
| Turnover | 5,500.84 | 7,113.23 | 4,361.36 | 6,498.22 | 5,797.47 | 4,150.11 |
| Gross profit | 268.00 | 742.88 | 679.91 | 631.30 | 582.01 | 378.14 |
| EBITDA | 548.14 | 904.04 | 823.59 | 653.59 | 730.05 | 565.85 |
| Operating profit | 295.11 | 650.37 | 599.47 | 479.56 | 489.28 | 298.29 |
| Pre-tax profit | 198.55 | 668.01 | 546.88 | 323.54 | 431.02 | 353.64 |
| After-tax profit | 131.68 | 541.81 | 430.03 | 269.11 | 397.50 | 272.56 |
| Capital Expenditure (additions during the year) | 490.27 | 216.19 | 211.41 | 225.32 | 367.19 | 279.55 |
| Cash Flows | | | | | | |
| | | Rupees in million | | | | |
| Operating activities | (1,078.01) | 993.36 | 854.17 | 408.20 | 16.19 | 19.25 |
| Investing activities | 16.98 | (634.82) | (396.14) | (262.33) | (230.70) | (389.70) |
| Financing activities | 1,055.36 | (369.65) | (445.66) | (118.79) | 75.86 | 503.28 |
| Cash and Cash equivalents at the end of the year | 28.76 | 34.44 | 45.55 | 33.19 | 6.11 | 144.77 |
| Profitability Indicators | | | | | | |
| Gross profit margin (%) | 4.87 | 10.44 | 15.59 | 9.71 | 10.04 | 9.11 |
| Net profit margin (%) | 2.39 | 7.62 | 9.86 | 4.14 | 6.86 | 6.57 |
| Return on shareholders' equity (%) | 5.94 | 23.32 | 23.10 | 16.29 | 28.69 | 26.25 |
| Return on capital employed (%) | 12.44 | 24.21 | 26.70 | 22.34 | 27.79 | 26.29 |
| Return on total assets (%) | 2.30 | 12.00 | 8.99 | 7.88 | 11.99 | 7.70 |
| EBITDA margin (%) | 9.96 | 12.71 | 18.88 | 10.06 | 12.59 | 13.63 |

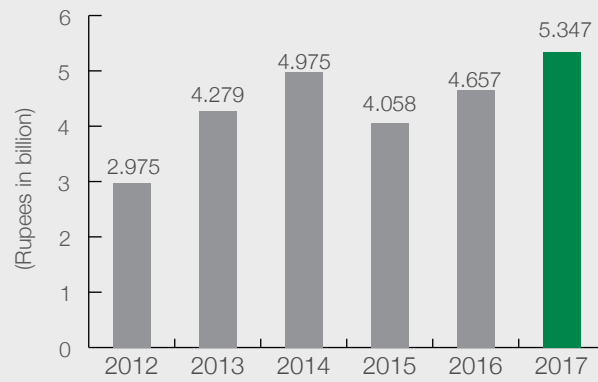
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---------------------------------------------------|----------|-------------------|----------|----------|----------|----------|
| Capital Efficiency / Operating Performance | | | | | | |
| Inventory turnover ratio | 5.90 | 6.24 | 3.54 | 9.18 | 5.42 | 2.79 |
| Inventory turnover in days | 62 | 58 | 103 | 40 | 67 | 131 |
| Debtors turnover ratio | 6.22 | 16.64 | 9.09 | 22.84 | 8.87 | 7.49 |
| Debtors turnover in days | 59 | 22 | 40 | 16 | 41 | 49 |
| Creditors turnover ratio | 12.44 | 17.54 | 22.07 | 96.09 | 80.86 | 50.10 |
| Creditors turnover in days | 29 | 21 | 17 | 4 | 5 | 7 |
| Operating cycle in days | 92 | 59 | 126 | 52 | 103 | 173 |
| Total assets turnover ratio | 1.07 | 1.53 | 1.06 | 1.93 | 1.69 | 1.25 |
| Fixed assets turnover ratio | 2.66 | 3.95 | 2.70 | 4.20 | 4.00 | 3.35 |
| Capital employed turnover ratio | 1.73 | 2.25 | 1.68 | 2.73 | 2.61 | 2.32 |
| Investment Valuation | | | | | | |
| Earning per share (Rs) | 4.11 | 16.91 | 13.43 | 8.40 | 15.70 | 13.02 |
| Break-up value per share (Rs) | 69.25 | 72.54 | 58.12 | 51.58 | 54.72 | 49.62 |
| Price earning ratio | 34.06 | 10.64 | 8.20 | 12.09 | 4.46 | 3.25 |
| Dividend yield (%) | 2.32 | 3.61 | 5.45 | 2.56 | 3.57 | 5.91 |
| Dividend payout (%) | 79.06 | 38.43 | 44.68 | 30.95 | 15.92 | 19.20 |
| Market value per share on 30th September | 140.00 | 180.05 | 110.12 | 101.56 | 69.99 | 42.30 |
| Cash Dividend (%) | 32.50 | 65.00 | 60.00 | 26.00 | 25.00 | 25.00 |
| Bonus Shares (%) | - | - | - | 10.00 | 25.00 | 20.00 |
| Financial gearing | | | | | | |
| Debt Ratio | 0.61 : 1 | 0.49 : 1 | 0.61 : 1 | 0.52 : 1 | 0.58 : 1 | 0.71 : 1 |
| Debt : Equity Ratio | 18 : 82 | 12 : 88 | 14 : 86 | 17 : 83 | 25 : 75 | 27 : 73 |
| Interest cover ratio | 2.01 | 7.77 | 4.73 | 2.55 | 3.31 | 4.04 |
| Liquidity measurement | | | | | | |
| Current ratio | 1 : 1 | 1.33 : 1 | 1.13 : 1 | 1.23 : 1 | 1.19 : 1 | 1.01 : 1 |
| Quick ratio/Acid test ratio | 0.53 : 1 | 1.03 : 1 | 0.47 : 1 | 0.79 : 1 | 0.56 : 1 | 0.38 : 1 |
| Value addition | | | | | | |
| | | Rupees in million | | | | |
| Employees as remuneration | 351.59 | 338.88 | 288.60 | 262.00 | 211.77 | 167.79 |
| Government as taxes | 496.57 | 662.49 | 347.80 | 322.40 | 184.19 | 282.00 |
| Financial charges to providers of finance | 196.67 | 98.63 | 146.57 | 209.00 | 186.84 | 116.32 |
| Shareholders as dividend and bonus shares | 104.10 | 208.20 | 192.19 | 109.49 | 121.43 | 89.02 |
| Retained within the business | 151.81 | 493.68 | 419.16 | 274.75 | 397.89 | 352.28 |

Six Years' Sugarcane Trends Analysis

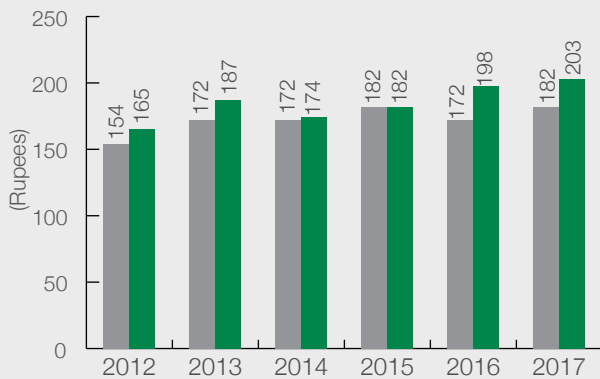
Avg.Recovery % of Mehran vs Avg recovery % of Sindh



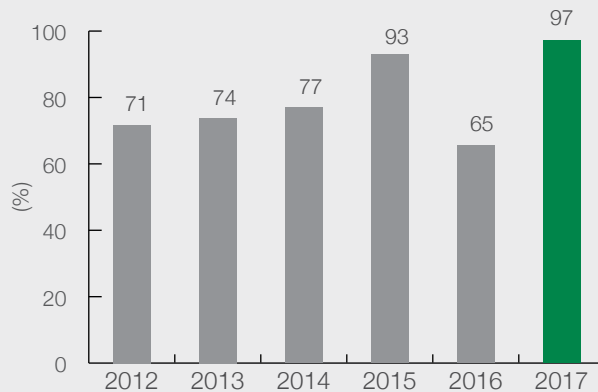
Cane Purchases (Rupees in billion)



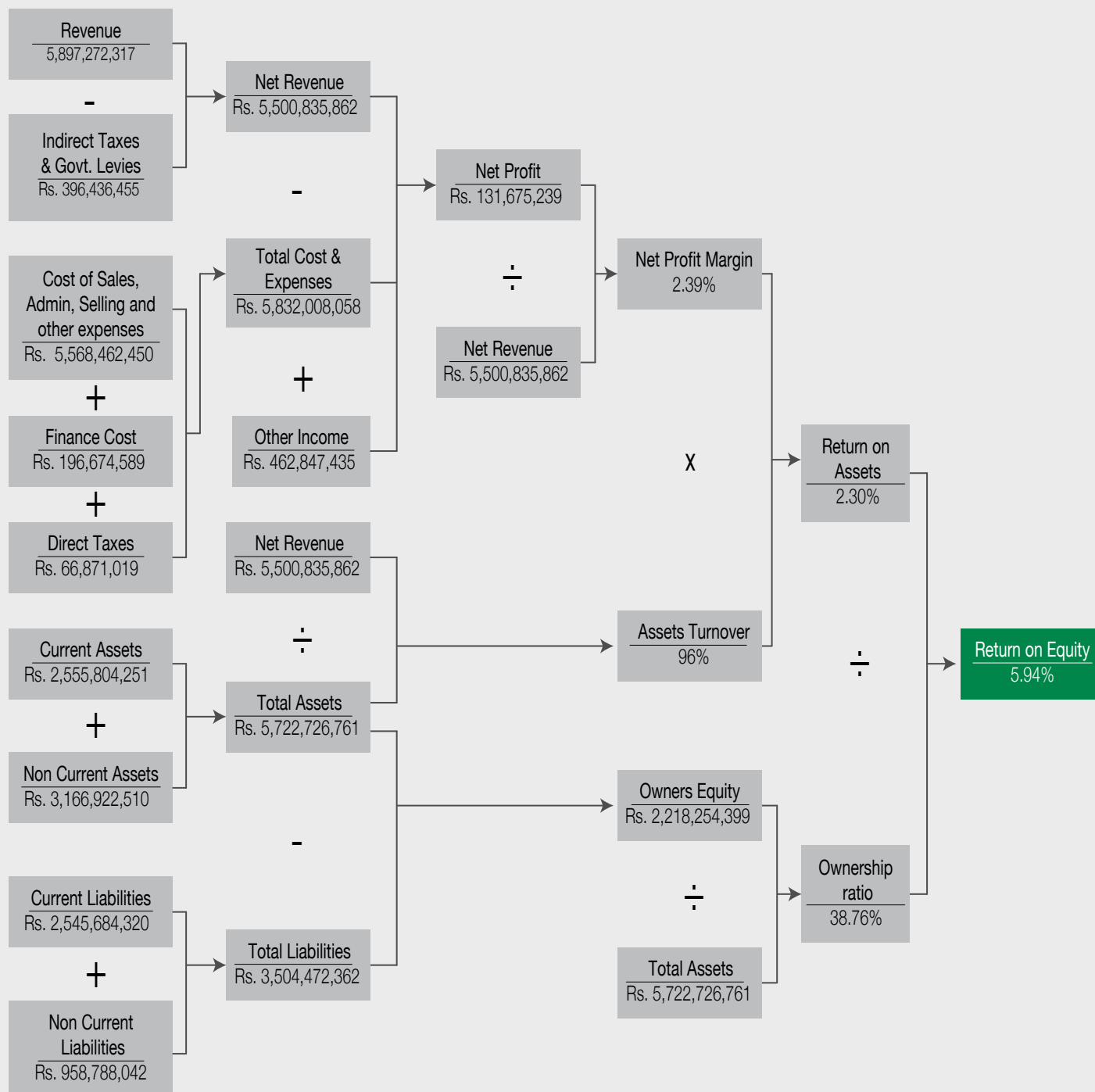
Support price vs Actual price



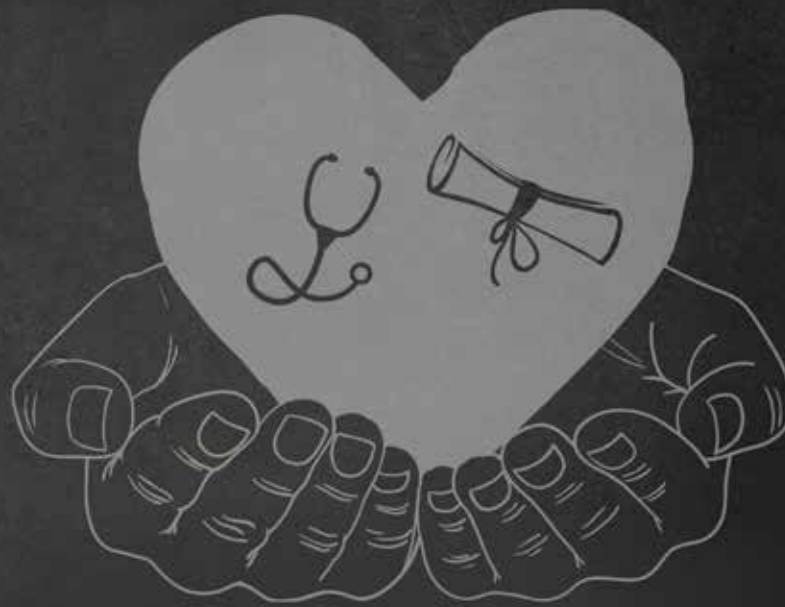
Cost of Cane as % of Turnover



Dupont Analysis



In continuation of our consistent pursuit towards Corporate Social Responsibility our sponsors have pledged in re-building and modernizing the Usman Memorial Hospital which will be a non-profit 90 bed Hospital in a very densely populated area of the city, Federal B. Area Karachi. The hospital will be providing quality healthcare to the needy people at affordable cost. While Mehran has donated a small percentage of this project our involvement to be associated with it is important. Mehran also continues to overview its' DMS and to TCF schools in the vicinity which collectively educate more than 1,000 students.

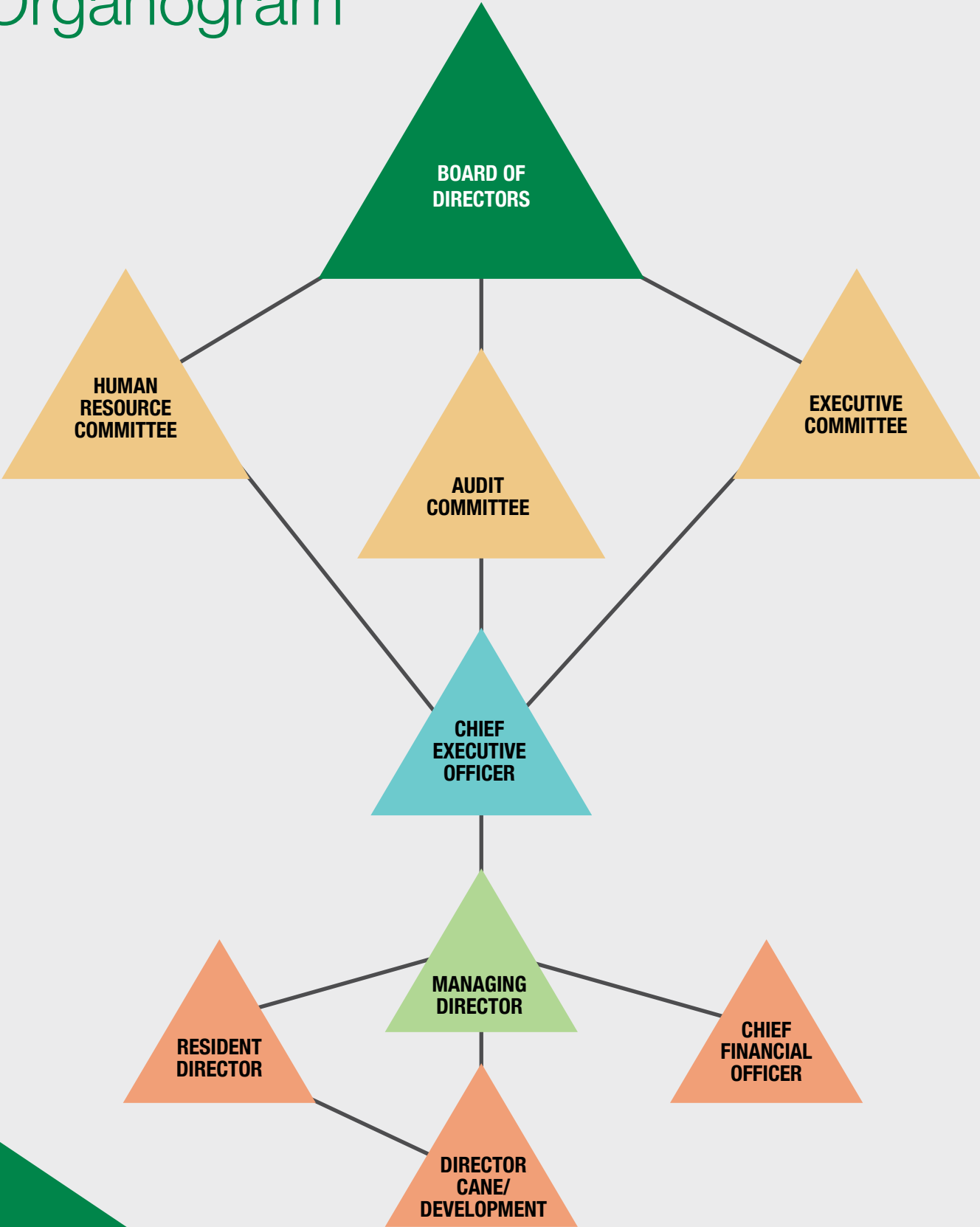




Progressing and caring for the **Community**



Organogram

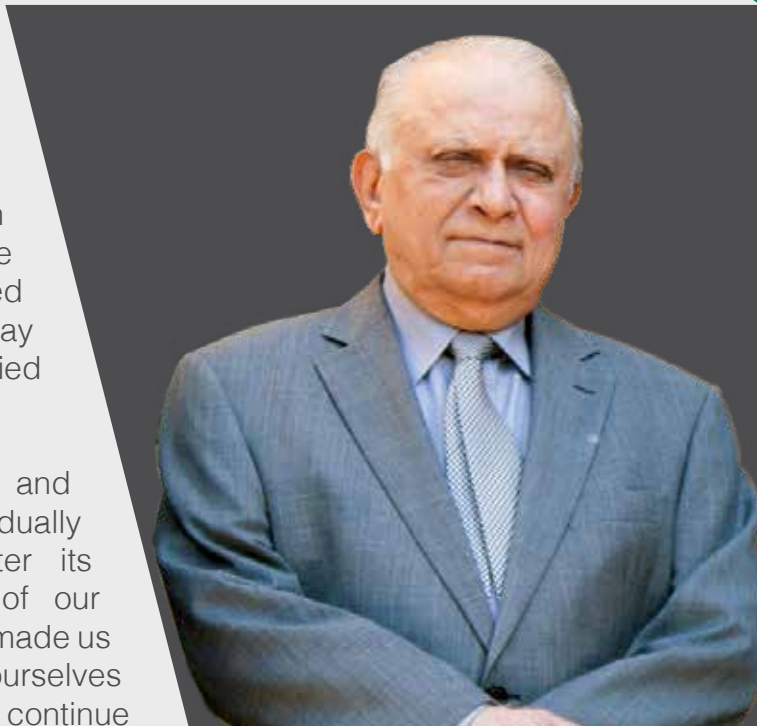


Chairman's Review

Dear Shareholders

Welcome to our Annual Review for FY 2016-17. The year under review was an extremely difficult one which saw a lot of uncertainty within the industry. Escalation in primary input costs, bearish trend in selling prices and a record sugar production shrunk business profitability across the industry. While our sugar Operations suffered tremendously we were able to steer away from an annual loss due to our diversified investments.

Your Board holds periodic reviews and discussions of its performance both individually and collectively, seeking ways to better its contribution to the sustainable growth of our business. The present circumstances have made us review how we can further help strengthen ourselves from such adversaries and simultaneously continue to grow as a company.



To encourage and sustain a healthy corporate culture with ethical and safe practices, the Board works with senior management to train and reinforce expected leaders. Additionally, the Board works to continually develop and improve risk management processes and profile.

The Board also seeks to visit and meet our people and gain first hand knowledge of the developments and challenges taking place in the company and in the industry.

We have a committed workforce who is dedicated to the development, manufacturing, selling and distribution of our products throughout the country. The changes in the market and within our business over recent years have tested the resilience and adaptability of all concerned. Our business would not be as strong as it is today had it not been for our people rising to the challenges individually and collectively.

On behalf of the entire Board, I would like to acknowledge the hard work and commitment of all our employees.

We look forward to the future with a positive attitude and aim to being stronger from the challenges we have surpassed.

Muhammad Kasim Hasham
Chairman

Our Consumer Division has progressed steadily. The product mix is slowly gaining confidence of the niche market segment. Alterations in the distribution setup and introduction of fresh markets have brought constructive impact by enhancing the overall turnover and reducing distribution costs while creating consumer awareness.





Progressing with investing into Brands



Directors' Report

ABOUT THE COMPANY

Mehran Sugar Mills Limited (the Company) was incorporated in Pakistan as a public limited company in December, 1965 under repealed Companies Ordinance, 1984 (the Ordinance). The main business of the Company is manufacturing of refined sugar. Plant is situated in Tando Allahyar district having a capacity of 11,500 TCD. We also have a joint venture in Distillery business named "Unicol Ltd." with 1/3rd stake in the Company which has "Ethanol" production capacity of 200,000 litres per day. Recently we also ventured in Power and baking / confectionery businesses whose results are yet to be seen, status of these businesses are discussed in detail in the later part of this report.

NATIONAL ECONOMY

Pakistan's economy performed well during the outgoing fiscal year. The GDP growth of 5.28% was the highest in the last decade. Pakistan is in the midst of an economic revival. Most of the macroeconomic indicators have shown a marked improvement. This path indicates continuous progress in the stability of the country's economic fundamentals.

The agriculture sector has shown a strong recovery. Likewise, the services sector has also shown improved recovery. Large Scale Manufacturing has gained momentum, however, industrial sector performance remains moderate. Nevertheless, low interest rate, accommodative monetary policy and sustained private sector credit expansion are expected to facilitate performance in the coming months.



Notwithstanding improvements on economic and social fronts, declining exports and widening current account deficit remained tough challenges. The Federal Government has initiated incentives and measures for enhancing exports. However, results are yet to be seen.

Pakistan is now also on the radar screen of global investors who are exploring possibilities for venturing into business opportunities in view of CPEC development. Pakistan's stock market has been reclassified from Frontier into the Emerging market category, which is a sign of Pakistan's growing role in the global economy.

GLOBAL SUGAR SCENARIO

Top sugar producers of the world are Brazil, India, EU, Thailand and China. The Production pattern in these countries determine the global surplus or deficit. Global sugar production for 2017-18 is expected to reach 192 million tons up from 177 million tons during 2016-17 mainly due to a surplus in Brazil, Thailand, EU, India and Pakistan. Global sugar prices have seen continuous decline for more than a year now. From a peak of USD 580 per ton, prices have touched a low of USD 330 per ton within a year. They presently trade in a 4 weeks range of USD 350-370 per ton. Thus sugar prices are at a 24 month low and continue to remain under pressure due to the global glut.

INDUSTRY REVIEW

The crushing season 2016-2017 commenced smoothly in November 2016 and a Minimum Support Price was notified at Rs. 182 per 40 kgs. Availability of sugar cane remained comparatively difficult in Sind province while it was sufficient in the Punjab and KPK provinces. This prompted mills in Sindh to buy sugarcane at higher than notified price which led to a higher cost of production for mills situated there.

The most challenging part of the season was to predict the overall size of the crop especially in Punjab as there were conflicting estimates. As the season progressed it was noted that abnormally high farm yields in Punjab led to the production being at a record high with over 1.0 million Tons produced than the earliest estimates. Due to abundant availability of sugarcane crushing campaign continued till late March in Sindh and late April in Punjab.

In view of record bumper crop in Punjab, sugar mills were able to procure sugarcane at Notified price while mills in Sindh were at a disadvantage as competition prompted the price to increase. The price difference between two provinces was around 10% which created imbalance in the cost of production. In addition, sugar mills in Punjab having a larger share of cane crushed were able to attain economies of scale due to best fixed cost absorption.

Overall national sugar production totaled 7.1 million metric tons which showed an increase of around 40% when compared with the previous year. The final production numbers were Punjab with 4.5 million tons while Sindh accounted for 2.3 million tons. The KPK province produced just over 0.3 million Tons.

The significant increase in national production without a corresponding plan for its consumption/exports left the sugar mills struggling with a glut. One of the biggest challenges was to convince the government to allow sizeable exports in February 2017 when prices were still high internationally and a sizeable bumper crop could be envisaged. A 1.5 million Ton export policy was required. However despite continual pleas of the industry, only limited exports were allowed. The initial license was granted for a mere 225,000 Tons.

The local glut due to huge stocks, restrictive exports and continual fall in global prices allowed local prices to plummet from Rs. 58-60 per kg in December/January to Rs. 46-47 per kg in June/July 2017. And with Sales Tax remaining at Rs. 6 per kg, the mills net retention fell to Rs. 40 per kg which led to huge inventory losses.

Two export policies followed of 250,000 and 500,000 Tons. In The last 500,000 Tons the government gave a USD 100 per ton subsidy however by that time the global market had fallen by USD 200 per ton thus half the fall was still borne by the industry.

Despite the export of 1.0 million Tons by the industry the sugar market failed to recover and still trades at Rs. 48 per kg with Sales Tax. This reflects the huge inventory carried forward as well as the anticipation of further price pressure since 2017-2018 is again expected to be a bumper cane crop.

This season 2016-2017 remained a complicated one for the industry. While most mills produced record volumes of sugar, the untimely decision to move out the excess sugar led to a price collapse. While positive for our farmers since a majority of cane payments were already paid this situation caused huge inventory losses for millers.

Operation Highlights

Season Started

Season Closed

Crushing Days

Crushing - M. Tons

Capacity Utilization

Sucrose Recovery

Sugar Production - M. Tons

Molasses Production - M. Tons

Molasses Recovery

2016-2017

2015-2016

15-11-2016

24-11-2015

27-03-2017

07-03-2016

133

105

1,056,198

940,626

75%

78%

11.06%

11.31%

116,780

106,400

48,864

38,604

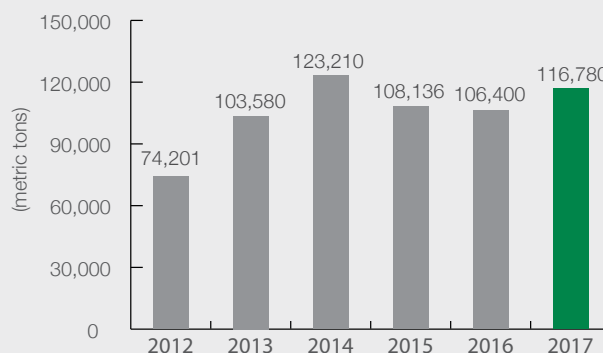
4.53%

4.06%

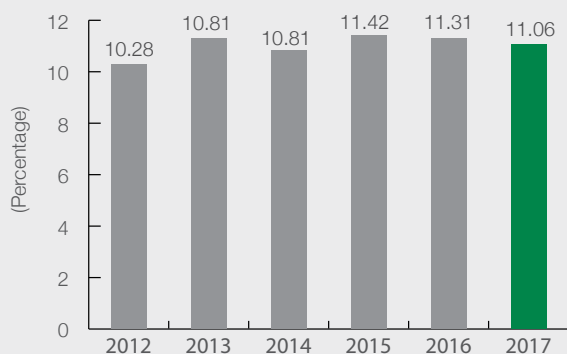
Average Crushing per day



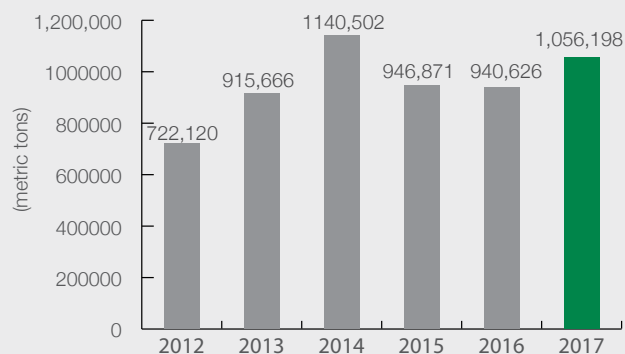
Sugar Produced



Sucrose Recovery



Cane Crushed



Financial Highlights

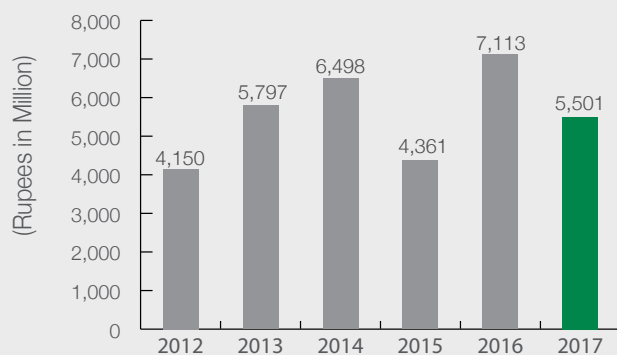
2016-2017

2015-2016

(Rupees in Thousand except EPS)

| | | |
|--------------------------|-----------|-----------|
| Local Sales | 4,211,410 | 7,674,145 |
| Export Sales | 1,685,861 | - |
| Total Turnover | 5,897,272 | 7,674,145 |
| Sales Tax/F.E.D | 396,436 | 560,919 |
| Gross Profit | 268,003 | 742,879 |
| Gross Profit margin | 4.87% | 10.44% |
| Profit before tax | 198,546 | 668,007 |
| Profit before tax margin | 3.61% | 9.39% |
| Net Profit after tax | 131,675 | 541,807 |
| Net Profit margin | 2.40% | 7.62% |
| Earnings per share | 4.11 | 16.91 |

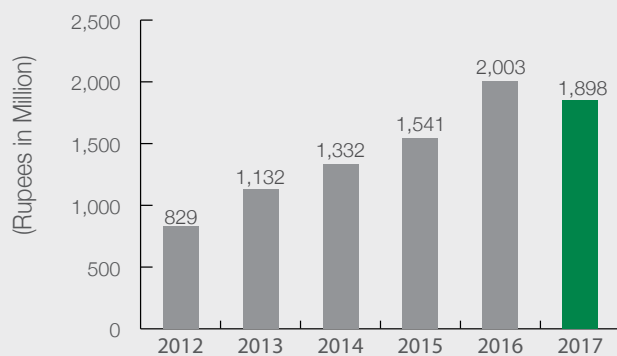
Turnover (Net)



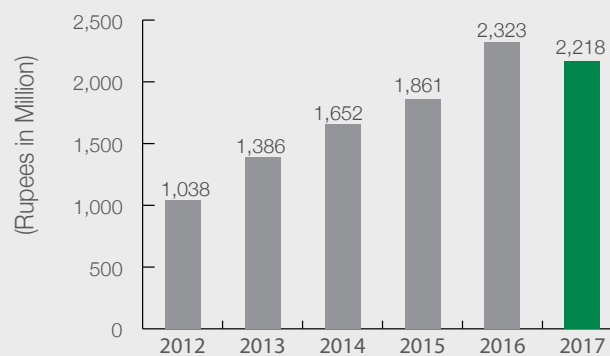
Pre-Tax Profit



Reserves



Shareholders' Equity



The crushing campaign 2016-17 started amidst slow harvesting by growers. This effected arrivals of sugarcane in the early days. The price of sugarcane could not be maintained at support price due to competition amongst sugar mills. As explained in our industry review this created a disparity between mills costs of production across the country.

