



27th

Annual Report 2016



more than
Sugarcane

more than **Sugarcane**



Sugarcane is the world's largest crop by production quantity. It literally is showing its strength through its transformation quality. Cultivated on about 26.0 million hectares, in more than 90 countries, with a worldwide harvest of 1.83 billion tons. Pakistan is the fifth major producer, of sugarcane in the world. There are many other things sugarcane gives, besides sugar. Let us share some of them, as part of our theme this year. Lets look at more that what meets the eye, more than just sugarcane.

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MAJOR MILESTONES

1989

Incorporation of
the company

1992

Listed with Karachi
Stock Exchange
now Pakistan
Stock Exchange

2008

Started expansion of
the plant from 4000
TCD to 7000 TCD

1995

Commencemnt of
Commercial
Production

2011

Completed
Modernization
and Expansion
of Plant which
enhanced crushing
capacity to 7,000 TCD

2015

Highest recovery
rate 10.60 %

2014

Highest production
of sugar 84,430
M.Tons

KSML History

Khairpur Sugar Mills Limited was incorporated on August 23, 1989 as a public limited company under Companies Ordinance and the plant is located in Kot Diji area of Khairpur District, Sindh, Pakistan.

Khairpur Sugar Mills Limited has been manufactured under licence by Fives Cail Babcock (FCB) of France. Trial production began on 17 January, 1994 and commercial operation started on 01 March, 1995. The Management decided to upgrade the plant in 2008 to a proposed capacity of 7,000 metric tons daily. The up gradation was completed in 2011. Khairpur Sugar Mills Limited also facilitates the local area Cane Growers in the form of seeds and fertilizer subsidy. Khairpur Sugar Mills Limited is also a listed company with Pakistan Stock Exchange Limited (Formerly Karachi Stock Exchange Limited).

CORPORATE INFORMATION

Date of Incorporation

August 23, 1989

Date of Commencement of Business

September 13, 1989

BOARD OF DIRECTORS

Mr. Muhammad Mubeen Jumani - Chief Executive Officer

Mr. Faraz Mubeen Jumani - Managing Director

Mr. Fahad Mubeen Jumani

Mrs. Qamar Mubeen Jumani - Chairperson

Miss. Arisha Mubeen Jumani

Mr. Ahmed Ali Jumani

Lt. Gen (Retd.) Anis Ahmed Abbasi

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

Habib Bank Limited

STATUTORY AUDITORS

M/S. Haroon Zakaria & Company

Chartered Accountants

M I - M IV, Mezzanine 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

Lt. Gen (Retd.) Anis Ahmed Abbasi - Chairman

Mr. Ahmed Ali Jumani - Member

Mrs. Qamar Mubeen Jumani - Member

HR AND REMUNERATION COMMITTEE

Miss. Arisha Mubeen Jumani - Chairman

Lt. Gen (Retd.) Anis Ahmed Abbasi - Member

Mr. Muhammad Mubeen Jumani - Member

LEGAL ADVISOR

Syed Zafar Ali Shah (Advocate)

Bukhari Law Associates, B-8, 3rd Floor,

Jumani Arcade, University Road,

Gulshan-e-Iqbal, 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. - 75500

Ph: 021-35810771-75

Fax: 021-35810776

MILLS

Naroo Dhoro, Taluka Kot Diji, Khairpur.

E-MAIL & WEBSITE

headoffice@jumanigroup.com

www.jumanigroup.com

STOCK EXCHANGE SYMBOL - KPUS



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.

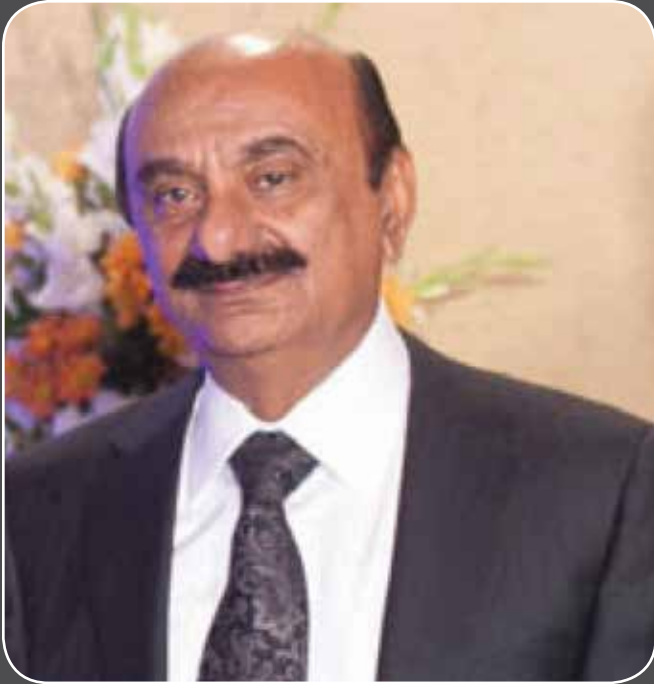
MISSION STATEMENT

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.





CHIEF EXECUTIVE OFFICER'S PROFILE



Muhammad Mubeen Jumani

Mr. Muhammad Mubeen Jumani is the Chairman of Jumani Group of Companies completing his education from University of Karachi in 1972 with a Bachelor in Commerce degree, stepped into the construction industry in 1974 by founding Jumani Group of Companies. Under his leadership and guidance more than 25 high rise projects have been completed so far and at the moment two residential societies are also under development in the Gulshan-e-Iqbal area of Karachi Pakistan.

Khairpur Sugar Mills Limited was set up in the year 1989 in the Khairpur District region of Sindh with a crushing capacity of 4,000 TCD under the Jumani Group of Companies umbrella. Today, the plant's crushing capacity is 7,000 TCD and all long term loans on the project have been paid.

Mr. Jumani also head a charitable trust with the name of Hidayat Jumani Welfare Trust which is operating in the interior as well as major cities in Sindh province. It is also important to mention here that Mr. Muhammad Mubeen Jumani has served as member of board of Directors for Pakistan International Airlines (1993-1996) and Pakistan Industrial Development Corporation (2011-2013).

MANAGING DIRECTOR'S PROFILE



Faraz Mubeen Jumani

Mr. Faraz Mubeen Jumani completed his early education from BVS Parsi High School in Karachi. Moving to the United States of America for higher studies, completed his Bachelors in Business Administration from AIU South Florida and his Master in Business Administration from NOVA Southeastern University in 2011. In 2012, he officially joined KSML in full time capacity as Deputy Managing Director and in 2014 was promoted as Managing Director of the company by the board of Directors.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 27th Annual General Meeting of KHAIRPUR SUGAR MILLS LIMITED will be held at our registered office 3rd Floor, Plot No. 15-C, 9th Commercial Lane, Zamzama, DHA Phase V, Karachi on Monday, February 27, 2017 at 02.30 pm to transact the following business

ORDINARY BUSINESS

1. To confirm the minutes of the 26th Annual General Meeting of the Company which was held on January 30, 2016.
2. To receive, consider and approve the Annual Audited Financial Statements of the Company for the year ended September 30, 2016 together with the Directors' and Auditors' report thereon.
3. To appoint Auditors for the year ending September 30, 2017 and fix their remuneration. The Audit Committee of the Board has recommended the retiring auditors M/s. Haroon Zakaria & Company, Chartered Accountants being eligible have offered themselves for re-appointment.

SPECIAL BUSINESS

4. To consider, and if thought fit, to pass the following resolution as Special Resolution

The following statements set out material facts concerning "Special Business" to be transacted at the 27th Annual General Meeting of the Company:

- (i) In compliance with Section 218(2) of the Companies Ordinance, 1984, for the fixation of remuneration of the Directors:

"RESOLVED that pursuant to Section 218(2) of the Companies Ordinance, 1984, subject to the consent and approval of the shareholders, the board of Directors of the Company be and is hereby approves and authorizes payment of remuneration from 01/02/2017 to Chief Executive Officer and Executive Directors not exceeding Rs. 24,000,000 and Rs. 12,000,000 per annum respectively, inclusive of perquisites and benefits but exclusive of medical expenses and the above remuneration shall be subject to such increases, adjustment and restructuring within approved limit including bonus/profit share as may be granted at any time and from time to time by the Company in accordance with the company policies".

"FURTHER RESOLVED that subject to consent and approval of the shareholders, the Board of Directors of the Company be and is hereby authorized Chief Executive Officer and Executive Directors for free use of company maintained transport for official and private purpose and reimbursement of travelling expenses incurred for the purpose of company's objectives".

- (ii) The Securities and Exchange Commission of Pakistan (SECP) has allowed the Companies under notification S.R.O 470(I) 2016 dated May 31, 2016 and subject to consent and approval of the shareholders, the Company to circulate its Annual Audited Accounts through CD/DVD/USB to all members and board of Directors of the Company and Company Secretary are authorized to do all acts, deeds and things that may be necessary or required to give effect to this resolution. The Company however, shall place on its website a standard request form to enable those members requiring a hardcopy of the Annual Audited Accounts instead of through CD/DVD/USB, to intimate the Company of their requirement.

"RESOLVED that the Board of Directors of the Company be and is hereby authorized to circulate the annual balance sheet and profit and loss account, auditors' report, directors' report, notice of Annual General Meeting etc., (annual audited accounts) to its members through CD/DVD/USB; that the board of Directors of the Company and the Company Secretary be and are hereby authorized to do all acts, deeds and things that may be necessary or required to give effect to this resolution"

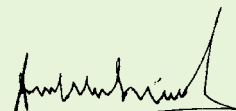
(iii) The Securities and Exchange Commission of Pakistan (SECP) has allowed the members of the company to use their voting rights through electronic means (e-voting) by giving their consent in writing at least 10 days before the date of meeting of the company on the appointment of Executive Officer by the intermediary as a Proxy.

“Resolved that pursuant to compliance of S.R.O 43(I)/2016 dated January 22,2016 and subject to the consent and approval of the shareholders, it is resolved that Articles of Association of the company be and is hereby amended by inserting the following new clause after clause 62;

(62A) A member may opt for e-voting in a general meeting of the Company under the provisions of the Companies (E-voting) Regulations 2016 (including any statutory modification thereof), as amended from time to time, in case of e-voting only Members can be appointed as proxy. The instruction to appoint execution officer and option to e-vote through intermediary shall be required to be deposited with the company, at least ten (10) days before holding of the general meeting, at the Company’s head office address or through email. The Company will arrange for e-voting if the company receives demand for poll from at least five (5) members or by any member having not less than one tenth of the voting power”.

5. To transact any other business with permission of the Chair

By order of the Board



Abdul Wahid Naviwala
Company Secretary

Karachi: January 18, 2017

Notes

1. The share transfer book of the Company shall remain closed with effect from February 25, 2017 to March 04, 2017 (both days inclusive). Transfers received at the office of Shares Registrar M/S. C.K Management Associates (Pvt.) Limited, 404, Trade Tower, Abdullah Haroon Road, Near Metropole Hotel, Karachi Phone 021-35687839 & 35685930 at the close of business on Friday February 24, 2017 will be considered in time to attend and vote at the meeting and for the purpose of any entitlement to the transferees.
2. A member eligible to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her proxy, in order to be effective must reach the Company Register Office not less than 48 hours before the time of the meeting during working hours.
3. The shareholders are advised to notify the Registrar of any change in their addresses.

Submission of copies of CNIC and NTN Certificates (Mandatory)

Pursuant to the Securities and Exchange Commission of Pakistan (SECP) Notifications dated January 10, 2014, July 05, 2012 and August 18, 2011, it is hereby informed that the individual members who have not yet submitted photocopy of their valid CNIC to the Company are once again advised to send the same at their earliest to our Shares Registrar/Registered office. The Corporate entities are requested to provide their National Tax Number (NTN).

