CONTENTS

COMPANY PROFILE

BOARD OF DIRECTORS	Mr. Muhammad Mubeen Jumani	(Chief Executive)
	Mr. Faraz Mubeen Jumani	
	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	Bankers Equity Limited (Under Liquidation) National Bank of Pakistan United Bank Limited Allied Bank Limited MCB Bank Limited Askari Bank 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, Abdulllah 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	Khairpur House, G-22/II, Gizri Avenue Defence Housing Authority, Phase IV, 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 24th Annual General Meeting of KHAIRPUR SUGAR MILLS LIMITED will be held at C-32, Mezanine floor, 24th Commercial Street, Defence Housing Authority, Phase II Extension, Karachi on Thursday, January 30, 2014 at 03:30 p.m. to transact the following business:

1. To confirm the minutes of the 23rd Annual General Meeting held on January 30, 2013.

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, 2013.

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:
December 30, 2013

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, 2014 to February 05, 2014 (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 individul 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.

KEY OPERATING AND FINANCIAL DATA FOR SIX YEARS:

(Rs. 000)

	2013	2012	2011	2010	2009	2008
Turn Over	2316.597	1,714,832	1,534.346	1,264,672	1,075.493	604.519
Gross (Loss)/Profit	(259,603)	(74,383)	141.075	111,191	85.636	2.727
(Loss)/Profit (Before Taxation)	(381.278)	(171,534)	46.378	37.700	25.120	(49.898)
Taxation	(48.161)	(4,105)	28.023	9.379	1.899	(172.735)
Share Capital Fund	160.175	160,175	160.175	160.175	160,175	160,175
Shareholders Fund	(561.380)	(243,469)	(89.897)	(122.838)	(171.939)	(207,905)
Gross (Loss)/Profit %	(11.206)	(4.34)	9.19	8.79	7.96	0.45
Net (Loss)/Profit %	(14.380)	(9.764)	1.196	2.239	2.16	20.32
Earning/ (Loss) per Share	(20.80)	(10.45)	1.15	1.77	1.45	7.67
Dividend %	-	-	-	-	-	-
Bonus %	-	-	-	-	-	-

DIRECTOR'S REPORT TO MEMBERS

On behalf of the board of Directors of your company, I feel pleasure to present the 24th Annual Report of your company with the audited financial statements for the year ended September 30, 2013.

FINANCIAL RESULTS:

	2013 Rupees	2012 Rupees
Loss before taxation	(381,278,308)	(171,533,716)
Taxation	(48,160,741)	(4,104,998)
Loss after taxation	(333,117,567)	(167,428,718)
Accumulated loss	(721,555,389)	(403,643,578)
Loss Per Share	(20.80)	(10.45)

PERFORMANCE REVIEW:

The operating results for the crushing season is mentioned here under:

	SEASON 2012-2013	SEASON 2011-2012
Season Started	06-11-2012	28-11-2011
Season Ended	28-03-2013	03-04-2012
Number of days worked	143	128
Sugarcane Crushing (MT)	556,436	402,176
Recovery (%) Sugar	8.47	8.56
Recovery (%) Molasses	4.21	4.29
Production – Sugar (MT)	47,130	34,425
Production – Molasses (MT)	23,421	17,258

During the year under review the sugar industry has experienced very tuff situation. In the area where your plant is located the quality of sugar cane was very low and there was not enough quantity available to fully utilize maximum capacity, however this situation has showing improvement and results of which will be fully materialize in next crushing season. Further more, local as well as international prices of sugar were very depressed.

Incidence of heavy losses during the year under review can be attributed to the following factors:-

a) Depressed Sugar and Molasses Prices

b) Low sugar recovery

DIVIDEND:

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

EARNING PER SHARE:

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

	2012-2013	**2011-2012**
	Rupees	**Rupees**
Basic and diluted	(20.80)	(10.45)

FUTURE OUTLOOK

Management is very hopeful that in next crushing year the overall operations will show very significant improvement as in the vicinity of mill cane crop is showing very encouraging results and it is hoped that ample sugar cane of good quality will be available through out crushing season which will enable your management to utilize crushing capacity to maximum level. Furthermore, automation has also made to operation of the mill more efficient, which will further benefit overall operating results, furthermore government is also encouraging export of sugar and your management will try its best to take maximum advantage of incentives allowed by the government to facilitate export of sugar. The sugar cane crushing season 2013-14 started from November 01, 2013 and by the date of this report results are as under:

SUGAR CANE CRUSHED (M.T)	261,531
SUGAR PRODUCED (M.T)	23,304
MOLASSES PRODUCED (M.T)	11,348
AVERAGE SUGAR RECOVERY	9.23 %

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.

2) As regards the matter of going concern, the management is fully confident that company will remain going concern, the main reason for this view is quality and quantity of raw material which will guarantee 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 automotion 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 financial institution 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.

- **BOARD MEETINGS**

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

Name of Directors	**No. of meeting attended**
Mr. Muhamamd Mubeen Jumani	4
Mr. Faraz Mubeen Jumani	4
Mr. Fahad Mubeen Jumani	3
Mrs. Qamar Mubeen Jumani	4
Miss. Arisha Mubeen Jumani	2
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:

Name of Directors	**No. of meeting attended**
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 (2) meeting during the year; attendance by each member was as follows:

Name of Directors	No. of meeting attended
Mr. Fahad Mubeen Jumani	2
Miss. Arisha Mubeen Jumani	2
Mr. Muhamamd Mubeen Jumani	2

AUDITOR

The Auditors Haroon Zakaria & Company, Chartered Accountants, retire and offer themselves for re-appointment. The Board 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:
December 30, 2013

Muhammd Mubeen Jumani
Chief Executive

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Name of company: KHAIRPUR SU MILLS LIMITED
Year ending : 30-09-2013

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of listing regulations o 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 none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. 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.