The recovery trend at 11.06%, though lower than 2015-2016, was amongst the highest in the country. We are proud to state that your mills sucrose Recovery remained in the top 5 in the country.

Provincial sucrose recovery at 9.85% was 12% lower than Mehran and was lower than previous year's 10.53%. National recovery stood at 10.07%. Overall Crushing was also 12% higher than last year however capacity utilization went down marginally due to the extended season days.

To overcome the glut your company tried to maximize exports and take advantage of the export policy given. During the year, company was able to export 31,493 metric tons compared to none in the previous year.

Decline in profitability was mainly attributed by following factors.

- Decrease in local selling price of sugar from Rs. 58 per kg to Rs. 46 per kg and that of exports from \$ 550 per ton to \$ 350 per ton.
- Valuation of closing stocks at net realizable value since domestic market continued to fall.
- Increase in sugar cane price.
- Substantial increase in financial charges from Rs.98.6 million to Rs.196.7 million. Major increase in financial charges is attributable to higher Cane payments and thus short term borrowings. These remained high as selling sugar in a glut became difficult and thus sales volume was restricted.
- Increase in Distributions Costs due to export sales.
- Increase in Administration Expenses.
- Share of profit from associated company (Unicol Limited) reduced to Rs. 106.79 millions from Rs. 116.32 millions.

Profit before Taxation and Profit after Taxation amounting to Rs. 198.55 and Rs. 131.68 million respectively were considerably lower than last years' Rs. 668 million and Rs. 541.81 million.



The results remained positive only because of a contribution of gains on short term investments which amounted to Rs. 262.3 million compared to Rs. 54.5 million during the previous year. Also share of profit from Unicol contributed Rs 106.79 million.

Our power exports to the national grid via HESCO went through smoothly and proceeds were also realized on timely basis. We supplied 3.45 million Units to HESCO during the season and payment was made by HESCO in a timely manner. During the year under review, we spent an amount of Rs.190 Million primarily focusing on operational efficiency and reduction in steam percentage to around 45%. This will result in increased savings of bagasse which is estimated to be at 50,000 metric tons from 30,000 Tons previously. This investment is important for any sugar mill which aims to set up a co-generation power project as it allows availability of fuel for the power project. Automation at Mill and Process House is expected to further improve monitoring and efficiencies.

We are pleased to report that our state-of-the-art effluent treatment plant developed at an estimated cost of Rs.160 million has commenced trial run and results obtained were quite satisfactory. We expect its full fledged commissioning and operation during crushing season 2017-18 which will insha Allah make us fully compliant

with all environmental laws. Considering the seriousness of environmental matters in the country and attention by regulators, we are proud to play a positive role in this.

The Auditors have emphasized on contingencies as reported in note 27.1 of the financial statements. Expected outcome of referred contingencies is adequately disclosed in the said note.

FUTURE OUTLOOK

Crushing campaign of 2017-2018 has now started in full swing. The Provincial Government has again announced a Minimum Support Price which is the same as last year of Rs.182 per 40 kg. We feel this price being consistent with last year is unfair considering domestic sugar prices are 25-30 percent lower than last year and could remain under pressure due to a national record crop. The crop is expected to be around 7-10 percent larger than last year's record crop of 7.1 Million Tons.

In order to mitigate the millers concern, the Provincial Government has announced an additional subsidy of Rs.9.3 per kg on exports. However, it has limited this to a small percentage of each mills total production. Also a formal notification for this subsidy is yet to be issued. Hopefully the matter of cane price shall soon be resolved.



Freight subsidy claims lodged under previously announced quota of 500,000 metric tons have not materialized due to a delay in transfer of funds to the government treasury by federal and provincial governments.

Despite all odds, we have stepped into the crushing campaign 2017-18 with all our efforts. Abundant cane in our area and presence of early maturing sugarcane varieties offer a good opportunity to take advantage through consistent crushing and in achieving high recoveries. Payment obligations for purchase of sugarcane continue to be in line with our past practice. Hence, we are confident to attain our crushing and production targets provided measures announced by Federal and Provincial governments are fulfilled.

Hopefully in the next quarter report pricing matters shall have clarified and we can report those more significantly.

UNICOL LIMITED

Production and sales of ethanol increased marginally from 53,387 MT and 52,843 MT to 57,867 MT and 56,371 MT respectively. Profit after tax declined slightly from PKR. 325.243 million to PKR. 320.353 million. CO₂ business has been growing steadily. Sales and production have increased by 13.5% and 18% respectively and are expected to show further improvement in view of management's efforts towards securing long term supply contracts with leading beverage manufacturers.

Table below shows few highlights of the Company for the year:

| Unicol Limited | Units | 2016-2017 | 2015-2016 |
|----------------------------|-------------|-----------|-----------|
| Turnover | Rs.in '000' | 4,455,265 | 4,133,750 |
| Gross Profit | Rs.in '000' | 733,825 | 725,255 |
| Pretax Profit | Rs.in '000' | 340,353 | 335,244 |
| After Tax Profit | Rs.in '000' | 320,353 | 325,244 |
| Earnings per Share | Rs. | 2.14 | 2.17 |
| Production-Ethanol | M. Tons | 57,867 | 53,387 |
| CO ₂ Production | M. Tons | 7,640 | 6,474 |

The year 2017-18 looks promising for Unicol as molasses prices have fallen and it has procured a bulk of its purchases. On the other hand ethanol prices have remained stable and sales contracts have already been concluded for the half year.

UNIENERGY LIMITED

Work on UniEnergy Ltd, a joint venture (in which Mehran holds 20% equity) established for setting-up a 50 mega watt wind power plant in Jhimpir area of the Sindh province, has stalled due to non-availability of the grid for evacuation for the power and expiry of tariff. It is expected that NEPRA will soon announce a new tariff based on competitive bidding. We are hopeful for an early action from the regulator to bring the project back. Mehran has presently injected Rs. 20 million equity in the project.

UNIFOOD INDUSTRIES LIMITED

We have committed to invest up to 24 percent equity in Unifood Industries Ltd. The total commitment is for Rs. 200 million. Presently 72 million equity has been injected in the company. The packaged cakes plant at Hub Industrial Estate is in the process of erection. Plant and machinery has already arrived and foreign engineers are busy in its erection. The plant is expected to go into trial production in the first quarter of 2018. We are optimistic about the success of this project as it will open doors for introduction of new products.

MEHRAN ENERGY LIMITED

The proposed 26.5 M.W power plant is going through regulatory approvals. Tariff

has been awarded to the project by NEPRA. Alternate Energy Development Board (AEDB) has issued a formal Letter of Support in this respect. The Company intends to enter into an Energy Purchase Agreement (EPA) and Implementation Agreement (IA). However, this process has been stalled temporarily as CPPA has filed a Review Petition with NEPRA and asked against the NEPRA framework to revise take or pay to take and pay policy.

ACKNOWLEDGMENT

We are trying to build a stable and long term future focused on stakeholder's satisfaction. In achieving this objective, we would like to appreciate the devotion and efforts of the workers, staff and executives and anticipate that in the future as well, they will continue to contribute towards the enhancement of the productivity and well being of the Company with greater zeal and spirit.

The Board further extends its gratitude to the government functionaries, associations, banking and financial institutions, shareholders and vendors for their valued support and co-operation for the betterment and prosperity of the Company. Detailed report on Company's efforts towards CSR and compliance of corporate governance regulations and environmental laws and its impact are annexed in the report.

For and on behalf of the Board of Directors



Mohammed Ebrahim Hasham
Chief Executive Officer



Muhammad Iqbal
Director

Karachi: December 26, 2017

Corporate Governance Framework

Board of Directors

The Board of Directors of the Company consists of eight members, comprising two independent, four nonexecutive (including the Chairman) and two executive Directors. The Board is responsible for independently and transparently monitoring the performance of the Company and taking strategic decisions to achieve sustainable growth in the Company operations. Written notices of the Board meetings were sent to the members seven days before the meetings.

During the year under review, a total of five meetings of the Board were convened and the attendance of the members was as follows:

| S.No. | Name of Directors | Meetings attended |
|-------|-------------------------|-------------------|
| 1 | Mohammed Kasim Hasham | 4 |
| 2 | Mohammed Ebrahim Hasham | 5 |
| 3 | Mohammed Hussain Hasham | 5 |
| 4 | Khurram Kasim | 2 |
| 5 | Ahmed Ebrahim Hasham | 5 |
| 6 | Muhammad Iqbal | 5 |
| 7 | Dr. Amjad Waheed | 3 |
| 8 | Muhammad Bashir | 3 |

The leave of absence was granted to the directors who could not attend some of the meetings due to being out of country or ill health.

Statement of Ethics & Business Practices

The Board has adopted the statement of Ethics & business practices. All employees are informed of this statement and are required to observe these rules of conduct in relation to customers, suppliers and regulations.

Audit Committee

The Audit Committee of the Company comprises

of three non-executive and one independent (the Chairman) Directors. A total of four meetings of the audit committee were held during the year. Attendance of the members was as follows:

| S.No. | Name of Directors | Meetings attended |
|-------|-----------------------------|-------------------|
| 1 | Dr. Amjad Waheed (Chairman) | 2 |
| 2 | Mohammed Hussain Hasham | 2 |
| 3 | Khurram Kasim | 2 |
| 4 | Mr. Muhammad Iqbal | 4 |

The leave of absence was granted to the members who could not attend some of the meetings due to being out of country or ill health.

External Audit

The Company wishes to place on record its appreciation for the services rendered by the Company's auditors M/s. EY Ford Rhodes, Chartered Accountants, who have completed the audit of financial statements of the Company for the year ended September 30, 2017. M/s EY Ford Rhodes, Chartered Accountants, being eligible, have offered themselves for re-appointment for the year ending September 30, 2018, Audit Committee has also recommended for re-appointment, however shareholders approval for the said appointment will be sought in AGM.

Corporate & Financial Reporting Framework

As required by the Code of Corporate Governance, your Directors are pleased to report that:

- The financial statements, prepared by the management of the Company, fairly present its state of affairs, the result of its operations, cash flows and changes in equity;
- The Company has maintained proper books of accounts as required under the law;

- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from has been adequately disclosed and explained;
- There are no significant doubts upon the Company's ability to continue as a going concern;
- The summary of key operating and financial data for last six years is annexed;
- The Company has made contribution towards the national exchequer in the form of Federal, Provincial and local taxes and levies; as disclosed in annexed Financial Statements.
- The Company is operating a Provident Fund Scheme for its permanent employees. The value of the fund as at September 30, 2017 was Rs 154.369 million (approx);
- There is also an un-funded gratuity scheme. On the basis of actuarial valuation conducted during 2017, a net liability of Rs. 4.87 million as at September 30, 2017 has been provided;
- The Pattern of Shareholding as at 30th September, 2017 is annexed;
- Mohammed Hussain Hasham, Director of the Company sold 35,200 shares of the Company, also Muhammad Hanif Aziz, CFO

of the Company purchased 10,000 shares of the Company through Stock Exchange during the year under review, both transactions were disclosed to the SECP and PSX according to the relevant rules and regulations, None of the other directors, CEO and Executives and their spouses and minor children carried out any transaction in the shares of the Company during the year under review.

Adequacy of Internal Financial Controls

The system of internal control is sound in design and has been effectively implemented and monitored, we also confirm compliance of Corporate Governance with highest standard.

Certificate of Related Parties Transactions

It is confirmed that the transactions entered with related parties have been verified by the audit committee and the Board, and provides the information about the amount due from related parties at the balance sheet date, and the proportion of receivables from related parties provided as doubtful debts, if any.

Material Changes

There have been no material changes since September 30, 2017 and the Company has not entered into any commitment, which would affect its financial position at the date.

For and on behalf of the Board of Directors



Mohammed Ebrahim Hasham
Chief Executive Officer



Muhammad Iqbal
Director

Karachi: December 26, 2017

Corporate Social Responsibility

RESPONSIBILITY TO STAKEHOLDERS

Investment in Human Capital

Focus on our human capital is one of the core areas of our corporate strategy. The Company regards its employee relations far more importantly than a mere legal and ethical obligation. We are committed to creating a culture for our most valued asset, comprising of satisfactory compensation and benefits, congenial and safe working environment, job satisfaction, professional growth, development and competitive career opportunities.

Our employee-training program is continually upgraded to remain in line with the changing needs of our Company. During this year we continued to invest in our Human resource through training programs at PIM and PICG as well as other training forums. A total of 14 members from the Mehran team spent 3 days in Lahore attending the PSST sugar conference. We also had our cane team attending 4 days seminar in Lahore on sugarcane diseases, its control, seedling and water treatment conducted by Mauritius Sugarcane Research Institute.

During the year, we have engaged BMA a renowned technical consultant from Germany for evaluation of our plant heat mass balance, boilers steam efficiencies and to educate us for installation of FFEs in context of our upcoming 26.5 MW

power project. During the exercise, our technical team along with our sugar technology partner IPRO has developed a great synergy with BMA and our technical team learnt a lot in context of defined areas. BMA also shared a comprehensive report covering their scope of engagement. Based on positive feedback of our Technical team we look forward to working with BMA in future by developing a long standing relationship with them.

Investment in our Working Environment

We have in the last 4 years invested Rs. 60.05 Million on uplifting our working environment for employees at both Head office and Mills. At the mill our Management House and technical House have been modernized. The old factory mosque has also been modernized in its facade and internal areas. A new instrument block has also been made considering the future needs to automate the factory and thus requirement for quality human resource. We have invested 10.05 million this year on Construction of So-safe drinking water filter plant and Colony residence repair maintenance by considering our responsibility to provide improved facilities to our workers and staffs at our mills. The entire boundary wall facing the main road has been re-build, in addition pavers have been laid in most parts of the residential colony and the factory area walk ways.



Investment in employee HSE

MSML employees are at the heart of the corporate strategy of the Company. The core objective of the Company is to create conducive working environment, in line with the best industrial practices and ensuring adherence to the requirements of the health and safety codes. The HSE department is entrusted with the responsibility of monitoring of HSE compliance and ensures mandatory usage of relevant safety equipment at work for workers. By complying the referred HSE protocols this year the HSE department has conducted a three days' workshop on safety training which were also attended by seasonal contractors' supervisory staff. In addition to this Annual third party external environmental & safety audits, scheduled internal audit & inspection were performed. Through demonstrations safety observation culture was promoted to eliminate hazards which may lead to accidents, more than 3000 safety observations were made. For the awareness of employees and contractors Global Health and Safety/ Environmental Days were also observed during the year.

Contribution towards Education in Rural Pakistan
We strongly believe that every sugar mill must play its role to assist in strengthening the educational environment around its vicinity. Since sugar mills are located in the rural areas of Pakistan they have an ideal opportunity to contribute where the need for education is most extreme.

One of the core initiatives of our social development



programs is to provide education in the rural areas specifically near our mill premises. For this reason, three schools are running to provide quality education to our students.

Daood Memorial School (DMS)

The school is situated within the premises of the mills primarily for our employees and generally for the youth of the surrounding areas. Since its incorporation in 1998-99, the Company is providing full operational, financial and logistic support to the school. By the grace of God, and continuous efforts of the management and the teachers, the school is growing steadily and currently 550 students are enrolled and 19 faculty members are entrusted to provide quality education. While the number of students increases, we have continued to ensure that there is no compromise on the education standards of the schools. This is benchmarked through teacher training programs as well as results of our students.

TCF School – Haji Hasham Campus

In order to broaden the horizon of our education initiative, a school has been developed in collaboration with The Citizen Foundation in Piyaro Lund area, 13 kilometers from our factory. The school was established in 2011 at a cost of Rs. 11.26 Million funded by Mehran Sugar. Currently 321 students are enrolled with 19 faculty members.



TCF School - Hurri Campus

MSML has again taken an initiative for broadening the education base by embarking on the development of yet another school at Hurri, 12kms from our factory. The school is again being developed in collaboration with The Citizens Foundation at a cost of Rs. 16.5 Million, which Mehran Sugar contributed in large interest of the local community. The campus has started its academic session from April 2016. So far 241 students are enrolled with 10 faculty members.

Vocational training

In order to bring some improvement in life style of the women of surrounding areas, a Vocational training Centre has been established within the MSML Staff Colony, which provides basic training to the women of the colony and surrounding areas for sewing, embroidery, cooking and stitching to the women of the colony and surrounding areas. This year the entire center has been renovated to give a modern look. At present the vocational center is providing training to 17plus women in multiple faculties.

Health services

The Company recognizes its responsibility towards provision of health services in the surrounding areas of Tando Allahyar. The MSML mobile dispensary unit has been operational since 2004. The dispensary is fully equipped and provides basic health care services to the needy free of cost. A dedicated full time doctor and relevant staff have been assigned for this unit. During the period from October 2016 to September 2017, the number of patients treated is 5,110 and since its establishment the dispensary has treated a quantum of more than 65,000 patients.

Farmer support services

We believe that the farmers are the enablers of our sustainable growth. Throughout the year,

the Company's representatives interact with the farmers to share the latest research and developments in emerging new varieties of sugarcane and providing them seeds to grow high yielding sugarcane crop. Our supply of seed as loan to growers has been extremely beneficial in ensuring a better crop in our area.

We cultivate high yielding varieties at our farms and after cultivating them for three years we give them on loan to farmers for commercial purposes. This program has been a major benefactor to create rural wealth in our region for both miller and farmer as it has helped improve both farm and factory yields.

Customer satisfaction

Mehran Sugar Mills limited is always keen to produce premium quality sugar which qualifies international as well as "PSQCA" standards. Accordingly, the Company is in the process of establishing the Quality Management System based on the requirements of ISO 9001:2015 standards. For quality assurances management, a dedicated management representation is entrusted to implement and monitor the implementation of relevant policies.

RESPONSIBILITY TO SOCIETY

Power generation

Energy is considered to be the life line of any economy and the most vital instrument of socioeconomic development of a country. Pakistan's sugar industry has the potential to contribute 1,500 MW of renewable energy through biomass fuel like bagasse. Power generation from bagasse will not only reduce import bill of furnace oil but also efficient use of bagasse is environment-friendly and would help mitigate greenhouse gas emissions from the country's power sector.

Seeking the opportunity to contribute its share to the national grid, Mehran Sugar Mills limited

has obtained the power generation license from national power Regulatory Authority (NEPRA) and made necessary investments to connect to the national grid. Further, MSML successfully negotiated a Power purchase agreement with HESCO for supply of 5 MW. Power supply has started from January 2015. The success of this 5 MW power plant stimulate us to initiate Co-generation on larger scale, we are in the process of setting up a 26.5 MW Co-generation Power Plant.

Governance structure

The Company's governance structure has helped to achieve best practice and drive performance from the boardroom to our employees, customers, society and the environment. The business integrity has led to long term success and we are committed to conduct our business responsibility and with integrity with an aim to strengthen our reputation. We pledge to observe all the governing laws of the jurisdiction in which we operate and to comply with the best practices of the code of corporate governance.

Contribution towards economy

The Company is a noteworthy contributor to the national economy and has contributed to the national exchequer Rs. 662 million in respects of payments towards Federal excise duty, income tax and other statutory levies. Our associated company UNICOL Limited was also able to export USD 38 million of ethanol in the last financial year.

For and on behalf of the Board of Directors



Mohammed Ebrahim Hasham
Chief Executive Officer



Muhammad Iqbal
Director

RESPONSIBILITY TO ENVIRONMENT

Mehran is highly conscious of ensuring that its production facility is environmentally compliant in all respects. We are conscious that it's our responsibility to ensure compliance so as to be of no concern to the communities where we operate. We strive to make sure that the impact of our business is sustainable.

Emission and discharges

Mehran is proud to state that we are one of the few mills in Pakistan which has installed modern fly ash systems on 100% of its boilers thus ensuring zero fly ash discharge. The Company has invested approximately Rs. 80 million in the last five years on installing this system as well as maintaining it to ensure it runs at capacity and functions accordingly.

Waste Water Treatment

Over the last 3 years we at Mehran have been striving to create an efficient waste water management system. We have recently completed stage three of our water discharge system whereby we have accomplished 90 percent reuse of waste water at the plant. The remaining water is used in our farms adjoining the factory. We have invested a total of Rs. 162 Million on the project and are proud to state that our waste water system was created in house by our capable engineering team. This plant is fully operational now and is only second of its kind in the entire sugar industry of the country.

پہلے ہی درآمد کی جاچکی ہے اور غیر ملکی انجنیئر اس کی تنصیب پر کام کر رہے ہیں۔ پلانٹ 2018 کی پہلی سہ ماہی میں اپنی آزمائشی پیداوار کرے گا۔ ہم اس منصوبے کی کامیابی کے لئے پُر امید ہیں۔ یہ منصوبہ مستقبل میں نئی مصنوعات کے لئے راہ ہموار کرے گا۔

مہران انرجی لمیٹڈ

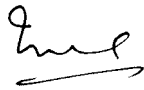
مجوزہ منصوبہ 26.5 میگا واٹ بجلی پیدا کرنے کا منصوبہ ہے جو کہ ریگولیری منظوری کے مراحل سے گزر رہا ہے۔ اس پراجیکٹ کو نیپرا کی جانب سے ٹیرف دیا جا چکا ہے۔ متبادل انرجی ڈویلپمنٹ بورڈ (AEDB) نے اس سلسلے میں معاونت کا ایک رسمی خط (LoS) جاری کیا ہے، کمپنی جلد ہی انرجی خریداری کے معاہدے (EPA) اور عملدرآمد معاہدہ (IA) میں شامل ہو جائے گی۔ تاہم، یہ عمل عارضی طور پر جمود کا شکار ہے۔ کیونکہ سی پی پی اے نے نیپرا میں ریویو پیڈیشن فائل کی ہے جس میں نیپرا کی بنیادی پالیسی ”خرید یا ادائیگی“ کو ”خرید اور ادائیگی“ سے تبدیل کرنے کی استدعا کی گئی ہے۔

اظہارِ تشکر

ہم ایک طویل المدتی اساس کی بنیاد پر اپنے تمام شراکت داروں کو مد نظر رکھتے ہوئے پالیسی وضع کرنے کی کوشش کر رہے ہیں۔ ان مقاصد کے حصول کے لئے ہم اپنے محنت کشوں، اسٹاف اور افسروں کی انتھک لگن اور محنت کو قدر کی نگاہ سے دیکھتے ہیں اور امید کرتے ہیں کہ مستقبل میں بھی اسی جذبہ اور لگن سے کام جاری رکھیں گے۔

بورڈ تمام حکومتی اداروں، بینکوں اور سپلائرز سے بھی اظہارِ تشکر کرتا ہے جن کے تعاون اور مدد سے کمپنی زیادہ موثر اور مستحکم ہوئی۔ کمپنی کی کوششیں برائے عوامی فلاح و بہبود اور کارپوریٹ گورننس کے حوالے سے مکمل اظہارِ خیال اس رپورٹ کے اگلے صفحات پر کیا گیا ہے۔

از طرف بورڈ آف ڈائریکٹرز



محمد اقبال

ڈائریکٹر



محمد ابراہیم ہاشمی

چیف ایگزیکٹو آفیسر

کراچی : 26 دسمبر 2017

میں بالترتیب 13.5 فیصد اور 18 فیصد اضافہ ہوا ہے اور توقع ہے کہ مشروبات بنانے والی کمپنیوں کے ساتھ طویل مدتی سپلائی کے معاہدوں کے پیش نظر اس میں مزید بہتری متوقع ہے۔

درج ذیل ٹیبل کمپنی کی چند مالیاتی اور آپریشنل جھلمکیاں ظاہر کرتا ہے۔

| 2015-2016 | 2016-2017 | یونٹس | یونی کول لمیٹڈ |
|-----------|-----------|-------------|-------------------------|
| 4,133,750 | 4,455,265 | Rs.in '000' | مجموعی فروخت |
| 725,255 | 733,825 | Rs.in '000' | مجموعی منافع |
| 335,244 | 340,353 | Rs.in '000' | منافع قبل از ٹیکس |
| 325,244 | 320,353 | Rs.in '000' | منافع بعد از ٹیکس |
| 2.17 | 2.14 | Rs. | فی حصص آمدنی |
| 53,387 | 57,867 | M. Tons | ایتھنول پیداوار |
| 6,474 | 7,640 | M. Tons | CO ₂ پیداوار |

سال 2017-18 یونی کول کے لئے مثبت نظر آرہا ہے جس کی بنیادی وجہ مولیسس کی قیمتوں میں گراوٹ جبکہ ایتھنول کی قیمتوں میں استحکام ہے۔ کمپنی نے پہلے چھ ماہ کے لئے ایتھنول کی فروخت کے معاہدے کر لئے ہیں۔

یونی انرجی لمیٹڈ

یونی انرجی لمیٹڈ (جس میں مہران کی سرمایہ کاری 20% ہے) جو کہ جھمپیر کے مقام پر 50 میگا واٹ ونڈ پاور پلانٹ قائم کرنے کے لئے ایک مشترکہ سرمایہ کاری کا منصوبہ ہے، اس وقت جمود کا شکار ہے جس کی وجہ گرڈ کی عدم دستیابی اور نیپرا کی جانب سے دیئے گئے ٹیرف کی مدت کا ختم ہونا ہے امید کی جاتی ہے کہ نیپرا کی طرف سے مسابقتی بنیاد پر ایک نئے ٹیرف کا جلد اعلان کیا جائے گا۔ ہم امید کرتے ہیں کہ منصوبے کو فعال کرنے کے لئے ریگولیٹرز جلد لائحہ عمل دیں گے۔ ہم نے اب تک اس منصوبے پر دو کروڑ روپے کی سرمایہ کاری کی ہے۔

یونی فوڈ انڈسٹریز لمیٹڈ

ہم نے اس منصوبے پر 24% سرمایہ کاری کی منظوری دی ہے۔ ہماری سرمایہ کاری کا مجموعی حجم 20 کروڑ روپے ہے اب تک 7 کروڑ 20 لاکھ روپے تک کی سرمایہ کاری کی جا چکی ہے۔ کیک تیار کرنے کا پلانٹ حب انڈسٹریل اسٹیٹ میں تنصیب کے مراحل میں ہے۔ مشینری

پچھلے مالی سال کے دوران کمپنی نے پلانٹ کی صلاحیت بڑھانے اور ایندھن (بھاپ) کی ضرورت کو 45 فیصد تک لانے کے لئے 190 ملین روپے کی سرمایہ کاری کی جس کے نتیجے میں اس سال بگاس (Bagasse) کی بچت کا تخمینہ 50 ہزار ٹن لگایا گیا ہے جو کہ پچھلے سال 30 ہزار ٹن تھی کسی بھی شوگر مل کے لئے جو کہ پاور پروجیکٹ لگانا چاہے کے لئے اس طرح کی سرمایہ کاری بہت اہم ہے، شوگر مل کے پاور پلانٹ کے لئے بگاس (Bagasse) ایندھن کے طور پر استعمال ہوتا ہے، مل ہاؤس کی آٹومیشن، پلانٹ کی کارکردگی کو مزید بہتر کرنے میں مدد دے گا۔

یہ بتاتے ہوئے ہمیں خوشی محسوس ہو رہی ہے کہ ہمارا جدید ایفلوئمنٹ واٹر ٹریٹمنٹ پلانٹ، جو کہ 160 ملین روپے کی کثیر سرمایہ کاری سے لگایا گیا ہے، کو آزمائشی طور پر چلایا گیا ہے جس کے نتائج انتہائی اطمینان بخش ہیں۔ ہمیں اُمید ہے کہ 18-2017 کے سیزن کے دوران اس کو مکمل طور پر چلایا جائے گا جس کے بعد ہم انشا اللہ ماحولیاتی آلودگی سے متعلق تمام قوانین پر عمل کرنے والی کمپنی میں شمار ہونگے۔ ہمیں فخر ہے کہ ملک میں بڑھتے ہوئے آلودگی کے مسائل اور متعلقہ اداروں کی اس طرف توجہ اور فکرمندی کے ساتھ ہم نے اس سمت میں اپنا مثبت کردار ادا کیا ہے۔ آڈیٹرز نے اپنی رپورٹ میں مالیاتی گوشواروں کے نوٹ نمبر 27.1 پر زور دیا ہے۔ متعلقہ نوٹ میں اس کے ممکنہ نتائج پر مناسب انداز میں بات کی جا چکی ہے۔

مستقبل کا منظر نامہ

سیزن 18-2017 کا آغاز ہو چکا ہے صوبائی حکومت نے گنے کے کم از کم نرخ 182 روپے فی 40 کلو گرام کا اعلان کیا ہے جو کہ پچھلے سال بھی یہی تھی، ہم یہ محسوس کرتے ہیں کہ گنے کی قیمت میں گو کہ پچھلے سال کے مقابلے میں کوئی تبدیلی نہیں کی گئی ہے لیکن یہ چینی کی قیمتوں سے مطابقت نہیں رکھتی جو کہ پچھلے سال کی نسبت 25 سے 30 فیصد گر چکی ہیں اور گنے کی اضافی پیداوار کی وجہ سے قیمت مزید دباؤ کا شکار رہے گی پیداوار اس سال پچھلے سال کی 7.1 ملین ٹن کے مقابلے میں 7 سے 10 فیصد زیادہ رہنے کی توقع ہے۔ حکومت سندھ نے شوگر ملز کے خدشات کے پیش نظر 9 روپے 30 پیسے کی مزید ایکسپورٹ سبسڈی کا اعلان کیا ہے تاہم یہ بہت معمولی مقدار کے لئے اعلان کیا گیا ہے اور اس کا باقاعدہ نوٹیفیکیشن ہونا ابھی باقی ہے۔ ہمیں اُمید ہے کہ گنے کے نرخ کا معاملہ جلد حل ہو جائے گا 50 لاکھ ٹن برآمد پر دی گئی سبسڈی ابھی تک حکومت کی جانب سے فنڈ کی منتقلی میں تاخیر کی وجہ سے عمل پذیر نہیں ہو سکی۔

تمام مشکلات کے باوجود ہم نے کرشنگ مہم 18-2017 کا آغاز کر دیا ہے گنے کی اضافی پیداوار اور اچھی اقسام ہمیں بغیر رکاوٹ اور مستقل مزاجی سے کرشنگ کرنے اور اس کے نتیجے میں بہتر سکروز ریکوری حاصل کرنے میں مدد دے سکتی ہے۔ گنے کی خریداری کے لئے فوری ادائیگی کا عمل ماضی کی طرح جاری رہے گا۔ لہذا، ہمیں یقین ہے کہ ہم کرشنگ اور پیداوار کے اہداف حاصل کر لیں گے بشرطیکہ وفاقی اور صوبائی حکومتیں اپنے اعلان کردہ اقدامات پر عمل کریں۔

یونی کول لمیٹڈ

4 ستمبر کی پیداوار اور فروخت بالترتیب 53,387 میٹرک ٹن اور 52,843 میٹرک ٹن سے 57,867 میٹرک ٹن اور 56,371 میٹرک ٹن رہی۔ منافع بعد از ٹیکس 325.243 ملین روپے سے 320.353 ملین روپے رہا۔ CO₂ کا کاروبار مسلسل بڑھ رہا ہے سیزل اور پیداوار