NOTICE OF ANNUAL GENERAL MEETING

Guidelines for CDC Holders

CDC Accounts holders will further have to follow the guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities & Exchange Commission of Pakistan.

A For Attending the Meeting

- I) In the case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the CDC Regulations, shall authenticate their identity by showing their original Computerized National Identity Card ("CNIC") or original Passport at the time of attending the meeting.
- II) In the case of corporate entities, the Board of Directors resolution/power of attorney with specimen signature of the nominee shall be produced at the time of the meeting (unless provided earlier).

B For Appointing Proxies

- I) In the case of individuals, the account holder or sub-account and / or the person whose securities are in group account and their registration details are uploaded as per the CDC Regulations shall submit the proxy form as per the above mentioned requirements.
- II) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- III) Attested copies of the CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- IV) The proxy shall produce his/her original CNIC or original passport at the time of the meeting.
- V) In the case of corporate entities, the board of Directors resolution/power of attorney with specimen signature of the nominee shall be submitted (Unless provided earlier) along with the proxy form to Company.

The Directors of the Company have no interest in the Special Business except in their capacity as shareholders and Directors of the Company. Statement(s) under section 160 of the Companies Ordinance, 1984, pertaining to the above-mentioned Special Businesses, are being sent to the Members with the notice.

سالانہ اجلاس عام کانوٹس

قبل فراہم کرنا ہوگا)

بی۔ پراسیسر کی تقرری کیلئے

(I) انفرادی ہونے کی صورت میں، اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر اور/یا وہ شخص جس کی سیکورٹیز گروپ اکاؤنٹ میں ہوں اور ان کی رجسٹریشن کی تفصیلات سی ڈی سی قوانین کے تحت اپ لوڈ کی جا چکی ہوں کو مذکورہ میں بتائی گئی ضروریات کے تحت اپنا پراسیسر فارم جمع کرانا ہوگا۔

(II) پراسیسر فارم پر دو گواہان کے نام، پتے اور سی این آئی سی نمبرز فارم میں واضح کرنا ہوں گے۔

(III) فائدہ مند مالکان کے سی این آئی سی یا پاسپورٹ کی مصدقہ کاپیاں پراسیسر کو پراسیسر فارم کے ہمراہ فراہم کرنا ہوگا۔

(IV) پراسیسر کو اجلاس کے وقت اپنا اصل سی این آئی سی یا اصل پاسپورٹ پیش کرنا ہوگا۔

(V) کارپوریٹ ادارے کی صورت بورڈ آف ڈائریکٹران کی قرارداد/نامزد کردہ نمائندے کے مخصوص دستخط کے ساتھ پاور آف اٹارنی کمپنی کو پراسیسر فارم کے ہمراہ جمع کرنا ہوگا۔

(اجلاس سے قبل)

کمپنی کے ڈائریکٹران کا خصوصی کاروبار میں کوئی مفاد وابستہ نہیں سوائے حصص یافتگان یا کمپنی کے ڈائریکٹران کے۔ کمپنیز آرڈیننس، 1984 کی زبردفعہ 160 کے تحت گوشوارے جو مذکورہ میں بتائے گئے خصوصی کاروبار پر مشتمل ہوا سے مہران کوٹس کے ساتھ روانہ کیا جائے گا۔

ایشن اور یہ ترمیم کی گئی ہے کہ مندرجہ ذیل نئی شق کو شق 62 کے بعد ڈالا جائے؛

(62A) ایک ممبرینیز (ای۔ وونگ) قوانین 2016 کی شقوں کے تحت کمپنی کے سالانہ اجلاس عام میں ای۔ وونگ کا استعمال کر سکتا ہے (بشمول اس میں کسی بھی قانونی ترمیم کے) جیسا کہ وقتاً فوقتاً ترمیم کی گئی، ای۔ وونگ کی صورت میں صرف ممبران پر کسی کی تقرری کر سکتے ہیں۔

ایگزیکوشن افسر کی تقرری کی ہدایات اور ای۔ وونگ کا استعمال بذریعہ پر کسی کرنے کیلئے کمپنی کو ہیڈ آفس کے پتہ پر یا بذریعہ ای میل سالانہ اجلاس عام سے کم از کم 10 یوم قبل مطلع کرنا ہوگا کمپنی ای۔ وونگ کا انتظام اس صورت میں کرے گی اگر اسے کم سے کم پانچ ممبران کی طرف سے پول کیلئے ڈیمانڈ وصول ہوئیں یا کسی ممبر کے پاس وونگ پاور کا 1/10 واں حصے سے کم ہو۔

5۔ چیئرمین کی اجازت سے دیگر کاروباری امور طے کئے جائیں گے۔

بحکم بورڈ

عبدالواحد ناویالہ

کمپنی سیکریٹری

کراچی: جنوری 18، 2017

نوٹس

1۔ کمپنی کی حصص منتقلی کی کتابیں فروری 25، 2017 تا مارچ 04، 2017 (بشمول دونوں ایام) بند رہیں گی۔ شیئرز رجسٹر اریمرسی۔ کے۔ منجمنٹ ایسوسی ایشن (پرائیویٹ) لمیٹڈ کے آفس واقع 404، ٹریڈ ٹاور، عبداللہ ہارون روڈ، نزد میٹروپول ہٹل کراچی۔ فون 021-35687839 اور 35685930 جمعہ 24 فروری 2017 تک پراوقات کار کے دوران موصول ہونے والے ٹرانسفرز کو بروقت تصور کیا جائے گا، ٹرانسفرز کے کسی بھی تبدیل شدہ کے استحقاق کا مقصد ووٹ دینے اور اجلاس میں شرکت کر سکے گا۔

2۔ کمپنی کا ہر ممبر ووٹ دینے اور اجلاس میں شرکت کا اہل ہے اور وہ اپنی جگہ اجلاس میں شرکت اور ووٹ دینے کیلئے اپنا پر کسی مقرر کر سکتا ہے، اس سلسلے میں اسے کمپنی رجسٹر آفس کو اجلاس سے کم سے کم 48 گھنٹے قبل اوقات کار کے دوران مطلع کرنا ہوگا۔

3۔ حصص یافتگان کو مشورہ دیا جاتا ہے کہ وہ اپنے پتوں میں کسی بھی تبدیلی کی صورت رجسٹر اریمرس کو مطلع کریں۔

کمپیوٹرائزڈ قومی شناختی کارڈ اور این ٹی این سرٹیفکیٹس کی کاپیاں (لازمی) جمع کرانا ہوں گی۔

سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (ایس ای سی پی) کے نوٹیفیکیشن بتاریخ جنوری 10، 2014، جولائی 05، 2012 اور اگست 18، 2011 کی روشنی میں ان تمام انفرادی ممبران کو مطلع کیا جاتا ہے کہ جنہوں نے تاحال اپنی مستندی این آئی سی کی فوٹو کاپیاں کمپنی کو جمع نہیں کرائیں انہیں ایک بار پھر صلاح دی جاتی ہے کہ وہ ہمارے شیئرز رجسٹر اریمرس آفس کو فوری طور پر مذکورہ کاپیاں ارسال کریں۔ کارپوریٹ اداروں سے درخواست ہے کہ وہ اپنے قومی ٹیکس نمبر (این ٹی این) فراہم کریں۔

سی ڈی سی ہولڈرز کی رہنمائی کیلئے

سی ڈی سی اکاؤنٹس ہولڈرز سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے جاری کردہ سرکلر 1 بتاریخ جنوری 26، 2000 میں دی گئی ہدایات پر عملدرآمد کریں گے۔

اے۔ اجلاس میں شرکت کیلئے

(I) انفرادی ہونے کی صورت میں، اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر اور یا وہ شخص جس کی سیکیورٹیز گروپ اکاؤنٹ میں ہوں اور ان کی رجسٹریشن کی تفصیلات سی ڈی سی قوانین کے تحت اپ لوڈ کی جا چکی ہوں اسے اپنے شناخت اپنے اصل کمپیوٹرائزڈ قومی شناختی کارڈ ("سی این آئی سی") یا اجلاس میں شرکت کے وقت اپنا اصل پاسپورٹ پیش کریں گے۔

(II) کارپوریٹ اداروں کی صورت میں شرکت کے وقت بورڈ آف ڈائریکٹران کی قرارداد/پاور آف اٹارنی مع نامزد کردہ شخص کے خصوصی دستخط پیش کرنا ہوں گے۔ (اجلاس سے

سالانہ اجلاس عام کانوٹس

بذریعہ نوٹس ہذا مطلع کیا جاتا ہے کہ خیر پور شوگر ملز لمیٹڈ کا 27 واں سالانہ اجلاس عام ہمارے رجسٹرڈ آفس واقع تیسری منزل، پلاٹ نمبر C-15، 9 ویں کمرشل لین، زمزمہ، ڈی ایچ اے فیئر-V، کراچی میں 27 فروری، 2017 کو دوپہر ڈھائی بجے منعقد ہوگا جس میں درج ذیل کاروباری امور طے کئے جائیں گے۔

عام کاروبار

1- کمپنی کے 26 ویں سالانہ اجلاس عام منعقدہ 30 جنوری، 2016 کی کارروائی کی توثیق

2- 30 ستمبر، 2016 کو ختم ہونے والے سال کیلئے کمپنی کے سالانہ ڈٹ شدہ مالیاتی گوشواروں کے ساتھ ڈائریکٹران اور آڈیٹرز کی رپورٹ کی وصولی، غور اور منظوری

3- 30 ستمبر، 2017 کو ختم ہونے والے سال کیلئے آڈیٹرز کا تقرر اور ان کے مشاہرے کا تعین، بورڈ کی آڈٹ کمیٹی نے ریٹائر ہونے والے آڈیٹرز میسرز ہارون ذکریا اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کو اہلیت کی بنیاد پر سرفاش کی ہے کہ انہوں نے دوبارہ تقرری کیلئے اپنی خدمات پیش کی ہیں۔

خصوصی کاروبار

4- درج ذیل قرارداد کو بطور خصوصی قرارداد کے غور کرنا اور اگر بہتر لگے تو اسے پاس کرنا

درج ذیل گوشوارے کا مواد حقائق سے متعلق ہو تو کمپنی کے 27 ویں سالانہ اجلاس عام میں "اسپیشل بزنس" سے لین دین کیا جائے گا۔

(i) ڈائریکٹران کے مشاہرے کے تعین کیلئے کمپنیز آرڈیننس، 1984 کی دفعہ (2) 218 کے ساتھ تھیل ہوگی۔

"کمپنیز آرڈیننس، 1984 کی دفعہ (2) 218 کی روشنی میں طے پایا ہے کہ حصص یافتگان کی رضامندی اور منظوری سے کمپنی کا بورڈ آف ڈائریکٹران منظوری اور 01-02-2017 - چیف ایگزیکٹو افسر اور ایگزیکٹو ڈائریکٹران کو مشاہرے کی ادائیگی بالترتیب =/24,000,000 اور =/12,000,000 روپے سالانہ سے زائد نہ ہو، بشمول پری کیو سیٹیز اور فنانسنگ علاوہ طبی اخراجات اور مذکورہ مشاہرہ منظور شدہ حداضافہ، ایڈجسٹمنٹ اور تنظیم نو منظور شدہ حد میں دیا جائے گا بشمول بونس / منافع کا حصہ جو کہ کمپنی کی پالیسیوں کے تحت کمپنی کے ذریعے وقتاً فوقتاً کسی بھی وقت دیا جاسکتا ہے۔"

"مزید طے پایا کہ حصص یافتگان، کمپنی کے بورڈ آف ڈائریکٹران کی رضامندی اور منظوری سے چیف ایگزیکٹو افسر اور ایگزیکٹو ڈائریکٹران کمپنی کو چلانے کیلئے ٹرانسپورٹ کو سرکاری ونچی مقاصد کیلئے آزادانہ استعمال کرنے کے مجاز ہوں گے اور کمپنی کی بہتری کے مقاصد کیلئے سفر کے اخراجات واپس لے سکتے ہیں۔

