TANDLIANWALA
SUGAR MILLS LTD.

Annual Report
2016

28th Annual Report

CONTENTS

COMPANY INFORMATION

Board of Directors	Mr. Ghazi Khan	(Chairman)
	Mr. Akbar Khan	(Chief Executive)
	Mr. Haroon Khan	
	Mrs. Rasheeda Begum	
	Mrs. Mobina Akbar Khan	
	Mr. Saeed Ullah Khan Paracha	
	Mr. Tahir Farooq Malik	
Company Secretary and Chief Financial Officer	Mr. Ahmad Jehanzeb Khan	
Bankers	Allied Bank Limited	
	Bank Alfalah Limited	
	Habib Bank Limited	
	MCB Bank Limited	
	National Bank of Pakistan Limited	
	The Bank of Punjab	
	United Bank Limited	
Legal Advisors	1) Bandial & Associates House # 12/A, Block 'H' Gulberg II, Lahore	2) Ali Subtain Fazli & Associates Mall Mansion 30 The Mall, Lahore
Audit Committee	Mr. Saeed Ullah Khan Paracha	Chairman
	Mr. Haroon Khan	Member
	Mr. Ghazi Khan	Member
	Mr. Khalid Siddique	Secretary
Auditors	*KPMG* Taseer Hadi & Co. Chartered Accountants	
Share Registrar	Corplink (Private) Limited 1-K, Model Town, Lahore	
Sugar Mills: ***Unit 1***	Kanjwani, Tehsil Tandlianwala District, Faisalabad	
Unit 2	Taunsa Road, Indus Highway, Dera Ismail Khan	
Unit 3	Shah Jamal Road, Muzaffargarh	
Distillery: ***Unit 1***	Kanjwani, Tehsil Tandlianwala District, Faisalabad	
Unit 2	Shah Jamal Road, Muzaffargarh	
Top Gas:	Kanjwani, Tehsil Tandlianwala District, Faisalabad	
Registered Office	66-L, Gulberg-II, Lahore	

VISION, MISSION & STRATEGY

Mission

- To be the market leader and a world-class organization by meeting and proactively anticipating customer needs.
- To maximize the wealth of stakeholders by optimizing the long term returns and growth of the business.
- To be amongst the most efficient and lowest cost producers in the industry.
- To ensure a safe, harmonious and challenging working environment for the employees.

Corporate Strategy

- To grow our base business in sugar and build those related activities where there is opportunity to smooth the impact of sugar price cycles.
- To produce sugar which is of highest international standards.
- To make investment in sugarcane crop to ensure regular supply of cane and profitability of growers.
- To establish modern corporate sugarcane farm of international standards.
- To offer equal and fair growth opportunities to all employees.
- To undertake and support community development and welfare projects in order to fulfill social commitments.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that twenty eighth Annual General Meeting of the Shareholders of the Company will be held on Thursday March 02, 201 7 at 10:00 am, at Noor Shadi Hall 49-N, Industrial Area Gulberg-II, Lahore to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of Annual General Meeting of the Company held on February 29, 2016,

2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended September 30, 2016 together with Directors' and Auditors' Reports thereon.

3. To appoint Auditors for the year 2016-2017 and fix their remuneration. The present Auditors M/s KPMG Taseer Hadi & Co. Chartered Accountants, retire and being eligible have offered themselves for reappointment.

4. To transact any other ordinary business with the permission of the Chair.

SPECIAL BUSINESS

1. To elect seven (7) directors as fixed by the Board of the Company pursuant to Section 178(1) of the Companies Ordinance, 1984 for three years. The names of retiring directors are as follows:

Mr. Akbar Khan	Mrs. Mobina Akbar Khan
Mr. Haroon Khan	Mr. Saeed Ullah Khan Paracha
Mr. Ghazi Khan	Mr. Tahir Farooq Malik
Mrs. Rasheeda Begum	

Statement under section 160(1) (b) of the Companies Ordinance, 1984

The statement set out material facts concerning “Special Business” to be transacted at the 28th Annual General Meeting of the Company to be held on March 02, 2017. The approval of the members will be sought for:

Election of Directors

The term of office of the present Directors of the Company will expire after 3 years. In terms of Section 178(1) of the Companies Ordinance, 1984, the directors have fixed the number of elected directors at seven (7) to be elected in the Annual General Meeting for the next term of three years.

Any person who seeks to contest the election of directors shall, whether he/she is a retiring director or otherwise, file with the Company the following documents and information at its registered office not later than fourteen days before the day of the above said meeting:

His/her Folio No./CDC Investors Account No./CDC Participant No./Sub-Account No.

a) Notice of his/her intention to offer himself/herself for the election of directors in terms of Section 178(3) of the Companies Ordinance, 1984;
b) Consent to act as director on Form 28 under section 184 of the Companies Ordinance, 1984.
c) A detailed profile alongwith his/her office address as required under SECP's SRO 634(1)2015 dated July 10, 2014.
d) An attested copy of Computerized National Identity Card (CNIC).
e) A declaration that:
    - He/she is not ineligible to become a director of the Company under any applicable laws and regulations (including listing regulations of Stock Exchanges).
    - He/she is not serving as director of more than seven listed companies. Provided that this limit shall not include the directorship in the listed subsidiaries of a listed holding company.
    - Neither he/she nor his/her spouse is engaged in the business of brokerage or is a sponsor director or officer of a corporate brokerage house.
    - He/she is aware of his/her duties and powers under the relevant laws, Memorandum & Articles of Association of Company and listing regulations of stock exchanges.

Lahore: February 08, 2017.

By order of the Board
Ahmad Jehanzeb Khan
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from 23-02-201 7 to 02-03-201 7 (both days inclusive) for entitlement, attending and voting at Annual General Meeting. Physical Transfers/CDS Transactions IDS received in order in all respects at the close of the Business on 22-02-2017 at the Company's Share Registrar M/s Corplink (Pvt) Ltd, Wing Arcade, 1-K Commercial Area Model Town attending of the meeting.
2. A member entitled to attend and vote at this meeting may appoint another member as proxy to attend and vote on his/her behalf, Forms of Proxy to be valid must be properly fitted in/executed and received at the Registered Office of the Company at 66-L, Gulberg-II, Lahore, at least 48 hours before the time of this meeting.
3. Members are advised to promptly notify change in their postal address, if any, to the Company's Share Registrar.

Directors' Report

The Directors of the Company are pleased to welcome you at the 28th Annual General Meeting and to place before you the Audited Financial Statements of the Company together with the Director's Report thereon, for the year ended September 30, 2016.

Sugar Division

All Sugar producing Units of your Company (TSML) started sugarcane crushing in the month of November 2015. The years sale turnover of Rs 18.7 Billion and the pre-tax profit amounting to Rs 934 Million are the highest ever achieved in the history of the Company which is partly attributable to better local sugar prices and timely exports , as well as reduction in the Finance Cost during the year in comparison to last year owing to reduction of long term debt and SBP discount rates.

The Company has achieved the net profit of Rs 898 million in comparison to last year amount of Rs 592 million. The sugarcane prices in Punjab & KPK provinces, for the crushing season 2015-2016 remained un-changed and fixed at Rs 180 per 40 kg. Our growers were happy with our continuous policy of making timely payments.

The increase in the profits shows that the TSML group has an ability to handle the operations in an efficient and excellent manner although the situation for sugar manufacturing sector is quite tough and challenging.

Pakistan has become a net exporter of sugar since last few years and TSML continued to be one the largest exporters of sugar in the country.

Ethanol & Ancillary Division

The Distillery Division has always been a key operating segment due to its achievements and better results, especially since the establishment of our second, state of the art distillery.

Although the international prices of ethanol registered a sharp decline this year, coupled with the fact that we procured additional molasses at higher prices to supplement our own production, but we still managed to achieve reasonable profits in our Distillery Division.

We continued to maintain the position of being the largest producer as well as the highest Exporter of ethanol in Pakistan for second year in running.

Our Top Gas (CO2) segment also consistently maintained its profitability, although we faced tough competition from the competitors in market .

Future Outlook of the Company

In the current season (2016-2017) all our three sugar producing units started crushing by end of November, 2016. The sugarcane crop is slightly higher during this season, as compared to the year under review. The sugarcane price remained unchanged during the current season at Rs 180 per 40 kg. However, the upward trend of sugar prices is encouraging since start of crushing season 2016-17 and if they remain stable, it is expected that the current season can be a game changer for the sugar sector in future, as Pakistan is turning out to be a surplus producer of sugar in years to come, so a long term and consistent Sugar export policy is need of the hour and should be enacted by the government.

Taking consideration of the changing scenarios of the sector, we are now in the process of investing in plant efficiency and upgradation at all our 3 sugar producing units, resulting in energy savings at both our distillery units, which in turn will definitely lead the TSML group towards improvement of the future profitability by making processes more efficient and getting reasonably self sufficient in indigenous molasses.

Statement on Corporate and financial reporting framework

- These financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements except for as disclosed in Note 2.3 of the audited financial statements for the year. Accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards and the requirements of Companies Ordinance, 1984, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from, if any has been adequately disclosed and explained.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern as it has adequate resources and improving its results to continue in operation for the foreseeable future as has been explained in the Chief Executive's Review and financial statements.
- There has been no material departure from the best practices of the corporate governance as detailed in the listing regulations and properly disclosed in the Statement of Compliance with the Code of Corporate Governance except for paragraph 24 as disclosed in statement of compliance with the code of corporate governance.
- A statement regarding key financial data for the last six years is annexed to this report.
- Information about taxes and levies is given in the notes to the financial statements.

Six Years Review at a Glance

The six years review at a glance is annexed.

Pattern of Shareholdings

The pattern of shareholdings as on September 30, 2016 is annexed.

Audit Committee

The Board has constituted an Audit Committee consisting of three members including Chairman of the Committee. The Committee regularly meets as per requirement of the code. The Committee assists the Board in reviewing internal audit manual and internal audit system.

Human Resource Committee

The Board has constituted a Human Resource Committee in compliance with the Code of Corporate Governance 2012.

Board Meetings

There have been 11 meetings during the year and the attendance of each director is stated as under:

Name of Directors	Board		Audit Committee		Human Resource and Remuneration Committee	
	Attended	Required	Attended	Required	Attended	Required
NON – EXECUTIVE DIRECTORS						
Mr. Ghazi Khan	5	5	5	5	1	1
Mr. Tahir Farooq Malik	5	5	5	5	1	1
Mrs. Rasheeda Begum	5	5				
Mrs. Mobina Akbar Khan	5	4			1	1
Mr. Saeed Ullah Khan Paracha	5	4	5	5		
EXECUTIVE DIRECTORS						
Mr. Akbar Khan	5	5				
Mr. Haroon Khan	5	5				

(However, leaves of absence were granted to the Directors who could not attend the Board Meetings due to their preoccupations.)

Directors training program

All the Directors of the Company are exempt from Directors training program on the basis of experience criteria.

Trading in Shares

Trading in shares by Directors, CEO, CFO, Company Secretary and their spouses and minor children has been disclosed in FORM 34 annexed to this annual report.

Outstanding Statutory Dues

Details of outstanding dues towards minimum tax and those relating to other statutory obligations are set out in note 15 and 31 respectively.

Dividend

No dividend is being recommended by the Board of Directors for the year ended September 30, 2016.

Staff Retirement Benefits

The company operates an un-funded gratuity scheme for all employees with qualifying service period of six months.

Auditors

The present auditors M/s. KPMG Taseer Hadi and Co., Chartered Accountants retire and offer themselves for reappointment. The Audit Committee has recommended their re-appointment as auditors of the Company for the year ending September 30, 2017.

Appreciation

The Board would like to articulate their appreciation for the allegiance, hard toil of the workers, staff and members of the management team. Growers are the key element of our industry and we thank them for their continued co-operation.

On behalf of Board of Directors

Akbar Khan
(Chief Executive Officer)
February 08, 2017

SIX YEARS REVIEW AT A GLANCE

Figures in '000

		2016 (Rupees)	2015 (Rupees)	2014 (Rupees)	2013 (Rupees)	2012 (Rupees)	2011 (Rupees)
FINANCIAL RESULTS							
Sales (Net)		18,675,054	16,520,294	12,999,789	12,294,796	8,376,917	7,759,465
Cost of Sales		16,258,134	14,301,181	11,574,518	11,435,215	7,508,390	6,321,536
Gross profit		**2,416,920**	**2,219,113**	**1,425,271**	**859,581**	**868,527**	**1,437,929**
Operating, financial and other expenses		1,542,640	1,674,897	1,393,962	1,263,727	1,029,841	912,167
		874,280	**544,216**	**31,309**	**(404,146)**	**(161,314)**	**525,762**
Other income		108,495	70,303	54,161	119,737	13,083	6,416
Net profit / (loss) before wppf		**982,775**	**614,519**	**85,471**	**(284,409)**	**(148,231)**	**532,178**
Workers' profit participation fund		49,139	30,726	4,274	-	-	26,609
Workers' Welfare fund			-	-	-	-	(11,826)
Net (loss) / profit before Taxation		**933,636**	**583,793**	**81,197**	**(284,409)**	**(148,231)**	**517,395**
Provision for taxation		(35,669)	7,833	165,927	(98,310)	197,690	(22,839)
Net (loss) / profit after taxation		**897,967**	**591,626**	**247,124**	**(382,719)**	**49,459**	**494,556**
Cash dividend			-	-	-	-	-
(Loss) / Earning per share (Rs.)		7.63	5.03	2.10	(3.25)	0.42	4.20
Authorized capital		1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Paid-up capital		1,177,063	1,177,063	1,177,063	1,177,063	1,177,063	1,177,063
Fixed capital expenditures (Net)		10,686,598	10,941,621	7,974,240	7,645,295	5,460,225	5,221,206
OPERATING RESULTS							
Sugarcane crushed - Unit - 1	M. Tons	587,336	505,953	627,342	556,144	457,219	472,492
Sugarcane crushed - Unit - 2	M. Tons	850,065	1,030,447	1,068,301	724,066	465,491	593,420
Sugarcane crushed - Unit - 3	M. Tons	1,190,695	1,214,159	1,273,466	897,054	686,936	514,105
Sugar production - Unit - 1	M. Tons	50,392	45,488	57,405	50,997	43,311	43,261
Sugar production - Unit - 2	M. Tons	76,474	95,011	90,720	61,172	39,015	49,683
Sugar production - Unit - 3	M. Tons	120,512	124,611	121,472	85,201	67,042	47,732
Season started - Unit - 1		27-11-2015	25-11-2014	19-11-2013	29-11-2012	18-11-2011	26-11-2010
Season started - Unit - 2		15-12-2015	04-12-2014	25-11-2013	29-11-2012	29-11-2011	26-11-2010
Season started - Unit - 3		27-11-2015	28-11-2014	20-11-2013	29-11-2012	18-11-2011	26-11-2010
Season closed - Unit - 1		13-03-2016	15-03-2015	29-03-2014	30-03-2013	23-03-2012	07-04-2011
Season closed - Unit - 2		01-04-2016	11-04-2015	21-03-2014	01-04-2013	29-03-2012	01-04-2011
Season closed - Unit - 3		20-03-2016	28-03-2015	05-04-2014	03-04-2013	12-04-2012	01-04-2011
Crushing days - Unit - 1	No.	108	111	121	122	127	133
Crushing days - Unit - 2	No.	109	129	117	124	122	127
Crushing days - Unit - 3	No.	115	121	137	126	147	127

