



SHAHMURAD SUGAR MILLS LTD.

ANNUAL REPORT 2015





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COMPANY INFORMATION

BOARD OF DIRECTORS

MR. ISMAIL H. ZAKARIA
MR. YUSUF AYOOB
MR. SULEMAN AYOOB
MR. A. AZIZ AYOOB
MR. ZIA ZAKARIA
MR. GHULAM MOHIUDDIN ZAKARIA
MR. ZOHAIK ZAKARIA
MR. NAEEM AHMED SHAFI
MR. KHURRAM AFTAB

Chairman
Managing Director

Resident Director

Independent Director
(N.I.T. Nominee)

BOARD AUDIT COMMITTEE

MR. NAEEM AHMED SHAFI
MR. SULEMAN AYOOB
MR. ZOHAIK ZAKARIA

Chairman
Member
Member

HUMAN RESOURCE AND REMUNERATION COMMITTEE

MR. SULEMAN AYOOB
MR. YUSUF AYOOB
MR. GHULAM MOHIUDDIN ZAKARIA

Chairman
Member
Member

CHIEF FINANCIAL OFFICER

MR. IQBAL UMER

COMPANY SECRETARY

MR. MOHAMMAD YASIN MUGHAL
FCMA

AUDITORS

M/s. KRESTON HYDER BHIMJI & CO.
Chartered Accountants

LEGAL ADVISOR

MR. ABDUL SATTAR PINGAR
Advocate

REGISTERED OFFICE

96-A, SINDHI MUSLIM HOUSING SOCIETY,
KARACHI-74400
Tel: 34550161-63 Fax: 34556675

FACTORY

JHOK SHARIF,
TALUKA MIRPUR BATHORO,
DISTRICT SUJAWAL (SINDH)

REGISTRAR & SHARE REGISTRATION OFFICE

C & K MANAGEMENT ASSOCIATES (PVT) LTD.
404-TRADE TOWER,
ABDULLAH HAROON ROAD,
NEAR METROPOLE HOTEL,
KARACHI - 75530

WEBSITE

www.shahmuradsugar.co



Mission Statement

To gain strength through industry leadership in the manufacturing and marketing of sugar and allied products and to have a strong presence in these products markets while retaining the options to diversify in other profitable ventures.

To operate, ethically while maximizing profits and satisfying customers' needs and stakeholders' interests.

To assist in the socio economic development of Pakistan especially in the rural areas through industrial expansion and development.

Vision Statement

To be a model company producing sugar and allied products of international quality by maintaining high level of ethical and professional standards.

CODE OF CONDUCT

Shahmurad Sugar Mills is guided by the following principles in its pursuit of excellence in all activities for the attainment of the Company's Objectives.

THE COMPANY

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

AS DIRECTORS

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

AS EXECUTIVE AND MANAGERS

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

AS EMPLOYEES AND WORKERS

- Observe Company policies, regulations and codes of Best Business Practices.
- Exercise prudence in effective, efficient and economical utilization of resources of the Company.
- Make concerted struggle for excellence and quality.
- Devote productive time and continued efforts to strengthen the Company.
- Protect and safeguard the interest of the Company and avoid the conflict of interest. Ensure the primary interest in all respect is that of the Company.
- Maintain financial integrity and must avoid making personal gain at the Company's cost by participating in or assisting activities which compete with the Company.

NOTICE OF MEETING

Notice is hereby given that 37th Annual General Meeting of SHAHMURAD SUGAR MILLS LIMITED will be held at the Registered Office of the Company at 96-A, Sindhi Muslim Society, Karachi on Friday, 29th January, 2016 at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the 36th Annual General Meeting held on 30th January, 2015.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended September 30, 2015 together with the Directors' and Auditors' Reports thereon.
3. To approve payment of Cash Dividend @ 35 % i.e. Rs.3.50 per ordinary share of Rs.10/= each for the year ended 30th September 2015 as recommended by the Board of Directors.
4. To appoint Auditors and to fix their remuneration for the year ended 30th September 2016. The present Auditors. M/s Kreston Hyder Bhimji & Co., Chartered Accountants, retire and offer themselves for re-appointment.
5. To transact any other business with permission of the Chair.

By Order of the Board



M. YASIN MUGHAL
COMPANY SECRETARY

Karachi: December 28, 2015

NOTE:

1. The Register of the Members of the Company will remain closed from 23rd January, 2016 to 2nd February, 2016 (Both days inclusive) for the purpose of holding the Annual General Meeting / Transfer of Shares.
2. A member of the Company entitled to attend and vote may appoint any member as his/her proxy to attend and vote on his/her behalf. PROXIES MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.

3. Submission of copies of CNIC:

SECP has directed vide SRO No.831(1)2012 dated July 05, 2012 to issue dividend warrants only crossed as "A/c Payee only" and should bear the computerized National Identity Card (CNIC) number of the registered member. All those shareholders who have not submitted their valid CNICs are once again requested to send a photocopy of their valid CNIC/NTN alongwith the Folio number(s) to the Company's Share Registrar. No dividend will be payable unless the CNIC number is printed on the dividend warrants, so please let us have your CNIC, failing which we will not be responsible, if we are unable to pay the dividends to the Shareholders who have not submitted their valid CNIC.

4. Deduction of Withholding Tax from Dividend U/S 150 of the Income Tax Ordinance, 2001

- (i) Pursuant to the provisions of the Finance Act, 2015 effective from July 1, 2015, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:

1. Rate of tax deduction for the filer(s) of income tax return 12.50%.
2. Rate of tax deduction for the non-filer(s) of income tax return 17.50%.

To enable the company to make tax deduction on the amount of cash dividend @ 12.50% instead of 17.50%, Shareholders whose names are not entered into the Active Tax-payers list (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to immediately make sure that their names are entered in ATL, otherwise tax on their cash dividend will be deducted @ 17.50% instead of 12.50%.

- (ii) Further, according to clarification received from Federal Board of Revenue (FBR), withholding tax will be determined separately on 'Filer/Non-Filer' status of Principal shareholder as well as joint-holder(s) based on their shareholding proportions, in case of joint accounts.

In this regard, all share holders who hold such shares jointly, are requested to provide shareholding proportions of Principal shareholder and Joint-holder(s) in respect of shares held by them to our Share registrar, in writing as follows:

Company Name	Folio/CDS Account #	Total Shares	Principal shareholder		Joint Shareholders		Signature
			Name and CNIC #	Proportion (No. of shares)	Name and CNIC #	Proportion (No. of shares)	

5. Requirement of Valid Tax Exemption Certificate for Claiming Exemption from Withholding Tax.

As per FBR Circulars C No. 1(29) WHT/2006 dated June 30, 2010 and C No. 1(43) DG (WHT) 2008-Vol-II-66417-R dated May 12, 2015 the valid exemption certificate is mandatory to claim exemption amount of withholding tax U/S 150 of the Income Tax Ordinance 2001 (tax on dividend amount) where the statutory exemption under clause 47B of Part-IV of Second Schedule is available. The shareholder who fall in the category mentioned in the above clause and want to avail exemption U/S 150 of the Ordinance, must provide Valid Tax Exemption Certificate to our Share Registrar.

In case of those shareholders who are non-residents are requested to please provide their respective detail including residence status /country of residence with copy of their NICOP to our Share Registrars before book closure. In case of non availability of status in their respective portfolio, the respective tax on dividends would be applicable.

6. Payment of Cash Dividend Electronically (Optional):

The Company wishes to inform its shareholders that under the law they are also entitled to receive their cash dividend directly in their bank account instead of receiving it through dividend warrants. Shareholders wishing to exercise this option may submit their application to the Company's Share Registrar, giving particulars relating to their name, folio number, bank account number, title of account and complete mailing address of the bank. CDC account holders should submit their request directly to their broker (participant) CDC.

7. Electronic Transmission Of Annual Financial Statement And Notices Of The Company.

Pursuant to Notification vide SRO.787(1)/2014 of September 08, 2014 the Securities and Exchange Commission of Pakistan (SECP) has directed to facilitate the members of the company receiving Annual Financial Statements and Notices through electronic mail system (e-mail). We are pleased to offer this facility to our members who desire to receive Annual Financial Statements and Notices of the Company through email in future. In this respect members are hereby requested to convey their consent via email on a standard request form which is available at the Company website i.e. www.shahmuradsugar.co Please ensure that your email has sufficient rights and space available to receive such email which may be larger than 1MB file in size. Further, it is the responsibility of the members to timely update the Share Registrar of any change in the registered email address.

8. Financial Statements and relevant reports have been placed on the website of the company which can be seen on www.shahmuradsugar.co

9. CDC Accounts Holders will further have to follow the under-mentioned guidelines as laid down in Circular I dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting

- a. In case of individuals, the account holder or sub-account holder and/or person whose securities are in group accounts and their registration details are uploaded as per the Regulations shall authenticate his identity by showing his Original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
- b. In case of corporate entity, the Board of Directors' resolution /power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For appointing proxies:

- i. In 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 Regulations shall submit the proxy form as per the above requirements.
- ii. The proxy form shall be witnessed by two persons whose names, addresses and CNIC number shall be mentioned on the form.
- iii. Attested copies CNIC or the 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 case of corporate entity, the Board of Director's resolution/power of attorney with specimen signature of the nominee shall be submitted (unless it has been provided earlier) along with proxy form to the company.

10. Change of Address:

Shareholders are requested to inform the Company's Share Registrar M/S. C & K Management Associates (Pvt.) Ltd., 404-Trade Tower, Abdullah Haroon Road, Near Metropole Hotel, Karachi of any change in their address immediately.

DIRECTORS' REPORT TO THE MEMBERS

IN THE NAME OF ALLAH THE MOST GRACIOUS AND MOST MERCIFUL

Dear Members

Assalam-o-Alaikum:

On behalf of the Board of Directors I feel great pleasure to place before you the audited financial statements of your company for the year ended September 30, 2015. Your company has earned profit before tax amounting to Rs.262.783 million as against Rs. 243.411 million earned during the previous year.

Salient comparative production and financial data are provided as under.

PRODUCTION DATA

	2014-15	2013-14
Crushing season commenced on	18-12-2014	01-11-2013
Crushing completed on	22-03-2015	16-03-2014
Duration of crushing (number of days)	95	136
Sugarcane crushed (metric tons)	596,006	666,887
Sugar produced (metric tons)	65,791	71,473
Sugar recovery rate - percentage	11.02	10.72
Molasses produced (metric tons)	26,850	30,525
Ethanol produced (metric tons)	32,597	31,048
Duration of Distillery Plant operation (days)	328	298

FINANCIAL DATA

	(Rupees in thousands)	
Sales revenue	5,199,162	5,353,972
Cost of sales	4,393,971	4,469,826
Gross profit	805,191	884,146
Administrative expenses	166,494	150,588
Financial cost	278,414	373,654
Profit before taxation	262,783	243,411
Provision for taxation	78,060	16,670
Profit after taxation	184,723	226,741
Earnings per share	Rs.8.75	Rs.10.74

PERFORMANCE REVIEW

SUGAR DIVISION:

The Mills commenced the crushing operation on December 18, 2014 which continued up to March 22, 2015. During the period the Mills crushed 596,006 metric tons of sugarcane as against 666,887 metric tons crushed during the last year crushing season. The crushing volume is lower than last year due to lesser availability of sugarcane during the current season. The production was 65,791 metric tons as against 71,473 metric tons produced last year. Production of sugar was also lower as lesser availability of sugarcane during the current season. However the recovery percentage improved to 11.02 percent as against 10.72 percent achieved last year.

For the crushing season 2014-15 the Government of Sindh issued price notification fixing the minimum support price of sugarcane at Rs.182/= per 40 kg of the same. The price of raw material as notified was high keeping in view the sugar price in the local and international markets. The sugar mills in the province of Sindh protested the same and Government issued another notification reducing the price of sugarcane to Rs.155/= per 40 kg. The reduced price was protested by the growers and the Government of Sindh issued yet another notification maintaining the price at Rs.182/= per 40 kg of the cane. Keeping

in view the price of sugar the same was again protested by the sugar mills and a petition was filed before the Honorable High Court of Sindh through Pakistan Sugar Mills Association. The Honorable High Court decided the matter favoring the price fixed by the Government. Understandably the decision was not acceptable to Sugar Mills Association who then filed a petition before the Honorable Supreme Court of Pakistan who directed the Honorable Sindh High Court to discuss the matter with the stakeholders including Government of Sindh in order to arrive at an acceptable solution of the issue. Final decision would be taken by the Honorable Supreme Court of Pakistan would be binding to all the stakeholders. The Honorable Sindh High Court with the consent of all stakeholders decided that the sugar mills would purchase the cane at the rate of Rs.160/= per 40 kg whereas Rs.12/= per 40 kg would be paid by the Sindh Government through the sugar mills. The fate of remaining Rs.10/= per 40 kg will depend upon the decision of the Honorable Supreme Court of Pakistan.

During the period under consideration the production of sugar was more than the requirements of the country including carry over stock and the Government allowed export of the same but this option was also not suitable for the producers as the production of sugar on worldwide basis was also more which depressed the price of the product in the international markets also.

ETHANOL DIVISION:

During the year under review the distillery division operated well and produced 32,597 metric tons of ethanol as against 31,048 metric tons produced last year. The production was more than the last year by 1,549 metric tons. The company exported 34,306 metric tons of ethanol as against 30,603 metric tons exported last year. Your company earned valuable foreign exchange much needed by the country. Pakistan's ethanol has gained good reputation in respect of standard and quality in the international markets.

Due to low price of crude oil the price of ethanol was also depressed during the year under consideration. There is a potential local market in Pakistan for ethanol which needs to be explored properly and supplemented by Government patronage. The potential use of ethanol are in fuel blending, disinfectants, screen wash, polish and paint industry, ink industry and perfume. Fuel grade ethanol can also be effectively used where natural gas is not available and as a substitute of L P G for domestic use i.e. cooking through ethanol stoves as being done in India. The use of ethanol stoves in Pakistan needs to be developed on priority basis to save the forests which are being cut down in northern area for cooking requirements. The use of ethanol for cooking purpose would save the forest cutting which would be a great achievement for Pakistan to save the environments. Another alternative use of fuel grade ethanol is the use of the same as fuel in the small vehicles in order to save the time of the people who wait in long queue to get the CNG on the fuel station. There is shortage of natural gas in the country and specifically during winter season there is load shedding of gas and many CNG stations remain closed on alternative days in Sindh and complete shutdown is observed in Punjab and Khyber Pakhtunkhwa. The Government of Pakistan is requested to look into the above issues and assist the ethanol industry in achieving the above mentioned goals.

CAPITAL EXPENDITURE:

Upgrading and balancing is a continuous process in the sugar industry in order to keep the plant and machinery up to date so as to meet the requirements of regulatory authorities. Your company incurred an expenditure of Rs.126.339 million on additions and BMR in order to maintain the efficiency of the plant.

STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CORPORATE GOVERNANCE:

1. The Financial Statements prepared by the management of the Company present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
2. The Company has maintained proper books of accounts as required by the law.

3. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed and explained.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Company's ability to continue as going concern.
7. There has been no material departure from the best practices of the Code of Corporate Governance as detailed in the listing regulations of the Stock Exchange.
8. There have been no outstanding statutory payments; except those under normal course of business and some disputed cases which are appearing in the relevant notes to the financial statements.
9. The pattern of share holding in the Company as on September 30, 2015 is also included in the Annual Report.
10. The Directors, Chief Executive, Chief Financial Officer, Company Secretary, their spouses or minor children carried out no trade in the shares of the company except as otherwise indicated.
11. Value of investment and balance in deposit accounts of Provident Fund based on un-audited accounts as at September 30, 2015 amounted to Rs.39.021 million.

The key operating and financial data of the last ten years and pattern of shareholding have been included in the Annual Report. There has been no significant change in the holding of directors or their spouses except as otherwise indicated.

CHANGES IN THE COMPOSITION OF BOARD OF DIRECTORS:

There was no change in the composition in the Board of Directors since its constitution. During the year under review five Board meetings were held and attendance by each Director was as follow:

	<u>NAME OF DIRECTORS</u>	<u>ATTENDED</u>	<u>STATUS</u>
01.	Mr. Ismail H Zakaria	4	Non-Executive
02.	Mr. Yusuf Ayoob	5	Executive
03.	Mr. Suleman Ayoob	5	Non-Executive
04.	Mr. A. Aziz Ayoob	5	Executive
05.	Mr. Zia Zakaria	3	Executive
06.	Mr. Ghulam Mohiuddin Zakaria	4	Non-Executive
07.	Mr. Zohair Zakaria	2	Non-Executive
08.	Mr. Naeem Ahmad Shafi	4	Independent Director
09.	Mr. Khurram Aftab	3	N.I.T Nominee

The details of the remuneration of executives and non-executive directors have also been provided in the relevant note to the financial statements as required under the Code of Corporate Governance.

AUDIT COMMITTEE:

The Board has also set up an Audit Committee comprising of the following directors. During the year under consideration four meetings of Audit Committee were held and attendance of each member was as under:

<u>NAME OF DIRECTORS</u>	<u>ATTENDED</u>	<u>STATUS</u>
01. Mr. Naeem Ahmad Shafi (Chairman)	4	Independent Director
02. Mr. Suleman Ayoob (member)	4	Non-Executive
03. Mr. Zohair Zakaria	2	Non-Executive

Term of Reference of the Audit Committee has also been determined by the Board in accordance with the guidelines provided in the Listing Regulations of the Stock Exchange.

HUMAN RESOURCE AND REMUNERATION COMMITTEE:

The Board in accordance with the Code of Corporate Governance had constituted Human Resource and Remuneration Committee comprising of the following directors. During the year one meeting of the Committee was held and attendance was as follow:

<u>NAME OF DIRECTORS</u>	<u>ATTENDED</u>	<u>STATUS</u>	<u>ATTENDED</u>
01. Mr. Suleman Ayoob	Chairman	Non-executive	1
02. Mr. Yusuf Ayoob	Member	Executive	1
03. Mr. Ghulam Mohiuddin Zakaria	Member	Non-executive	1

FUTURE OUTLOOK:

SUGAR DIVISION:

For the crushing season 2014-15, the Government of Sindh had fixed the cane price at Rs. 182 per 40 kg of cane which was disputed by the sugar mills and the growers. The dispute was resolved by the Honorable Sindh High Court as mentioned earlier. Whilst the Government exercises control over the price of the sugarcane to protect the growers, it is imperative for the Government to exercise similar control over the selling price of sugar. It is a well known fact that the price of sugar has been depressed in the domestic and international markets due to excessive production of the same and substantial carry over stock with the sugar mills and Trading Corporation of Pakistan. Meanwhile the crushing of sugarcane has commenced and the Mill has started crushing on 4th December, 2015. The recovery rate trend is not yet clear and the same would be clear when substantial volume of sugarcane crushing is completed. The area under plantation has remained nearly the same, but the yield is expected to be good due to timely availability of water in the irrigation system. The rainfall during the month of September has improved the supply of water and it is expected that the production of sugar by your mills during 2015-16 would be similar to that of last year provided the recovery percentage of sugar is improved.

The countrywide sugar production in the year ahead once again seems to be a significant surplus. The prospects of export may enable an outlet for this excess sugar and help to ease the over-supply scenario. However, this will depend largely on the international market price of the product which also appeared to be depressed due to international excessive production of the same. Export sales not only allow a better price realization, but the regular lifting of sugar also help to reduce the financial cost of your company.

The price of refined sugar in the international market remained hard to predict due to climatic uncertainty worldwide and the general surplus trend will probably continue. The strong U S Dollar also had a negative impact on commodity prices, pushing them downwards as the Dollar continues strengthening in light of expected discount rate increases by the U S Federal reserve. However, in the South East Asia, the general eagerness of the growers to plant sugarcane is a good sign and strongly indicates production figures similar to that of the preceding year. Trading Corporation of Pakistan would be encouraged to purchase sugar from the local mills in order to build up and maintain a Strategic buffer stock of the product which can come in good use during the periods of shortage. These will be good steps to bring stability to sugar prices, and might have a trickledown effect in providing stability to sugarcane prices as well. The price of sugar will of course remain the key factor in determining the basis of the division's bottom line.

ETHANOL DIVISION:

The prices of ethanol are depressed in the international market due to substantial reduction in the crude oil in the world market. The volume of production of ethanol was 32,597 metric tons and ethanol exported was 34,306 metric tons was exported. During the year ended as on September 30, 2015, the average price of ethanol was US \$695.49 per ton as against US \$ 806 per ton during the previous year indicating a price decrease of 13.71 percent. Molasses is the raw material for production of ethanol, which is available during the crushing season, the price of which has not reduced in the same proportion as the sale price of ethanol. Most of the sugar mills in the country are also engaged in the production of ethanol as an alternative avenue to make good loss suffered due to depressed price of sugar. It appears that the cushion provided by the ethanol division would decline during the next year in case the price of crude oil remains the same.

The management of your company has decided to procure molasses during the crushing season of the current year for total requirement of the year specifically from those sugar mills which have not yet entered in the production of ethanol or they have molasses in excess of their requirements. For the procurement of molasses the company had to borrow funds from the banks for payment to the suppliers and had to absorb financial costs which again reduce the margin on this segment. It is suggested that the government of Pakistan should consider developing the alternative local use of ethanol which will not only assist the ethanol industry survival but also increase the savings of foreign exchange being incurred on import of LPG and LNG.

CREDIT RATING OF THE COMPANY:

JCR-VIS Credit Rating Company Limited has assigned initial medium to long term entity rating of 'A-/A-2' to the Company outlook on medium to long term rating is "stable".

MECHANISM FOR EVALUATION OF THE BOARD:

The Board and Board's Committees continuously strive to improve their effectiveness and undertake annual reviews to assess the Board's performance. The Board also reviews developments in the corporate governance to ensure that the company remains aligned with the best practices.

In order to ensure on-going effectiveness as high performing Board, a Board Performance Evaluation process has been initiated through introducing a questionnaire covering Board's scope, objectives, functions, company's performance and monitoring. The Board also reviews the performance of the CEO against pre-determined operational, tactical and strategic goals.

CORPORATE & SOCIAL RESPONSIBILITY:

The company always takes keen interest in social and corporate responsibilities towards its employees and general public living in its franchise area of your mill. During the year your company made arrangements with M/s Takaful Pakistan Limited for health insurance of employees on renewal basis and medical cards have been provided to them enabling them to visit the authorized hospitals in case of illness.

DIVIDEND:

The directors have recommended a final cash dividend at 35 percent i.e. Rs.3.50 per share of Rs.10/= each (2014: 20 percent i.e. Rs. 2/= per share). In addition the directors, during the year, had also recommended cash dividend at 23 percent i.e. Rs. 2.30 per share of Rs. 10/= each out of undistributed profit in order to comply with the relevant requirements of Section 5-A of the Income Tax Ordinance 2001.

APPOINTMENT OF AUDITORS:

The present auditors, M/s Kreston Hyder Bhimji & Co., Chartered Accountants, retired and being eligible offered themselves for re-appointment for the year 2015-16. Audit Committee of the Board has recommended their appointment for the year 2015-16 and Board of Directors of your company endorsed the recommendations of the Audit Committee for re-appointment of M/s Kreston Hyder Bhimji & Company. Chartered Accountants, till the conclusion of next Annual General Meeting of the members.

STAFF RELATIONS:

Finally the Directors of your company record their appreciations for the perseverance, commitment to meeting the objectives and targets and the team work put in by the management and employees, in the current demanding environments and are confident that they will continue to demonstrate the same zeal and vigor in future.

By order of the Board



YUSUF AYOOB
CHIEF EXECUTIVE OFFICER

Karachi: 28th December, 2015

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED SEPTEMBER 30, 2015

This statement is being presented to comply with the Code of Corporate Governance (the CCG) contained in the listing regulations of the Karachi Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

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

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

<u>Category</u>	<u>Names</u>
Independent Director	i) Mr. Naeem Ahmed Shafi
Executive Directors	ii) Mr. Yusuf Ayoob iii) Mr. Zia Zakaria iv) Mr. A. Aziz Ayoob
Non-Executive Directors	v) Mr. Ismail H Zakaria vi) Mr. Suleman Ayoob vii) Mr. Ghulam Mohiuddin Zakaria viii) Mr. Zohair Zakaria ix) Mr. Khurram Aftab

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

2. The directors have confirmed that none of them is serving as director on more than seven listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange
4. No casual vacancy occurred on the Board during the year.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO), other executives and non-executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. Since all the directors possess 14 years of education and more than 15 years of experience, they are exempt from the directors' training program as per the CCG. However, one of the directors has acquired the required certification from the Institute of Corporate Governance.
10. No new appointment of Chief Financial Officer (CFO), Company Secretary or the Head of Internal Audit was made during the year. The remuneration, terms and conditions of the employment of CFO, Company Secretary and Head of Internal Audit and any changes thereto have been approved by the Board.
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 of whom are non-executive directors and Chairman of the Committee is an independent director.
16. The meetings of the Audit Committee were held at least once every quarter prior to the 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 HR and Remuneration Committee. It comprises of three members, of whom two are non-executive directors.
18. The Board has set up an effective internal audit function in the Company managed by qualified and experience professional who are conversant with the policies and procedures of the Company and the industry's best practices. They are involved in the internal audit functions on a full time basis. The head of internal audit department functionally reports to the Board's Audit Committee.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP..
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of the Company's securities, was determined and intimated to directors, employees and stock exchange.
22. Material / price sensitive information has been disseminated amongst all the market participants at once through stock exchange.
23. We confirm that all other material principles enshrined in the CCG have been complied with.



YUSUF AYOOB
CHIEF EXECUTIVE OFFICER

Karachi: 28th December, 2015

KEY OPERATION & FINANCIAL DATA FOR LAST TEN YEARS

(Rupees in thousand)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
BALANCE SHEET:										
Share Capital	211,187	211,187	211,187	211,187	211,187	211,187	211,187	211,187	211,187	211,187
Reserves	858,025	736,114	521,769	442,188	296,930	208,586	184,529	76,405	(99,177)	(109,334)
Surplus on revaluation of fixed assets	587,964	611,888	416,220	431,487	451,986	473,701	496,561	314,874	331,257	348,544
Long Term Liabilities	774,675	761,669	726,251	817,157	914,113	741,021	973,916	1,164,938	1,131,560	1,049,346
Deferred Taxation	56,458	28,842	24,831	70,877	128,364	173,525	182,822	169,547	197,178	206,487
Current Liabilities	2,642,076	2,318,096	1,901,805	2,336,772	2,878,103	1,502,702	1,011,608	1,298,067	1,089,329	1,022,614
Operating Assets	2,424,275	2,425,608	2,141,973	2,149,828	2,044,741	1,957,988	1,918,684	1,693,408	1,681,232	1,644,117
Long Term Deposits	2,395	2,390	2,390	2,532	2,708	2,570	2,462	5,133	25,968	19,382
Long Term Investment	3,759	5,101	4,346	4,130	2,909	4,601	4,362	4,265	4,215	4,060
Current Assets	2,696,867	2,229,376	1,646,273	2,150,986	2,828,149	1,344,912	1,135,115	1,532,212	1,149,919	1,061,285
TRADING										
Turnover	5,199,162	5,353,972	5,642,437	5,362,004	4,392,083	4,440,856	2,887,436	2,345,768	1,523,852	1,880,477
Gross Profit/(Loss)	805,191	884,146	606,322	695,891	754,349	582,289	603,637	585,326	288,071	264,571
Operating Profit/(Loss)	541,563	616,908	395,721	462,591	550,887	409,360	444,042	395,895	200,048	187,051
Profit/(Loss) before Tax	262,783	243,411	84,281	111,079	88,526	67,308	115,012	158,225	(8,968)	13,548
Profit/(Loss) after Tax	184,723	226,741	91,611	145,344	89,717	32,248	102,794	169,708	(7,285)	18,541
Earning Per Share	8.75	10.74	4.34	6.88	4.25	1.53	4.87	8.04	(0.34)	0.88
Cash Dividend	35%	43%	15%	15%	10%	10%	15%	10%	NIL	NIL
Bonus Shares	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
SUGAR PRODUCTION										
a) From Cane	65,791	71,473	59,343	57,077	60,775	49,565	47,690	69,286	52,510	31,640
b) From Raw Sugar	-	-	-	-	-	-	-	-	-	9,814
Cane Crushed (M.Tons)	596,006	666,887	561,083	654,892	654,892	521,062	482,166	762,418	552,767	321,769
Sugar Produced (M.Tons)	65,791	71,473	59,343	60,775	60,775	49,565	47,690	69,286	52,510	41,454
Recovery (%)	11.02%	10.72%	10.58%	10.09%	9.27%	9.51%	9.85%	9.08%	9.50%	9.88%

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

We have reviewed the annexed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) for the year ended September 30, 2015 prepared by the Board of Directors of **SHAHMURAD SUGAR MILLS LIMITED** ("the Company") to comply with the Listing Regulations of Karachi Stock Exchange, where the Company is listed.

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

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

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

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, 2015.