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 are 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.

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.

Muhammad Mubeen Jumani
Chief Executive

Faraz Mubeen Jumani
Managing Director

Karachi, Dated:
December 30, 2013

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, 2013.

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 within the specified

Karachi, Dated:
December 30, 2013

HAROON ZAKARIA & COMPANY
Chartered Accountant

AUDITORS' REPORT TO THE MEMBERS

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

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

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;

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 matters, 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, 2013 and of the loss, 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).

We draw attention to note 2 of the financial statements which indicates that the Company has incurred gross loss during the year of Rs.259.603 (2012: Rs. 74.384) million and the accumulated losses of the company stood at Rs.721.555 (2012 : Rs.403.643) million resulting in negative shareholders' equity of Rs.561.380 (2012 : Rs.243.469) 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 report on going concern basis.

We also draw attention towards Note 20 of the financial statements narrating the contingencies as at September 30, 2013.

Our opinion is not qualified in respect of these matters.

HAROON ZAKARIA & COMPANY
Chartered Accountants
Engagement Partner: Muhammad Haroon

Karachi, Dated:
December 30, 2013

BALANCE SHEET
AS AT SEPTEMBER 30, 2013

	Note	2013 Rupees	2012 Rupees
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	1,520,744,999	1,446,453,828
Long term loans	6	694,735	457,572
Long term deposits	7	218,899	218,899
Current Assets			
Stores, spares and loose tools	8	83,754,046	94,573,405
Stock in trade	9	300,047,331	214,579,739
Trade debts - considered good		-	37,043,527
Loans and advances	10	156,530,787	173,501,603
Deposits, prepayments and other receivables	11	6,821,330	21,497,732
Tax refunds due from government	12	29,568,840	2,334,793
Cash and bank balances	13	119,438,447	8,357,799
		696,160,781	551,888,598
Total Assets		2,217,819,414	1,999,018,897
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	14	160,175,000	160,175,000
Accumulated loss		(721,555,389)	(403,643,578)
Shareholders' Equity		(561,380,389)	(243,468,578)
Surplus on revaluation of fixed assets - net	15	341,737,405	273,946,171
Non-Current Liabilities			
Long term financing	16	988,671,743	900,717,742
Deferred liabilities	17	38,514,664	34,697,625
Current Liabilities			
Short term borrowings	18	426,804,038	155,000,000
Trade and other payables	19	972,898,862	868,774,475
Accrued markup		10,573,091	9,351,462
		1,410,275,991	1,033,125,937
Contingencies	20		
Total Equity and Liabilities		2,217,819,414	1,999,018,897

The annexed notes form an integral part of these financial statements

Karachi, Dated:
December 30, 2013

Muhammad Mubeen Jumani
Chief Executive

Faraz Mubeen Jumani
Managing Director

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

	Note	2013 Rupees	2012 Rupees
Sales - net	21	2,316,597,219	1,714,831,761
Cost of sales	22	2,576,200,310	1,789,215,134
Gross loss		(259,603,091)	(74,383,373)
Administrative expenses	23	80,489,582	82,913,305
Distribution expenses	24	7,243,561	8,460,566
Other operating expenses	25	-	5,894,210
		87,733,143	97,268,081
Operating loss		(347,336,234)	(171,651,454)
Other operating income	26	9,656,369	35,578,679
		(337,679,865)	(136,072,775)
Finance cost	27	43,598,443	35,460,941
Loss before taxation		(381,278,308)	(171,533,716)
Taxation	28	(48,160,741)	(4,104,998)
Loss after taxation		(333,117,567)	(167,428,718)
Loss per share - basic and diluted	29	(20.80)	(10.45)

The annexed notes form an integral part of these financial statements

Muhammad Mubeen Jumani
Chief Executive

Faraz Mubeen Jumani
Managing Director

Karachi, Dated:
December 30, 2013

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

	2013 Rupees	2012 Rupees
Loss for the year	(333,117,567)	(167,428,718)
Other comprehensive income		
Incremental depreciation transferred from surplus - net of deferred tax	15,205,756	13,856,714
Total comprehensive loss for the year	(317,911,811)	(153,572,004)

The annexed notes form an integral part of these financial statements

Muhammad Mubeen Jumani
Chief Executive

Faraz Mubeen Jumani
Managing Director

Karachi, Dated:
December 30, 2013

CASH FLOW STATEMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Note	2013 Rupees	2012 Rupees
A, CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation		(381,278,308)	(171,533,716)
Adjustment for:			
Depreciation		75,400,882	75,836,488
Insurance claim		(1,236)	(10,953,596)
Gratuity - net		3,817,039	5,240,648
Finance cost		43,598,443	35,460,941
		122,815,128	105,584,481
Cash used from operations before working capital changes		(258,463,180)	(65,949,235)
Effect of changes in working capital			
(Increase) / decrease in current assets			
Stores and spares		10,819,359	(28,983,708)
Stock-in-trade		(85,467,592)	(14,320,901)
Trade debit		-	(37,043,527)
Loans and advances		16,970,816	(71,025,647)
Trade deposits and short term prepayments		14,676,402	2,406,099
		(5,957,488)	(148,967,684)
Increase / (decrease) in current liabilities			
Trade and other payables		101,382,206	138,185,243
Cash used in operations		(163,038,462)	(76,731,676)
Finance cost paid		(39,634,634)	(23,483,319)
Taxes paid		(21,829,331)	(15,336,468)
		(61,463,965)	(38,819,787)
Net cash used in operating activities		(224,502,427)	(115,551,463)
B, CASH FLOW FROM INVESTING ACTIVITIES			
Additions to operating fixed assets		(23,964,802)	(106,285,483)
Disposal of operating fixed assets		27,000	-
Long term loans		(237,163)	3,532,019
Net cash used in investing activities		(24,174,965)	(102,753,464)
C, CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of financing to banking company		-	(34,565,875)
Receipt of long term subordinated loan		276,661,539	85,555,895
Net cash generated from financing activities		276,661,539	50,990,020
Net increase / (decrease) in cash and cash equivalent (A+B+C)		27,984,148	(167,314,907)
Cash and cash equivalents at beginning of the year		(146,642,201)	20,672,706
Cash and cash equivalents at end of the year	30	(118,658,053)	(146,642,201)