سیزن 2016-17 کے آغاز سے ہی کاشتکاروں کی جانب سے گنے کی کٹائی میں سستی نظر آئی جس کی وجہ سے ابتدائی دنوں میں گنے کی آمد کم رہی۔ شوگر ملز کے درمیان مسابقت کی وجہ سے گنا مقرر کردہ نرخ سے زائد میں خرید اگیا اور جیسا کہ اوپر صنعتی جائزہ میں بیان کیا گیا کہ اس کی وجہ سے ملک کے مختلف حصوں میں چینی کی پیداواری لاگت میں یکسانیت برقرار نہ رہ سکی۔

سکروز ریکوری جو کہ 11.06% رہی گوکہ سیزن 2015-16 کے مقابلے میں کم تھی لیکن یہ ملکی سطح پر بہترین ریکوری میں سے ایک ہے۔ صوبائی سطح پر سکروز ریکوری 9.85% رہی جو کہ مہران کے مقابلے میں 12% کم تھی اور گذشتہ سال کے 10.53% سے بھی کم تھی جبکہ قومی سطح پر سکروز ریکوری 10.07% تھی۔ مجموعی کرشنگ پچھلے سال کی مقابلے میں 12 فیصد زیادہ تھی لیکن پیداواری صلاحیت کا استعمال نسبتاً کم رہا جس کی وجہ سیزن کا دورانیہ بڑھنا ہے۔

مندرجہ ذیل عوامل منافع میں کمی کی وجہ ہیں

- چینی کی مقامی فروخت 58 روپے فی کلو سے 46 روپے فی ٹن تک ہو جانا، جبکہ برآمدی قیمت \$550 فی ٹن سے \$350 فی ٹن تک آ جانا۔
- چینی کے ذخائر کو موجودہ مارکیٹ کی قیمت پر تعین کرنا اور اس سے ہونے والے نقصان کو گوشواروں میں ظاہر کرنا۔
- گنے کی قیمت میں اضافہ
- مالیاتی لاگت میں اضافہ جو کہ 98.6 ملین روپے سے 196.7 ملین روپے تک جا پہنچا۔ اس اضافے کی بنیادی وجہ گنے کی زیادہ ادائیگیاں اور اس کے لئے قلیل مدتی قرضہ جات کا حصول ہے۔ یہ قرضہ جات زیادہ عرصہ تک برقرار رہنے کی وجہ چینی کی وافر مقدار کی وجہ سے فروخت میں مشکلات اور کمی ہے۔
- برآمدات کی وجہ سے چینی کی ترسیل کے اخراجات میں اضافہ۔
- انتظامی اخراجات میں اضافہ۔
- ایسوسی ایٹڈ کمپنی (یونی کول لمیٹڈ) کے منافع میں حصہ داری 116.32 ملین روپے سے کم ہو کر 106.78 ملین روپے تک ہو جانا۔

قبل از ٹیکس اور بعد از ٹیکس منافع بالترتیب 198.55 ملین روپے اور 131.68 ملین روپے رہا جو کہ پچھلے سال کے 668 ملین روپے اور 541.81 ملین روپے کے مقابلے میں کم رہا۔

مالیاتی نتائج مجموعی طور پر مثبت رہنے کی وجہ قلیل مدت کے لئے کی گئی حصص میں سرمایہ کاری سے حاصل ہونے والا منافع جو کہ 262.3 ملین روپے رہا جبکہ پچھلے سال یہ منافع صرف 54.5 ملین روپے ریکارڈ کیا گیا تھا اس کے علاوہ یونیکول لمیٹڈ سے حاصل ہونے والا منافع نے بھی مثبت نتائج پیدا کئے جو کہ 106.78 ملین روپے تھا۔

سیزن کے دوران HESCO کو بجلی کی ترسیل تسلسل سے جاری رہی۔ دوران سیزن HESCO کو 3.45 ملین یونٹس بجلی کی ترسیل کی گئی اور ادارے کی طرف سے بروقت ادائیگی بھی کردی گئی۔

سیزن 2016-17 چینی کی صنعت بہت مشکل حالات کا شکار رہی۔ زیادہ تر ملوں نے تاریخی پیداوار کی لیکن حکومت کا برآمدات کے لئے مناسب وقت پر فیصلہ نہ کرنے کی وجہ سے قیمتوں میں نمایاں کمی واقع ہوئی۔ خوشی کی بات یہ ہے کہ زیادہ تر ملوں نے کاشتکاروں کو گنے کی ادائیگیاں کردی ہیں۔

2015-2016

2016-2017

24-11-2015

15-11-2016

07-03-2016

27-03-2017

105

133

940,626

1,056,198

78.0%

75.0%

11.31%

11.06%

106,400

116,780

38,604

48,864

4.06%

4.53%

آپریشنل معلومات

سیزن شروع ہونے کی تاریخ

سیزن ختم ہونے کی تاریخ

سیزن کا دورانیہ (دن)

گنے کی کرسٹنگ (میٹرک ٹن)

پیداواری صلاحیت کا استعمال

سکروز ریکوری

چینی کی پیداوار (میٹرک ٹن)

مولیسس کی پیداوار (میٹرک ٹن)

مولیسس کی ریکوری

2015-2016

2016-2017

(روپے ہزاروں میں ماسوائے فی حصص آمدنی)

7,674,145

4,211,410

-

1,685,861

7,674,145

5,897,272

560,919

396,436

742,879

268,003

10.44%

4.87%

668,007

198,546

9.39%

3.61%

541,807

131,675

7.62%

2.40%

16.91

4.11

مالیاتی معلومات

فروخت - مقامی مارکیٹ

فروخت - برآمدات

مجموعی فروخت

فیڈرل ایکسائز ڈیوٹی / سیلز ٹیکس

خالص منافع

خالص منافع کی شرح

قبل از ٹیکس منافع

قبل از ٹیکس منافع کی شرح

بعد از ٹیکس منافع

بعد از ٹیکس منافع کی شرح

فی حصص آمدنی

چینی کی مقامی صنعت کا جائزہ

سیزن 2016-17 کے لئے گنے کی کرشنگ کا آغاز نومبر 2016 میں ہوا، سندھ گورنمنٹ کی طرف سے گنے کی کم از کم قیمت مبلغ 182 روپے فی چالیس کلوگرام مقرر کی گئی تھی۔ صوبہ سندھ میں گنے کی دستیابی، صوبہ پنجاب اور خیبر پختونخواہ کے مقابلے میں مشکل رہی جس کی وجہ سے ملوں کے درمیان مسابقت پیدا ہوئی اور گنے کے نرخ مقرر کردہ کم از کم نرخ سے تجاوز کر گئے یہی وجہ ہے کہ سندھ کی شوگر ملوں کی پیداواری قیمت نسبتاً زیادہ رہی۔

سیزن کا سب سے مشکل مرحلہ گنے کی فصل کے مجموعی حجم کا اندازہ کرنا تھا خاص طور پر صوبہ پنجاب میں جہاں مختلف اندازے لگائے گئے لیکن حیرت انگیز طور پر پنجاب میں فصل کی بہتر فی ایکڑ پیداوار کی وجہ سے پچھلے تمام ریکارڈ ٹوٹ گئے اور پنجاب میں چینی کی پچھلے تخمینہ سے 10 لاکھ ٹن اضافی پیداوار ریکارڈ کی گئی گنے کی فراوانی کی وجہ سے شوگر ملیں پنجاب میں اپریل کے آخر تک جب کہ سندھ میں مارچ کے آخر تک چلتی رہیں، گنے کی وافر مقدار کے باعث پنجاب میں گنا مقرر کردہ کم از کم نرخ پر خریدا گیا جبکہ سندھ میں ملوں کے درمیان مسابقت کی وجہ سے گنے کی قیمت میں 10% تک فرق دیکھا گیا جس کے باعث چینی کی پیداواری لاگت میں عدم توازن پیدا ہوا، اس کے علاوہ گنے کی زیادہ مقدار میں کرشنگ کی وجہ سے بھی پنجاب کی ملوں کی پیداواری لاگت میں بھی کمی آئی۔

مجموعی طور پر چینی کی قومی پیداوار 71 لاکھ میٹرک ٹن ریکارڈ کی گئی جو کہ پچھلے سال کے مقابلے میں تقریباً چالیس فیصد زیادہ ہے۔ پنجاب میں مجموعی طور پر 45 لاکھ ٹن چینی کی پیداوار ہوئی جبکہ سندھ اور خیبر پختونخواہ میں بالترتیب 23 لاکھ اور 3 لاکھ ٹن چینی کی پیداوار ہوئی۔

چینی کی اضافی پیداوار کی کھپت یا برآمدات کے لئے پہلے سے کسی قسم کی منصوبہ بندی نہ ہونے کی وجہ سے شوگر ملز اس وقت وافر ذخائر کے ساتھ شدید دباؤ میں ہیں۔ سب سے مشکل مرحلہ فروری 2017 میں حکومت کو چینی کی برآمد پر قائل کرنا تھا جب عالمی منڈی میں قیمتیں اوپر تھیں اور پیداوار میں اضافہ کا تخمینہ لگایا جا چکا تھا۔ تقریباً 15 لاکھ ٹن برآمدات کی حکومت کو تجویز دی گئی لیکن پہلے مرحلے میں صرف 225,000 ٹن برآمد کی اجازت دی گئی۔

چینی کے اضافی ذخائر، برآمد کی اجازت نہ ملنے اور عالمی منڈی میں چینی کی گرتی ہوئی قیمتوں کی وجہ سے مقامی منڈی میں چینی کی قیمت جو کہ دسمبر 2016 اور جنوری 2017 میں 58 سے 60 روپے فی کلو کے درمیان تھی وہ جون/جولائی 2017 میں 46 سے 47 روپے فی کلو تک گر گئی، جبکہ سیلز ٹیکس اس دوران 6 روپے فی کلو گرام تک برقرار رکھا گیا جس کے باعث ملوں کو ملنے والی خالص قیمت 40 روپے فی کلو گرام تھی جس کے باعث ملوں کو بھاری نقصان کا سامنا ہے۔

حکومت کی جانب سے بالآخر چینی کی برآمد کی بالترتیب 250,000 ٹن اور 500,000 ٹن کی دو پالیسیوں کا اعلان کیا گیا آخری 500,000 ٹن کی پالیسی کے ساتھ حکومت نے 100 ڈالر فی ٹن کی سبسڈی کا اعلان کیا ہے لیکن تب تک عالمی مارکیٹ میں چینی کی قیمت 200 ڈالر فی ٹن تک گر چکی تھی۔

باوجود 10 لاکھ ٹن برآمد کے، چینی کی مقامی منڈی میں قیمت میں کوئی بہتری نہ آسکی اور چینی کی اس وقت قیمت 48 روپے فی کلو گرام (سیلز ٹیکس کے ساتھ) ہے۔ پچھلے سیزن کے بھاری ذخائر اور اس سال بھی گنے کی فصل میں غیر معمولی اضافے کی وجہ سے چینی کی قیمتوں پر مزید دباؤ آسکتا ہے۔

ڈائریکٹرز رپورٹ

تعارف

مہران شوگر ملز لمیٹڈ کی تشکیل دسمبر 1965 میں، پبلک لمیٹڈ کمپنی کے طور پر ہوئی۔ بنیادی کاروبار چینی کی پیداوار ہے۔ پلانٹ ٹنڈوالہ یار ضلع میں واقع ہے اور اس کی پیداواری صلاحیت 11,500 ٹن کرشنگ روزانہ ہے۔ اس کے علاوہ کمپنی کی اسٹیٹھینول بنانے والی کمپنی ”یونیکول لمیٹڈ“ میں بھی ایک تہائی کی شراکت داری ہے جس کی پیداواری صلاحیت 200,000 لیٹرز روزانہ ہے۔ حال ہی میں ہم نے توانائی اور بیکری کے کاروبار میں بھی سرمایہ کاری کی ہے جس کے نتائج جلد ظاہر ہوں گے۔ ان کاروبار کی تفصیل اس رپورٹ کے اگلے حصے میں بیان کی گئی ہیں۔

قومی معیشت

پچھلے سال کے دوران پاکستان کی معیشت نے اچھی کارکردگی کا مظاہرہ کیا ہے جی ڈی پی کی شرح ترقی جو کہ 5.8% رہی پچھلی ایک دہائی میں سب سے زیادہ تھی زیادہ تر معاشی اشاریے بہتری کی نشاندہی کر رہے ہیں یہ اشاریے ظاہر کرتے ہیں کہ ملک بنیادی معاشی استحکام کی جانب گامزن ہے۔

زرعی شعبے میں نمایاں بہتری ہوئی ہے اسی طرح خدمات کے شعبے میں بھی کچھ بہتری ظاہر ہوئی ہے۔ بڑی پیداواری صنعت میں اضافہ جبکہ عام صنعتی شعبے میں معمولی اضافہ دیکھنے میں آیا۔ بہر حال کم شرح سود، سہولت کار مانیٹری پالیسی اور نجی شعبے کو سرمایہ کاری کے لئے قرضے کی سہولت بڑھانے کی وجہ سے اگلے کچھ ماہ میں مزید معاشی بہتری متوقع ہے۔

باوجود معاشی اور سماجی ترقی میں نمایاں اضافہ کے، برآمدات میں کمی اور جاری خسارہ ایک چیلنج ہے وفاقی حکومت نے برآمدات بڑھانے کے لئے ترغیبات اور اقدامات کا آغاز کیا ہے جس کے نتائج آنے والے وقتوں میں ظاہر ہوں گے۔

پاکستان اس وقت عالمی سرمایہ کاروں کے راڈار میں ہے جو کہ CPEC کے تناظر میں کاروباری مواقع کی تلاش میں ہیں، پاکستان اسٹاک مارکیٹ کو فرنٹیئر سے ایمرجنگ مارکیٹ کے لئے منتخب کیا گیا ہے جو کہ پاکستان کے عالمی اقتصادیات میں بڑھتے ہوئے کردار کی نشاندہی ہے۔

چینی کی صنعت کا عالمی جائزہ

چینی کی پیداوار کے حوالے سے برازیل، انڈیا، یورپی یونین، تھائی لینڈ اور چین نمایاں ممالک ہیں، ان ممالک میں چینی کی پیداوار، عالمی سطح پر چینی کی اضافی پیداوار یا پیداوار میں کمی کا رجحان ظاہر کرتی ہے۔ عالمی سطح پر چینی کی پیداوار سال 2017-18 میں 192 ملین ٹن متوقع ہے جو کہ 2017-18 میں 177 ملین ٹن تھی جس کی بنیادی وجہ برازیل، تھائی لینڈ، یورپی یونین، انڈیا اور پاکستان میں اضافی پیداوار ہے۔ عالمی سطح پر چینی کے نرخ پچھلے ایک سال سے مسلسل مندی کا شکار ہیں جو کہ پچھلے سال کے دوران 580 ڈالر سے 330 ڈالر فی ٹن تک گر چکے ہیں اس وقت چینی 350 ڈالر فی ٹن سے 370 ڈالر فی ٹن تک فروخت ہو رہی ہے۔ چینی کے نرخ اس وقت پچھلے 24 ماہ کی کم ترین سطح پر ہیں اور یہ نرخ مزید دباؤ کا شکار ہیں جس کی وجہ عالمی منڈی میں اضافی چینی کی موجودگی ہے۔

Notice of the Annual General Meeting

Notice is hereby given that the 52nd Annual General Meeting of the members of the Company will be held at I.C.A.P. Auditorium, Chartered Accountants Avenue, Clifton, Karachi on Friday, January 26, 2018 at 1630 PST to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the Annual General Meeting held on January 31, 2017;
2. To receive, consider and adopt the Audited Financial Statements of the Company together with the Directors' and Auditors' Reports for the year ended September 30, 2017;
3. To consider and approve Cash Dividend of 27.5% i.e. Rs. 2.75 per share interim dividend already paid for the year ended September 30, 2017 alongwith Cash Dividend of 5% i.e. Re. 0.5 per share for the year ended September 30, 2016, arises due to amendemnt in section 5(A) through Finance Act 2017, as recommended by the Board of Directors of the Company.
4. To appoint auditors for the year ending September 30, 2018 and to fix their remuneration. The retiring auditors M/s. EY Ford Rhodes, Chartered Accountants being eligible, have offered themselves for re-appointment.

SPECIAL BUSINESS

5. To apprise and review the status of investments in Associated Companies, for which statement as required by S.R.O 27(l)/2012 dated January 16, 2012 is annexed.
6. To obtain consent of the shareholders in terms of S.R.O. 470(l)/2016 dated 31 May 2016 issued by Securities and Exchange Commission of Pakistan, for the transmission of the annual reports including annual audited accounts, notices of annual general meetings and other information contained therein of the Company either through CD or DVD or USB and to pass the said resolution as an Ordinary Resolution, with or without modification.
7. To transact any other business with the permission of the Chair.

By order of the of Board of Directors

Muhammad Hanif Aziz
Company Secretary

Karachi: December 26, 2017

NOTES

1. The share transfer books of the Company will remain closed from January 20, 2018 to January 26, 2018 (both days inclusive).
2. A member entitled to attend and vote at the Annual General Meeting may appoint another member as his/her proxy to attend and vote in his/her behalf. Proxies in order to be effective must be received by the Company at its Registered Office not later than 48 hours before the time fixed for holding the Annual General Meeting.
3. The shareholders whose shares are registered in their account/sub-account with Central Depository System (CDS) are requested to bring their CNIC along with their account number in CDS and participant's ID number for verification. In case of appointment of proxy by such account holders and sub-account holders the guidelines as contained in SECP's circular 1 of 26th January, 2000 to be followed.
4. The shareholders are requested to notify the Company immediately the change in their address, if any.
5. The shareholders are also requested to provide us the copy of their CNIC, enabling us to update the record, without which any dividend/bonus shares announced by the Company will not be issued/ dispatched.
6. As per section 242 of the Companies Act 2017, any cash dividend shall only be paid through electronic mode directly into the bank accounts of the shareholders, therefore shareholders are requested to provide their bank account detail (IBAN) to CDC or Share Registrar (in case of physical shares).

Statement as required by S.R.O 27(l)/2012 dated January 16, 2012

| Associated Companies | Total Investment Approved | Amount of Investment made to date | Reasons for not having made complete investments so far | Material Change in financial Statements of associated company since resolution |
|----------------------------|---------------------------|-----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|
| Mehran Energy Limited | 750 Million | 40 Million | <p>Project is scheduled to be operational in July 2019 and approved investment amount will be incurred as per indicative implementation schedule prepared on the basis of guideline issued by NEPRA. Authorities awarded MEL the Generation License, Upfront Tariff and Letter of Support and presently we are in negotiation of signing Energy Purchase Agreement with CPPA-G. Project may face certain delays due to a Review Petition filed by CPPA-G and its outcome yet to be determined.</p> | No material change. |
| UniFood Industries Limited | 200 Million | 72 Million | <p>Project will commence trial production in first quarter of 2018 and approved investment amount will be incurred as per estimated fund requirements. Presently we are facing no constraints in achieving the target date.</p> | No material change. |
| UniEnergy Limited | 650 Million | 20 Million | <p>Work on UniEnergy Ltd has slowed down due to non-availability of the grid for evacuation of power. In addition the NEPRA's determined tariff has also expired and a new one has yet to be announced. Now NEPRA most probably announced new tariff on the basis of competitive bidding.</p> <p>We are hopeful for an early solution and a revival of this project. We are actively pursuing the matter with the relevant departments in the Provincial as well as Federal Government.</p> | No material change. |

S.R.O 27(I)/2012 dated January 16, 2012 کے مطابق ضمیمہ خاص

| سرمایہ کاری کی قرارداد منظور ہونے کے بعد مالیاتی گوشواروں میں اہم اور قابل ذکر تغیر | منظور شدہ سرمایہ کاری مکمل نہ ہونے کی وجہ | اب تک کی گئی سرمایہ کاری | مُل منظور کردہ سرمایہ کاری | ایسوسی ایٹڈ کمپنیاں |
|-------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|----------------------------|-------------------------|
| کوئی قابل ذکر تبدیلی نہیں | <p>امید ہے کہ منصوبہ شیڈول کے مطابق جولائی 2019 تک آپریشنل ہوگا اور منظور کردہ سرمایہ کاری نیپرا کی جانب سے دیئے گئے عملدرآمد شیڈول کے مطابق کی جائے گی۔ کمپنی کو جزیشن لائسنس، ٹیرف اور AEDB کی جانب سے معاونت کار سہی خط (LoS) موصول ہو چکا ہے اور ہم اس وقت بجلی خرید کے معاہدہ پر CPPA-G سے بات چیت کر رہے ہیں۔ منصوبہ کچھ تاخیر کا شکار ہو سکتا ہے جس کی وجہ سے CPPA-G کی جانب سے نیپرا کے پالیسی فریم ورک پر ریویو پیشینہ ہے۔</p> | 40 ملین روپے | 750 ملین روپے | مہران انرجی لمیٹڈ |
| کوئی قابل ذکر تبدیلی نہیں | <p>2018 کی پہلی سہ ماہی میں منصوبے کی آزمائشی پیداوار متوقع ہے۔ ضروریات کے مطابق سرمایہ کی باقی رقم کی منظوری دی جائے گی اس وقت ہم ہدف کو حاصل کرنے میں کسی رکاوٹ کا سامنا نہیں کر رہے ہیں</p> | 72 ملین روپے | 200 ملین روپے | یونی فوڈ انڈسٹریز لمیٹڈ |
| کوئی قابل ذکر تبدیلی نہیں | <p>اس منصوبہ پر کام جمود کا شکار ہے جس کی وجہ سے گریڈ کی عدم دستیابی اور نیپرا کی جانب سے دیئے گئے ٹیرف کی مدت کا خاتمہ ہے۔ امید ہے کہ مسابقتی بنیادوں پر بہت جلد نئے ٹیرف کا اعلان کیا جائے گا۔ ہم اس منصوبہ کے جلد فعال ہونے کے لئے پُر امید ہیں اور وفاقی اور صوبائی حکومتوں سے رابطہ رکھے ہوئے ہیں۔</p> | 20 ملین روپے | 650 ملین روپے | یونی انرجی لمیٹڈ |

نوٹ:

1. کمپنی ہذا کی شیئر ٹرانسفر بکس مورخہ 20 جنوری 2018 تا 26 جنوری 2018 (دونوں دن شامل) بند رہیں گی۔
2. کمپنی ہذا کا کوئی بھی رکن جو سالانہ اجلاس عام میں شرکت کرنے اور ووٹ دینے کا اہل ہو، اپنی جگہ شرکت کرنے اور ووٹ دینے کی غرض سے کسی دوسرے ممبر کو پراکسی مقرر کر سکتا/ کر سکتی ہے۔ پراکسیوں کے موثر ہونے کے لئے لازم ہے کہ وہ سالانہ اجلاس عام کے انعقاد کے وقت سے کم از کم 48 گھنٹے قبل تک کمپنی کو اس کے رجسٹرڈ آفس میں موصول ہو جائیں۔
3. کمپنی کے ایسے اراکین جن کے حصص سینٹرل ڈپازٹری سسٹم (CDS) کے پاس ان کے اکاؤنٹ / سب اکاؤنٹ میں رجسٹرڈ ہیں، ان سے التماس ہے کہ وہ بغرض تصدیق CDS میں اپنے اکاؤنٹ نمبر اور شرکت کنندہ کے ID نمبر کے ہمراہ اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ ساتھ لائیں۔ ایسے اکاؤنٹ ہولڈرز اور سب اکاؤنٹ ہولڈرز کی جانب سے پراکسی کے تقرر کی صورت میں SECP کے سرکلر نمبر 1 مورخہ 26 جنوری 2000 میں شامل گائیڈ لائنز پر عمل درآمد کیا جائے گا۔
4. کمپنی ہذا کے شیئر ہولڈرز سے التماس ہے کہ اپنے موجودہ پتے میں کسی بھی قسم کی تبدیلی، اگر ہو، تو اس سے کمپنی ہذا کو فوری طور سے مطلع کریں۔
5. حصص یافتگان سے یہ بھی التماس ہے کہ اپنے قومی شناختی کارڈ کی کاپی کمپنی رجسٹرار کو فراہم کریں جس کے بغیر آئندہ کسی بھی قسم کا منافع یا بوتس سرٹیفکیٹ جاری نہیں کیا جائے گا۔
6. کمپنی ایکٹ 2017 کی شق 242 کے تحت حصص یافتگان کو نقد منافع کی تقسیم صرف ان کے بینک اکاؤنٹ کے ذریعے ہی کی جائے گی، لہذا کمپنی کے تمام حصص مالکان سے التماس ہے کہ اپنے بینک اکاؤنٹس کی تفصیلات CDC یا شیئر رجسٹرار کو جمع کرائیں۔

اطلاع برائے سالانہ اجلاس عام

بذریعہ ہذا کمپنی کے اراکین کو اطلاع دی جاتی ہے کہ 52 واں سالانہ اجلاس عام، آئی سی اے پی ICAP آڈیٹوریم، چارٹرڈ اکاؤنٹنٹس ایونیو، کلفٹن کراچی میں بروز جمعہ مورخہ 26 جنوری 2018 کو 4:30 بجے منعقد ہوگا جس میں درج ذیل امور طے کئے جائیں گے۔

عمومی معاملات

1. 31 جنوری 2017 کو ہونے والے سالانہ اجلاس عام کی کارروائی کی توثیق کرنا۔
2. 30 ستمبر 2017 کو ختم ہونے والے کاروباری سال کے لئے کمپنی ہذا کے آڈٹ شدہ مالیاتی گوشواروں، ہمراہ ڈائریکٹرز اور آڈیٹرز رپورٹ وصول کرنا، ان پر غور کرنا اور منظوری دینا۔
3. کمپنی ہذا کے بورڈ آف ڈائریکٹرز کی تجویز کے مطابق 30 ستمبر 2017 کو اختتام پذیر ہونے والے مالی سال کے لئے پہلے سے ادا شدہ 27.5 فیصد یعنی مبلغ دو روپے پچھتر پیسے فی حصص کے عبوری منافع منقسمہ کے علاوہ 5 فیصد یعنی سچاس پیسے فی حصص کے حساب سے ادا کیا گیا منافع منقسمہ برائے سال 2015-2016 جو کہ انکم ٹیکس آرڈیننس 2001 کی دفعہ 5(A) میں ترمیم کی وجہ سے واجب الادا تھا، کی منظوری دینا۔
4. 30 ستمبر 2018 تک ختم ہونے والے سال کے لئے آڈیٹرز کی تقرری اور ان کے معاوضہ کا تعین کرنا، ریٹائرڈ ہونے والے آڈیٹر ای وائی فورڈر ہوڈز، چارٹرڈ اکاؤنٹنٹس نے اس ضمن میں اہل ہونے کے سبب دوبارہ تقرری کے لئے اپنی خدمات پیش کی ہیں۔

خصوصی امور

5. ایسوسی ایٹڈ کمپنیوں میں کی گئی سرمایہ کاری کا جائزہ لینا جس کے لئے، 2012 / S.R.O 27 (D) جنوری 16، 2012 کی تعمیل کرتے ہوئے کمپنی کے اراکین کو ایک علیحدہ ضمیمہ ارسال کیا جا رہا ہے۔
6. کمپنی کے اراکین کو سالانہ آڈٹ شدہ گوشوارے، رپورٹس، اجلاس عام اور غیر معمولی اجلاس کی اطلاع، وغیرہ کی ترسیل بذریعہ سی ڈی، ڈی وی ڈی اور یو ایس بی کرنے کے لئے کمپنی ہذا کے اراکین کی منظوری حاصل کرنا۔
7. صدر مجلس کی اجازت سے کسی اور ضروری امور کی انجام دہی۔

کراچی، دسمبر 26، 2017

حسب الحکم بورڈ آف ڈائریکٹرز

محمد حنیف عزیز

کمپنی سیکریٹری



Statement of Compliance with the Code of Corporate Governance

For The Year Ended September 30, 2017

This statement is being presented to comply with the Code of Corporate Governance (the CCG) contained in Regulation No. 5.19 of Listing Regulations of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

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

| Category | Category |
|-------------------------|-----------------------------------------------------------------------------------------------------|
| Independent Directors | Mr. Amjad Waheed Mr. Muhammad Bashir Kodvawala |
| Non-Executive Directors | Mr. Mohammed Kasim Hasham Mr. Mohammed Hussain Hasham Mr. Muhammad Iqbal Mr. Khurram Kasim |
| Executive Directors | Mr. Mohammed Ebrahim Hasham Mr. Ahmed Ebrahim Hasham |

The independent directors meet the criteria of independence under clause 5.19.1 (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as taxpayers and none of them has

defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a broker of a stock exchange, has been declared as a defaulter by that stock exchange.

4. There was no casual vacancy on the Board in the current 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 CEO, other executive and non-executive directors, have been taken by the Board/shareholders.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Six directors of the Company are exempted from the requirement of the Directors’ Training Program and two directors are certified from

Pakistan Institute of Corporate Governance. All the directors on the Board are fully conversant with their duties and responsibilities as directors of corporate bodies.

10. No new appointment of Chief Financial officer, Company secretary and Head of internal audit was made during the year.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises four members, of whom three are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises of three members, of whom two are non-executive directors and the chairman of the committee is a non-executive director.
18. The Board has setup 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 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.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles enshrined in the CCG have been fully complied with.

For and on behalf of the Board



Mohammed Ebrahim Hasham
Chief Executive Officer

Karachi: December 26, 2017



EY Ford Rhodes
Chartered Accountants
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ey.com/pk

Review Report to the Members on Statement of Compliance with the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance (the statement) with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Mehran Sugar Mills Limited (the Company) for the year ended **30 September 2017** to comply with the requirements of Rule Book of Pakistan Stock Exchange Limited Chapter 5, Clause 5.19.24(b) of the Code where the Company is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code, as applicable to the Company for the year ended **30 September 2017**.

Chartered Accountants
Date: January 2, 2018

Place: Karachi



Unconsolidated FINANCIAL STATEMENTS





EY Ford Rhodes
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

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Fax: +9221 3568 1965
ey.khi@pk.ey.com
ey.com/pk

Auditors' Report to the Members

We have audited the annexed balance sheet of Mehran Sugar Mills Limited (the Company) as at 30 September 2017 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 repealed Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

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

- a) in our opinion, proper books of account have been kept by the Company as required by the repealed 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 repealed Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for changes as stated in note 2.3 to the financial statements, with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.



EY Ford Rhodes
Chartered Accountants

- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and, give the information required by the repealed Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 September 2017 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

We draw attention to note 27.1 to the financial statements, which describes the uncertainty relating to the outcome of the lawsuits and appeals filed by / against the Company. Our opinion is not qualified in respect of these matters.