Kreston Hyder Bhimji & Co

KRESTON HYDER BHIMJI & CO
CHARTERED ACCOUNTANTS

Karachi, December 28, 2015

KARACHI Office:

Suite No. 1601, 16th Floor, Kashif Centre, Shahrah-e-Faisal, Karachi. Phone: 92-21-35640050-1-2, Fax: 92-21-35640053, E-mail: bhimji@cyber.net.pk, info-khi@hyderbhimji.com

LAHORE Office:

Amin Building, 65-The Mall, Lahore. Phone: 92-42-37352661-37321043 Fax: 92-42-37248113, E-mail: info-lhr@hyderbhimji.com, hyderbhimjilahoreoffice@gmail.com

FAISALABAD Office:

206-1st Floor, Business Centre, New Civil Line, Faisalabad. Phone: 92-41-2615632-2615650 Fax: 92-41-2617902 E-mail: hyderbhimjifsd@gmail.com, info-fsd@hyderbhimji.com

www.hyderbhimji.com

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of M/S. SHAHMURAD SUGAR MILLS LIMITED (the Company) as at September 30, 2015 and the related Profit and Loss Account, Statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied;
 - 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, 2015 and of profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Kreston Hyder Bhimji & Co

KRESTON HYDER BHIMJI & CO
CHARTERED ACCOUNTANTS
Engagement Partner: Fahad Ali Shaikh

Karachi, December 28, 2015

KARACHI Office:

Suite No. 1601, 16th Floor, Kashif Centre, Shahrah-e-Faisal, Karachi. Phone: 92-21-35640050-1-2, Fax: 92-21-35640053, E-mail: bhimji@cyber.net.pk, info-khi@hyderbhimji.com

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www.hyderbhimji.com

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BALANCE SHEET

AS AT SEPTEMBER 30, 2015

	Note	2015 (Rupees in thousand)	2014
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	4	2,424,275	2,425,608
Intangible asset	5	508	2,480
Long Term Investment	6	3,759	5,101
Long Term Loans	7	2,581	2,841
Long Term Deposits	8	2,395	2,390
		2,433,518	2,438,420
CURRENT ASSETS			
Stores, spare parts and loose tools	9	181,745	186,179
Stock-in-trade	10	1,838,959	1,755,960
Trade debts	11	84,959	35,370
Loans and advances	12	167,980	108,404
Short term prepayments		226	1,576
Other receivables	13	78,000	47,005
Income tax refund due from Government		28,331	-
Income tax refundable - net of provision		10,082	61,960
Cash and bank balances	14	306,585	32,922
		2,696,867	2,229,376
		5,130,385	4,667,796
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised Capital 25,000,000 ordinary shares of Rs. 10 each		250,000	250,000
Issued, subscribed and paid-up capital	15	211,187	211,187
General reserve	16	80,000	80,000
Share of associate's unrealised loss on remeasurement of investment		(1,773)	(780)
Unappropriated profit		779,798	656,894
		1,069,212	947,301
Surplus On Revaluation Of Property, Plant & Equipment	17	587,964	611,888
NON CURRENT LIABILITIES			
Long Term Financing	18	673,839	530,833
Loan from Related Parties	19	100,836	230,836
Deferred taxation	20	56,458	28,842
		831,133	790,511
CURRENT LIABILITIES			
Trade and other Payables	21	781,699	420,015
Accrued mark-up / finance cost	22	29,159	45,737
Short term borrowings	23	1,558,857	1,662,755
Current portion of long term financing and Liabilities against assets subject of finance lease	24	272,361	189,589
		2,642,076	2,318,096
CONTINGENCIES AND COMMITMENTS			
	25	-	-
		5,130,385	4,667,796

The annexed notes 01 to 45 form an integral part of these financial statements.


YUSUF AYOOB
Managing Director


ZIA I. ZAKARIA
Director

PROFIT AND LOSS ACCOUNT **FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Note	2015 (Rupees in thousand)	2014
Sales	26	5,199,162	5,353,972
Cost of sales	27	(4,393,971)	(4,469,826)
Gross profit		805,191	884,146
Less:			
Distribution Cost	28	(128,373)	(143,017)
Administrative Expenses	29	(166,494)	(150,588)
Other Operating Charges	30	(78,379)	(21,140)
		(373,246)	(314,745)
Other Income	31	109,618	47,507
Operating Profit		541,563	616,908
Finance Cost	32	(278,414)	(373,654)
		263,149	243,254
Share of (loss) / profit in associate	6	(366)	157
Profit before taxation		262,783	243,411
Taxation	33	(78,060)	(16,670)
Profit after taxation		184,723	226,741
Earning per share - Basic and diluted	34	8.75	10.74

The annexed notes 01 to 45 form an integral part of these financial statements.


YUSUF AYOOB
 Managing Director


ZIA I. ZAKARIA
 Director

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Note	2015	2014
		(Rupees in thousand)	
Profit after taxation		184,723	226,741
Other Comprehensive Income			
Items that will not be reclassified subsequently to profit and loss account			
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation net of deferred tax	17	28,974	18,684
Share of associate's share in reversal of its associates' incremental depreciation on account of revaluation of property plant and equipment.		(7)	-
Items that may be reclassified subsequently to profit and loss account			
Share of associate's unrealised profit on remeasurement of investment	6.2	(993)	598
		27,974	19,282
Total Comprehensive Income for the year		212,697	246,023

The annexed notes 01 to 45 form an integral part of these financial statements.


YUSUF AYOOB
Managing Director

SHAHMURAD
SUGAR MILLS LIMITED


ZIA I. ZAKARIA
Director

CASH FLOW STATEMENT

FOR THE YEAR ENDED SEPTEMBER 30, 2015

		2015	2014
		(Rupees in thousand)	
A. CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		262,783	243,411
Adjustment for:			
Depreciation	4.1.1	127,250	112,488
Amortization	5	1,972	1,972
Gain on disposal of Property, Plant and Equipment	4.1.3	(938)	(434)
Provision for doubtful loan to growers	12.1	1,150	-
Provision for obsolescence and slow moving items	9.1	8,728	1,952
Provision against export freight subsidy	13	47,005	-
Finance cost	32	278,414	373,654
Share of loss / (profit) in associate	6	366	(157)
		463,947	489,475
Cash generated before working capital changes		726,730	732,886
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		(4,294)	(5,819)
Stock in trade		(82,999)	(733,982)
Trade debts		(49,589)	153,744
Loans & advances		(60,726)	17,824
Short term prepayments		1,350	2,804
Other receivables		(78,000)	12
		(274,258)	(565,417)
Increase / (decrease) in current liabilities			
Trade and other payables		312,681	119,624
Short term borrowings		(103,898)	541,650
		208,783	661,274
Cash generated from operations		661,255	828,743
Income tax paid		(33,503)	(63,617)
Income tax refund / adjustment		11,656	-
Finance cost paid		(294,992)	(359,220)
Decrease / (Increase) in long term loans		260	(212)
Increase in long term deposits		(5)	-
		(316,584)	(423,049)
Net cash flow from operating activities		344,671	405,694
B. CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(126,339)	(148,369)
Sale proceeds from disposal of Property, Plant and Equipment		1,360	1,280
Net cash outflow from investing activities		(124,979)	(147,089)
C. CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from Long term financing		503,700	225,000
Repayment of long term financing		(403,219)	(440,719)
Repayment of liabilities against assets subject to finance lease		(4,703)	(8,574)
Dividend Paid		(41,807)	(31,384)
Net cash outflow from financing activities		53,971	(255,677)
Net Increase in cash and cash equivalents (A+B+C)		273,663	2,928
Cash and cash equivalents at the beginning of the year		32,922	29,994
Cash and cash equivalents at the end of year		306,585	32,922

The annexed notes 01 to 45 form an integral part of these financial statements.

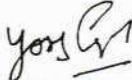

YUSUF AYOOB
 Managing Director


ZIA I. ZAKARIA
 Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Issued, Subscribed & paid up capital	General reserves	Share of associate's unrealized (loss)/ Gain on remeasurement of investment	Un-appropriated profit	Total
	Rupees in thousand				
Balance as at October 01, 2013	211,187	80,000	(1,378)	443,147	732,956
During the year ended September 30, 2014					
Transaction with owners					
Final Dividend for 30-September-2013 @ 1.50 per Share	-	-	-	(31,678)	(31,678)
Total Comprehensive Income For the year					
Profit after taxation	-	-	-	226,741	226,741
Other comprehensive income for the year					
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation net of deferred tax	-	-	-	18,684	18,684
Share of associate's unrealised profit on remeasurement of associate's investment	-	-	598	-	598
	-	-	598	18,684	19,282
Balance as at September 30, 2014	211,187	80,000	(780)	656,894	947,301
During the year ended September 30, 2015					
Transaction with owners					
Final Dividend for 30-September-2014 @ 2.00 per Share	-	-	-	(42,237)	(42,237)
Additional Dividend in order to comply with section 5A of the Income Tax Ordinance, 2001	-	-	-	(48,573)	(48,573)
	-	-	-	(90,810)	(90,810)
Total Comprehensive Income For the year					
Profit after taxation	-	-	-	184,723	184,723
Other comprehensive income for the year					
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation net of deferred tax	-	-	-	28,974	28,974
Share of associate's unrealised profit on remeasurement of associate's investment	-	-	(993)	-	(993)
Share of associate's share in reversal of its associates' incremental depreciation on account of revaluation of property plant and equipment.	-	-	-	(7)	(7)
	-	-	(993)	28,967	27,974
Share of associate's share in its associates' incremental depreciation on account of revaluation of property plant and equipment.	-	-	-	24	24
Balance as at September 30, 2015	211,187	80,000	(1,773)	779,798	1,069,212

The annexed notes 01 to 45 form an integral part of these financial statements.


YUSUF AYOOB
Managing Director


ZIA I. ZAKARIA
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2015

1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan as a public limited company on April 9, 1979. Its shares are quoted at the Karachi Stock Exchange. The Company owns and operate Sugar and Ethanol manufacturing units which are located at Jhok, District Thatta in the province of Sindh. The registered office of the Company is located at 96-A, Sindhi Muslim Cooperative Housing Society, Karachi, Sindh.

2 BASIS OF PREPARATION

2.1 BASIS OF MEASUREMENT

These financial statements have been prepared under the 'historical cost convention' except certain items of property, plant and equipments, stated at revalued amount and long term investment in associates accounted for under equity method and stock in trade when valued at net realizable value. The Company uses accrual basis of accounting except for cash flow statement.

2.2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.3 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements have been prepared in Pak Rupees, which is the Company's functional currency.

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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 expectations of future events that are believed to be reasonable under the circumstances. Revisions of accounting estimates are recognized in the period in which the estimate is revised and in any future periods as appropriate. In the process of applying the accounting policies, management makes following estimates and judgments which are significant to the financial statements:

a) Property, plant and equipment

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

b) Stock-in-trade

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

c) Taxation

In making the estimate for income tax payable by the Company, the Company takes into account the applicable tax laws and decision by appellate authorities on certain issues in past. Due weightage is given to past history while determining the ratio of future export sales for the purposes of calculating deferred taxation.

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

d) Impairment

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

e) Stores, spare parts and loose tools with respect to provision for obsolescence and slow moving items

The estimates of slow moving and obsolete stores, spare parts and loose tools, are made, using and appropriately judging the relevant inputs and applying the parameters, as the management considers appropriate, which, on actual occurrence of the subsequent event, may fluctuate. The effect of variation is given as and when it takes place.

f) Trade debts

The Company reviews its doubtful trade debts at each reporting date to assess whether provision should be recorded in the profit and loss account. In particular, judgment by management is required in the estimation of the irrecoverable amount and timing of future cash flow when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provision. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in making payments are considered indicators that the trade debt is doubtful and the provision recognized in the profit and loss account.

2.5 STANDARDS, AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARD AND INTERPRETATIONS

2.5.1 New and amended standards and interpretations became effective

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

IAS-19	Employee Benefits - Amendment
IAS-32	Financial Instruments: Presentation - Amendment
IAS 36	Impairment of Assets'- Amendment
IAS 39	Financial Instruments: Recognition and Measurement' - Amendment
IFRIC 21	Levies

These Standards, interpretations and amendments are not expected to have significant impact on company's financial statements. In addition to above, certain new cycle of improvements are applicable in current year, which are either considered not to be relevant or are not to have significant impact to the company's financial statements and hence have not been specified.

2.5.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective in the current financial year

The following Standards, interpretations and amendments to published approved accounting standards that are effective for accounting periods, beginning on or after the date mentioned against each to them.

		Effective dates as determined by relevant IFRS
IAS-16	Property, Plant and Equipment - Amendment	1-Jan-16
IAS-27	Separate Financial Statements - Amendment	1-Jan-16
IAS-28	Investments in Associates and Joint Ventures	1-Jan-16
IAS-38	Intangible Assets - Amendment	1-Jan-16
IAS-41	Agriculture - Amendment	1-Jan-16
IFRS-9	Financial Instruments: Classification and Measurement	1-Jan-15
IFRS-10	Consolidated Financial Statements - Amendment	1-Jan-16
IFRS-11	Joint Agreements - Amendment	1-Jan-16
IFRS-12	Disclosure of Interests in Other Entities - Amendment	1-Jan-16
IFRS-14	Regulatory Deferral Accounts	1-Jan-16
IFRS-15	Revenue from Contracts with Customers	1-Jan-18

These standards, interpretations and the amendments are either not relevant to or are not expected to have significant impact on the company's financial statements other than certain disclosures, if applicable.

In addition to above, certain new cycle of improvements will apply prospectively for period beginning on or after 01, July 2015, are either considered not to be relevant or are not expected to have significant impact to the company's financial statements and hence have not been specified.

2.5.3 New Standards issued by IASB and notified by SECP but not yet effective

Following new standards issued by IASB have been adopted by the Securities and Exchange Commission of Pakistan for the purpose of applicability in Pakistan through SRO 633(1) / 2014 dated July 10, 2014 and will be effective for annual periods beginning on or after January 01, 2015.

IFRS-10 Consolidated Financial Statements
IFRS-11 Joint Agreements
IFRS-12 Disclosure of Interests in Other Entities
IFRS-13 Fair Value Measurement

These new standards are either irrelevant or will not have any material effect on the Company's financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES

The Principal accounting policies adopted are set out below

3.1 Property Plant & Equipments

a) Operating assets

Owned

Operating fixed assets except furniture, fixture & fittings and vehicles are stated at revalued amounts less accumulated depreciation and impairment, if any. Furniture, fixture & fittings and vehicles are stated at cost less accumulated depreciation and impairment, if any.

Depreciation is charged to income applying the reducing balance method over the expected useful lives of the assets at the rates specified in assets note no. 4.1. Depreciation on addition including assets after revaluations is charged from the quarter in which the assets are put to use while no Depreciation is charged in the quarter in which the assets are disposed off.

The costs of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits associated with the part will flow to the Company and its cost can be measured reliably. Major renewals and improvements are capitalized when it is probable that respective future economic benefits will flow to the Company. The costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

In accordance with the Section 235 of the Companies Ordinance, 1984 an amount equal to the incremental depreciation charged on assets after revaluation has been transferred from the surplus on revaluation of fixed assets to unappropriated profit in the current year through Statement of changes in equity. Consequently incremental depreciation charged for the period on revalued assets is transferred from surplus on revaluation of fixed assets to unappropriated profit as the case may be during the current year as referred to in note no. 17 of these financial statements.

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

Assets subject to finance lease

Assets held under finance lease are initially recognized as items of property, plant & equipment of the company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments as disclosed in note no 3.10.

These are subsequently stated at recorded amount less accumulated depreciation and impairment loss, if any. These assets are depreciated over their expected useful life at the rates specified in the note no 4.1 on the same basis as owned assets.

b) Capital work-in-progress

Capital work-in-progress is stated at cost accumulated up to the balance sheet date less impairment if any and represents costs / expenditures incurred on property, plant and equipment during the course of construction, installation and implementation. These are transferred to specific assets as and when assets are available for intended use.

3.2 Intangible Asset

Intangible assets acquired by the company are stated at cost less accumulated amortisation and impairment if any. Amortisation is charged to income over the period of three years on straight line basis.

3.3 Investment in Associates

The Investment in associates is accounted for under equity method. Under this method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss of the investee after the date of acquisition which is recognized in the profit and loss account. Dividend received, if any, reduces the carrying amount of investment. Changes in associate's equity including those arising from the revaluation of property, plant and equipment are recognized directly in the Company's equity in proportion of the equity held.

Investment is de-recognized when the Company has transferred substantially all risks and rewards of ownership and rights to receive cash flows from the investment has expired or has been transferred.

