

KHAIRPUR SUGAR MILLS LTD



**KHAIRPUR
SUGAR MILLS LIMITED**

25th

ANNUAL REPORT

30 SEPTEMBER 2014

COMPANY PROFILE**BOARD OF DIRECTORS**

Mr. Muhammad Mubeen Jumani (Chief Executive)
Mr. Faraz Mubeen Jumani (Managing Director)
Mr. Fahad Mubeen Jumani
Mrs. Qamar Mubeen Jumani
Miss. Arisha Mubeen Jumani
Mr. Ahmed Ali Jumani
Mr. Muhammad Bux Jumani

COMPANY SECRETARY

Mr. Abdul Wahid Naviwala

BANKERS

National Bank of Pakistan
United Bank Limited
Allied Bank Limited
MCB Bank Limited
Askari Bank Limited
Sindh Bank Limited
Bank Al Falah Limited

STATUTORY AUDITORS

M/S. Haroon Zakaria & Company
Chartered Accountants
Room 211, 2nd Floor, Progressive Plaza,
Plot No. 5 CL - 10, Civil Lines Quarter,
Beaumont Road, Near Dawood Centre,
Karachi - 75530 PAKISTAN.

COST AUDITORS

M/S. Siddiqi & Company
Cost & Management Accountants
Suite # 147, First Floor,
Haroom Shopping Emporium,
Sector 15-A-1,
North Karachi, Karachi-75850

AUDIT COMMITTEE

Mr. Muhammad Bux Jumani	Chairman
Mr. Ahmed Ali Jumani	Member
Mrs. Qamar Mubeen Jumani	Member

HR AND REMUNERATION COMMITTEE

Mr. Fahad Mubeen Jumani	Chairman
Miss. Arisha Mubeen Jumani	Member
Mr. Muhammad Mubeen Jumani	Member

LEGAL ADVISOR

Mr. Mirza Ghulam Dastagir (Advocate)
Falak Numa Building,
Abdullah Haroon Road, Karachi.

SHARES REGISTERAR

M/S. C & K Management Associates (Pvt.) Limited
404, Trade Tower, Abdullah Haroon Road, Near Metropole
Hotel, Karachi.

REGISTERED OFFICE

3rd Floor, Plot No.15-C, 9th Commercial Lane,
Zamzama, Defence Housing Authority, Phase V,
Karachi.

FACTORY

Naroo Dhoro, Taluka Kot Diji,
Khairpur.

Vision Statement

We aim to be a leading manufacturer of quality sugar, and other allied products and its supplier in local and international markets. We aspire to be known for the quality of our products and intend to play a pivotal role in the economic and social development of Pakistan.

Mission Statement

As a prominent producer of sugar, and other allied products, we shall continue to strive to achieve excellence in performance and aim to exceed the expectations of all stakeholders. We target to achieve technological advancements to inculcate the most efficient, ethical and time tested business practices in our management.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 25th Annual General Meeting of KHAIRPUR SUGAR MILLS LIMITED will be held at 3rd Floor, Plot No.15-C, 9th Commercial Lane, Zamzama, Defence Housing Authority, Phase V, Karachi on Friday, January 30, 2015 at 03:00 p.m. to transact the following business:

1. To confirm the minutes of the 24th Annual General Meeting held on January 30, 2014.
2. To receive, consider and adopt the balance sheet, profit and loss account together with directors' and auditors' report thereon for the year ended September 30, 2014.
3. To appoint auditors to hold office till the conclusion of the next Annual General Meeting and to fix their remuneration. The present auditors M/S Haroon Zakaria & Co. Chartered Accountants retire and being eligible have offered themselves for reappointment.
4. To transact any other business with permission of the chair.

Karachi, Dated:
January 2, 2015

BY ORDER OF THE BOARD

ABDUL WAHID NAVIWALA
Company Secretary

NOTES

1. The share transfer books of the company will remain closed from January 29, 2015 to February 05, 2015 (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 the meeting and vote on his/her behalf. Proxy in order to be effective must be received at the registered office of the company at least 48 hours before the meeting.
 3. Shareholders are requested to immediately notify the company of any change in their address.
 4. Any individual beneficial owner of CDC, entitled to vote at the Annual General Meeting, must bring his/her CNIC with his/her to prove his/her identity, and in case of proxy, attested copy of share holder's CNIC must be attached with the proxy form. The representative of corporate members should bring the usual documents required for such purpose.
 5. Any Members who have not yet submitted their valid copy of CNIC to the company, so, please submit before our shares registrar in order fulfill requirements of SECP.
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KEY OPERATING AND FINANCIAL DATA FOR SIX YEARS:

	(Rs. 000)					
	2014	2013	2012	2011	2010	2009
Turn Over						
Gross (Loss)/Profit	4,247,771	2,316,597	1,714,832	1,534,346	1,264,672	1,075,493
(Loss)/Profit	323,256	(259,603)	(74,383)	141,075	111,191	85,636
(Before Taxation)	77,957	(381,278)	(171,534)	46,378	37,700	25,120
Taxation	49,377	(5,362)	(4,105)	28,023	9,379	1,899
Share Capital Fund	160,175	160,175	160,175	160,175	160,175	160,175
Shareholders Fund	(559,046)	(604,179)	(243,469)	(89,897)	(122,838)	(171,939)
Gross Profit/(Loss)/ %	7.610	(11.206)	(4.34)	9.19	8.79	7.96
Net Profit/(Loss) %	0.673	(16.227)	(9.764)	1.196	2.239	2.16
Earning/ (Loss) per Share	1.78	(23.47)	(10.45)	1.15	1.77	1.45
Dividend %	-	-	-	-	-	-
Bonus %	-	-	-	-	-	-

DIRECTORS' REPORT TO MEMBERS

On behalf of the board of Directors of your company, I feel pleasure to present the 25th Annual Report of your company with the audited financial statements for the year ended September 30, 2014.

FINANCIAL RESULTS

	<u>2014</u>	<u>2013</u>
Profit/(Loss) before taxation	77,956,837	(381,278,308)
Taxation	49,377,253	(5,362,346)
Profit/(Loss) after taxation	28,579,584	(375,915,962)
Earning / (Loss) per share	1.78	(23.47)

PERFORMANCE REVIEW:

The operating results for the year is mentioned here under:

	<u>SEASON</u> <u>2013-2014</u>	<u>SEASON</u> <u>2012-2013</u>
Season Started	01-11-2013	06-11-2012
Season Ended	04-04-2014	28-03-2013
Number of days worked	155	143
Sugarcane Crushing (MT)	819,718.97	556,436.73
Recovery (%) Sugar	10.30	8.47
Recovery (%) Molasses	4.32	4.21
Production – Sugar (MT)	84,430	47,130
Production – Molasses (MT)	36,332.78	23,421

By the Grace of Almighty Allah, your mill performed a historical achievement in crushing capacity as well as recovery of sugar. Crushing operation for crushing (season 2013-2014) started from 01-11-2013 and the support price of sugarcane was remain unchanged at Rs.172 per 40 kg for the charged year (2013-14) as notified by Government of Sindh (Agriculture department).

However your company exported 19,586 M.Tons sugar and also participated in the tenders floated by Trading Corporation of Pakistan for procurement of sugar and has been awarded a quantity of 2,826 M.Tons sugar. Due to export of huge quantity of sugar during the year,

your company availed incentive of 7.5% less payment of FED against 8% on local sale equivalent to quantity exported during the year .

Incidence of low profitability during the year under review can be attributed to the following factors:

Depressed Sugar and Molasses Prices

DIVIDEND

Due to huge accumulated losses, the Directors of your company have considered it prudent not to pay dividend.

EARNING PER SHARE

The earning / (loss) per share for the year was as follows:

	2013-2014	2012-2013
	R u p e e s	R u p e e s
Basic and diluted	1.78	(23.47)

FUTURE OUTLOOK

Management of your company takes all possible efforts not only to maintain achievement of crushing capacity but to enhanced as well as sugar recovery to meet the financial deficiency of the company due to accumulated losses. The sugar cane crushing season 2014-15 started from December 05, 2014 and by the date of this report we have produced 13,852.50 M.T. Sugar with average recovery of 9.483%.