Chartered Accountants
Audit Engagement Partner: Khurram Jameel

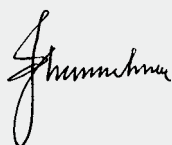
Date: January 2, 2018
Place: Karachi

Balance Sheet

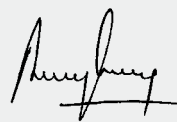
As at September 30, 2017

| | Note | 2017 Rupees | 2016 Rupees |
|------------------------------------------------------------------------|------|----------------------|----------------------|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 5 | 2,188,132,989 | 1,952,924,527 |
| Long-term receivable | 6 | - | - |
| Long-term investments | 7 | 977,676,351 | 765,563,846 |
| Long-term deposits | | 1,113,170 | 853,170 |
| | | 3,166,922,510 | 2,719,341,543 |
| CURRENT ASSETS | | | |
| Biological assets | 8 | 17,662,000 | 43,848,243 |
| Stores and spare parts | 9 | 83,880,941 | 72,254,949 |
| Stock-in-trade | 10 | 1,205,456,973 | 412,035,787 |
| Trade debts | 11 | 174,514,430 | 10,559,935 |
| Loans and advances | 12 | 148,344,754 | 108,221,611 |
| Trade deposits and short-term prepayments | 13 | 7,753,808 | 6,519,310 |
| Other receivables | 14 | 4,493,899 | 3,717,367 |
| Short-term investments | 15 | 830,319,250 | 1,105,801,019 |
| Taxation – net | | 54,617,134 | - |
| Cash and bank balances | 16 | 28,761,062 | 34,438,332 |
| | | 2,555,804,251 | 1,797,396,553 |
| TOTAL ASSETS | | 5,722,726,761 | 4,516,738,096 |
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Share capital | 17 | 320,312,450 | 320,312,450 |
| Reserves | | 1,897,941,949 | 2,003,103,005 |
| | | 2,218,254,399 | 2,323,415,455 |
| NON-CURRENT LIABILITIES | | | |
| Long-term financing | 18 | 448,747,505 | 304,848,460 |
| Liabilities against assets subject to finance lease | 19 | 31,686,538 | 21,210,474 |
| Market committee fee payable | 20 | 65,974,256 | 70,334,256 |
| Deferred liability | 21 | 4,878,275 | 4,646,722 |
| Deferred taxation | 22 | 288,210,549 | 322,643,511 |
| Provision for quality premium | 23 | 119,290,919 | 119,290,919 |
| | | 958,788,042 | 842,974,342 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 24 | 1,088,931,575 | 1,113,134,038 |
| Accrued mark up | | 32,324,757 | 8,841,589 |
| Short-term borrowings | 25 | 1,117,039,706 | - |
| Current portion of long-term financing | 18 | 156,023,610 | 167,716,209 |
| Current portion of liabilities against assets subject to finance lease | 19 | 24,434,897 | 15,128,895 |
| Current portion of market committee fee payable | 20 | 3,757,652 | 3,757,652 |
| Provision for market committee fee | 26 | 19,968,245 | 9,406,263 |
| Taxation – net | | - | 22,202,133 |
| Sales tax and federal excise duty payable | | 103,203,878 | 10,161,520 |
| | | 2,545,684,320 | 1,350,348,299 |
| CONTINGENCIES AND COMMITMENTS | 27 | | |
| TOTAL EQUITY AND LIABILITIES | | 5,722,726,761 | 4,516,738,096 |

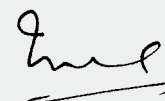
The annexed notes from 1 to 46 form an integral part of these financial statements.



Chief Executive Officer



Chief Financial Officer



Director

Profit and Loss Account

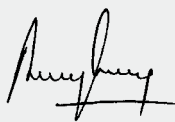
For the year ended September 30, 2017

| | Note | 2017 Rupees | 2016 Rupees |
|---------------------------------------------|------|-----------------|-----------------|
| Turnover | 28 | 5,500,835,862 | 7,113,225,987 |
| Cost of sales | 29 | (5,232,831,889) | (6,370,347,160) |
| Gross profit | | 268,003,973 | 742,878,827 |
| Distribution costs | 30 | (83,037,172) | (36,885,849) |
| Administrative expenses | 31 | (243,236,383) | (197,437,925) |
| Other expenses | 32 | (9,357,006) | (41,205,962) |
| Other income | 33 | 362,734,920 | 183,025,441 |
| | | 27,104,359 | (92,504,295) |
| Operating profit | | 295,108,332 | 650,374,532 |
| Share of profit from associates – net | 7 | 100,112,515 | 116,258,625 |
| Finance costs | 34 | (196,674,589) | (98,626,401) |
| Profit before taxation | | 198,546,258 | 668,006,756 |
| Taxation | 35 | (66,871,019) | (126,199,802) |
| Net profit for the year | | 131,675,239 | 541,806,954 |
| Basic and diluted earnings per share | 36 | 4.11 | 16.91 |

The annexed notes from 1 to 46 form an integral part of these financial statements.



Chief Executive Officer



Chief Financial Officer



Director

Statement of Comprehensive Income

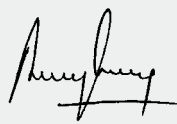
For the year ended September 30, 2017

| | 2017 Rupees | 2016 Rupees |
|--------------------------------------------------------------------------------------------------------|----------------|----------------|
| Net profit for the year | 131,675,239 | 541,806,954 |
| Other comprehensive income | | |
| Items to be reclassified to profit and loss account in subsequent periods: | | |
| Unrealised gain on revaluation of short-term investments – net | 35,361,786 | 88,235,718 |
| Reclassification to profit and loss account for (gain) / loss on disposal of short-term investments | (95,206,177) | 11,647,389 |
| | (59,844,391) | 99,883,107 |
| Items that may not be reclassified subsequently to profit and loss account | | |
| Actuarial (loss) / gain on defined benefit plan – net | (819,108) | 4,141,034 |
| Total comprehensive income for the year | 71,011,740 | 645,831,095 |

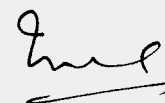
The annexed notes from 1 to 46 form an integral part of these financial statements.



Chief Executive Officer



Chief Financial Officer



Director

Cash Flow Statement

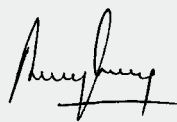
For the year ended September 30, 2017

| | Note | 2017 Rupees | 2016 Rupees |
|-----------------------------------------------------------------|------|------------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before taxation | | 198,546,258 | 668,006,756 |
| Adjustments for non-cash charges and other items: | | | |
| Depreciation | | 152,920,439 | 137,410,827 |
| Share of profit from associates – net | | (100,112,515) | (116,258,625) |
| (Gain) / loss on disposal of fixed assets | | (4,843,041) | 6,418,324 |
| Finance costs | | 196,674,589 | 98,626,401 |
| Gain on disposal of investments | | (262,320,311) | (54,528,036) |
| Provision for gratuity | | 304,549 | 804,636 |
| Provision for market committee fee | | 10,561,982 | 9,406,263 |
| Provision for impairment of short-term investment | | 9,357,006 | - |
| Working capital changes | 37 | (928,030,095) | 418,947,234 |
| | | (925,487,397) | 500,827,024 |
| Gratuity paid | | (892,104) | (1,431,302) |
| Income taxes paid | | (172,367,234) | (71,359,193) |
| Finance costs paid | | (173,191,421) | (101,309,831) |
| Market committee fee paid | | (4,360,000) | (1,577,652) |
| Long term deposits | | (260,000) | 202,230 |
| Net cash (used in) / generated from operating activities | | (1,078,011,898) | 993,358,032 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Fixed capital expenditure | | (341,567,241) | (438,770,996) |
| Proceeds from disposal of operating fixed assets | | 7,698,872 | 16,127,066 |
| Investments made during the year | | (2,816,958,553) | (1,279,524,497) |
| Proceeds from disposal of short-term investments | | 3,167,803,215 | 1,044,283,876 |
| Dividend received | | - | 23,059,573 |
| Net cash generated from / (used in) investing activities | | 16,976,293 | (634,824,978) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Long term financing obtained | | 132,206,446 | 48,311,753 |
| Short-term borrowings obtained / (repaid) | | 1,117,039,706 | (190,888,771) |
| Liabilities against assets subject to finance lease | | (29,635,409) | (21,959,016) |
| Dividends paid | | (164,252,408) | (205,112,725) |
| Net cash generated from / (used in) financing activities | | 1,055,358,335 | (369,648,759) |
| Net change in cash and cash equivalents | | (5,677,270) | (11,115,705) |
| Cash and cash equivalents at the beginning of the year | | 34,438,332 | 45,554,037 |
| Cash and cash equivalents at the end of the year | 16 | 28,761,062 | 34,438,332 |

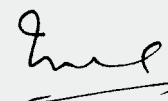
The annexed notes from 1 to 46 form an integral part of these financial statements.



Chief Executive Officer



Chief Financial Officer



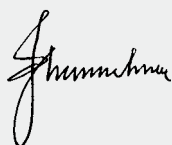
Director

Statement of Changes in Equity

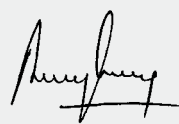
For the year ended September 30, 2017

| | Issued, subscribed and paid-up capital | Reserves | | | | Total reserves | Total |
|---------------------------------------------------------------------------------|----------------------------------------------|------------------------------------------|--------------------|--------------------------------------------------------|--------------------------|----------------------|----------------------|
| | | Capital reserve - Share Premium | General reserve | Unrealized gain on revaluation of investments | Unappropriated profit | | |
| | -----Rupees----- | | | | | | |
| Balance as at September 30, 2015 | 320,312,450 | 63,281,250 | 85,000,000 | 46,860,780 | 1,346,310,858 | 1,541,452,888 | 1,861,765,338 |
| Final dividend for the year ended September 30, 2015 @ 15% | - | - | - | - | (48,047,287) | (48,047,287) | (48,047,287) |
| First interim dividend for the year ended September 30, 2016 @ 12.5% | - | - | - | - | (40,039,142) | (40,039,142) | (40,039,142) |
| Second interim dividend for the year ended September 30, 2016 @ 15% | - | - | - | - | (48,047,278) | (48,047,278) | (48,047,278) |
| Third interim dividend for the year ended September 30, 2016 @ 15% | - | - | - | - | (48,047,271) | (48,047,271) | (48,047,271) |
| Net profit for the year | - | - | - | - | 541,806,954 | 541,806,954 | 541,806,954 |
| Other comprehensive loss | - | - | - | 99,883,107 | 4,141,034 | 104,024,141 | 104,024,141 |
| Total comprehensive income for the year | - | - | - | 99,883,107 | 545,947,988 | 645,831,095 | 645,831,095 |
| Balance as at September 30, 2016 | 320,312,450 | 63,281,250 | 85,000,000 | 146,743,887 | 1,708,077,868 | 2,003,103,005 | 2,323,415,455 |
| Final dividend for the year ended September 30, 2016 @ 22.5% | - | - | - | - | (72,070,387) | (72,070,387) | (72,070,387) |
| First interim dividend for the year ended September 30, 2017 @ 15% | - | - | - | - | (48,047,259) | (48,047,259) | (48,047,259) |
| Second interim dividend for the year ended September 30, 2017 @ 12.5% | - | - | - | - | (40,039,143) | (40,039,143) | (40,039,143) |
| Additional cash dividend for the year ended September 30, 2016 dividend @ 5% | - | - | - | - | (16,016,007) | (16,016,007) | (16,016,007) |
| Net profit for the year | - | - | - | - | 131,675,239 | 131,675,239 | 131,675,239 |
| Other comprehensive loss | - | - | - | (59,844,391) | (819,108) | (60,663,499) | (60,663,499) |
| Total comprehensive income for the year | - | - | - | (59,844,391) | 130,856,131 | 71,011,740 | 71,011,740 |
| Balance as at September 30, 2017 | <u>320,312,450</u> | <u>63,281,250</u> | <u>85,000,000</u> | <u>86,899,496</u> | <u>1,662,761,203</u> | <u>1,897,941,949</u> | <u>2,218,254,399</u> |

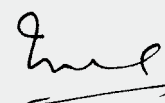
The annexed notes from 1 to 46 form an integral part of these financial statements.



Chief Executive Officer



Chief Financial Officer



Director

Notes to the Financial Statements

For the year ended September 30, 2017

1 THE COMPANY AND ITS OPERATIONS

1.1 Mehran Sugar Mills Limited (the Company) was incorporated in Pakistan as a public limited company in December, 1965 under repealed Companies Ordinance, 1984 (the Ordinance). The shares of the Company are quoted on Pakistan Stock Exchange Limited. The Company is principally engaged in the manufacturing and sale of sugar. The registered office of the Company is situated at 14th floor, Dolmen City Executive Tower, Marine Drive, Block 4, Clifton, Karachi. The mill of the Company is located at Distt. Tando Allahyar, Sindh.

1.2 These financial statements are separate financial statements of the Company in which investments in subsidiary and associates are accounted for on the basis of direct equity interest and equity method respectively.

2.1 BASIS OF PREPARATION

2.1 Statement of compliance

During the year, the Companies Act 2017 (the Act) has been promulgated, however, Securities and Exchange Commission of Pakistan (SECP) vide its circular no. 23 of 2017 dated July 04, 2017 communicated it's decision that the companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the Ordinance. Accordingly, these financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Ordinance and provisions of 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 except for available for sale investments and biological assets which are carried at fair value and fair value less costs to sell respectively.

2.3 New standards and amendments

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except that the Company has adopted the following standards which became effective for the current year:

IFRS 10, IFRS 12 and IAS 28 - Applying the Consolidation Exception (Amendment)

IFRS 11 - Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)

IAS 1 - Presentation of Financial Statements - Disclosure Initiative (Amendment)

IAS 16 & IAS 38 - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)

IAS 16 & IAS 41 - Agriculture: Bearer Plants (Amendment)

IAS 27 - Equity Method in Separate Financial Statements (Amendment)

Improvements to Accounting Standards Issued by the IASB

IFRS 5 - Changes in methods of disposal

IFRS 7 - Disclosures - Servicing contracts

IFRS 7 - Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements

IAS 19 - Discount rate: regional market issue

The adoption of the above standards and amendments to accounting standards did not have any effect on the financial statements.

Notes to the Financial Statements

For the year ended September 30, 2017

2.4 Standards not yet effective

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

| | Effective date (accounting periods Beginning on or after) |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|
| IAS 7 – Statement of Cash flows (Amendment) | 01 January 2017 |
| IAS 12 – Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments) | 01 January 2017 |
| IAS 40 – Investment Property: Transfers of Investment Property (Amendments) | 01 January 2017 |
| IFRS 2 – Share-based Payments - Classification and Measurement of Share-based Payments Transactions (Amendments) | 01 January 2018 |
| IFRS 4 – Insurance Contracts – (Amendments) Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 | 01 January 2018 |
| IFRS 10 – Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment) | Not yet finalized |
| IFRIC 22 – Foreign Currency Transactions and Advance Consideration | 01 January 2018 |
| IFRS 15 – Revenue from Contracts with Customers | 01 July 2018 |
| IFRS 9 – Financial Instruments: Classification and Measurement | 01 July 2018 |
| IFRIC 23 – Uncertainty over Income Tax Treatments | 01 January 2019 |

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2017. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

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

| | IASB Effective date (accounting periods Beginning on or after) |
|----------------------------------------|----------------------------------------------------------------------|
| IFRS 14 – Regulatory Deferral Accounts | 01 January 2016 |
| IFRS 16 – Leases | 01 January 2019 |
| IFRS 17 – Insurance Contracts | 01 January 2021 |

Notes to the Financial Statements

For the year ended September 30, 2017

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Company's financial statements requires management to make judgments and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these judgments and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The management continually evaluates estimates and judgments which are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under current circumstances. Revisions to accounting estimates are recognized prospectively.

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

Property, plant and equipment

The Company reviews appropriateness of the rate of depreciation and useful life used in the calculation of depreciation. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. In making these estimates, the Company uses the technical resources available with the Company. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with corresponding effects on the depreciation charge and impairment.

Impairment of Investments

In making estimates of future cash flows from investments in subsidiary and associates the management considers future dividend stream, and an estimate of the terminal value of these investments which is subject to change.

In case of available for sale investments the management estimates whether the decline in the fair value of quoted securities is significant and prolonged.

Inventories

The Company reviews the net realizable value (NRV) of stock-in-trade and stores and spare parts to assess any diminution in the respective carrying values. NRV is estimated with reference to the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

Taxation

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

Deferred tax assets are recognized for all unused tax losses and credits to the extent that it is probable that taxable profit will be available against which such losses and credits can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Contingencies

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The Company, based on the availability of the latest information, estimates the value of contingent assets and liabilities which may differ on the occurrence / non occurrence of the uncertain future events.

Notes to the Financial Statements

For the year ended September 30, 2017

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Property, plant and equipment

Owned

These are stated at cost less accumulated depreciation and impairment except for freehold land, which is stated at cost.

Depreciation is charged to profit and loss account using the reducing balance method, at the rates specified in note 5.1. Depreciation on additions is charged from the month in which the asset is available for use and on disposals up to the month the asset is in use.

The carrying values of the Company's property plant and equipment are reviewed at each financial year end for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Repairs and maintenance cost is written off to the profit and loss account in the year in which it is incurred. Major renewals and improvements are capitalized when it is probable that respective future economic benefits will flow to the Company.

An item of property plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gain or loss on disposal of property plant and equipment is recognized in the period of disposal.

Leased

Leases, recorded under the requirements of IAS 17 – “Leases”, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item are capitalized at the inception of the lease, at the fair value of the leased property or, if lower at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Assets acquired under finance lease are depreciated using the same basis as for owned assets.

Leases are classified as Ijarah, under the requirements of IFAS 2 – “Ijarah”, when a significant portion of the risks and rewards of ownership is retained by the Muj'ir (lessor) and Ijarah agreement has been entered into. Payments made under Ijarah are charged to profit and loss account on a straight-line basis over the period of Ijarah.

Capital work-in-progress

These are stated at cost less accumulated impairment, if any, and represent expenditure on fixed assets in the course of construction and installation. Transfers are made to relevant property, plant and equipment category as and when assets are available for their intended use.

4.2 Investments

Subsidiaries

These are stated at cost. Provision is made for permanent impairment in the value of investment, if any.

Notes to the Financial Statements

For the year ended September 30, 2017

Associates

Investment in associates are accounted for using equity method of accounting. Investments over which the Company has “significant influence” are accounted for under this method i.e., investments to be carried in the balance sheet at cost plus post-acquisition changes in the share of net assets of associates, less any impairment in value, if material. The profit and loss account reflects the Company’s share of the results of operations of associates after the date of acquisition. If an associate uses accounting policies other than those of the Company, adjustments are made to conform the associate’s policies to those of the Company, if the impact is considered material.

Available-for-sale

Investments which the management intends to hold for an indefinite period, but may be sold in response to the need for liquidity or changes in interest rates are classified as available-for-sale.

These investments are initially recognised at cost, being the fair value of the consideration given including transaction costs associated with the investment. After initial recognition, these investments are remeasured at fair value. For investments traded in active market, fair value is determined by reference to quoted market price and the investments for which a quoted market price is not available, or the fair value cannot be reasonably calculated, are measured at cost, subject to review for impairment at each balance sheet date.

Gains or losses on available-for-sale investments are recognised in other comprehensive income until the investment is disposed of or determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income is taken to profit and loss account.

Held-to-maturity

Investments with fixed or determinable payments and fixed maturity where management has both the positive intent and ability to hold to maturity are classified as held to maturity investments. These are initially measured at cost, being the fair value of the consideration given including transaction costs associated with the investment, and are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit and loss account when the investments are derecognised or impaired, as well as through the amortisation process.

4.3 Biological assets

These are measured at fair value less costs to sell on initial recognition and at each balance sheet date. Gain or loss arising on initial recognition of a biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset at the balance sheet date is included in profit and loss account for the period in which it arises.

4.4 Stores and spare parts

These are valued at lower of weighted average cost and NRV.

4.5 Stock-in-trade

These are valued at the lower of weighted average cost and NRV. Cost in relation to work-in-process and finished goods consist of manufacturing cost comprising prime cost and appropriate proportion of factory overheads.

4.6 Trade debts and other receivables

Trade debts and other receivables are stated at original invoice amount less provision for doubtful debts, if any. Provision for doubtful debts/ receivables is based on the management’s assessment of customers’ outstanding balances and creditworthiness. Bad debts are written-off when identified.

Notes to the Financial Statements

For the year ended September 30, 2017

4.7 Cash and cash equivalents

These are carried at cost.

4.8 Employees' benefits

Gratuity

The Company operates an unfunded gratuity scheme for its permanent mill employees. Provision is made annually, to cover obligations under the plan, by way of a charge to profit and loss account, calculated in accordance with the actuarial valuation using the "Projected Unit Credit Method". The latest valuation has been carried out as at September 30, 2017.

Provident fund

The Company operates a recognized provident fund for those permanent employees who have opted for it. Equal monthly contributions are made to the fund by the Company and employees in accordance with the fund's rules. Contributions are made by the employees at mill and the employees at head office at the rate of 11% and 10% respectively, of the aggregate of basic salary.

General disclosures

| | 2017 Rupees (Unaudited) | 2016 Rupees (Audited) |
|---------------------------|-------------------------------|-----------------------------|
| Size of the fund | 154,369,839 | 137,095,997 |
| Cost of investments | 102,570,608 | 89,094,949 |
| Fair value of investments | 148,464,552 | 131,986,474 |
| Percentage of investments | 93% | 96% |

Break-up of investments

| | 2017 ------(Unaudited)----- (Rupees) (%) | | 2016 ------(Audited)----- (Rupees) (%) | |
|-----------------------------|------------------------------------------------|----|----------------------------------------------|----|
| Defence Saving Certificates | 143,893,944 | 90 | 115,891,525 | 85 |
| Bank balances | 4,570,608 | 3 | 16,094,949 | 12 |
| Total | 148,464,552 | 93 | 131,986,474 | 97 |

Notes to the Financial Statements

For the year ended September 30, 2017

Investments of provident fund have been made in accordance with the provisions of Section 227 of the repealed Companies Ordinance, 1984 and the rules formulated for this purpose.

Compensated absences

The Company accrues its estimated liability towards leaves accumulated by employees on an accrual basis using current salary level.

4.9 Taxation

Current

Provision for current tax is based on the taxable income in accordance with the Income Tax Ordinance, 2001.

Deferred

Deferred tax is recognized using the balance sheet liability method, on all temporary differences arising at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which the assets may be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

4.10 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

4.11 Provisions

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

4.12 Foreign currency transactions and translation

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees using the exchange rate at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

Notes to the Financial Statements

For the year ended September 30, 2017

4.13 Borrowing costs

Interest / mark-up directly attributable to the acquisition / construction / installation of qualifying assets is capitalized. All other finance costs are charged to profit and loss account.

4.14 Financial instruments

Financial assets and liabilities are recognized at the time when the Company becomes party to the contractual provisions of the instrument and are derecognized in the case of assets, when the contractual rights under the instruments are realized, expired or surrendered and in the case of liability, when the obligation is discharged, cancelled or expired. Any gain / loss on the recognition and derecognition of the financial assets and liabilities is included in the profit and loss account for the period in which it arises.

4.15 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when the Company has a legally enforceable right to set-off the transaction and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

4.16 Revenue recognition

- Sales are recognized as revenue when invoiced, which generally coincides with the delivery of goods.
- Profit on term deposit receipts is recognized on effective interest rate.
- Dividend income is recognized when the right to receive the same is established.
- Gain / loss on sale of investment is recognized in profit and loss account in the period in which investment is sold.
- Income from sale of electricity is recognized upon the output delivered at rates specified under the agreement with Hyderabad Electric Supply Company (HESCO).

4.17 Dividend and appropriation to reserves

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

4.18 Functional and presentation currency

These financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

| | Note | 2017 Rupees | 2016 Rupees |
|-----------------------------------------|------|----------------------|----------------------|
| 5. PROPERTY, PLANT AND EQUIPMENT | | | |
| Operating fixed assets | 5.1 | 1,991,894,970 | 1,657,402,561 |
| Capital work-in-progress | 5.2 | 196,238,019 | 295,521,966 |
| | | <u>2,188,132,989</u> | <u>1,952,924,527</u> |

Notes to the Financial Statements

For the year ended September 30, 2017

5.1 Operating fixed assets

| Description | 2017 | | | | | | | Dep. Rate |
|------------------------------------|--------------------------|------------------------------------|----------------------------|----------------------------------------------|----------------------------------------|------------------------------------------------|----------------------------------|-----------|
| | Cost at October 01, 2016 | Additions/ (deletions) | Cost at September 30, 2017 | Accumulated depreciation at October 01, 2016 | Depreciation for the year/ (deletions) | Accumulated depreciation at September 30, 2017 | Book value at September 30, 2017 | |
| -----Rupees----- | | | | | | | | |
| <u>Owned</u> | | | | | | | | |
| Freehold land | 83,394,207 | - | 83,394,207 | - | - | - | 83,394,207 | - |
| Buildings on freehold land | | | | | | | | |
| - Factory | 262,573,131 | 13,278,334 | 275,851,465 | 115,746,926 | 15,352,887 | 131,099,813 | 144,751,652 | 10 % |
| - Non-factory | 50,996,147 | - | 50,996,147 | 14,293,683 | 1,835,123 | 16,128,806 | 34,867,341 | 5 % |
| Plant, machinery and Equipment | 2,133,774,436 | 419,952,591 (1,129,499) | 2,552,597,528 | 905,894,193 | 106,625,529 (846,851) | 1,011,672,871 | 1,540,924,657 | 7.5 % |
| Furniture and fittings | 8,708,852 | 111,500 | 8,820,352 | 3,066,915 | 571,844 | 3,638,759 | 5,181,593 | 10 % |
| Vehicles | 22,240,028 | 2,058,000 (5,507,600) | 18,790,428 | 17,501,756 | 918,952 (3,735,775) | 14,684,933 | 4,105,495 | 20% |
| Office premises | 85,022,551 | - | 85,022,551 | 16,482,825 | 3,426,986 | 19,909,811 | 65,112,740 | 5 % |
| Office equipment | 5,774,222 | 103,000 | 5,877,222 | 3,024,366 | 280,136 | 3,304,502 | 2,572,720 | 10 % |
| Electric installation | 11,015,603 | 3,052,383 (510,707) | 13,557,279 | 5,941,863 | 597,494 (507,673) | 6,031,684 | 7,525,595 | 10 % |
| Weighbridge and scales | 4,497,389 | 16,500 | 4,513,889 | 1,042,039 | 346,223 | 1,388,262 | 3,125,627 | 10 % |
| Workshop tools and other equipment | 6,341,923 | - | 6,341,923 | 4,705,308 | 163,662 | 4,868,970 | 1,472,953 | 10 % |
| Computers | 10,345,912 | 1,522,487 | 11,868,399 | 7,435,388 | 1,466,842 | 8,902,230 | 2,966,169 | 30 % |
| Air conditioners and refrigerators | 12,319,714 | 756,394 | 13,076,108 | 4,382,085 | 833,399 | 5,215,484 | 7,860,624 | 10 % |
| | 2,697,004,115 | 440,851,189 (7,147,806) | 3,130,707,498 | 1,099,517,347 | 132,419,077 (5,090,299) | 1,226,846,125 | 1,903,861,373 | |
| <u>Leased</u> | | | | | | | | |
| Vehicles | 95,447,200 | 49,417,490 (2,215,100) | 142,649,590 | 35,531,407 | 20,501,362 (1,416,776) | 54,615,993 | 88,033,597 | 20 % |
| Total | 2,792,451,315 | 490,268,679 (9,362,906) | 3,273,357,088 | 1,135,048,754 | 152,920,439 (6,507,075) | 1,281,462,118 | 1,991,894,970 | |

Notes to the Financial Statements

For the year ended September 30, 2017

| Description | 2016 | | | | | | | |
|------------------------------------|--------------------------|------------------------------|----------------------------|----------------------------------------------|----------------------------------------|------------------------------------------------|----------------------------------|-----------|
| | Cost at October 01, 2015 | Additions/ (deletions) | Cost at September 30, 2016 | Accumulated depreciation at October 01, 2015 | Depreciation for the year/ (deletions) | Accumulated depreciation at September 30, 2016 | Book value at September 30, 2016 | Dep. Rate |
| -----Rupees----- | | | | | | | | |
| Owned | | | | | | | | |
| Freehold land | 77,435,720 | 5,958,487 | 83,394,207 | - | - | - | 83,394,207 | - |
| Buildings on freehold land | | | | | | | | |
| - Factory | 247,933,436 | 18,976,609 (4,336,914) | 262,573,131 | 103,429,944 | 15,163,213 (2,846,231) | 115,746,926 | 146,826,205 | 10 % |
| - Non-factory | 50,557,541 | 477,606 (39,000) | 50,996,147 | 12,411,557 | 1,917,232 (35,106) | 14,293,683 | 36,702,464 | 5 % |
| Plant, machinery and equipment | 2,049,075,366 | 155,352,994 (70,653,924) | 2,133,774,436 | 864,970,875 | 97,692,376 (56,769,058) | 905,894,193 | 1,227,880,243 | 7.5 % |
| Furniture and fittings | 10,221,174 | 981,900 (2,494,222) | 8,708,852 | 4,591,139 | 600,059 (2,124,283) | 3,066,915 | 5,641,937 | 10 % |
| Vehicles | 28,430,508 | 877,650 (7,068,130) | 22,240,028 | 20,387,276 | 1,195,830 (4,081,350) | 17,501,756 | 4,738,272 | 20 % |
| Office premises | 84,611,044 | 411,507 | 85,022,551 | 12,882,690 | 3,600,135 | 16,482,825 | 68,539,726 | 5 % |
| Office equipment | 8,797,135 | 826,500 (3,849,413) | 5,774,222 | 6,278,887 | 304,376 (3,558,897) | 3,024,366 | 2,749,856 | 10 % |
| Electric installation | 16,841,375 | (5,825,772) | 11,015,603 | 10,566,339 | 622,191 (5,246,667) | 5,941,863 | 5,073,740 | 10 % |
| Weighbridge and scales | 1,202,624 | 3,494,165 (199,400) | 4,497,389 | 989,939 | 231,978 (179,878) | 1,042,039 | 3,455,350 | 10 % |
| Workshop tools and other equipment | 8,910,896 | (2,568,973) | 6,341,923 | 6,493,847 | 236,716 (2,025,255) | 4,705,308 | 1,636,615 | 10 % |
| Computers | 10,307,810 | 1,194,044 (1,155,942) | 10,345,912 | 7,677,091 | 901,495 (1,143,198) | 7,435,388 | 2,910,524 | 30 % |
| Air conditioners and refrigerators | 14,114,885 | 2,607,064 (4,402,235) | 12,319,714 | 6,743,185 | 926,382 (3,287,482) | 4,382,085 | 7,937,629 | 10 % |
| | 2,608,439,514 | 191,158,526 (102,593,925) | 2,697,004,115 | 1,057,422,769 | 123,391,983 (81,297,405) | 1,099,517,347 | 1,597,486,768 | |
| Leased | | | | | | | | |
| Vehicles | 73,482,300 | 25,035,400 (3,070,500) | 95,447,200 | 23,334,193 | 14,018,844 (1,821,630) | 35,531,407 | 59,915,793 | 20 % |
| Total | 2,681,921,814 | 216,193,926 (105,664,425) | 2,792,451,315 | 1,080,756,962 | 137,410,827 (83,119,035) | 1,135,048,754 | 1,657,402,561 | |

Notes to the Financial Statements

For the year ended September 30, 2017

| | Note | 2017 Rupees | 2016 Rupees |
|------------------------------------------------------------------------------|------|--------------------|--------------------|
| 5.1.1 Depreciation charge for the year has been allocated as follows: | | | |
| Cost of sales | 29 | 124,920,918 | 115,863,706 |
| Administrative expenses | 31 | 27,999,521 | 21,547,121 |
| | | <u>152,920,439</u> | <u>137,410,827</u> |