FORM 34

THE COMPANIES ORDINANCE 1984
(Section 236(1) and 464)
PATTERN OF SHAREHOLDING

1. Incorporation Number: **L-01226**

2. Name of the Company: **TANDLIANWALA SUGAR MILLS LIMITED**

3. Pattern of holding of the shares held by the shareholders as at **30-09-2016**

4. No. of Shareholders	------Shareholding------ From	To	Total Shares Held
113	1	100	3,359
424	101	500	201,698
58	501	1,000	49,991
60	1,001	5,000	130,962
10	5,001	10,000	67,750
4	10,001	15,000	53,761
3	15,001	20,000	53,607
1	20,001	25,000	21,500
4	25,001	30,000	110,320
1	45,001	50,000	45,500
1	140,001	145,000	144,300
1	550,001	555,000	552,500
2	1,390,001	1,395,000	2,789,689
1	1,395,001	1,400,000	1,395,343
1	1,400,001	1,405,000	1,401,747
1	1,890,001	1,895,000	1,894,064
1	3,290,001	3,295,000	3,294,155
1	5,455,001	5,460,000	5,459,419
1	5,745,001	5,750,000	5,745,514
1	10,610,001	10,615,000	10,610,937
1	20,195,001	20,200,000	20,197,535
1	20,250,001	20,255,000	20,253,274
1	21,525,001	21,530,000	21,528,357
1	21,700,001	21,705,000	21,701,018
693			**117,706,300**

5. Categories of shareholders	Share held	Percentage
5.1 Directors, Chief Executive Officers, and their spouse and minor childern	92,969,518	78.9843%
5.2 Associated Companies, undertakings and related parties.	---	---

5.3 Banks,Funds,Development Financial Institutions, Non Banking Financial Institutions,etc	231,640	0.1968%
5.4 Share holders holding 10%	89,321,363	75.8849%
5.5 General Public		
a. Local	13,894,205	11.8041%
b. Foreign	---	---
5.6 Others (to be specified) Foreign Companies	10,610,937	9.0148%

6. Signature of Company Secretary	
7. Name of Signatory	AHMAD JEHANZEB KHAN
8. Designation	COMPANY SECRETARY
9. NIC Number	35201-5789985-5
10 Date	30 09 2016

Catagories of Shareholding required under Code of Corporate Governance (CCG)
As on September 30, 2016

Sr. No.	Name	No. of Shares Held	Percentage
Associated Companies, Undertakings and Related Parties (Name Wise Detail):			
		-	-
Mutual Funds (Name Wise Detail)		-	-
Directors and their Spouse and Minor Chidren (Name Wise Detail):			
1	MR. AKBAR AKHTAR KHAN	21,592,481	18.3444%
2	MR. HAROON AKHTAR KHAN	23,129,465	19.6502%
3	MR. GHAZI AKHTAR KHAN	22,951,400	19.4989%
4	MRS. RASHEEDA BEGUM	21,648,017	18.3916%
5	MRS. MOBINA AKBAR KHAN	1,000	0.0008%
6	MR. SAEEDULLAH KHAN PARACHA	3,094,155	2.6287%
7	MR. TAHIR FAROOQ MALIK	500	0.0004%
8	MRS. SHAHNAZ W/O SAEEDULLAH KHAN PARACHA	552,500	0.4694%
Executives:		-	-
Public Sector Companies & Corporations:		-	-
Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:		231,640	0.1968%

Shareholders holding five percent or more voting intrest in the listed company (Name Wise Detail)

S. No.	*Name*	*Holding*	*Percentage*
1	MR. AKBAR AKHTAR KHAN	21,592,481	18.3444%
2	MR. HAROON AKHTAR KHAN	23,129,465	19.6502%
3	MR. GHAZI AKHTAR KHAN	22,951,400	19.4989%
4	MRS. RASHEEDA BEGUM	21,648,017	18.3916%
5	TODDI INVESTMENTS LIMITED.	10,610,937	9.0148%
6	MR. HAMEED ULLAH KHAN PARACHA	7,639,578	6.4904%

All trades in the shares of the listed company, carried out by its Directors, Executives and their spouses and minor children shall also be disclosed:

S. No.	*NAME*	*SALE*	*PURCHASE*
1	MR. HAROON AKHTAR KHAN (CDC)	0	51,230
2	MR. GHAZI AKHTAR KHAN (CDC)	0	46,700

Statement of Compliance with the Code of Corporate Governance For the year ended 30 September 2016

This statement is being presented to comply with the Code of Corporate Governance ("the code") contained in clause 5.19 of chapter 5 of Rule Book of the Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At 30 September 2016, the Board includes:

Category		Names
Executive Directors	i.	Mr. Akbar Khan
	ii.	Mr. Haroon Khan
Non-Executive Directors	iii.	Mr. Ghazi Khan
	iv.	Mr. Tahir Farooq Malik
	v.	Mrs. Rasheeda Begum
	vi.	Mrs. Mobina Akbar Khan
	vii.	Mr. Saeed Ullah Khan Paracha

2. The Directors have confirmed that none of them is serving as a director in more than seven listed companies, including the Company.

3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a broker of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No causal vacancy in the Board of Directors has occurred during the year ended 30 September 2016.

5. The Company has prepared a "Code of Conduct" and has insured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non executive Directors, have been taken by the Board.

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. All the Directors on the Board are well conversant with their responsibilities as Directors of corporate bodies as the Company had arranged briefing for its Directors to apprise them of their duties and responsibilities. All the Directors of the Company are exempt from Directors training program on the basis of experience criteria.

10. No new appointment of CFO, Company Secretary or Head of Internal Audit has occurred during the year.

11. The Directors' Report for the year ended 30 September 2016 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by the 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 Code of Corporate Governance.

15. The Board has formed an Audit Committee. It comprises of three members. All the members are non-executive directors including the Chairman of the Committee.

Name	**Designation**	**Category**
Mr. Saeed Ullah Khan Paracha	Chairman/Member	Non-Executive Director
Mr. Ghazi Khan	Member	Non-Executive Director
Mr. Tahir Farooq Malik	Member	Non-Executive Director

16. The meetings of the Audit Committee were held at least once in every quarter prior to approval of interim and final results of the Company as required by the Code of Corporate Governance. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has formed an HR and Remuneration Committee. It comprises of following three Board members, all of whom are non-executive directors including the chairman of the committee.

Name	**Designation**	**Category**
Mrs. Rasheeda Begam	Chairman/Member	Non-Executive Director
Mr. Ghazi Khan	Member	Non-Executive Director
Mr. Tahir Farooq Malik	Member	Non-Executive Director

18. The Board has set-up an effective internal audit function within in the Company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The “close 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(s).

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.

24. We confirm that all other material principles enshrined in the Code have been complied with except the following, towards which reasonable progress is being made by the Company to seek compliance by the end of next accounting year:

    a. The company did not have any Independent Director during the year ended 30 September 2016 as per the requirement of sub-clause (b) of clause 5.19.1 of Rule Book of Pakistan Stock Exchange Limited.

    b. None of the members (including Chairman) of the Audit Committee is an Independent Director as per sub-clause (a) of clause 5.19.16 of Rule Book of Pakistan Stock Exchange Limited.

Lahore	**Ghazi Khan**	**Akbar Khan**
08 February 2017	**Chairman**	**Chief Executive**

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of **Tandlianwala Sugar Mills Limited ("the Company")** for the year ended 30 September 2016 to comply with the requirements of clause 5.19 of chapter 5 of the Rule Book of Pakistan Stock Exchange Limited, where the Company is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement 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 30 September 2016.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph reference where these are stated in the Statement of Compliance:

Paragraph Reference		Description
i)	*Paragraph 24(a)*	*At present there is no Independent Director on the Company's Board of Directors as required under sub-clause (b) of clause 5.19.1 of the Rule Book of Pakistan Stock Exchange Limited.*
ii)	*Paragraph 24 (b)*	*Under sub-clause (a) of clause 5.19.16 of the Rule Book of Pakistan Stock Exchange Limited, the Audit Committee shall have at least one Independent Director who shall preferably be the chairman of the committee. Since, there is no Independent Director on the Board, this requirement is not complied with.*

Lahore

Date: 08 February 2017

KPMG Taseer Hadi & Co
Chartered Accountant
(Kamran Iqbal Yousafi)

Auditors' Report to the Members

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

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

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

a) in our opinion proper books of 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 accounting policies consistently applied except for the change as stated in note 2.3 to the financial statements with which we concur;

   ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   iii) the business conducted, investment made and 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 30 September 2016 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and

d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Lahore

Date: 08 February 2017

KPMG Taseer Hadi & Co.
Chartered Accountants
(Kamran Iqbal Yousafi)

Balance Sheet

As at 30 September 2016

	Note	2016 Rupees	2015 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
120,000,000 (2015: 120,000,000) shares of Rs. 10 each		**1,200,000,000**	1,200,000,000
Issued, subscribed and paid-up capital	*6*	**1,177,063,000**	1,177,063,000
Reserves	*7*	**2,617,707,211**	1,727,382,859
Loan from Directors - *unsecured*	*8*	**1,935,050,170**	1,971,962,036
		5,729,820,381	4,876,407,895
Non current liabilities			
Long term finances - *secured*	*9*	**915,998,593**	1,244,915,364
Liabilities against assets subject to finance lease - *secured*	*10*	**37,312,883**	144,757,046
Advances from customers - *unsecured*	*11*	**1,741,802,889**	1,429,124,273
Deferred liabilities			
- *Staff retirement benefits*	*12.1.1*	**245,194,213**	187,602,200
- *Deferred taxation*	*12.2*	**23,746,159**	41,768,921
		2,964,054,737	3,048,167,804
Current liabilities			
Short term borrowings - *secured*	*13*	**5,259,368,808**	6,518,817,533
Current portion of non-current liabilities	*14*	**608,487,840**	450,239,318
Trade and other payables	*15*	**1,532,156,098**	1,942,606,092
Interest and markup accrued	*16*	**109,673,836**	204,952,492
		7,509,686,582	9,116,615,435
Contingencies and commitments	*17*	**-**	-
		16,203,561,700	17,041,191,134

The annexed notes 1 to 45 form an integral part of these financial statements.

Lahore
February 08, 2017

Chief Executive

	Note	2016 Rupees	2015 Rupees
ASSETS			
Non current assets			
Property, plant and equipment	*18*	**11,247,190,642**	10,954,043,101
Long term deposits	*19*	**28,919,144**	106,240,681
		11,276,109,786	11,060,283,782
Current assets			
Stores, spare parts and loose tools	*20*	**765,898,105**	647,128,600
Stock-in-trade	*21*	**2,978,867,891**	4,022,346,578
Trade debts - *considered good*	*22*	**21,246,615**	233,927,231
Advances, deposits, prepayments and other receivables	*23*	**693,770,239**	576,132,111
Tax refunds due from Government - *net*		**400,732,497**	345,840,298
Cash and bank balances	*24*	**66,936,567**	155,532,534
		4,927,451,914	5,980,907,352
		16,203,561,700	17,041,191,134

Director

Profit and Loss Account

For the year ended 30 September 2016

	Note	2016 Rupees	2015 Rupees
Sales - *net*	25	**18,675,054,125**	16,520,294,399
Cost of sales	26	**(16,258,133,912)**	(14,301,181,419)
Gross profit		**2,416,920,213**	2,219,112,980
Administrative expenses	27	**(375,645,045)**	(355,296,763)
Distribution expenses	28	**(306,350,974)**	(298,156,264)
Other income	29	**108,494,653**	70,303,213
Profit from operations		**1,843,418,847**	1,635,963,166
Finance cost	30	**(860,643,682)**	(1,021,443,673)
Other expenses	15.2	**(49,138,758)**	(30,725,975)
Profit before taxation		**933,636,407**	583,793,518
Taxation	31	**(35,669,332)**	7,833,179
Profit after taxation		**897,967,075**	591,626,697
Earnings per share - *basic and diluted*	32	**7.63**	5.03

The annexed notes 1 to 45 form an integral part of these financial statements.

Lahore
February 08, 2017

Chief Executive

Director

Statement of Comprehensive Income

For the year ended 30 September 2016

	Note	2016 Rupees	2015 Rupees
Profit after taxation		**897,967,075**	591,626,697
Other comprehensive (loss) / income			
Items that will not be reclassified to profit and loss:			
Remeasurement of defined benefit liability	12.1.3	**(9,711,211)**	6,096,992
Related tax		**2,068,488**	(1,304,147)
		(7,642,723)	4,792,845
Total comprehensive income for the year		**890,324,352**	596,419,542

The annexed notes 1 to 45 form an integral part of these financial statements.