AUDITORS' OBSERVATION

- 1) As regards paragraph (a) of Auditors' Report, the Company has not carried out actuarial valuation of defined benefit plan (staff retirement gratuity) for determination of the liability in accordance with the Projected Unit Credit (PUC) method as prescribed by the "International Accounting Standard – 19 - Employee Benefits"; the management is of the view that the values determined by actuarial valuation method would not be materially different from values provided for in the financial statements. However, management has decided to arrange actuarial valuation from coming year to fulfill the requirements of "International Accounting Standard – 19 - Employee Benefits"
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- 2) As regards the matter of going concern, as stated above, the company has earned a profit after taxation for Rs. 28,579,584/=, it is healthy signal and Inshallah it will be continued by utilization of maximum capacity of production facility of company which is not only expanded to take maximum advantage of raw material availability but also has been modernized through automation which will greatly benefit to company through enhanced efficiency. Further more company has no long term financing from any institution and short term financing from banks is availed against pledge of sugar, as far as unsecured liabilities are concerned, all of the liabilities are current and there has been no default in the repayment of such liabilities, as sponsors are always made enough resources available to company to ensure continuity of going concern.

• **Statement on Corporate and Financial Reporting Framework**

- The financial statements, prepared by the management of the Company, present its state of affairs, the result of its operations, cash flows and changes in equity.
 - Proper books of account of the Company have been maintained.
 - Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
 - International Accounting Standards as applicable in Pakistan have been followed in preparation of these financial statement and any departure therefrom has been adequately disclosed and explained.
 - The system of internal control is sound in design and has been effectively implemented and monitored, and
 - There are no significant doubts upon the Company's ability to continue as a going concern.
- Summary of key operational and financial data for the last six years is annexed.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- Information about taxes and levies is given in the notes to and forming part of the financial statements.
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- **BOARD MEETINGS**

During the year under review four (4) meetings of the Board of Directors were held; attendance of each director was as follows: -

<u>Name of Directors</u>	<u>No. of meeting attended</u>
Mr. Muhammad Mubeen Jumani	4
Mr. Faraz Mubeen Jumani	4
Mr. Fahad Mubeen Jumani	4
Mrs. Qamar Mubeen Jumani	4
Miss. Arisha Mubeen Jumani	4
Mr. Muhammad Bux Jumani	4
Mr. Ahmed Ali Jumani	4

- **MEETINGS OF AUDIT COMMITTEE**

The Audit Committee held four (4) meetings during the year; attendance by each member was as follows:

<u>Name of Directors</u>	<u>No. of meeting attended</u>
Mr. Muhammad Bux Jumani	4
Mrs. Qamar Mubeen Jumani	4
Mr. Ahmed Ali Jumani	4

- **MEETING OF HR & REMUNERATION COMMITTEE**

The HR and Remuneration Committee held one (1) meeting during the year; attendance by each member was as follows:

<u>Name of Directors</u>	<u>No. of meeting attended</u>
Mr. Fahad Mubeen Jumani	1
Miss. Arisha Mubeen Jumani	1
Mr. Muhamamd Mubeen Jumani	1

AUDITOR

The Auditors Haroon Zakaria & Company, Chartered Accountants, retired and offer themselves for re-appointment. The Audit Committee and the Board of Directors of the Company have endorsed their appointment for shareholders consideration at the forthcoming Annual General Meeting.

PATTERN OF SHAREHOLDING

The pattern of shareholding on the prescribed format is annexed.

ACKNOWLEDGEMENT

We take pleasure by thanking members of the management, other employees and staff for their continued commitment to the success of the Company. We also value the support and cooperation of our customers, suppliers, bankers and all stakeholders and wish to record our thanks and gratitude.

For and on behalf of Board of Directors,

Karachi, Dated:
January 2, 2015

Muhammd Mubeen Jumani
Chairman and Chief Executive

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Name of company: KHAIRPUR SUGAR MILLS LIMITED

Year ending : 30-09-2014

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

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

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Independent Director	-
Executive Directors	Mr. Muhammad Mubeen Jumani Mr. Faraz Mubeen Jumani Mr. Ahmed Ali Jumani Mr. Muhammad Bux Jumani
Non-Executive Directors	Mr. Fahad Mubeen Jumani Mrs. Qamar Mubeen Jumani Miss. Arisha Mubeen Jumani

The condition of clauses 1(b) and 1(d) of the CGG in relation to representation of independent and non-executive directors will be applicable after election of next board of Directors.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
3. All the resident directors of the company are registered as taxpayers and non of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. During the period none of Director has resigned from the board.
 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. In accordance with the criteria specified on clause (xi) of CCG, two of the directors of the company are exempted from the requirement of directors’ training programme. No other director attended any “Directors Training Program” during the year, however Board will make appropriate arrangement to carry out orientation course within the specified time.
 10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment. During the year no changes has occurred.
 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.
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12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
 13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
 14. The company has complied with all the corporate and financial reporting requirements of the CCG
 15. The board has formed an Audit Committee. It comprises of three members, one of whom is a non-executive director. The chairman of the Committee is executive director. The composition requirements of clause (xxiv) of CCG will be complied by the board after next election of directors.
 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 3 members, of whom 2 are non-executive directors and the chairman of the committee is a none executive director.
 18. The board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
 19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
 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.
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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. We confirm that all other material principles enshrined in the CCG have been complied except for the matter specified in para 9, toward which reasonable progress is being made by the company to seek compliance by the end of next accounting year.

Muhammd Mubeen Jumani
Chief Executive

FARAZ MUBEEN JUMANI
Managing Director

Karachi, Dated:
January 2, 2015

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Statement) prepared by the Board of Directors of Khairpur Sugar Mills Limited to comply with the Listing Regulation No. 35 Chapter XI of the Karachi Stock Exchange Limited where the Company is listed.

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

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

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

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

We draw attention to note 9 of the statement of compliance which states that the Board of Directors will make appropriate arrangement to carry out orientation course for the directors within the specified time.

AUDITORS' REPORT TO THE MEMBERS

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

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

Except as given in paragraph (a) below, 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) the Company has not carried out actuarial valuation of defined benefit plan (staff retirement gratuity) for determination of the liability in accordance with the Projected Unit Credit (PUC) method as prescribed by the "International Accounting Standard – 19 Employee Benefits". In the absence of actuarial valuation, we are unable to identify the amount of any adjustment to the liability against staff retirement benefits of the Company including unclaimed gratuity;
 - b) in our opinion, except for the effects of the matters reported in paragraph (a) above, if any, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
 - c) in our opinion:
 - i) except as stated in paragraph (a) above, the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied;
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- 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;
- d) in our opinion and to the best of our information and according to the explanations given to us, except as stated in paragraphs (a) above and such possible adjustments that may arise had we been able to satisfy our selves regarding aforesaid matter, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at September 30, 2014 and of the profit, its cash flows and changes in equity for the year then ended; and
- e) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).
- f) Without qualifying our opinion, we draw attention to note 2 of the financial statements which states that the Company has negative shareholders' equity of Rs. 559.046 (2013 : Rs. 604.178) million at year end and has accumulated losses of the company stands at Rs. 719.221 (2013: Rs.764.353) million. These conditions along with other matters set forth in note 2 indicate the existence of material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and also discusses the reasons for preparing the financial statements on a going concern basis.

HAROON ZAKARIA & COMPANY
Chartered Accountants

Karachi, Dated:
January 2, 2015

Engagement Partner:
Muhammad Haroon

**BALANCE SHEET
AS AT SEPTEMBER 30, 2014**

	Note	2014 Rupees	2013 Rupees Restated
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	1,495,397,412	1,520,744,999
Long term loans	6	-	694,735
Long term deposits		261,888	218,899
Current Assets			
Stores, spares and loose tools	7	96,368,731	83,754,046
Stock in trade	8	269,294,124	300,047,331
Loans and advances	9	247,925,615	156,530,787
Deposits, prepayments and other receivables	10	7,747,556	6,821,330
Tax refunds due from government	11	5,565,777	29,568,840
Cash and bank balances	12	21,204,892	119,438,447
		648,106,695	696,160,781
Total Assets		<u>2,143,765,995</u>	<u>2,217,819,414</u>
EQUITY AND LIABILITIES			
Share Capital			
Authorized Capital			
20,000,000 Ordinary shares of Rs. 10 each		200,000,000	200,000,000
Issued, subscribed and paid up capital	13	160,175,000	160,175,000
Accumulated loss		(719,220,760)	(764,353,784)
Shareholders' Equity		<u>(559,045,760)</u>	<u>(604,178,784)</u>
Surplus on revaluation of fixed assets - net	14	325,183,965	341,737,405
Non-Current Liabilities			
Long term financing	15	1,142,804,786	988,671,743
Deferred liabilities	16	91,804,189	81,313,059
Current Liabilities			
Short term borrowings	17	326,000,000	426,804,038
Trade and other payables	18	800,542,113	972,898,862
Accrued markup		16,476,702	10,573,091
		1,143,018,815	1,410,275,991
Contingencies	19		
Total Equity and Liabilities		<u>2,143,765,995</u>	<u>2,217,819,414</u>