3.4 Stores, Spare parts and Loose Tools

Stores, spare parts and loose tools are valued at cost, using weighted average method. Items in transit are valued at cost comprising invoice value and other charges incurred thereon up to the balance sheet date. Adequate provision is made for obsolescence and slow moving items as and when required based on parameters set out by management.

3.5 Stock-in-Trade

These are stated at lower of weighted average cost and net realizable value.

Cost in relation to finished goods and semi finished goods represents cost of raw material and an appropriate portion of manufacturing overheads. Cost in respect of semi finished goods is adjusted to an appropriate stage of completion of process.

Cost in relation to stock of molasses held by Distillery Division is valued at average cost.

3.6 Trade Debts

Trade debts are carried at original invoice amount that is fair value of the goods sold. A provision for doubtful debt is established when there is objective evidence that the Company will not be able to collect amount due according to the original terms of the debts. When a trade debt is uncollectable, it is written off.

3.7 Employees post employment benefits

Defined Contribution Plan

The Company operates an approved provident fund scheme for all its employees eligible to the benefit and equal monthly contributions thereto are made both by the Company and the employees in accordance with the terms of the scheme @ 10% of the basic salary plus applicable cost of living allowances.

Defined Benefit Plan

The Company was operating unfunded gratuity scheme covering all its permanent employees eligible to the benefit under the scheme. However, in accordance with the award of Labour Court No. 6, Hyderabad the scheme has been discontinued effective from October 1, 2004 and balance amount have been shown under "Trade and Other Payable".

3.8 Compensated unavailed leaves

The Company accounts for its liability towards unavailed leaves accumulated by employees on accrual basis.

3.9 Liabilities against assets subject to finance lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee or meets any other criteria defined in IAS 17 "Lease". All other leases are classified as operating lease.

Assets held under finance lease are recognized as items of property, plant & equipment of the company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as "Liabilities against asset subject to finance lease". Lease payments are apportioned between finance charges and reduction of the liabilities against assets subject to finance lease so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit & loss account unless they are directly attributable to qualifying assets in which case they are capitalized in accordance with the company's general policy on borrowing cost.

3.10 Taxation

a) Current Income Tax

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

b) Deferred taxation

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that the deductible temporary differences will reverse in the future and sufficient taxable income will be available against which the deductible temporary differences can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be utilized.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. In this regard, the effects on deferred taxation of the portion of income expected to be subject to final tax regime is adjusted in accordance with the requirement of Accounting Technical Release - 27 of the Institute of Chartered Accountants of Pakistan (ICAP), if considered material.

c) Sales tax and Federal Excise Duty

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

- i) Where sales tax / FED incurred on a purchase of asset or service is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- ii) Receivables or payables that are stated with the amount of sales tax included.
- iii) The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

3.11 Trade and other payables

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

3.12 Borrowings and their costs

Borrowings are recorded at the proceeds received / amortized cost.

Borrowing costs incurred on finances obtained for the construction / installation of qualifying assets are capitalized up to date the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to the profit and loss account currently.

3.13 Provisions

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

3.14 Financial Instruments

All the financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. All the financial assets are derecognized at the time when the Company loses control of the contractual right that comprise the financial assets. All financial liabilities are derecognized at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled or expires. Any gain or loss on derecognition of the financial assets and financial liabilities are taken to profit and loss account.

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, or amortised cost, as the case may be as disclosed in the respective notes.

3.15 Offsetting of Financial Assets and Liabilities

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

3.16 Impairment of assets

Financial assets

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

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

Non-Financial assets

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

3.17 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 the consideration received or receivable, excluding discounts, rebates and government levies. The following recognition criteria is adopted 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, usually on dispatch of the goods to customers.
- Return on bank deposits is recognized on a time proportion basis on the principal amount outstanding and the rate applicable.

- Mark-up on grower loan is accounted for in line with the recovery of the respective loan due to exigencies involved in such matters. Recognition of mark-up on loans considered doubtful is deferred.
- Dividend income is recognised when the Company's right to receive the payment is established.

3.18 Foreign currency transactions and translation:

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

3.19 Cash and Cash Equivalents

For the purpose of cash flow statement cash and cash equivalents comprises cash and cheques in hand, balances with banks on current, savings and deposit accounts.

3.20 Segment Reporting

An operating segment is a component of the company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relates to transactions with any of the company's other components. Operating segments are reported in a manner consistent with the internal reporting structure based on the operating (business) segments of the company. An operating segment's operating results are regularly reviewed by the management and the chief executive officer for the purpose of making decisions regarding resource allocation and performance assessment.

Segment results, assets and liabilities include items directly attributable to segment as well as those that can be allocated on a reasonable basis. Segment assets, consist primarily of property, plant and equipment, intangibles, stores and spares, stock in trade and other debts. Segment liabilities comprise of operating liabilities and exclude items that are common to all operating segments.

The accounting policies of the reportable segments are the same as the Company's accounting policies described in this note. Inter-segment transactions are recorded at fair value. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets.

The Company has following reportable segments on the basis of product characteristics and the criteria defined by the "IFRS 8 Segment Reporting".

Sugar Division - Manufacturing and sale of Refined Sugar

Distillery Division - Manufacturing and sale of Ethyl Ethanol.

3.21 Dividends and other appropriations

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

	Note	2015 (Rupees in thousand)	2014
4 PROPERTY, PLANT AND EQUIPMENT			
Operating Fixed Assets	4.1	2,344,078	2,383,222
Capital Work in Progress	4.2	80,197	42,386
		<u>2,424,275</u>	<u>2,425,608</u>

4.1 OPERATING ASSETS

PARTICULARS	2015									
	NET CARRYING VALUE					GROSS CARRYING VALUE				
	AS ON OCTOBER 1, 2014	DIRECT ADDITIONS	TRANSFER FROM CWIP	DISPOSAL	DEPRECIATION	TRANSFER FROM LEASED TO OWNED ASSETS	AS ON SEPTEMBER 30, 2015	COST	ACCUMULATED DEPRECIATION	NET CARRYING VALUE AT SEP 30, 2015
OWNED										
Rupees in thousand										
FREEHOLD LAND										
Cost	31,575	-	-	-	-	-	31,575	31,575	-	31,575
Revaluation	81,024	-	-	-	-	-	81,024	81,024	-	81,024
FACTORY BUILDING										
Cost	74,122	-	3,081	-	7,643	-	69,560	145,072	75,512	69,560
Revaluation	37,177	-	-	-	3,718	-	33,459	37,177	3,718	33,459
NON FACTORY BUILDING										
Cost	58,040	-	684	-	2,928	-	55,796	103,426	47,630	55,796
Revaluation	84,848	-	-	-	4,242	-	80,606	88,990	8,384	80,606
RES QTR FOR LABOUR										
Cost	6,106	-	-	-	611	-	5,495	30,308	24,813	5,495
Revaluation	7,340	-	-	-	734	-	6,606	12,695	6,089	6,606
PLANT & MACHINERY										
Cost	1,365,381	-	79,125	-	71,620	29,537	1,402,423	2,470,787	1,068,364	1,402,423
Revaluation	566,618	-	-	-	28,331	-	538,287	641,212	102,925	538,287
FURNITURE, FIXTURE AND FITTINGS										
Cost	3,254	-	-	-	325	-	2,929	8,841	5,912	2,929
OFFICE EQUIPMENT										
Cost	21,123	2,154	-	-	2,242	-	21,035	42,308	21,273	21,035
Revaluation	1,483	-	-	-	148	-	1,335	4,786	3,451	1,335
VEHICLES										
Cost	14,443	3,484	-	422	3,557	-	13,948	41,079	27,131	13,948
LEASED										
PLANT & MACHINERY										
Cost	30,688	-	-	-	1,151	(29,537)	-	-	-	-
	2,383,222	5,638	82,890	422	127,250	-	2,344,078	3,739,280	1,395,202	2,344,078
TOTAL										
Cost	1,604,732	5,638	82,890	422	90,077	-	1,602,761	2,873,396	1,270,635	1,602,761
Revaluation	778,490	-	-	-	37,173	-	741,317	865,884	124,567	741,317
	2,383,222	5,638	82,890	422	127,250	-	2,344,078	3,739,280	1,395,202	2,344,078

PARTICULARS	2014										DEPRECIATION RATE PER ANNUM
	NET CARRYING VALUE					GROSS CARRYING VALUE					
	AS ON OCTOBER 1, 2013	DIRECT ADDITIONS	TRANSFER FROM CWP	DISPOSAL	DEPRECIATION	REVALUATION SURPLUS ON FRESH REVALUATION	AS ON SEPTEMBER 30, 2014	COST	ACCUMULATED DEPRECIATION	NET CARRYING VALUE AT SEP 30, 2014	
OWNED											
Rupees in thousand											
FREE HOLD LAND											
Cost	31,575	-	-	-	-	-	31,575	31,575	-	31,575	-
Revaluation	69,920	-	-	-	-	11,104	81,024	81,024	-	81,024	-
FACTORY BUILDING											
Cost	34,100	-	44,546	-	4,524	-	74,122	141,991	67,869	74,122	10%
Revaluation	17,421	-	-	-	1,742	21,498	37,177	37,177	-	37,177	10%
NON FACTORY BUILDING											
Cost	60,445	-	641	-	3,046	-	58,040	102,742	44,702	58,040	5%
Revaluation	60,262	-	-	-	3,013	27,599	84,848	88,990	4,142	84,848	5%
RES QTR FOR LABOUR											
Cost	6,784	-	-	-	678	-	6,106	30,308	24,202	6,106	10%
Revaluation	5,270	-	-	-	527	2,597	7,340	12,695	5,355	7,340	10%
PLANT & MACHINERY											
Cost	1,348,307	1,370	86,779	-	71,075	-	1,365,381	2,362,125	996,744	1,365,381	5%
Revaluation	400,859	-	-	-	20,043	185,802	566,618	641,212	74,594	566,618	5%
FURNITURE, FIXTURE AND FITTINGS											
Cost	3,325	278	-	-	349	-	3,254	8,841	5,587	3,254	10%
OFFICE EQUIPMENT											
Cost	19,317	3,997	-	-	2,191	-	21,123	40,154	19,031	21,123	10%
Revaluation	1,648	-	-	-	165	-	1,483	4,786	3,303	1,483	10%
VEHICLES											
Cost	13,355	5,454	-	846	3,520	-	14,443	39,234	24,791	14,443	20%
LEASED											
PLANT & MACHINERY											
Cost	32,303	-	-	-	1,615	-	30,688	35,793	5,105	30,688	5%
	2,104,891	11,099	131,966	846	112,488	248,600	2,383,222	3,658,647	1,275,425	2,383,222	
TOTAL											
Cost	1,549,511	11,099	131,966	846	86,998	-	1,604,732	2,792,763	1,188,031	1,604,732	
Revaluation	555,380	-	-	-	25,490	248,600	778,490	865,884	87,394	778,490	
	2,104,891	11,099	131,966	846	112,488	248,600	2,383,222	3,658,647	1,275,425	2,383,222	

4.1.1 Allocation of Depreciation

Depreciation has been allocated as follows:

	2015			2014		
	SUGAR	DISTILLERY	TOTAL	SUGAR	DISTILLERY	TOTAL
	(Rupees in thousand)			(Rupees in thousand)		
Manufacturing	55,597	56,865	112,462	50,832	48,167	98,999
Administration	11,090	3,698	14,788	9,882	3,607	13,489
	66,687	60,563	127,250	60,714	51,774	112,488

4.1.2 The Company has revalued its property, plant and equipment, carried out by an independent valuer on the basis of information as of September 30, 2014.

4.1.3 DISPOSAL OF FIXED ASSETS

Description	Sold to	Original Cost	Accumulated Depreciation	Net Carrying Value	Sale proceeds	Gain on Disposal	Mode of Disposal
(Rupees in thousand)							
Suzuki Mehran Model 2008	Insurance Claim - Reliance Insurance Company Limited.	400	306	94	360	266	Insurance Claim / Total Damage
Toyota Corolla Model 2009	Farooq Ahmed s/o Muhammad Ashique; House No.: 817 Qasba Colony, Karachi	1,239	911	328	1,000	672	Negotiation
2015		1,639	1,217	422	1,360	938	
2014		1,997	1,151	846	1,280	434	

4.2 CAPITAL WORK-IN-PROGRESS

	Balance as at beginning of the year	During the year			Balance as at close of the year
		Adjustment	Capital expenditure incurred	Transferred to operating fixed assets	
2015	(Rupees in thousand)				
Civil Works	18,716	(5,064)	8,064	3,765	17,951
Plant & Machinery	23,670	5,064	112,637	79,125	62,246
	42,386	-	120,701	82,890	80,197
2014					
Civil Works	10,739	-	53,164	45,187	18,716
Plant & Machinery	26,343	-	84,106	86,779	23,670
	37,082	-	137,270	131,966	42,386

	Note	2015 (Rupees in thousand)	2014
5 INTANGIBLE ASSET			
Software - SAP Application Net Carrying Value Basis			
Opening Balance		2,480	4,452
Amortization for the year		(1,972)	(1,972)
		<u>508</u>	<u>2,480</u>
Gross Carrying Value Basis			
Cost		5,917	5,917
Accumulated Amortization		(5,409)	(3,437)
		<u>508</u>	<u>2,480</u>
6 LONG TERM INVESTMENT			
Investment in associate - Al-Noor Modaraba Management (Pvt.) Ltd. Opening balance		5,101	4,346
Share of (Loss) / Profit for the year		(366)	157
Share of associate's unrealized (loss) / profit on remeasurement of associate's available for sale investment	6.2	(993)	598
Share of associate's share in reversal of its associates' incremental depreciation on account of revaluation of property plant and equipment.		(7)	-
Share of associate's share in its associates' incremental depreciation on account of revaluation of property plant and equipment.		24	-
		<u>(1,342)</u>	<u>755</u>
		<u>3,759</u>	<u>5,101</u>
6.1 500,000 (2014 :500,000) fully paid ordinary shares of Rs.10 each Equity held 14.285% (2014 : 14.285%) Original Cost : 5,000,000 Break-up value per share Rs. 7.52 (2014 : Rs. 10.20) and aggregate breakup value of the Company's investment is Rs. 3,759 thousands (2014: Rs. 5,101 thousands) Chief Executive Mr.Jalaluddin Ahmed			
6.2 Share of Associate's unrealized loss on re-measurement of investment			
Opening balance		780	1,378
Unrealized loss / (profit) on re-measurement of investment for the year		993	(598)
Closing balance		<u>1,773</u>	<u>780</u>
6.3 The assets and liabilities of Al- Noor Modaraba Management (Pvt.) Ltd. and the Company's share therein is as follows:			
Tangible & intangible Fixed assets		1,775	2,226
Long Term Investments		25,370	32,362
Other non current assets		28	28
Current assets		4,585	5,505
		<u>31,758</u>	<u>40,121</u>
Long term liabilities		(3,700)	(1,894)
Current liabilities		(1,755)	(2,524)
		<u>(5,455)</u>	<u>(4,418)</u>
Net Assets		<u>26,303</u>	<u>35,703</u>
Share of Shahmurad Sugar Mills Limited		<u>3,759</u>	<u>5,101</u>