Lahore
February 08, 2017

Chief Executive

Director

Cash Flow Statement

For the year ended 30 September 2016

	Note	2016 Rupees	2015 Rupees
Cash flow from operating activities			
Profit before taxation		**933,636,407**	583,793,518
Adjustments for non-cash and other items:			
Depreciation on property, plant and equipment	18.2.1	**569,349,231**	519,819,790
Gain on disposal of property, plant and equipment	18.2.1	**(830,869)**	(277,713)
Finance cost	30	**860,643,682**	1,021,443,673
Provision for staff retirement benefits	12.1.4	**49,899,339**	46,668,379
Return on bank deposits	29	**(2,165,750)**	(7,160,318)
Provision for Worker's Profit Participation Fund		**49,138,758**	30,725,975
		1,526,034,391	1,611,219,786
Operating profit before working capital changes		**2,459,670,798**	2,195,013,304
(Increase) / decrease in current assets:			
Stores, spare parts and loose tools		**(118,769,505)**	355,176,773
Stock-in-trade		**1,043,478,687**	(13,981,649)
Advances, deposits, prepayments and other receivables		**(117,638,128)**	252,896,548
Trade debts - *considered good*		**212,680,616**	(203,670,479)
		1,019,751,670	390,421,193
Decrease in current liabilities:			
Trade and other payables		**(428,862,777)**	(392,361,019)
Cash generated from operations		**3,050,559,691**	2,193,073,478
Finance cost paid		**(948,408,792)**	(1,061,937,897)
Staff retirement benefits paid	12.1.2	**(2,018,537)**	(768,967)
Taxes paid		**(106,515,805)**	(101,866,461)
Advances from customers - *net*		**312,678,616**	373,377,494
Increase in deposits - *net*		**29,808,756**	4,508,602
Worker's Profit Participation Fund paid		**(30,725,975)**	(4,273,514)
		(745,181,737)	(790,960,743)
Net cash generated from operating activities		**2,305,377,954**	1,402,112,735
Cash flow from investing activities			
Capital expenditure		**(843,673,724)**	(1,544,200,351)
Proceeds from disposal of property, plant and equipment		**1,060,000**	375,000
Income received from bank deposits		**2,165,750**	7,160,318
Net cash used in investing activities		**(840,447,974)**	(1,536,665,033)
Cash flow from financing activities			
Long term finances repaid		**(354,427,258)**	(92,209,813)
Long term finances obtained		**110,000,000**	-
Loans from directors - *net*		**(36,911,866)**	(153,668,098)
Finance lease liabilities - *net*		**(12,738,098)**	(21,740,806)
Short term borrowings - *net*		**(1,259,537,380)**	207,946,621
Net cash used in financing activities		**(1,553,614,602)**	(59,672,096)
Net decrease in cash and cash equivalents		**(88,684,622)**	(194,224,394)
Cash and cash equivalents at the beginning of the year		**55,686,991**	249,911,385
Cash and cash equivalents at the end of the year	33	**(32,997,631)**	55,686,991

The annexed notes 1 to 45 form an integral part of these financial statements.

Lahore
February 08, 2017

Chief Executive | **Director**

Statement of Changes in Equity

For the year ended 30 September 2016

	Share Capital	Reserves: Capital – Share premium	Reserves: REVENUE – Un-appropriated profit	Total reserves	Loan from Directors	Total
	----- Rupees -----					
Balance as at 30 September 2014	1,177,063,000	290,741,640	840,221,677	1,130,963,317	2,125,630,134	4,433,656,451
Transactions with owners of the Company:						
Repayments made during the year	-	-	-	-	(153,668,098)	(153,668,098)
Total comprehensive income for the year:						
Profit for the year ended 30 September 2015	-	-	591,626,697	591,626,697	-	591,626,697
Other comprehensive income for the year ended 30 September 2015 - *net of tax*	-	-	4,792,845	4,792,845	-	4,792,845
	-	-	596,419,542	596,419,542	-	596,419,542
Balance as at 30 September 2015	1,177,063,000	290,741,640	1,436,641,219	1,727,382,859	1,971,962,036	4,876,407,895
Transactions with owners of the Company:						
Repayments made during the year	-	-	-	-	(36,911,866)	(36,911,866)
Total comprehensive income for the year:						
Profit for the year ended 30 September 2016	-	-	897,967,075	897,967,075	-	897,967,075
Other comprehensive income for the year ended 30 September 2016 - *net of tax*	-	-	(7,642,723)	(7,642,723)	-	(7,642,723)
	-	-	890,324,352	890,324,352	-	890,324,352
Balance as at 30 September 2016	**1,177,063,000**	**290,741,640**	**2,326,965,571**	**2,617,707,211**	**1,935,050,170**	**5,729,820,381**

The annexed notes 1 to 45 form an integral part of these financial statements.

Lahore
February 08, 2017

Chief Executive

Director

Notes to the Financial Statements

For the year ended 30 September 2016

1 Reporting entity

Tandlianwala Sugar Mills Limited ("the Company") was incorporated in Pakistan on 01 November 1988 as a public limited company under the Companies Ordinance, 1984. The shares of the Company are quoted on Pakistan Stock Exchange. The principal activity of the Company is production and sale of white crystalline sugar, ethanol and top gas (Carbon dioxide). The manufacturing facilities of the Company are located at Kanjwani (Unit I), Dera Ismail Khan (Unit II) and Muzaffargarh (Unit III). The registered office of the Company is situated at 66 - L, Gulberg II, Lahore.

2 Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and Islamic Financial Accounting Standard ("IFAS") issued by the Institute of Chartered Accountants of Pakistan as are notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives shall prevail.

2.2 Functional and presentation currency

These financial statements are presented in Pak Rupees ("Rs."), which is the Company's functional and presentation currency. All financial information has been rounded to the nearest rupee, except when otherwise indicated.

2.3 Change in accounting policy

During the year, the Company has adopted IFRS 13 'Fair Value Measurement' which became effective for the financial periods beginning on or after 01 January 2015. IFRS 13 'Fair Value Measurement' establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair values as the prices that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 'Financial Instruments Disclosures'. As a result, the Company has included the additional disclosure in this regard in note 35 to the financial statements. In accordance with the transitional provisions of IFRS 13, the Company has applied the new fair value measurement guidance prospectively and has adjusted corresponding information for new disclosures. The application of IFRS 13 does not have any significant impact on the financial statements of the Company except for certain additional disclosures.

2.4 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for:

- modification of foreign currency translation adjustments,
- recognition of staff retirement benefits at present value; and
- certain financial instruments at amortized cost

In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

3 Use of judgements and estimates

The preparation of these financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision effects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to Company's financial statements or where judgments were exercised in application of accounting policies are:

-	Staff retirement benefits	*note 5.1*
-	Taxation	*note 5.2*
-	Deferred taxation	*note 5.2*
-	Depreciation method, useful lives and residual values of property, plant and equipment	*note 5.4*
-	Recoverable amount of assets / cash generating units and impairment	*note 5.4*
-	Lease classification	*note 5.5*
-	Stores, spare parts and loose tools	*note 5.6*
-	Stock-in-trade	*note 5.7*
-	Trade debts - *considered good*	*note 5.8*
-	Provisions and contingencies	*note 5.9*

4 New standards, amendments to approved accounting standards and new interpretations, that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 October 2016. The Company either does not expect to have any effect or any material / significant effect on its accounting policy due to their application when become effective other than increase in disclosures, if any.

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.

- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures) (effective for annual periods beginning on or after 1 January 2016) clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on Company's financial statements.

- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on Company's financial statements.

- Amendment to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on Company's financial statements.

- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on Company's financial statements

- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are not likely to have an impact on Company's financial statements.

- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

- Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognised for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 01 January 2016). The new cycle of improvements contain amendments to the following standards:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

- IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety are in the scope of its disclosure requirements. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.

- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

The improvements are not likely to have an impact on the Company's financial statements.

5 Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, except for the change in accounting policy as mentioned in note 2.3 to these financial statements.

5.1 Employee benefits

(a) Short term employee benefit

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(b) Defined benefit plan

The Company operates an unfunded gratuity scheme for eligible employees who have completed their qualifying period. Provision is made annually to cover obligations under the scheme on the basis of actuarial valuation and is charged to profit and loss account.

Re-measurement of the net defined benefit liability, including actuarial gains and losses are recognized immediately in Statement of Comprehensive Income ("OCI") net of related deferred tax. The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plan is recognized in profit and loss account. When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

5.2 Taxation

Income tax expense comprises current and deferred tax. It is recognized in profit and loss except to the extent that it relates to items recognized directly in other comprehensive income, in which case it is recognized in equity.

Current tax

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years. Under / over paid amounts of current tax are recorded as tax refundable / payable due from / to the Government.

Deferred tax

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax assets are reviewd at each reporting date and reduced to the extent that it is no longer probable that related temporary benefit will be realized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

5.3 Trade and other payables

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

5.4 Property, plant and equipment

Owned

Property, plant and equipment, except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land and capital work in progress are stated at cost less any identified impairment loss. Cost includes direct cost and related overheads, interest and borrowing cost including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and other costs directly attributable to the acquisition or construction including expenditures on material, labour and overheads directly relating to construction, erection and installation of operating fixed assets.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Major renewals and improvements are capitalized. All other repair and maintenance costs are charged to profit and loss during the period in which they are incurred.

Depreciation is charged on a systematic basis over the useful life of the assets, on reducing balance method, which reflects the patterns in which the economic benefits are consumed by the Company, at the rates specified in note 18.1.

Depreciation on additions is charged from the month the asset is available for use while no depreciation is charged in the month in which the asset is disposed off. Depreciation methods, residual values and useful lives of assets are reviewed at each financial year end, and adjusted if impact on depreciation is significant.

The management of the Company reviews carrying amounts of its assets and cash generating units for possible impairment. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense in profit and loss.

Leased

Assets held under finance lease arrangements are initially recorded at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets. Depreciation on leased assets is charged by applying reducing balance method at the rates used for similar owned assets, so as to depreciate the assets over their estimated useful lives in view of certainty of ownership of assets at end of the lease term.

Capital work-in-progress

Capital work in progress is stated at cost less identified impairment loss, if any. Cost includes the expenditures on material, labour, appropriate directly attributable overheads and includes borrowing cost in respect of qualifying assets as stated in note 5.17. These costs are transferred to operating fixed assets as and when assets are available for their intended use.

5.5 ***Leases***

Leases are classified as finance lease whenever terms of the lease transfer substantially all risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Finance leases

Finance leases are stated at amounts equal to the fair value or, if lower, the present value of the minimum lease payments. The minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance cost is charged to profit and loss account.

The related rental obligations, net of finance costs, are included in liabilities against assets subject to finance lease. The liabilities are classified as current and non-current depending upon the timing of the payments.

Operating leases / Ijarah Contracts

Leases including Ijarah financing where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit and loss on a straight-line basis over the lease / Ijarah term unless another systematic basis is representative of the time pattern of the Company's benefit.

5.6 Stores, spare parts and loose tools

Usable stores and spare parts are valued principally at weighted average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon up-to the balance sheet date. Provision is made in the financial statements for obsolete and slow moving stores and spare parts based on management's estimate as a result of changes in usage pattern and physical form.

5.7 Stock-in-trade

These are valued at the lower of weighted average cost and net realizable value except for stock in transit, which is valued at cost comprising invoice value and related expenses incurred thereon up to the balance sheet date.

Cost is determined as follows:

Raw materials	at weighted average cost
Work-in-process and finished goods	at lower of weighted average cost plus related manufacturing expenses and net realizable value
Molasses - by product	at average cost of molasses purchased from third parties
Top gas - by product	at average selling price less further processing cost

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs of completion and costs necessary to be incurred in order to make a sale. Provision is made in the financial statements for obsolete and slow moving stock in trade based on management's estimate.

5.8 Trade debts

Trade debts and other receivables are recognized initially at invoice value, which approximates fair value, less provision for impairment. A provision for impairment of trade debts and other receivables is established when there is an objective evidence that the Company will not be able to collect all the amount due according to the original terms of the receivable. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered as indicators that the trade debt is impaired. The provision is recognized in the profit and loss account. When a trade debt is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the profit and loss account.

5.9 Provisions

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

5.10 Cash and cash equivalents

Cash and cash equivalents are carried at cost in the balance sheet. For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and bank balances and running finance.

5.11 Financial instruments

5.11.1 Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

5.11.1 ***(a) Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

5.11.1 ***(b) Loans and receivables***

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

5.11.1 ***(c) Available-for-sale financial assets***

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the balance sheet date. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized directly in equity are included in the profit and loss account as gains and losses from investment securities. Interest on available-for-sale securities calculated using effective interest method is recognized in the profit and loss account. Dividends on available-for-sale equity instruments are recognized in the profit and loss account when the Company's right to receive payments is established.

5.11.1 *(d) Held to maturity*

Held to maturity are financial assets with fixed or determinable payments and fixed maturity. Where management has the intention and ability to hold these assets till maturity they are carried at amortised cost.

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognized at trade date i.e. the date on which the Company commits to purchase or sell the asset.

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Financial assets carried at fair value through profit and loss are initially recognized at fair value and transaction costs are expensed in the profit and loss account.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. 'Loans and receivables' and 'held to maturity' investments are carried at amortized cost using effective interest rate method. The fair values of quoted investments are based on current prices. If the market for a financial asset is not active (for unlisted securities), the Company measures the investments at cost less impairment in value, if any.

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

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

5.11.2 Financial liabilities

Non-derivative financial liabilities that are not financial liabilities at fair value through profit or loss are classified as financial liabilities at amortized cost. Financial liabilities in this category are presented as current liabilities except for maturities greater than twelve months from the reporting date where these are presented as non-current liabilities. The particular measurement methods adopted are disclosed in the individual policy statements associated with each instrument.