The annexed notes form an integral part of these financial statements

Karachi, Dated:
January 2, 2015

Muhammad Mubeen Jumani
Chief Executive

Faraz Mubeen Jumani
Managing Director

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

	Note	2014 Rupees	2013 Rupees Restated
Sales - net	20	4,247,770,854	2,316,597,219
Cost of sales	21	3,924,514,933	2,576,200,310
Gross profit / (loss)		323,255,921	(259,603,091)
Administrative expenses	22	121,369,217	80,489,582
Distribution expenses	23	57,407,462	7,243,561
		178,776,679	87,733,143
		144,479,242	(347,336,234)
Other operating expenses / (income)	24	7,214,457	(9,656,369)
		137,264,785	(337,679,865)
Finance cost	25	59,307,948	43,598,443
Profit/ (Loss) before taxation		77,956,837	(381,278,308)
Taxation	26	49,377,253	(5,362,346)
Profit / (loss) after taxation		28,579,584	(375,915,962)
Earning / (loss) per share - basic and diluted	27	1.78	(23.47)

The annexed notes form an integral part of these financial statements

Muhammad Mubeen Jumani
Chief Executive

Faraz Mubeen Jumani
Managing Director

Karachi, Dated:
January 2, 2015

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

	2014 Rupees	2013 Rupees Restated
Profit / (Loss) for the year	28,579,584	(375,915,962)
Other comprehensive income		
Incremental depreciation transferred from surplus - net of deferred tax	16,553,440	15,205,756
Total comprehensive income / (loss) for the year	<u>45,133,024</u>	<u>(360,710,206)</u>

The annexed notes form an integral part of these financial statements

Muhammad Mubeen Jumani
Chief Executive

Faraz Mubeen Jumani
Managing Director

Karachi, Dated:
January 2, 2015

CASH FLOW STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Note	2014 Rupees	2013 Rupees
A, CASH FLOW FROM OPERATING ACTIVITIES			
Profit/(loss) before taxation		77,956,837	(381,278,308)
Adjustment for:			
Depreciation		78,738,438	75,400,882
Provision for Workers' Welfare Fund-net		2,366,381	-
Provision for Workers' Profit Participation fund		3,853,836	-
Loss / (Gain) on disposal of operating fixed assets		128,500	(1,236)
Gratuity - net		949,525	3,817,039
Finance cost		59,307,948	43,598,443
		<u>145,344,628</u>	<u>122,815,128</u>
Cash generated from (used in) operations before working capital changes		223,301,465	(258,463,180)
Effect of changes in working capital (Increase) / decrease in current assets			
Stores and spares		(12,614,685)	10,819,359
Stock-in-trade		30,753,207	(85,467,592)
Trade debts		-	37,043,527
Loans and advances		(91,437,817)	16,970,816
Trade deposits and short term prepayments		(926,226)	14,676,402
		<u>(74,225,521)</u>	<u>(5,957,488)</u>
Increase / (decrease) in current liabilities			
Trade and other payables		(179,096,483)	101,382,206
Cash used in operations		<u>(30,020,539)</u>	<u>(163,038,462)</u>
Finance cost paid		(50,700,854)	(39,634,634)
Taxes paid		(15,832,586)	(21,829,331)
Workers' Welfare Fund paid		(2,183,966)	-
		<u>(68,717,406)</u>	<u>(61,463,965)</u>
Net cash used in operating activities		<u>(98,737,945)</u>	<u>(224,502,427)</u>
B, CASH FLOW FROM INVESTING ACTIVITIES			
Additions to operating fixed assets		(38,266,746)	(23,964,802)
Additions to work in progress		(17,607,604)	-
Disposal of operating fixed assets		2,355,000	27,000
Long term loans		694,735	(237,163)
Net cash used in investing activities		<u>(52,824,615)</u>	<u>(24,174,965)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
C,			
Receipt/(Payment) of long term subordinated loan		(34,574,495)	276,661,539
Net cash (used in) / generated from financing activities		<u>(34,574,495)</u>	<u>276,661,539</u>
Net (decrease) / increase in cash and cash equivalent (A+B+C)		(186,137,055)	27,984,148
Cash and cash equivalents at beginning of the year		(118,658,053)	(146,642,201)
Cash and cash equivalents at end of the year	28	<u><u>(304,795,108)</u></u>	<u><u>(118,658,053)</u></u>

The annexed notes form an integral part of these financial statements

Karachi, Dated:
January 2, 2015

Muhammad Mubeen Jumani
Chief Executive

Faraz Mubeen Jumani
Managing Director

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

	Issued, subscribed and paid up capital	Accumulated (loss) / profit	Total
← R u p e e s →			
Balance as on September 30, 2012	160,175,000	(403,643,578)	(243,468,578)
Loss for the year as previously reported	-	(333,117,567)	(333,117,567)
Effect of restatement as mentioned in note 3.6	-	(42,798,395)	(42,798,395)
Loss for the year -restated	-	(375,915,962)	(375,915,962)
Incremental depreciation transferred from surplus net - of deferred tax	-	15,205,756	15,205,756
Total comprehensive Loss	-	(360,710,206)	(360,710,206)
Balance as on September 30, 2013	160,175,000	(764,353,784)	(604,178,784)
Profit for the year	-	28,579,584	28,579,584
Incremental depreciation transferred from surplus net - of deferred tax	-	16,553,440	16,553,440
Total comprehensive income	-	45,133,024	45,133,024
Balance as on September 30, 2014	160,175,000	(719,220,760)	(559,045,760)

The annexed notes form an integral part of these financial statements

Muhammad Mubeen Jumani
Chief Executive

Faraz Mubeen Jumani
Managing Director

Karachi, Dated:
January 2, 2015

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

1. LEGAL STATUS AND NATURE OF BUSINESS

Khairpur Sugar Mills Limited (the Company) was incorporated in Pakistan on August 23, 1989 as a public limited company under the Companies Ordinance, 1984 (The Ordinance). The Company is listed on Karachi Stock Exchange. The company is principally engaged in the manufacture and sale of sugar and by-products. The registered office of the Company is situated at 3rd Floor, Plot No. 15-C, 9th commercial Lane, Zamzama, D.H.A Phase V, DHA, Karachi.

2. GOING CONCERN ASSUMPTION

The Company has negative shareholders' equity of Rs. 559.046 (2013: Rs. 604.178) million at year end and has accumulated losses of the company stands at Rs. 719.221 (2013: Rs.764.353) million. The current liabilities of the Company at year end exceeds its current assets by Rs. 494.912 (2013: Rs.714.115) million and the amount of external borrowings at year end stood at Rs.326.000 (2013: Rs.426.804) million. The ability of the Company to continue as a going concern depends on the market prices of sugar and seasonal factors. These conditions indicate the existence of a material uncertainty about the Company's ability to continue as a going concern and company may not be able to realize its assets and discharge the liabilities at the stated.

However, the management is fully confident that the Company will remain going concern as the Company has achieved the highest production of sugar and has utilized its maximum capacity in current year due to better management of procuring high quality cane. Further, the Company has settled all its obligations during the year and has not defaulted in settlement of any creditor or financial institution as the directors and sponsors are always made enough resources available to the company to ensure continuity of the operations.

3. BASIS OF PREPARATION

3.1 Statement of Compliance

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

3.2 Basis of Measurement

These financial statements have been prepared under the historical cost convention, except as otherwise disclosed hereafter.

3.3 Functional and presentation currency

These financial statements are presented in Pakistani rupees which is the functional currency of the company. Figures are rounded off to the nearest rupee.

3.4 Significant accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period which the estimates are revised and in any future period affected.

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

- a) Determining the residual values and useful lives of property, plant and equipments (Note 4.1)
 - b) Impairment/adjustments of inventories to their net realizable value (Note 4.4)
 - c) Accounting for staff retirement benefits (Note 4.8)
 - d) Recognition of taxation and deferred tax (Note 4.9): and
 - e) Impairment of assets (Note 4.16)
-

3.5 Amendments/revised standards that become effective

Following are the amended/ revised standards which are considered to be relevant and became effective as of October 01, 2013.