	Note	2015 (Rupees in thousand)	2014
6.4	The Company's share in profit and loss of Al-Noor Modaraba Management (Pvt.) Ltd. is as follows:		
Income		3,502	4,702
Expenses		(6,719)	(5,831)
		(3,217)	(1,129)
Unrealised profit on remeasurement & impairment loss on investment at fair value through profit and loss.		189	125
Share of profit from associates		819	2,302
Profit for the year before taxation		(2,209)	1,298
Provision for workers welfare fund		-	(68)
Taxation		(354)	(264)
Profit for the year after taxation		(2,563)	966
Equity share of associate incremental depreciation on revaluation of investment		166	134
		(2,397)	1,100
Share of Shahmurad Sugar Mills Limited		(366)	157
6.5	The financial year of Al-Noor Modaraba Management (Pvt.) Limited is June 30. Further there is also no significant changes in the associate's financial affairs up to September 30, therefore, the financial results as of June 30, 2015 have been used for the purpose of application of equity method.		
7	LONG TERM LOANS		
	- Unsecured & Interest free		
Considered Good			
- Due from executives	7.2 & 7.3	3,411	4,064
- Due from non- executive employees		2,422	2,442
		5,833	6,506
Less: Current Portion of:			
- Due from executives		(1,274)	(1,615)
- Due from non- executive employees		(1,978)	(2,050)
		(3,252)	(3,665)
		2,581	2,841
7.1	Loans and advances have been given in accordance with the terms of employment and are recoverable, in monthly instalments, within three years following the balance sheet date.		
7.2	Movement of loans to executives		
Balance at the beginning of the year		4,064	2,972
Disbursed during the year		1,050	2,858
Recovered during the year		(1,703)	(1,766)
Balance at the end of the year		3,411	4,064
7.3	The maximum aggregate amount due from executives at any month end during the year was Rs. 4.545 million (2014: 4.065 million).		
8	LONG TERM DEPOSITS		
Utilities		1,006	1,411
Others		1,389	979
		2,395	2,390

	Note	2015 (Rupees in thousand)	2014
9 STORES, SPARE PARTS AND LOOSE TOOLS			
Stores		56,040	58,139
Spare Parts & loose tools		150,731	145,763
Stores and spare parts in transit		1,944	519
		208,715	204,421
Less: Provision for obsolescence and slow moving	9.1	(26,970)	(18,242)
		181,745	186,179
9.1 Provision for obsolescence and slow moving			
Opening Balance		18,242	16,290
Provision for the year		8,728	1,952
Closing balance		26,970	18,242
10 STOCK-IN-TRADE			
Raw Material - Molasses		257,804	397,155
Sugar in process		3,894	8,283
Finished goods			
Sugar	10.1 & 10.2	1,406,064	1,033,402
Ethanol		171,197	317,120
		1,577,261	1,350,522
		1,838,959	1,755,960
10.1 Stock of finished goods pledged against short term finances under mark-up arrangement as referred in note No. 24 amounted to Rs. 225 million (2014: 475.6 million).			
10.2 Stock of finished goods includes stock valued at NRV amounting to Rs. 55.979 million (2014: Rs. 276.5 million), cost of which amounted to Rs. 74.62 million (2014: Rs. 280.5 million).			

	Note	2015 (Rupees in thousand)	2014
11 TRADE DEBTS			
Export sales - secured against irrevocable letters of credit		84,959	34,586
Local sales - Unsecured, considered good		-	784
		84,959	35,370
12 LOANS AND ADVANCES UNSECURED CONSIDERED GOOD			
Current portion of long term loans	7	3,252	3,665
Loans to Growers	12.1	-	1,150
Advances against purchases and services		157,783	98,619
Advances against expenses		6,945	4,970
		167,980	108,404

	Note	2015 (Rupees in thousand)	2014
12.1 Loans to Growers			
Considered good	12.1.1	-	1,150
Considered doubtful		25,018	23,868
		25,018	25,018
Less Provision for doubtful loan		(23,868)	(23,868)
Opening balance		(1,150)	-
Provision for the year		(25,018)	(23,868)
		-	1,150

12.1.1 These loans were given to farmers/growers for sugar cane cultivation and development. These are adjusted against purchase of sugar cane from respective growers. Interest is charged on these loans @ 10% subject to realization of principal. Provision has been made in respect of loans against which future adjustment through purchase of sugarcane is considered doubtful and hence as a matter of prudence no interest is accrued thereon.

	Note	2015 (Rupees in thousand)	2014
13 OTHER RECEIVABLES			
Export freight subsidy	13.1	47,005	47,005
Export subsidy	13.2	77,500	-
Receivable from related party against insurance claim	13.3	500	-
		125,005	47,005
Less: Provision against export freight subsidy	13.1	(47,005)	-
		78,000	47,005

13.1 This represents freight subsidy on sugar exports receivable from Trade Development Authority of Pakistan. However, due to uncertainties regarding the recoverability of the subsidy, provision has been made as a matter of prudence.

13.2 This represents export subsidy receivable from State Bank of Pakistan vide EPD Circular Letter No. 05 dated March 11, 2015.

13.3 These claims are receivable from M/s Reliance Insurance Company Limited, a related party. The maximum aggregate amount due from related party at the end of any month during the year was Rs. 0.500 million (2014: Rs. 0.606 million). The claim is outstanding for not more than 120 days.

14 CASH AND BANK BALANCES

Local Currency

Cash in hand		1,004	559
Cash at banks			
In current accounts			
Local currency		305,429	32,058
Foreign currency		27	26
In saving accounts	14.1	125	279
		305,581	32,363
		306,585	32,922

14.1 This carry profit at the rate of 7% (2014: 7 %) p.a.

			Note	2015 (Rupees in thousand)	2014
15	ISSUED, SUBSCRIBED AND PAID-UP CAPITAL				
	2015	2014			
	No. of Shares				
	11,730,368	11,730,368	Ordinary shares of Rs.10 each allotted for consideration paid in cash	117,304	117,304
	9,388,295	9,388,295	Ordinary shares of Rs.10 each allotted as fully paid bonus shares	93,883	93,883
	21,118,663	21,118,663		211,187	211,187

15.1 Associated companies hold 4,111,901 (19.47%) shares in the Company (2014: 4,139,901 i.e. 19.60%).

16 GENERAL RESERVE

This represents amount appropriated out of profit in past years and retained in order to meet future exigencies.

		Note	2015 (Rupees in thousand)	2014
17	SURPLUS ON REVALUATION OF PROPERTY, PLANT & EQUIPMENT			
	Gross opening balance		778,490	555,380
	Surplus on fresh revaluation during the year	17.1	-	248,600
	Incremental depreciation			
	Incremental depreciation - net of deferred tax		(28,974)	(18,684)
	Deferred Tax on Incremental Depreciation		(8,199)	(6,806)
			(37,173)	(25,490)
	Gross closing balance		741,317	778,490
	Relevant deferred tax liability		(153,353)	(166,602)
	Revaluation surplus net of deferred tax		587,964	611,888

17.1 This represents surplus over book values resulting from the revaluation of operating fixed assets carried out by an independent valuer on September 30, 2014.

18 LONG TERM FINANCING

Financial institutions	295,139	347,500
Banks	175,000	183,333
Modaraba	203,700	-
	673,839	530,833

18.1

	FINANCIAL INSTITUTION					BANKS		MODARABA			TOTAL	
	PAK Oman Investment Co. Ltd.	PAK Brunei Investment Co. Ltd.	Pak Oman Investment Co. Ltd.	PAK Brunei Investment Co. Ltd.	TOTAL	Standard Chartered Bank (Pakistan) Ltd.	Al Baraka Bank (Pakistan) Ltd.	Standard Chartered Bank (Pakistan) Ltd.	Standard Chartered Bank (Pakistan) Ltd.	TOTAL	2015	2014
Opening balance	225,000	137,500	70,000	-	432,500	250,000	-	33,219	-	33,219	715,719	931,438
Addition	-	-	-	100,000	100,000	-	200,000	-	203,700	203,700	503,700	225,000
Repayment	-	(50,000)	(70,000)	-	(120,000)	(250,000)	-	(33,219)	-	(33,219)	(403,219)	(440,719)
Closing balance	225,000	87,500	-	100,000	412,500	-	200,000	-	203,700	203,700	816,200	715,719
Current Maturity	(56,250)	(50,000)	-	(11,111)	(117,361)	-	(25,000)	-	-	(25,000)	(142,361)	(184,886)
Shown under current liabilities	168,750	37,500	-	88,889	295,139	-	175,000	-	203,700	203,700	673,839	530,833

Description	Long Term Finance	Long Term Finance	Long Term Finance	Long Term Finance	Diminishing Musharaka	Diminishing Musharaka	Diminishing Musharaka	Diminishing Musharaka	Diminishing Musharaka
Sanctioned/Sale Price/Disbursed Amount (Rs in million)	225	200	100	100	300	200	124.57	203.70	
Effective rate of mark-up (per annum)	6M KIBOR + 2%	6M KIBOR + 2.50%	6M KIBOR + 2.40%	6M KIBOR + 2.00%	3M KIBOR + 2.25%	6M KIBOR + 1.75%	6M KIBOR + 2.10%	6M KIBOR + 2%	
Facility tenor	5 years	5 years	4 years	5 years	5 years	5 years	4 years	5 years	
Number of instalments	16	16	16	9	18	8	15	16	
Principal amount of each instalment (Rs in million)	14.0625	12.50	*2.5 to 8.75	11.111	16.667	25.000	8.304	12.731	
Instalments Payable	Quarterly	Quarterly	Quarterly	Half yearly	Quarterly	Half yearly	Quarterly	Quarterly	
Date of Disbursement	18-09-2014	27-04-2012	28-09-2012	26-06-2015	04-09-2013	24-11-2014	30-06-2011	05-08-2015	
Grace Period	1 Year	1 Year	-	6 Months	5 Months	1 Year	3 Months	1 Year	
Date of payment of 1st instalment	18-12-2015	27-07-2013	28-12-2012	26-06-2016	04-03-2014	24-05-2016	01-01-2012	05-11-2016	
Date of payment of last instalment	18-09-2019	27-04-2017	28-09-2016	26-06-2020	04-06-2018	24-11-2019	01-07-2015	05-08-2020	

* First 4 instalments of Rs2.50 million each, 5 to 8 instalments are Rs5.00 million each and balance 8 instalments are Rs8.75 million each.

SECURITIES

Pak Oman Investment Co. Ltd. - Rs. 100 M	First pari passu equitable mortgage & Hypothecation charge over all fixed assets including Land, Building, Plant & Machinery of the Company.
Pak Oman Investment Co. Ltd. - Rs. 225 M	First pari passu equitable mortgage & Hypothecation charge over all fixed assets including Land, Building, Plant & Machinery of the Company.
Pak Brunei Investment Co. Ltd. - Rs. 200 M	First pari passu equitable mortgage & Hypothecation charge over all fixed assets including Land, Building, Plant & Machinery of the Company.
Pak Brunei Investment Co. Ltd. - Rs. 100 M	First pari passu equitable mortgage & Hypothecation charge over all fixed assets including Land, Building, Plant & Machinery of the Company.
Standard Chartered Bank (Pakistan) Ltd. Rs. 300 M	First pari passu Hypothecated charge over current & future fixed assets (excluding Land & Building) of the Company.
Al Baraka Bank (Pakistan) Ltd. - Rs. 200 M	First pari passu Hypothecated charge over current & future fixed assets (excluding Land & Building) of the Company.
Standard Chartered Modaraba - Rs. 124.57 M	First pari passu Hypothecated charge over all fixed assets including Plant & Machinery of the company.
Standard Chartered Modaraba - Rs. 203.70 M	First pari passu Hypothecated charge over all fixed assets including Plant & Machinery of the company.

	Note	2015 (Rupees in thousand)	2014
19 LOAN FROM RELATED PARTIES			
- Unsecured & Interest free			
Due to directors and related parties		230,836	230,836
Less: current portion		(130,000)	-
		<u>100,836</u>	<u>230,836</u>
<p>This represents loans from directors and their related parties for which they had given subordination to a financial institution, which has been vacated on full settlement of liabilities of that financial institution. The loans are subject to mark-up at the prevailing financing rates; however considering the financial position of the Company the related parties have waived off the mark-up for the current year hence no mark-up is charged in the financial statements in this respect.</p>			
20 DEFERRED TAXATION			
Opening Balance		28,842	24,831
Deferred tax on fresh revaluation		-	38,341
Effect of reduction of tax rate		(5,050)	(4,093)
Provision / (reversal) during the year		32,666	(30,237)
Closing balance		<u>56,458</u>	<u>28,842</u>
20.1 Deferred tax liabilities arising in respect of			
Accelerated tax depreciation		143,645	143,451
Revaluation of property, plant & equipment		153,353	166,602
		<u>296,998</u>	<u>310,053</u>
Deferred tax assets arising in respect of			
Provision for Doubtful grower loan		(8,005)	(7,485)
Provision for slow moving items and obsolescence		(5,838)	(5,719)
Provision for Gratuity		(618)	(605)
Provision for Leave Encashment		(546)	(535)
Unabsorbed business/ tax depreciation loss		(225,533)	(266,867)
		<u>(240,540)</u>	<u>(281,211)</u>
		<u>56,458</u>	<u>28,842</u>
21 TRADE AND OTHER PAYABLES			
Creditors	25.11	210,994	98,148
Murabaha/Istisna	21.1	120,000	120,000
Accrued expenses		13,610	12,537
Advance against sales from customers		340,517	134,810
Gratuity payable		1,930	1,930
Payable to staff provident fund		68	46
Worker's profit participation fund	21.2	14,195	13,087
Worker's Welfare Fund		10,367	6,688
Retention money		1,385	1,415
Unclaimed dividends	21.3	50,746	1,743
Sales Tax		17,620	29,493
Others		267	118
		<u>781,699</u>	<u>420,015</u>

- 21.1 The aggregate limit of Murabaha/Istasna arrangements is up to Rs. 500 million (2014: Rs 500 million). The effective rates of profit are 6M Kibor+1% and SBP rate + 1% (2014: 6M Kibor+1% and SBP rate + 1%). The unavailed facility at the year end amounted to Rs. 380 million (2014: 380 million).

Securities:

Pledge of sugar, ranking charge over stocks and book debts and 1st pari passu hypothecation charge on Property Plant & Equipment & Pledge of Sugar (refer note 10.1).

	Note	2015 (Rupees in thousand)	2014
21.2 Worker's profit participation fund			
Opening balance		13,087	4,512
Interest on funds utilized	21.2.1	1,170	429
Allocation for the year		14,195	13,087
		28,452	18,028
Payments made during the year		(14,257)	(4,941)
Closing balance		14,195	13,087

- 21.2.1 The Company retains Workers' Profit Participation Fund for its business operations till the date of allocation to the workers. Interest is payable at prescribed rate under Companies Profit (Workers Participation) Act, 1968 on funds utilized by the Company till the date of allocation to workers.

- 21.3 This includes Rs. 9.458 million payable to related parties.