(ii) سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (ایس ای سی پی) نے کمپنیوں کو اپنے نوٹیفکیشن 2016 (S.R.O 470(I)) بتاریخ مئی، 31، 2016 حصص یافتگان کی رضامندی و منظوری سے کمپنی نے اسے سالانہ آڈٹ شدہ اکاؤنٹس بذریعہ CD/DVD/USB تمام ممبران اور کمپنی کے بورڈ آف ڈائریکٹران اور کمپنی کے سیکریٹری کو یہ سب کچھ کرنے کیلئے مجاز قرار دیا ہے ضرورت اور اشیا کی ضرورت ہو سکتی ہے یا اس قرارداد پر اثر انداز کرنے کی ضرورت ہے۔ تاہم کمپنی اسے ایک معیاری درخواست فارم کی صورت میں اپنی ویب سائٹ پر آویزاں کر دے گی ان ممبران کیلئے جو CD/DVD/USB کے بجائے سالانہ آڈٹ شدہ اکاؤنٹس کی ہارڈ کاپی حاصل کرنے کے خواہشمند ہوں کمپنی کو اپنی ضروریات سے مطلع کرنا چاہتے ہوں۔

"طے پایا کہ کمپنی کا بورڈ آف ڈائریکٹران اس بات کا مجاز ہے کہ وہ سالانہ بیلنس شیٹ اور منافع اور نقصان کے کھاتے آڈیٹرز کی رپورٹ، ڈائریکٹران کی رپورٹ، سالانہ اجلاس عام کا نوٹس وغیرہ (سالانہ آڈٹ شدہ اکاؤنٹس) اپنے ممبران کو بذریعہ CD/DVD/USB کمپنی کے بورڈ آف ڈائریکٹران اور کمپنی کے سیکریٹری یہ سب کرنے کے مجاز ہیں کہ وہ اس قرارداد پر اثر انداز ہوئے بغیر جو بہتر سمجھیں وہ کر سکتے ہیں۔"

(iii) سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (ایس ای سی پی) نے کمپنی کے ممبران کو اس بات کی اجازت دی ہے کہ وہ اپنے ووٹ کے حقوق بذریعہ الیکٹرانک یعنی (ای۔وونگ) کمپنی کے اجلاس سے کم سے کم 10 یوم قبل ایگزیکٹو آفیسر سے ملاقات کر کے تحریری طور پر اپنے پراکسی کیلئے رضامندی ظاہر کرنا ہوگی۔

"طے پایا کہ S.R.O 43(I)/2016 بتاریخ جنوری، 22، 2016 کی تعمیل کی روشنی میں حصص یافتگان کی رضامندی اور منظوری سے یہ طے پایا کہ کمپنی کے آرٹیکلز آف ایسوسی

more than **Sugarcane**



Bagasse

Bagasse is commonly used as a substitute for wood in many tropical and subtropical countries for the production of pulp, paper and board. However, Pakistan does not produce any bagasse products other than local chipboards, there is a lot of potential in this area, for creating green products like bags, paper cups, and other earth friendly packaging materials.

Biogas

The first biogas project to use sugarcane-waste created from the production of ethanol has begun operations. The grid-connected development is powered by eight Jenbacher biogas engines from GE Energy. The sugarcane biogas plant in Jhang, Pakistan provides an on-site source of power to help the Shakarganj Mills' mill and other industrial operations meet production requirements. The biogas used to fuel the plant is extracted from spent wash, a by product of the ethanol production operation that uses sugarcane molasses as a raw material. The plant is expected to produce approximately 20,000 tons of certified emissions reductions (CERs) annually under the Kyoto Protocol.



SIX YEARS' REVIEW AT A GLANCE

OPERATIONAL TRENDS

	2016	2015	2014	2013	2012	2011
Sugarcane crushed - M.Tons	647,635	649,134	819,719	556,436	402,177	322,787
Sugar produced - M.Tons	66,818	68,798	84,430	47,130	34,425	27,367
Average sucrose recovery - %	10.32	10.60	10.30	8.47	8.56	8.48
Crushing days	115	120	155	143	128	129
Average crushing per day - M.Tons	5,632	5,409	5,289	3,891	3,142	2,502

BALANCE SHEET

	Rupees in million					
Share capital	160.18	160.18	160.18	160.18	160.18	160.18
Shareholders' equity	(97.53)	(168.67)	(559.05)	(561.38)	(243.47)	(89.90)
Non current liabilities	1,098.30	1,105.92	1,234.61	1,027.19	935.42	857.30
Current liabilities	613.27	1,084.36	1,143.02	1,410.28	1,033.13	766.96
Total Equity & Liabilities	1,887.08	2,331.06	2,143.77	2,217.82	1,999.02	1,822.16
Fixed Assets	1,437.39	1,514.11	1,495.40	1,520.74	1,446.45	1,419.55
Non current assets	0.26	0.26	0.26	0.91	0.68	4.21
Current assets	449.42	816.69	648.11	696.16	551.89	398.40
Total assets	1,887.08	2,331.06	2,143.77	2,217.82	1,999.02	1,822.16

FINANCIAL TRENDS

	Rupees in million					
Turnover	4,146.50	3,492.71	4,247.77	2,316.60	1,714.83	1,534.35
Gross profit/(loss)	326.74	467.32	323.26	(259.60)	(74.38)	141.07
Operating profit/(loss)	175.06	289.47	137.26	(347.34)	(171.65)	62.43
Pre-tax profit/(loss)	42.64	153.59	77.96	(381.28)	(171.53)	46.38
After-tax profit/(loss)	56.77	90.94	28.58	(333.118)	(167.43)	18.36

Cash Flows

	Rupees in million					
Operating activities	206.81	260.15	(98.74)	(224.50)	(115.55)	(31.68)
Investing activities	(44.84)	(101.56)	(52.82)	(24.17)	(102.75)	(18.91)
Financing activities	(196.85)	(119.82)	(34.57)	276.66	50.99	64.99
Cash and cash equivalents at the end of the year	25.10	59.98	(304.80)	(118.66)	(146.64)	20.67

Profitability indications

Gross profit margin (%)	7.88	13.38	7.61	(11.21)	(4.34)	9.19
Net profit margin (%)	1.37	2.60	0.67	(14.38)	(9.76)	1.20

DIRECTORS' REPORT TO MEMBERS

In the name of Almighty ALLAH, the most gracious and most merciful, your directors are proud to present the 27th Annual Report of your company with the audited financial statements for the year ended September 30, 2016.

FINANCIAL RESULTS

	2016	2015
	(Rupees in thousand)	
Profit before taxation	42,636	153,585
Taxation	14,134	(62,649)
Profit after taxation	56,770	90,936
Earning per share	3.54	5.68

PERFORMANCE REVIEW

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

	SEASON 2015-2016	SEASON 2014-2015
Season Started	20-11-2015	05-12-2014
Season Ended	13-03-2016	03-04-2015
Number of days worked	15	120
Sugarcane Crushing (MT)	647634.964	649133.525
Recovery (%) Sugar	10.317	10.600
Recovery (%) Molasses	3.883	3.993
Production – Sugar (MT)	66,817.50	68,797.50
Production – Molasses (MT)	25,148	25,915

The crushing season 2015-16 commenced on 20-11-2015. Government of Sindh fixed minimum price of Sugar Cane at Rs. 172/ per 40 kg for crushing season 2015-16 vide notification dated 04-01-2016 as compared to Rs. 182/ per 40 kg for crushing season 2014-15. Due to low average yield of sugar cane and low recovery, production was lower as compared to previous year. Growers were demanding much higher prices over support price at their end, this resulted quantum of sugarcane crushing and increased cost in production of sugar. Sugar prices at the beginning of the year were lower but improved later. The Economic Co-ordination Committee (ECC) allowed export of 500,000 MT of sugar and announced cash subsidy of Rs. 13/kg on the export but as the international market rates were depressed and delay in issuance of NOC by the provincial government, sugar export was at a minimal side and your mill did not export sugar due to the above mentioned factors.



The Government in the Federal Budget 2016-17 changed the indirect tax mode from FED to Sales tax and fixed the value of sugar at Rs. 56 per kg. The Sales tax was payable due to change of mode from FED to Sales tax and fixed an assessed value of Rs. 56 now revised to Rs. 60 for calculation of Sales tax. Sales tax payable at the rate of 8% for registered and 10% for unregistered buyers.

Incidence of Low profitability during the year under review is due to less availability of sugarcane and depressed sugar prices.

DIRECTORS' REPORT TO MEMBERS

DIVIDEND

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

EARNING PER SHARE

The earning per share for the year comparative to previous year is given hereunder:

	<u>2015-2016</u>	<u>2014-2015</u>
Basic and diluted	3.54	5.68

FUTURE OUTLOOK

The overall performance of the Company continued to be satisfactory, despite of several challenges. Management is hopeful for a bright future and continue efforts are being made for improvement in Sugar recovery. The plant being modernized keeping long term sustainability in mind. During last financial year your mill obtained Power Generation License from National Electric Power Regulatory Authority, Islamic Republic of Pakistan for 12.00 MW Bagasse/Bio-Mass Generation facility. Due to technical reasons, operation has not yet started but working on the project is in progress. The sugar cane crushing season 2016-17 started from November 11, 2016 and by the date of this report we have produced 36,900 M.T. Sugar with average recovery of 9.08%.



Environment

It is priority of the Management to provide healthy atmosphere to its workers and general population in surrounding villages and Khairpur city. All appropriate setups adopted by the management for pollution free environment involving substantial capital outlay. In this regard, green belts and parks have been created. Drainage has been lined properly and extensive tree plantation has been done.



• 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. Change in accounting policy during the year was successfully implemented in light of (IFRS) and appropriately disclosed in Note 3.8(b) of audited financial statement.
- International Accounting Standards (IFRS) 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
- 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 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. Ahmed Ali Jumani	3
Lt. Gen (Retd.) Anis Ahmed Abbasi	3

- **AUDIT COMMITTEE**

The Company has established Audit Committee as required in the Code of Corporate Governance. The Audit Committee comprises of three members, two of whom are non-executive directors and one is non-executive independent director. The Audit Committee met four (4) meetings during the year; attendance of meeting is as follows:

DIRECTORS' REPORT TO MEMBERS

Name of Directors

No. of meeting attended

Lt. Gen (Retd.) Anis Ahmed Abbasi	3
Mrs. Qamar Mubeen Jumani	4
Mr. Ahmed Ali Jumani	3

• MEETING OF HR & REMUNERATION COMMITTEE

The Company has established HR and Remuneration Committee as required in the Code of Corporate Governance. The HR and Remuneration Committee comprises three members, two of whom are non-executive directors. The CEO is also member of the Committee. The Chairman of the Committee is non-executive director. The HR and Remuneration Committee met once during the year. Attendance of meeting is as follows:

Name of Directors

No. of meeting attended

Miss. Arisha Mubeen Jumani	1
Lt. Gen (Retd.) Anis Ahmed Abbasi	1
Mr. Muhammad Mubeen Jumani	1

AUDITORS

The Auditors Haroon Zakaria & Company, Chartered Accountants, retired and offer themselves for re-appointment.

The Audit Committee has recommended to consider the re-appointment of M/S. Haroon Zakaria & Company, Chartered Accountants as auditors of the company for next year ending 30-09-2017.