5.11.3 Recognition and derecognition

All the financial assets and financial liabilities are recognized at the time when the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognized when the Company looses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished i.e. 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 is taken to profit and loss account.

5.12 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

Non-financial assets

The carrying amount of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the assets or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

5.13 Offsetting of financial assets and liabilities

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

5.14 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

Foreign currency differences arising on retranslation are generally recognized in profit and loss account.

5.15 Revenue recognition

Revenue represents the fair value of the consideration received or receivable for goods sold, net of discounts and sales tax. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue, and the associated cost incurred, or to be incurred, can be measured reliably and there is no continuing management involvement with the goods.

- Revenue from sale of goods is recognized when the significant risk and rewards of ownership of the goods are transferred to the buyer.

- Return on deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

5.16 Related party transactions

The Company enters into transactions with related parties on an arm's length basis except in circumstances where, subject to approval of the Board of Directors, it is in the interest of the Company to do so.

5.17 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized in profit and loss account as incurred.

5.18 Settlement date accounting

Regular way purchases and sale of financial assets are recognized on trade date.

5.19 Dividend

Dividend to ordinary shareholders is recognized as a deduction from accumulated profit in statement of changes in equity and as a liability in the Company's financial statements in the year in which it is declared by the Company's shareholders.

5.20 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS with weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

5.21 Loan from directors

Loan from director is accounted for by using Technical Release 32 "Accounting Directors' Loan" ("TR 32") issued by Institute of Chartered Accountants of Pakitan ("ICAP"), on 25 January 2016 which provides specific guidance on Director's loans that are interest free and repayable at the discretion of the entity. Loans are accounted for as per clause 3.3.1 of TR 32 which states that "A loan to an entity by the director which is agreed to be paid at the discretion of the entity does not pass the test of liability and is to be recorded as equity at face value. This is not subsequently remeasured".

5.22 Government grants

Government grants relating to export support are recognised when there is reasonable assurance that entity will comply with the conditions attached to it and grant will be received.

5.23 Operating profit

Operating profit is the result generated from the continuing principal revenue producing activities of the Company as well as other income related to operating activities. Operating profit excludes finance costs, other expenses and income taxes.

5.24 Segment reporting

Operating segments is a component of the Company that engages in business activities from which it may earn revenues and incur expenses are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision maker. The Chief Operating Decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company that makes strategic decisions.

		2016	2015	**2016**	2015
6	**Issued, subscribed and paid up capital**	**Number**	Number	**Rupees**	Rupees
	Voting ordinary shares of Rs. 10 each fully paid in cash	**117,706,300**	117,706,300	**1,177,063,000**	1,177,063,000

			2016	2015
7	**Reserves**	*Note*	**Rupees**	Rupees
	Share premium	*7.1*	**290,741,640**	290,741,640
	Un-appropriated profit		**2,326,965,571**	1,436,641,219
			2,617,707,211	1,727,382,859

7.1 This reserve can be utilized by the Company only for the purpose specified in section 83 (2) of the Companies Ordinance, 1984.

8 Loan from Directors - *unsecured*

This represents interest free loans obtained from the Directors of the Company and are repayable at the discretion of the Company.

	Note	2016 Rupees	2015 Rupees
9 Long term finances - secured			
Mark up bearing finances from conventional bank:			
MCB Bank Limited - *Led Syndicated Loan*	*9.1*	**1,091,042,757**	1,227,423,091
The Bank of Punjab - *Term Finance*	*9.2 (a)*	**-**	67,899,704
The Bank of Punjab - *Term Finance*	*9.2 (b)*	**96,250,000**	-
Pak Oman Investment Company Limited	*9.3*	**171,428,574**	278,571,429
		1,358,721,331	1,573,894,224
Islamic mode of financing:			
Al Baraka Bank Limited - *Diminishing Musharika*	*9.4*	**40,854,009**	65,000,000
First Punjab Modaraba - *Diminishing Musharika*	*9.5*	**9,698,588**	14,806,962
		50,552,597	79,806,962
		1,409,273,928	1,653,701,186
Less: current portion of non-current liabilities	*14*	**493,275,335**	408,785,822
		915,998,593	1,244,915,364

9.1 MCB Bank Limited - *Led syndicated loan*

This syndicated loan has been obtained from consortium of banks comprising of MCB Bank Limited, United Bank Limited, The Bank of Punjab, Soneri Bank Limited and Pak Libya Holding Company (Private) Limited. The Company has obtained this syndicated loan to finance for setting up the ethanol project at Unit II located at Muzaffargarh.

Principle repayment

Loan is repayable in 18 equal quarterly installments with grace period of two years commencing from February 2014 and ending in June 2020.

Rate of return

The interest is payable quarterly at a rate of three months KIBOR plus 275 bps per annum.

Security

This loan is secured by way of pari passu charge over all the present and future fixed assets of Unit - I located at Kanjwani, Unit - II located at Dera Ismail Khan of sugar and exclusive charge of distillery at Unit - III of sugar located at Muzaffargarh respectively in the sum of Rs. 1,667 million in favour of security agent. This loan is also secured by way of lien and over the collection account in favour of security agent in terms of collection arrangement entered into between company and security agent and personal guarantees of all the Directors of the Company.

Under the terms of the agreement, the Company is under restriction from lender that until the entire amount of purchase price and all other amounts due and payable by the Company have been paid in full to the satisfaction of lender, the Company shall not except with the prior written consent of the long term finance facility - syndicate, declare any dividend if the Company is in non-compliance with the financial covenants or if the declaration and payment of such dividend will result in breach of any of the financial covenants contained in the agreement. Directors loan to the extent of Rs 1,250 million is subordinated to this loan.

9.2 (a) The Bank of Punjab - *Term Finance*

During the year this loan has been paid in full.

9.2 (b) The Bank of Punjab - *Term Finance*

This loan has been obtained from Bank of Punjab for purchase of Corporate Office located at 66-L, Gulberg II, Lahore.

Principle repayment

This loan is repayable in 16 quarterly installments commencing from December 2015 and ending in December 2019.

Rate of return

The interest is payable quarterly at a rate of three months KIBOR plus 350 bps per annum.

Security

This loan is secured by way of token registered Mortgage of Rs. 0.1 million along with equitable mortgage of marked-up amount over Head Office land and building measuring 2 Kanals 16 Marlas 111 Sqft situated at 66-L, Gulberg II, Lahore and personal guarantees of all sponsor Directors of the Company.

9.3 Pak Oman Investment Company Limited

This loan has been obtained from Pak Oman Investment Company Limited for balancing of plant and machinery for Unit III located at Muzaffargarh.

Principle repayment

This loan is repayable in 14 quarterly installments with grace period of six months commencing from September 2014 and ending in September 2018.

Rate of return

The interest is payable quarterly at a rate of six months KIBOR plus 300 bps per annum.

Security

This loan is secured by way of 1st pari passu charge over fixed assets including land, building, plant and machinery located at Unit III, with 25% margin over the facility amount and personal guarantee of all Directors of the Company.

9.4 Al Baraka Bank Pakistan Limited - Diminishing Musharika

This loan was obtained from Al Baraka Bank Pakistan Limited under the musharika agreement to acquire steam turbine generator located at Unit III Muzaffargarh.

Principle repayment

This loan is repayable in 12 quarterly installments commencing from November 2015 and ending in February 2018.

Rate of return

The interest is payable quarterly at a rate of six months KIBOR plus 300 bps per annum.

Security

This loan is secured by way of pari passu charge of Rs. 100 million over all fixed and moveable assets including land, building and machinery of Unit III, located at Muzaffargarh. This loan is also secured by personal guarantee of all the Directors of the Company.

9.5 First Punjab Modaraba - Diminishing Musharika

This loan was obtained from First Punjab Modaraba under the diminishing musharika agreement to acquire thirteen vehicles of brands namely Toyota, Honda and Tractors.

Principle repayment

This loan is repayable in 36 monthly installments commencing from January 2015 and ending in February 2018.

Rate of return

The interest is payable monthly at a rate of six months KIBOR plus 400 bps per annum.

Security

Vehicles are registered in the name of First Punjab Modaraba as security . This is also secured by personal guarantee of all the Directors of the Company.

9.6 Due installments were paid during the year except for the installments due on 30 September 2016 that were paid subsequent to the year end.

10 Liabilities against assets subject to finance lease - *secured*

The liability against assets subject to finance lease represents the lease entered into with financial institutions.

	Note	2016 Rupees	2015 Rupees
Present value of minimum lease payments		**152,525,388**	186,210,542
Less: current portion of non-current liabilities	*14*	**(115,212,505)**	(41,453,496)
		37,312,883	144,757,046

The amount of future minimum lease payments along with their present value and the periods during which they will fall due are:

		2016		
		Minimum lease payments	**Future finance cost**	**Present value**
Particulars	*Note*		**Rupees**	
Not later than one year	*14*	**120,341,131**	**5,128,626**	**115,212,505**
Later than one year and not later than five years		**40,692,000**	**3,379,117**	**37,312,883**
		161,033,131	**8,507,743**	**152,525,388**

		2015		
		Minimum lease payments	Future finance cost	Present value
Particulars			Rupees	
Not later than one year	*14*	47,477,101	6,023,605	41,453,496
Later than one year and not later than five years		147,339,883	2,582,837	144,757,046
		229,673,701	18,628,353	186,210,542

Salient features of the leases are as follows:	2016	2015
Discount factor (%)	**10.06 - 12.07**	11.04 - 15.69
Term of lease (years)	**3 - 5**	3 - 5
Security deposits (%)	**10**	10

10.1 The Company has entered into various lease agreements with financial institutions for plant and machinery and vehicles. Lease rentals are payable on monthly basis. All lease agreements carry renewal option at the end of lease period, however, the Company intends to exercise its option to purchase the leased assets upon completion of the respective lease terms. All leases are secured against personal guarantees of Directors, Chief Executive Officer and different amount of post dated cheque. Residual value of the leased assets has already been paid at the inception of the lease in the form of security deposits. There are no financial restrictions imposed by lessors. Taxes, repairs, replacements and insurance costs are borne by the lessee.

11 Advances from customers - *unsecured*

These represent interest free advances received against sale of sugar from 2017 - 2018 production.

12 Deferred liabilities	Note	2016 Rupees	2015 Rupees
Staff retirement benefits - *Gratuity*	*12.1.1*	**245,194,213**	187,602,200
Deferred taxation	*12.2*	**23,746,159**	41,768,921
		268,940,372	229,371,121

		Note	2016 Rupees	2015 Rupees
12.1	**Staff retirement benefits - *Gratuity***			
12.1.1	**Amount recognized in balance sheet is as follows:**			
	Present value of defined benefit obligation	*12.1.2*	**245,194,213**	187,602,200
	Liability as at 30 September		**245,194,213**	187,602,200
12.1.2	**Movement in liability for defined benefit obligation**			
	Present value of defined benefit obligation as at 01 October		**187,602,200**	147,799,780
	Current service cost for the year	*12.1.4*	**33,798,389**	26,776,764
	Interest cost for the year	*12.1.4*	**16,100,950**	19,891,615
	Benefits paid during the year		**(2,018,537)**	(768,967)
	Actuarial loss / (gain) on present value of defined benefit obligation	*12.1.3*	**9,711,211**	(6,096,992)
	Present value of defined benefit obligation as at 30 September		**245,194,213**	187,602,200
12.1.3	**Changes in actuarial gains**			
	Opening acturial gain		**-**	-
	Actuarial (loss) / gain during the year		**(9,711,211)**	6,096,992
	Charge to other comprehensive income		**9,711,211**	(6,096,992)
	Unrecognized actuarial gains		**-**	-
12.1.4	**Charge for the year**			
	In profit and loss account			
	Current service cost		**33,798,389**	26,776,764
	Interest cost		**16,100,950**	19,891,615
	Net amount chargeable to profit and loss account		**49,899,339**	46,668,379
	In other comprehensive income			
	Actuarial loss / (gain) on defined benefit obligation		**9,711,211**	(6,096,992)
			59,610,550	40,571,387

	2016 Rupees	2015 Rupees	2014 Rupees	2013 Rupees	2012 Rupees
Historical Information					
Present value of defined benefit obligations	**245,194,213**	187,602,200	147,729,780	114,176,546	84,072,072
Experience adjustment arising on plan liability losses / (gains)	**9,711,211**	(6,096,992)	1,148,513	6,673,637	(7,642,643)

12.1.5 Assumptions used for valuation of defined benefit schemes

	2016	2015
Discount rate used for interest cost	**9.25%**	13.50%
Discount rate used for year ended obligation	**7.25%**	9.25%
Expected rates of salary increase in future	**6.25%**	8.25%
Expected mortality rate	**SLIC 2001-2005 Setback 1 Year**	SLIC 2001-2005 Setback 1 Year
Withdrawal Rates	**Age-Based (per appendix)**	Age-Based (per appendix)
Retirement age	**60 years**	60 years

12.1.6 Expected expense for next year

The expected expense to the gratuity scheme for the year ending 30 September 2017 works out to Rs. 49.25 million.

12.1.7 The Plan exposes the Company to the actuarial risks such as:

Salary risks

The risk that the final salary at the time of cessation of service is greater than what we assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

Mortality / withdrawal risks

The risks that the actual mortality / withdrawal experiences is different. The effect depends upon beneficiaries' service / age distribution and the entitled benefits of the beneficiary.

12.1.8 Gratuity scheme entitles the members to gratuity on resignation, termination, retirement, early retirement, retrenchment, death and dismissal based on the Company's Service rules. Gratuity is based on the last month basic salary for each year of service.