IFRS 7 Financial Instruments: Disclosures- Amendments

IAS - 16 Property, Plant and Equipments -Amendments

IAS - 19 Employee Benefits - Revision

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

New and amended standards and interpretation that are not yet effective

Following are the amended standards and interpretation that have been issued and are mandatory for the accounting periods effective from the date mentioned below against the respective standards:

Standards / Interpretations	Effective date (accounting periods beginning on or after)
IFRS 10 Consolidated Financial Statements (Amendments)	January 01, 2015
IFRS 11 Joint arrangements	January 01, 2015
IFRS 12 Disclosure of interest in other entities (Amendments)	January 01, 2015
IFRS 13 Fair Value Measurements (Amendments)	January 01, 2015
IAS 16 Property, Plant and Equipments (Amendments)	January 01, 2016
IAS 19 Employee Contributions	July 01, 2014
IAS 32 Financial Instruments : Presentation (Amendments)	January 01, 2014
IAS 36 Impairments of assets (Amendments)	January 01, 2014
IAS 38 Intangible Assets (Amendments)	January 01, 2016

Standards / Interpretations		Effective date (accounting periods beginning on or after)
IAS 39	Financial Instruments : Recognition and measurements (Amendments)	January 01, 2014
IAS 40	Investment Property (Amendments)	July 01, 2014
IAS 41	Agriculture : Bearer Plants	January 01, 2016
IFRIC 21	Levies	January 01, 2014

The Company expects that the adoption of the above amended standards and interpretation will not have any significant effect on the Company's financial statements in the period of initial application.

Standard issued by IASB but not yet notified by SECP

Following standards have been issued by International Accounting Standards Board (IASB) which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan:

Standards		Effective date (accounting periods beginning on or after)
IFRS - 9	Financial Instruments : Classification and Measurements	January 01, 2018
IFRS- 14	Regulatory Deferral Accounts	January 01, 2016
IFRS- 15	Revenue from Contracts with Customers	January 01, 2017

3.6 Correction of prior period error

Deferred tax liability on surplus on revaluation arises in previous year amounting to Rs. 42.56 million was credited to profit & loss account against the available deductible temporary difference due to error. In accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" this error is corrected by restating the balance of deferred tax liability on surplus and deferred tax charge of the previous reporting period. Since, there is no material impact on the financial information for the year ended September 30, 2012, balance sheet as of September 30, 2012 is not required

to be restated and therefore, the same has not been presented. The net effect of Rs. 42.80 million on the restatement of previous year financial statements are summarized below:

Increase of:

- Loss for the previous year and accumulated losses as at September 30, 2013
- Deferred tax liability as at September 30, 2013

Decrease of:

- Deferred tax income for the year September 30, 2013

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

4.1 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets

These are stated at cost less accumulated depreciation and impairment losses, if any, except for freehold land, building and plant and machinery. Land is stated at revalued amount less impairment losses, if any, and building and plant & machinery are stated at revalued amount less accumulated depreciation and impairment losses, if any. Depreciation on fixed assets is charged to income by applying reducing balance method at the rates specified in the relevant note.

Full year's depreciation is charged on the assets acquired during the year, whereas, no depreciation is charged from the year of disposal.

Normal repairs and maintenance are charged to income as and when incurred. Major renewals and improvements are capitalized.

The carrying values of tangible fixed assets are reviewed for impairment when event 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 or cash-generating units are written down to their recoverable amount.

Gain/ loss on disposal of fixed assets are recognized in the profit and loss account.

4.2 Capital work in progress

Capital work-in-progress is stated at cost. Transfer are made to relevant property, plant and equipment category as and when assets are available for their intended use.

4.3 Stores and Spares

These are valued at lower of the moving average cost or net realizable value. Net realizable value comprise of estimated selling price in the ordinary course of the business less estimated cost necessary to make the sale. Provision is made for items considered obsolete and slow moving. Items in transit are valued at cost comprising invoice price and other charges paid thereon.

4.4 Stock in trade

These are valued at lower of weighted average cost and net realizable value. Cost is determined as follows: -

Work in process	Prime cost plus proportionate allocation of manufacturing overheads based on stage of completion.
Finished goods	Prime cost plus an appropriate allocation of manufacturing overheads.
Stock of by product	Net realizable value.

Net realizable value comprises of estimated selling price in the ordinary course of the business less estimated cost necessary to make the sale.

4.5 Trade debts

Trade debts, if any, originated by the Company are carried at an amount, net of any allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as and when identified.

4.6 Loans, advances, deposits and prepayments

These are stated at their nominal values net of any allowance for uncollectable amounts (if any).

4.7 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.

4.8 Employee benefits

The Company operates an un-funded gratuity scheme for its permanent employees who served the minimum period of six months. Provision is made annually to cover obligations under the scheme. Gratuity accruing to staff is equal to one gross salary for each completed year of service.

4.9 Taxation

Current

Provision for current taxation is determined in accordance with provision of Income Tax Ordinance, 2001.

Deferred

Deferred tax is recognized using the balance sheet liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts appearing in the financial statements. 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 temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of all deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

As the provision for taxation has been made partially under the normal basis and partially under the final tax regime, therefore, the deferred tax liability has been recognised on a proportionate basis in accordance with ATR 27 issued by the Institute of Chartered Accountants of Pakistan.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets is realised or the liability

is settled, based on tax rates that have been enacted or substantially enacted by the balance sheet date.

4.10 Provisions

A provision is recognized when the Company has an obligation (legal or constructive), as a result of a past event and 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 the obligation.

4.11 Revenue recognition

- Sales are recorded on dispatch of goods to customers.
- Markup income is recognized on accrual basis using effective interest rates.

4.12 Cash and cash equivalents

For the purpose of cash flow statement, these include cash in hand and balance at bank.

4.13 Borrowing Cost

These are incurred on short term borrowings and are charged to profit and loss account in the year in which it is incurred.

4.14 Financial Instruments

All financial assets and liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instruments and derecognized in the case of an asset, when the contractual rights under the instrument are realized, expired or surrendered and in the case of liability, when the obligation is discharged, cancelled or expired.

Financial instruments carried on the balance sheet include long term loans and advances, long term deposits, trade debtors, other receivables, cash and bank balances, long term loans and trade and other payables.

Any gain / loss on the recognition and derecognizing of financial instrument is included in the profit and loss for the period in which it arises.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

4.15 Translation of foreign currencies

Transaction in foreign currencies are recorded into rupees at the rates approximating those prevailing on the date of each transaction. Monetary assets and liabilities in foreign currencies are reported in rupees using the exchange rates approximating those prevailing on the balance sheet date. Exchange differences are included in income currently.

4.16 Impairment

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any objective evidence that an asset or group of assets may be impaired. If any such evidence exists, the asset or group of assets' recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account.

4.17 Offsetting of financial assets and financial liabilities

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

4.18 Transactions with related parties

All transactions with related parties are carried out by the company using the methods prescribed in the Companies Ordinance, 1984. However, loans from related parties are interest free.

5 PROPERTY, PLANT AND EQUIPMENT

Note	2014 Rupees	2013 Rupees
5.1	1,477,789,808	1,520,744,999
	<u>17,607,604</u>	-
	<u>1,495,397,412</u>	<u>1,520,744,999</u>

Operating fixed assets - tangible
Capital work in progress - civil works

5.1 OPERATING FIXED ASSETS - TANGIBLE

	Written Down Value					Rate %	Cost/Revalued Amount As at Sep 30, 2014	Accumulated Depreciation as at Sep 30, 2014	Written down value as at Sep 30, 2014	
	As at Oct 01, 2013	Additions	Revaluation	Disposal	Depreciation					As at Sep 30, 2014
	RUPEES									RUPEES
Free hold land	22,500,000	-	-	-	-	0	22,500,000	-	22,500,000	
Factory building on free hold land	182,307,873	-	-	-	9,115,394	5	399,697,809	(226,505,330)	173,192,480	
Plant and machinery	1,307,773,262	26,420,610	-	-	66,709,694	5	2,031,774,188	(764,290,010)	1,267,484,178	
Furniture and fittings	749,007	-	-	-	74,901	10	4,145,047	(3,470,941)	674,106	
Office equipments	2,481,779	1,060,136	-	-	354,192	10	8,534,375	(5,346,652)	3,187,724	
Factory equipments	1,628,576	-	-	-	162,858	10	6,521,689	(5,055,971)	1,465,718	
Vehicles	3,304,502	10,786,000	-	2,483,500	2,321,400	20	19,328,900	(10,038,298)	9,290,602	
	1,520,744,999	38,266,746	-	2,483,500	76,738,437		2,492,502,008	(1,014,707,200)	1,477,794,808	