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,



Qamar Mubeen Jumani (Mrs)
Chairperson

Place: Karachi
Dated: January 18, 2017

آڈیٹرز

موجودہ آڈیٹرز، میسرز ہارون ذکریا اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس ہیں جنہوں نے اگلے سال کیلئے بحیثیت آڈیٹرز دوبارہ مالی سال کے اختتام 30-09-17 کیلئے اپنی رضامندی کا اظہار کیا ہے۔ آڈٹ کمیٹی نے ان کی دوبارہ نامزدگی کی سفارش کی ہے۔

شیئرز ہولڈنگ کا پیٹرن

کمپنی کا شیئر ہولڈنگ کی تفصیلات سالانہ رپورٹ کے ساتھ منسلک ہے۔

اعتراف

ہم خوشی کے ساتھ انتظامیہ کے تمام کارندے، دیگر کارکنان کی کاوشوں کا شکریہ ادا کرتے ہیں، ہم قابل قدر کسٹمرز، مالیاتی اداروں اور دیگر اسٹیک ہولڈرز کا شکریہ اور اعتراف کرتے ہیں۔

منجانب بورڈ آف ڈائریکٹرز خیرپور شوگر ملز لمیٹڈ



قمر مبین جمانی (مسز)

چیئر پرسن

کراچی مورخہ 18 جنوری 2017ء



4	مسز قمر مبین جمانی
4	مس عریشہ مبین جمانی
3	جناب احمد علی جمانی
3	لیفٹیننٹ جنرل (ریٹائرڈ) انیس احمد عباسی

آڈٹ کمیٹی

کمپنی نے کوڈ آف کارپوریٹ گورنس کے پیش نظر آڈٹ کمیٹی تشکیل دی۔ آڈٹ کمیٹی تین (3) ممبروں پر مشتمل ہے۔ ان میں سے دو (2) نان ایگزیکٹو ڈائریکٹرز ہیں اور ایک نان ایگزیکٹو آزاد ڈائریکٹر ہیں۔ سال کے دوران آڈٹ کمیٹی کے چار (4) میٹنگ منعقد ہوئے جس میں شرکت درج ذیل ہے۔

ڈائریکٹرز کے نام	میٹنگ میں شرکت کی تعداد
لیفٹیننٹ جنرل (ریٹائرڈ) انیس احمد عباسی	3
مسز قمر مبین جمانی	4
جناب احمد علی جمانی	3

HR & R کمیٹی کے اجلاس

کمپنی نے کوڈ آف کارپوریٹ گورنس کے پیش نظر HR & R کمیٹی تشکیل دی۔ HR & R کمیٹی تین ممبروں پر مشتمل ہے۔ ان میں سے دو (2) ممبرز نان ایگزیکٹو ڈائریکٹرز ہیں۔ چیف ایگزیکٹو آفیسر بھی اس کے ممبر ہیں۔ کمیٹی کے چیئرمین نان ایگزیکٹو ڈائریکٹر ہیں۔ HR & R کمیٹی سال میں ایک مرتبہ اجلاس منعقد کرتے ہیں جس میں شرکت درج ذیل ہیں۔



ڈائریکٹرز کے نام	اجلاس میں شرکت کی تعداد
مس عریشہ مبین جمانی	1
لیفٹیننٹ جنرل (ریٹائرڈ) انیس احمد عباسی	1
جناب محمد مبین جمانی	1

کیا جاسکتا ہے۔ گنے کے کرٹنگ سیزن 17-2016ء کا آغاز مورخہ 11 نومبر 2016ء سے ہو گیا ہے اور اس رپورٹ کی اشاعت تک ہم نے 36,900 میٹرک ٹن چینی پیدا کر لی ہے جس کی مجموعی ریکوری 9.08 فیصد ہے۔

ماحولیات

یہ ہماری ترجیحات میں شامل ہے کہ ہم اپنے کارکنان کو صحت مند ماحول فراہم کریں نہ صرف ان کو بلکہ عام آبادی، اطراف کے دیہات اور خیر پور شہر کو بھی اس سلسلے میں تمام ضروری کارروائیوں پر عمل کیا جاتا ہے تاکہ صحت مند فضا برقرار رہے۔ اس سلسلے میں ہریالی اور پارک بنائے جارہے ہیں۔ گندے پانی کی ترسیل کے لئے انتظام کئے گئے ہیں اور پودے لگائے جارہے ہیں۔

کارپوریٹ و فنانشل رپورٹنگ فریم ورک

- ☆ مینجمنٹ کی جانب سے فنانشل گوشواری، اس امور کی حالت، آپریشن کے نتائج، کیش فلو اور ایکویٹی میں تبدیلیوں کو شفاف طریقے سے پیش کیا گیا ہے۔
- ☆ موزوں اکاؤنٹس بک کمپنی نے مینجمنٹ کیا ہے۔
- ☆ فنانشل گوشوارے کی تیاری میں موزوں اکاؤنٹنگ پالیسیوں کو بروئے کار لایا گیا ہے اور اکاؤنٹنگ اسٹیٹمنٹس موزوں اور زیرک فیصلے کی بنیاد پر کئے گئے ہیں۔
- ☆ پاکستان میں قابل اطلاق فنانشل رپورٹنگ پالیسیاں (IFRS) فنانشل گوشوارے میں ڈسکلوز کیا گیا ہے۔
- ☆ انٹرنل کنٹرول کا سسٹم ترتیب میں مستحکم ہے اور موثر طور پر نافذ ہے اور نگرانی کی جارہی ہے۔
- ☆ پچھلے چھ سالوں کے اہم آپریٹنگ اور فنانشل ڈیٹا کا خلاصہ منسلک کیا گیا ہے۔
- ☆ یہاں کارپوریٹ گورننس کے بہترین اعمال سے کوئی مادی رخصت نہیں ہے جیسا کہ لسٹنگ ریگولیشنز میں بیان کیا گیا ہے۔
- ☆ ٹیکس اور لیویز سے متعلق فنانشل گوشوارے کے نوٹس اس کا حصہ ہے۔

بورڈ میٹنگ

جائزہ کے تحت سال کے دوران کل چار (4) میٹنگ بورڈ آف ڈائریکٹرز کے منعقد ہوئے جس میں ہر ڈائریکٹر کی شرکت درج ذیل ہے۔

ڈائریکٹرز کے نام	بورڈ اجلاس میں شرکت کی تعداد
جناب محمد مبین جمانی	4
جناب فراز مبین جمانی	4
جناب فہد مبین جمانی	4

کرشنگ سیزن 2015-16ء کا آغاز 20 نومبر 2015ء کو شروع ہوا۔ حکومت سندھ نے 2015-16ء کے سیزن کے لئے امدادی قیمت 172 روپے فی 40 کلوگرام مقرر کی۔ بحوالہ نوٹیفیکیشن بتاریخ 04 جنوری 2016ء بمقابلہ 182 روپے فی 40 کلوگرام برائے سیزن 2014-15ء گنے کی کم پیداوار کی وجہ سے پیداوار کم ہوئی اس کی وجہ سے گذشتہ سال کے مقابلہ میں سخت مقابلے کا رجحان تھا اور کاشتکار کو بڑھتی ہوئی قیمت ادا کی گئی تاکہ مطلوبہ ہدف حاصل کریں۔ کاشتکار مطالبہ کر رہے تھے کہ کافی زیادہ قیمت امدادی قیمت کے مقابلے میں ملے۔ اس طرح گنا کم کرش کیا گیا اور اس کی پیداواری لاگت زیادہ آئی۔ مالی سال کے شروع میں چینی کی قیمت مثبت نہیں تھی لیکن بعد میں اضافہ نظر آیا۔ وفاقی حکومت (ECC) 500,000 ٹن چینی ایکسپورٹ کرنے کی اجازت 13 روپے فی کلوگرام سبسڈی کے ساتھ دی لیکن انٹرنیشنل مارکیٹ میں قیمت مثبت نہیں تھی اس کے علاوہ صوبائی حکومت نے NOC جاری کرنے میں دیر کی جس کی وجہ سے بہت کم مقدار میں چینی ایکسپورٹ ہوئی اور آپ کی مل نے ان وجوہات کی وجہ سے چینی برآمد نہیں کی۔

وفاقی حکومت نے 2016-17ء کے بجٹ میں ان ڈائریکٹ ٹیکس میں FED سے سیلز ٹیکس کر دیا اور اس کے لئے چینی کی قیمت 56 روپے فی کلوگرام مقرر کر دیا بعد ازاں 60 روپے فی کلوگرام کے ریٹ سے رجسٹرڈ خریدار سے سیلز ٹیکس 8 فیصد اور غیر رجسٹرڈ خریدار سے 10 فیصد سیلز ٹیکس ادا کرنا ہے۔

کارکردگی میں کم منافع کی وجہ گنے کی کمی تھی اور چینی کی قیمت فروخت میں کمی کا رجحان تھا۔

ڈیوڈنڈ

جملہ نقصانات کی روشنی میں کمپنی کے ڈائریکٹرز نے ڈیوڈنڈ نہ دینے کی سفارش کی۔



فی حصص آمدن

آمدن فی شیئر اس سال بمقابلہ گذشتہ سال درج ذیل ہے۔

2014-15ء	2015-16ء
5.68	3.54

بیسک اور ڈیوڈنڈ

مستقبل کا منظر

تمام امور کے پیش نظر کمپنی کی کارکردگی تسلی بخش رہی۔ باوجود مختلف غیر معمولی حالات کے پیش نظر انتظامیہ روشن مستقبل کی امید رکھتی ہے اور مستقل کوشش کی جا رہی ہے کہ ریکوری بہتر ہو اور ہم مطلوبہ ہدف تک پہنچ جائیں گے۔ ایکویپمنٹ کی طویل المیعاد پائیداری کی بحالی اور جدید تقاضوں کے مطابق ہم آہنگ کرنے کے لئے مسلسل نظر رکھے ہوئے ہیں۔ گذشتہ مالی سال اللہ کے فضل و کرم سے آپ کی کمپنی بجلی پیداوار کا لائسنس Nepra پاکستان سے 12 MW کے لئے حاصل کیا تھا۔ ٹیکنیکل وجوہات کی وجہ سے اس کا آغاز نہیں کیا جاسکا لیکن اس پروجیکٹ پر کام جاری و ساری ہے۔ انشاء اللہ مثبت کارکردگی سے اگلے سال منافع

محترم شیئر ہولڈرز

شروع کرتے ہیں اللہ تعالیٰ کے بابرکت نام سے جو بڑا مہربان اور نہایت رحم کرنے والا ہے آپ کے ڈائریکٹرز 30 ستمبر 2016ء کے اختتامی سال کے لئے کمپنی کی سالانہ رپورٹ اور آڈٹ شدہ گوشوارے پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

مالیاتی کارکردگی

2015ء	2016ء	
(روپے ہزار میں)	(روپے ہزار میں)	
153,585	42,636	قبل از ٹیکس منافع
(62,649)	14,134	ٹیکسیشن
90,936	56,770	بعد از ٹیکس منافع
5.68	3.54	فی حصص آمدنی

آپریٹنگ رزلٹ کے موازنے

سین 2014-15ء	سین 2015-16ء	
05 دسمبر 2014ء	20 نومبر 2015ء	سین کا آغاز
03 اپریل 2015ء	13 مارچ 2016ء	سین کا اختتام
120 دن	115 دن	کام کا دورانیہ
649,133.525	647,634.964	گنا کرش کیا گیا (میٹرک ٹن)
68,797.50	66,817.50	پیداوار کی گئی چینی (میٹرک ٹن)
10.600	10.317	شوگر ریکوری (فیصد)
25,915	25,148	پیداوار کی گئی مولاس (میٹرک ٹن)
3.993	3.883	مولاس ریکوری (فیصد)

more than **Sugarcane**



Sugar

Pakistan exported 275,000 metric tons of sugar during the first three months of 2016 with the help of an export subsidy of \$124 per metric ton. Marketing year 2016/17 sugar production is forecast at 5.4 million metric tons, up 5.5 percent from the revised 2015/16 estimate. Lower prices for rice and cotton have encouraged some farmers to shift to sugarcane where there is a guaranteed minimum farm price.