12.1.9 The average duration of the defined benefit obligation is 7 Years.

12.1.10 Sensitivity analysis

If the significant actuarial assumptions used to estimate the defined benefit obligation at the reporting date, had fluctuated by 100 bps with all other variables held constant, the impact on present value of the defined benefit obligation as at 30 September 2016 would have been as follows:

	Gratuity	
	Impact on present value of defined benefit obligation	
	Increase 100 bps	Decrease 100 bps
	----------- Rupees -----------	
Discount rate movement	**230,667,067**	**262,152,639**
Future salary movement	**262,430,089**	**230,162,939**

		Note	2016 Rupees	2015 Rupees
12.2	**Deferred taxation**			
	Deferred tax liability on taxable temporary differences arising in respect of:			
	- Accelerated tax depreciation		**1,216,874,780**	1,222,763,867
	- Leased assets - net		**43,729,522**	38,174,327
	Deferred tax asset on deductible temporary differences arising in respect of:			
	- Unused tax losses and tax credits	*12.2.2*	**(1,174,165,221)**	(1,179,041,162)
	- Staff retirement benefits		**(52,226,367)**	(40,128,111)
	- Provision for Worker's Profit Participation Fund		**(10,466,555)**	-
			23,746,159	41,768,921

12.2.1 Movement in deferred tax balances is as follows:

	2016 Rupees	2015 Rupees
As at 01 October	**41,768,921**	48,297,953
Recognized in profit and loss account:		
- Accelerated tax depreciation on operating fixed assets	**(5,889,087)**	315,110,028
- Leased assets - *net*	**5,555,195**	7,463,432
- Unused tax losses and tax credits	**4,875,941**	(382,181,668)
- Staff retirement benefits	**(10,029,768)**	(7,209,591)
- Tax rate adjustment	-	61,592,914
- Provision for Worker's Profit Participation Fund	**(10,466,555)**	-
	(15,954,274)	(5,224,885)
Recognized in other comprehensive income:		
- Staff retirement benefits	**(2,068,488)**	(1,304,147)
	23,746,159	41,768,921

12.2.2 As at 30 September 2016 deferred tax asset amounting to Rs. 1,084.71 million (2015: Rs. 991.50 million) on unused tax losses has not been recognized in these financial statements as sufficient taxable profits are not expected to be available against which the Company can use benefits therefrom. Management is of the view that recognition of deferred tax asset shall be re-assessed on 30 September 2017. Business tax losses amounting to Rs. 1,171.61 million, Rs. 918.82 million, Rs. 588.88 million and Rs. 588.89 million will expire in tax year 2019, 2020, 2021 and 2022 respectively.

13 Short term borrowings - ***secured***

Banking & Financial Institutions	Interest rate %	2016 Rupees	2015 Rupees
Mark-up based borrowings from conventional banks:			
Cash finance	**8.31**	**2,672,776,610**	3,614,771,990
Running finance	**9.45 - 9.82**	**99,934,198**	99,845,543
Export refinance	**3.00 - 4.50**	**2,386,658,000**	2,554,200,000
		5,159,368,808	6,268,817,533
Islamic mode of financing:			
Morahaba finance	**9.37 - 10.12**	**100,000,000**	250,000,000
		5,259,368,808	6,518,817,533

The Company has availed short term borrowing facilities from various commercial banks under mark-up arrangements having aggregate sanctioned limits of Rs. 11,725 million (2015: Rs. 9,775 million). These facilities are secured against different securities including pledge of stock-in-trade, lien on debtors, charge over the present and future current and fixed assets, lien on exports documents and personal guarantees of the sponsoring Directors. The pledge based outstanding borrowings out of the above outstanding borrowings are secured against pledge of stock-in-trade amounting to Rs. 3,515 million (2015: Rs 4,963 million).

		Note	2016 Rupees	2015 Rupees
14	**Current portion of non-current liabilities**			
	Long term finances - *secured*	*9*	**493,275,335**	408,785,822
	Liabilities against assets subject to finance lease - *secured*	*10*	**115,212,505**	41,453,496
			608,487,840	450,239,318
15	**Trade and other payables**			
	Trade and other creditors		**483,270,739**	376,202,688
	Creditors for capital expenditure		**439,672,443**	613,827,792
	Advances from customers	*15.1*	**268,937,635**	623,990,601
	Retention money payable		**15,504,795**	30,295,078
	Federal Excise Duty and Sales Tax payable		**76,636,620**	76,836,687
	Income tax deducted at source		**6,863,043**	16,499,251
	Workers' Profit Participation Fund	*15.2*	**49,138,758**	30,725,975
	Unclaimed dividend		**5,077,781**	5,077,781
	Accrued liabilities		**60,281,718**	56,155,752
	Other liabilities	*15.3*	**126,772,566**	112,994,487
			1,532,156,098	1,942,606,092

15.1 This includes Rs. 158.13 million received from Trading Corporation of Pakistan ("TCP") against sale of sugar. In the year 2009 the Food Directorate of the Government, in conjunction with the law enforcement agencies lifted and sold TCP sugar stocks, despite protest from the Company.

This lifting of the sugar stocks by Government constituted an event of force majeure under clause 12 of terms of tenders and the tenders would, therefore, be discharged due to frustration of the contract. Accordingly the management, based on the legal opinion, is of the view that the Company after the event of force majeure is not required to make delivery of sugar to TCP and no penalties or incidental charges will arise on non performance of the contract. Further, the Company agreed to settle the remaining amount to TCP subject to reconciliation of quantity forcibly lifted by TCP which to-date is pending.

	2016 Rupees	2015 Rupees
15.2 Workers' Profit Participation Fund		
Opening balance	**30,725,975**	4,273,514
Expense for the year	**49,138,758**	30,725,975
Payments made during the year	**(30,725,975)**	(4,273,514)
	49,138,758	30,725,975

15.3 This mainly includes payable to insurance companies amounting to Rs. 47.34 million (2015: Rs. 32.25 million) as per terms of the respective insurance contract.

	2016 Rupees	2015 Rupees
16 Interest and markup accrued		
Mark-up on borrowings from conventional banks:		
Long term loans - *secured*	**26,916,284**	40,166,418
Short term borrowings - *secured*	**81,043,279**	164,503,659
	107,959,563	204,670,077
Profit on islamic mode of financing:		
Short term borrowings - *secured*	**1,714,273**	282,415
	109,673,836	204,952,492

17 Contingencies and commitments

17.1 Contingencies

(i) The Government of Punjab under the powers conferred through the Punjab Excise Act, 1914 through notification No. SO. Tax (E&T) 3-4/2012 dated 3rd July 2013, levied a charge of Rs. 2 per liter on manufacturing of spirit (ethanol). The management through its legal council is of the view that imposition of said levy has placed the distilleries in the Punjab province in a disadvantageous position as compared to other provinces and accordingly filed a writ petition no 18347/2012 against the above levy in the Lahore High Court. The Honorable Lahore High Court, through such petition, has granted an interim relief in favour of the Company and accordingly no provision has been incorporated in the financial statements.

17.2 Commitments

(i) The Company has capital commitments of Rs. 202.16 million (2015: Rs. 32.38 million) on account of import of machinery and its related components.

(ii) The Company has given a bank guarantee with 100% cash margin of Rs. 2 million (2015: Rs. 2 million) to the Excise and Taxation Department for the export of ethanol in relation to contingency as discussed in note 17.1 (ii).

(iii) The amount of future Ijarah rentals for Ijarah financing and the period in which these payments will become due are as follows:

	2016 Rupees	2015 Rupees
Not later than one year	**1,785,629**	10,145,715
Later than one year and not later than five years	**-**	1,709,496
	1,785,629	11,855,211

The Company has entered into Ijarah lease agreements with Al-Baraka Bank Pakistan Limited for vehicles. Ijarah rentals are payable on monthly basis. The vehicles shall be returned to the lessor at the end of the Ijarah lease term. During the Ijarah lease term all rights, title and exclusive ownership of the vehicles shall at all times remain vested in the lessor. Taxes, repairs, replacements and insurance costs are borne by the lessee.

18 Property, plant and equipment

	Note	2016 Rupees	2015 Rupees
Operating fixed assets	*18.1*	**10,686,597,910**	10,941,621,048
Capital work in progress	*18.3*	**560,592,732**	12,422,053
		11,247,190,642	10,954,043,101

18.1 Operating fixed assets

	2016							
	C O S T				D E P R E C I A T I O N			
	As at 01 October 2015	Additions / (deletions) during the year	As at 30 September 2016	Rate	As at 01 October 2015	Expense deletion for the year	As at 30 September 2016	Net book value as at 30 September 2016
	Rupees			%	Rupees			
Owned								
Land	164,838,444	112,800,000	277,638,444		-	-	-	277,638,444
Building and roads on land	2,301,167,167	64,621,990	2,365,789,157	5	479,755,809	93,968,878	573,724,687	1,792,064,470
Plant and machinery	10,436,343,525	62,978,380	10,499,321,905	5	2,093,132,550	418,990,428	2,512,122,978	7,987,198,927
Furniture and fittings	18,579,645	723,260	19,302,905	10	7,513,075	1,140,579	8,653,654	10,649,251
Telephone installations	5,677,228	1,200	5,678,428	10	2,241,658	343,657	2,585,315	3,093,113
Vehicles	164,614,850	4,989,021	168,398,456	20	123,240,784	8,922,346	131,186,846	37,211,610
		(1,205,415)				(976,284)		
Office equipment	71,727,007	2,903,049	74,630,056	10	31,735,712	4,045,126	35,780,838	38,849,218
Electrical equipment	138,620,475	40,969,253	179,589,728	10	37,254,751	10,809,969	48,064,720	131,525,008
Workshop and agricultural						-		
implements	41,608,365	2,968,410	44,576,775	10	19,559,859	2,333,156	21,893,015	22,683,760
Tube wells	11,640,306	1,550,000	13,190,306	10	6,500,994	565,598	7,066,592	6,123,714
Arms and ammunitions	2,183,939	-	2,183,939	10	716,704	146,723	863,427	1,320,512
Laboratory equipment	28,798,330	998,482	29,796,812	10	7,204,982	2,180,255	9,385,237	20,411,575
	13,385,799,281	295,503,045	13,680,096,911		2,808,856,878	543,446,715	3,351,327,309	10,328,769,602
		(1,205,415)				(976,284)		
Leased								
Vehicles	59,059,521	19,052,179	78,111,700	20	19,376,662	9,440,060	28,816,722	49,294,978
Plant and machinery	414,737,615	-	414,737,615	5	89,741,829	16,462,456	106,204,285	308,533,330
	473,797,136	19,052,179	492,849,315		109,118,491	25,902,516	135,021,007	357,828,308
2016	13,859,596,417	314,555,224	14,172,946,226		2,917,975,369	569,349,231	3,486,348,316	10,686,597,910
		(1,205,415)				(976,284)		

18.2 Operating fixed assets

	COST				DEPRECIATION			
	2015							
	As at 01 October 2014	Additions / (deletions) during the year	As at 30 September 2015	Rate	As at 01 October 2014	Expense / deletion for the year	As at 30 September 2015	Net book value as at 30 September 2015
	Rupees			%	Rupees			
Owned								
Land	164,838,444	-	164,838,444		-	-	-	164,838,444
Building and roads on land	1,705,729,207	595,437,960	2,301,167,167	5	393,312,531	86,443,278	479,755,809	1,821,411,358
Plant and machinery	7,645,925,822	2,790,417,703	10,436,343,525	5	1,709,792,006	383,340,544	2,093,132,550	8,343,210,975
Furniture and fittings	13,725,164	4,854,481	18,579,645	10	6,685,250	827,825	7,513,075	11,066,570
Telephone installations	4,124,440	1,552,788	5,677,228	10	1,994,938	246,720	2,241,658	3,435,570
Vehicles	165,192,495	275,115 (852,760)	164,614,850	20	113,884,512	10,111,745 (755,473)	123,240,784	41,374,066
Office equipment	63,815,559	7,911,448	71,727,007	10	27,927,543	3,808,169	31,735,712	39,991,295
Electrical equipment	99,153,064	39,467,411	138,620,475	10	28,917,230	8,337,521	37,254,751	101,365,724
Workshop and agricultural implements	36,872,205	4,736,160	41,608,365	10	17,294,594	- 2,265,265	19,559,859	22,048,506
Tube wells	11,370,306	270,000	11,640,306	10	5,957,663	543,331	6,500,994	5,139,312
Arms and ammunitions	2,183,939	-	2,183,939	10	553,678	163,026	716,704	1,467,235
Laboratory equipment	18,706,993	10,091,337	28,798,330	10	5,698,268	1,506,714	7,204,982	21,593,348
	9,931,637,638	3,455,014,403 (852,760)	13,385,799,281		2,312,018,213	497,594,138 (755,473)	2,808,856,878	10,576,942,403
Leased								
Vehicles	26,776,521	32,283,000	59,059,521	20	14,479,910	4,896,752	19,376,662	39,682,859
Plant and machinery	414,737,615	-	414,737,615	5	72,412,929	17,328,900	89,741,829	324,995,786
	441,514,136	32,283,000	473,797,136		86,892,839	22,225,652	109,118,491	364,678,645
2015	10,373,151,774	3,487,297,403 (852,760)	13,859,596,417		2,398,911,052	519,819,790 (755,473)	2,917,975,369	10,941,621,048

18.2.1 The depreciation charge for the year has been allocated as follows:

	Note	2016 Rupees	2015 Rupees
Cost of sales	*26*	**545,457,463**	499,928,579
Administrative expenses	*27*	**23,891,768**	19,891,211
		569,349,231	519,819,790

18.2.1 Disposal of property, plant and equipment:

Particulars		*Cost*	*Accumulated depreciation*	*Net book value*	*Sales proceeds*	*Gain*	*Mode of disposal*	*Particulars of the buyer*
		Rupees						
Vehicle								
Honda City		*1,205,415*	*976,284*	*229,131*	*1,060,000*	*830,869*	Auction	Mr. Awais Liaqat
	2016	***1,205,415***	***976,284***	***229,131***	***1,060,000***	***830,869***		
	2015	852,760	755,473	97,287	375,000	277,713		

	2016 Rupees	2015 Rupees
18.3 Capital work in progress		
Owned		
Civil works	**68,373,989**	12,142,315
Advances	**41,303,733**	-
Plant and machinery	**435,780,360**	279,738
Electric equipment	**13,056,650**	-
Other	**2,078,000**	-
	560,592,732	12,422,053

18.3.1 Movement is as follows:

	2016 Rupees	2015 Rupees
Opening balance as at 01 October	**12,422,053**	1,861,447,879
Additions made during the year:		
Advances	**41,303,733**	-
Civil works	**87,538,946**	145,687,576
Plant and machinery	**435,500,622**	282,120,091
Electric equipment	**13,056,650**	510,984
Other	**2,078,000**	45,725,437
	579,477,951	474,044,088
Capitalized during the year:		
Civil works	**(31,307,272)**	(577,037,293)
Plant and machinery	**-**	(1,510,685,834)
Electric equipment	**-**	(2,398,501)
Other	**-**	(232,948,286)
	(31,307,272)	(2,323,069,914)
Closing balance as at 30 September	**560,592,732**	12,422,053

18.3.2 Additions to capital work in progress also include borrowing costs of Rs. Nil (2015: Rs. 39.97 million) relating to specific borrowings for setting up a Distillery Unit II located at Muzaffargarh at the rates ranging from Nil (2015: 9.34% to 12.92% per annum)

18.3.3 This mainly relates to the on going project of plant efficiency and capacity enhancement at all three units (Unit I, Unit II, Unit III) of the Company.