	Note	2015 (Rupees in thousand)	2014
22 ACCRUED MARK-UP / FINANCE COST			
On long term financing		13,796	7,520
On short term borrowings		15,363	38,212
On liabilities against assets subject to finance lease		-	5
		29,159	45,737
23 SHORT TERM BORROWINGS			
From banking companies - Secured			
Cash / Running finance	23.1	268,857	522,755
Export refinance	23.2	1,290,000	1,140,000
		1,558,857	1,662,755

- 23.1 The facilities available are up to Rs. 3,540 million (2014: Rs. 2,690 million) and are secured against Pledge of Sugar/Molasses/Ethanol and First pari passu charge on property, plant and equipment. The effective rate of mark-up ranges from 1M/3M/ 6M Kibor + 0.80% to 1.5% (2014: 1M/3M/ 6M Kibor + 1% to 1.5%). Unutilized facilities as on balance sheet date amounted to Rs. 3,271 million (2014: Rs. 2,167 million).

- 23.2 The facilities are available under SBP Export Finance Scheme up to limit of Rs. 1,590 Million (2014 Rs. 1,490 Million) and are secured by first pari passu equitable mortgage charge and Hypothecation over current and future fixed assets of the company and pledge of Sugar / Molasses / Ethanol. The effective rate of Mark-up is 1% over SBP ERF Rate which was 4.50%, 6% and 7.5% (2014: 9.50% and 11%). Unutilized facilities as on balance sheet date is Rs. 300 Million (2014: Rs 350 million).

	Note	2015 (Rupees in thousand)	2014
24 CURRENT PORTION OF LONG TERM FINANCING AND LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
Long term financing	18	142,361	184,886
Loan from related parties	19	130,000	-
Liabilities against assets subject to finance lease	24.1	-	4,703
		272,361	189,589

24.1 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Future minimum lease payments under finance lease and the present value of the net minimum lease payments are as follows:

	Within one year	After one year but not more than five years	Total
	Rupees in thousand		
2015			
Future Minimum lease payments	-	-	-
Less : Amount representing finance charges	-	-	-
Present value of minimum lease payments	-	-	-
2014			
Future Minimum lease payments	5,013	-	5,013
Less : Amount representing finance charges	(310)	-	(310)
Present value of minimum lease payments	4,703	-	4,703

24.2 After expiry of the lease, the Company opted to purchase the leased assets.

25 CONTINGENCIES AND COMMITMENTS

a) CONTINGENCIES

25.1 A demand of Rs.4.629 million in respect of sales tax on in house use of baggase as fuel was raised by the Collectorate of Sales Tax, Hyderabad. The Company has disputed the liability and had filed an appeal before the Appellate Tribunal Karachi. The Appellate Tribunal has remanded back the case to the department of sales tax with a direction to compute the sales value and the sales tax payable thereon correctly after providing proper opportunity to the parties. The Sales Tax Tribunal has also directed the department to consider the fact that there was no deliberate or wilful attempt to defraud the revenue therefore; the additional tax liability may be uncalled. However, to avail relief from levy of additional tax, as provided through SRO 1349(1) 99 dated 17th December, 1999 the Company had paid a total amount of Rs. 8.818 million including additional tax of Rs.4.190 million in December, 1999.

The adjudicating authority has conducted the proceedings on remanded back case of the Tribunal and maintained its previous order. The Company had filed an appeal before Collector Appeals which was decided against the company against which the company has filed an appeal before the Appellate Tribunal. However the company has provided for the contingency for the amount of sales tax and additional tax already paid through the aforesaid notification.

- 25.2** The Company filed petition before Honourable High Court of Sindh challenging the levy of further tax against taxable supplies made to persons other than registered person under section 3(1A) of the Sales Tax Act, 1990. The entire liability till November 30, 2000 was paid by the Company, in the month of December 2000. As per judgment awarded against the department by the Honourable High Court of Sindh, the Company has claimed refund of such further tax amounting to Rs. 45.190 million out of which an amount of Rs.7.144 million has been refunded by the department.

The Department of Sales Tax has thereafter filed an Appeal before the Honourable Supreme Court against the Order of the High Court of Sindh. The Honourable Supreme Court has allowed the Appeal with direction to the department to act in accordance with law however; ratio-decided order by the High Court of Sindh has not been reversed, over ruled or amended. Sales Tax department has however raised demands of further tax involving amount of Rs. 54 million, which has been contested by the company in the light of Sindh High Court Judgment on which the Sales Tax Tribunal has issued orders in favour of the company for which the sales tax department filed appeal before the Honourable High Court against the orders of the Tribunal which are pending. Considering the decision of Honourable Supreme Court and facts of the case the legal counsel of the company is of the view that the final outcome of the matter will be in favour of the Company.

- 25.3** The Company has filed a petition before the Honourable High Court of Sindh against the imposition of special excise duty. The Honourable High Court has issued stay order for the recovery of 70% of the total amount of Rs 7.073 million against excise duty involved. The Company however as a matter of abundant precaution has provided for the amount of said duty in the financial statements. The case has been decided in favour of the company declaring Special Excise Duty as void ab-initio and of no legal effect. The Inland Revenue department has filed an appeal before Honourable Supreme Court of Pakistan against the decision of Honourable High Court. During the year under review, the Company has received show cause notice from the Department of Inland Revenue LTU Karachi, against refund claim of Special Excise Duty amounting to Rs. 48.457 million filed by the Company in compliance with the order of Honourable High Court of Sindh Karachi. The Company has filed appeal in the Honourable High court of Sindh Karachi against the show cause notice issued by the department of inland revenue LTU Karachi. The Honourable High Court has issued stay order against the proceedings on show cause notice. No provision is made in the accounts as the outcome of case is expected to be in favour of the company as per legal counsel.

- 25.4** The Company's appeal in the Honourable Supreme Court against the Order of the Sindh High Court for levy of Quality Premium has been accepted by the Honourable Supreme Court by assailing the Order of Sindh High Court. Accordingly, no provision has been made in the books of accounts amounting to Rs. 86.670.million, as the matter is pending in the Honourable Supreme Court. Furthermore as per decision of federal government steering committee held on 16-07-2007, the quality premium shall remain suspended till decision of Honourable Supreme Court or consensus on uniform formula to be developed by MINFAL.

- 25.5** There are certain litigations pending in the sixth Sindh Labour Court pertaining to ex-employees. The sixth Sindh labour court awarded decision in favour of company and the ex-employees filed an appeal in Labour Appellate Tribunal at Hyderabad the outcome of which is pending. The financial liability may arise only if these cases are finally decided against the Company. The amount of liability is not ascertainable and hence, no provision has been made in this regard as in the management view the same is not likely to crystallize.

- 25.6** Cases regarding possession of land of the Company are pending in the Honourable High Court of Sindh where the matter is pending for hearing. The financial impact of the same is not presently determinable with any accuracy. The Company is confident that the same is not likely to be decided against the Company.

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

- 25.8** The Company has filed a suit before the Honourable High Court of Sindh against Pakistan Standards and Quality Control Authority (the Authority) challenging the levy of marking fee under PSQCA Act-VI of 1996. The Authority has demanded a fee payment @ 0.1% of ex-factory price for the year 2008-09 amounting to Rs. 1.45 million. The Company is of the view that demand notifications so raised are without any lawful authority under the PSQCA Act-VI of 1996 and are violation of the constitution. The Honourable High Court of Sindh has accepted the petition and termed that the impugned notification has been issued without lawful authority and suspended the operation of the impugned notifications. The constitutional petition filed before the Honourable High Court of Sindh has been allowed in favour of the company. In the meantime the legal counsel of the company filed caveat in respect of an appeal to be filed by the PSQCA against the Judgment in Honourable Supreme Court of Pakistan. The Pakistan Standards and Quality Control Authority have filed an appeal before the Honourable Supreme Court of Pakistan against the decision of Honourable High Court of Sindh. No provision has been made in this respect.
- 25.9** A show cause notice was issued by the Department of Inland Revenue LTU Karachi, regarding the reduced rate of Federal Excise Duty availed by the Company amounting to Rs. 99.801 under SRO 77 (1) / 2013 dated February 7, 2013. The Company has filed another appeal in the Honourable High court of Sindh Karachi against the show cause notice and the Honourable High Court has issued stay order against the proceedings on show cause notice. Pending the outcome of the case, no provision has been made as the outcome of the case is expected to be in favour of the company as per legal counsel.
- 25.10** Excise, taxation and Narcotics department, Government of Sindh had notified fee on storage of rectified spirit in a private bonded warehouse at Rs. 0.5 per litre. The Company has filed appeal before the Honourable High court of Sindh against the notification. The Honourable High Court has issued stay order against the recovery of the storage charges on rectified spirit. Amount of the storage fee upto September 30, 2015 works out to Rs. 70.044 million. No provision is made in the accounts as the outcome of case is expected to be in the favour of Company as per legal counsel.
- 25.11** Against the sugarcane purchase price of Rs. 172 per 40 kgs as fixed for the season 2013-2014, the company had filed a case before the Honourable High Court of Sindh for linkage with prevailing market sugar price which was dismissed and the matter was taken up with the Honourable Supreme Court. In the due course of time, the Government of Sindh fixed the price of sugarcane at Rs. 182 per 40 kgs for the current season in pursuance of which the Sindh Chamber of Agriculture filed a petition in the Honourable High Court of Sindh. The Honourable Court disposed of the case upon settlement with the consent of all the stake holders whereby it was settled that Sugar Mills shall purchase the sugarcane from growers at Rs. 160 per 40 kgs for crushing season 2014-15 whereas Rs. 12 per 40 kgs will be paid by the Government of Sindh. The Honourable Court has subjected this interim arrangement to the decision of Civil appeal No 48 of 2015 pending before the Honourable Supreme Court of Pakistan and also have ordered that the fate of remaining Rs. 10 i.e., difference of Rs. 182 and 172 will also be dependent on upon the decision of Honourable Supreme Court of Pakistan. The Company as a matter of prudence has accounted for the said difference of Rs. 10 per 40 kgs in the accounts aggregating to Rs. 149 millions.

2015 2014
(Rupees in thousand)

b) COMMITMENTS

The Company's commitment as on September 30, are as follows:

Commitments for capital expenditure
Commitments for stores and spares

94,410	-
29,544	7,610
123,954	7,610
<hr/>	
Bank Guarantees	
In favour of Trading Corporation of Pakistan (TCP) against sugar sale contracts	8,855
In favour of Excise and Taxation Department	500
500	9,355
500	9,355

		SUGAR		DISTILLERY		TOTAL	
		2015	2014	2015	2014	2015	2014
Note		(Rupees in thousand)					
26	SALES						
Local		2,483,056	2,432,544	-	-	2,483,056	2,432,544
Export		485,712	600,854	2,423,602	2,483,363	2,909,314	3,084,217
		2,968,768	3,033,398	2,423,602	2,483,363	5,392,370	5,516,761
Less:							
Federal Excise Duty		(188,551)	(159,637)	-	-	(188,551)	(159,637)
Brokerage and Commission		(466)	(1,624)	(4,191)	(1,528)	(4,657)	(3,152)
		(189,017)	(161,261)	(4,191)	(1,528)	(193,208)	(162,789)
Net sales		2,779,751	2,872,137	2,419,411	2,481,835	5,199,162	5,353,972
27	COST OF SALES						
Manufacturing cost:							
Raw material consumed	25.11	2,572,339	2,928,621	1,616,026	1,745,243	4,188,365	4,673,864
Salaries, wages and benefits	27.1	83,021	74,670	26,512	24,030	109,533	98,700
Stores and spares consumed		68,516	70,569	30,641	35,455	99,157	106,024
Packing materials		32,537	40,152	-	-	32,537	40,152
Fuel and oil		17,181	15,729	57,606	63,995	74,787	79,724
Power and water		19,167	21,146	5,540	6,003	24,707	27,149
Chemicals and process materials		34,586	37,259	55,292	33,666	89,878	70,925
Repair and maintenance		28,333	20,897	17,656	18,013	45,989	38,910
Insurance		5,985	6,465	4,387	4,684	10,372	11,149
Other manufacturing expenses		26,773	17,647	3,511	2,361	30,284	20,008
Cane development cess and surcharge		-	4,169	-	-	-	4,169
Depreciation		55,597	50,832	56,865	48,167	112,462	98,999
		2,944,035	3,288,156	1,874,036	1,981,617	4,818,071	5,269,773
Opening stock of work in process		8,283	7,794	-	-	8,283	7,794
Less: Closing stock of work in process		(3,894)	(8,283)	-	-	(3,894)	(8,283)
		4,389	(489)	-	-	4,389	(489)
		2,948,424	3,287,667	1,874,036	1,981,617	4,822,460	5,269,284
Less:							
Molasses transfer to Ethanol Division		(201,750)	(303,010)	-	-	(201,750)	(303,010)
Scrap Sales (Net of sales tax)		-	-	-	(2)	-	(2)
		(201,750)	(303,010)	-	(2)	(201,750)	(303,012)
		2,746,674	2,984,657	1,874,036	1,981,615	4,620,710	4,966,272
Opening stock of finished goods		1,033,402	563,137	317,120	290,939	1,350,522	854,076
Less: Closing stock of finished goods		(1,406,064)	(1,033,402)	(171,197)	(317,120)	(1,577,261)	(1,350,522)
		(372,662)	(470,265)	145,923	(26,181)	(226,739)	(496,446)
		2,374,012	2,514,392	2,019,959	1,955,434	4,393,971	4,469,826
27.1	Includes Rs. 2.320 million (2014 : Rs. 2.051 million) in respect of contribution towards staff provident fund.						
28	DISTRIBUTION COST						
Sugar Handling Charges		10,844	10,943	-	-	10,844	10,943
Storage Rent		-	-	19,064	17,782	19,064	17,782
Carriage Out Ward		-	-	39,725	41,337	39,725	41,337
Export freight and other expenses		2,104	23,890	56,215	47,801	58,319	71,691
Others		-	-	421	1,264	421	1,264
		12,948	34,833	115,425	108,184	128,373	143,017

		SUGAR		DISTILLERY		TOTAL	
		2015	2014	2015	2014	2015	2014
Note		----- (Rupees in thousand) -----					
29	ADMINISTRATIVE EXPENSES						
Salaries, allowances and benefits	29.1	40,221	34,939	13,998	15,233	54,219	50,172
Chief Executives and Director's remuneration and perquisites	37	13,310	13,425	6,935	2,797	20,245	16,222
Staff welfare		8,467	5,825	6,239	5,493	14,706	11,318
Repair and maintenance		6,359	7,163	6,355	5,597	12,714	12,760
Legal and professional		3,538	3,377	39	-	3,577	3,377
Auditors' remuneration	29.2	650	640	328	328	978	968
Vehicle running		9,710	9,926	4,113	3,661	13,823	13,587
Insurance		187	189	-	206	187	395
Communication		1,387	1,236	2,549	778	3,936	2,014
Entertainment		2,009	2,076	1,451	799	3,460	2,875
Printing and stationery		1,028	1,244	379	348	1,407	1,592
Fees and subscription		1,764	1,384	3,190	1,568	4,954	2,952
Advertisement		191	59	-	-	191	59
Depreciation		11,090	9,882	3,698	3,607	14,788	13,489
Amortization		1,140	1,140	832	832	1,972	1,972
Others		12,253	12,811	3,084	4,025	15,337	16,836
		113,304	105,316	53,190	45,272	166,494	150,588