	Written Down Value					Rate %	Cost/Revalued Amount As at Sep 30, 2013	Accumulated Depreciation as at Sep 30, 2013	Written down value as at Sep 30, 2013	
	As at Oct 01, 2012	Additions	Revaluation	Disposal	Depreciation					As at Sep 30, 2013
	RUPEES									RUPEES
Free hold land	22,500,000	-	-	-	-	-	22,500,000	-	22,500,000	
Factory building on free hold land	192,858,757	5,694,902	(6,749,756)	-	9,496,030	5	399,697,809	(217,389,936)	182,307,873	
Plant and machinery	1,222,778,389	17,030,900	132,502,771	-	64,538,798	5	2,005,353,578	(697,580,316)	1,307,773,262	
Furniture and fittings	832,230	-	-	-	83,223	10	4,145,047	(3,396,040)	749,007	
Office equipments	2,757,532	-	-	-	275,753	10	7,474,239	(4,992,460)	2,481,779	
Factory equipments	1,809,529	-	-	-	180,953	10	6,521,689	(4,893,113)	1,628,576	
Vehicles	2,917,391	1,239,000	-	25,764	826,125	20	11,021,400	(7,716,898)	3,304,502	
	1,446,453,828	23,964,802	125,753,015	25,764	75,400,882		2,456,713,762	(935,968,763)	1,520,744,999	

	Note	2014 Rupees	2013 Rupees
5.1.1 Depreciation for the year has been allocated as follows:			
	21	75,987,945	74,215,781
Cost of sales	22	2,750,493	1,185,101
Administrative expenses		78,738,437	75,400,882

5.1.2 The following assets were disposed off during the year:

Cost	Accumulated depreciation	Written Down Value	Sales Proceed	Loss on disposal	Mode of Disposal	Particulars of Buyers
----- Rupees -----						
Vehicles - BBA - 990	2,483,500	-	2,483,500	2,355,000	(128,500)	SALE Mr. Kamran Pirani

5.1.3 Had the Free hold land, Factory building on free hold land and plant and machinery not been revalued, the total carrying values as at September 30, would have been as follows: -

	Note	2014 Rupees	2013 Rupees
Free hold land		11,831,403	11,831,403
Factory building on free hold land		101,813,932	107,172,560
Plant and machinery		855,375,752	873,974,918
		969,021,087	992,978,881

6. LONG TERM LOANS

**Loans - Unsecured
-to employees**

Considered good		4,187,786	3,439,298
Considered doubtful		-	323,720
		4,187,786	3,763,018
Receivable within next twelve months shown under current assets	9	(4,187,786)	(2,744,563)
Provision for doubtful		-	(323,720)
		(4,187,786)	(3,068,283)
		-	694,735

	Note	2014 Rupees	2013 Rupees
7. STORES, SPARES AND LOOSE TOOLS			
Stores, spares and loose tools		100,157,584	87,542,899
Provision for slow moving and obsolete items		(3,788,853)	(3,788,853)
		<u>96,368,731</u>	<u>83,754,046</u>
8. STOCK IN TRADE			
Work in process		667,377	726,304
Finished goods			
Sugar		260,530,760	299,321,027
Molasses		8,095,986	
		<u>269,294,124</u>	<u>300,047,331</u>
8.1 Inventory with a carrying amount of Rs.155.553 (2013 : Rs.238.097) million has been pledged against bank financing.			
9. LOAN AND ADVANCES			
Loan - Unsecured			
 Considered good			
Current portion of loan to employees	6	4,187,786	2,744,563
Advances - Unsecured			
 Considered good			
to staff		5,441,171	3,897,683
to growers	9.2	103,353,378	82,630,782
for services		9,706,388	9,744,693
for expenses		10,002,669	3,585,681
to suppliers	9.3	115,234,222	53,927,385
		<u>243,737,829</u>	<u>153,786,224</u>
		<u>247,925,615</u>	<u>156,530,787</u>

	Note	2014 Rupees	2013 Rupees
9.1 Advances - Unsecured			
To staff			
Considered good		5,441,171	3,897,683
Considered doubtful		366,728	366,728
		<u>5,807,899</u>	<u>4,264,411</u>
Provision for bad balances		<u>(366,728)</u>	<u>(366,728)</u>
		<u>5,441,171</u>	<u>3,897,683</u>
9.2 Advances to growers			
Considered good		103,353,378	82,630,782
Considered bad		1,427,711	1,427,711
		<u>104,781,089</u>	<u>84,058,493</u>
Provision for bad balances		<u>(1,427,711)</u>	<u>(1,427,711)</u>
		<u>103,353,378</u>	<u>82,630,782</u>
9.3 Advances to suppliers			
Considered good		115,234,223	53,927,385
Considered bad		6,294,286	6,294,286
		<u>121,528,509</u>	<u>60,221,671</u>
Provision for bad balances		<u>(6,294,286)</u>	<u>(6,294,286)</u>
		<u>115,234,222</u>	<u>53,927,385</u>
10. DEPOSITS AND PREPAYMENTS			
Deposits		5,835,700	5,830,689
Prepayments		1,911,856	990,641
		<u>7,747,556</u>	<u>6,821,330</u>
11. TAX REFUNDS DUE FROM GOVERNMENT			
Income tax refundable	11.1	<u>5,565,777</u>	<u>29,568,840</u>
11.1 Opening balance	19	<u>29,568,840</u>	<u>2,334,793</u>
Prior year tax		-	5,404,716
Tax paid / deducted during the year		<u>15,832,585</u>	<u>21,829,331</u>
		<u>45,401,425</u>	<u>29,568,840</u>
Tax charged for the year	26	<u>(39,835,648)</u>	-
		<u>5,565,777</u>	<u>29,568,840</u>

	Note	2014 Rupees	2013 Rupees
12. CASH AND BANK BALANCES			
Cash in hand		394,257	459,722
Cash at banks - in current account		20,810,635	118,978,725
		<u>21,204,892</u>	<u>119,438,447</u>

13. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2014 Number of Shares	2013 Number of Shares		
16,017,500	16,017,500	Ordinary shares of Rs.10 each fully paid in cash	13.1
		<u>160,175,000</u>	<u>160,175,000</u>

13.1 This include 11,417,372 (2013 : 8,328,872) ordinary shares of Rs. 10 each held by the directors and related parties.

	Note	2014 Rupees	2013 Rupees Restated
14. SURPLUS ON REVALUATION OF FIXED ASSETS - NET			
Opening balance		518,118,929	415,711,018
Surplus arises during the year		-	125,753,015
		518,118,929	541,464,033
Less:			
Transferred to equity in respect of incremental depreciation - net of deferred tax		(16,553,440)	(15,205,756)
Effect of change in tax rate		(5,187,692)	-
Related deferred tax liability of incremental depreciation		(8,559,692)	(8,139,348)
		<u>(30,300,824)</u>	<u>(23,345,104)</u>
		487,818,105	518,118,929
Less: Related deferred tax liability on 30 September		<u>(162,634,140)</u>	<u>(176,381,524)</u>
		<u>325,183,965</u>	<u>341,737,405</u>

- 14.1** The Company has carried out revaluation of freehold land, factory building and plant & machinery by independent valuer M/s. Consultancy Support & Services (Management Consultants) as at December 11, 2007 and March 29, 2013 which resulted in revaluation surplus amounting to Rs.201,386,714 and Rs.125,753,015 respectively. The basis of valuation is at assessed / evaluated present value.

	Note	2014 Rupees	2013 Rupees
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15. LONG TERM FINANCING

Unsecured

From Directors - Related party	15.1	1,142,804,786	988,671,743
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- 15.1** This represents interest free and unsecured loan from the directors of the Company and not payable within twelve months. The loan is subordinated to the short term financing upto Rs. 1.141 billion.

	Note	2014 Rupees	2013 Rupees Restated
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16. DEFERRED LIABILITIES

Staff retirement gratuity	16.1	39,464,189	38,514,664
Deferred tax liability		52,340,000	42,798,395
		91,804,189	81,313,059

- 16.1** Liability in respect of staff retirement gratuity has not been determined using actuarial valuation and Projected Unit Credit (PUC) method as defined in IAS 19 "Employee Benefits" due to the fact that the management of the Company is of the view that the values determined by actuarial valuation method would not be materially different from the values provided for in the financial statements.

	Note	2014 Rupees	2013 Rupees Restated
16.2 Deferred taxation comprises differences relating to:			
Taxable temporary differences arising in respect of:			
Accelerated tax depreciation		144,461,315	229,880,973
Surplus on revaluation of property, plant & equipment		162,634,140	176,381,524
Deductible temporary difference arising in respect of the following:			
Provision for gratuity		(10,288,314)	(13,094,986)
Provision for stores, loans and advances		(3,513,858)	(4,582,709)
Tax losses		(345,579,765)	(445,677,303)
Minimum tax impact		(23,917,615)	(23,917,615)
Un recognized deferred tax asset	16.3	128,544,097	123,808,511
		(254,755,455)	(363,464,102)
		52,340,000	42,798,395

16.3 The deferred tax asset of Rs. 128.544 million (2013: Rs. 123.809 million) has not been recognised owing to uncertainty regarding future profitability against which deferred tax asset could be set off.