	Note	2016 Rupees	2015 Rupees
19 Long term deposits			
Deposits against leased assets	*19.1*	**10,645,969**	80,084,950
Others		**18,273,175**	26,155,731
		28,919,144	106,240,681

19.1 All these deposits are adjustable against the last installment of lease rental.

	Note	2016 Rupees	2015 Rupees
20 Stores, spare parts and loose tools			
Stores and spare parts		**746,032,106**	630,287,294
Oil and lubricants		**19,865,999**	16,841,306
		765,898,105	647,128,600
21 Stock-in-trade			
Raw material:			
Molasses		**44,358,779**	2,530,249
		44,358,779	2,530,249
Finished goods:			
Sugar		**2,402,486,102**	3,868,946,102
Ethanol		**529,022,749**	150,658,505
Top Gas		**3,000,261**	211,722
		2,934,509,112	4,019,816,329
		2,978,867,891	4,022,346,578
22 Trade debts - *considered good*			
Export - *secured*	*22.1*	**-**	222,662,152
Local - *unsecured, considered good*	*22.2*	**21,246,615**	11,265,079
		21,246,615	233,927,231

22.1 These were secured through banks by letters of credit.

22.2 These include amount due from Riaz Bottlers (Pvt.) Limited, an associated company against top gas amounting to Rs. 19.99 million (2015: Rs. 8.81 million) in the normal course of business and is over due by less than 180 days.

	Note	2016 Rupees	2015 Rupees
23 Advances, deposits, prepayments and other receivables			
Advances to sugar cane growers - *unsecured, considered good*		**12,838,435**	6,202,576
Advances to suppliers and contractors - *unsecured, considered good*	*23.1*	**84,177,916**	198,213,713
Advances to staff - *unsecured, considered good*			
- against expenses		**10,008,204**	14,331,045
- against salaries	*23.2*	**15,321,223**	12,313,927
Lease and other deposits		**100,192,557**	47,477,101
Advances against Letter of Credits - *secured*		**19,656,639**	49,388,680
Prepayments		**10,345,632**	9,609,603
Inland export subsidy	*23.3*	**133,187,750**	133,187,750
Export support on sugar	*23.4*	**303,513,050**	63,498,050
Other receivables		**4,528,833**	41,909,666
		693,770,239	576,132,111

23.1 This represents unsecured interest free advances to contractors and suppliers for normal repair and maintenance.

23.2 This includes amount receivable from Mr. Aftab Ali Khan and Mr. Muhammad Irfan Javed, executives of the Company amounting to Rs. 11.31 million and Rs. 2.49 million (2015: Rs. 12.31 million) respectively.

23.3 This represents inland export subsidy provided to exporters of sugar in the year 2013 and 2014 at the rate of Rs. 1.75 and Rs. 1 per kg of sugar exported through SRO 7(2)/2012-E-III (Vol-IV) dated 30 September 2013.

23.4 This represents export support on sugar provided to exporters with inland freight support of Rs. 3 per kg (2015: Rs. 2 per kg) and export support of Rs. 10 per kg (2015: Rs. 8 per kg) pursuant to Exchange Policy Department Circular Letter no. 20 of 2015 by State Bank of Pakistan under directions of Government of Pakistan dated 28 Decemeber 2015.

	Note	2016 Rupees	2015 Rupees
24 Cash and bank balances			
Cash in hand		**1,594,603**	2,802,915
Cash at bank			
- *current accounts*		**55,363,532**	96,154,587
- *saving accounts*	*24.1*	**9,978,432**	56,575,032
		65,341,964	152,729,619
		66,936,567	155,532,534

24.1 These carry mark up at the rates ranging from 3.00% to 4.50% per annum (2015: 7.00% to 8.75% per annum).

	Note	2016 Rupees	2015 Rupees
25 Sales - *net*			
Local:			
Sugar		**14,792,006,172**	12,475,668,758
Ethanol		**129,208,940**	109,740,350
Top Gas		**291,426,481**	163,554,686
Fusel Oil		**731,000**	-
		15,213,372,593	12,748,963,794
Export:			
Sugar	*25.1*	**1,883,815,258**	1,465,112,958
Ethanol		**2,790,026,602**	3,268,206,451
		4,673,841,860	4,733,319,409
		19,887,214,453	17,482,283,203
Less: Sales tax		**61,316,931**	39,709,512
Federal Excise Duty		**1,150,843,397**	922,279,292
		1,212,160,328	961,988,804
		18,675,054,125	16,520,294,399

25.1 This also includes export support amounting to Rs. 330 million (2015: 218.08 million) as disclosed in note 23.4 to these financial statements.

	Note	2016 Rupees	2015 Rupees
26 Cost of sales			
Raw material consumed		**13,442,643,213**	12,565,855,745
Salaries, wages and other benefits	*26.1*	**447,108,335**	385,997,285
Depreciation	*18.2.1*	**545,457,463**	499,928,579
Stores and spare parts consumed		**371,947,944**	404,549,819
Fuel and power		**107,463,868**	121,830,771
Repair and maintenance		**229,839,133**	266,641,237
Vehicle running expenses		**15,709,484**	15,532,722
Insurance		**40,031,196**	38,967,017
Other expenses		**14,454,589**	15,859,893
		15,214,655,225	14,315,163,068
Add: Opening stock			
- raw material	*21*	**2,530,249**	202,856,671
- finished goods	*21*	**4,019,816,329**	3,805,508,258
		19,237,001,803	18,323,527,997
Less: Closing stock			
- raw material	*21*	**(44,358,779)**	(2,530,249)
- finished goods	*21*	**(2,934,509,112)**	(4,019,816,329)
		16,258,133,912	14,301,181,419

26.1 Salaries, wages and other benefits include Rs. 34.67 million (2015: Rs. 29.13 million) in respect of staff retirement benefits.

		Note	2016 Rupees	2015 Rupees
27	**Administrative expenses**			
	Salaries and other benefits	27.1	218,376,368	177,780,051
	Rent, rates and taxes		6,854,908	9,688,483
	Depreciation	18.2.1	23,891,768	19,891,211
	Donation		-	14,029,707
	Utilities expenses		2,854,555	2,375,411
	Printing and stationery		7,664,940	7,437,432
	Insurance		2,482,421	2,175,432
	Postage, telephone and telegrams		7,016,966	5,357,086
	Repair and maintenance		5,301,817	6,289,894
	Travelling and conveyance		45,389,040	45,690,262
	Subscription, books and periodicals		3,596,750	4,683,790
	Legal and professional charges		6,459,160	5,419,704
	Advances written off		-	5,481,223
	Auditors' remuneration	27.2	2,662,000	2,426,640
	Entertainment		13,291,362	12,702,796
	Ijarah lease rentals		8,145,489	12,362,612
	Other expenses		21,657,501	21,505,029
			375,645,045	355,296,763

27.1 Salaries, wages and other benefits include Rs. 15.23 million (2015: Rs. 17.54 million) in respect of staff retirement benefit.

		Note	2016 Rupees	2015 Rupees
27.2	**Auditors' remuneration**			
	Audit fee		1,925,000	1,750,000
	Half yearly review		495,000	450,000
	Out of pocket expenses		242,000	226,640
			2,662,000	2,426,640

		Note	2016 Rupees	2015 Rupees
28	**Distribution expenses**			
	Handling and distribution		92,522,547	94,577,660
	Transportation		167,068,509	153,798,718
	Others		46,759,918	49,779,886
			306,350,974	298,156,264
29	**Other income**			
	Income from financial assets			
	Profit on saving accounts		2,165,750	7,160,318
	Income from non-financial assets			
	Profit on disposal of property, plant and equipment	18.2.1	830,869	277,713
	Foreign exchange gain		6,478,172	8,316,382
	Export support	23.4	99,019,862	54,548,800
			108,494,653	70,303,213

		Note	2016 Rupees	2015 Rupees
30	**Finance cost**			
	Mark-up based loans from conventional banks			
	- Long term loans - *secured*		**142,449,635**	187,038,154
	- Short term borrowings - *secured*		**652,732,348**	793,350,388
	- Finance leases - *secured*		**7,513,546**	9,861,753
			802,695,529	990,250,295
	Islamic mode of financing			
	- Long term finances - *secured*		**6,466,489**	4,592,451
	- Short term borrowings - *secured*		**31,648,661**	36,640,366
			38,115,150	41,232,817
	Bank charges		**2,343,185**	7,034,387
	Other charges		**17,489,818**	22,897,792
			19,833,003	29,932,179
	Less: Borrowing costs capitalized	*18.3.2*	**-**	(39,971,618)
			860,643,682	1,021,443,673
31	**Taxation**			
	Income tax			
	- *current*	*31.2 & 31.3*	**51,623,606**	-
	Deferred tax	*31.4*	**(15,954,274)**	(7,833,179)
			35,669,332	(7,833,179)

31.1 Tax Charge Reconciliation

	2016 %	2015 %
Numerical reconciliation between tax expense and accounting profit		
Applicable tax rate as per Income Tax Ordinance, 2001	**31%**	32%
Tax credit	**-14.47%**	-28.25%
Effect of minimum tax	**12.65%**	57.78%
Effect of final tax regime	**-23.65%**	-61.53%
Effect of temporary differences	**-1.71%**	-1.34%
	-27.18%	-33.34%
Average effective tax rate charged to profit and loss account	**3.82%**	-1.34%

31.2 In view of available tax losses, the provision for current tax represents tax under 'Final Tax Regime' (FTR) and tax on minimum turnover u/s 113, of Income Tax Ordinance, 2001. Tax charge (normal and final) for current year amounting to Rs. 186.75 million has been adjusted against the tax credit of Rs. 135.13 million related to balancing, modernisation and replacement of plant and machinery already installed, as available u/s 65B of the Income Tax Ordinance, 2001. Minimum tax is available for set off for five years against normal tax liabilities arising in future years.

Tax under 'Final Tax Regime' represents tax on export of sugar and ethanol and is treated as a full and final discharge u/s 154 of Income Tax Ordinance, 2001. Current tax included tax under FTR amounting to Rs. 46.74 million (2015: Rs. 45.24 million).

31.3 The Finance Act, 2015 introduced a new tax under Section 5A of the Income Tax Ordinance, 2001 on every public company other than a scheduled bank or modaraba, that derives profits for tax year and does not distribute cash dividend within six months of the end of said tax year or distribute dividends to such an extent that its reserves, after such distribution, are in excess of 100% of its paid-up capital. However, this tax on undistributed reserves is not applicable to a public company which distributes profit equal to either 40 percent of its after tax profits or 50% of its paid up capital, whichever is less, within six months of the end of the tax year.

Tax on undistributed reserves amounting to Rs. 115 million has been adjusted against the credits of minimum tax available for set off agaisnt this tax liability.

31.4 The liability for deferred taxation comprise of timing differences relating to accelerated tax depreciation, leased assets, retirement benefits, provision for Worker's Profit Participation Fund and unused tax losses and tax credits as mentioned in note 12.2.

31.5 Super tax under section 4(a) of the Income Tax Ordinance, 2001 is not applicable to the Company as the imputable income does not meet the threshold of Rs. 500 million.

31.6 Certain other tax cases not involving material amounts are pending against the Company against which the Company expects favourable outcomes.

32 Earnings per share

32.1 Earnings per share - b*asic and diluted*

		2016	2015
Profit after taxation	***Rupees***	**897,967,075**	591,626,697
Weighted average number of ordinary shares	***No. of shares***	**117,706,300**	117,706,300
Basic earnings per share	***Rupees***	**7.63**	5.03

32.2 Diluted earnings per share

There is no dilution effect on the basic earnings per share as the Company does not have any convertible instruments in issue as at 30 September 2016.

	Note	**2016 Rupees**	2015 Rupees
33 Cash and cash equivalents			
Cash and bank balances	*24*	**66,936,567**	155,532,534
Running finance	*13*	**(99,934,198)**	(99,845,543)
		(32,997,631)	55,686,991

34 **Capacity and production**

Sugar plant	**2016**			
	Unit I	**Unit II**	**Unit III**	**Total**
Season started on	**27 November '15**	**15 December '15**	**27 November '15**	**27 November '15**
Season closed on	**13 March '16**	**1 April '16**	**20 March '16**	**1 April '16**
Working Days	**108**	**109**	**115**	**126**
Crushing capacity (Metric tons) based on 125 days	**812,500**	**1,500,000**	**1,687,500**	**4,000,000**
Sugar cane crushed (Metric tons)	**587,336**	**850,065**	**1,190,695**	**2,628,096**
Sugar produced (Metric tons)	**50,392**	**76,474**	**120,512**	**247,378**
Recovery ratio	**8.58%**	**9.01%**	**10.12%**	**9.42%**

Under utilization of capacity is due to the fact that during the season there was shortage of sugarcane.