29.1 Includes Rs. 1.411 million (2014 : Rs. 1.204 million) in respect of contribution towards staff provident fund.

29.2 Auditors' remuneration

Kreston Hyder Bhimji & Co						
Statutory Audit	458	458	292	292	750	750
Half yearly review	50	50	32	32	82	82
Corporate Governance	6	6	4	4	10	10
	<u>514</u>	<u>514</u>	<u>328</u>	<u>328</u>	<u>842</u>	<u>842</u>
Haroon Zakaria & Co						
Cost Audit	110	110	-	-	110	110
A.D.Akhawala & Co. - Provident Fund	26	16	-	-	26	16
	<u>650</u>	<u>640</u>	<u>328</u>	<u>328</u>	<u>978</u>	<u>968</u>

	Note	2015	2014
(Rupees in thousand)			
30 OTHER OPERATING CHARGES			
Charity and donation	30.1	1,632	858
Provision against export freight subsidy	13.1	47,005	-
Penalties and surcharge		50	30
Provision for doubtful loan to growers		1,150	-
Provision for obsolescence and slow moving items		8,728	1,952
Directors meeting fee		225	240
Worker's profit participation fund		14,195	13,087
Worker's Welfare Fund		5,394	4,973
		<u>78,379</u>	<u>21,140</u>

30.1 None of the directors or their spouses had any interest in the above donees.

	Note	2015 (Rupees in thousand)	2014
31 OTHER INCOME			
Income from financial Assets			
Exchange Gain on export proceeds		20,205	35,858
Income on Saving Accounts		62	33
		<u>20,267</u>	<u>35,891</u>
Income from non financial Assets			
Gain on disposal of Property, Plant & Equipment		938	434
Insurance Claim		500	2,346
		<u>1,438</u>	<u>2,780</u>
Others			
ERF - Performance Rebate		-	8,836
Export subsidy	13.2	87,500	-
Scrap Sales		413	-
		<u>87,913</u>	<u>8,836</u>
		<u>89,351</u>	<u>11,616</u>
		<u>109,618</u>	<u>47,507</u>
32 FINANCE COST			
Mark-up/Interest/Finance Cost/Profit on:			
Long term financing		89,920	101,822
Short term borrowings		105,090	165,819
Istisna / IERF / Murabaha		77,892	99,407
Liabilities against assets subject to finance lease		305	1,420
Interest on Worker's profit participation fund	21.2	1,170	429
Bank charges		672	853
Others		3,365	3,904
		<u>278,414</u>	<u>373,654</u>
33 TAXATION			
Current		45,394	46,907
Deferred		32,666	(30,237)
		<u>78,060</u>	<u>16,670</u>
33.1	In view of available tax losses/depreciation, the provision for current taxation represents minimum tax being the turnover tax under Section 113 of the Income Tax Ordinance, 2001, and further exports are subject to final taxation, so tax reconciliation of tax expense with accounting profit is not presented.		
34 EARNING PER SHARE - BASIC AND DILUTED			
Profit after taxation		184,723	226,741
Weighted average number of ordinary shares		21,118,663	21,118,663
Earning per share - Rupees		8.75	10.74
There is no dilutive effect on the basic earning per share.			

35 TRANSACTIONS WITH RELATED PARTIES

35.1 The related parties comprise associate companies, entities with common directorship, directors, executives being the key management personnel and post employment contribution plan. The company in the normal course of business carries out transactions with various related parties. Balances due from and to related parties are shown under respective notes, and remuneration of executives and directors and key management personnel, being executives, is disclosed in note 37. Transactions with related parties are as follow:

Relationship	Nature of Transactions	2015 (Rupees in thousand)	2014
Associates			
Al Noor Sugar Mills Limited	- Purchase of Goods	362,738	581,473
Al Noor Modaraba Management (Pvt.) Ltd.	- Share of (loss) / profit	(366)	157
	- Share of other comprehensive income	(976)	-
Reliance Insurance Company Ltd	- Insurance Premium	17,152	15,876
	- Insurance claim	860	2,345
Others			
Staff Provident Fund	- Contribution of the Company	3,731	3,255

36 CAPACITY AND PRODUCTION IN METRIC TONS

Sugar Division

Capacity days	120	120
Cane crushing capacity per day (M.T.)	7,000	7,000
Total cane crushing capacity	840,000	840,000
No of days Mill operated	95	136
Actual crushing (M.T.)	596,006	666,887
Sugar Production (M.T.)	65,791	71,473

Distillery Division

Capacity in M.Tons	33,000	33,000
Days	330	330
Production in M.Tons	32,597	31,048
No of days Mill operated	328	298

Reasons for short fall in production

The sugar production plant capacity is based on crushing of sugar cane on daily basis and the sugar production is dependent on certain factors which include sucrose recovery. The short fall in actual crushing is mainly on account of lesser availability of sugar cane.

The actual Ethanol production is less than capacity due to quality of water and also due to the maintenance work carried during production process.

37 CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES' REMUNERATION

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

	2015				2014			
	Chief Executive	Director	Executives	Total	Chief Executive	Director	Executives	Total
Rupees in thousand								
Managerial Remuneration	4,380	8,013	21,353	33,746	4,171	5,168	19,668	29,007
Provident fund	-	-	1,240	1,240	-	-	1,175	1,175
Perquisite (including house rent and bonus)	2,190	4,007	27,557	33,754	2,086	2,584	23,442	28,112
Reimbursable expenses including travelling expenses	412	1,243	-	1,655	631	1,582	-	2,213
Meeting fee	25	200	-	225	25	215	-	240
	7,007	13,463	50,150	70,620	6,913	9,549	44,285	60,747
Number of persons	1	2	34	37	1	2	33	36

i. The Chief Executive, Directors and Executives are also provided with free use of company's maintained cars.

ii. Meeting fee paid to 9 Directors (2014 : 9 Directors).

38 SEGMENT INFORMATION

The operating results, assets and liabilities and other significant information of each segment is as follows

	SUGAR DIVISION		ETHANOL DIVISION		TOTAL	
	2015	2014	2015	2014	2015	2014
	----- Rupees in thousand -----					
REVENUE						
Sales	2,779,751	2,872,137	2,419,411	2,481,835	5,199,162	5,353,972
Inter-segment transfers	201,750	303,010	-	-	201,750	303,010
	<u>2,981,501</u>	<u>3,175,147</u>	<u>2,419,411</u>	<u>2,481,835</u>	<u>5,400,912</u>	<u>5,656,982</u>
RESULTS						
Profit from operations	<u>279,487</u>	<u>217,596</u>	<u>230,837</u>	<u>372,945</u>	<u>510,324</u>	<u>590,541</u>
Other Income					109,618	47,507
Other operating expenses					(78,379)	(21,140)
Finance cost					(278,414)	(373,654)
Share of profit from associated undertaking					(366)	157
Profit before tax					262,783	243,411
Taxation					(78,060)	(16,670)
Net profit for the year					<u>184,723</u>	<u>226,741</u>
BALANCE SHEET						
Assets						
Segment assets	3,282,687	2,556,743	1,692,927	1,931,394	4,975,614	4,488,137
Unallocated Assets					151,012	174,558
Long Term Investment					3,759	5,101
Total assets					<u>5,130,385</u>	<u>4,667,796</u>
Liabilities						
Segment liabilities	2,686,854	1,665,021	761,793	1,423,811	3,448,647	3,088,832
Unallocated liabilities					24,562	19,775
Total liabilities					<u>3,473,209</u>	<u>3,108,607</u>
OTHER INFORMATION						
Additions to property, plant and equipment	108,787	70,688	17,552	77,681	126,339	148,369
Depreciation	66,687	60,714	60,563	51,774	127,250	112,488
Amortization	1,140	1,140	832	832	1,972	1,972

Revenue from major customers

During the year external sales to major customers amounted to Rs. 1,909 million (2014: 1,890 million).

Geographical Information

All non-current assets of the Company are located in Pakistan. Company's local sales represent sales to external customers in Pakistan whereas export sales amounting to Rs. 966 million (2014: Rs. 1,618 million) represent sales to customers in various countries (other than Pakistan) of Asia and export sales amounting to Rs. 1,943 million (2014: Rs. 1,466 million) represent sales to customers in various countries of Europe.

39 FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities of the company as at September 30 are as follows

2015						
Mark-up / Interest Based			Non-Mark-up / Non-Interest Based			Total
Maturity up to One Year	Maturity after One Year	Sub Total	Maturity up to One Year	Maturity after One Year	Sub Total	
------(Rupees in thousand)-----						
-	-	-	-	3,759	3,759	3,759
-	-	-	3,252	2,581	5,833	5,833
-	-	-	-	2,395	2,395	2,395
-	-	-	84,959	-	84,959	84,959
-	-	-	500	-	500	
125	-	125	306,460	-	306,460	306,585
125	-	125	395,171	8,735	403,906	403,531

FINANCIAL ASSETS

Long Term Financing	142,361	673,839	816,200	-	-	-	816,200
Loan from Related Parties	-	-	-	130,000	100,836	230,836	230,836
Trade and other Payables	134,195	-	134,195	306,987	-	306,987	441,182
Accrued mark-up / finance cost	-	-	-	29,159	-	29,159	29,159
Short term borrowings	1,558,857	-	1,558,857	-	-	-	1,558,857
	1,835,413	673,839	2,509,252	466,146	100,836	566,982	3,076,234

FINANCIAL ASSETS

2014						
Mark-up / Interest Based			Non-Mark-up / Non-Interest Based			Total
Maturity up to One Year	Maturity after One Year	Sub Total	Maturity up to One Year	Maturity after One Year	Sub Total	
------(Rupees in thousand)-----						
-	-	-	-	5,101	5,101	5,101
-	-	-	3,665	2,841	6,506	6,506
-	-	-	-	2,390	2,390	2,390
-	-	-	35,370	-	35,370	35,370
1,150	-	1,150	-	-	-	1,150
279	-	279	32,643	-	32,643	32,922
1,429	-	1,429	71,678	10,332	82,010	83,439

FINANCIAL LIABILITIES

Long Term Financing	184,886	530,833	715,719	-	-	-	715,719
Loan from Related Parties	-	-	-	-	230,836	230,836	230,836
Liabilities against assets subject to finance lease	4,703	-	4,703	-	-	-	4,703
Trade and other Payables	133,087	-	133,087	152,118	-	152,118	285,205
Accrued mark-up / finance cost	-	-	-	45,737	-	45,737	45,737
Short term borrowings	1,662,755	-	1,662,755	-	-	-	1,662,755
	1,985,431	530,833	2,516,264	197,855	230,836	428,691	2,944,955

40 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

40.1 Financial Risk Management Objectives

The Company's activities expose it to a variety of financial risks; credit risk, liquidity risk and market risk (including interest/ mark-up rate risk, currency risk and other price risk). The Company's overall risk management programs focuses on the under predictability of financial markets and seek to minimize potential adverse effects on the Company's financial performance.

This note presents information about the Company's Exposure to each of the above risk, the Company's objectives, policies and procedures for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Company's senior management provides policies for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest/ mark-up rate risk, credit risk, financial instruments and investment of excess liquidity. The Board of Directors reviews and agrees policies for managing each of these risks as summarized below.

The information about the Company's exposure to each of the above risk, the Company's objectives, policies and procedures for measuring and managing risk, and the Company's management of capital, is as follows;

A Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's operating activities exposes it to credit risks arising mainly in respect of investments, balances with banks, loans and advances, trade debts, deposits and other receivables. The maximum exposure to credit risk at the reporting date is as follows:

	2015	2014
	(Rupees in thousand)	
Loans and advances	5,833	7,656
Deposits	2,395	2,390
Trade Debts	84,959	35,370
Receivable from related party against insurance claim	500	-
Bank balances	305,581	32,363
	<u>399,268</u>	<u>77,779</u>

Loans and advances

These represent balances due from growers and employees. The Company actively pursue for the recovery and based on past experience the Company does not expect that these will fail to meet their obligations hence no impairment allowance in necessary except for certain past due loans to growers against which appropriate provision has been made in the financial statements as disclosed in note no 12.1.

Deposits

These represent security deposits against utilities and others. These are not significant and further based on past experience and credit worthiness of the counterparties the Company does not expect that these counter parties will fail to meet their obligations hence the Company believes that it is not exposed any significant credit risk in respect of deposits.

Trade debts

Trade debts of Rs. 84.959 million (2014: 34.586 million) are due from foreign customers whereas remaining amount of Rs. NIL (2014: 0.784 million) is receivable from local parties. The Company manages credit risk in respect of trade debts interalia by obtaining advance against sales / or through letter of credits and by providing for doubtful debts. All the export debts are secured under irrevocable letter of credit, document acceptance and other acceptable banking instruments. Further the Company actively pursue for the recovery and the significant amounts have been recovered subsequent to the balance sheet date and also these are neither past due nor impaired, hence no allowance is necessary in respect of trade debts. Aging of trade debts is as follows:

Upto 3 months	<u>84,959</u>	<u>35,370</u>
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Other receivables

This represents amount receivable from related party against which the Company is actively pursuing for the recovery and the Company expect that the recovery will be made soon. The Company believes that no impairment allowance is necessary in respect of receivable because these are not impaired.

Bank balances

The Company limits its exposure to credit risk by maintaining bank accounts only with counter-parties that have stable credit rating. Given these high credit ratings, management does not expect that any counter party will fail to meet their obligations.

The bank balances along with credit ratings are tabulated below:

	Long Term Ratings	Short Term Ratings	2015 Rupees in thousand	2014
In Local Currency				
United Bank Limited	AA+	A-1+	24,434	18,750
Allied Bank Limited	AA+	A1+	6,445	432
MCB Bank Limited	AAA	A1+	2,054	399
Standard Chartered Bank Limited	AAA	A1+	205,203	2,169
National Bank of Pakistan	AAA	A1+	3,699	4,376
Faysal Bank Limited	AA	A1+	2,091	2,852
Bank Al-Falah Limited	AA	A1+	6,330	180
Bank Islami Limited	A+	A1+	81	121
JS Bank Limited	A+	A1+	69	312
Al-Baraka Bank (Pakistan) Limited	A	A1	40,940	27
Soneri Bank Limited	AA-	A1+	5,589	2,053
Sindh Bank Limited	AA	A-1+	12	10
Meezan Bank Limited	AA	A-1+	624	237
Habib Bank Limited	AAA	A-1+	337	419
Habib Metropolitan Bank Limited	AA+	A1+	7,646	-
In Foreign Currency				
Habib Bank Limited	AAA	A-1+	27	26
			305,581	32,363

Financial assets that are either past due or impaired

The credit quality of financial assets that are either past due or impaired is assessed by reference to historical information and external ratings or to historical information about counter party default rates.

As at the balance sheet date amounts of Rs. 25.018 million (2014: 23.868 million) receivable from growers were past due against which allowance for doubtful debts have been made. The aging of the past due loans to growers is as under:

More than one year	25,018	23,868
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B Liquidity risk

Liquidity risk represents the risk where the Company will encounter difficulty in meeting obligations associated with financial liabilities when they fall due. The exposure to liquidity risk along with contractual maturities (undiscounted) of the financial liabilities is as follows:

Year ended 30 September 2015	On demand maturity	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
(Rupees in thousand)						
Long term financing	-	26,562	115,799	673,839	-	816,200
Loan from related parties	-	-	130,000	100,836	-	230,836
Trade and other payables	-	291,265	149,917	-	-	441,182
Short-term borrowings	1,558,857	-	-	-	-	1,558,857
Accrued mark-up	-	25,993	3,166	-	-	29,159
	1,558,857	343,820	398,882	774,675	-	3,076,234

Year ended 30 September 2014	On demand maturity	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
(Rupees in thousand)						
Long term financing	-	46,221	138,665	530,833	-	715,719
Loan from related parties	-	-	-	-	230,836	230,836
Finance lease Liabilities	-	-	4,703	-	-	4,703
Trade and other payables	-	126,976	158,229	-	-	285,205
Short-term borrowings	1,662,755	-	-	-	-	1,662,755
Accrued mark-up	-	45,737	-	-	-	45,737
	1,662,755	218,934	301,597	530,833	230,836	2,944,955

The Company manages liquidity risk by maintaining sufficient cash and ensuring the fund availability through adequate credit facilities. At September 30, 2015 the Company has Rs. 3,951 million (2014: Rs. 2,897 million) available unutilized short term borrowing limit from financial institutions and also has Rs. 306.585 million (2014: Rs. 32.922 million) being cash and bank balances.