	Note	2014 Rupees	2013 Rupees
17. SHORT TERM BORROWINGS			
- From banking company			
Secured			
Cash finance	17.1	326,000,000	238,096,500
- From related party			
Unsecured			
Directors		-	151,985,602
Other related party		-	36,721,936
	17.2	-	188,707,538
		326,000,000	426,804,038

- 17.1** This represents roll over secured financing of Rs. 600 million (2013 : Rs. 600 millions) from a banking company and is repayable by December 2014. This carries markup at 3 Month KIBOR + 2.5% (2013 : 3 Month KIBOR + 2.5%) per annum. The facility is secured against pledge of sugar stock of the Company, first equitable mortgage over land and property of associated company and personal guarantees of all directors of the Company.
- 17.2** This represents interest free loan from the directors & close family member of the Company. The loan is repayable within a period of twelve months from the balance sheet date.

	Note	2014 Rupees	2013 Rupees
18. TRADE AND OTHER PAYABLES			
Trade creditors		154,350,025	48,283,644
Accrued liabilities		34,497,460	22,708,787
Market committee fee payable		12,340,185	8,683,690
Workers' Profit Participation Fund	18.1	28,237,213	21,679,894
Advance from customers		374,596,560	598,670,663
Unclaimed Gratuity		12,068,432	8,085,657
Other payables - Related Party	18.2	159,645,616	256,201,637
Sales tax payable		23,342,164	7,302,847
Workers' Welfare Fund		1,464,458	1,282,043
		<u>800,542,113</u>	<u>972,898,862</u>

18.1 Workers' Profit Participation Fund

Beginning balance	21,679,894	18,937,713
Interest on funds utilized in the Company's business	2,703,483	2,742,181
Charge for the year	3,853,836	-
	<u>28,237,213</u>	<u>21,679,894</u>

The Company retains the allocation to this fund for its business operations till the amounts are paid together with interest at prescribed rate under the Act.

- 18.2** This represents unsecured and interest free loan obtained from close friends and relatives of the directors.

19. CONTINGENCIES

- 19.1** The case in respect of shareholding of 2,669,600 shares of the Company pending in High Court of Sindh in respect of rescheduled loan of Bankers Equity Limited. The Bankers Equity Limited has a claim on these shares and matter is pending in the court.

- 19.2** During year ended September 30, 2008, the company has paid Rs.5,220,000 as performance money in relation to its agreement with Trading Corporation of Pakistan (TCP) for the purchase of 5,000 M. Tons sugar the season 2007-2008 at a price of Rs. 20,880 per metric ton. Due to non-performance of obligation by Trading Corporation of Pakistan, the company has withdrawn from the agreement but performance money is not refunded by TCP. The case has been filed by the company in High court of Sindh for refund of performance money. Presently this amount is included in trade deposits.

- 19.3** Before the Honorable High Court of Sindh petition has been filed against the impugned contribution amount of Rs.1.313 by M/s Khairpur Sugar Mills Limited against Social Security, Sukkur Directorate and Sindh Employees Social Security Institution, Karachi. If this case is allowed against the mill, then the mill has to pay a sum of Rs.1.313 million in case if it does not file appeal against that order.

Before the Honorable High Court of Sindh petition has been filed against the impugned contribution amount of Rs.0.457 million by Khairpur Sugar Mills Limited against Sindh Employees Social Security, Sukkur Directorate and Sindh employees Social Security Institution, Karachi. If this case is allowed against the mill, then the mill has to pay a sum of Rs.0.457 million unless the company file appeal against that order.

Before the Commissioner, Sindh Employees Social Security Institution. Complaint No.07/2010, filed against the impugned contribution amount of Rs.6.60 million by M/s. Khairpur Sugar Mills Limited against Sindh Employees Social Security Institution, Sukkur Directorate. If this complaint is allowed

against the mill, then the mill has to pay a sum of Rs.6.60 million in case no appeal is filed against that decision.

The Company expects favorable outcome of these cases, hence no provision has been made in these financial statements.

- 19.4** A show cause notice has been served by the Collectorate of Customs, Sales Tax and Central Excise regarding non-payment / charging of further tax to unregistered persons on sales made in the month of December 2000, January 2001 and May 2001 amounting to Rs.2.318 million and order against the company has been obtained by the Collectorate. The company has challenged that Order dated December 25, 2008 in the High Court of Sindh. In current year, The hon'ble High court of Sindh has decided the case in favor of company, the department has filed the appeal in the Hon'ble Supreme court of Pakistan.
- 19.5** The Company has filed petition before the Honorable High Court of Sindh challenging the increase in Market Committee fee from Rs. 5 per ton to Rs 10 per ton on sugar cane purchased by the Company. The Honorable High Court of Sindh has granted status quo and no hearing took place during the year. As a matter of prudence, full to date provision of Rs. 12,340,185 has been made in these financial statements.
- 19.6** The Company has filed a suit for recovery of Rs.3,138,000 against supply of machinery. The case has been pending before the High Court of Sindh. The Company expects that amount paid by it as aforesaid will be refunded to it.
- 19.7** During 2009-10, the Company received a show cause notice from Competition Commission of Pakistan (CCP) under the Competition Ordinance , 2009 for alleged violation of certain provisions of the Ordinance. The Company along with other sugar mills filled Constitutional petition before the Honorable High Court of Sindh challenging the Ordinance. The Honorable High Court of Sindh, granted stay and restrained the Commission not to pass final order in respect of the show cause notice. The CCP filed an appeal before the Honorable Supreme Court of Pakistan which was disposed off by the Honorable Supreme Court based on the grounds that the matter was pending before the Honorable High Court of Sindh and Lahore.
-

The Competition Ordinance of 2009 was repealed on March 25, 2010 and there after new Ordinance, 2010 was promulgated which also stood repealed on August 15, 2010. The parliament thereafter enacted the Competition Act, 2010 (ACT XIX of 2010). The Company filed amended application in view of the promulgation of the Competition Act, 2010 which was accepted by the Honorable High Court of Sindh, with the consent of both the parties.

The petitions was last fixed for hearing on November 20, 2014, however the case was not taken up for hearing. The Competition Commission of Pakistan has not imposed any fine/ penalty against the alleged violation of any provisions of the Competition Act, 2010.

- 19.8** During the year 2009-10, the Company along with other sugar mills filed a Constitutional petition before the Honorable High Court of Sindh against Pakistan Standards and Quality Controls Authority - PSQCA challenging the notification issued in respect of registration of the standard mark for refined sugar manufactured and sold by the Company and levy of marking fee at the rate of 0.1 % of ex-factory price of sugar sold with effect from January 01, 2009.

On December 04, 2012, the Honorable High Court of Sindh decided the case in favor of Company. Against the above order, PSQCA filed an appeal before the Honorable Supreme Court of Pakistan .On November 25, 2013 the Honorable Supreme Court of Pakistan passed the interim order against PSQCA restraining from demanding any marks or licensing fee from the sugar mills till further order and the case was adjourned to date in office.

The Company is of the view that the demand raised is without any lawful authority and is in violation of the Constitution, hence , no provision is made in this regard.

		2014 Rupees	2013 Rupees
20. SALES - NET			
	Local		
	Sale of sugar	3,174,187,734	2,134,858,440
	Sale of by-products	350,990,300	209,310,000
		<u>3,525,178,034</u>	<u>2,344,168,440</u>
	Sales tax and federal excise duty	(171,647,069)	(141,819,486)
		<u>3,353,530,965</u>	<u>2,202,348,954</u>
	Export		
	Sale of sugar	894,239,889	114,248,265
		<u>4,247,770,854</u>	<u>2,316,597,219</u>
		Note	
		2014 Rupees	2013 Rupees
21. COST OF SALES			
	Raw material consumed	3,550,266,038	2,411,107,947
	Stores and spares consumed	33,643,780	19,762,828
	Packing material consumed	46,230,686	19,683,769
	Salaries and wages	21.1 93,174,080	71,271,671
	Power and fuel	33,631,258	27,979,932
	Freight and handling	3,530,005	3,009,755
	Wastage removing and cane feeding	7,529,603	5,363,511
	Repair and maintenance	35,710,732	15,677,633
	Printing and stationery	768,374	1,124,529
	Vehicle running expenses	6,369,231	7,252,156
	Insurance	6,904,527	5,070,944
	Other manufacturing expenses	15,466	147,446
	Depreciation	5.1.1 75,987,945	74,215,781
		<u>3,893,761,725</u>	<u>2,661,667,902</u>
	Work in process		
	Opening stock	726,304	677,940
	Closing stock	(667,377)	(726,304)
		<u>58,927</u>	<u>(48,364)</u>
	Cost of goods manufactured	<u>3,893,820,652</u>	<u>2,661,619,538</u>
	Finished goods		
	Opening stock	299,321,027	213,901,799
	Closing stock	(268,626,746)	(299,321,027)
		<u>30,694,281</u>	<u>(85,419,228)</u>
		<u>3,924,514,933</u>	<u>2,576,200,310</u>