The annexed notes form an integral part of these financial statements

Karachi, Dated: December 30, 2013	**Muhammad Mubeen Jumani** Chief Executive	**Faraz Mubeen Jumani** Managing Director

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

DESCRIPTION	Issued, subscribed & paid up	Accumulated Loss	Total
	Rupees		
Balance as on September 30, 2011	160,175,000	(250,071,574)	(89,896,574)
Loss for the year	-	(167,428,718)	(167,428,718)
Incremental depreciation transferred from surplus net - of deferred tax	-	13,856,714	13,856,714
Total comprehensive loss	-	(153,572,004)	(153,572,004)
Balance as on September 30, 2012	160,175,000	(403,643,578)	(243,468,578)
Loss for the year	-	(333,117,567)	(333,117,567)
Incremental depreciation transferred from surplus net - of deferred tax	-	15,205,756	15,205,756
Total comprehensive loss	-	(317,911,811)	(317,911,811)
Balance as on September 30, 2013	160,175,000	(721,555,389)	(561,380,389)

The annexed notes form an integral part of these financial statements

Muhammad Mubeen Jumani
Chief Executive

Faraz Mubeen Jumani
Managing Director

Karachi, Dated:
December 30, 2013

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

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 G-22/II, Gizri Avenue, Phase IV, DHA, Karachi.

2. GOING CONCERN ASSUMPTION

The Company has incurred gross loss of Rs.259.603 million during the year. The accumulated losses of the company stood at Rs.721.555 (2012 : Rs.403.643) million resulting in negative shareholders' equity of Rs.561.380 (2012 : Rs.243,468) million. The amount of current liabilities of the Company as at above date exceeds its current assets by Rs.714.115 (2012 : Rs.481.237) million and the amount of external borrowings as at above date stood at Rs.238.096 (2012 : Rs.155.000) 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 company will remain going concern, the main reason for this view is quality and quantity of raw material which will guarantee 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. Furthermore company has no long term financing from any institution and short term financing from financial institution 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.

3. BASIS OF PREPARATION

3.1 Statement of Compliance

These financial statements have been prepared in accordance with approved accounting standards, as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards

(IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

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 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standard as, applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment in the next year are as follows:

- **Property, plant, equipment and depreciation**

The Company estimates the rate of depreciation of property and equipment. Further, the Company reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property and equipment with a corresponding effect on the depreciation charge and impairment.

- **Stock in trade and stores and spares**

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

- **Trade debts and receivables**

  The Company reviews its receivables against any provision required for any doubtful balances on an on-going basis. The provision is made while taking into consideration expected recoveries, if any.

- **Taxation**

  In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax law and the decisions of appellate authorities on certain issues in the past.

- **Staff retirement benefits**

  These are estimated by multiplying years of service with last drawn salary which will be different at each reporting date.

3.5 New Standards, Interpretations And Amendments To Published Approved Accounting Standards

3.5.1 The following standards, amendments and interpretations of approved accounting standards became effective during the year, however, these standards are either not relevant or do not have a significant impact on the Company's financial statements:

IAS 1	Presentation of Financial Statements
IAS 12	Income Taxes

3.5.2 The following standards, amendments and interpretations of approved accounting standards are not yet effective but relevant and have not been early adopted by the Company.

IAS 19 ‘Employee benefits’ (amended 2011) (is effective for the periods beginning on or after January 01, 2013). This amendment eliminates the corridor approach and requires all actuarial gains and losses to be recognized in other comprehensive income as they occur immediately, and it replaces interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / assets.

This change would affect the recognized amounts of actuarial gain / loss and net defined benefit liability / assets for the accounting period as prescribed above amounting to Rs. 29.305 million in other comprehensive income in the period of initial application.

IAS 16 Property, Plant and Equipment (is effective for the period beginning on or after January 01, 2013). This IAS is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of Property, Plant and Equipment is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 ‘Inventories’. The amendments have no impact on financial statements of the Company.

IFRS 9 “Financial Instruments - classification and measurement” (is effective for the period beginning on or after January 01, 2015). This standard on classification and measurement of financial assets and financial liabilities will replace IAS 39, ‘Financial instruments: Recognition and measurement’. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortized-cost accounting for most financial liabilities, with bifurcation of embedded derivatives.

The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change will mainly affect financial institutions. The amendments have no impact on financial statements of the Company.

IFRS 13 - 'Fair value measurement' (is effective for the period beginning on or after January 01, 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The amendments have no impact on financial statements of the Company.

3.5.3 The following amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation. However, these are not relevant to the Company.

Standards		**(Effective date annual periods beginning on or after)**
IAS 28	Investments in Associates and Joint Ventures	January 01, 2013
IAS 32	Financial Instruments: Presentation	January 01, 2014
IAS 34	Interim Financial Reporting	January 01, 2013
IFRS 1 IFRS 1	First time Adoption of International Financial Reporting Standards	January 01, 2013
IFRS 7	Financial Instruments: Disclosures	January 01, 2013
IFRS 10	Consolidated Financial Statements	January 01, 2013
IFRS 11	Joint Arrangements	January 01, 2013
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013
IFRIC 21	Levies	January 01, 2014

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 provided in full using the balance sheet liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

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

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.