Molasses

The Pakistan sugar sector has the capacity to produce over 2.5 million metric tons (MMT) of molasses available for processing into ethanol. To maximize returns, the sugar industry processes molasses to produce anhydrous and hydrous ethanol. Countrywide, nineteen distillery units have an annual ethanol production capacity of over half a million tons.



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Name of company : KHAIRPUR SUGAR MILLS LIMITED

Year ending : 30-09-2016

This statement is being presented to comply with the Code of Corporate Governance contained in Listing Regulation No. 5.19.23 of Pakistan Stock Exchange 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	Lt. Gen (Retd.) Anees Ahmed Abbasi
Executive Directors	Mr. Muhammad Mubeen Jumani Mr. Faraz Mubeen Jumani
Non-Executive Directors	Mr. Fahad Mubeen Jumani Mrs. Qamar Mubeen Jumani Miss. Arisha Mubeen Jumani Mr. Ahmed Ali Jumani

The independent director meets the criteria of independence under clause 5.19.1 (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a TRE certificate holder has been declared as a defaulter by Pakistan stock exchange.
4. There was no casual vacancy on the board in the current period.
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 Chairperson and, in her 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. The Company arranges in-house orientation course for its Directors as and when needed to apprise them of their duties and responsibilities. One of the Director is exempted from the requirement of Director's training program under

clause 5.19.7 of PSX Rule Book and rest of the Directors to be trained within specified time. All the Directors on the Board are fully conversant with their duties and responsibilities as directors of corporate bodies.

10. No new appointment of Chief Financial Officer, Company Secretary and Head of internal audit was made during the year.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the CCG
15. The board has formed an Audit Committee. It comprises of three members, all three members are appointed among from non-executive directors. The chairman of the Committee is also an independent Director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises 3 members, 1 member each from Executive, non-executive and independent directors. The Chairman of the Committee is from non-executive directors.
18. The board has set up an effective internal audit function.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of 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

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Khairpur Sugar Mills Limited (the Company), for the year ended September 30, 2016 to comply with the requirements of the Listing Regulation of the Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited) where the Company is listed.

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

As part of our audit of 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.

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended September 30, 2016.

Haroon Zakaria & Co.

Haroon Zakaria & Company
Chartered Accountants

Engagement Partner
Muhammad Yameen

Dated: 18-01-2017
Karachi

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Khairpur Sugar Mills Limited as at September 30, 2016 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at September 30, 2016 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Haroon Zakaria & Co.

Haroon Zakaria & Company
Chartered Accountants

Place: Karachi
Dated: January 18, 2017

Engagement Partner:
Muhammad Yameen

more than **Sugarcane**



Green energy

According to government officials and experts, it could be possible to produce 2000–3000 MW of electricity from local bagasse during the sugarcane crushing season, which normally begins in October and continues for about 120 days. Pakistan could generate 1500 MW of electricity daily by using bagasse once the sugar mills are able to acquire efficient machinery.

Animal feed

Animal feed is another source of sugarcane. Molasses is the readily available source of sugar and phosphorus to the animal body. The urea molasses diet can be successfully fed as a sole ration with little protein supplement and forage to growing calves and lactating animals. Sugarcane tops are palatable and cattle can be maintained entirely on them with a little supplement of concentrate mixture or leguminous feeds. Bagasse with High-pressure treatment improves the palatability and digestibility of bagasse. It can be fed up to 4 kg to adult cattle for maintenance after chaffing it.



BLANCE SHEET

As at September 30, 2016

	Note	2016 ----- Rupees in thousand -----	2015
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	1,437,394	1,514,110
Long term deposits		262	262
		<u>1,437,656</u>	<u>1,514,372</u>
Current Assets			
Stores, spares and loose tools	5	97,452	108,828
Stock in trade	6	97,976	389,016
Loans and advances	7	218,608	250,660
Deposits, prepayments and other receivables	8	10,282	8,205
Cash and bank balances	9	25,102	59,978
		<u>449,420</u>	<u>816,687</u>
Total Assets		<u><u>1,887,076</u></u>	<u><u>2,331,059</u></u>
EQUITY AND LIABILITIES			
Authorized Capital			
20,000,000 Ordinary shares of Rs. 10 each		<u>200,000</u>	<u>200,000</u>
Share capital and reserves			
Issued, subscribed and paid up capital	10	160,175	160,175
Accumulated losses		(257,707)	(328,846)
Shareholders' equity		<u>(97,532)</u>	<u>(168,671)</u>
Surplus on revaluation of fixed assets - net	11	273,036	309,458
Non-Current Liabilities			
Long term financing	12	971,856	904,895
Deferred liabilities	13	126,443	201,020
		<u>1,098,299</u>	<u>1,105,915</u>
Current Liabilities			
Short term borrowings	14	17,507	210,339
Trade and other payables	15	559,404	857,543
Provision for taxation	16	36,362	5,791
Accrued markup		-	10,684
		<u>613,273</u>	<u>1,084,357</u>
Contingencies and commitments	17		
Total Equities and Liabilities		<u><u>1,887,076</u></u>	<u><u>2,331,059</u></u>

The annexed notes 1 to 37 form an integral part of these financial statements.


Muhammad Mubeen Jumani
Chief Executive


Faraz Mubeen Jumani
Managing Director

PROFIT AND LOSS ACCOUNT

For the year ended September 30, 2016

	Note	2016 ----- Rupees in thousand -----	2015 -----
Sales - net	18	4,146,495	3,492,708
Cost of sales	19	(3,819,753)	(3,025,393)
Gross profit		326,742	467,315
Administrative expenses	20	(132,384)	(136,450)
Distribution cost	21	(11,783)	(11,102)
Other incomes	22	5,362	4,831
Other operating expenses	23	(12,875)	(35,122)
Operating profit		(151,680)	(177,843)
Finance cost	24	175,062	289,472
Profit before taxation		(132,426)	(135,887)
Taxation	25	42,636	153,585
Profit after taxation		14,134	(62,649)
Earning per share - basic and diluted	26	56,770	90,936
		3.54	5.68

The annexed notes 1 to 37 form an integral part of these financial statements.


 Muhammad Mubeen Jumani
 Chief Executive


 Faraz Mubeen Jumani
 Managing Director


STATEMENT OF COMPREHENSIVE INCOME

As at September 30, 2016

	2016	2015
	----- Rupees in thousand -----	
Profit for the year	56,770	90,936
Other comprehensive income for the year		
Items that will not be reclassified to profit and loss account in subsequent period		
Transfer from surplus on revaluation of property and plant on account of incremental depreciation - net of tax	14,369	15,726
Remeasurement of defined benefit liability	-	252
Total comprehensive income for the year	71,139	106,914

The annexed notes 1 to 37 form an integral part of these financial statements.


 Muhammad Mubeen Jumani
 Chief Executive


 Faraz Mubeen Jumani
 Managing Director

CASH FLOW STATEMENT

For the year ended September 30, 2016

	Note	2016	2015
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	27	287,876	345,587
Finance cost paid		(71,403)	(79,333)
Income tax paid		(9,659)	(6,103)
Net cash generated from operating activities		<u>206,814</u>	<u>260,151</u>
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(39,847)	(101,560)
Capital work-in-progress		(5,657)	-
Proceeds from disposal of property, plant and equipment		666	-
Net cash used in investing activities		<u>(44,838)</u>	<u>(101,560)</u>
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Market Committee fee		(4,020)	(2,010)
Short term finance - net		(192,832)	(117,808)
Net cash used in financing activities		<u>(196,852)</u>	<u>(119,818)</u>
Net (decrease) / increase in cash and cash equivalents		(34,876)	38,773
Cash and cash equivalents at the beginning of the year		59,978	21,205
Cash and cash equivalents at the end of the year		<u>25,102</u>	<u>59,978</u>

The annexed notes 1 to 37 form an integral part of these financial statements.


 Muhammad Mubeen Jumani
 Chief Executive


 Faraz Mubeen Jumani
 Managing Director

STATEMENT OF CHANGES IN EQUITY

As at September 30, 2016

	Issued, subscribed & paid-up capital	Accumulated loss	Total
	----- Rupees in thousand -----		
Balance as at September 30, 2014	160,175	(435,760)	(275,585)
Profit for the year	-	90,936	90,936
Other comprehensive income	-	15,978	15,978
Total comprehensive income	-	106,914	106,914
Balance as at September 30, 2015	160,175	(328,846)	(168,671)
Profit for the year	-	56,770	56,770
Other comprehensive income	-	14,369	14,369
Total comprehensive income	-	71,139	71,139
Balance as at September 30, 2016	160,175	(257,707)	(97,532)

The annexed notes 1 to 37 form an integral part of these financial statements.


Muhammad Mubeen Jumani
Chief Executive


Faraz Mubeen Jumani
Managing Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2016

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 Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited). The registered office of the Company is situated at 3rd Floor, Plot No. 15-C, 9th Commercial Lane, Zamzama, D.H.A., Karachi.

The company is principally engaged in the manufacture and sale of sugar and by-products.

2. BASIS OF PREPARATION

2.1 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 (IFRSs) issued by the International Accounting Standards Board (IASB) 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 Companies Ordinance, 1984 shall prevail.

2.2 Basis of Measurement

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

2.3 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 thousand rupee.

2.4 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 3.1)
- b) Impairment / adjustments of inventories to their net realizable value (Note 3.3 & 3.4)
- c) Accounting for staff retirement benefits (Note 3.8)
- d) Recognition of taxation and deferred tax (Note 3.9) and
- e) Impairment of assets (Note 3.16)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2016

2.5 New / revised standards that became effective for the year

The following new / revised standards are effective for the year ended September 30, 2016. These standards are, either not relevant to the company's operations or are not expected to have significant impact on the company's financial statements other than certain additional disclosures:

- IFRS 10 'Consolidated Financial Statements'
- IFRS 11 'Joint Arrangements'
- IFRS 12 'Disclosure of Interests in Other Entities'
- IAS 27 (Revised 2011) 'Separate Financial Statements'
- IAS 28 (Revised 2011) 'Investments in Associates and Joint Ventures'

IFRS 13 'Fair Value Measurement' also became effective in the current year. IFRS 13 consolidates the guidance on how to measure fair value, which was spread across various IFRSs, into one comprehensive standard. It introduces the use of an exit price, as well as extensive disclosure requirements, particularly the inclusion of non-financial instruments into the fair value hierarchy. The application of IFRS 13 did not have an impact on the financial statements of the company, except for certain additional disclosures.

2.6 Amendments to published approved accounting standards that are not yet effective

The following amendments to approved accounting standards are effective for accounting periods beginning on or after the date mentioned against each of them. These amendments are either not relevant to the company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

	Effective Date “(accounting periods beginning on or after)”
- Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	January 1, 2018
- Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures' - Applying the consolidation exception	January 1, 2016
- Amendments to IFRS 11 'Joint Arrangements' - Amendments regarding the accounting for acquisitions for an interest in a joint venture	January 1, 2016
- Amendments to IAS 1 'Presentation of Financial Statements' - Amendments as a result of the disclosure initiative	January 1, 2016
- Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative	January 1, 2017

**Effective Date
“(accounting periods
beginning on or after)”**

- | | |
|--|-----------------|
| - Amendments to IAS 12 ‘Income Taxes’ - Recognition of deferred tax assets for unrealized losses | January 1, 2017 |
| - Amendments to IAS 16 ‘Property, Plant and Equipment’ and IAS 38 ‘Intangible Assets’ - Clarification of acceptable methods of depreciation and amortization | January 1, 2016 |
| - Amendments to IAS 16 ‘Property, Plant and Equipment’ and IAS 41 ‘Agriculture’ - Bearer plants | January 1, 2016 |
| - Amendments to IAS 27 ‘Separate Financial Statements’ – equity method in separate financial statements | January 1, 2016 |

2.7 In addition to the above, the following new standards have been issued by International Accounting Standards Board (IASB) which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

- IFRS 9 - Financial Instruments
- IFRS 14 - Regulatory Deferral Accounts
- IFRS 15 - Revenue from Contracts with Customers
- IFRS 16 - Leases

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 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. 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.