21.1 These include an amount of Rs.3.297 (2013 : Rs. 4.375) million in respect of staff retirement benefits.

	Note	2014 Rupees	2013 Rupees
22. ADMINISTRATIVE EXPENSES			
Directors' remuneration		22,872,077	18,455,578
Salaries and other benefit	22.1	63,995,744	38,086,798
Communication expenses		2,436,802	1,975,979
Repair and maintenance		8,586,165	3,833,092
Traveling and conveyance		754,978	1,076,767
Electricity and gas		6,421,943	7,316,827
Legal and professional charges		1,137,874	864,810
Fees and subscription		819,730	758,294
Rent, rates and taxes		1,492,112	916,210
Printing and stationery		487,162	368,682
Entertainment		4,799,626	2,692,238
Insurance		1,348,470	506,782
Auditors' remuneration	22.2	761,550	495,800
Charity and donation	22.3	1,880,834	1,457,367
General expenses		180,356	262,293
Security expenses		643,301	236,964
Depreciation	5.1.1	2,750,493	1,185,101
		<u>121,369,217</u>	<u>80,489,582</u>

22.1 These include an amount of Rs. 2.008 (2013 : Rs.5.519) million in respect of staff retirement benefits.

	2014	2013
	Rupees	Rupees
22.2 Auditors' Remuneration		
Statutory audit		
Haroon Zakaria & Co.		
Audit fee	450,000	300,000
Other Certification	50,000	35,000
Half yearly review fee	70,000	55,000
Tax services	75,000	23,200
Out of pocket expenses	41,550	12,600
	686,550	425,800
Cost audit		
Siddiqui & Co.		
Cost audit fee	75,000	70,000
	761,550	495,800

22.3 No donation was paid to any person or institution in which director or his spouse is interested.

	2014	2013
	Rupees	Rupees
23. DISTRIBUTION EXPENSES		
Advertisement and publicity	271,389	107,530
Loading and unloading	52,363,874	7,136,031
Business promotion	336,306	-
Export expenses	3,132,799	-
Miscellaneous	1,303,094	-
	57,407,462	7,243,561

	Note	2014 Rupees	2013 Rupees
24. OTHER OPERATING EXPENSES / (INCOME)			
Income from financial asset			
Markup on receivables from growers		-	(16,448)
Expense / (income) from assets other than financial assets			
Loss / (Gain) on disposal of operating fixed assets		128,500	(1,236)
Workers' Profit Participation Fund		3,853,836	-
Workers' Welfare Fund		1,464,458	-
Liability written-back		-	(9,254,991)
Exchange loss / (gain)		4,866,867	(353,110)
Other income		(3,099,204)	(30,584)
		<u>7,214,457</u>	<u>(9,639,921)</u>
		<u>7,214,457</u>	<u>(9,656,369)</u>
25. FINANCE COST			
Bank charges		1,729,058	718,050
Markup on cash finance		54,875,407	40,138,212
Interest on Workers' Profit Participation Fund 18.1		2,703,483	2,742,181
		<u>59,307,948</u>	<u>43,598,443</u>
		2014 Rupees	2013 Rupees Restated
26. TAXATION			
Current			
-for the year		39,835,648	-
-for prior years		-	(5,404,716)
		<u>39,835,648</u>	<u>(5,404,716)</u>
Deferred		9,541,605	42,370
		<u>49,377,253</u>	<u>(5,362,346)</u>

26.1 Tax charge reconciliation

Reconciliation between tax expense and accounting profit has not been made as relationship between these could not be developed due to tax arises under minimum tax regime u/s. 113 of the Income Tax Ordinance, 2001 owing to losses.

Returns for the tax year upto 2014 have been filed, which are deemed to be assessment order under provisions of the Income Tax Ordinance, 2001 however the Commissioner Income Tax has power to re-assess any of the five preceding tax years.

	2014	2013 Restated
27. EARNING / (LOSS) PER SHARE		
- Basic and Diluted		
Earning / (loss) after taxation attributable to ordinary shareholders (Rs.)	<u>28,579,584</u>	<u>(375,915,962)</u>
Weighted average number of ordinary shares in issue	<u>16,017,500</u>	<u>16,017,500</u>
Earning / (loss) per share - Basic and Diluted (Rs.)	<u>1.78</u>	<u>(23.47)</u>
	Note	
	2014	2013
	Rupees	Rupees
28. CASH AND CASH EQUIVALENTS		
Cash and bank balances	12 21,204,892	119,438,447
Short term borrowings	17 (326,000,000)	(238,096,500)
	<u>(304,795,108)</u>	<u>(118,658,053)</u>

29. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

	2 0 1 4			
	Chief Executive	Directors	Executives	Total
	----- R U P E E S -----			
Managerial remuneration	3,870,000	6,426,830	11,292,000	21,588,830
Housing	1,740,000	2,757,479	-	4,497,479
Utilities	390,000	651,479	-	1,041,479
Perquisites and other benefits	7,036,289	-	-	7,036,289
	13,036,289	9,835,788	11,292,000	34,164,077
Number of Persons	1	5	7	

	2 0 1 3			
	Chief Executive	Directors	Executives	Total
	----- R U P E E S -----			
Managerial remuneration	3,612,000	5,095,500	10,382,043	19,089,543
Housing	1,624,000	2,291,000	-	3,915,000
Utilities	364,000	513,500	-	877,500
Perquisites and other benefits	4,955,578	-	-	4,955,578
	10,555,578	7,900,000	10,382,043	28,837,621
Number of Persons	1	4	8	

29.1 In addition, the chief executive officer and executive directors are provided with free use of the Company maintained cars, in accordance with their terms of service.

30. TRANSACTIONS WITH RELATED PARTIES

The related parties comprised of related group companies, associates, directors, sponsors and key management personnel.

Transactions with an associated undertaking and related parties, other than key management personnel under the term of their employment are as follows: -

	2014	2013
	Rupees	Rupees
Loan from Related Party		
Receipts of loan	110,168,595	397,361,326
Repayment of loan	108,021,154	120,699,787
Other Payables		
Repayments of short term loan - markup free	36,721,936	140,290,982

30.1 Balance outstanding with related parties have been disclosed in respective notes to the financial statements. Chief Executive's and Directors' remuneration is disclosed in note 29.

31. CAPACITY AND PRODUCTION

Season	<u>Rated capacity</u>	<u>Actual Crushing</u>	Actual Production	Standard Production based on installed capacity
	M. Tons	Days		
2013-2014	7,000 TCD	155	84,430 M. T	84,784 M. T
2012-2013	7,000 TCD	143	47,130 M. T	84,784 M. T

Cane crushed is less than installed capacity due to the seasonal availability of sugarcane.

	2014 Rupees	2013 Rupees
32. FINANCIAL INSTRUMENTS BY CATEGORY		
FINANCIAL ASSETS		
Loans and receivables		
Long term loans and advances	-	694,735
Long term deposits	261,888	218,899
Loans, advances and receivables	9,628,957	6,642,246
Trade deposits	5,835,700	5,830,689
Cash and bank balances	21,204,892	119,438,447
	<u>36,931,437</u>	<u>132,825,016</u>
FINANCIAL LIABILITIES		
Financial liabilities - at fair value through profit and loss		
Long term loans including current maturity	1,142,804,786	988,671,743
Trade and other payables	800,542,113	942,634,078
	<u>1,943,346,899</u>	<u>1,931,305,821</u>

a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Exposure to credit risk

Credit risk arises when changes in economic or industry factors similarly affects Company's of counter parties whose aggregate credit exposure is

significant in relation the Company's total credit exposure. Out of the total financial assets of Rs. 36,931 million (2013 : Rs. 132,689 million), the financial assets which are subject to credit risk amounted to Rs.15,726 million (2013 : Rs.13,167 million).