	Note	2013 Rupees	2012 Rupees
5 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets - tangible	5.1	1,520,744,999	1,446,453,828

5.1 OPERATING FIXED ASSETS - TANGIBLE

PARTICULAR	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 1,2012	Additions	Revaluation	Disposal	Depreciation	As at Sep 30, 2013				
	RUPEES							RUPEES		
Free hold land	22,500,000	-	-	-	-	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	182,307,873	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	1,307,773,262	5	2,005,353,578	(697,580,316)	1,307,773,262
Furniture and fittings	832,230	-	-	-	83,223	749,007	10	4,145,047	(3,396,040)	749,007
Office equipments	2,757,532	-	-	-	275,753	2,481,779	10	7,474,239	(4,992,460)	2,481,779
Factory equipments	1,809,529	-	-	-	180,953	1,628,576	10	6,521,689	(4,893,113)	1,628,576
Vehicles	2,917,391	1,239,000	-	25,764	826,125	3,304,502	20	11,021,400	(7,716,898)	3,304,502
2013	1,446,453,828	23,964,802	125,753,015	25,764	75,400,882	1,520,744,999		2,456,713,762	(935,968,763)	1,520,744,999

PARTICULAR	Written Down Value						Rate %	Cost/Revalued Amount as at Sep 30, 2012	Accumulated depreciation As at Sep 30, 2012	Written down value as at Sep 30, 2012
	As at Oct 1,2011	Additions	Revaluation	Disposal	Depreciation	As at Sep 30, 2012				
	RUPEES							RUPEES		
Free hold land	22,500,000	-	-	-	-	22,500,000	-	22,500,000	-	22,500,000
Factory building on free hold land	198,389,272	4,619,946	-	-	10,150,461	192,858,757	5	400,752,663	(207,893,906)	192,858,757
Plant and machinery	1,190,770,263	99,911,287	-	3,546,404	64,356,757	1,222,778,389	5	1,855,819,907	(633,041,518)	1,222,778,389
Furniture and fittings	924,700	-	-	-	92,470	832,230	10	4,145,047	(3,312,817)	832,230
Office equipments	2,904,675	159,250	-	-	306,393	2,757,532	10	7,474,239	(4,716,707)	2,757,532
Factory equipments	1,860,588	150,000	-	-	201,059	1,809,529	10	6,521,689	(4,712,160)	1,809,529
Vehicles	2,201,739	1,445,000	-	-	729,348	2,917,391	20	9,845,300	(6,927,909)	2,917,391
2012	1,419,551,237	106,285,483	-	3,546,404	75,836,488	1,446,453,828		2,307,058,845	(860,605,017)	1,446,453,828

	Note	2013 Rupees	2012 Rupees

5.2 Depreciation for the year has been allocated as follows:

	Note	2013 Rupees	2012 Rupees
Cost of sales	22	74,215,781	74,708,277
Administrative expenses	23	1,185,101	1,128,211
		75,400,882	75,836,488

5.3 The following assets were disposed off during the year:

Particulars	Cost	Accumulated Depreciation	Written Down Value	Sales Proceed	Gain on Disposal	Mode of Disposal	Particulars of Buyers
	Rupees						
Vehicles - Motorcycle	62,900	(37,136)	25,764	27,000	1,236	Negotiation	Memon Autos

5.4 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, 2013 would have been as follows: -

	Note	2013 Rupees	2012 Rupees
Free hold land		11,831,403	11,831,403
Factory building on free hold land		107,172,560	107,118,319
Plant and machinery		873,974,918	902,942,698
		992,978,881	1,021,892,420

6. LONG TERM LOANS - TO STAFF

	Note	2013 Rupees	2012 Rupees
Loans - Unsecured			
Considered good		3,439,298	1,981,464
Considered doubtful		323,720	323,720
		3,763,018	2,305,184
Current portion	10	(2,744,563)	(1,523,892)
Provision for bad balances		(323,720)	(323,720)
		(3,068,283)	(1,847,612)
		694,735	457,572

7. LONG TERM DEPOSITS

	2013 Rupees	2012 Rupees
Utility deposits	30,421	30,421
Security deposits	188,478	188,478
	218,899	218,899

	Note	2013 Rupees	2012 Rupees
8. STORES, SPARES AND LOOSE TOOLS			
Stores, spares and loose tools		87,542,899	98,362,258
Provision for slow moving and obsolete items		(3,788,853)	(3,788,853)
		83,754,046	94,573,405
9. STOCK IN TRADE			
Work in process		726,304	677,940
Finished goods	9.1 & 9.2	299,321,027	213,901,799
		300,047,331	214,579,739

9.1 Inventory with a carrying amount of Rs.238.097 (2012 : Rs.155.000) million has been pledged as security for bank financing.