Monthly depreciation is charged on the assets acquired during the month, whereas, no depreciation is charged from the month 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.

3.2

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2016

Capital work in progress

Capital work-in-progress is stated at cost accumulated upto the balance sheet date less impairment if any. Transfer are made to relevant property, plant and equipment category as and when assets are available for their intended use.

3.3 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.

Major stores and spare parts qualify for recognition as property, plant and equipment when the Company expects to use these for more than one year. Transfer are made to relevant operating fixed assets category as and when such items are issued for use.

Major stores and spare parts are valued at cost less accumulated impairment, if any.

3.4 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.

3.5 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.

3.6 Loans, advances, deposits and prepayments

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

3.7 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.

3.8 Employee benefits

a) Defined contribution plan

The Company operates a recognised provident fund for all its eligible employees. Equal contributions are made, both by the Company and the employees, to the fund at the rate of 8.33% of the basic salary. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due.

b) Defined benefit plan

The Company used to operate an unapproved gratuity scheme (defined benefit plan) for its employees. During the year, the Company has discontinued its present gratuity scheme. For more details refer to note 13.1.

3.9 Taxation

a) Current

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

b) 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.

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.

3.10 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.

3.11 Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2016

the consideration received or receivable, and is reduced for the allowances such as taxes, duties, commissions, sales returns and trade discounts. The following recognition criteria must be met before revenue is recognized:

- Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which coincides with dispatch of the goods to the customers.
- Return on bank deposits is recognized on a time proportion basis on the principal amount outstanding and the rate applicable while income from held to maturity investments is recorded using effective yield method.
- Miscellaneous income is recognized on occurrence of transactions.

3.12 Cash and cash equivalents

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

3.13 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 except to the extent of borrowing costs that are directly attributable to the acquisition, contribution and commissioning of a qualify asset which are capitalized.

3.14 Financial Instruments

3.14.1 Financial assets

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

3.14.2 Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities, other than those at fair value through profit or loss, are measured at amortized cost using the effective yield method.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an

exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the profit and loss account.

3.14.3 Offsetting of financial assets and financial liabilities

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

3.15 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.

3.16 Impairment

Financial assets

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

Any impairment loss arising on financial assets is recognized in profit and loss account.

Non-financial assets

The Company assesses at each balance sheet date whether there is any indication that assets, may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's 'fair value less costs to sell' and 'value in use'.

When impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized. Reversal of impairment loss is recognized as income.

3.17 Earnings per share

The Company presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit and loss attributable to ordinary share holders of the Company by the weighted average number of ordinary shares. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary share holders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

For the year ended September 30, 2016

Operating fixed assets - tangible
Capital work in progress

As at October 01, 2014
Cost or revaluation
Accumulated depreciation
Net book values

As at September 30, 2015

- Cost
- Accumulated depreciation

Depreciation for the year

As at September 30, 2016
Cost or revaluation
Accumulated depreciation
Net book values

4.1.1 Details of fixed assets disposed off:

Vehicle	Cost	Accumulated depreciation	Written down value Rupees in thousand	Sale proceeds	Gain on disposal	Mode of disposal	Particulars of purchasers
	1,445	(779)	666	1,050	384	Negotiation	Mr. Naveed Ahmed
2016	1,445	(779)	666	1,050	384		
2015	-	-	-	-	-		

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

		2016	2015
	Note	----- Rupees in thousand -----	
Cost of sales	19	72,605	77,595
Administration expense	20	3,987	5,254
		<u>76,592</u>	<u>82,849</u>

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;

		2016	2015
	Note	----- Rupees in thousand -----	
Free hold land		11,831	11,831
Factory building on free hold land		120,554	126,825
Plant and machinery		871,199	897,884
		<u>1,003,584</u>	<u>1,036,540</u>

4.2 Capital work in progress

Civil works	5,065	-
Vehicles	592	-
	<u>5,657</u>	<u>-</u>

5. STORES, SPARES AND LOOSE TOOLS

Stores, spares and loose tools		108,231	112,617
Provision for slow moving and obsolete items	5.1	(10,779)	(3,789)
		<u>97,452</u>	<u>108,828</u>

5.1 Movement in provision for slow moving items and obsolescence during the year is as follows

Balance at beginning of the year	(3,789)	(3,789)
Provision made during the year	(6,990)	-
Balance at end of the year	<u>(10,779)</u>	<u>(3,789)</u>

5.2 Most items of the stores and spares are interchangeable nature and can be used as machine spares or consumed as stores.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2016

		2016	2015
		----- Rupees in thousand -----	
6. STOCK IN TRADE			
Finished goods			
- Sugar		95,811	388,144
- Molasses		1,251	-
		97,062	388,144
Work in process		914	872
		97,976	389,016
Inventory with a carrying amount of Rs. nil (2015 : Rs. 321.298 million) has been pledged against bank financing.			
7. LOANS AND ADVANCES			
	Note	2016	2015
		----- Rupees in thousand -----	
Advances			
- to growers	7.1	123,809	158,389
- to suppliers	7.2	73,737	71,169
- for expenses - considered good		14,875	13,640
- to staff	7.3	6,187	7,462
		218,608	250,660
7.1 Advances to growers			
Considered good		123,809	158,389
Considered bad		1,428	1,428
		125,237	159,817
Provision for doubtful advances		(1,428)	(1,428)
		123,809	158,389
7.2 Advances to suppliers			
Considered good		73,737	71,169
Considered bad		6,294	6,294
		80,031	77,463
Provision for doubtful advances		(6,294)	(6,294)
		73,737	71,169
7.3 Advances to staff			
Considered good		6,187	7,462
Considered bad		367	367
		6,554	7,829
Provision for doubtful advances		(367)	(367)
		6,187	7,462
8. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Deposits	8.1	5,831	5,836
Prepayments		4,451	2,369
		10,282	8,205

- 8.1 In the year ended September 30, 2008, the company has paid Rs.5.220 million 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 which is pending.

2016
Note ----- Rupees in thousand ----- 2015

9. CASH AND BANK BALANCES

Cash in hand	155	173
Cash at banks - in current account	24,947	59,805
	<u>25,102</u>	<u>59,978</u>

10. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2016	2015		
Number of Shares			
16,017,500	16,017,500	Ordinary shares of Rs.10 each fully paid in cash	10.1
			<u>160,175</u>
			<u>160,175</u>

- 10.1 This include 11.097 (2015 : 11.097) million ordinary shares of Rs. 10 each held by the directors and related parties.

2016
----- Rupees in thousand ----- 2015

11. SURPLUS ON REVALUATION OF FIXED ASSETS - NET

Revaluation surplus

Balance as at October 01	459,280	487,819
Less : Deficit arising on revaluation during year	(44,962)	-
Less : Transferred to unappropriated profit in respect of incremental depreciation charged during the year	(20,826)	(28,539)
	<u>393,492</u>	<u>459,280</u>

Related deferred tax

Balance as at October 01	(149,822)	(162,635)
Reduction on revaluation deficit during the year	13,937	-
Effect of rate changed	8,972	-
Deferred tax on incremental depreciation charged during the year	6,457	12,813
	<u>(120,456)</u>	<u>(149,822)</u>
	<u>273,036</u>	<u>309,458</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2016

- 11.1 The Company has carried out revaluation of freehold land, factory building and plant & machinery by independent valuer M/s. Amir Evaluations & Consultants and M/s. Consultancy Support & Services (Management Consultants) as at January 25, 2016 and March 29, 2013, December 11, 2007, which resulted in revaluation surplus / (deficit) amounting to Rs.125.753 million, Rs.201.386 million and Rs. (44.962) million, respectively. The basis of valuation is assessed / evaluated at market value.

12. LONG TERM FINANCING

From related parties

- Directors

Original value of loan
Less: present value adjustment
Add: Interest charged to profit and loss account to date

2016	2015
----- Rupees in thousand -----	
1,140,657	1,140,657
(341,648)	(341,648)
172,847	105,886
<u>971,856</u>	<u>904,895</u>

These loans have been obtained from directors and is unsecured. In accordance with International Accounting Standard 39, Financial Instruments: Recognition and Measurement, these loans have been measured at amortized cost calculated at one year kibar rate based on terms of subordination agreement with the banking Company.

Note	2016	2015
	----- Rupees in thousand -----	

Staff retirement gratuity
Deferred tax liability

13.1	81,202	74,486
13.2	15,092	92,365

Market Committee Fee
Less: Current portion

13.3	34,169	38,189
	(4,020)	(4,020)
	<u>30,149</u>	<u>34,169</u>
	<u>126,443</u>	<u>201,020</u>

13.1 Staff retirement benefits

Movement in defined obligation
Present value of defined benefit obligation

At beginning of the year
Charge for the year
Experience adjustment
At the end of year

	74,486	59,280
	6,716	15,458
	-	(252)
	<u>81,202</u>	<u>74,486</u>

13.1.1 Charge for the year

Current service cost
Interest cost

	-	7,455
	6,716	8,003
	<u>6,716</u>	<u>15,458</u>

- 13.1.2 The latest actuarial valuation for gratuity fund was carried out as at September 30, 2015, using the Projected Unit Credit Method (PUCM). The principal actuarial assumptions used for the purpose of the valuation are as follows:

	2016	2015
Discount rate used for interest cost in P&L charge	9.25%	13.5%
Discount rate for year end obligation	9.25%	9.25%
Expected rate of increase in salary	N/A.	8.25%
Mortality rates	N/A.	SLIC 2001-2005
Retirement Assumption	Age 60	Age 60

- 13.1.3 During the year, the Company has ceased its gratuity fund. All employees after qualifying period are eligible for provident fund in accordance with their terms of employment. Equal contributions are made, both by the Company and the employees, to the fund at the rate of 8.33% of the basic salary.

2016	2015
----- Rupees in thousand -----	

13.2 Deferred tax liability

Deductible temporary differences:

Tax losses	156,805	355,898
Minimum tax credit	104,712	65,993
Provision for gratuity	25,173	21,771
Provision for stores, loans and advances	5,849	3,472
	<u>292,539</u>	<u>447,134</u>
Un-recognized deferred tax asset	-	(235,396)
	<u>292,539</u>	<u>211,738</u>

Taxable temporary differences:

Accelerated depreciation	(187,175)	(154,282)
Surplus on revaluation	(120,456)	(149,821)
	<u>(307,631)</u>	<u>(304,103)</u>
	<u>(15,092)</u>	<u>(92,365)</u>

13.3 Market committee fee payable

In the year ended 30 September 2015, the Company has settled the petition filed before the Honorable High Court of Sindh against Market Committee, Kotdegi for payment of Market Committee fee for pending years from 2003-2004 to 2014-2015. As per agreed terms, the Company is paying Rs. 40.199 million in 20 installments since August 2015.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2016

		2016	2015
Note		----- Rupees in thousand -----	
14 SHORT TERM BORROWINGS			
- From Banking Company Secured			
Cash finance	14.1	-	210,300
- From Related parties Unsecured			
from directors	14.2	17,507	39
		<u>17,507</u>	<u>210,339</u>

14.1 This represents roll over secured cash financing facilities of Rs. 1,200 million (2015 : Rs. 600 millions) from National Bank of Pakistan and Sindh Bank Limited. This carries markup at 3 Month KIBOR + 2.5% and + 5% (2015 : 3 Month KIBOR + 2.5%) per annum respectively. 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. The unavailed facility as at September 30, 2016 amounting to Rs.1,200. (2015: 389.700) million.