5.1.2 The following operating fixed assets were disposed off during the year:

| Particulars | ------(Rupees)----- | | | | | Mode of Disposal | Particulars of Purchaser |
|--------------------------------------------------------|---------------------|--------------------------|------------------|------------------|------------------|------------------|------------------------------|
| | Cost | Accumulated Depreciation | Book Value | Sale Proceeds | Gain | | |
| Plant, machinery and equipment | | | | | | | |
| Diesel Generator | 766,210 | 533,504 | 232,706 | 1,416,752 | 1,184,046 | Negotiation | Mr. Akber Shah - Karachi |
| Other assets with book value less than Rs. 50,000 each | 363,289 | 313,347 | 49,942 | 266,641 | 216,699 | Negotiation | Mr. Akber Shah - Karachi |
| | <u>1,129,499</u> | <u>846,851</u> | <u>282,648</u> | <u>1,683,393</u> | <u>1,400,745</u> | | |
| Electric Installation | | | | | | | |
| Asset with book value less than Rs. 50,000 | 510,707 | 507,673 | 3,034 | 16,607 | 13,573 | Negotiation | Mr. Akber Shah - Karachi |
| Vehicles | | | | | | | |
| Suzuki Alto (AXE - 744) | 796,000 | 560,525 | 235,475 | 524,628 | 289,153 | Policy | Mr. Haroon Suzera - employee |
| Suzuki Alto (AXF - 560) | 727,000 | 507,802 | 219,198 | 479,153 | 259,955 | Policy | Mr. Liaqat Ali - employee |
| Car(BCF-709) | 692,100 | 348,449 | 343,651 | 551,483 | 207,832 | Policy | Mr. Inayat-employee |
| Audi(AUQ-448) | 4,000,000 | 2,925,938 | 1,074,062 | 3,300,000 | 2,225,938 | Negotiation | Mr. Ahmed Ashraf |
| Honda (CD-70) | 102,500 | 47,811 | 54,689 | 74,700 | 20,011 | Policy | Mr. Zahid Hussain - employee |
| Honda (CD-70) | 63,500 | 11,642 | 51,858 | 60,000 | 8,142 | Policy | Insurance Claim |
| Other assets with book value less than Rs. 50,000 each | 1,341,600 | 750,384 | 591,216 | 1,008,908 | 417,692 | Policy | Various |
| | <u>7,722,700</u> | <u>5,152,551</u> | <u>2,570,149</u> | <u>5,998,872</u> | <u>3,428,723</u> | | |
| Total | <u>9,362,906</u> | <u>6,507,075</u> | <u>2,855,831</u> | <u>7,698,872</u> | <u>4,843,041</u> | | |

5.2 Capital work-in-progress

| | Buildings on freehold land | Plant, machinery and Equipment | Total |
|--------------------------------------------------------------|----------------------------|--------------------------------|----------------------|
| | ----- Rupees ----- | | |
| Balance as at September 30, 2015 | 1,764,127 | 46,145,360 | 47,909,487 |
| Capital expenditure incurred / advances made during the year | 66,466,143 | 310,456,856 | 376,922,999 |
| Transfer to operating fixed assets | <u>(12,422,301)</u> | <u>(116,888,219)</u> | <u>(129,310,520)</u> |
| Balance as at September 30, 2016 | 55,807,969 | 239,713,997 | 295,521,966 |
| Capital expenditure incurred / advances made during the year | 2,303,289 | 299,990,948 | 302,294,237 |
| Transfer to operating fixed assets | <u>(11,958,334)</u> | <u>(389,619,850)</u> | <u>(401,578,184)</u> |
| Balance as at September 30, 2017 | <u>46,152,924</u> | <u>150,085,095</u> | <u>196,238,019</u> |

Notes to the Financial Statements

For the year ended September 30, 2017

| | Note | 2017 Rupees | 2016 Rupees |
|-----------------------------------|------|----------------|----------------|
| 6. LONG-TERM RECEIVABLE | | | |
| Tender earnest money | | 1,000,000 | 1,000,000 |
| Down payment | | 33,125,000 | 33,125,000 |
| Other costs | | 8,385,996 | 8,385,996 |
| | 6.1 | 42,510,996 | 42,510,996 |
| Provision for doubtful receivable | | (42,510,996) | (42,510,996) |
| | | - | - |

6.1 Represents down payment made in respect of purchase of Thatta Sugar Mills (the Mill) and other costs incurred in running the Mill from November 1992 up to July 1993, when the Mill was forcibly taken over by the Government of Sindh (GoS) without paying any amount. The Company filed a law suit for Rs. 166 million being the amount of down payment, expenses incurred (including payment to workers) and loss of profits. The GoS made a counter claim of Rs.402 million against the Company. The case is currently pending in the Honorable High Court of Sindh (the Court) for recording of evidences. While the Company's suit for recovery of compensation is pending in the Court, the GoS invited bids for the sale of the Mill through Sindh Privatization Commission but it could not succeed. The GoS is now trying to privatize it through the Federal Privatization Commission. The representative of the GoS has also admitted the fact that the Mill was taken over by the GoS without making any payment to the Company. However, the Company has made provision against the aforesaid receivable of Rs. 42.510 million as a matter of prudence and the fact that the debt is outstanding for a considerable period.

| | Note | 2017 Rupees | 2016 Rupees |
|--------------------------------------------------------------|------|----------------|----------------|
| 7. LONG TERM INVESTMENTS | | | |
| Subsidiary | | | |
| Mehran Energy Limited (MEL) | | | |
| 4,000,000 Ordinary shares of Rs. 10 each | 7.1 | 40,000,000 | - |
| % of holding: 100% | | | |
| Associates | | | |
| Unicol Limited (UL) | | | |
| 49,999,997 (2016: 23,059,573) Ordinary shares of Rs. 10 each | 7.3 | 852,412,955 | 745,628,638 |
| % of holding: 33.33 (2016: 33.33) % | | | |
| UniEnergy Limited (UEL) | | | |
| 1,999,998 (2016: 1,999,998) Ordinary shares of Rs. 10 each | 7.4 | 19,925,667 | 19,935,208 |
| % of holding: 20% | | | |
| UniFoods Limited (UFL) | | | |
| 7,200,000 Ordinary shares of Rs. 10 each | 7.5 | 65,337,729 | - |
| % of holding: 24% | | 937,676,351 | 765,563,846 |
| | | 977,676,351 | 765,563,846 |

7.1 The Company is in a start-up phase and has not commenced its operations. The principal activities of the Company will be to build, operate and maintain a 26.5 MW high pressure co-generation bagasse based power plant for the generation and supply of electric power in relation thereof. The company obtained letter of Intent (LOI from the Government of Sindh (GOS) on November 07, 2016.

Notes to the Financial Statements

For the year ended September 30, 2017

7.2 As the financial statements of all the associates may not necessarily be available at the year end, therefore the Company uses the financial statements of the associates with a lag of three months for applying the equity method of accounting. In case of UL the Company has used the financial statements for the same year end as that of the Company.

7.3 UL is incorporated in Pakistan as a public unlisted company with its registered office situated at Sub Post Office Sugar Mills, Umerkot Road, Mirpurkhas. The principal activity of the UL is to manufacture and sell ethanol and carbon dioxide (CO₂). The summarized financial information of UL is as follows:

| | 2017 Rupees | 2016 Rupees |
|----------------------------------------------|--------------------|--------------------|
| Aggregate amount of: | | |
| - assets | 5,282,734,000 | 4,167,301,000 |
| - liabilities | 2,725,496,000 | 1,930,416,000 |
| - revenue | 4,455,265,000 | 4,133,750,000 |
| - profit | 320,353,000 | 325,244,000 |
| Movement of investment is as follows: | | |
| Opening balance | 745,628,638 | 652,364,814 |
| Share of profit – net of tax | 106,784,317 | 108,414,696 |
| Prior year adjustment | - | 7,908,701 |
| | 106,784,317 | 116,323,397 |
| Less : Dividend received during the year | - | (23,059,573) |
| | 852,412,955 | 745,628,638 |

7.4 UEL is incorporated in Pakistan as a public unlisted company with its registered office situated at 1st Floor, Modern Motors House, Beaumont Road, Karachi. The principal activity of UEL will be to build, operate and maintain wind power generating project of 50 Mega Watts for the generation and supply of electric power in relation thereof, however, it is in start-up phase and has not commenced its operations. The summarized financial information of UEL is as follows:

| | 2017 Rupees | 2016 Rupees |
|----------------------------------------------|-------------------|-------------------|
| Aggregate amount of: | | |
| - assets | 100,766,856 | 100,034,291 |
| - liabilities | 1,138,422 | 622,332 |
| - loss | 216,475 | 588,041 |
| Movement of investment is as follows: | | |
| Opening balance | 19,935,208 | - |
| Investment made | - | 19,999,980 |
| Share of profit / (loss) – net | 43,295 | (64,772) |
| Prior year adjustment | (52,836) | |
| | (9,541) | 19,935,208 |
| | 19,925,667 | 19,935,208 |

Notes to the Financial Statements

For the year ended September 30, 2017

7.5 UFL was incorporated in Pakistan as a public unlisted company during the current year with its registered office situated at 2nd Floor, Bank House No. 1, Habib Square, M.A Jinnah Road, Karachi. The principal activity is manufacture, sell and distribution of bakery and confectionery items. The summarized financial information of UFL is as follows:

| | 2017 Rupees |
|---------------------------------------|----------------|
| Aggregate amount of: | |
| - assets | 216,475,701 |
| - liabilities | 35,905,164 |
| - loss | 27,759,463 |
| | |
| Movement of investment is as follows: | |
| Investment made | 72,000,000 |
| Share of loss / profit – net | (6,662,271) |
| | 65,337,729 |

| | 2017 Rupees | 2016 Rupees |
|----------------------------------------------------------|----------------|----------------|
| 8. BIOLOGICAL ASSETS | | |
| | 17,662,000 | 43,848,243 |
| 8.1 Carrying value at beginning of the year | 43,848,243 | 48,829,127 |
| Increase due to cultivation | 13,111,787 | 28,471,870 |
| Change in fair value less costs to sell of standing crop | 4,550,213 | 15,376,373 |
| | 61,510,243 | 92,677,370 |
| Reduction due to harvesting | (43,848,243) | (48,829,127) |
| Carrying value at the end of the year | 17,662,000 | 43,848,243 |

8.2 The Company is engaged in cultivation of different sugarcane varieties. These varieties are then provided to growers for multiplication. During the year, the Company harvested 331,193 maunds sugarcane at the yield of 1048 maunds per acre 153,301 maunds were supplied to growers for variety multiplication while remaining sugarcane was used for crushing at mill.

| | 2017 Rupees | 2016 Rupees |
|----------------------------------|----------------|----------------|
| 9. STORES AND SPARE PARTS | | |
| Stores | 20,040,226 | 13,007,972 |
| Spare parts | 63,840,715 | 59,246,977 |
| | 83,880,941 | 72,254,949 |

10. STOCK-IN-TRADE

Notes to the Financial Statements

For the year ended September 30, 2017

| | Note | 2017 Rupees | 2016 Rupees |
|-------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|--------------------|
| Manufactured sugar | | | |
| - Work-in-process | | 2,519,343 | 2,702,374 |
| - Finished goods | 10.1 | 1,202,937,630 | 409,333,413 |
| | | <u>1,205,456,973</u> | <u>412,035,787</u> |
| 10.1 | The finished goods having cost of Rs. 1,253.96 million are carried at NRV of Rs. 1,202.94 million. | | |
| | Note | 2017 Rupees | 2016 Rupees |
| 11. TRADE DEBTS – unsecured | | | |
| Considered good | 11.1 | 174,514,430 | 10,559,935 |
| Considered doubtful | | 16,987,867 | 16,987,867 |
| | | 191,502,297 | 27,547,802 |
| Less: Provision for doubtful debts | 11.2 | 16,987,867 | 16,987,867 |
| | | <u>174,514,430</u> | <u>10,559,935</u> |
| 11.1 | The aging of trade debts is as follows: | | |
| Neither past due nor impaired | | - | - |
| Past due but not impaired (within 90 days) | | 174,514,430 | 10,559,935 |
| | | <u>174,514,430</u> | <u>10,559,935</u> |
| 11.2 | Includes an amount of Rs.14.519 million due from the GoS which was withheld by the GoS from the bills raised by the Company during the years 1981 to 1983, on account of a dispute regarding the quality of sugar. Consequently, the Company has withheld mark-up due to the GoS, amounting to Rs.6.192 million. Since then, the matter is under litigation and pending before the Court. The said amount has been fully provided as a matter of prudence as the case is pending for a considerable long period. Accordingly, the respective liability of mark-up due to the GoS was also written back. | | |
| | Note | 2017 Rupees | 2016 Rupees |
| 12. LOANS AND ADVANCES – considered good | | | |
| Loans to employees | | 2,818,285 | 2,018,530 |
| Advances | | | |
| - to suppliers | | 24,890,494 | 29,537,997 |
| - to cane growers | | 46,632,953 | 15,175,733 |
| - against expenses | | 2,120,022 | 21,043,333 |
| - against federal excise duty / sales tax | | 71,883,000 | 40,446,018 |
| | | 145,526,469 | 106,203,081 |
| | | <u>148,344,754</u> | <u>108,221,611</u> |

Notes to the Financial Statements

For the year ended September 30, 2017

| | Note | 2017 Rupees | 2016 Rupees |
|------------------------------------------------------|------|------------------|------------------|
| 13. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS | | | |
| Trade deposits | | | |
| Considered good | | 318,640 | 398,640 |
| Considered doubtful | | 8,759,554 | 8,196,113 |
| | | <u>9,078,194</u> | <u>8,594,753</u> |
| Less: Provision for doubtful deposits | 13.1 | 8,759,554 | 8,196,113 |
| | | <u>318,640</u> | <u>398,640</u> |
| Short-term prepayments | | | |
| Considered good | | 7,435,168 | 6,120,670 |
| | | <u>7,753,808</u> | <u>6,519,310</u> |

13.1 Represents amount paid by the Company during the years 1995 and 1996 to the Director General Defence Procurement (DGDP) as tender money, which was withheld by the DGDP on account of his risk purchase claim on the Company, as fully described in note 27.1 to the financial statements. Although the matter is under litigation, the Company, as a matter of prudence, has made full provision against the deposit in these financial statements.

| | Note | 2017 Rupees | 2016 Rupees |
|------------------------------------------------|------|--------------------|----------------------|
| 14. OTHER RECEIVABLES – considered good | | | |
| Due from related parties: | | | |
| Pakistan Molasses Company (Private) Limited | | 2,068,829 | 1,964,812 |
| Mogul Tobacco Company (Private) Limited | | 422,099 | 207,281 |
| | | <u>2,490,928</u> | <u>2,172,093</u> |
| Others | | 2,002,971 | 1,545,274 |
| | | <u>4,493,899</u> | <u>3,717,367</u> |
| 15. SHORT-TERM INVESTMENTS | | | |
| Held to maturity | | | |
| Term deposit certificates | 15.1 | 3,300,000 | 3,300,000 |
| Available for sale | | | |
| Equity securities | 15.2 | 827,019,250 | 1,102,501,019 |
| | | <u>830,319,250</u> | <u>1,105,801,019</u> |

15.1 These carry profit rate of 3.50% (2016: 3.51%) per annum, having maturity up to six months.

Notes to the Financial Statements

For the year ended September 30, 2017

15.2 Available for sale

| 2017 | 2016 | | 2017 | 2016 |
|------------------------------------------------|-----------|-----------------------------------------|--------------------|----------------------|
| Number of shares of par value Rs. 10/- each | | | Rupees | Rupees |
| | | Quoted companies | | |
| - | 200,000 | Adamjee Insurance Limited | - | 10,924,000 |
| 1,000,000 | - | Aisha Steel Mills Ltd. | 18,850,000 | - |
| 100,000 | - | Allied Bank Limited | 8,749,000 | - |
| - | 40,000 | Attock Refinery Limited | - | 13,035,200 |
| 750,000 | - | Bank Al Falah Ltd. | 31,815,000 | - |
| 1,885,000 | 1,700,000 | Bank Al Habib Limited | 108,576,000 | 76,466,000 |
| - | 1,000,000 | Bank of Punjab Limited | - | 13,320,000 |
| 81,500 | - | Chashma Sugar Mills Ltd. | 4,910,375 | - |
| 100,000 | - | Cherat Cement Limited | 11,998,000 | - |
| 200,000 | 400,000 | D.G.K.Cement Limited | 29,372,000 | 74,352,000 |
| 5,000 | 10,000 | Engro Corporation Limited | 1,515,450 | 2,912,500 |
| 500,000 | 200,000 | Engro Fertilizers Limited | 31,455,000 | 12,332,000 |
| - | 152,000 | Faran Sugar Mills Limited | - | 21,904,720 |
| 500,000 | - | Fauji Fertilizer Company Limited | 41,570,000 | - |
| - | 750,000 | Faysal Bank Limited | - | 11,880,000 |
| 300,000 | 400,000 | Habib Bank Limited | 54,228,000 | 88,324,000 |
| 499,800 | 499,800 | Hub Power Company Limited | - | 59,561,166 |
| 12,500 | 15,000 | Indus Motors Limited | 21,510,250 | 22,505,700 |
| 300,000 | 1,299,000 | International Steel Limited | 36,339,000 | 78,914,250 |
| 70,150 | 90,300 | JDW Sugar Mills Limited | 26,657,000 | 39,537,855 |
| 157,115 | 83,605 | Jubilee Life Insurance Company Limited | 109,980,500 | 44,310,650 |
| - | 80,000 | Kohat Cement Limited | - | 20,573,600 |
| 22,500 | 15,000 | Lucky Cement Limited | 12,716,550 | 10,158,900 |
| 41,900 | 60,000 | Mari Petroleum Company Limited | 63,059,920 | 57,271,800 |
| - | 250,000 | MCB Bank Limited | - | 55,200,000 |
| 901,000 | 1,000,000 | Meezan Bank Limited | 67,061,430 | 55,010,000 |
| 10,000 | - | Millat Tractors Ltd. | 12,482,900 | - |
| - | 17,500 | National Refinery Limited | - | 9,897,825 |
| - | 250,000 | Nishat Chunian Limited | - | 11,465,000 |
| 50,000 | 100,000 | Nishat Mills Limited | 7,255,000 | 14,090,000 |
| 311,800 | - | Noon Sugar Mills Ltd. | 24,897,230 | - |
| 250,000 | 600,000 | Oil Gas Development Corporation Limited | 37,160,000 | 84,738,000 |
| - | 50,000 | Packages Limited | - | 33,463,500 |
| - | 100,000 | Pakistan Oil fields Limited | - | 40,131,000 |
| - | 100,825 | Pakistan Petroleum Limited | - | 16,502,028 |
| - | 25,000 | Pakistan State Oil Company Limited | - | 10,353,500 |
| - | 225,000 | Pioneer Cement Limited | - | 23,780,250 |
| 100,000 | - | Sui Northern Gas Pipelines Limited | 13,386,000 | - |
| 270,677 | 450,677 | United Bank Limited | 51,474,645 | 89,585,575 |
| | | | 827,019,250 | 1,102,501,019 |
| 16. CASH AND BANK BALANCES | | | | |
| | | Cash in hand | 106,686 | 15,716 |
| | | Cash with banks in current accounts | 28,654,376 | 34,422,616 |
| | | | 28,761,062 | 34,438,332 |

Notes to the Financial Statements

For the year ended September 30, 2017

17. SHARE CAPITAL

| 2017 (Number of shares) | 2016 | Note | 2017 Rupees | 2016 Rupees |
|-----------------------------------------------|-------------------|------|----------------------|----------------------|
| Authorized capital | | | | |
| <u>50,000,000</u> | <u>50,000,000</u> | | <u>500,000,000</u> | <u>500,000,000</u> |
| Issued, subscribed and paid-up capital | | | | |
| Ordinary shares of Rs.10/- each | | | | |
| 5,968,750 | 5,968,750 | | 59,687,500 | 59,687,500 |
| 350,000 | 350,000 | | 3,500,000 | 3,500,000 |
| 25,712,495 | 25,712,495 | | 257,124,950 | 257,124,950 |
| <u>32,031,245</u> | <u>32,031,245</u> | | <u>320,312,450</u> | <u>320,312,450</u> |
| 18. LONG TERM FINANCING – secured | | | | |
| From banking companies | | 18.1 | 604,771,115 | 472,564,669 |
| Less: Current portion | | | <u>(156,023,610)</u> | <u>(167,716,209)</u> |
| | | | <u>448,747,505</u> | <u>304,848,460</u> |

18.1

| | Installments | | Mark-up | 2017 | 2016 |
|---------------------------------|--------------|-----------------|-------------------------------------|--------------------|--------------------|
| | Number | Commencing from | | Rupees | Rupees |
| Al Baraka Bank Pakistan Limited | 16 quarterly | November 2014 | 6 months KIBOR plus 1.75% per annum | 42,690,278 | 82,195,140 |
| Bank Islami Pakistan Limited | 24 quarterly | January 2015 | 3 months KIBOR plus 1.25% per annum | 27,080,837 | 35,414,169 |
| Bank Al Habib Limited | 20 quarterly | May 2016 | 6 months KIBOR plus 0.8% per annum | 65,000,000 | 85,000,000 |
| Bank Al Habib Limited | 20 quarterly | December 2015 | 3 months KIBOR plus 0.8% per annum | 170,000,000 | 200,000,000 |
| Bank Al Habib Limited | 14 quarterly | July 2014 | 6 months KIBOR plus 1.75% per annum | - | 28,571,430 |
| Bank Al falah Limited | 20 quarterly | February 2018 | 6 months KIBOR plus 0.5% per annum | 300,000,000 | - |
| Meezan Bank Limited | 16 quarterly | March 2013 | 3 months KIBOR plus 1.30% per annum | - | 4,687,500 |
| Meezan Bank Limited | 16 quarterly | April 2013 | 3 months KIBOR plus 1.30% per annum | - | 8,125,000 |
| MCB Bank Limited | 14 quarterly | May 2014 | 3 months KIBOR plus 2% per annum | - | 28,571,430 |
| | | | | <u>604,771,115</u> | <u>472,564,669</u> |

18.2 The above facilities are secured by way of first pari passu charge over operating fixed assets of the Company amounting to Rs. 1,002 million.

19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

Represent finance leases entered into with commercial banks for vehicles. Lease rentals are payable in equal monthly installments latest by March 2022. Taxes, repairs, replacement and insurance costs are to be borne by the lessee. In case of termination of agreement, the lessee has to pay the entire rent for unexpired period. Financing rates of approximately 7.3 to 7.9 (2016: 7.73 to 11.93) percent per annum has been used as discounting factor. Purchase options can be exercised by the lessee in accordance with the respective lease agreements. The movement in the finance lease liability is as follows:

Notes to the Financial Statements

For the year ended September 30, 2017

| | 2017 | | 2016 | |
|-----------------------------------------------------|------------------------|-------------------|------------------------|-------------------|
| | Minimum lease Payments | Present Value | Minimum lease Payments | Present Value |
| | ----- (Rupees) ----- | | | |
| Within one year | 27,696,310 | 24,434,897 | 17,374,064 | 15,128,895 |
| After one year but not more than five years | 33,994,558 | 31,686,538 | 23,147,926 | 21,210,474 |
| Total minimum lease payments | 61,690,868 | 56,121,435 | 40,521,990 | 36,339,369 |
| Less: Amount representing finance charges | 5,569,433 | - | 4,182,621 | - |
| Present value of minimum lease payments | 56,121,435 | 56,121,435 | 36,339,369 | 36,339,369 |
| Less: Current maturity shown undercurrent liability | 24,434,897 | 24,434,897 | 15,128,895 | 15,128,895 |
| | <u>31,686,538</u> | <u>31,686,538</u> | <u>21,210,474</u> | <u>21,210,474</u> |

| | Note | 2017 Rupees | 2016 Rupees |
|----------------------------------------------|------|-------------------|-------------------|
| 20. MARKET COMMITTEE FEE PAYABLE | | | |
| Market committee fee payable | | 69,731,908 | 74,091,908 |
| Less: Current portion | | 3,757,652 | 3,757,652 |
| | 26.1 | <u>65,974,256</u> | <u>70,334,256</u> |
| 21. DEFERRED LIABILITY | | | |
| Staff gratuity | | 4,878,275 | 4,646,722 |
| (a) Staff gratuity | | | |
| Opening balance | | 4,646,722 | 9,414,422 |
| Expense for the year | | 304,549 | 804,636 |
| Benefits paid during the year | | (892,104) | (1,431,302) |
| Actuarial loss / (gain) | | 819,108 | (4,141,034) |
| Closing balance | | <u>4,878,275</u> | <u>4,646,722</u> |
| (b) Principal actuarial assumptions | | | |
| Discount rate | | 8.00% | 7.25% |
| Expected rate of increase in salary level | | 8.00% | 7.25% |
| Expected average remaining life of employees | | <u>1.84 years</u> | <u>2 years</u> |

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|---------------------------------------------|----------------------|-----------|-----------|-----------|-----------|
| | ----- (Rupees) ----- | | | | |
| Present value of defined benefit obligation | 4,878,276 | 4,646,722 | 9,414,422 | 8,004,115 | 7,564,191 |

(d) Sensitivity analysis (+/- 100 bps) on present value of defined benefit obligation

| | 2017 | | | |
|---------------------------------------------|-------------------------|-------------------------|---------------------------|---------------------------|
| | Discount rate + 100 bps | Discount rate - 100 bps | Salary increase + 100 bps | Salary increase - 100 bps |
| | ----- (Rupees) ----- | | | |
| Present value of defined benefit obligation | 4,610,641 | 5,180,084 | 5,199,466 | 4,588,494 |

Notes to the Financial Statements

For the year ended September 30, 2017

| | Note | 2017 Rupees | 2016 Rupees |
|------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| 22. DEFERRED TAXATION | | | |
| Credit balances arising due to: | | | |
| Accelerated tax depreciation | | 291,841,201 | 257,135,287 |
| Assets subject to finance leases | | 9,573,649 | 7,072,927 |
| Investment in associates | | 51,851,460 | 64,371,017 |
| Unrealised gain on available for sale investments | | 8,428,309 | 14,184,323 |
| | | <u>361,694,619</u> | <u>342,763,554</u> |
| Debit balances arising due to: | | | |
| Provisions | | (20,083,309) | (20,013,843) |
| Unused tax losses | | (53,294,561) | - |
| Others | | (106,200) | (106,200) |
| | | <u>(73,484,070)</u> | <u>(20,120,043)</u> |
| | | <u>288,210,549</u> | <u>322,643,511</u> |
| 23. PROVISION FOR QUALITY PREMIUM | 23.1 | <u>119,290,919</u> | <u>119,290,919</u> |
| 23.1 | <p>As required under the provisions of Sugar Factories Control Act, 1950, sugar mills in Sindh are required to pay quality premium to cane growers at the rate of 50 paisas per 40 Kg cane for each 0.1 percent of excess sucrose recovery above the benchmark of 8.7 percent, determined on the aggregate sucrose recovery of each mill. The Company had challenged the levy of quality premium before the Court, however, the matter was decided against the Company. Thereafter, the Company filed an appeal with the Honorable Supreme Court of Pakistan which then granted stay to the Company, while admitting the appeal against the impugned judgment of the Court. The Punjab Government is not levying any quality premium in view of an earlier decision of Honorable Lahore High Court, in a similar case, wherein the Court had declared the demand of quality premium as unlawful. Although the matter is under litigation, the Company carries full provision against quality premium pertaining to the period from the year 1999 to 2008, as a matter of prudence.</p> | | |
| 24. TRADE AND OTHER PAYABLES | Note | 2017 Rupees | 2016 Rupees |
| Creditors | | 131,673,446 | 90,862,262 |
| Accrued expenses | | 247,332,030 | 356,331,765 |
| Advances from customers | | 608,069,641 | 555,696,726 |
| Payable to provident fund | | 2,148,265 | 2,085,622 |
| Workers' Profits Participation Fund | 24.1 | - | 25,970,549 |
| Workers' Welfare Fund | | 27,555,420 | 27,555,420 |
| Unclaimed dividend | | 35,771,399 | 23,851,012 |
| Deposits from employees against purchase of vehicles | | 18,260,730 | 14,582,760 |
| Others | | 18,120,644 | 16,197,922 |
| | | <u>1,088,931,575</u> | <u>1,113,134,038</u> |

Notes to the Financial Statements

For the year ended September 30, 2017

| | Note | 2017 Rupees | 2016 Rupees |
|-------------------------------------------------|------|----------------------|-------------------|
| 24.1 Workers' Profits Participation Fund | | | |
| Opening balance | | 25,970,549 | 18,124,594 |
| Allocation for the year | | - | 25,970,549 |
| | | <u>25,970,549</u> | <u>44,095,143</u> |
| Payments made during the year | | (25,970,549) | (18,124,594) |
| Closing balance | | <u>-</u> | <u>25,970,549</u> |
| 25. SHORT-TERM BORROWINGS – secured | | | |
| Running finance under markup arrangements | 25.1 | 182,539,706 | - |
| Short term finance | 25.2 | 934,500,000 | - |
| | | <u>1,117,039,706</u> | <u>-</u> |

25.1 The aggregate facilities for short term running finance available from various banks amounted to Rs. 1,125 million (2016: Rs. 525 million). These facilities are secured against hypothecation of current assets of the Company. These carry mark-up ranging between 0.4% to 1.25% per annum above one to six months KIBOR payable quarterly.

25.2 The aggregate facilities for short term cash finance available from various banks amounted to Rs. 6,235 million. These carry mark-up ranging between 0.4% to 1.25% per annum above one to six months KIBOR. These are secured against pledge of stock-in-trade and are repayable within six months, latest by December 2017.

| | Note | 2017 Rupees | 2016 Rupees |
|-----------------------------------------------|------|-------------------|------------------|
| 26. PROVISION FOR MARKET COMMITTEE FEE | 26.1 | <u>19,968,245</u> | <u>9,406,263</u> |

26.1 During the year ended September 30, 2014, the Company entered into a settlement with the Market Committee against provision for market committee fee up to June 2008 amounting to Rs.32.7 million. As per the settlement terms, the above amount is now payable in 15 equal yearly installments. Further, the Company entered into a settlement with the Market Committee against provision for market committee fee for the years 2008 to 2015 amounting to Rs.47.329 million. As per the settlement terms, the above amount is now payable in 30 equal yearly installments commencing from July 2016. Accordingly, the said liability is recorded as a long term liability in these financial statements (note 20).

27. CONTINGENCIES AND COMMITMENTS

27.1 Contingencies

- (i) Contribution demanded by SESSI amounting to Rs.3.28 million, for the period July 1987 to August 1990, had been disputed by the Company. The case is currently pending decision before the Court. The Company and its legal counsel are hopeful for a favorable outcome of the case and hence, no provision has been made against the above demand in these financial statements.
- (ii) DGDP's risk purchase claim amounting to Rs. 38.58 million, was disputed by the Company on the grounds that the goods were delivered in time, however, the DGDP failed to lift the goods thereby indulging in breach of the contract. DGDP also withheld tender money paid by the Company amounting to Rs. 8.19 million (note 13.1) during the year 1995 and 1996. The Company filed a counter claim of Rs. 25.81 million against the said breach of contract. The said cases are pending before the Honorable Supreme Court of Pakistan and the Honorable Lahore High Court. The management and legal counsel of the Company are confident that no liability will arise in respect of the risk purchase claim, and hence no provision has been made for the same in these financial statements.