Sugar plant	2015			
	Unit I	Unit II	Unit III	Total
Season started on	25 November '14	04 December '14	28 November '14	25 November '14
Season closed on	15 March '15	11 April '15	28 March '15	11 April '15
Working Days	111	129	121	139
Crushing capacity (Metric tons) based on 125 days	812,500	1,500,000	1,687,500	4,000,000
Sugar cane crushed (Metric tons)	505,953	1,030,447	1,214,159	2,750,559
Sugar produced (Metric tons)	45,488	95,011	124,611	265,110
Recovery ratio	8.99%	9.22%	10.26%	9.64%

Ethanol - Distillery plant I	**2016**	2015
Season started on	**15 December 15**	01 October 14
Season closed on	**27 September 16**	30 September 15
Working Days	**287**	318
Rated capacity (Litres) based on 300 days	**37,500,000**	37,500,000
Actual production (Litres)	**28,039,715**	33,076,087

Ethanol - Distillery plant II

Season started on	**11 December 15**	01 December 14
Season closed on	**30 September 16**	30 September 15
Working Days	**294**	270
Rated capacity (Liters) based on 300 / 270 days*	**39,000,000**	35,100,000
Actual production (Liters)	**35,314,786**	31,811,749

*Distillery II located at Muzaffargarh became operational during the month of December 2015 and was available for use for nine months in comparative year, whereas in the current year Distillery II was available for use for twelve months.

Top Gas - Carbon dioxide plant

Season started on	**18 December 15**	01 October 14
Season closed on	**26 September 16**	30 September 15
Working Days	**283**	318
Rated capacity (Metric tons) based on 300 days	**14,400**	14,400
Actual production (Metric tons)	**9,094**	6,337

35 Fair value measurement of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted price is readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and that price represents actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that entity can access at measurement date (Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (i.e. unobservable) inputs (Level 3)

Transfer between levels of the fair value hierarchy are recognised at the end of the reporting period during which the changes have occurred.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy;

	Carrying amount			Fair value			
	Loans and receivables at amortized cost	Other financial liabilities at amortized cost	Total	Level 1	Level 2	Level 3	Total
As at 30 September 2016	Rupees						
Financial assets - measured at fair value	-	-	-	-	-	-	-
Financial assets - not measured at fair value							
Long term deposits	18,273,175	-	18,273,175				
Trade debts - *considered good*	21,246,615	-	21,246,615				
Advances, deposits, prepayments and other receivables	4,528,833	-	4,528,833	-	-	-	-
Cash and bank balances	66,936,567	-	66,936,567	-	-	-	-
	110,985,190	-	110,985,190	-	-	-	-
Financial liabilities - measured at fair value	-	-	-	-	-	-	-
Financial liabilities - not measured at fair value							
Long term finances - *secured*	-	915,998,593	915,998,593	-	-	-	-
Liabilities against assets subject to finance lease - *secured*	-	37,312,883	37,312,883	-	-	-	-
Short term borrowings - *secured*	-	5,259,368,808	5,259,368,808	-	-	-	-
Current portion of non-current liabilities	-	608,487,840	608,487,840	-	-	-	-
Trade and other payables	-	675,402,804	675,402,804	-	-	-	-
Interest and markup accrued	-	109,673,836	109,673,836	-	-	-	-
	-	7,606,244,764	7,606,244,764	-	-	-	-
As at 30 September 2015							
Financial assets - measured at fair value	-	-	-	-	-	-	-
Financial assets - not measured at fair value							
Long term deposits	26,155,731	-	26,155,731				
Trade debts - *considered good*	233,927,231	-	233,927,231	-	-	-	-
Advances, deposits, prepayments and other receivables	41,909,666	-	41,909,666	-	-	-	-
Cash and bank balances	155,532,534	-	155,532,534	-	-	-	-
	457,525,162	-	457,525,162	-	-	-	-
Financial liabilities - measured at fair value							
Financial liabilities - not measured at fair value							
Long term finances - *secured*	-	1,244,915,364	1,244,915,364	-	-	-	-
Liabilities against assets subject to finance lease - *secured*	-	144,757,046	144,757,046	-	-	-	-
Short term borrowings - *secured*	-	6,518,817,533	6,518,817,533	-	-	-	-
Current portion of non-current liabilities	-	450,239,318	450,239,318	-	-	-	-
Trade and other payables	-	550,430,708	550,430,708	-	-	-	-
Interest and markup accrued	-	204,952,492	204,952,492	-	-	-	-
	-	9,114,112,461	9,114,112,461	-	-	-	-

35.1 *Fair value versus carrying amounts*

The Company has not disclosed the fair values of these financial assets and liabilities as these are for short term or repriced over short term. Therefore, their carrying amounts are reasonable approximation of fair value.

36 Financial risk management

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

- Credit risk
- Market risk
- Liquidity risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

36.1 Risk management framework

The Board of Directors has overall responsibility for establishment and over-sight of the Company's risk management framework. The executive management team is responsible for developing and monitoring the Company's risk management policies. The team regularly meets and any changes and compliance issues are reported to the Board of Directors through the Audit Committee.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. Audit committee is assisted in its oversight role by internal audit department. Internal audit department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

36.2 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and other parties. Out of the total financial assets of Rs. 110.98 million (2015: Rs. 457.52 million) financial assets which are subject to credit risk amount to Rs. 109.39 million (2015: Rs. 454.72 million).

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. To manage exposure to credit risk in respect of trade receivables, management reviews credit worthiness, references, establish purchase limits taking into account the customer's financial position, past experience and other factors. Export sales are secured through letters of credit. The management has set a policy of making sales to customers on prepayment basis.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

Exposure to credit risk

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

	Note	**2016** **Rupees**	2015 Rupees
Long term deposits	*19*	**18,273,175**	26,155,731
Trade debts - *considered good*	*22*	**21,246,615**	233,927,231
Advances, deposits and other receivable		**4,528,833**	41,909,666
Bank balances	*24*	**65,341,964**	152,729,619
		109,390,587	454,722,247

Trade debts

Trade debtor at the balance sheet date are classified in Pak Rupees.

	2016 Rupees	2015 Rupees
Export - *secured*	-	222,662,152
Local - *unsecured, considered good*	**21,246,615**	11,265,079
	21,246,615	233,927,231

The aging of trade receivables at the reporting date is:

	Related Parties 2016 Rupees	Others 2016 Rupees	Total 2016 Rupees
1 to 30 days	**13,740,975**	**1,248,476**	**14,989,451**
30 to 90 days	**6,257,164**	**-**	**6,257,164**
	19,998,139	**1,248,476**	**21,246,615**

	Related Parties 2015 Rupees	Others 2015 Rupees	Total 2015 Rupees
1 to 30 days	8,812,066	222,662,152	231,474,218
30 to 90 days	-	2,543,013	2,543,013
	8,812,066	225,205,165	234,017,231

Based on past experience the management believes that no impairment allowance is necessary in respect of trade debts as some receivables have been recovered subsequent to the year end and there are reasonable grounds to believe that the amounts will be recovered in short course of time as they are mainly due from Government.

Bank balances

Credit risk is considered minimal since the counterparties have reasonably high credit ratings as determined by various credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Company. Following are the credit ratings of counterparties with external credit ratings:

	Rating Short term	 Long term	Rating Agency	2016 Rupees	2015 Rupees
Al-Baraka Islamic Bank	A1	A	PACRA	**177,495**	451,706
Allied Bank Limited	A1−	AA−	PACRA	**3,864,801**	2,996,238
Bank Alfalah Limited	A1	AA	PACRA	**1,899,873**	10,602,193
The Bank of Punjab	A1−	AA	PACRA	**14,570,327**	622,916
Barclays Bank PLC	A-2	A-	S&P	**-**	-
Burj Bank	A-1	A	JCR-VIS	**977,642**	70,952,503
Dubai Islamic Bank	A-1	A−	JCR-VIS	**383,698**	395,423
Faysal Bank Limited	A-1+	AA	PACRA	**197,087**	196,790
Habib Bank Limited	A-1+	AAA	JCR-VIS	**1,193,665**	1,096,693
KASB Bank Limited	C	B	PACRA	**725**	725
MCB Bank Limited	A1	AAA	PACRA	**23,092,890**	35,875,848
Meezan Bank Limited	A-1+	AA	JCR-VIS	-	1,000
NIB Bank Limited	A1−	AA-	PACRA	**500,944**	500,944
National Bank of Pakistan	A-1+	AAA	JCR-VIS	**3,178,332**	635,984
Silk bank Limited	A-2	A-	JCR-VIS	**241,060**	241,060
Samba Bank Limited	A-1	AA	JCR-VIS	**56,676**	56,111
Saudi Pak Bank	A-1+	AA	JCR-VIS	-	-
Sindh Bank Limited	A-1+	AA	JCR-VIS	**7,866,831**	12,345,573
Soneri Bank Limited	A1	AA-	PACRA	**233,697**	212,609
Summit Bank Limited	A-1	A-	JCR-VIS	**417,407**	15,773
The bank Of Khyber	A-1	A	JCR-VIS	**353,177**	39,615
United Bank Limited	A-1+	AAA	JCR-VIS	**6,135,637**	15,489,915
				65,341,964	152,729,619

36.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. For this purpose the Company has sufficient running finance facilities available from various commercial banks to meet its liquidity requirements. Further liquidity position of the Company is closely monitored through budgets, cash flow projections and comparison with actual results by the Board.

Exposure to liquidity risk

The following are the contractual maturities of the financial liabilities, including estimated interest payments:

	2016					2015				
	Carrying Amount	**Contractual cash flows**	**Less than one year**	**One to five years**	**More than five year**	Carrying Amount	Contractual cash flows	Less than one year	One to five years	More than five year
	Rupees					Rupees				
Non derivative financial liabilities										
Long term finances - *secured*	**1,409,273,928**	**1,853,396,855**	**634,202,728**	**1,219,194,127**	-	1,653,701,186	2,231,138,290	574,155,941	1,656,982,349	-
Liabilities against asset subject to finance lease - *secured*	**152,525,388**	**161,033,131**	**120,341,131**	**40,692,000**	-	186,210,542	194,816,984	47,477,101	147,339,883	-
Short term borrowings-secured	**5,259,368,808**	**5,377,704,606**	**5,377,704,606**	-	-	6,518,817,533	6,665,490,927	6,665,490,927	-	-
Trade and other payables	**675,402,804**	**675,402,804**	**675,402,804**	-	-	550,430,708	1,177,338,944	1,177,338,944	-	-
Interest and markup accrued	**109,673,836**	**109,673,836**	**109,673,836**	-	-	204,952,492	204,952,492	204,952,492	-	-
	7,606,244,764	**8,177,211,232**	**6,917,325,105**	**1,259,886,127**	-	9,114,112,461	10,473,737,637	8,669,415,405	1,804,322,232	-

It is not expected that the cash flows on the maturity analysis could occur significantly earlier, or at significant different amount.

36.4 Market risk

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

36.4.1 Currency risk

Currency risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises from sales, purchases and resulting balances that are denominated in a currency other than functional currency. The Company's potential currency exposure comprises of:

- Transactional exposure in respect of non functional currency monetary items.
- Transactional exposure in respect of non functional currency expenditure and revenues.

The potential currency exposures are discussed below:

Transactional exposure in respect of non functional currency monetary items

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Company are periodically restated to rupee equivalent, and the associated gain or loss is taken to the profit and loss account. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

Transactional exposure in respect of non functional currency expenditure and revenues

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Company are periodically restated to rupee equivalent, and the associated gain or loss is taken to the profit and loss account. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

Exposure to currency risk

The Company's exposure to currency risk at the reporting date was as follows:

	2016 Rupees	2015 Rupees
Balance sheet items		
Foreign debtors	-	222,662,152
Off balance sheet items		
Outstanding letters of credit	(202,164,218)	(32,389,824)
Net exposure	(202,164,218)	190,272,328

Exchange rates applied during the year

The following exchange rate has applied during the year on transactions involving foreign currency.

	2016		
	Spot rate Dollar		Average rate for the year
	Buying	Selling	
	USD		
Exchange rate during the year on transactions involving foreign currency	103.75	105.74	104.5

	2015		
	Spot rate		Average rate for the year
	Buying	Selling	
	USD		
Exchange rate during the year on transactions involving foreign currency	104.2	104.4	101.8

Sensitivity analysis

A reasonably possible strengthening of 10% in Pak Rupee against US dollar at the reporting date would have increased profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2015.

	2016 Rupees	2015 Rupees
Effect on profit	**20,216,422**	(19,027,233)

The weakening of the PKR against foreign currencies would have had an equal but opposite impact on the profit.

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

Currency risk management

Since the maximum amount exposed to currency risk is only 1.23% (2014: 0.19%) of the Company's total assets, any adverse favourable movement in the functional currency with respect to US dollar will not have any material impact on the operational

36.4.2 Interest rate risk

Interest rate risk is the risk that the fair values or future cash flows of financial instruments will fluctuate due to changes in market interest rates. Significant interest rate risk exposures are primarily managed by a mix of borrowings at variable interest rates. At the reporting date the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	2016	2015	2016	2015
	Effective rate in		Carrying amount	
	----- Percentage -----		-------- Rupees -------	
- **Financial assets**				
Fixed rate instruments				
Bank balances - *saving accounts*	**3.0% to 4.5%**	7.00% to 8.75%	**9,978,432**	56,575,032

	2016	2015	2016	2015
	Effective rate in		Carrying amount	
	----- Percentage -----		-------- Rupees -------	
- **Financial liabilities**				
Floating rate instrument				
Long term finances - *secured*	**8.81% to 10.62%**	9.34% to 13.96%	**1,409,273,928**	1,653,701,186
Liabilities against assets subject to finance lease - *secured*	**10.06% to 12.07%**	11.04% to 15.94%	**152,525,388**	186,210,542
Short term borrowings - *secured*	**3.0% to 11.35%**	4.50% to 14.18%	**2,872,710,808**	3,964,617,533
Fixed rate instruments				
Export refinance facility - *secured*	**3.0% to 4.5%**	4.5% to 7.50%	**2,386,658,000**	2,554,200,000

Fair value sensitivity analysis for fixed rate instruments

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 rates at the reporting date would not affect profit and loss account.