9.2 Finished goods at net realizable value (NRV) at Rs. 299.321 (2012 : Rs. 213.901) millions.

Summary of related Cost & NRV as under	Cost	NRV
Sugar	313,247,705	299,321,027

	Note	2013 Rupees	2012 Rupees
10. LOAN AND ADVANCES			
Loan - Unsecured			
Considered good			
Current portion of loan to employees	6	2,744,563	1,523,892
Advances - Unsecured			
Considered good			
to staff	10.1	3,897,683	3,108,359
to growers	10.2	82,630,782	54,506,878
for services	10.3	9,744,693	7,310,501
for expenses	10.4	3,585,681	20,387,989
to suppliers	10.5	53,927,385	86,663,984
		153,786,224	171,977,711
		156,530,787	173,501,603

	Note	2013 Rupees	2012 Rupees
10.1 Advances - Unsecured			
To staff			
Considered good		3,897,683	3,108,359
Considered doubtful		366,728	366,728
		4,264,411	3,475,087
Provision for bad balances		(366,728)	(366,728)
		3,897,683	3,108,359
10.2 Advances to growers			
Against sugarcane purchase			
Considered good		82,630,782	54,506,878
Considered bad		1,427,711	1,427,711
		84,058,493	55,934,589
Provision for bad balances		(1,427,711)	(1,427,711)
		82,630,782	54,506,878
10.3 Advances for services			
To contractor			
Considered good		9,744,693	7,310,501
Considered bad		1,169,816	1,169,816
		10,914,509	8,480,317
Provision for bad balances		(1,169,816)	(1,169,816)
		9,744,693	7,310,501
10.4 Advances for expenses			
To contractor			
Considered good		3,585,681	20,387,989
Considered bad		1,277,255	1,277,255
		4,862,936	21,665,244
Provision for bad balances		(1,277,255)	(1,277,255)
		3,585,681	20,387,989

	Note	2013 Rupees	2012 Rupees
10.5 Advances to suppliers			
Considered good		53,927,385	86,663,984
Considered bad		6,294,286	6,294,286
		60,221,671	92,958,270
Provision for bad balances		(6,294,286)	(6,294,286)
		53,927,385	86,663,984

11. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2013 Rupees	2012 Rupees
Deposits		5,830,689	5,834,689
Prepayments		990,641	1,163,043
Insurance claim		-	14,500,000
		6,821,330	21,497,732

12. TAX REFUNDS DUE FROM GOVERNMENT

	Note	2013 Rupees	2012 Rupees
Opening balance	20	2,334,793	(4,427,516)
Prior year tax		5,404,716	4,417,043
Tax paid / deducted during the year		21,829,331	10,919,425
		29,568,840	10,908,952
Tax charged for the year	28	-	(8,574,159)
		29,568,840	2,334,793

13. CASH AND BANK BALANCES

	Note	2013 Rupees	2012 Rupees
Cash in hand		459,722	1,899,056
Cash at banks - in current account		118,978,725	6,458,743
		119,438,447	8,357,799

	Note	2013 Rupees	2012 Rupees

14. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2013 Number of Shares	2012 Number of Shares		2013 Rupees	2012 Rupees
16,017,500	16,017,500	Ordinary shares of Rs.10 each fully paid in cash	**160,175,000**	160,175,000

15. SURPLUS ON REVALUATION OF FIXED ASSETS

	2013 Rupees	2012 Rupees
Opening balance	415,711,018	437,029,040
Surplus arises during the year	125,753,015	-
	541,464,033	437,029,040
Transferred to equity in respect of incremental depreciation - net of deferred tax	(15,205,756)	(13,856,714)
Related deferred tax liability of incremental depreciation	(8,139,348)	(7,461,308)
	(23,345,104)	(21,318,022)
	518,118,929	415,711,018
Less:		
Related deferred tax liability at beginning of the year	141,764,847	149,226,155
Related liability surplus arises during the year	42,756,025	
On incremental depreciation for the year	(8,139,348)	(7,461,308)
	176,381,524	141,764,847
	341,737,405	273,946,171

15.1 The Company has carried out revaluation of freehold land, factory building and plant & machinery by independent valuer M/s. Consultancy Support & Services 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	2013 Rupees	2012 Rupees

16. LONG TERM LOANS

	Note	2013 Rupees	2012 Rupees
Secured			
Subordinated loan - Related party	16.1	988,671,743	900,717,742

16.1 This represents interest free loan from the directors of the Company and not repayable within twelve months.

17. DEFERRED LIABILITIES

	Note	2013 Rupees	2012 Rupees
Staff retirement gratuity	17.1	38,514,664	34,697,625

17.1 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.

17.2 Deferred taxation comprises differences relating to:

	2013 Rupees	2012 Rupees
Debit arise in respect of the following:		
Accelerated tax depreciation	406,262,497	377,779,047
Credit arise in respect of the following:		
Provision for gratuity	(13,094,986)	(12,144,169)
Provision for stores, loans and advances	(4,582,709)	(3,616,704)
Tax losses	(445,677,303)	(360,216,835)
Minimum tax impact	(23,917,615)	(41,941,798)
Un recognized deferred tax asset	81,010,116	40,140,459
	(406,262,497)	(377,779,047)
	-	-

17.3 The deferred tax asset of Rs.81.010 (2012 : Rs.40.140 million) arises which has not been recognised owing to uncertainty regarding future profitability against which deferred tax asset could be set off.

	Note	2013 Rupees	2012 Rupees
18. SHORT TERM BORROWINGS			
- From banking company			
Secured			
Cash finance	18.1	238,096,500	155,000,000
- From related party			
Unsecured			
Directors		151,985,602	-
Other related party		36,721,936	-
	18.2	188,707,538	-
		426,804,038	155,000,000

18.1 This represents roll over secured financing of Rs. 600 million (2012 : Rs. 400 million) from a banking company and is repayable by December 2013. This carries markup at 3 Month KIBOR + 2.0% (2012 : 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.