14.2 This represents loan from director which is unsecured and interest free and payable on demand.

		2016	2015
Note		----- Rupees in thousand -----	
15. TRADE AND OTHER PAYABLES			
Creditors		249,928	369,820
Accrued liabilities		14,222	20,523
Market committee fee payable	13.3	10,228	4,020
Advance from customers		126,424	318,336
Unclaimed Gratuity		14,341	14,341
Sales tax payables		44,418	35,021
Workers' Profit Participation Fund	15.1	46,537	39,526
Workers' Welfare Fund		9,037	6,497
Payable to provident fund		748	43
Income tax payable		618	-
Other payables - Related Party	15.2	42,903	49,416
		<u>559,404</u>	<u>857,543</u>
15.1 Workers' Profit Participation Fund			
Balance at 01 October		39,526	28,238
Interest on funds utilized in the Company's business		4,265	3,205
Charge for the year		2,746	8,083
		<u>46,537</u>	<u>39,526</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.

15.2 Other payables - Related Party

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

16. PROVISION FOR TAXATION

	2016	2015
	----- Rupees in thousand -----	
Opening payable / (refundable)	5,791	(5,566)
Provision for the year	38,719	26,526
Prior year	1,511	(9,067)
	46,021	11,893
Income tax paid / deducted during the year	(9,659)	(6,102)
	36,362	5,791

17. CONTINGENCIES AND COMMITMENTS

17.1 Contingencies

- 17.1.1 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.
- 17.1.2 The Company has filed three petitions against the impugned contribution amount of totaling Rs.8.37 million against Social Security, Sukkur Directorate and Sindh Employees Social Security Institution, Karachi. If these cases are allowed against the company, then the company has to pay a sum of Rs.8.37 million.

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

- 17.1.3 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.
- 17.1.4 During 2009-10, the Company received a show cause notice from Competition Commission of Pakistan (CCP) under the Competition Ordinance, 2009 (now promulgated as Competition Act, 2010) for alleged violation of certain provisions of the Ordinance. The Company along with other sugar mills filed 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.

There are no financial implications related to this matter at the present date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2016

- 17.1.5 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.

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. 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.

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.

- 17.1.6 The quality premium was suspended by the Steering Committee of Federal Government till the case in this respect is decided by the Honorable Supreme Court of Pakistan or a consensus uniform formula is developed by the Ministry of Food and Agriculture. The company's payment for procurement of sugarcane includes additional costs and subsidies that exceed the amount of quality premium due to the growers. The company does not therefore, anticipates any liability on this account for current year and has not made any provision of an amounts of Rs. 154.17 and 163.94 million in respect of the year 2015 and 2014 for the said reason. Moreover, the Apex court also ordered that no coercive action for recovery of quality premium shall be taken against the mills till the case is decided.

- 17.1.7 During the current year various growers associations have filed petitions before High Court of Sindh Circuit Court against province of Sindh and others (respondents) requesting to direct the respondents to fix minimum purchase price of sugarcane at the rate of Rs. 185 per 40 kg for the crushing season 2015/16 instead of Rs. 172 per 40 kg issued by the respondents. The cases are pending with the Honourable Court at year end. The Company's legal counsel have stated that no definite prediction can be made at this stage. However, in view of the Company's management, no adverse inference is likely to materialize in the suit.

17.2 Commitments

There were no material commitments as at September 30, 2016 (2015: Nil).

2016 2015
Note ----- Rupees in thousand -----

18. SALES - NET

Local

Sale of sugar	4,212,387	3,535,776
Sale of by-products	266,553	220,930
	<u>4,478,940</u>	<u>3,756,706</u>
Sales tax	(332,445)	(263,998)
	<u>4,146,495</u>	<u>3,492,708</u>

19. COST OF SALES

	Note	2016 ----- Rupees in thousand -----	2015 ----- Rupees in thousand -----
Raw material consumed		3,204,436	2,769,485
Stores and spares consumed		21,812	40,382
Packing material consumed		26,662	35,913
Salaries and wages	19.1	91,010	92,078
Power and fuel		29,602	33,464
Freight and handling		1,322	878
Wastage removing and cane feeding		7,141	8,108
Repair and maintenance		59,865	71,947
Printing and stationery		723	609
Vehicle running expenses		4,505	5,076
Insurance		8,887	7,940
Other manufacturing expenses		143	1,640
Depreciation		72,605	77,595
Manufacturing expenses		3,528,713	3,145,115
Opening stock of work in process		872	667
Closing stock of work in process		(914)	(872)
		(42)	(205)
Cost of goods manufactured		3,528,671	3,144,910
Opening stock of finished goods		388,144	268,627
Closing stock of finished goods		(97,062)	(388,144)
		291,082	(119,517)
		3,819,753	3,025,393

19.1 These include an amount of Rs.9.719 (2015 : Rs. 7.546) million in respect of staff retirement benefits.

20. ADMINISTRATIVE EXPENSES

	Note	2016 ----- Rupees in thousand -----	2015 ----- Rupees in thousand -----
Directors' remuneration		22,930	21,220
Salaries and other benefit	20.1	66,143	80,087
Communication expenses		2,697	2,933
Repair and maintenance		6,364	9,578
Traveling and conveyance		539	387
Electricity and gas		6,643	5,908
Legal and professional charges		3,048	1,454
Fees and subscription		1,093	1,238
Rent, rates and taxes		4,126	806
Printing and stationery		500	370
Entertainment		4,250	3,176
Advance and receivable written off		5,872	-
Insurance		2,222	1,551
Auditors' remuneration	20.2	776	894
Security expenses		954	453
General expenses		215	1,141
Charity and donation		25	-
Depreciation		3,987	5,254
		132,384	136,450

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2016

20.1 These include an amount of Rs. 7.064 (2015 : Rs. 8.302) million in respect of staff retirement benefits.

Note

2016

 2015
----- Rupees in thousand -----

20.2 Auditors' remuneration

Statutory audit	550	472
Half yearly review	85	69
Other services	-	155
Other certifications	50	59
Cost audit	101	89
Out of pocket expenses	40	50
	<u>776</u>	<u>894</u>

21. DISTRIBUTION COST

Loading and unloading	9,784	9,580
Business promotion	-	408
Advertisement and publicity	253	196
Miscellaneous	1,746	918
	<u>11,783</u>	<u>11,102</u>

22. OTHER INCOMES

Income from non-financial assets		
Insurance claim	3,038	-
Scrap sales	1,894	4,831
Gain on disposal of operating fixed assets	384	-
Other operating incomes	46	-
	<u>5,362</u>	<u>4,831</u>

23. OTHER OPERATING EXPENSES

Market Committee fee settlement	13.3	-	21,368
Provision for slow moving items and obsolescence		6,991	-
Workers' Profit Participation Fund		2,746	8,084
Workers' Welfare Fund		2,540	5,033
Charity and donation	23.1	598	637
		<u>12,875</u>	<u>35,122</u>

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

24. FINANCE COST

	2016	2015
CE COST	----- Rupees in thousand -----	
Amortization of long term loan from directors	66,961	62,347
Markup on cash finance	60,719	69,837
Interest on Workers' Profit Participation Fund	4,265	3,205
Bank charges	481	498
	<u>132,426</u>	<u>135,887</u>

25. TAXATION

	2016	2015
	----- Rupees in thousand -----	
Current		
- for the year	38,719	26,526
- prior year	1,511	(9,067)
	40,230	17,459
Deferred	(54,364)	45,190
	(14,134)	62,649

- 25.1 The income tax assessments of the Company have been finalised up to and including the tax year 2016. Tax returns which are submitted with Federal Board of Revenue are deemed to be assessed under provisions of the Income Tax Ordinance, 2001 ("the Ordinance") unless selected for an audit by the taxation authorities. The Commissioner of Income Tax may, at any time during a period of five years from date of filing of return, select the deemed assessment order for audit.
- 25.2 Due to the brought forward tax losses, provision for current income tax is based on section 113 of the Income Tax Ordinance, 2001. Accordingly tax expense reconciliation with the accounting profit is not reported.

26. EARNING PER SHARE - BASIC AND DILUTED

	2016	2015
Note	----- Rupees in thousand -----	
Profit after tax	56,770	90,936
	----- Numbers -----	
Weighted average number of ordinary shares	16,017,500	16,017,500
	----- Rupees -----	
Earnings per share - basic and diluted	3.54	5.68

27. CASH GENERATED FROM OPERATIONS

Profit before taxation	42,636	153,587
Adjustment for non-cash charges and other items:		
Depreciation	76,592	82,848
Provision for Workers' Welfare Fund	2,540	3,278
Provision for Workers' Profit Participation fund	2,746	8,084
Provision for slow moving and obsolete items of store and spares	6,990	-
Gratuity	6,716	15,458
Finance cost	127,680	135,887
Increase in market committee fee	-	27,859
Working capital changes	21,976	(81,414)
	287,876	345,587

27.1

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2016

	2016	2015
	----- Rupees in thousand -----	
27.1 Working capital changes		
Decrease / (Increase) in Stores and spares	4,386	(12,459)
Decrease / (Increase) in Stock-in-trade	291,040	(119,722)
Decrease / (Increase) in Loans and advances	32,052	(2,734)
(Increase) in Trade deposits and short term prepayments	(2,077)	(457)
(Decrease) / Increase in Trade and other payables	(303,425)	53,958
	<u>21,976</u>	<u>(81,414)</u>

28. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the accounts for remuneration, including certain benefits to directors, chief executive and executives of the company as follows:

- 28.1 The Chief executive and executive directors are also entitled for company maintained vehicles in accordance with Company's policy.

	2016			
	Chief Executive	Directors	Executive	Total
	----- Rupees in Thousand Rupees -----			
Managerial remuneration	6,000	2,400	6,326	14,726
Utilities	1,200	2,828	1,265	5,293
Perquisites and other benefits	4,800	5,702	5,060	15,562
	<u>12,000</u>	<u>10,930</u>	<u>12,651</u>	<u>35,581</u>
Number of Persons	<u>1</u>	<u>4</u>	<u>8</u>	<u>-</u>
	2015			
	Chief Executive	Directors	Executive	Total
	----- Rupees in Thousand Rupees -----			
Managerial remuneration	3,750	11,650	5,627	21,027
Utilities	-	2,986	-	2,986
Perquisites and other benefits	-	2,834	370	3,204
	<u>3,750</u>	<u>17,470</u>	<u>5,997</u>	<u>27,217</u>
Number of Persons	<u>1</u>	<u>3</u>	<u>2</u>	<u>-</u>

29. PROVIDENT FUND DISCLOSURES

The following information is based on un-audited financial statements of the Fund as at September 30, 2016.

	2016	2015
	----- Rupees in thousand -----	
a) Disclosure with regards to Provident Fund Trust		
(i) Size of the Fund	5,085	104
(ii) Fair value of Investments	4,337	60
(iii) Percentage of Investment made	85%	58%
b) Break-up of investments is as under		
Banks balances		
- National Bank Limited - current account	100%	100%

29.1 The investments out of provident fund have not been made in accordance with the provision of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

	2016	2015
30. NUMBER OF EMPLOYEES		
Number of employees including contractual employees at the end of year	632	619
Average number of employees including contractual employees during the year	792	749

31. TRANSACTIONS WITH RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party and exercise significant influence over other party in making financial and operating decisions.