Notes to the Financial Statements

For the year ended September 30, 2017

- (iii) The Company filed an appeal before the Court and was granted a stay against the order of Customs, Excise and Sales Tax Appellate Tribunal, Karachi, upholding allegation of non-payment of sales tax on advances etc., amounting to Rs. 11.087 million. Based on the advice of the tax advisor, the management is confident of a favorable outcome and hence, no provision is made in these financial statements.
- (iv) The Company has filed an appeal before Customs, Excise and Sales Tax Appellate Tribunal, Karachi, which is pending for hearing, against the order of the Deputy Collector, Collectorate of Customs, Excise and Sales Tax (Adjudication), Hyderabad to pay off alleged demand of Rs. 10.07 million along with additional tax and penalty. Based on the advice of the tax advisor, the management is confident of a favorable outcome and hence, no provision has been made in these financial statements.
- (v) Pakistan Standards and Quality Control Authority (PSQCA) had demanded a fee payment at the rate of 0.1 percent of ex-factory price for the year 2008-09 amounting to Rs.2.2 million. 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. Based on the advise of the legal advisor, the management is confident that it would not be liable to pay the said marking fee and hence no provision is made in these financial statements.
- (vi) The Company filed an appeal before the Commissioner Appeals against the order of the Deputy Commissioner Enforcement and Collection whereby sales tax liability along with penalty amounting to Rs.18 million has been established for claiming inadmissible input tax adjustment. During the current year, the Commissioner Appeals has remanded back the case to Deputy Commissioner Enforcement and Collection which is pending for hearing. Based on the advice of the tax advisor, the management is confident of a favorable outcome and hence, no provision is made in these financial statements.
- (vii) Contingency relating to long-term receivable is described in note 6.1 to the financial statements.

| 27.2 Commitments | 2017 Rupees | 2016 Rupees |
|-----------------------------------------------------------------|----------------------|----------------------|
| Capital commitments | 49,885,762 | 52,356,908 |
| Commitments in respect of equity investments | 838,000,000 | 838,519,000 |
| Commitments in respect of operating lease rentals for farms | 5,622,750 | 1,181,250 |
| Commitments in respect of finance lease obligation for vehicles | 56,121,435 | 36,339,369 |
| 28. TURNOVER | | |
| Sales | | |
| - Sugar – exports | 1,685,861,477 | - |
| - Sugar – local | 3,694,548,505 | 7,291,399,447 |
| - Molasses | 440,796,703 | 340,676,061 |
| - Bagasse | 76,065,632 | 42,069,501 |
| | <u>5,897,272,317</u> | <u>7,674,145,009</u> |
| Less: | | |
| - Sales tax | 384,863,788 | 95,079,666 |
| - Federal excise duty | 11,572,667 | 465,839,356 |
| | <u>396,436,455</u> | <u>560,919,022</u> |
| | <u>5,500,835,862</u> | <u>7,113,225,987</u> |

Notes to the Financial Statements

For the year ended September 30, 2017

| | Note | 2017 Rupees | 2016 Rupees |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|----------------------|----------------------|
| 29. COST OF SALES | | | |
| Manufactured sugar: | | | |
| Cost of sugarcane consumed (including procurement and other expenses) | | 5,346,872,541 | 4,656,799,667 |
| Market committee fee | | 10,561,982 | 9,406,263 |
| Road cess on sugarcane | | 6,601,405 | 5,878,928 |
| Salaries, wages and other benefits | 29.1 | 214,360,168 | 192,318,384 |
| Stores and spare parts consumed | | 200,273,981 | 211,477,549 |
| Repairs and maintenance | | 61,705,415 | 71,012,490 |
| Fuel, electricity and water charges | | 12,315,884 | 12,895,727 |
| Vehicle running and maintenance expenses | | 3,810,382 | 3,535,906 |
| Insurance | | 18,345,608 | 16,029,082 |
| Depreciation | 5.1.1 | 124,920,918 | 115,863,706 |
| Other overheads | | 26,484,791 | 24,532,273 |
| | | 6,026,253,075 | 5,319,749,975 |
| Opening stock of work-in-process | | 2,702,374 | 2,922,740 |
| Closing stock of work-in-process | | (2,519,343) | (2,702,374) |
| | | 183,031 | 220,366 |
| Cost of goods manufactured | | 6,026,436,106 | 5,319,970,341 |
| Opening stock of finished goods | | 409,333,413 | 1,459,710,232 |
| Closing stock of finished goods | 10 | (1,202,937,630) | (409,333,413) |
| | | (793,604,217) | 1,050,376,819 |
| | | 5,232,831,889 | 6,370,347,160 |
| 29.1 Include gratuity expense of Rs. 304,549/- (2016: Rs. 804,636/-) and contribution to provident fund of Rs. 4,813,903/- (2016: Rs. 4,332,742/-). | | | |
| | Note | 2017 Rupees | 2016 Rupees |
| 30. DISTRIBUTION COSTS | | | |
| Salaries and other benefits | 30.1 | 2,941,618 | 2,262,267 |
| Sales promotion expenses | | 8,078,633 | 9,796,823 |
| Selling expenses | | 10,297,021 | 12,488,069 |
| Export expenses | | 45,317,395 | - |
| Stacking and loading | | 16,372,660 | 12,312,882 |
| Insurance | | 29,845 | 25,808 |
| | | 83,037,172 | 36,885,849 |
| 30.1 Include contribution to provident fund of Rs. 64,123/- (2016: Rs. 55,487/-). | | | |

Notes to the Financial Statements

For the year ended September 30, 2017

| | Note | 2017 Rupees | 2016 Rupees |
|------------------------------------------|-------|--------------------|--------------------|
| 31. ADMINISTRATIVE EXPENSES | | | |
| Salaries and other benefits | 31.1 | 134,292,931 | 118,324,127 |
| Rent, rates and taxes | | 236,380 | 317,392 |
| Electricity, telephone, fax and postage | | 8,463,691 | 7,450,308 |
| Printing and stationery | | 2,415,256 | 2,689,468 |
| Travelling and conveyance | | 11,566,861 | 10,976,090 |
| Vehicle running and maintenance expenses | | 13,003,651 | 9,815,006 |
| Ijarah rentals | | - | 519,816 |
| Auditors' remuneration | 31.2 | 2,021,599 | 1,746,233 |
| Legal and professional | | 2,720,202 | 4,701,100 |
| Fees and subscription | | 2,086,883 | 2,183,219 |
| Insurance | | 298,454 | 258,077 |
| Repairs and maintenance | | 8,885,762 | 7,093,072 |
| Advertising | | 1,324,030 | 735,078 |
| Donations | 31.3 | 26,601,739 | 8,671,850 |
| Depreciation | 5.1.1 | 27,999,521 | 21,547,121 |
| Other expenses | | 1,319,423 | 409,968 |
| | | 243,236,383 | 197,437,925 |

31.1 Include contribution to provident fund of Rs. 5,125,619/- (2016: Rs. 4,439,713 /-).

31.2 Auditors' remuneration

Statutory audit

EY Ford Rhodes

Statutory audit fee

Review of half yearly financial statements and

compliance with Code of Corporate Governance

Other services

Out of pocket expenses

Cost audit

Haroon Zakaria & Co.

Cost audit fee

| Note | 2017 Rupees | 2016 Rupees |
|------|------------------|------------------|
| | 1,175,000 | 1,070,000 |
| | 475,000 | 437,000 |
| | 88,700 | - |
| | 90,400 | 86,166 |
| | 1,829,100 | 1,593,166 |
| | 192,499 | 153,067 |
| | 2,021,599 | 1,746,233 |

31.3 Include Rs.10,300,000/- (2016: Rs. 6,000,000/-) and Rs. 16,200,00/- (2016: 2,500,000/-) paid to Hasham Foundation and Usman Memorial Hospital Foundation respectively which are the projects of Hasham Group. Hasham Foundation include directors namely Mr. Mohammed Kasim Hasham, Mr. Mohammed Ebrahim Hasham, Mr. Mohammed Hussain Hasham, Mr. Khurram Kasim and Mr. Ahmed Ebrahim Hasham who are the trustees of the said Foundation. Usman Memorial Hospital Foundation includes directors namely Mr. Mohammed Hussain Hasham and Mr. Ahmed Ebrahim Hasham who are the trustees of the said Foundation. No other directors or their spouses have any interest in any donee's fund to which donation was made in both foundations.

Notes to the Financial Statements

For the year ended September 30, 2017

| | Note | 2017 Rupees | 2016 Rupees |
|-----------------------------------------------------------|------|--------------------|--------------------|
| 32. OTHER EXPENSES | | | |
| Provision for impairment of available for sale investment | | 9,357,006 | - |
| Workers' Profits Participation Fund | | - | 25,970,549 |
| Workers' Welfare Fund | | - | 8,817,089 |
| Loss on disposal of fixed assets | | - | 6,418,324 |
| | | <u>9,357,006</u> | <u>41,205,962</u> |
| 33. OTHER INCOME | | | |
| Income from financial assets | | | |
| Dividend income | | 44,553,112 | 49,721,426 |
| Gain on disposal of short term investments | | 262,320,311 | 54,528,036 |
| Profit on term deposit receipts | | 389,287 | 3,529,152 |
| Exchange gain | | 5,632,500 | - |
| | | <u>312,895,210</u> | <u>107,778,614</u> |
| Income from non-financial assets | | | |
| Farm income – net | 33.1 | 17,599,733 | 12,596,761 |
| Income from sale of electricity | | 25,827,020 | 39,474,843 |
| Liabilities no longer payable written back | | - | 18,043,458 |
| Scrap sales | | 1,569,916 | 5,131,765 |
| Gain on disposal of fixed assets | | 4,843,041 | - |
| | | <u>49,839,710</u> | <u>75,246,827</u> |
| | | <u>362,734,920</u> | <u>183,025,441</u> |
| 33.1 Farm income – net | | | |
| Revenue from farms | | 61,447,976 | 50,606,896 |
| Less: Fair value of harvested crop | | (43,848,243) | (48,829,127) |
| Harvesting and other charges | | (13,111,787) | (4,557,411) |
| | | <u>4,487,946</u> | <u>(2,779,642)</u> |
| Change in fair value less cost to sell of standing crop | | 13,111,787 | 15,376,403 |
| | | <u>17,599,733</u> | <u>12,596,761</u> |
| 34. FINANCE COSTS | | | |
| Markup / interest on: | | | |
| Long-term financing | | 44,509,992 | 40,731,996 |
| Short-term borrowings | | 138,063,141 | 52,462,507 |
| Lease finance | | 4,160,703 | 3,399,228 |
| Workers' Profits Participation Fund | | 581,226 | 352,256 |
| | | <u>187,315,062</u> | <u>96,945,987</u> |
| Bank charges | | 9,359,527 | 1,680,414 |
| | | <u>196,674,589</u> | <u>98,626,401</u> |
| 35. TAXATION | | | |
| Current | | 88,933,850 | 102,913,524 |
| Prior | | 6,614,117 | 618,508 |
| | | <u>95,547,967</u> | <u>103,532,032</u> |
| Deferred | | (28,676,948) | 22,667,770 |
| | | <u>66,871,019</u> | <u>126,199,802</u> |

35.1 As the Company is subject to final tax regime on export sales and minimum tax on local sales, therefore, no numerical tax reconciliation is presented.

35.2 Income tax assessments of the Company have been completed upto the tax year 2017(accounting year ended September 30, 2016).

Notes to the Financial Statements

For the year ended September 30, 2017

36. BASIC AND DILUTED EARNING PER SHARE

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

| | | 2017 | 2016 |
|-------------------------------------------------------|----------|-------------|-------------|
| Profit after taxation attributable to ordinary shares | (Rupees) | 131,675,239 | 541,806,954 |
| Weighted average number of ordinary shares | | 32,031,245 | 32,031,245 |
| Earnings per share | (Rupees) | 4.11 | 16.91 |

37. WORKING CAPITAL CHANGES

(Increase) / decrease in current assets

| | 2017 Rupees | 2016 Rupees |
|-------------------------------------------|----------------|----------------|
| Biological assets | 26,186,243 | 4,980,884 |
| Stores and spare parts | (11,625,992) | 23,654,118 |
| Stock-in-trade | (793,421,186) | 1,050,597,185 |
| Trade debts | (163,954,495) | 31,537,091 |
| Loans and advances | (40,123,143) | 29,130,189 |
| Trade deposits and short-term prepayments | (1,234,498) | 3,298,664 |
| Other receivables | (776,532) | 3,117,748 |
| | (984,949,603) | 1,146,315,879 |

Increase / (decrease) in current liabilities

| | | |
|-------------------------------------------|---------------|---------------|
| Trade and other payables | (36,122,850) | (638,873,776) |
| Sales tax and federal excise duty payable | 93,042,358 | (88,494,869) |
| | 56,919,508 | (727,368,645) |
| | (928,030,095) | 418,947,234 |

38. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise of subsidiaries, associates [Pakistan Molasses Company (Private) Limited, Mogul Tobacco Company (Private) Limited, Uicol Limited, UniEnergy Limited, Usman Memorial Foundation, Hasham Foundation], retirement funds, directors and key management personnel. Transactions and balances with related parties, other than those disclosed elsewhere in the financial statements, are as follows:

Notes to the Financial Statements

For the year ended September 30, 2017

| | 2017 Rupees | 2016 Rupees |
|------------------------------------------------------------|----------------|----------------|
| Subsidiary | | |
| Reimbursable expenses incurred on behalf of subsidiary | 29,604,394 | - |
| Receipts against reimbursement of expenses from subsidiary | 29,604,394 | - |
| Investment made during the year | 40,000,000 | - |
| Associates | | |
| Investment made during the year | 72,000,000 | 19,999,980 |
| Dividend received during the year | - | 23,059,573 |
| Sales | 453,286,878 | 354,168,998 |
| Expenses shared | 1,076,485 | 1,092,785 |
| Donations | 26,500,000 | 8,500,000 |
| Retirement benefit plans | | |
| Provident fund contribution | 10,003,645 | 8,827,942 |

39. CAPACITY AND PRODUCTION

| | Rated capacity | | Capacity utilization | |
|-------------------------|------------------|------------|----------------------|------------|
| | M. Tons | Days | M. Tons | Days |
| Season 2016-2017 | 11500 TCD | 133 | 8587 TCD | 133 |
| Season 2015-2016 | 11500 TCD | 105 | 8958 TCD | 108 |

The shortfall in crushing is due to the extended number of days.

40. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

40.1 The aggregate amount, charged in the financial statements for the year are as follows:

| | ----- 2017 ----- | | | | | ----- 2016 ----- | | | | |
|--------------------------------|--------------------|--------------------|-------------------------|-------------------|-------------------|-------------------|--------------------|-------------------------|-------------------|-------------------|
| | Chief Executive | Executive Director | Non-Executive Directors | Executives | Total | Chief Executive | Executive Director | Non-Executive Directors | Executives | Total |
| | ----- Rupees ----- | | | | | | | | | |
| Fees | - | - | 490,000 | - | 490,000 | - | - | 395,000 | - | 395,000 |
| Managerial remuneration | 7,608,000 | 7,608,000 | - | 34,504,860 | 49,720,860 | 6,540,000 | 5,340,000 | - | 29,994,012 | 41,874,012 |
| Retirement benefits | 760,800 | 760,800 | - | 3,450,486 | 4,972,086 | 654,000 | 534,000 | - | 2,898,549 | 4,086,549 |
| Perquisites and other benefits | 6,328,000 | 6,328,000 | - | 30,143,560 | 42,799,560 | 6,040,000 | 4,940,000 | - | 27,519,142 | 38,499,142 |
| | 14,696,800 | 14,696,800 | 490,000 | 68,098,906 | 97,982,506 | 13,234,000 | 10,814,000 | 395,000 | 60,411,703 | 84,854,703 |
| Number of persons | 1 | 1 | 6 | 26 | 34 | 1 | 1 | 6 | 26 | 34 |

Notes to the Financial Statements

For the year ended September 30, 2017

40.2 In addition, the Chief Executive and Executive Director are provided with free use of the Company maintained cars, in accordance with their terms of service.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and market risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

41.1 Credit risk

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

Concentration of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The maximum exposure to credit risk at the reporting date is:

| | 2017 Rupees | 2016 Rupees |
|------------------------|----------------------|----------------------|
| Long term deposits | 1,113,170 | 853,170 |
| Trade debts | 174,514,430 | 10,559,935 |
| Short term Investments | 830,319,250 | 1,105,801,019 |
| Loans and advances | 148,344,754 | 108,221,611 |
| Short term deposits | 318,640 | 398,640 |
| Other receivables | 4,493,899 | 3,717,367 |
| Cash and bank balances | 28,761,062 | 34,438,332 |
| | <u>1,187,865,205</u> | <u>1,263,990,074</u> |

Quality of financial assets

The credit quality of financial assets can be assessed by reference to external credit ratings or the historical information about counter party default rates as shown below:

| | 2017 Rupees | 2016 Rupees |
|-------------------------------------------------|-------------------|-------------------|
| 41.1.1 Trade debts | | |
| Customers with no defaults in the past one year | - | - |
| 41.1.2 Bank balances | | |
| With external credit rating: | | |
| A1+ PACRA | 20,869,112 | 25,350,068 |
| A-1+ JCR – VIS | 1,882,790 | 118,910 |
| A1 PACRA | 5,902,474 | 8,953,638 |
| | <u>28,654,376</u> | <u>34,422,616</u> |

41.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company applies the prudent risk management policies by maintaining sufficient cash and bank balances and by keeping committed credit lines. The table below summarizes the maturity profile of the Company's financial liabilities at the following reporting dates:

Notes to the Financial Statements

For the year ended September 30, 2017

| | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | Total |
|-----------------------------------------------------|----------------------------|----------------------|--------------------|--------------------|----------------------|
| | -----Amount in Rupees----- | | | | |
| Long-term financing | | 27,755,904 | 128,267,706 | 448,747,505 | 604,771,115 |
| Liabilities against assets subject to finance lease | | 6,108,724 | 18,326,173 | 31,686,538 | 56,121,435 |
| Trade and other payables | 884,064,170 | 159,051,615 | - | 45,815,790 | 1,088,931,575 |
| Accrued markup | - | 32,324,757 | - | - | 32,324,757 |
| Short term borrowings | - | 1,117,039,706 | - | - | 1,117,039,706 |
| 2017 | 884,064,170 | 1,342,280,706 | 146,593,879 | 526,249,833 | 2,899,188,588 |
| | | | | | |
| | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | Total |
| | -----Amount in Rupees----- | | | | |
| Long-term financing | - | 39,715,059 | 128,001,150 | 304,848,460 | 472,564,669 |
| Liabilities against assets subject to finance lease | - | 3,782,224 | 11,346,671 | 21,210,474 | 36,339,369 |
| Trade and other payables | 587,731,559 | 217,150,927 | 240,142,823 | 14,582,760 | 1,059,608,069 |
| Accrued markup | - | 8,841,589 | - | - | 8,841,589 |
| 2016 | 587,731,559 | 269,489,799 | 379,490,644 | 340,641,694 | 1,577,353,696 |

41.3 Market risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rate and foreign exchange rates.

41.3.1 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates mainly relates to long term financing, short term borrowings and lease obligations. Management of the Company estimates that 1% increase in the market interest rate, with all other factor remaining constant, would decrease the Company's profit before tax by Rs.5.089 million and a 1% decrease would result in the increase in the Company's profit before tax by the same amount.

41.3.2 Equity price risk

Equity price risk is the risk of volatility in share prices resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. The management of the Company manages the above market risks through diversification of investment portfolio. The management estimates that a 10% increase in the overall equity prices in the market with all of the factors remaining constant would increase the Company's profit before tax by Rs.110.25 million and a 10% decrease would result in a decrease in the Company's profit before tax by the same amount.

41.3.3 Foreign currency risk

Foreign currency risk is the risk that the value of a financial asset or a financial liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist as a result of transactions with foreign undertakings. Financial Assets of the Company include Rs. 138.650 million in foreign currency which is subject to currency risk exposure. The Company believes that the foreign currency risk exposure on Financial Assets is immaterial.

Notes to the Financial Statements

For the year ended September 30, 2017

42. CAPITAL RISK MANAGEMENT

The primary objective of the Company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximise shareholder value and reduce the cost of capital. The Company manages its capital structure and makes adjustment to it, in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. The Company is currently financing of its operations through long-term and short-term financing in addition to its equity. The Company has a gearing ratio of 22.95% (2016: 16.96%) as of the balance sheet date, which in view of the management is adequate considering the size of the operations.

43. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount for which an asset could be exchanged, or a liability can be settled, between knowledgeable willing parties in an arm's length transaction. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

The following table shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities,

Level 2: Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: Those whose inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As of the balance sheet date, the Company has only available-for-sale investments measured at fair value using level 1 valuation techniques.

44. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on December 26, 2017 by the Board of Directors of the Company.

45. NUMBER OF EMPLOYEES

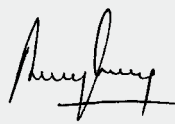
Number of persons employed as at year end were 585 (2016: 605) and the average number of persons employed during the year were 583 (2016: 580).

46. GENERAL

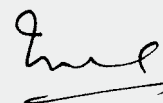
Amounts have been rounded off to the nearest rupee unless otherwise stated.



Chief Executive Officer



Chief Financial Officer



Director



Consolidated FINANCIAL STATEMENTS





EY Ford Rhodes
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

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Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Mehran Sugar Mills Limited (the Holding Company) and its subsidiary company as at 30 September, 2017 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of the Holding Company and its subsidiary company. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing as applicable in Pakistan and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of the Holding Company and its subsidiary company as at 30 September, 2017 and the results of their operations for the year then ended.

We draw attention to note 27.1 to the consolidated financial statements which describes the uncertainty relating to the outcome of the lawsuits and appeals filed by / against the Holding Company. Our opinion is not qualified in respect of these matters.

Chartered Accountants
Audit Engagement Partner: Khurram Jameel

Date: January 2, 2018
Place: Karachi

Consolidated Balance Sheet

As at September 30, 2017

| | Note | 2017 Rupees |
|------------------------------------------------------------------------|------|----------------------|
| ASSETS | | |
| NON-CURRENT ASSETS | | |
| Property, plant and equipment | 5 | 2,215,892,055 |
| Long-term receivable | 6 | - |
| Long-term investments | 7 | 937,676,351 |
| Long-term deposits | | 1,113,170 |
| | | 3,154,681,576 |
| CURRENT ASSETS | | |
| Biological assets | 8 | 17,662,000 |
| Stores and spare parts | 9 | 83,880,941 |
| Stock-in-trade | 10 | 1,205,456,973 |
| Trade debts | 11 | 174,514,430 |
| Loans and advances | 12 | 148,344,754 |
| Trade deposits and short-term prepayments | 13 | 7,753,808 |
| Other receivables | 14 | 4,493,899 |
| Short-term investments | 15 | 830,319,250 |
| Taxation – net | | 54,617,134 |
| Cash and bank balances | 16 | 39,156,458 |
| | | 2,566,199,647 |
| TOTAL ASSETS | | 5,720,881,223 |
| EQUITY AND LIABILITIES | | |
| SHARE CAPITAL AND RESERVES | | |
| Share capital | 17 | 320,312,450 |
| Reserves | | 1,895,971,411 |
| | | 2,216,283,861 |
| NON-CURRENT LIABILITIES | | |
| Long-term financing | 18 | 448,747,505 |
| Liabilities against assets subject to finance lease | 19 | 31,686,538 |
| Market committee fee payable | 20 | 65,974,256 |
| Deferred liability | 21 | 4,878,275 |
| Deferred taxation | 22 | 288,210,549 |
| Provision for quality premium | 23 | 119,290,919 |
| | | 958,788,042 |
| CURRENT LIABILITIES | | |
| Trade and other payables | 24 | 1,089,056,575 |
| Accrued mark up | | 32,324,757 |
| Short-term borrowings | 25 | 1,117,039,706 |
| Current portion of long-term financing | 18 | 156,023,610 |
| Current portion of liabilities against assets subject to finance lease | 19 | 24,434,897 |
| Current portion of market committee fee payable | 20 | 3,757,652 |
| Provision for market committee fee | 26 | 19,968,245 |
| Sales tax and federal excise duty payable | | 103,203,878 |
| | | 2,545,809,320 |
| CONTINGENCIES AND COMMITMENTS | 27 | - |
| TOTAL EQUITY AND LIABILITIES | | 5,720,881,223 |

The annexed notes from 1 to 46 form an integral part of these consolidated financial statements.


Chief Executive Officer


Chief Financial Officer

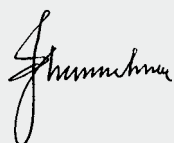

Director

Consolidated Profit and Loss Account

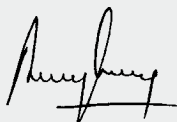
For the year ended September 30, 2017

| | Note | 2017 Rupees |
|---------------------------------------------|------|-----------------|
| Turnover | 28 | 5,500,835,862 |
| Cost of sales | 29 | (5,232,831,889) |
| Gross profit | | 268,003,973 |
| Distribution costs | 30 | (83,037,172) |
| Administrative expenses | 31 | (245,206,711) |
| Other expenses | 32 | (9,357,006) |
| Other income | 33 | 362,734,920 |
| | | 25,134,031 |
| Operating profit | | 293,138,004 |
| Share of profit from associates – net | 7 | 100,112,515 |
| Finance costs | 34 | (196,674,799) |
| Profit before taxation | | 196,575,720 |
| Taxation | 35 | (66,871,019) |
| Net profit for the year | | 129,704,701 |
| Basic and diluted earnings per share | 36 | 4.05 |

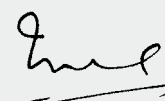
The annexed notes from 1 to 46 form an integral part of these consolidated financial statements.



Chief Executive Officer



Chief Financial Officer



Director

Consolidated Statement of Comprehensive Income

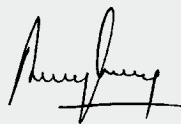
For the year ended September 30, 2017

| | 2017 Rupees |
|-----------------------------------------------------------------------------------------------|-------------------|
| Net profit for the year | 129,704,701 |
| Other comprehensive income | |
| Items to be reclassified to profit and loss account in subsequent periods: | |
| Unrealised gain on revaluation of short-term investments – net | 35,361,786 |
| Reclassification to profit and loss account for gain on disposal of short-term investments | (95,206,177) |
| | (59,844,391) |
| Items that may not be reclassified subsequently to profit and loss account | |
| Actuarial loss on defined benefit plan – net | (819,108) |
| Total comprehensive income for the year | 69,041,202 |

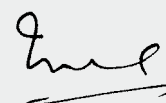
The annexed notes from 1 to 46 form an integral part of these consolidated financial statements.



Chief Executive Officer



Chief Financial Officer




Director

Consolidated Cash Flow Statement

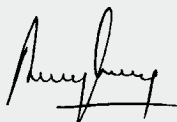
For the year ended September 30, 2017

| | Note | 2017 Rupees |
|---------------------------------------------------------------|------|------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before taxation | | 196,575,720 |
| Adjustments for non-cash charges and other items: | | |
| Depreciation | | 152,920,439 |
| Share of profit from associate – net | | (100,112,515) |
| Gain on disposal of fixed assets | | (4,843,041) |
| Finance costs | | 196,674,799 |
| Gain on disposal of investments | | (262,320,311) |
| Provision for gratuity | | 304,549 |
| Provision for market committee fee | | 10,561,982 |
| Provision for impairment of short-term investment | | 9,357,006 |
| Working capital changes | 37 | (927,905,095) |
| | | (925,362,187) |
| Gratuity paid | | (892,104) |
| Income taxes paid | | (172,367,234) |
| Finance costs paid | | (173,191,631) |
| Market committee fee paid | | (4,360,000) |
| Long term deposits | | (260,000) |
| Net cash (used in) operating activities | | (1,079,857,436) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Fixed capital expenditure | | (369,326,307) |
| Proceeds from disposal of operating fixed assets | | 7,698,872 |
| Investments made during the year | | (2,776,958,553) |
| Proceeds from disposal of short-term investments | | 3,167,803,215 |
| Net cash (generated from) investing activities | | 29,217,227 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Long term financing obtained | | 132,206,446 |
| Short-term borrowings obtained | | 1,117,039,706 |
| Liabilities against assets subject to finance lease | | (29,635,409) |
| Dividends paid | | (164,252,408) |
| Net cash generated from financing activities | | 1,055,358,335 |
| Net change in cash and cash equivalents | | 4,718,126 |
| Cash and cash equivalents at the beginning of the year | | 34,438,332 |
| Cash and cash equivalents at the end of the year | 16 | 39,156,458 |

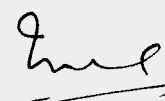
The annexed notes from 1 to 46 form an integral part of these consolidated financial statements.



Chief Executive Officer



Chief Financial Officer



Director

Consolidated Statement of Changes in Equity

For the year ended September 30, 2017

| | Issued, subscribed and paid-up capital | Reserves | | | | Total reserves | Total |
|---------------------------------------------------------------------------------|----------------------------------------------|------------------------------------------|--------------------|--------------------------------------------------------|--------------------------|----------------------|----------------------|
| | | Capital reserve - Share Premium | General reserve | Unrealized gain on revaluation of investments | Unappropriated profit | | |
| -----Rupees ----- | | | | | | | |
| Balance as at September 30, 2016 | 320,312,450 | 63,281,250 | 85,000,000 | 146,743,887 | 1,708,077,868 | 2,003,103,005 | 2,323,415,455 |
| Final dividend for the year ended September 30, 2016 @ 22.5% | - | - | - | - | (72,070,387) | (72,070,387) | (72,070,387) |
| First interim dividend for the year ended September 30, 2017 @ 15% | - | - | - | - | (48,047,259) | (48,047,259) | (48,047,259) |
| Second interim dividend for the year ended September 30, 2017 @ 12.5% | - | - | - | - | (40,039,143) | (40,039,143) | (40,039,143) |
| Additional cash dividend for the year ended September 30, 2016 dividend @ 5% | - | - | - | - | (16,016,007) | (16,016,007) | (16,016,007) |
| Net profit for the year | - | - | - | - | 129,704,701 | 129,704,701 | 129,704,701 |
| Other comprehensive loss | - | - | - | (59,844,391) | (819,108) | (60,663,499) | (60,663,499) |
| Total comprehensive income for the year | - | - | - | (59,844,391) | 128,885,593 | 69,041,202 | 69,041,202 |
| Balance as at September 30, 2017 | 320,312,450 | 63,281,250 | 85,000,000 | 86,899,496 | 1,660,790,665 | 1,895,971,411 | 2,216,283,861 |

The annexed notes from 1 to 46 form an integral part of these consolidated financial statements.


Chief Executive Officer


Chief Financial Officer


Director

Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

1. THE GROUP AND ITS OPERATIONSX

The Group consists of Mehran Sugar Mills Limited (the Holding Company) and Mehran Energy Limited - a wholly owned subsidiary Company (the Subsidiary Company). Brief profiles of Holding Company and its subsidiary company are as follows :

1.1 Holding Company

The Holding Company was incorporated in Pakistan as a public limited company in December, 1965 under repealed Companies Ordinance, 1984 (the Ordinance). The shares of the Company are quoted on Pakistan Stock Exchange Limited. The Company is principally engaged in the manufacturing and sale of sugar. The registered office of the Company is situated at 14th floor, Dolmen City Executive Tower, Marine Drive, Block 4, Clifton, Karachi. The mill of the Company is located at Distt. Tando Allahyar, Sindh.

1.2 Subsidiary Company

The Subsidiary Company is in start-up phase and has not commenced its operations. The principal activities of the Subsidiary Company will be to build, operate and maintain a 26.5 MW high pressure co-generation bagasse based power plant for the generation and supply of electric power in relation thereof. The Company obtained letter of intent (LOI) from the Government of Sindh (GoS) on November 07, 2016. The registered office of the Company is situated at 14th floor, Dolmen City Executive Tower, Marine Drive, Block 4, Clifton, Karachi.