18.2 This represents interest free loan from the directors & close family member of the Company.

	Note	2013 Rupees	2012 Rupees
19. TRADE AND OTHER PAYABLES			
Trade creditors		48,283,644	33,725,242
Accrued liabilities		22,708,787	17,194,559
Market committee fee payable		8,683,690	5,901,506
Workers' Profit Participation Fund	19.1	21,679,894	18,937,713
Advance from customers		598,670,663	381,247,127
Unclaimed Gratuity		8,085,657	6,321,544
Other payables - Related Party	19.2	256,201,637	396,492,619
Sales tax payable		7,302,847	7,672,122
Workers' Welfare Fund		1,282,043	1,282,043
		972,898,862	868,774,475

		Note	2013 Rupees	2012 Rupees
19.1	**Workers' Profit Participation Fund**			
	Beginning balance		18,937,713	16,311,553
	Interest on funds utilized in the Company's business	27	2,742,181	2,626,160
			21,679,894	18,937,713

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

20. CONTINGENCIES

20.1 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.

20.2 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.

20.3 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 millions 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 millions 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.

20.4 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. However the High Court has decided the case in favor of the Company and this matter has been remanded to the Hon'ble High Court of Sindh by the Hon'ble Supreme Court of Pakistan.

20.5 The appeal against the Decree passed by the learned II District Judge Khairpur requiring the company to pay market committee fee of Rs.14.56 million is pending before the High Court of Sindh. The Company has recorded the liability of Rs.6.89 million to date and expects that the balance amount will not be payable by it.

20.6 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.

20.7 During 2009-10, Company received show cause notice from Competition Commission of Pakistan (CCP) under the Competition Ordinance, 2009 for violation of certain provisions of the Ordinance. The Company alongwith other sugar mills filed Constitutional Petition before the hon'ble High court of Sindh challenging the Ordinance. The hon'ble 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 Hon'ble Supreme Court of Pakistan which was disposed off by the Hon'ble Supreme Court of Pakistan based on the ground that the matter was pending before the Hon'ble High Courts of Sindh & Lahore.

The petitions were heard and was adjourned. The financial impact on this issue can not be determined at this stage.

20.8 The Company has filed a petition before High Court of Sindh against Pakistan Standards and Quality Control Authority (PSQCA), challenging the notifications issued in respect of registration of the standard mark for refined sugar manufactured and sold by the Company. The authority has demanded the payment of marking fee at the rate of 0.1% of ex-factory price of sugar sold.

The Hon'ble High Court of Sindh decided the case in favour of the Company. However PSQCA filed petition before the Hon'ble Supreme Court of Pakistan. The Hon'ble Supreme Court of Pakistan maintained the judgment of the Hon'ble High Court of Sindh and restrain PSQCA from demanding any marks or licensing fee from Sugar Mills till further order.

21. SALES - NET

	Note	2013 Rupees	2012 Rupees
Local			
Sale of sugar		2,134,858,440	1,546,329,650
Sale of by-products		209,310,000	137,927,600
		2,344,168,440	1,684,257,250
Sales tax and federal excise duty		(141,819,486)	(114,542,937)
		2,202,348,954	1,569,714,313
Export			
Sale of sugar		114,248,265	145,117,448
		2,316,597,219	1,714,831,761

22. COST OF SALES

	Note	2013 Rupees	2012 Rupees
Raw material consumed		2,411,107,947	1,569,878,791
Stores and spares consumed		19,762,828	17,722,526
Packing material consumed		19,683,769	13,845,674
Salaries and wages	22.1	71,271,671	66,192,709
Power and fuel		27,979,932	29,054,218
Freight and handling		3,009,755	3,815,278
Wastage removing and cane feeding		5,363,511	4,762,193
Repair and maintenance		15,677,633	12,887,141
Printing and stationery		1,124,529	759,938
Vehicle running expenses		7,252,156	5,877,574
Insurance		5,070,944	3,752,745
Other manufacturing expenses		147,446	278,971
Depreciation	5.2	74,215,781	74,708,277
		2,661,667,902	1,803,536,035
Work in process			
Opening stock		677,940	925,341
Closing stock		(726,304)	(677,940)
		(48,364)	247,401
Cost of goods manufactured		2,661,619,538	1,803,783,436
Finished goods			
Opening stock		213,901,799	199,333,497
Closing stock		(299,321,027)	(213,901,799)
		(85,419,228)	(14,568,302)
		2,576,200,310	1,789,215,134

22.1 These include an amount of Rs.4.375 (2012 : Rs.4.279) million in respect of staff retirement benefits.

23. ADMINISTRATIVE EXPENSES

	Note	2013 Rupees	2012 Rupees
Directors' remuneration		18,455,578	16,628,535
Salaries and other benefit	23.1	38,086,798	36,896,514
Communication expenses		1,975,979	1,674,665
Repair and maintenance		3,833,092	3,221,349
Traveling and conveyance		1,076,767	6,785,667
Electricity and gas		7,316,827	6,843,787
Legal and professional charges		864,810	991,974
Fees and subscription		758,294	662,806
Rent, rates and taxes		916,210	343,097
Printing and stationery		368,682	293,484
Entertainment		2,692,238	2,656,346
Insurance		506,782	162,779
Auditors' remuneration	23.2	495,800	473,250
Charity and donation	23.3	1,457,367	3,465,631
General expenses		262,293	67,304
Security expenses		236,964	617,906
Depreciation	5.2	1,185,101	1,128,211
		80,489,582	82,913,305

23.1 These include an amount of Rs.5.519 (2012 : Rs.3.881) million in respect of staff retirement benefits.

23.2 Auditors' Remuneration

	2013 Rupees	2012 Rupees
Statutory audit		
Haroon Zakaria & Co.		
Audit fee	300,000	300,000
Other Certification	35,000	25,000
Half yearly review fee	55,000	40,000
Tax services	23,200	40,250
Out of pocket expenses	12,600	3,000
	425,800	408,250
Cost audit		
Siddiqui & Co.		
Cost audit fee	70,000	65,000
	495,800	473,250