Cash flow sensitivity analysis for floating rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or (loss) for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	2016 Rupees	2015 Rupees
Effect on profit (Increase)	**44,345,101**	58,045,293
Effect on profit (Decrease)	**(44,345,101)**	(58,045,293)

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

Interest rate risk management

The Company manages interest rate risk through risk management strategies where significant changes in gap position can be adjusted. The short term borrowings and loans and advances by the Company have variable rate pricing that is mostly dependent on Karachi Inter Bank Offer Rate ("KIBOR") as indicated in respective notes.

36.4.3 Concentration of credit risk

Concentration of credit risk exists when the changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial instruments is broadly diversified and all other transactions are entered into with credit-worthy counterparties there-by mitigating any significant concentrations of credit risk.

36.4.4 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Company believes that it is not exposed to other

37 Capital management

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on capital employed, which the Company defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Company's objectives when managing capital are:

(i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits

(ii) to provide an adequate return to shareholders.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt. The Company monitors capital on the basis of the debt-to-equity ratio - calculated as a ratio of total debt to equity.

The debt-to-equity ratios as at 30 September were as follows:

	2016 Rupees	2015 Rupees
Total debt	**6,821,168,124**	8,358,729,261
Total equity and debt	**12,550,988,505**	13,235,137,156
Debt-to-equity ratio	**54%**	63%

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements, except those, related to maintenance of covenants including restriction on dividend declaration, commonly imposed by the providers of debt finance.

38 Business segments information

38.1 The Company has three reportable segments, as described below, which are the Company's strategic divisions. The strategic divisions offer different products and services, and are managed separately because they require different technology and marketing strategies. Information reported to the Company's Chief operating decision maker for the purpose of resource allocation and assessment of segment performance is focused on type of goods supplied. The following summary describes the operations in each of the Company's reportable segments:

Reportable Segments	***Operation of reportable segments***
Sugar segment	production of White sugar & molasses from sugar cane
Distillery segment	production of Ethanol from molasses
Top Gas segment	production of Top gas

Information regarding the Company's reportable segments is presented below:

Segment revenue and results

Following is the information about reportable segments of the Company:

	Sugar		Distillery		Top Gas		Inter segment reconciliation		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	Rupees	Rupees	**Rupees**	Rupees	**Rupees**	Rupees	**Rupees**	Rupees	**Rupees**	Rupees
Sales - Net										
- External	**15,526,408,440**	13,018,502,424	**2,899,563,253**	3,362,001,613	**249,082,432**	139,790,362	**-**	-	**18,675,054,125**	16,520,294,399
- Inter-segment	**1,277,821,310**	1,110,980,144	**181,885,800**	106,716,800	**-**	-	**(1,277,821,310)**	(1,110,980,144)	**181,885,800**	106,716,800
Reportable segment revenue	**16,804,229,750**	14,159,482,568	**3,081,449,053**	3,468,748,413	**249,082,432**	139,790,362	**(1,277,821,310)**	(1,140,980,144)	**18,856,939,925**	16,627,041,199
Segment gross profit	**2,064,562,016**	1,350,972,445	**330,726,320**	866,580,873	**21,631,877**	1,559,662	**-**	-	**2,416,920,213**	2,219,112,980
Administrative expenses	**(165,422,919)**	(298,381,969)	**(207,783,936)**	(55,225,665)	**(2,438,190)**	(1,689,129)	**-**	-	**(375,645,045)**	(355,296,763)
Distribution expenses	**(45,804,740)**	(53,245,598)	**(248,652,719)**	(232,925,788)	**(11,893,515)**	(11,984,878)	**-**	-	**(306,350,974)**	(298,156,264)
Other income	**103,145,292**	61,986,831	**5,349,361**	8,316,382	**-**	-	**-**	-	**108,494,653**	70,303,213
Finance cost	**(715,539,157)**	(770,332,053)	**(133,657,964)**	(238,081,113)	**(11,446,561)**	(13,030,507)	**-**	-	**(860,643,682)**	(1,021,413,673)

38.2 Inter-segment sales and purchases and basis of pricing

Inter-segment sales and purchases have been eliminated from total figure and all inter-segment transfers are made at market price.

		Sugar		Distillery		Top Gas		Inter segment reconciliation		Total	
		2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
		Rupees	Rupees	**Rupees**	Rupees	**Rupees**	Rupees	**Rupees**	Rupees	**Rupees**	Rupees
38.3	**Segment assets**	**7,012,687,054**	7,804,763,270	**8,985,091,278**	8,923,448,379	**205,783,368**	312,979,486	-	-	**16,203,561,700**	17,041,191,135
38.4	**Segment liabilities**	**1,308,944,922**	2,954,433,627	**6,292,824,191**	8,897,370,127	**2,871,972,206**	312,979,486	**-**	-	**10,473,741,319**	12,164,783,240
38.5	**Capital expenditure**	**720,771,841**	210,063,223	**121,258,019**	1,332,953,783	**1,643,864**	1,183,345	**-**	-	**843,673,724**	1,544,200,351

		Sugar		Distillery		Top Gas		Inter segment reconciliation		Total	
		2016 Rupees	2015 Rupees	2016 Rupees	2015 Rupees	2016 Rupees	2015 Rupees	2016 Rupees	2015 Rupees	2016 Rupees	2015 Rupees
38.6	**Depreciation on property, plant and equipment**	**315,182,305**	326,715,696	**218,730,459**	161,156,580	**11,544,699**	12,056,303	-	-	**545,457,463**	499,928,579
38.7	**Depreciation on leased assets**	**20,525,533**	17,827,554	**3,366,235**	2,063,657	**-**	-	-	-	**23,891,768**	19,891,211

38.8 Secondary reporting format

Segment revenues from external customers by geographical areas is as follows:

	Sugar		Distillery		Top Gas		Inter segment reconciliation		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	Rupees	Rupees	**Rupees**	Rupees	**Rupees**	Rupees	**Rupees**	Rupees	**Rupees**	Rupees
Export sales (Asia)	**1,553,815,258**	1,456,796,909	**2,790,026,602**	3,268,206,451	**-**	-	**-**	-	**4,343,841,860**	4,725,003,360
Local sales	**13,972,593,182**	11,561,705,515	**109,536,651**	93,795,162	**249,082,432**	139,790,362	**-**	-	**14,331,212,265**	11,795,291,039
	15,526,408,440	13,018,502,424	**2,899,563,253**	3,362,001,613	**249,082,432**	139,790,362	**-**	-	**18,675,054,125**	16,520,294,399

Export sales are 25.30% (2015: 28.60%) of total sales made by the Company.

38.9 Reconciliations of reportable segment revenues, profit and loss, assets and liabilities

	Total	
	2016	2015
	Rupees	Rupees
38.9.1 Revenues		
Total revenue for reportable segments	**20,134,761,235**	17,768,021,343
Elimination of inter-segment revenue	**(1,459,707,110)**	(1,247,726,944)
Consolidated revenue	**18,675,054,125**	16,520,294,399
38.9.2 Profit and loss before tax and other expenses		
Total profit for reportable segments	**982,775,165**	614,519,493
Unallocated corporate expenses		
- *Other expenses*	**(49,138,758)**	(30,725,975)
- *Taxation*	**(35,669,332)**	7,833,179
Consolidated profit after tax	**897,967,075**	591,626,697
38.9.3 Assets		
Total assets for reportable segments	**16,203,561,700**	17,041,191,135
Elimination of inter-segment assets	**-**	-
Consolidated assets	**16,203,561,700**	17,041,191,135
38.9.4 Liabilities		
Total liabilities for reportable segments	**10,473,741,319**	12,164,783,240
Elimination of inter-segment liabilities	**-**	-
Consolidated liabilities	**10,473,741,319**	12,164,783,240

39 Remuneration of Chief Executive, Directors and Executives

The aggregate amounts charged in the financial statements for the year for remuneration, including all benefits to the Chief Executive, Directors and Executives of the Company were as follows:

	2016			
		Directors		
	Chief executive	Executive	Non - executive	Executives
	Rupees			
Managerial remuneration	-	6,400,000	330,000	41,156,997
Medical allowance	-	640,000	33,000	4,115,700
House Rent Allowance	-	2,560,000	132,000	16,462,799
Bonus	-	-	-	2,207,431
Staff retirement benefit	-	800,000	41,250	5,035,290
	-	10,400,000	536,250	68,978,217
Number of persons	1	1	5	50

	2015			
		Directors		
	Chief executive	Executive	Non - executive	Executives
	Rupees			
Managerial remuneration	-	286,000	6,400,000	30,736,968
Medical allowance	-	28,600	640,000	3,073,697
House Rent Allowance	-	114,400	2,560,000	12,294,787
Bonus	-	71,500	-	6,577,472
Staff retirement benefit	-	41,250	800,000	6,691,510
	-	541,750	10,400,000	59,374,434
Number of persons	1	1	5	37

The Chief Executive Officer, Directors and Executives are provided with free use of Company maintained cars.

No meeting fee was paid to Directors during the year (2015: Rs. Nil)

40 Number of employees

The Company has employed following number of persons:

	2016 Rupees	2015 Rupees
	(Number of persons)	
- As at 30 September	1,779	1,800
- Average number of employees	1,762	1,746

41 Transactions with related parties

The related parties comprise associated companies, Directors of the Company, key management personnel and other related parties. The Company in the normal course of business carries out transactions with various related parties amounts due from and to related parties are shown under receivables and payables and remuneration of Directors and key management personnel are disclosed in note 38. Other significant transactions with related parties are as follows:

Name of party	Relationship	Nature of Transaction	2016 Rupees	2015 Rupees
Riaz Bottlers (Pvt) Limited	Associated Company	Sale of top gas	93,544,293	83,204,022
Directors of the Company	Directors	Loan repaid - *net*	(36,911,866)	(153,668,098)
		Guest house rent	4,800,000	4,800,000

42 Restriction on title and assets pledged as security

	2016 Rupees	2015 Rupees
Mortgages and charges		
Hypothecation of all present and future assets and properties	**16,412,653,869**	16,362,653,869
Mortgage over land and building	**2,870,166,667**	2,792,166,667
Pledge		
Finished goods	**3,515,211,049**	4,963,966,022

43 Corresponding figures

Corresponding figures have been re-arranged and reclassified, wherever necessary, for the purpose of comparison. However, there were no material re-arrangements.

44 Date of authorisation for issue

These financial statements were authorised for issue on February 08, 2017 by the Board of Directors of the Company.

45 General

Figures have been rounded off to the nearest rupee.

Lahore
February 08, 2017

Chief Executive **Director**

Proxy Form

Tandlianwala Sugar Mills Ltd.

28th Annual General Meeting

Folio No./CDC A/c No. ______________________

I/We ______________________________ of ______________________________

in the district of ______________________ being a member/members of Tandlianwala Sugar Mills Ltd

holding ______________ shares of Rs.10 each, hereby appoint Mr./Ms. ______________________

of ______________________________ a member of the Company, vide Registered Folio/CDC A/c

No. ____________________ or failing him / her, ____________________ as my/our proxy to vote

for me/us and on my/our behalf at the 28th Annual General Meeting of the Company to be hold at Noor Shadi Hall 49-N Industrial Area Gulberg-II, Lahore on Thursday, March 02, 2017 at 10:00 am and at any adjournment thereof or of any ballot to be taken in consequence thereof,

Signed this ____________________ day of March, 2017

Witnesses:

1. Signature: ______________________

   Name: ______________________

   CNIC: ______________________

   Address: ______________________

   ____

Affix Revenue
Stamp of Rupees
Five
Signature by Member(s)

2. Signature: ______________________

   Name: ______________________

   CNIC: ______________________

   Address: ______________________

   ____

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

پراکسی فارم

تاندلیانوالہ شوگر ملز لمیٹیڈ کا 28 واں (اٹھائیسواں) سالانہ اجلاسِ عام

فولیو/ سی ڈی سی اکاؤنٹ نمبر ____________

میں/ ہم ____________ ساکن ____________

ضلع ____________ بحیثیت رُکن تاندلیانوالہ شوگر ملز لمیٹیڈ حامل ____________ عام حصص مبلغ 10 روپے ہر ایک شیئر،

مسمی/ مسماۃ ____________ ساکن ____________ کمپنی رکن بروئے رجسٹرڈ فولیو / سی ڈی سی اکاؤنٹ

نمبر ____________ یا اُس کی عدم موجودگی میں ____________ کو بطور مختار (پراکسی) مقرر کرتا/ کرتے ہیں تا کہ وہ میری/ ہماری طرف سے کمپنی کے

28 ویں سالانہ اجلاسِ عام بتاریخ 2 مارچ 2017ء بروز جمعرات بوقت صبح 10:00 بجے بمقام نور شادی ہال N-49 انڈسٹری ایریا گلبرگ III لاہور پر منعقد ہو رہا ہے اور اس کے کسی ملتوی شدہ اجلاس میں حق رائے دہی استعمال کرے۔

آج مورخہ مارچ ____________ 2017 کو میرے دستخط سے جاری ہوا۔

پانچ روپے کی ریونیو ٹکٹ چسپاں کریں

ممبر کے دستخط

گواہان:

1- ____________ 2- ____________

نام ____________ نام ____________

شناختی کارڈ نمبر: ____________ شناختی کارڈ نمبر: ____________

پتہ: ____________ پتہ: ____________

نوٹ:

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