2. BASIS OF PREPARATION

2.1 Statement of compliance

During the year, the Companies Act 2017 (the Act) has been promulgated, however, Securities and Exchange Commission of Pakistan (SECP) vide its circular no. 23 of 2017 dated July 04, 2017 communicated it's decision that the companies whose financial year closes on or before 31 December 2017 shall prepare their financial statements in accordance with the Ordinance. Accordingly, these consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Ordinance and provisions of and directives issued under the Ordinance. In case requirements differ, the provisions or directives of the Ordinance shall prevail.

2.2 Accounting convention

These consolidated financial statements have been prepared under the historical cost convention except for available for sale investments and biological assets which are carried at fair value and fair value less costs to sell respectively.

2.3 Standards not yet effective

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

Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

| | Effective date (accounting periods Beginning on or after) |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|
| IAS 70 – Statement of Cash flows (Amendment) | 01 January 2017 |
| IAS 12 – Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments) | 01 January 2017 |
| IAS 40 – Investment Property: Transfers of Investment Property (Amendments) | 01 January 2017 |
| IFRS 2 – Share-based Payments - Classification and Measurement of Share - based Payments Transactions (Amendments) | 01 January 2018 |
| IFRS 46 – Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments) | 01 January 2018 |
| IFRS 10 – Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment) | Not yet finalized |
| IFRIC 22 – Foreign Currency Transactions and Advance Consideration | 01 January 2018 |
| IFRS 15 – Revenue from Contracts with Customers | 01 July 2018 |
| IFRS 9 – Financial Instruments: Classification and Measurement | 01 July 2018 |
| IFRIC 23 – Uncertainty over Income Tax Treatments | 01 January 2019 |

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

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

| | IASB Effective date (accounting periods Beginning on or after) |
|----------------------------------------|-------------------------------------------------------------------------|
| IFRS 14 – Regulatory Deferral Accounts | 01 January 2016 |
| IFRS 16 – Leases | 01 January 2019 |
| IFRS 17 – Insurance Contracts | 01 January 2021 |

3. BASIS OF CONSOLIDATION

Subsidiary is an entity controlled by the Group over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than fifty percent of the voting rights. The financial statements of subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

The financial statements of the subsidiary is prepared for the same reporting period as for the Holding Company using consistent accounting policies and changes are made when necessary to align them with the policies adopted by the Holding Company.

The assets and liabilities of the subsidiary company have been consolidated on a line by line basis. The carrying value of investment held by the Holding Company is eliminated against the subsidiary's shareholders' equity in the consolidated financial statements. All material intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in statement of profit and loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgments and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these judgments and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The management continually evaluates estimates and judgments which are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under current circumstances. Revisions to accounting estimates are recognized prospectively.

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

Property, plant and equipment

The Group reviews appropriateness of the rate of depreciation and useful life used in the calculation of depreciation. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. In making these estimates, the Group uses the technical resources available with the Group. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with corresponding effects on the depreciation charge and impairment.

Impairment of Investments

In making estimates of future cash flows from investments in associates the management considers future dividend stream and an estimate of the terminal value of these investments which is subject to change.

In case of available for sale investments the management estimates whether the decline in the fair value of quoted securities is significant and prolonged.

Inventories

The Group reviews the net realizable value (NRV) of stock-in-trade and stores and spare parts to assess any diminution in the respective carrying values. NRV is estimated with reference to the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

Taxation

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

Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

Deferred tax assets are recognized for all unused tax losses and credits to the extent that it is probable that taxable profit will be available against which such losses and credits can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Contingencies

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The Group, based on the availability of the latest information, estimates the value of contingent assets and liabilities which may differ on the occurrence / non-occurrence of the uncertain future events.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Property, plant and equipment

Owned

These are stated at cost less accumulated depreciation and impairment except for freehold land, which is stated at cost.

Depreciation is charged to profit and loss account using the reducing balance method, at the rates specified in note 5.1. Depreciation on additions is charged from the month in which the asset is available for use and on disposals up to the month the asset is in use.

The carrying values of the Group's property plant and equipment are reviewed at each financial year end for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Repairs and maintenance cost is written off to the profit and loss account in the year in which it is incurred. Major renewals and improvements are capitalized when it is probable that respective future economic benefits will flow to the Group.

An item of property plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gain or loss on disposal of property plant and equipment is recognized in the period of disposal.

Leased

Leases, recorded under the requirements of IAS 17 – "Leases", which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item are capitalized at the inception of the lease, at the fair value of the leased property or, if lower at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Assets acquired under finance lease are depreciated using the same basis as for owned assets.

Leases are classified as Ijarah, under the requirements of IFAS 2 – "Ijarah", when a significant portion of the risks and rewards of ownership is retained by the Muj'ir (lessor) and Ijarah agreement has been entered into. Payments made under Ijarah are charged to profit and loss account on a straight-line basis over the period of Ijarah.

Capital work-in-progress

These are stated at cost less accumulated impairment, if any, and represent expenditure on fixed assets in the course of construction and installation. Transfers are made to relevant property, plant and equipment category as and when assets are available for their intended use.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

4.2 Investments

Associates

Investment in associates are accounted for using equity method of accounting. Investments over which the Group has “significant influence” are accounted for under this method i.e., investments to be carried in the balance sheet at cost plus post-acquisition changes in the share of net assets of associates, less any impairment in value, if material. The profit and loss account reflects the Group’s share of the results of operations of associates after the date of acquisition. If an associate uses accounting policies other than those of the Group, adjustments are made to conform the associate’s policies to those of the Group, if the impact is considered material.

Available-for-sale

Investments which the management intends to hold for an indefinite period, but may be sold in response to the need for liquidity or changes in interest rates are classified as available-for-sale.

These investments are initially recognised at cost, being the fair value of the consideration given including transaction costs associated with the investment. After initial recognition, these investments are remeasured at fair value. For investments traded in active market, fair value is determined by reference to quoted market price and the investments for which a quoted market price is not available, or the fair value cannot be reasonably calculated, are measured at cost, subject to review for impairment at each balance sheet date.

Gains or losses on available-for-sale investments are recognised in other comprehensive income until the investment is disposed of or determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income is taken to profit and loss account.

Held-to-maturity

Investments with fixed or determinable payments and fixed maturity where management has both the positive intent and ability to hold to maturity are classified as held to maturity investments. These are initially measured at cost, being the fair value of the consideration given including transaction costs associated with the investment, and are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit and loss account when the investments are derecognised or impaired, as well as through the amortisation process.

4.3 Biological assets

These are measured at fair value less costs to sell on initial recognition and at each balance sheet date. Gain or loss arising on initial recognition of a biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset at the balance sheet date is included in profit and loss account for the period in which it arises.

4.4 Stores and spare parts

These are valued at lower of weighted average cost and NRV.

4.5 Stock-in-trade

These are valued at the lower of weighted average cost and NRV. Cost in relation to work-in-process and finished goods consist of manufacturing cost comprising prime cost and appropriate proportion of factory overheads.

4.6 Trade debts and other receivables

Trade debts and other receivables are stated at original invoice amount less provision for doubtful debts, if any. Provision for doubtful debts/ receivables is based on the management’s assessment of customers’ outstanding balances and creditworthiness. Bad debts are written-off when identified.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

4.7 Cash and cash equivalents

These are carried at cost.

4.8 Employees' benefits

Gratuity

The Holding Company operates an unfunded gratuity scheme for its permanent mill employees. Provision is made annually, to cover obligations under the plan, by way of a charge to profit and loss account, calculated in accordance with the actuarial valuation using the "Projected Unit Credit Method". The latest valuation has been carried out as at September 30, 2017.

Provident fund

The Holding Company operates a recognized provident fund for those permanent employees who have opted for it. Equal monthly contributions are made to the Fund by the Holding Company and employees in accordance with the fund's rules. Contributions are made by the employees at mill and the employees at head office at the rate of 11% and 10% respectively, of the aggregate of basic salary.

General disclosures

| | 2017 Rupees (Unaudited) |
|---------------------------|-------------------------------|
| Size of the fund | 154,369,839 |
| Cost of investments | 102,570,608 |
| Fair value of investments | 148,464,552 |
| Percentage of investments | 93% |

Break-up of investments

| | 2017 ----- (Unaudited) ----- (Rupees) (%) | |
|-----------------------------|-------------------------------------------------|-----------|
| Defence Saving Certificates | 143,893,944 | 90 |
| Bank balances | 4,570,608 | 3 |
| Total | <u>148,464,552</u> | <u>93</u> |

Investments of provident fund have been made in accordance with the provisions of Section 227 of the repealed Companies Ordinance, 1984 and the rules formulated for this purpose.

Compensated absences

The Company accrues its estimated liability towards leaves accumulated by employees on an accrual basis using current salary level.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

4.9 Taxation

Current

In case of the Holding Company. Provision for current tax is based on the taxable income in accordance with the Income Tax Ordinance, 2001.

The income of the subsidiary company is exempt from taxation under clause 132 of Part I of the Second schedule to the Income Tax Ordinance 2001.

Deferred

Deferred tax is recognized using the balance sheet liability method, on all temporary differences arising at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which the assets may be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

4.10 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

4.11 Provisions

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

4.12 Foreign currency transactions and translation

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees using the exchange rate at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

4.13 Borrowing costs

Interest / mark-up directly attributable to the acquisition / construction / installation of qualifying assets is capitalized. All other finance costs are charged to profit and loss account.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

4.14 Financial instruments

Financial assets and liabilities are recognized at the time when the Group becomes party to the contractual provisions of the instrument and are derecognized in the case of assets, when the contractual rights under the instruments are realized, expired or surrendered and in the case of liability, when the obligation is discharged, cancelled or expired. Any gain / loss on the recognition and derecognition of the financial assets and liabilities is included in the profit and loss account for the period in which it arises.

4.15 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when the Group has a legally enforceable right to set-off the transaction and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

4.16 Revenue recognition

- Sales are recognized as revenue when invoiced, which generally coincides with the delivery of goods.
- Profit on term deposit receipts is recognized on effective interest rate.
- Dividend income is recognized when the right to receive the same is established.
- Gain / loss on sale of investment is recognized in profit and loss account in the period in which investment is sold.
- Income from sale of electricity is recognized upon the output delivered at rates specified under the agreement with Hyderabad Electric Supply Company (HESCO).

4.17 Dividend and appropriation to reserves

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

4.18 Functional and presentation currency

These consolidated financial statements are presented in Pakistani Rupees, which is the Group's functional and presentation currency.

| | | 2017 Rupees |
|-----------------------------------------|------|----------------|
| 5. PROPERTY, PLANT AND EQUIPMENT | Note | |
| Operating fixed assets | 5.1 | 1,991,894,970 |
| Capital work-in-progress | 5.2 | 223,997,085 |
| | | 2,215,892,055 |

Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

5.1 Operating fixed assets

| Description | 2017 | | | | | | | |
|------------------------------------|--------------------------|------------------------------------|----------------------------|----------------------------------------------|----------------------------------------|------------------------------------------------|----------------------------------|-----------|
| | Cost at October 01, 2016 | Additions/ (deletions) | Cost at September 30, 2017 | Accumulated depreciation at October 01, 2016 | Depreciation for the year/ (deletions) | Accumulated depreciation at September 30, 2017 | Book value at September 30, 2017 | Dep. Rate |
| Rupees | | | | | | | | |
| <u>Owned</u> | | | | | | | | |
| Freehold land | 83,394,207 | - | 83,394,207 | - | - | - | 83,394,207 | - |
| Buildings on freehold land | | | | | | | | |
| - Factory | 262,573,131 | 13,278,334 | 275,851,465 | 115,746,926 | 15,352,887 | 131,099,813 | 144,751,652 | 10 % |
| - Non-factory | 50,996,147 | - | 50,996,147 | 14,293,683 | 1,835,123 | 16,128,806 | 34,867,341 | 5 % |
| Plant, machinery and Equipment | 2,133,774,436 | 419,952,591 (1,129,499) | 2,552,597,528 | 905,894,193 | 106,625,529 (846,851) | 1,011,672,871 | 1,540,924,657 | 7.5 % |
| Furniture and fittings | 8,708,852 | 111,500 | 8,820,352 | 3,066,915 | 571,844 | 3,638,759 | 5,181,593 | 10 % |
| Vehicles | 22,240,028 | 2,058,000 | 18,790,428 | 17,501,756 | 918,952 | 14,684,933 | 4,105,495 | 20% |
| Office premises | 85,022,551 | (5,507,600) - | 85,022,551 | 16,482,825 | (3,735,775) 3,426,986 | 19,909,811 | 65,112,740 | 5 % |
| Office equipment | 5,774,222 | 103,000 | 5,877,222 | 3,024,366 | 280,136 | 3,304,502 | 2,572,720 | 10 % |
| Electric installation | 11,015,603 | 3,052,383 (510,707) | 13,557,279 | 5,941,863 | 597,494 (507,673) | 6,031,684 | 7,525,595 | 10 % |
| Weighbridge and scales | 4,497,389 | 16,500 | 4,513,889 | 1,042,039 | 346,223 | 1,388,262 | 3,125,627 | 10 % |
| Workshop tools and other equipment | 6,341,923 | - | 6,341,923 | 4,705,308 | 163,662 | 4,868,970 | 1,472,953 | 10 % |
| Computers | 10,345,912 | 1,522,487 | 11,868,399 | 7,435,388 | 1,466,842 | 8,902,230 | 2,966,169 | 30 % |
| Air conditioners and refrigerators | 12,319,714 | 756,394 | 13,076,108 | 4,382,085 | 833,399 | 5,215,484 | 7,860,624 | 10 % |
| | 2,697,004,115 | 440,851,189 (7,147,806) | 3,130,707,498 | 1,099,517,347 | 132,419,077 (5,090,299) | 1,226,846,125 | 1,903,861,373 | |
| <u>Leased</u> | | | | | | | | |
| Vehicles | 95,447,200 | 49,417,490 (2,215,100) | 142,649,590 | 35,531,407 | 20,501,362 (1,416,776) | 54,615,993 | 88,033,597 | 20 % |
| Total | 2,792,451,315 | 490,268,679 (9,362,906) | 3,273,357,088 | 1,135,048,754 | 152,920,439 (6,507,075) | 1,281,462,118 | 1,991,894,970 | |

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

| | Note | 2017 Rupees |
|-------------------------|------|--------------------|
| Cost of sales | 29 | 124,920,918 |
| Administrative expenses | 31 | 27,999,521 |
| | | <u>152,920,439</u> |

Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

5.1.2 The following operating fixed assets were disposed off during the year:

| Particulars | (Rupees) | | | | | Mode of Disposal | Particulars of Purchaser |
|--------------------------------------------------------|------------------|--------------------------|------------------|------------------|------------------|------------------|------------------------------|
| | Cost | Accumulated Depreciation | Book Value | Sale Proceeds | Gain | | |
| Plant, machinery and equipment | | | | | | | |
| Diesel Generator | 766,210 | 533,504 | 232,706 | 1,416,752 | 1,184,046 | Negotiation | Mr. Akber Shah - Karachi |
| Other assets with book value less than Rs. 50,000 each | 363,289 | 313,347 | 49,942 | 266,641 | 216,699 | Negotiation | Mr. Akber Shah - Karachi |
| | 1,129,499 | 846,851 | 282,648 | 1,683,393 | 1,400,745 | | |
| Electric Installation | | | | | | | |
| Asset with book value less than Rs. 50,000 | 510,707 | 507,673 | 3,034 | 16,607 | 13,573 | Negotiation | Mr. Akber Shah - Karachi |
| Vehicles | | | | | | | |
| Suzuki Alto (AXE - 744) | 796,000 | 560,525 | 235,475 | 524,628 | 289,153 | Policy | Mr. Haroon Suzera - employee |
| Suzuki Alto (AXF - 560) | 727,000 | 507,802 | 219,198 | 479,153 | 259,955 | Policy | Mr. Liaqat Ali - employee |
| Car(BCF-709) | 692,100 | 348,449 | 343,651 | 551,483 | 207,832 | Policy | Mr. Inayat-employee |
| Audi(AUQ-448) | 4,000,000 | 2,925,938 | 1,074,062 | 3,300,000 | 2,225,938 | Negotiation | Mr. Ahmed Ashraf |
| Honda (CD-70) | 102,500 | 47,811 | 54,689 | 74,700 | 20,011 | Policy | Mr. Zahid Hussain - employee |
| Honda (CD-70) | 63,500 | 11,642 | 51,858 | 60,000 | 8,142 | Policy | Insurance Claim |
| Other assets with book value less than Rs. 50,000 each | 1,341,600 | 750,384 | 591,216 | 1,008,908 | 417,692 | Policy | Various |
| | 7,722,700 | 5,152,551 | 2,570,149 | 5,998,872 | 3,428,723 | | |
| Total | 9,362,906 | 6,507,075 | 2,855,831 | 7,698,872 | 4,843,041 | | |

5.2 Capital work-in-progress

| | Buildings on freehold land | Plant, machinery and Equipment | Total |
|--------------------------------------------------------------|----------------------------|--------------------------------|--------------------|
| | ----- Rupees ----- | | |
| Balance as at September 30, 2016 | 55,807,969 | 239,713,997 | 295,521,966 |
| Capital expenditure incurred / advances made during the year | 2,303,289 | 327,750,014 | 330,053,303 |
| Transfer to operating fixed assets | (11,958,334) | (389,619,850) | (401,578,184) |
| Balance as at September 30, 2017 | 46,152,924 | 177,844,161 | 223,997,085 |

6. LONG-TERM RECEIVABLE

| | | |
|-----------------------------------|-----|--------------|
| Tender earnest money | | 1,000,000 |
| Down payment | | 33,125,000 |
| Other costs | | 8,385,996 |
| | 6.1 | 42,510,996 |
| Provision for doubtful receivable | | (42,510,996) |
| | | - |

Note **2017 Rupees**

Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

6.1 Represents down payment made in respect of purchase of Thatta Sugar Mills (the Mill) and other costs incurred in running the Mill from November 1992 up to July 1993, when the Mill was forcibly taken over by the Government of Sindh (GoS) without paying any amount. The Holding Company filed a law suit for Rs. 166 million being the amount of down payment, expenses incurred (including payment to workers) and loss of profits. The GoS made a counter claim of Rs.402 million against the Holding Company. The case is currently pending in the Honorable High Court of Sindh (the Court) for recording of evidences. While the Holding Company's suit for recovery of compensation is pending in the Court, the GoS invited bids for the sale of the Mill through Sindh Privatization Commission but it could not succeed. The GoS is now trying to privatize it through the Federal Privatization Commission. The representative of the GoS has also admitted the fact that the Mill was taken over by the GoS without making any payment to the Holding Company. However, the Holding Company has made provision against the aforesaid receivable of Rs. 42.510 million as a matter of prudence and the fact that the debt is outstanding for a considerable period.

| | Note | 2017 Rupees |
|--------------------------------------------------------------------------------------------------------------------|------|--------------------|
| 7. LONG TERM INVESTMENTS - Associates | | |
| Unicol Limited (UL) 49,999,997 (2016: 23,059,573) Ordinary shares of Rs. 10 each % of holding: 33.33% | 7.2 | 852,412,955 |
| UniEnergy Limited (UEL) 1,999,998 (2016: 1,999,998) Ordinary shares of Rs. 10 each % of holding: 20% | 7.3 | 19,925,667 |
| UniFoods Limited (UFL) 7,200,000 Ordinary shares of Rs. 10 each % of holding: 24% | 7.4 | 65,337,729 |
| | | 937,676,351 |

7.1 As the financial statements of all the associates may not necessarily be available at the year end, therefore the Group uses the financial statements of the associates with a lag of three months for applying the equity method of accounting. In case of UL the Group has used the financial statements for the same year end as that of the Group

7.2 UL is incorporated in Pakistan as a public unlisted company with its registered office situated at Sub Post Office Sugar Mills, Umerkot Road, Mirpurkhas. The principal activity of the UL is to manufacture and sell ethanol and carbon dioxide (CO₂). The summarized financial information of UL is as follows:

| | 2017 Rupees |
|----------------------------------------------|--------------------|
| Aggregate amount of: | |
| - assets | 5,282,734,000 |
| - liabilities | 2,725,496,000 |
| - revenue | 4,455,265,000 |
| - profit | 320,353,000 |
| Movement of investment is as follows: | |
| Opening balance | 745,628,638 |
| Share of profit – net of tax | 106,784,317 |
| | 852,412,955 |

Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

- 7.3 UEL is incorporated in Pakistan as a public unlisted company with its registered office situated at 1st Floor, Modern Motors House, Beaumont Road, Karachi. The principal activity of UEL will be to build, operate and maintain wind power generating project of 50 Mega Watts for the generation and supply of electric power in relation thereof, however, it is in start-up phase and has not commenced its operations. The summarized financial information of UEL is as follows:

| | 2017 Rupees |
|----------------------------------------------|-------------------|
| Aggregate amount of: | |
| - assets | 100,766,856 |
| - liabilities | 1,138,422 |
| - loss | 216,475 |
| Movement of investment is as follows: | |
| Opening balance | 19,935,208 |
| Share of profit – net | 43,295 |
| Prior year adjustment | (52,836) |
| | (9,541) |
| | <u>19,925,667</u> |

- 7.4 UFL was incorporated in Pakistan as a public unlisted company during the current year with its registered office situated at 2nd Floor, Bank House No. 1, Habib Square, M.A Jinnah Road, Karachi. The principal activity is manufacture, sell and distribution of bakery and confectionery items. The summarized financial information of UFL is as follows:

| | Note | 2017 Rupees |
|----------------------------------------------------------|------|-------------------|
| Aggregate amount of: | | |
| - assets | | 216,475,701 |
| - liabilities | | 35,905,164 |
| - loss | | 27,759,463 |
| Movement of investment is as follows: | | |
| Investment made | | 72,000,000 |
| Share of loss – net | | (6,662,271) |
| | | <u>65,337,729</u> |
| 8. BIOLOGICAL ASSETS | 8.1 | <u>17,662,000</u> |
| 8.1 Carrying value at beginning of the year | | 43,848,243 |
| Increase due to cultivation | | 13,111,787 |
| Change in fair value less costs to sell of standing crop | | 4,550,213 |
| | | 61,510,243 |
| Reduction due to harvesting | | (43,848,243) |
| Carrying value at the end of the year | | <u>17,662,000</u> |

Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

8.2 The Holding Company is engaged in cultivation of different sugarcane varieties. These varieties are then provided to growers for multiplication. During the year, the Holding Company harvested 331,193 maunds sugarcane at the yield of 1048 maunds per acre 153,301 maunds were supplied to growers for variety multiplication while remaining sugarcane was used for crushing at mill.

| | Note | 2017 Rupees |
|----------------------------------|------|----------------------|
| 9. STORES AND SPARE PARTS | | |
| Stores | | 20,040,226 |
| Spare parts | | 63,840,715 |
| | | <u>83,880,941</u> |
| 10. STOCK-IN-TRADE | | |
| Manufactured sugar | | |
| - Work-in-process | | 2,519,343 |
| - Finished goods | 10.1 | 1,202,937,630 |
| | | <u>1,205,456,973</u> |

10.1 The finished goods having cost of Rs. 1,253.96 million are carried at NRV of Rs.1,202.94 million.

| | Note | 2017 Rupees |
|-----------------------------------------------------|------|--------------------|
| 11. TRADE DEBTS – unsecured | | |
| Considered good | 11.1 | 174,514,430 |
| Considered doubtful | | 16,987,867 |
| | | <u>191,502,297</u> |
| Less: Provision for doubtful debts | 11.2 | 16,987,867 |
| | | <u>174,514,430</u> |
| 11.1 The aging of trade debts is as follows: | | |
| Neither past due nor impaired | | - |
| Past due but not impaired (within 90 days) | | 174,514,430 |
| | | <u>174,514,430</u> |

11.2 Includes an amount of Rs.14.519 million due from the GoS which was withheld by the GoS from the bills raised by the Holding Company during the years 1981 to 1983, on account of a dispute regarding the quality of sugar. Consequently, the Holding Company has withheld mark-up due to the GoS, amounting to Rs.6.192 million. Since then, the matter is under litigation and pending before the Court. The said amount has been fully provided as a matter of prudence as the case is pending for a considerable long period. Accordingly, the respective liability of mark-up due to the GoS was also written back.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

| | Note | 2017 Rupees |
|-----------------------------------|------|--------------------|
| 15. SHORT-TERM INVESTMENTS | | |
| Held to maturity | | |
| Term deposit certificates | 15.1 | 3,300,000 |
| Available for sale | | |
| Equity securities | 15.2 | 827,019,250 |
| | | <u>830,319,250</u> |

15.1 These carry profit rate of 3.50% per annum, having maturity up to six months.

15.2 Available for sale

| 2017 Number of shares of par value Rs. 10/- each | | 2017 Rupees |
|--------------------------------------------------------|-----------------------------------------|--------------------|
| | Quoted companies | |
| 1,000,000 | Aisha Steel Mills Ltd. | 18,850,000 |
| 100,000 | Allied Bank Limited | 8,749,000 |
| 750,000 | Bank Al Falah Ltd. | 31,815,000 |
| 1,885,000 | Bank Al Habib Limited | 108,576,000 |
| 81,500 | Chashma Sugar Mills Ltd. | 4,910,375 |
| 100,000 | Cherat Cement Limited | 11,998,000 |
| 200,000 | D.G.K.Cement Limited | 29,372,000 |
| 5,000 | Engro Corporation Limited | 1,515,450 |
| 500,000 | Engro Fertilizers Limited | 31,455,000 |
| 500,000 | Fauji Fertilizer Company Limited | 41,570,000 |
| 300,000 | Habib Bank Limited | 54,228,000 |
| 499,800 | Hub Power Company Limited | - |
| 12,500 | Indus Motors Limited | 21,510,250 |
| 300,000 | International Steel Limited | 36,339,000 |
| 70,150 | JDW Sugar Mills Limited | 26,657,000 |
| 157,115 | Jubilee Life Insurance Company Limited | 109,980,500 |
| 22,500 | Lucky Cement Limited | 12,716,550 |
| 41,900 | Mari Petroleum Company Limited | 63,059,920 |
| 901,000 | Meezan Bank Limited | 67,061,430 |
| 10,000 | Millat Tractors Ltd. | 12,482,900 |
| 50,000 | Nishat Mills Limited | 7,255,000 |
| 311,800 | Noon Sugar Mills Ltd. | 24,897,230 |
| 250,000 | Oil Gas Development Corporation Limited | 37,160,000 |
| 100,000 | Sui Northern Gas Pipelines Limited | 13,386,000 |
| 270,677 | United Bank Limited | 51,474,645 |
| | | <u>827,019,250</u> |

16. CASH AND BANK BALANCES

| | |
|-------------------------------------|-------------------|
| Cash in hand | 106,686 |
| Cash with banks in current accounts | 39,049,772 |
| | <u>39,156,458</u> |

Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

17. SHARE CAPITAL

| 2017 (Number of shares) | 2017 Rupees |
|-----------------------------------------------|--------------------|
| Authorized capital | |
| <u>50,000,000</u> | <u>500,000,000</u> |
| Issued, subscribed and paid-up capital | |
| Ordinary shares of Rs.10/- each | |
| 5,968,750 | 59,687,500 |
| 350,000 | 3,500,000 |
| 25,712,495 | 257,124,950 |
| <u>32,031,245</u> | <u>320,312,450</u> |

18. LONG TERM FINANCING – secured

| | | |
|------------------------|------|--------------------|
| From banking companies | 18.1 | 604,771,115 |
| Less: Current portion | | (156,023,610) |
| | | <u>448,747,505</u> |

18.1

| | Installments | | Mark-up | |
|---------------------------------|--------------|-----------------|-------------------------------------|--------------------|
| | Number | Commencing from | | |
| Al Baraka Bank Pakistan Limited | 16 quarterly | November 2014 | 6 months KIBOR plus 1.75% per annum | 42,690,278 |
| Bank Islami Pakistan Limited | 24 quarterly | January 2015 | 3 months KIBOR plus 1.25% per annum | 27,080,837 |
| Bank Al Habib Limited | 20 quarterly | May 2016 | 6 months KIBOR plus 0.8% per annum | 65,000,000 |
| Bank Al Habib Limited | 20 quarterly | December 2015 | 3 months KIBOR plus 0.8% per annum | 170,000,000 |
| Bank Alfalah Limited | 20 quarterly | February 2018 | 6 months KIBOR plus 0.5% per annum | 300,000,000 |
| Meezan Bank Limited | 16 quarterly | March 2013 | 3 months KIBOR plus 1.30% per annum | - |
| Meezan Bank Limited | 16 quarterly | April 2013 | 3 months KIBOR plus 1.30% per annum | - |
| Bank Al Habib Limited | 14 quarterly | July 2014 | 6 months KIBOR plus 1.75% per annum | - |
| MCB Bank Limited | 14 quarterly | May 2014 | 3 months KIBOR plus 2% per annum | - |
| | | | | <u>604,771,115</u> |

18.2 The above facilities are secured by way of first pari passu charge over operating fixed assets of the Holding Company amounting to Rs. 1,002 million.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

Represent finance leases entered into with commercial banks for vehicles. Lease rentals are payable in equal monthly installments latest by March 2022. Taxes, repairs, replacement and insurance costs are to be borne by the lessee. In case of termination of agreement, the lessee has to pay the entire rent for unexpired period. Financing rates of approximately 7.3 to 7.9 percent per annum has been used as discounting factor. Purchase options can be exercised by the lessee in accordance with the respective lease agreements. The movement in the finance lease liability is as follows:

| | 2017 | |
|------------------------------------------------------|------------------------|-------------------|
| | Minimum lease Payments | Present Value |
| | ----- (Rupees) ----- | |
| Within one year | 27,696,310 | 24,434,897 |
| After one year but not more than five years | 33,994,558 | 31,686,538 |
| Total minimum lease payments | 61,690,868 | 56,121,435 |
| Less: Amount representing finance charges | 5,569,433 | - |
| Present value of minimum lease payments | 56,121,435 | 56,121,435 |
| Less: Current maturity shown under current liability | 24,434,897 | 24,434,897 |
| | <u>31,686,538</u> | <u>31,686,538</u> |

20. MARKET COMMITTEE FEE PAYABLE

| | 2017 Rupees |
|------------------------------|-------------------|
| Market committee fee payable | 69,731,908 |
| Less: Current portion | 3,757,652 |
| | <u>65,974,256</u> |

Note

26.1

21. DEFERRED LIABILITY

| | |
|----------------------------------------------|-------------------|
| Staff gratuity | 4,878,275 |
| (a) Staff gratuity | |
| Opening balance | 4,646,722 |
| Expense for the year | 304,549 |
| Benefits paid during the year | (892,104) |
| Actuarial loss / (gain) | 819,108 |
| Closing balance | <u>4,878,275</u> |
| (b) Principal actuarial assumptions | |
| Discount rate | 8.00% |
| Expected rate of increase in salary level | 8.00% |
| Expected average remaining life of employees | <u>1.84 years</u> |

Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

(c) Comparisons for five years

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|---------------------------------------------|----------------------|------------------|------------------|------------------|------------------|
| | ----- (Rupees) ----- | | | | |
| Present value of defined benefit obligation | <u>4,878,276</u> | <u>4,646,722</u> | <u>9,414,422</u> | <u>8,004,115</u> | <u>7,564,191</u> |

(d) Sensitivity analysis (+/- 100 bps) on present value of defined benefit obligation

| | 2017 | | | |
|---------------------------------------------|----------------------|------------------|------------------|------------------|
| | Discount rate | | Salary increase | |
| | + 100 bps | - 100 bps | + 100 bps | - 100 bps |
| | ----- (Rupees) ----- | | | |
| Present value of defined benefit obligation | <u>4,610,641</u> | <u>5,180,084</u> | <u>5,199,466</u> | <u>4,588,494</u> |

22. DEFERRED TAXATION

Note

2017
Rupees

Credit balances arising due to:

| | |
|---------------------------------------------------|--------------------|
| Accelerated tax depreciation | 291,841,201 |
| Assets subject to finance leases | 9,573,649 |
| Investment in associates | 51,851,460 |
| Unrealised gain on available for sale investments | 8,428,309 |
| | <u>361,694,619</u> |

Debit balances arising due to:

| | |
|-------------------|---------------------|
| Provisions | (20,083,309) |
| Unused tax losses | (53,294,561) |
| Others | (106,200) |
| | <u>(73,484,070)</u> |
| | <u>288,210,549</u> |

23. PROVISION FOR QUALITY PREMIUM

23.1

119,290,919

- 23.1** As required under the provisions of Sugar Factories Control Act, 1950, sugar mills in Sindh are required to pay quality premium to cane growers at the rate of 50 paise per 40 Kg cane for each 0.1 percent of excess sucrose recovery above the benchmark of 8.7 percent, determined on the aggregate sucrose recovery of each mill. The Holding Company had challenged the levy of quality premium before the Court, however, the matter was decided against the Holding Company. Thereafter, the Holding Company filed an appeal with the Honorable Supreme Court of Pakistan which then granted stay to the Holding Company, while admitting the appeal against the impugned judgment of the Court. The Punjab Government is not levying any quality premium in view of an earlier decision of Honorable Lahore High Court, in a similar case, wherein the Court had declared the demand of quality premium as unlawful. Although the matter is under litigation, the Holding Company carries full provision against quality premium pertaining to the period from the year 1999 to 2008, as a matter of prudence.