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

	2014	2013
	Rupees	Rupees
Long term loans and advances	-	694,735
Long term deposits	261,888	218,899
Loans, advances and receivables	9,628,957	6,642,246
Trade deposits	5,835,700	5,830,689
Bank balances	20,810,635	118,978,725
	<u>36,537,180</u>	<u>132,365,294</u>

b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company ensures that it has sufficient cash on demand to meet expected working capital requirements. The company's exposure to liquidity risk along with expected maturities is as follows:-

2 0 1 4					
Financial Liabilities	Carrying Amount	Contractual Cash flows	Six months or Less	Six to twelve months"	More than twelve months
----- R U P E E S -----					
Long term loans	1,142,804,786	(1,142,804,786)	-	-	(1,142,804,786)
Staff retirement gratuity	39,464,189	(39,464,189)	-	-	(39,464,189)
Trade and other payables	425,945,553	(425,945,553)	(425,945,553)	-	-
	<u>1,608,214,528</u>	<u>(1,608,214,528)</u>	<u>(425,945,553)</u>	<u>-</u>	<u>(1,182,268,975)</u>

2 0 1 3					
Financial Liabilities	Carrying Amount	Contractual Cash flows	Six months or Less	Six to twelve months"	More than twelve months
----- R U P E E S -----					
Long term loans	988,671,743	(988,671,743)	-	-	(988,671,743)
Staff retirement gratuity	38,514,664	(38,514,664)	-	-	(38,514,664)
Trade and other payables	343,963,415	(343,963,415)	(343,963,415)	-	-
	<u>1,371,149,822</u>	<u>(1,371,149,822)</u>	<u>(343,963,415)</u>	<u>-</u>	<u>(1,027,186,407)</u>

c) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. At year end, the Company is not exposed to foreign exchange currency risk.

ii) Interest rate risk

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

At the balance sheet date the interest rate profile of the Company's interest-bearing financial instruments was as follows:-

	2014	2013
	Effective Interest Rate (In Percent)	
Variable Rate Instruments		
Financial liabilities		
Short term borrowings	<u><u>13.26%</u></u>	<u><u>11.98%</u></u>

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) loss/profit and equity for the year by the amounts shown below. The analysis assumes that all other variables remain constant.

	Profit and Loss - 100 bps	
	Increase	(Decrease)
Cash flow Sensitivity - Variable Rate Instruments		
As at September 30 2014		
Cash flow Sensitivity	<u><u>3,260,000</u></u>	<u><u>(3,260,000)</u></u>
As at September 30 2013		
Cash flow Sensitivity	<u><u>2,380,965</u></u>	<u><u>(2,380,965)</u></u>

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

iii) Price Risk

Price risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments.

Sensitivity analysis

At reporting date, the company is not exposed to sensitivity analysis as the company has no investment and interest bearing financial instruments.

34. CAPITAL RISK MANAGEMENT

The Company's objective when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The company finances its operations through equity and by managing working capital.

Consistent with others in the industry, the company monitors capital on the basis of the its gearing ratio. This is calculated as net debt divided by total capital which is equal to net debt and share holders' equity. Net debt is calculated as total borrowings from financial institutions, if any, and directors less cash and bank balances. Total capital is calculated as equity as shown in the balance sheet plus sponsors' loan, if any, subordinate to equity and net debt.

	2014 Rupees	2013 Rupees
Total borrowings	1,468,804,786	1,415,475,781
Less: Cash and bank balances	<u>(21,204,892)</u>	<u>(119,438,447)</u>
Net debt	1,447,599,894	1,296,037,334
Owner's capital	160,175,000	160,175,000
Total Capital	<u>1,607,774,894</u>	<u>1,456,212,334</u>
Gearing ratio (%)	<u>90.04</u>	<u>89.00</u>

35. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The estimated fair value of financial instruments is not significantly different from their book value as shown in these financial statements.

36. OPERATING SEGMENT

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

36.2 Revenue from sale of sugar represents 96% (2013 : 91%) of the gross sales of the Company.

36.3 75% (2013 : 99.5%) of the gross sales of the Company are made to customers located in Pakistan.

36.4 All non-current assets of the Company at September 30, 2014 are located in Pakistan.

	2014 Rupees	2013 Rupees
37. NUMBER OF EMPLOYEES		
Number of employees as at	<u>610</u>	<u>598</u>
Average number of employees	<u>757</u>	<u>729</u>

38. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on January 02, 2015 by the Board of Directors of the Company.

39. GENERAL

Figures have been rounded off to the nearest rupee.

Muhammad Mubeen Jumani
Chief Executive

FARAZ MUBEEN JUMANI
Managing Director

Karachi, Dated:
January 2, 2015

**PATTERN OF HOLDING
AS AT SEPTEMBER 30, 2014**

No of Shareholders	Share Holding					Total Shares Held
8	FROM	1	TO	100	SHARES	701
90	FROM	101	TO	500	SHARES	44,300
5	FROM	501	TO	1,000	SHARES	5,000
2	FROM	1,001	TO	10,000	SHARES	2,999
1	FROM	10,001	TO	20,000	SHARES	14,000
1	FROM	20,001	TO	50,000	SHARES	32,000
2	FROM	50,001	TO	100,000	SHARES	118,500
1	FROM	100,001	TO	200,000	SHARES	170,283
NIL	FROM	200,001	TO	300,000	SHARES	NIL
3	FROM	300,001	TO	400,000	SHARES	961,047
2	FROM	400,001	TO	500,000	SHARES	900,000
3	FROM	500,001	TO	1,000,000	SHARES	2,242,443
1	FROM	1,000,001	TO	2,000,000	SHARES	1,040,500
1	FROM	2,000,001	TO	3,000,000	SHARES	2,669,600
1	FROM	3,000,001	TO	8,000,000	SHARES	7,816,127
121	TOTAL					16,017,500

**COMBINED PATTERN OF SHAREHOLDING
AS AT SEPT. 30, 2014**

S. No.	D E S C R I P T I O N	Number of Shareholders	Shares Held	Percentage of T. Capital
1	Associated Cos., Undertaking and Related Parties	-	-	-
2	Director, CEO and their spouses and Minor Children - Mr. Muhammad Mubeen Jumani 7,816,127 - Mr. Muhammad Bux Jumani 320,349 - Mr. Ahmed Ali Jumani 500 - Mr. Fahad Mubeen Jumani 450,000 - Mrs. Yasmeen 640,698 - Mrs. Afroze 640,698 - Mrs. Qamar Mubeen Jumani 1,040,500 - Mr. Faraz Mubeen Jumani 450,000 - Miss. Arisha Mubeen Jumani 58,500	9	11,417,372	71.28
3	Banks, Development Financial Institutions, Non Banking Financial - Bankers Equity Limited 2,669,600	1	2,669,600	16.67
4	Joint Stock Companies - E.F.U. General Insurance 14,000	1	14,000	0.09
5	Individuals - Individuals - Auditors, CFO, Company Secretary and their Spouses, Child etc. 110	NIL	NIL	NIL
6	Others Total	121	16,017,500	100.00

SHARE HOLDERS HOLDING TEN PERCENT OR MORE VOTING INTEREST IN THE LISTED COMPANY

S. No.	S H A R E H O L D E R S	Description	No. of Shares Held	Percentage
1	Mr. Muhammad Mubeen Jumani		7,816,127	48.80
2	Bankers Equity Limited		2,669,600	16.67

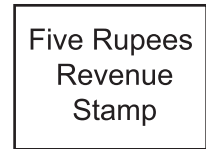
FORM OF PROXY

The Company Secretary
Khairpur Sugar Mills Limited
3rd Floor, 15-C, 9th Commercial Lane,
Zamzama, Defence Housing Authority, Phase V,
Karachi.

I/We of
a member(s) of KHAIRPUR SUGAR MILLS LIMITED and holding
Ordinary shares, as per Folio No.

.....
hereby appoint of
or failing him of
another member of the Company to vote for me / us and on my / our behalf at the 25th Annual
General Meeting of the Company to be held on Friday, January 30, 2015 and at any adjournment
thereof.

As witness my / our hand this day of2015.



SIGNATURE OF MEMBER(S)

A member entitled to attend and vote at this meeting is entitled to appoint another member of the
Company as a proxy to attend and vote on his / her behalf.

Any individual entitled to attend and vote at this meeting must bring his / her National Identity
Card, to prove his / her identity, and incase of proxy, must enclose attested copies of his / her
National Identity Card, Account. Representatives of corporate members should bring the usual
documents as required for such purpose.

The instrument appointing a proxy should be signed by the member or by his attorney duly
authorised in writing. If the member is a corporation its common seal (if any) should be affixed to
the instrument.

The instrument appointing a proxy, together with the power of attorney (if any) under which it is
signed or a notarially certified copy thereof, should be deposited at the registered office of the
Company at least 48 hours before the time of the meeting.