	Note	2013 Rupees	2012 Rupees

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

24. DISTRIBUTION EXPENSES

	Note	2013 Rupees	2012 Rupees
Advertisement and publicity		107,530	567,972
Loading and unloading		7,136,031	7,612,524
Miscellaneous		-	280,070
		7,243,561	8,460,566

25. OTHER OPERATING EXPENSES

	Note	2013 Rupees	2012 Rupees
Markup receivable written-off		-	958,413
Provision against loan to employees		-	323,720
Provision against advance to suppliers		-	4,612,077
		-	5,894,210

26. OTHER OPERATING INCOME

	Note	2013 Rupees	2012 Rupees
Income from financial asset			
Markup on receivables from growers		16,448	-
Income from assets other than financial assets			
Insurance claim		-	10,953,596
Gain on disposal of operating fixed assets		1,236	-
Liabilities written-back		9,254,991	23,944,055
Exchange gain		353,110	681,028
Miscellaneous		30,584	-
		9,639,921	35,578,679
		9,656,369	35,578,679

27. FINANCE COST

	Note	2013 Rupees	2012 Rupees
Bank charges		718,050	212,581
Markup on cash finance		40,138,212	32,622,200
Interest on Workers' Profit Participation Fund	19.1	2,742,181	2,626,160
		43,598,443	35,460,941

	Note	2013 Rupees	2012 Rupees
28. TAXATION			
Current			
- for the year	28.1	-	8,574,159
- for prior years		(5,404,716)	-
		(5,404,716)	8,574,159
Deferred		(42,756,025)	(12,679,157)
		(48,160,741)	(4,104,998)

28.1 Tax charge reconciliation

Reconciliation between tax expense and accounting profit has not been made as there is no tax charge in current year according to the provisions of Income Tax Ordinance 2001.

Returns for the tax year upto 2012 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.

	2013 Rupees	2012 Rupees
29. LOSS PER SHARE		
- Basic and Diluted		
Loss after taxation attributable to ordinary shareholders	(333,117,567)	(167,428,718)
Weighted average number of ordinary shares in issue	16,017,500	16,017,500
Loss per share - Basic and Diluted	(20.80)	(10.45)

	Note	2013 Rupees	2012 Rupees

30. CASH AND CASH EQUIVALENTS

	Note	2013 Rupees	2012 Rupees
Cash and bank balances	13	119,438,447	8,357,799
Short term borrowings	18	(238,096,500)	(155,000,000)
		(118,658,053)	(146,642,201)

31. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

PARTICULARS	2013			
	Chief Executive	Directors	Executives	Total
	RUPEES			
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	

PARTICULARS	2012			
	Chief Executive	Directors	Executives	Total
	RUPEES			
Managerial remuneration	2,902,500	4,111,875	6,269,413	13,283,788
Housing	1,305,000	1,848,750	-	3,153,750
Utilities	292,500	414,375	-	706,875
Perquisites and other benefits	-	5,753,535	-	5,753,535
	4,500,000	12,128,535	6,269,413	22,897,948
Number of Persons	1	6	4	11

31.1 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.

32. 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: -

	2013 Rupees	2012 Rupees
Loan from Related Party		
Receipts of loan	397,361,326	239,470,000
Repayment of loan	120,699,787	153,914,105
Other Payables		
Repayments of short term loan - markup free	140,290,982	77,620,939

32.1 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 32.

33. CAPACITY AND PRODUCTION

Season	Rated capacity	Number of days	Actual Production	Standard Production based on installed capacity
2012-2013	7,000 TCD	143	47,130 M.T	84,784 M.T
2011-2012	7,000 TCD	128	34,425 M.T	77,056 M.T

The shortfall is due to limited supply of sugar cane.

34. FINANCIAL INSTRUMENTS BY CATEGORY

	2013 Rupees	2012 Rupees
FINANCIAL ASSETS		
Loans and receivables		
Long term loans and advances	694,735	457,572
Long term deposits	218,899	218,899
Loans, advances and receivables	6,642,246	4,632,251
Trade debts	-	37,043,527
Trade deposits	5,830,689	5,834,689
Cash and bank balances	119,438,447	8,357,799
	132,825,016	56,544,737
FINANCIAL LIABILITIES		
Financial liabilities - at fair value through profit and loss		
Long term loans including current maturity	988,671,743	900,717,742
Employee benefit	38,514,664	34,697,625
Trade and other payables	942,634,078	840,882,597
	1,969,820,485	1,776,297,964

35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The company's activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk and liquidity risk. The company's overall risk management focuses on the unpredictability of prices of the sugar and by product (Molasses) and purchase price of the sugarcane and seeks potential adverse effects on the company's financial performance.

a) Credit risk
b) Liquidity risk
c) Market Risk

Risk management framework

The Board meets frequently throughout the year for developing and monitoring the Company’s risk management policies. The Company’s risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company’s activities.

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. 132.689 million (2012 : Rs.19.501 million), the financial assets which are subject to credit risk amounted to Rs. 13.251 million (2012 : Rs.17.602 million).