24. TRADE AND OTHER PAYABLES

Note

2017
Rupees

| | |
|-------------------------------------|----------------------|
| Creditors | 131,673,446 |
| Accrued expenses | 247,457,030 |
| Advances from customers | 608,069,641 |
| Payable to provident fund | 2,148,265 |
| Workers' Profits Participation Fund | - |
| Workers' Welfare Fund | 27,555,420 |
| | <u>1,017,303,802</u> |

Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

| | Note | 2017 Rupees |
|------------------------------------------------------|------|----------------------|
| Unclaimed dividend | | 35,771,399 |
| Deposits from employees against purchase of vehicles | | 18,260,730 |
| Others | | 18,120,644 |
| | | <u>1,089,056,575</u> |
| 24.1 Workers' Profits Participation Fund | | |
| Opening balance | | 25,970,549 |
| Allocation for the year | | - |
| | | <u>25,970,549</u> |
| Payments made during the year | | (25,970,549) |
| Closing balance | | - |
| | | <u>-</u> |
| 25. SHORT-TERM BORROWINGS – secured | | |
| Running finance under markup arrangements | 25.1 | 182,539,706 |
| Short term finance | 25.2 | 934,500,000 |
| | | <u>1,117,039,706</u> |

25.1 The aggregate facilities for short term running finance available from various banks amounted to Rs. 1,125 million. These facilities are secured against hypothecation of current assets of the Holding Company. These carry mark-up ranging between 0.4% to 1.25% per annum above one to six months KIBOR payable quarterly.

25.2 The aggregate facilities for short term cash finance available from various banks amounted to Rs. 6,235 million. These carry mark-up ranging between 0.4% to 1.25% per annum above one to six months KIBOR. These are secured against pledge of stock-in-trade and are repayable within six months, latest by December 2017.

| | Note | 2017 Rupees |
|-----------------------------------------------|------|-------------------|
| 26. PROVISION FOR MARKET COMMITTEE FEE | 26.1 | <u>19,968,245</u> |

26.1 During the year ended September 30, 2014, the Holding Company entered into a settlement with the Market Committee against provision for market committee fee up to June 2008 amounting to Rs.32.7 million. As per the settlement terms, the above amount is now payable in 15 equal yearly installments. Further, the Holding Company entered into a settlement with the Market Committee against provision for market committee fee for the years 2008 to 2015 amounting to Rs.47.329 million. As per the settlement terms, the above amount is now payable in 30 equal yearly installments commencing from July 2016. Accordingly, the said liability is recorded as a long term liability in these consolidated financial statements (note 20).

27. CONTINGENCIES AND COMMITMENTS

27.1 Contingencies

- (i) Contribution demanded by SESSI amounting to Rs.3.28 million, for the period July 1987 to August 1990, had been disputed by the Holding Company. The case is currently pending decision before the Court. The Holding Company and its legal counsel are hopeful for a favorable outcome of the case and hence, no provision has been made against the above demand in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

- (ii) DGDP's risk purchase claim amounting to Rs. 38.58 million, was disputed by the Holding Company on the grounds that the goods were delivered in time, however, the DGDP failed to lift the goods thereby indulging in breach of the contract. DGDP also withheld tender money paid by the Holding Company amounting to Rs. 8.19 million (note 13.1) during the year 1995 and 1996. The Holding Company filed a counter claim of Rs. 25.81 million against the said breach of contract. The said cases are pending before the Honorable Supreme Court of Pakistan and the Honorable Lahore High Court. The management and legal counsel of the Holding Company are confident that no liability will arise in respect of the risk purchase claim, and hence no provision has been made for the same in these consolidated financial statements.
- (iii) The Holding Company filed an appeal before the Court and was granted a stay against the order of Customs, Excise and Sales Tax Appellate Tribunal, Karachi, upholding allegation of non-payment of sales tax on advances etc., amounting to Rs. 11.087 million. Based on the advice of the tax advisor, the management is confident of a favorable outcome and hence, no provision is made in these consolidated financial statements.
- (iv) The Holding Company has filed an appeal before Customs, Excise and Sales Tax Appellate Tribunal, Karachi, which is pending for hearing, against the order of the Deputy Collector, Collectorate of Customs, Excise and Sales Tax (Adjudication), Hyderabad to pay off alleged demand of Rs. 10.07 million along with additional tax and penalty. Based on the advice of the tax advisor, the management is confident of a favorable outcome and hence, no provision has been made in these consolidated financial statements.
- (v) Pakistan Standards and Quality Control Authority (PSQCA) had demanded a fee payment at the rate of 0.1 percent of ex-factory price for the year 2008-09 amounting to Rs.2.2 million. The Holding 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. Based on the advise of the legal advisor, the management is confident that it would not be liable to pay the said marking fee and hence no provision is made in these consolidated financial statements.
- (vi) The Holding Company filed an appeal before the Commissioner Appeals against the order of the Deputy Commissioner Enforcement and Collection whereby sales tax liability along with penalty amounting to Rs.18 million has been established for claiming inadmissible input tax adjustment. During the current year, the Commissioner Appeals has remanded back the case to Deputy Commissioner Enforcement and Collection which is pending for hearing. Based on the advice of the tax advisor, the management is confident of a favorable outcome and hence, no provision is made in these consolidated financial statements.
- (vii) Contingency relating to long-term receivable is described in note 6.1 to the consolidated financial statements.

| | Note | 2017 Rupees |
|-----------------------------------------------------------------|------|----------------|
| 27.2 Commitments | | |
| Capital commitments | | 49,885,762 |
| Commitments in respect of equity investments | | 838,000,000 |
| Commitments in respect of operating lease rentals for farms | | 5,622,750 |
| Commitments in respect of finance lease obligation for vehicles | | 56,121,435 |

Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

| | Note | 2017 Rupees |
|--------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|----------------------|
| 28. TURNOVER | | |
| Sales | | |
| - Sugar – exports | | 1,685,861,477 |
| - Sugar – local | | 3,694,548,505 |
| - Molasses | | 440,796,703 |
| - Bagasse | | 76,065,632 |
| | | <u>5,897,272,317</u> |
| Less: | | |
| - Sales tax | | 384,863,788 |
| - Federal excise duty | | 11,572,667 |
| | | <u>396,436,455</u> |
| | | <u>5,500,835,862</u> |
| 29. COST OF SALES | | |
| Manufactured sugar: | | |
| Cost of sugarcane consumed (including procurement and other expenses) | | 5,346,872,541 |
| Market committee fee | | 10,561,982 |
| Road cess on sugarcane | | 6,601,405 |
| Salaries, wages and other benefits | 29.1 | 214,360,168 |
| Stores and spare parts consumed | | 200,273,981 |
| Repairs and maintenance | | 61,705,415 |
| Fuel, electricity and water charges | | 12,315,884 |
| Vehicle running and maintenance expenses | | 3,810,382 |
| Insurance | | 18,345,608 |
| Depreciation | 5.1.1 | 124,920,918 |
| Other overheads | | 26,484,791 |
| | | <u>6,026,253,075</u> |
| Opening stock of work-in-process | | 2,702,374 |
| Closing stock of work-in-process | | (2,519,343) |
| | | <u>183,031</u> |
| Cost of goods manufactured | | <u>6,026,436,106</u> |
| Opening stock of finished goods | | 409,333,413 |
| Closing stock of finished goods | 10 | (1,202,937,630) |
| | | <u>(793,604,217)</u> |
| | | <u>5,232,831,889</u> |
| 29.1 | Include gratuity expense of Rs. 304,549/- and contribution to provident fund of Rs. 4,813,903/-. | |
| 30. DISTRIBUTION COSTS | | |
| Salaries and other benefits | 30.1 | 2,941,618 |
| Sales promotion expenses | | 8,078,633 |
| Selling expenses | | 10,297,021 |
| Export expenses | | 45,317,395 |
| Stacking and loading | | 16,372,660 |
| Insurance | | 29,845 |
| | | <u>83,037,172</u> |

Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

| | Note | 2017 Rupees |
|---------------------------------------------------------------------------------------------|-------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 30.1 | | Include contribution to provident fund of Rs. 64,123/-. |
| 31. ADMINISTRATIVE EXPENSES | | |
| Salaries and other benefits | 31.1 | 134,292,931 |
| Rent, rates and taxes | | 236,380 |
| Electricity, telephone, fax and postage | | 8,463,691 |
| Printing and stationery | | 2,415,256 |
| Travelling and conveyance | | 11,566,861 |
| Vehicle running and maintenance expenses | | 13,003,651 |
| Ijarah rentals | | - |
| Auditors' remuneration | 31.2 | 2,146,599 |
| Legal and professional | | 4,565,530 |
| Fees and subscription | | 2,086,883 |
| Insurance | | 298,454 |
| Repairs and maintenance | | 8,885,762 |
| Advertising | | 1,324,030 |
| Donations | 31.3 | 26,601,739 |
| Depreciation | 5.1.1 | 27,999,521 |
| Other expenses | | 1,319,423 |
| | | 245,206,711 |
| 31.1 | | Include contribution to provident fund of Rs. 5,125,619/-. |
| 31.2 Auditors' remuneration | | |
| Statutory audit | | |
| EY Ford Rhodes | | |
| Statutory audit fee | | 1,300,000 |
| Review of half yearly financial statements and compliance with Code of Corporate Governance | | 475,000 |
| Other services | | 88,700 |
| Out of pocket expenses | | 90,400 |
| | | 1,954,100 |
| Cost audit | | |
| Haroon Zakaria & Co. | | |
| Cost audit fee | | 192,499 |
| | | 2,146,599 |
| 31.3 | | Include Rs.10,300,000/- and Rs. 16,200,00/- paid to Hasham Foundation and Usman Memorial Hospital Foundation respectively which are the projects of Hasham Group. Hasham Foundation include directors namely Mr. Mohammed Kasim Hasham, Mr. Mohammed Ebrahim Hasham, Mr. Mohammed Hussain Hasham, Mr. Khurram Kasim and Mr. Ahmed Ebrahim Hasham who are the trustees of the said Foundation. Usman Memorial Hospital Foundation includes directors namely Mr. Mohammed Hussain Hasham and Mr. Ahmed Ebrahim Hasham who are the trustees of the said Foundation. No other directors or their spouses have any interest in any donee's fund to which donation was made in both foundations. |
| 32. OTHER EXPENSES | | |
| Provision for impairment of available for sale investment | | 9,357,006 |

Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

| | Note | 2017 Rupees |
|---------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| 33. OTHER INCOME | | |
| Income from financial assets | | |
| Dividend income | | 44,553,112 |
| Gain on disposal of short term investments | | 262,320,311 |
| Profit on term deposit receipts | | 389,287 |
| Exchange gain | | 5,632,500 |
| | | <u>312,895,210</u> |
| Income from non-financial assets | | |
| Farm income – net | | 17,599,733 |
| Income from sale of electricity | | 25,827,020 |
| Scrap sales | | 1,569,916 |
| Gain on disposal of fixed assets | | 4,843,041 |
| | | <u>49,839,710</u> |
| | | <u>362,734,920</u> |
| 33.1 Farm income – net | | |
| Revenue from farms | | 61,447,976 |
| Less: Fair value of harvested crop | | (43,848,243) |
| Harvesting and other charges | | (13,111,787) |
| | | <u>4,487,946</u> |
| Change in fair value less cost to sell of standing crop | | 13,111,787 |
| | | <u>17,599,733</u> |
| 34. FINANCE COSTS | | |
| Markup / interest on: | | |
| Long-term financing | | 44,509,992 |
| Short-term borrowings | | 138,063,141 |
| Lease finance | | 4,160,703 |
| Workers' Profits Participation Fund | | 581,226 |
| | | <u>187,315,062</u> |
| Bank charges | | 9,359,737 |
| | | <u>196,674,799</u> |
| 35. TAXATION | | |
| Current | | 88,933,850 |
| Prior | | 6,614,117 |
| | | <u>95,547,967</u> |
| Deferred | | (28,676,948) |
| | | <u>66,871,019</u> |
| 35.1 | As the Holding Company is subject to final tax regime on export sales and minimum tax on local sales, therefore, no numerical tax reconciliation is presented. | |
| 35.2 | Income tax assessments of the Holding Company have been completed upto the tax year 2017(accounting year ended September 30, 2016). | |

Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

36. BASIC AND DILUTED EARNING PER SHARE

There is no dilutive effect on the basic earnings per share of the Group, which is based on:

| | 2017 |
|----------------------------------------------------------------|---------------|
| Profit after taxation attributable to ordinary shares (Rupees) | 129,704,701 |
| Weighted average number of ordinary shares | 32,031,245 |
| Earnings per share (Rupees) | 4.05 |
| 37. WORKING CAPITAL CHANGES | |
| (Increase) / decrease in current assets | |
| Biological assets | 26,186,243 |
| Stores and spare parts | (11,625,992) |
| Stock-in-trade | (793,421,186) |
| Trade debts | (163,954,495) |
| Loans and advances | (40,123,143) |
| Trade deposits and short-term prepayments | (1,234,498) |
| Other receivables | (776,532) |
| | (984,949,603) |
| Increase / (decrease) in current liabilities | |
| Trade and other payables | (35,997,850) |
| Sales tax and federal excise duty payable | 93,042,358 |
| | 57,044,508 |
| | (927,905,095) |

38. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Group comprise of associates [Pakistan Molasses Company (Private) Limited, Mogul Tobacco Company (Private) Limited, Unicol Limited, UniEnergy Limited, Usman Memorial Foundation, Hasham Foundation], retirement funds, directors and key management personnel. Transactions and balances with related parties, other than those disclosed elsewhere in the consolidated financial statements, are as follows:

| | 2017 Rupees |
|---------------------------------|----------------|
| Associates | |
| Investment made during the year | 72,000,000 |
| Sales | 453,286,878 |
| Expenses shared | 1,076,485 |
| Donations | 26,500,000 |
| Retirement benefit plans | |
| Provident fund contribution | 10,003,645 |

Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

39. CAPACITY AND PRODUCTION

| | Rated capacity | | Capacity utilization | |
|------------------|----------------|------|----------------------|------|
| | M. Tons | Days | M. Tons | Days |
| Season 2016-2017 | 11500 TCD | 133 | 8587 TCD | 133 |

The shortfall in crushing is due to the extended number of days.

40. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

40.1 The aggregate amount, charged in the financial statements for the year are as follows:

| | 2017 | | | | |
|--------------------------------|-----------------|--------------------|-------------------------|------------|------------|
| | Chief Executive | Executive Director | Non-Executive Directors | Executives | Total |
| | Rupees | | | | |
| Fees | - | - | 490,000 | - | 490,000 |
| Managerial remuneration | 7,608,000 | 7,608,000 | - | 34,504,860 | 49,720,860 |
| Retirement benefits | 760,800 | 760,800 | - | 3,450,486 | 4,972,086 |
| Perquisites and other benefits | 6,328,000 | 6,328,000 | - | 30,143,560 | 42,799,560 |
| | 14,696,800 | 14,696,800 | 490,000 | 68,098,906 | 97,982,506 |
| Number of persons | 1 | 1 | 6 | 26 | 34 |

40.2 In addition, the Chief Executive and Executive Director are provided with free use of the Group maintained cars, in accordance with their terms of service.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

41.1 Credit risk

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

Concentration of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The maximum exposure to credit risk at the reporting date is:

Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

| | 2017 Rupees |
|------------------------|----------------------|
| Long term deposits | 1,113,170 |
| Trade debts | 174,514,430 |
| Short term Investments | 830,319,250 |
| Loans and advances | 148,344,754 |
| Short term deposits | 318,640 |
| Other receivables | 4,493,899 |
| Cash and bank balances | 39,156,458 |
| | <u>1,198,260,601</u> |

Quality of financial assets

The credit quality of financial assets can be assessed by reference to external credit ratings or the historical information about counter party default rates as shown below:

| | 2017 Rupees |
|-------------------------------------------------|-------------------|
| 41.1.1 Trade debts | |
| Customers with no defaults in the past one year | - |
| 41.1.2 Bank balances | |
| With external credit rating | |
| A1+ PACRA | 31,264,508 |
| A-1+ JCR – VIS | 1,882,790 |
| A1 PACRA | 5,902,474 |
| | <u>39,049,772</u> |

41.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group applies the prudent risk management policies by maintaining sufficient cash and bank balances and by keeping committed credit lines. The table below summarizes the maturity profile of the Group's financial liabilities at the following reporting dates:

| | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | Total |
|-----------------------------------------------------|----------------------------|-----------------------|--------------------|--------------------|----------------------|
| | -----Amount in Rupees----- | | | | |
| Long-term financing | | 27,755,904 | 128,267,706 | 448,747,505 | 604,771,115 |
| Liabilities against assets subject to finance lease | | 6,108,724 | 18,326,173 | 31,686,538 | 56,121,435 |
| Trade and other payables | 884,189,170 | 159,051,615 | - | 45,815,790 | 1,089,056,575 |
| Accrued markup | - | 32,324,757 | - | - | 32,324,757 |
| Short term borrowings | - | 1,117,039,706 | - | - | 1,117,039,706 |
| 2017 | <u>884,189,170</u> | <u>1,342,280,706</u> | <u>146,593,879</u> | <u>526,249,833</u> | <u>2,899,313,588</u> |

Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

41.3 Market risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rate and foreign exchange rates.

41.3.1 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates mainly relates to long term financing, short term borrowings and lease obligations. Management of the Company estimates that 1% increase in the market interest rate, with all other factor remaining constant, would decrease the Group's profit before tax by Rs.5.089 million and a 1% decrease would result in the increase in the Group's profit before tax by the same amount.

41.3.2 Equity price risk

Equity price risk is the risk of volatility in share prices resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. The management of the Group manages the above market risks through diversification of investment portfolio. The management estimates that a 10% increase in the overall equity prices in the market with all of the factors remaining constant would increase the Group's profit before tax by Rs.110.25 million and a 10% decrease would result in a decrease in the Group's profit before tax by the same amount.

41.3.3 Foreign currency risk

Foreign currency risk is the risk that the value of a financial asset or a financial liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist as a result of transactions with foreign undertakings. Financial Assets of the Group include Rs. 138.650 million in foreign currency which is subject to currency risk exposure. The Group believes that the foreign currency risk exposure on Financial Assets is immaterial.

42. CAPITAL RISK MANAGEMENT

The primary objective of the Group's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximize shareholder value and reduce the cost of capital. The Group manages its capital structure and makes adjustment to it, in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. The Group is currently financing of its operations through long-term and short-term financing in addition to its equity. The Group has a gearing ratio of 22.97% as of the balance sheet date, which in view of the management is adequate considering the size of the operations.

Notes to the Consolidated Financial Statements

For the year ended September 30, 2017

43. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount for which an asset could be exchanged, or a liability can be settled, between knowledgeable willing parties in an arm's length transaction. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

The following table shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities,

Level 2: Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: Those whose inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As of the balance sheet date, the Company has only available-for-sale investments measured at fair value using level 1 valuation techniques.

44. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on December 26, 2017 by the Board of Directors of the Holding Company.

45. NUMBER OF EMPLOYEES

Number of persons employed as at year end were 585 and the average number of persons employed during the year were 583.

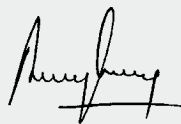
46. GENERAL

46.1 Amounts have been rounded off to the nearest rupee unless otherwise stated.

46.2 Being the first consolidated accounting period of the Group, there are no comparative figures to report.



Chief Executive Officer



Chief Financial Officer



Director

Pattern of Shareholding

as at September 30, 2017

| Number of Shareholders | Shareholdings | | Total Number of Shares held |
|------------------------|---------------|----|-----------------------------|
| | From | To | |
| 875 | 1 | - | 16,874 |
| 256 | 101 | - | 63,261 |
| 83 | 501 | - | 64,099 |
| 190 | 1,001 | - | 702,962 |
| 18 | 10,001 | - | 223,840 |
| 9 | 15,001 | - | 156,808 |
| 12 | 20,001 | - | 270,655 |
| 9 | 25,001 | - | 284,339 |
| 3 | 40,001 | - | 146,726 |
| 2 | 60,001 | - | 132,677 |
| 1 | 70,001 | - | 70,110 |
| 1 | 80,001 | - | 84,185 |
| 3 | 85,001 | - | 263,080 |
| 4 | 90,001 | - | 382,039 |
| 1 | 100,001 | - | 102,003 |
| 1 | 120,001 | - | 124,850 |
| 1 | 150,001 | - | 150,116 |
| 1 | 180,001 | - | 180,538 |
| 1 | 185,001 | - | 187,264 |
| 1 | 190,001 | - | 193,133 |
| 1 | 195,001 | - | 200,000 |
| 1 | 215,001 | - | 219,862 |
| 1 | 250,001 | - | 253,000 |
| 3 | 265,001 | - | 859,909 |
| 2 | 320,001 | - | 648,047 |
| 1 | 340,001 | - | 391,565 |
| 1 | 425,001 | - | 425,134 |
| 4 | 440,001 | - | 2,186,176 |
| 2 | 815,001 | - | 4,156,927 |
| 1 | 3,380,001 | - | 3,381,038 |
| 2 | 4,780,001 | - | 9,875,324 |
| 1 | 5,630,001 | - | 5,634,704 |
| 1,492 | Total | | 32,031,245 |

| Shareholders's Category | Number of Shareholders | Number of Shares held | Percentage |
|-------------------------|------------------------|-----------------------|------------|
| Individuals | 1,461 | 30,689,343 | 95.81% |
| Joint Stock Companies | 19 | 949,920 | 2.97% |
| Insurance Companies | 2 | 322,992 | 1.01% |
| Financial Institutions | 5 | 4,846 | 0.02% |
| Others | 5 | 64,144 | 0.20% |
| | 1,492 | 32,031,245 | |

Additional Information

as at September 30, 2017








| Categories | Number of Shareholders | Shares held |
|-------------------------------------------------------------------------------|------------------------|-------------|
| a) Associated undertaking and related parties | | |
| F & B Bulk Storage (Private) Limited | 1 | 70,110 |
| Bulk Management Pakistan (Pvt.) Ltd. | 1 | 391,565 |
| | 2 | 461,675 |
| b) NIT & ICP | | |
| Investment Corporation of Pakistan | 1 | 1,082 |
| IDBL (ICP UNIT) | 1 | 639 |
| | 2 | 1,721 |
| c) Directors / CEO and their spouse and minor children | | |
| Mr. Mohammed Kasim Hasham | 1 | 5,634,704 |
| Mr. Mohammed Ebrahim Hasham | 1 | 4,782,225 |
| Mr. Mohammed Hussain Hasham | 1 | 5,093,099 |
| Mr. Khurram Kasim | 1 | 3,381,038 |
| Mr. Ahmed Ebrahim Hasham | 1 | 3,337,623 |
| Mr. Muhammad Iqbal | 1 | 8,134 |
| Mr. Dr. Amjad Waheed | 1 | 3,162 |
| Mr. Muhammad Basheer | 1 | 24,035 |
| Mrs. Kulsoom Kasim | 1 | 472,400 |
| Mrs. Khursheed Ebrahim | 1 | 819,304 |
| Mrs. Mary Hussain | 2 | 825,090 |
| Mrs. Anushey A. Hasham | 1 | 100,000 |
| | 13 | 24,480,814 |
| d) Executives | | |
| Muhammad Hanif Aziz (Company Secretary) | 2 | 29,159 |
| e) Public Sectors Companies and Corporations | | |
| State Life Insurance Corp. of Pakistan | 1 | 322,957 |
| f) Bank, DFIs, NBFIs, Insurance Companies, Mudarbas & Mutual Funds | | |
| State Life Insurance Corp. Of Pakistan | 1 | 322,957 |
| Arif Habib Limited - Mf | 1 | 23,100 |
| Habib Bank Limited | 1 | 1,772 |
| Habib Bank Ag Zurich, Deira Dubai | 1 | 1,100 |
| Investment Corp. Of Pakistan | 1 | 1,082 |
| Amanah Investments Limited | 1 | 900 |
| Idbl (Icp Unit) | 1 | 639 |
| Muslim Commercial Bank Ltd. | 1 | 253 |
| Efu General Insurance Ltd. | 1 | 35 |
| Maple Leaf Capital Limited | 1 | 1 |
| | 10 | 351,839 |
| g) General Public | | |
| Physical | 859 | 1,339,030 |
| CDC | 633 | 30,692,215 |
| | 1,492 | 32,031,245 |
| h) Shareholders holding 5% or more voting interest | | |
| Mr. Mohammed Kasim Hasham & Mrs. Kulsoom Kasim | 2 | 6,107,104 |
| Mr. Mohammed Ebrahim Hasham & Mrs. Khursheed Ebrahim | 2 | 5,601,529 |
| Mr. Mohammed Hussain Hasham & Mrs. Mary Hussain | 2 | 5,918,189 |
| Mr. Khurram Kasim | 1 | 3,381,038 |
| Mr. Ahmed Ebrahim Hasham & Mrs. Anushey A. Hasham | 2 | 3,437,623 |
| | 9 | 24,445,483 |










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FORM OF PROXY

I/We _____ of _____
_____ being member of **Mehran Sugar Mills Limited**, holding _____ Ordinary
Shares as per Registered Folio No./CDC A/c No. (for members who have shares in CDS) _____ hereby
appoint Mr./Mrs./Miss _____ of
(full address) _____ or failing him/her
Mr./Mrs./Miss _____ of
(full address) _____ (being member of
the company) as my/our Proxy to attend, act and vote for me/us and behalf at the 52nd Annual General Meeting
of the Company to be held on January 26, 2018 and / or any adjournment thereof.
As witness my/our hands seal this _____ day of _____ 2018.

Signed by _____ in the presence of

1. Witness

Signature _____

Name _____

Address _____

CNIC No. _____

2. Witness

Signature _____

Name _____

Address _____

CNIC No. _____

Signature on Rs. 5/-
Revenue Stamp

Important:

1. This form of proxy, duly completed and signed, must be deposited at the office of the Company's Shares Registrar, not later than 48 hours before the meeting.
2. This form should be signed by the Member or by his/her attorney duly authorized in writing. If the member is a Corporation, its common seal should be affixed to the instrument.
3. A Member entitled to attend and vote at the meeting may appoint any other Member as his/her proxy to attend and vote on his/her behalf except that a corporation may appoint a person who is a Member.

For CDC Account Holders / Corporate Entities:

In Addition to the above following requirements have to be met:

- i. The Proxy form shall be witnessed by two persons whose names, address and CNIC Numbers shall be mentioned on the form.
- ii. Attested copies of CNIC or Passport of the beneficial owners and proxy shall be furnished with the proxy form.
- iii. The proxy shall produce his/her original CNIC or original Passport at the time of the meeting.
- iv. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form.

پراکسی فارم

میں / ہم:

بطور رکن (حصص دار) مہراں شوگر ملز لمیٹڈ (حصص کی تعداد) جو کہ رجسٹرڈ ہیں بذریعہ فیو نیومرسی ڈی سی / اکاؤنٹ نمبر (اُن اراکین کے لئے جن کے حصص سی ڈی ایس میں ہیں) بذریعہ ہذا مقرر کرتا ہوں جناب / محترمہ مکمل پتہ

میری / ہماری غیر موجودگی میں میرے / ہمارے پراکسی (نمائندے) کے طور پر کمپنی کی 52 ویں سالانہ جنرل میٹنگ 26 جنوری 2018 بروز جمعہ دن 4:30 بجے، بمقام انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹس کراچی میٹنگ میں شرکت کرے گا اور میری / ہماری جگہ ووٹ استعمال کرے گا۔

ریونیو مہر
(5 روپے)

میں بطور گواہ اس دن 2018

دستخط کمپنی کے پاس موجود نمونے کے مطابق ہونا چاہیئے

دستخط منظور کنندہ

گواہان

| | |
|----------------------------|----------------------------|
| دستخط | دستخط |
| نام | نام |
| پتہ | پتہ |
| شناختی کارڈ / پاسپورٹ نمبر | شناختی کارڈ / پاسپورٹ نمبر |

ضروری:

- 1- پراکسی فارم ہذا مکمل اور دستخط کے ہمراہ اجلاس کے انعقاد سے کم از کم اڑتالیس (48) گھنٹے قبل کمپنی کے رجسٹر آفس میں جمع کرادیا جائے۔
- 2- فارم پر نمبر یا اس کا تحریراً مقرر کردہ اٹارنی دستخط کرے گا۔ ممبر کارپوریشن ہونے کی صورت میں اس کی مہر فارم پر ثبت کرنی ہوگی۔
- 3- اجلاس میں شرکت اور رائے دہی کا اہل ممبر اپنی جانب شرکت اور رائے دہی کے لئے دوسرے ممبر کو اپنا پروکسی مقرر کر سکتا ہے تاہم کارپوریشن کسی بھی غیر ممبر کو اپنا پروکسی مقرر کر سکتی ہے۔

برائے سی ڈی سی اکاؤنٹ ہولڈرز / کارپوریشن اینٹیٹی

مزید براں مندرجہ ذیل شرائط پر عمل کرنا ہوگا:

- (i) پراکسی فارم پر دو افراد کی گواہی ہونی چاہیئے جن کے نام، پتے اور سی این آئی سی یا پاسپورٹ نمبر فارم میں درج ہوں۔
- (ii) ممبر اور پروکسی کے سی این آئی سی یا پاسپورٹ کی تصدیق شدہ کاپیاں پروکسی فارم کے ہمراہ منسلک کرنی ہوگی۔
- (iii) پروکسی کو اجلاس کے وقت اپنا اصل سی این آئی سی یا اصل پاسپورٹ پیش کرنا ہوگا۔
- (iv) کارپوریٹ اینٹیٹی کی صورت میں ڈائریکٹرز کی قرارداد / پاور آف اٹارنی مع نامزد فرد کے دستخط کا نمونہ (اگر پہلے فراہم نہ کئے گئے ہوں) پروکسی فارم کے ہمراہ کمپنی کو پیش کرنے ہوں گے۔



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