C Market Risk

Market risk is the risk that the fair value or future cash flows of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities, and liquidity in the market. Market risk comprises of three types of risks: Currency risk, interest rate risk and other price risk.

D Interest/ mark-up rate risk management

Interest rate risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market interest rates. The Company's major interest rate exposure arises from long term financings, short term borrowings and Finance Lease. The Company analyses its mark up/interest rate exposure on a regular basis by monitoring mark-up/interest rate trends and taking appropriate actions. As at the balance sheet date the interest / mark-up rate profile of the Company's mark up/interest bearing financial instruments is:

	Effective interest rates	Carrying Values	
	2015	2015	2014
(Rupees in thousand)			
Financial Liabilities			
<u>Variable Rate Instruments</u>			
Long Term Financing	See Note 18	816,200	715,719
Trade and other payables	See Note 21	134,195	133,087
Liability against assets subject to finance lease	See Note 24	-	4,703
Short term Borrowings	See Note 23	1,558,857	1,662,755
		2,509,252	2,516,264
Financial Assets			
<u>Fixed Rate Instruments</u>			
Loan to Growers	See Note 12	-	(1,150)
Bank balances (PLS savings)	See Note 14	(125)	(279)
Net exposure		2,509,127	2,514,835

Fair value sensitivity analysis

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet would not effect profit or loss of the Company.

Cash flow sensitivity analysis

An increase / decrease of 100 basis points in interest rates at the reporting date would have decreased /increased profit for the year before tax by the amount of Rs. 25.09 million (2014: Rs. 25.15 million) assuming that all other variables remains constant.

E Foreign exchange risk management

Foreign exchange risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises mainly from future economical transactions or receivables and payables that exist due to transactions in foreign currencies.

Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivables / payable from / to the foreign entities and outstanding letters of credit, long term foreign currency loans and bills payable. In appropriate cases, the Company takes out forward contracts to mitigate risk. The Company's exposure to foreign currency risk is as follows:

	2015	2014	2015	2014
			(Rupees in thousand)	
Balance Sheet Exposure				
Foreign debtors	\$ 815,341	\$ 337,425	84,959	34,586
Bank balances	\$ 258	\$ 258	27	26
			84,986	34,612
Off Balance Sheet Exposure				
Commitments				
US Dollars	\$ 33,104	\$ 33,388	3,456	3,427
EUROS	€ 11,205	€ 23,040	1,317	2,981
SEK	SEK 1,988,000	SEK 0	24,770	-
			29,544	6,408

The following were significant exchange rate has been applied:

	2015	2014
Rupee per USD		
Average rate	102.81	100.70
Reporting date rate - Selling	104.40	102.70
Reporting date rate - Buying	104.20	102.50
Rupee per Euro		
Average rate	118.17	139.63
Reporting date rate	117.55	130.11
Rupee per SEK		
Average rate	12.65	15.58
Reporting date rate	12.46	14.20

Sensitivity analysis

A 10 percent strengthening / weakening of the PKR against USD at 30 Sept would have decreased / increased profit before tax by the amount of Rs. 8.5 million (2014: Rs. 3.5 million). The effect of off balance sheet items would have been Rs. 0.346 million (2014: Rs. 6.4 million). This analysis assumes that all other variables, in particular interest rates, remain constant.

F Fair value of financial instruments

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates.

The carrying values of all the financial assets and liabilities reflected in the financial statements approximate their fair values except those which are described in respective notes.

G Capital risk management

The Company finances its operations through equity, borrowings and management of working capital with a view to maintain an appropriate mix amongst various sources of finance to minimize risk.

The primary objectives of the Company 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.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares.

During 2015 the Company's strategy was to maintain leveraged gearing. The gearing ratios as at September 30, 2015 and 2014 were as follows:

	2015	2014
	(Rupees in thousand)	
Total borrowings	2,605,893	2,614,013
Less: Cash and bank	(306,585)	(32,922)
Net debt	2,299,308	2,581,091
Total equity	1,069,212	947,301
Total equity and debt	3,368,520	3,528,392
Gearing ratio (%)	68.26%	73.15%

41 PROVIDENT FUND RELATED DISCLOSURES

The following information based on latest financial statements of the fund:

	2015	2014
	(Rupees in thousand)	
	Un-audited	Audited
Size of the fund - Total assets	46,818	33,235
Cost of investments made	39,021	32,004
Percentage of investments made	83.35%	96.30%
Fair value of investments	39,021	32,004

41.1 The break-up of fair value of investment is:

	2015		2014	
	Rs. 000s %	Rs. 000s %
	Un-audited		Audited	
Meezan Amdani Certificate	37,400	95.85%	31,500	98.43%
Saving accounts with banks	1,621	4.15%	504	1.57%
	39,021	100.00%	32,004	100.00%

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

42 NUMBER OF PERSONS

No of persons employed as on year end were 367 (2014: 376) and average number of employee during the year were 429 (2014: 433).

43 DATE OF AUTHORIZATION

These financial statements were authorized for issue in the Board of Directors meeting held on December 28, 2015.

44 EVENTS AFTER BALANCE SHEET DATE

Subsequent to the year ended September 30, 2015, the Board of Directors has proposed a final cash dividend of Rs. 73.915 million at 35% i.e. Rs. 3.5 per share of Rs. 10 each (2014: Rs. 42.237 million at 20% i.e. Rs. 2.0 per share of Rs. 10 each) in their meeting held on December 28, 2015 subject to the approval of the members at the Annual General Meeting scheduled to be held on January 29, 2016.

45 GENERAL

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


YUSUF AYOOB
Managing Director


ZIA I. ZAKARIA
Director

PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS AS ON SEPTEMBER 30, 2015

NOs OF SHAREHOLDERS	SHARE HOLDINGS			TOTAL SHARES HELD
1371	1	TO	100	30,023
546	101	TO	500	135,359
115	501	TO	1000	93,868
160	1001	TO	5000	384,023
42	5001	TO	10000	313,768
18	10001	TO	15000	226,927
12	15001	TO	20000	214,528
8	20001	TO	25000	189,126
2	25001	TO	30000	56,500
10	30001	TO	35000	323,076
2	35001	TO	40000	75,193
1	40001	TO	45000	43,613
2	45001	TO	50000	97,949
2	50001	TO	55000	109,634
1	60001	TO	65000	60,290
1	65001	TO	70000	65,500
1	70001	TO	75000	70,500
2	75001	TO	80000	150,402
1	100001	TO	105000	100,249
1	110001	TO	115000	110,241
1	115001	TO	120000	118,463
2	120001	TO	125000	246,112
2	125001	TO	130000	253,781
1	130001	TO	135000	132,927
1	135001	TO	140000	140,000
1	140001	TO	145000	143,155
4	145001	TO	150000	587,379
1	150001	TO	155000	151,684
3	155001	TO	160000	475,709
1	165001	TO	170000	166,650
2	170001	TO	175000	342,048
1	180001	TO	185000	184,786
2	185001	TO	190000	375,131
1	190001	TO	195000	193,429
1	205001	TO	210000	205,095
1	210001	TO	215000	213,204
1	215001	TO	220000	218,086
1	220001	TO	225000	221,055
2	225001	TO	230000	455,623
1	230001	TO	235000	233,482
1	275001	TO	280000	275,426
1	285001	TO	290000	288,924
1	295001	TO	300000	298,429
1	340001	TO	345000	340,758
1	375001	TO	380000	377,818
1	390001	TO	395000	390,842
1	445001	TO	450000	447,000
1	560001	TO	565000	561,163
1	665001	TO	670000	666,566
1	740001	TO	745000	740,713
1	805001	TO	810000	806,206
1	870001	TO	875000	871,557
1	900001	TO	905000	900,499
1	1150001	TO	1155000	1,154,500
1	1785001	TO	1790000	1,789,910
1	3295001	TO	3300000	3,299,784
2344				21,118,663

CATEGORIES OF SHAREHOLDING AS ON SEPTEMBER 30, 2015

SR. NO.	CATEGORIES OF SHARE HOLDERS	NUMBER OF SHARE HOLDERS	SHARES HELD	PERCENTAGE %
1	INDIVIDUALS	2314	12,750,900	60
2	INSURANCE COMPANIES	1	23,551	0
3	JOINT STOCK COMPANIES	16	5,041,015	24
4	FINANCIAL INSTITUTIONS	5	1,160,058	5
5	MUTUAL FUND	1	1,789,910	8
6	MODARABAS	1	15	0
7	LEASING COMPANIES	1	2,058	0
8	MODARABA MANAGEMENT COMPANIES	1	122,000	1
9	OTHERS	4	229,156	1
		2344	21,118,663	100

CATEGORIES OF SHAREHOLDING AS AT SEPTEMBER 30, 2015

Categories of Shareholders	No. of Share holders	Sheres Held	Percentage
ASSOCIATED COMPANIES UNDERTAKINGS AND RELATED PARTIES			
Al-Noor Sugar Mills Ltd.	1	3,299,784	15.62%
Reliance Insurance Co. Ltd.	1	23,551	0.11%
Al-Noor Modaraba Management (Pvt.) Ltd.	1	122,000	0.58%
Noori Trading Corporation (Pvt.) Ltd.	1	666,566	3.16%
NBP, NIT & ICP			
NATIONAL BANK OF PAKISTAN, TRUSTEE DEPARTMENT	1	100	0.00%
NATIONAL BANK OF PAKISTAN	1	1,358	0.02%
TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT FUND TRUST.	1	7,757	0.04%
TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND	1	221,055	1.05%
MUTUAL FUND			
CDC TRUSTEE NATIONAL INVESTMENT (UNIT) FUND	1	1,789,910	8.48%
DIRECTORS , CEO & THEIR SPOUSES AND MINOR CHILDREN			
MRS. MUNIRA ANJUM (W/O YUSUF AYOOB)	1	218,086	1.03%
MR. MUHAMMAD YOUSUF AYOUB	1	377,818	1.79%
MR. MOHAMMAD SULEMAN AYOOB	1	184,786	0.87%
MR. ABDUL AZIZ AYOOB	1	170,594	0.81%
MRS. ZARINA BAI ISMAIL (W/O ISMAIL H. ZAKARIA)	1	158,075	0.75%
MR. ZIA ZAKARIA	1	228,999	1.08%
MR. ZOHAIK ZAKARIA	1	226,624	1.07%
MRS. SURAIYA SULEMAN (W/O SULEMAN AYOOB)	1	132,927	0.63%
MR. ISMAIL H. ZAKARIA	1	47,949	0.23%
MRS. MEHRUNNISA A. AZIZ (W/O A. AZIZ AYOOB)	1	43,613	0.21%
MRS. SANOBAR ZIA (W/O ZIA ZAKARIA)	1	10,641	0.05%
MR. GHULAM MOHIUDDIN	1	871,557	4.13%
MRS. MANAL GHULAM MOHIUDDIN (W/O GHULAM MOHIUDDIN)	1	60,290	0.29%
PUBLIC SECTOR COMPANIES AND CORP.	1	1,154,500	5.47%
BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON BANKING FINANCE COMPANIES, INSURANCE COMPANIES, MODARABAS, LEASING, TAKAFUL AND PENSION FUND.	4	6,173	1.10%
JOINT STOCK COMPANIES	14	1,074,665	5.09%
OTHERS	2	344	0.00%
INDIVIDUALS	2301	10,018,941	47.44%
TOTAL:-	2344	21118663	100.00%

SHAREHOLDERS HOLDING FIVE PERCENT OR MORE VOTING INTEREST IN THE LISTED COMPANY

EMPLOYEES OLD AGE BENEFITS INSTITUTION	1,154,500
CDC TRUSTEE NATIONAL INVESTMENT (UNIT) FUND	1,789,910
AL-NOOR SUGAR MILLS LIMITED	3,299,784

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PROXY FORM

I/We
in the district of being a Member of **SHAHMURAD SUGAR MILLS LIMITED**
and holder of Ordinary Shares as per Share
(Number of Shares)
Register Folio No. and/or CDC Participant I.D. No. and Sub Account No.
hereby appoint of
or failing him
of also a member; as my/our Proxy in my/our absence to
attend and vote for me/us at the 37th Annual General Meeting of the Company to be held on the 29th day of January two
thousand and sixteen at 11.00 a.m. and at any adjournment thereof :
Signed this day of 2016

WITNESSES:

1. Signature
Name:
Address
NIC or
Passport No.
2. Signature
Name:
Address
NIC or
Passport No.

Rupees five
Revenue
Stamp

Signature of Member(s)

NOTE:

If a Member is unable to attend the Meeting, he may sign this Form and send it to Secretary SHAHMURAD SUGAR MILLS LIMITED, KARACHI so as to reach him not less than 48 hours before the time of holding the Meeting. A proxy need to be a member of the company.

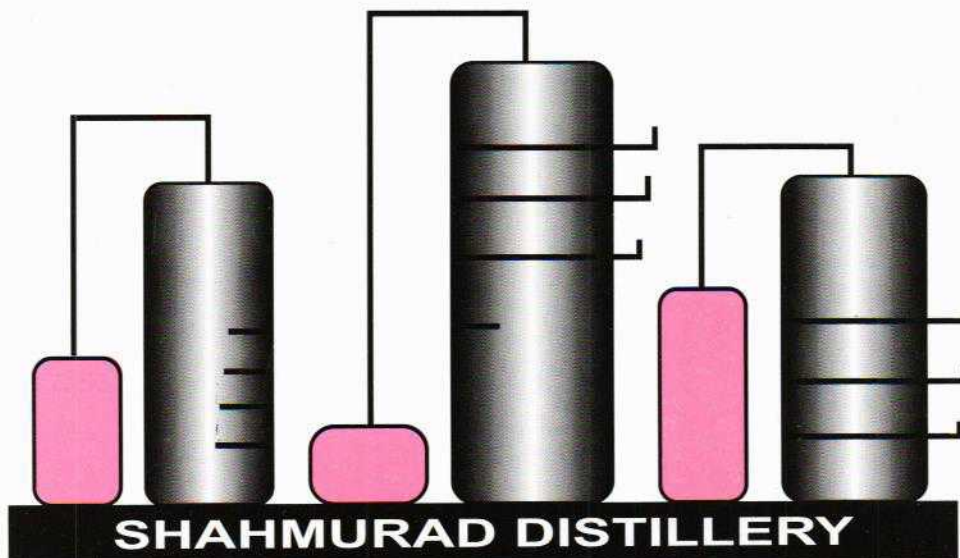




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