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

	2013 Rupees	**2012 Rupees**
Long term loans and advances	694,735	457,572
Long term deposits	218,899	218,899
Loans, advances and receivables	6,642,246	4,632,251
Trade debts	-	37,043,527
Trade deposits	5,830,689	5,834,689
Bank balances	118,978,725	6,458,743
	132,365,294	54,645,681

Impairment

The ageing of trade debts as at balance sheet date are as follows;

	2013		2012	
	Gross Debts	Impaired	Gross Debts	Impaired
	RUPEES			
Past due 0 - 30 days	-	-	37,047,527	-

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:-

Financial Liabilities	2013				
	Carrying Amount	Contractual Cash flows	Six months or Less	Six to twelve months"	More than twelve months
	RUPEES				
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)	-	-
	1,371,149,822	(1,371,149,822)	(343,963,415)	-	(1,027,186,407)

Financial Liabilities	2012				
	Carrying Amount	Contractual Cash flows	Six months or Less	Six to twelve months"	More than twelve months
	RUPEES				
Long term loans	900,717,742	(900,717,742)	-	-	(900,717,742)
Staff retirement gratuity	34,697,625	(34,697,625)	-	-	(34,697,625)
Trade and other payables	459,635,470	(459,635,470)	(459,635,470)	-	-
	1,395,050,837	(1,395,050,837)	(459,635,470)	-	(935,415,367)

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. The Company is exposed to foreign exchange currency risk on export of refined sugar denominated in US dollars. The Company's exposure to foreign currency risk for US Dollars is as follows:

	2013 Rupees	2012 Rupees
Foreign debtors	-	37,043,527

The following significant exchange rate has been applied:

	Average Rate		Spot Rate at Reporting Date	
	2013	2012	2013	2012
USD to PKR	-	94.37	-	94.50

Currency risk sensitivity analysis

At reporting date, if the PKR had strengthened by 10% against the US $ with all other variables held constant, loss/profit for the year would have been higher by the amount shown below:

	2013 Rupees	2012 Rupees
Effect on profit and loss	-	3,704,353

The weakening of the PKR against US $ would have had an equal but opposite impact on the loss / profit.

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

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:-

	2013 Rupees	2012 Rupees
	Effective Interest Rate (In Percent)	
Variable Rate Instruments		
Financial liabilities		
Short term borrowings	11.98%	14.60%

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 2013		
Cash flow Sensitivity	2,380,965	(2,380,965)
As at September 30 2012		
Cash flow Sensitivity	1,550,000	(1,550,000)

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.

36. 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.

	2013 Rupees	2012 Rupees
Total borrowings	1,415,475,781	1,055,717,742
Less: Cash and bank balances	(119,438,447)	(8,357,799)
Net debt	1,296,037,334	1,047,359,943
Owner's capital	160,175,000	160,175,000
Total Capital	1,456,212,334	1,207,534,943
Gearing ratio (%)	89.00	86.74

37. 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.

38. RECLASSIFICATION

Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of better presentation. Significant reclassification are as follows:

Description	Head of account of the financial statements for the year ended June 30, 2012	Head of account of the financial statements for the year ended June 30, 2013	Amount Rupees
Loan Term Advances	Long Term Loans & Advances	Loans & Advances	3897683

39. OPERATING SEGMENT

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

39.2 Revenue from sale of sugar represents 91% (2012 : 92%) of the gross sales of the Company.

39.3 99.5% (2012 : 92%) of the gross sales of the Company are made to customers located in Pakistan.

39.4 All non-current assets of the Company at September 30, 2013 are located in Pakistan.

40. NUMBER OF EMPLOYEES

	2013	2012
Number of employees as at	598	589
Average number of employees	729	716

41. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on December 30, 2013 by the Board of Directors of the Company.

42. GENERAL

Figures have been rounded off to the nearest rupee.

Muhammad Mubeen Jumani
Chief Executive

Faraz Mubeen Jumani
Managing Director

Karachi, Dated:
December 30, 2013

PATTERN OF HOLDING
AS AT 30TH SEPTEMBER, 2013

No of Shareholders	Share Holding					Total Shares Held
6	FROM	1	TO	100	SHARES	600
90	FROM	101	TO	500	SHARES	44,000
6	FROM	501	TO	1,000	SHARES	5,900
1	FROM	1,001	TO	10,000	SHARES	14,000
NIL	FROM	10,001	TO	20,000	SHARES	NIL
1	FROM	20,001	TO	50,000	SHARES	35,000
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	1,040,000
1	FROM	2,000,001	TO	3,000,000	SHARES	2,669,600
1	FROM	3,000,001	TO	4,000,000	SHARES	3,088,000
1	FROM	4,000,001	TO	5,000,000	SHARES	4,728,127
119	**TOTAL**					**16,017,500**

COMBINED PATTERN OF SHAREHOLDING
AS AT SEPT. 30, 2013

S. No.	DESCRIPTION		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	4,728,127			
	- 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	1,040,000			
	- Mr. Faraz Mubeen Jumani	450,000			
	- Miss. Arisha Mubeen Jumani	58,500			
			9	8,328,872	52.00
3	**Banks, Development Financial Institutions, Non Banking Financial Institutions, Insurance Companies and Mutual Funds etc.**				
	- Bankers Equity Limited	2,669,600			
	- National Bank of Pakistan (ex-National Development Finance Corp)	3,088,000			
	- Investment Corporation Of Pakistan	1,000	3	5,758,600	35.95
4	**Joint Stock Companies**				
	- E.F.U. General Insurance		1	14,000	0.09
5	**Individuals**				
	- Individuals		106	1,916,028	11.96
	- Auditors, CFO, Company Secretary and their Spouses, Child etc.		NIL	NIL	NIL
6	**Others**				
	Total		119	16,017,500	100.00

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

S. No.	NUMBER OF SHAREHOLDERS	Description	No. of Shares Held	Percentage %
1	Mr. Muhammad Mubeen Jumani		4,728,127	29.51
2	Bankers Equity Limited		2,669,600	16.67
3	National Bank of Pakistan (ex-National Development Finance Corp)		3,088,000	19.28

FORM OF PROXY

The Company Secretary
Khairpur Sugar Mills Limited
Khairpur House, G-22/II, Gizri Avenue
Defence Housing Authority, Phase IV,
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 24th Annual General Meeting of the Company to be held on Thursday, January 30, 2014 and at any adjournment thereof.

As witness my / our hand this .... day of ....2014.

Five Rupees Revenue Stamp

____
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.