The related parties comprise of major shareholders, directors of the company and key management personnel and staff / workers funds. Remuneration and benefits to executives of the company are in accordance with the terms of the employment while contribution to the provident fund and gratuity are in accordance with staff service rules. Details of transactions with related parties other than disclosed elsewhere in financial statements are as follows:

	2016	2015
	----- Rupees in thousand -----	
Short term loan from directors		
Receipt of loan	170,600	211,090
Repayment of loan	153,132	213,199
Other payables		
Receipt of loan	584	-
Repayments of loan	7,097	110,230

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2016

32. PRODUCTION CAPACITY

	2016		2015	
Crushing capacity	7,000	M. Tons per day	7,000	M. Tons per day
Duration of season	118	days	120	days
Crushing capacity based on actual days	826,000	M. Tons	840,000	M. Tons
Actual cane crushed	647,635	M. Tons	649,134	M. Tons
Sucrose recovery	10.32%		10.60%	
Production - sugar	66,817	M. Tons	68,797.5	M. Tons

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

33. FINANCIAL INSTRUMENTS

33.1 Financial assets and liabilities

	2016	2015
	----- Rupees in thousand -----	
Financial assets		
Loans and advances	6,187	13,298
Trade deposits	6,093	6,098
Cash and bank balances	25,102	59,978
	<u>37,382</u>	<u>79,374</u>
Financial liabilities		
Long term financing	971,856	904,895
Short term borrowings	17,507	210,339
Trade and other payables	307,053	439,759
Accrued markup	-	10,684
	<u>1,296,416</u>	<u>1,565,677</u>

33.2 Financial risk management objectives and policies

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

- Credit risk
- Liquidity risk
- Market risk

The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall, risks arising from the Company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risk without any material change from previous period in the manner described in notes below.

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. All treasury related transactions are carried out within the parameters of these policies.

33.2.1 Credit risk

Credit risk is the risk which assess with a possibility 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. 37.382 million (2015 : Rs. 79.374 million), the financial assets which are subject to credit risk amounted to Rs.37.227 million (2015 : Rs.79.201 million).

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

	2016	2015
	----- Rupees in thousand -----	
Loans and advances	6,187	13,298
Trade deposits	6,093	6,098
Bank balances	24,947	59,805
	<u>37,227</u>	<u>79,201</u>

Quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or the historical information about counter party default rates as shown below:

Bank Balances	2016	2015
	----- Rupees in thousand -----	
AAA	19,588	43,707
AA+	2,876	13,823
AA	1,340	2,275
AA-	1,143	-

33.2.2 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:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2016

	2016				
	Carrying amount	Contractual cash flows	Six months or less	Six months to twelve months	More than twelve months
----- (Rupees in thousand) -----					
Non-derivative financial liabilities					
Long term loan	971,856	(1,140,657)	-	-	(1,140,657)
Short term finance	17,507	(17,507)	(17,507)	-	-
Trade and other payables	307,053	(307,053)	(307,053)	-	-
Accrued mark up	-	-	-	-	-
	<u>1,296,416</u>	<u>(1,465,217)</u>	<u>(324,560)</u>	<u>-</u>	<u>(1,140,657)</u>

	2015				
	Carrying amount	Contractual cash flows	Six months or less	Six months to twelve months	More than twelve months
----- (Rupees in thousand) -----					
Non-derivative financial liabilities					
Long term loan	904,895	(1,140,657)	-	-	(1,140,657)
Short term finance	210,339	(210,339)	(210,339)	-	-
Trade and other payables	439,759	(439,759)	(439,759)	-	-
Accrued mark up	10,684	(10,684)	(10,684)	-	-
	<u>1,565,677</u>	<u>(1,801,439)</u>	<u>(660,782)</u>	<u>-</u>	<u>(1,140,657)</u>

33.2.3 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.

a) 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.

b) 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:

	2016	2015
	Effective Interest Rate (In Percent)	
Variable Rate Instruments		
Financial liabilities		
- Short term borrowings	11.04%	16.99%

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.

	2016	2015
	----- Rupees in thousand -----	
Cash flow Sensitivity - Variable Rate Instruments		
- Increase	175	2,103
- Decrease	(175)	(2,103)

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

b) 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.

33.3 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2016

	2016	2015
	----- Rupees in thousand -----	
Long term borrowings	971,856	904,895
Short term finance	17,507	210,339
Total debt	989,363	1,115,234
Less: Cash and bank balances	25,102	59,978
Net Debt	964,261	1,055,256
Share capital	160,175	160,175
Net Debt and share capital	1,124,436	1,215,431
Gearing ratio (%)	85.76%	86.82%

34. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

Financial assets which are tradable in an open market are remeasured at the market prices prevailing on the balance sheet date. The carrying values of all other financial assets and liabilities reported in the financial statements approximate their fair value.

In accordance with the requirements of IFRS 13 Fair value measurement, the Company classifies its long term investments and short term investments in terms of following fair value hierarchy:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Fair value measurements using Inputs for assets or liability that are not based on observable market data (i.e. unobservable inputs).

The fair value of land and buildings and plant and machinery is a level 3 recurring fair value measurement. Management engages an independent external expert / valuator to carry out periodic valuation of its non-financial assets (i.e. Land, Building and Plant and Machinery) and selection criteria include market knowledge, reputation, in dependence and whether professional standards are maintained by the valuer. The Fair Values were determined with reference to market based evidence, based on active market prices and relevant enquiries and information as considered necessary, adjusted for any difference in nature, location or condition of the specific property. Recent valuation was carried on January 25, 2016 and following factors were considered:

Land and Building The valuation is considered on the factors of location, need of the buyers, the overall prevailing market situation and other considerations linked with this.

Plant and machinery Factors taken into consideration in order to assess the present value of the machinery include Make, Model, Quality, Operational Capacity, Existing Condition, Demand and Resale Prospects, Depreciation and Obsolescence etc.

35. OPERATING SEGMENT

- 35.1 These financial statements have been prepared on the basis of a single reportable segment.
- 35.2 Revenue from sale of sugar represents 94% (2015 : 94%) of the gross sales of the Company.
- 35.3 100% (2015 : 100%) of the gross sales of the Company are made to customers located in Pakistan.
- 35.4 All non-current assets of the Company at September 30, 2016 are located in Pakistan.

36. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on January 18, 2017 by the Board of Directors of the Company.

37. GENERAL

- Figures have been rounded off to the nearest thousand rupee.
- Figures, including comparatives, have been re-arranged and reclassified wherever necessary.



Muhammad Mubeen Jumani
Chief Executive



Faraz Mubeen Jumani
Managing Director

PATTERN OF SHAREHOLDING

As at September 30, 2016

NO OF SHAREHOLDERS	SHARE HOLDING				TOTAL SHARES HOLD	
28	FROM	1	TO	100	SHARES	650
86	FROM	101	TO	500	SHARES	42,100
11	FROM	501	TO	1,000	SHARES	10,900
8	FROM	1,001	TO	10,000	SHARES	33,499
1	FROM	10,001	TO	20,000	SHARES	11,851
NIL	FROM	20,001	TO	50,000	SHARES	NIL
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
148	TOTAL					16,017,500

PATTERN OF SHARE HOLDING (ADDITIONAL INFORMATION)

As at September 30, 2016

		Number of Shareholders	Shares Held	Percentage
Associated Cos., Undertaking and Related Parties		-	-	-
Director, CEO and their spouses and Minor Children				
Mr. Muhammad Mubeen Jumani	Chief Executive Officer	1	7,816,127	48.80
Mrs. Qamar Mubeen Jumani	Chairperson	1	1,040,500	6.50
Mr. Faraz Mubeen Jumani	Managing Director	1	450,000	2.81
Mr. Fahad Mubeen Jumani	Director	1	450,000	2.81
Miss. Arisha Mubeen Jumani	Director	1	58,500	0.37
Mr. Ahmed Ali Jumani	Director	1	500	0.00
Mrs. Yasmeen Mubeen Jumani	Spouse	1	640,698	4.00
Mrs. Afroze Mubeen Jumani	Spouse	1	640,698	4.00
Banks, DFIs, Insurance Companies, Modarabas and Mutual Funds.				
- Bankers Equity Limited		1	2,669,600	16.67
- E.F.U. General Insurance		1	500	0.00
Share holders five percent or more interest				
Mr. Muhammad Mubeen Jumani	Chief Executive Officer	1	7,816,127	48.80
Mrs. Qamar Mubeen Jumani	Chairperson	1	1,040,500	6.50
Mr. Allah Warayo Jumani		1	961,047	6.00
Bankers Equity Limited		1	2,669,600	16.67

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PROXY FORM

Khairpur Sugar Mills Limited
27th Annual General Meeting

Folio No./CDC A/C No. _____

I / We _____ of _____

In the district of _____ being a member / members of Khairpur Sugar Mills Limited
holding _____ shares of Rs. 10 each, hereby appoint Mr. / Mrs. _____

Of _____ a member of the Company, vide Registered Folio / CDC A/C No. _____

_____ or falling him / her _____ as my / our proxy to vote for me / us and on
my / our behalf at the 27th Annual General Meeting of the Company to be held at 3rd floor, Plot NO. 15-C, 9th
Commercial Lane, Zamzama, D.H.A. phase V, Karachi on Monday, February 27, 2017 at 02.30 PM and at any
adjournment thereof or of any ballot to be taken in consequence thereof.

Signed this _____ day of January/February, 2017

Witnesses

1. Signature _____

Name _____

CNIC _____

Address _____

2. Signature _____

Name _____

CNIC _____

Address _____

Affix Revenue

Stamp of

Rupees Five

Signature of Member(s)

Note:

All proxies, in order to be effective, must be received at the Company's Registered Office not less than forty eight (48) hours before the time fixed for holding the Annual General Meeting and must be duly stamped, signed and witnessed as required.



The Company Secretary
Khairpur Sugar Mills Limited
3rd Floor, Plot No.15-C, 9th Commercial Lane,
Zamzama, Defence Housing Authority,
Phase V, Karachi. - 75500

AFFIX
CORRECT
POSTAGE

پراکسی فارم

خیر پور شوگر ملز لمیٹڈ کا 27 واں (ستائیس واں) سالانہ اجلاس عام

فولیو/سی ڈی سی اکاؤنٹ نمبر:

میں/اہم ساکن

عام حصص مبلغ 10 روپے

بحیثیت رکن خیر پور شوگر ملز لمیٹڈ حامل

ضلع

ہر ایک شیئر

کمپنی رکن برائے رجسٹرڈ فولیو/سی ڈی سی

ساکن

مستی/مسماة

اکاؤنٹ

نمبر اُس کی عدم موجودگی میں کو بطور مختار (پراکسی) مقرر کرتا کرتے ہیں تاکہ وہ میری/ہماری طرف سے

کمپنی کے 27 ویں سالانہ اجلاس عام بتاریخ 27 فروری 2017ء بروز پیر بوقت دوپہر 02:30 بجے بمقام تیسری منزل پلاٹ نمبر 15C، 9th

کمرشل لین، زمزمہ DHA فیز VI کراچی پر منعقد ہو رہا ہے اور اس کے کسی ملتوی شدہ اجلاس میں حق رائے دہی استعمال کرے۔
آج مورخہ 18 جنوری 2017ء کو میرے دستخط سے جاری ہوا۔

گواہ نمبر 2

گواہ نمبر 1

پانچ روپے کی

ریونیوٹکٹ

چسپاں کریں

دستخط.....

دستخط.....

نام.....

نام.....

..... CNIC نمبر

..... CNIC نمبر

..... پتہ

..... پتہ

..... ممبر کے دستخط

نوٹ:

پراکسی فارم کے موثر ہونے کے لئے لازم ہے کہ ہر لحاظ سے مکمل فارم کمپنی کے رجسٹرڈ دفتر پر اجلاس کے انعقاد سے کم از کم 48 گھنٹے قبل لازماً جمع ہو جانا چاہئے۔



The Company Secretary
Khairpur Sugar Mills Limited
3rd Floor, Plot No.15-C, 9th Commercial Lane,
Zamzama, Defence Housing Authority,
Phase V, Karachi. - 75500

AFFIX
CORRECT
POSTAGE



3rd Floor, Plot No. 15-C, 9th Commercial Lane,
Zamzama, Defence Housing Authority, Phase V,
Karachi. - 75500
Phone: 021-35810771-75
Fax: 021-35810776

