

# Annual Report 2015



سانگهر شوگر ملز نمیٹیڈ Sanghar Sugar Mills Limited

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# **Company Information**

# **BOARD OF DIRECTORS**

Mr. Ghulam Dastagir Rajar (Chairman) Haji Khuda Bux Rajar (Chief Executive)

Mr. Mohammad Aslam Mr. Rahim Bux

Mr. Ghulam Hyder Mr. Qazi Shamsuddin

Mr. Shahid Aziz (Nominee of N.I.T.)

### **BOARD COMMITTEES**

# **AUDIT COMMITTEE**

Mr. Rahim Bux (Chairman)

Mr. Mohammad Aslam

Mr. Shahid Aziz

# **HUMAN RESOURCE & REMUNERATION COMMITTEE**

Mr. Rahim Bux (Chairman)

Mr. Mohammad Aslam Mr. Shahid Aziz

# **EXECUTIVE DIRECTOR / COMPANY SECRETARY**

Mr. Abdul Ghafoor Ateeq

# **CHIEF FINANCIAL OFFICER**

Syed Rehan Ahmad Hashmi

# STATUTORY AUDITORS

Kreston Hyder Bhimji & Co. Chartered Accountants

# **COST AUDITORS**

Siddiqi & Company

Cost & Management Accountants

# **SHARE REGISTRAR**

Hameed Majeed Associates (Pvt) Limited

Karachi Chambers, Hasrat Mohani Road, Karachi.

Phone: 021 32424826 Fax: 021 32424835

# **BANKERS**

Allied Bank Limited
Askari Bank Limited

Al-Baraka Bank (Pakistan) Limited Bank Islami Pakistan Limited

Bank Al-Falah Limited
United Bank Limited
Meezan Bank Limited
Soneri Bank Limited
Habib Bank Limited
MCB Bank Limited
National Bank of Pakistan

# **REGISTERED / HEAD OFFICE**

C-27, Plot No. F-24, Block - 9, Clifton

Karachi - 75600

Phone: 021 35371441 to 43 (3 lines)

Fax: 021 35371444

Website: www.sangharsugarmills.com E-mail: info@sangharsugarmills.com

# **MANUFACTURING FACILITIES**

13 K.M., Sanghar - Sindhari Road Deh Kehore, District Sanghar, Sindh Phone: (0345) 3737001 8222911

# Statement of Vision, Mission, Objectives, Corporate Strategy

# 8

# **Strategic Planning**

# **VISION STATEMENT**

To have eminent position in manufacturing and supplying quality white refined sugar and allied products and thereby play an important role in the economic and social development of the country.

### **MISSION STATEMENT**

We the Management of Enterprise, have set forth our belief as to the purpose for which the Company is established and the principles under which it should operate. We pledge our entire efforts to the accomplishment of the purpose within the agreed principles. Sanghar Sugar Mills Limited is committed to:

- Manufacture to the highest quality standards. Pursuing the improvement in shareholders' value through team work and continuous improvement in the system in a competitive business environment.
- → Be ethical in practice and fulfill social responsibilities.
- + Ensure a fair return to stakeholders.
- + Realize responsibility towards society and contribute to the environment as good corporate citizen.

# **CORPORATE OBJECTIVES**

The over riding objective of the Company is to optimize over the time, the return to its shareholders. To achieve this objective, the Company shall endeavor to ensure long term viability of its business and to manage effectively its relationship with stakeholders. Sanghar Sugar Mills Limited shall:

- Recognize the need of working at the highest standard to achieve greater level of performance in order to meet the expectations of the stakeholders.
- Optimize over the time, the returns to shareholders of the Company.
- Strive for excellence and build on the Company's core competencies.
- Conduct Company's business with integrity and supply only quality and credible information.
- Respect confidentiality of the information acquired during the course of dealings with the interested

- parties and refrain from acting in any manner which might discredit the Company.
- Operate within the regulatory framework and be free of any vested interest which might be incompatible with Organization's integrity, objectivity and independence.

### **CORPORATE STRATEGY**

Production of sugar and sugar by-products are the Company's main area of business. The Company, its Director and Management:-

- Believe in diversification through new manufacturing facilities and through equity participation.
- + Recognize the value of technological improvement and acquire the benefits of current innovation and development in their business field.
- + Believe in professional management and modern practices and use latest techniques available for growth and overall prosperity.
- Consider their human resource as the most important asset and help them in providing facilities with regard to training and updating their knowledge and skill and keep them highly motivated.
- Believe in integrity in business and the Company's integrity depends on integrity of each one of its employees.
- + Consider the sugar cane growers as the most important part of the business.

# STRATEGIC PLANNING

- Keep up with technological advancement and continuously update the company in the field of sugar technology.
- Maintain all relevant technical and professional standards to be compatible with the requirement of the trade
- Gauge the market conditions and availability of substitute products and services and ensure quality with cost effectiveness.
- + Inculcate efficient, ethical and time tested business practice in the Company's management.

# Code of Conduct

The entire Organization of **Sanghar Sugar Mills Limited** will be guided by the following principles of Code of Conduct in its pursuit of excellence in all activities for the attainment of the Company's Objectives.

# THE COMPANY

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

### **AS DIRECTORS**

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

# AS EXECUTIVES AND MANAGERS

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

# AS EMPLOYEES AND WORKERS

- Observe Company policies, regulations and code of best business practices.
- o Devote productive time and continued efforts to strengthen the Company.
- o Make concerted struggle for excellence and quality.
- o Exercise prudence in effective, efficient and economical utilization of resources of the Company.
- o Protect and safeguard the interest of the Company and avoid conflict of interest.
- Maintain financial integrity and must avoid making personal gain at the Company's expense by participating in or assisting activities which compete with the Company.

# **Notice of Annual General Meeting**

Notice is hereby given that Thirtieth Annual General Meeting of the Shareholders of the Company will be held on Saturday January 30, 2016 at 11:00 a.m. at Shangrila Garden, near Shaheed-e-Millat Flyover, opposite City School, P.A.F. Chapter, Baloch Colony, Karachi to transact the following business:

- To receive, consider and adopt the Audited Financial Statements of the Company for the year ended September 30, 2015 together with Directors' and Auditors' Reports thereon.
- 2. To approve Cash Dividend at Rs. 2/- per share i.e 20% as recommended by the Board of Directors for the year ended September 30, 2015.
- 3. To appoint Auditors for the year 2015-2016 and fix their remuneration. The present Auditors M/s Kreston Hyder Bhimji & Co. Chartered Accountants, retire and being eligible, have offered themselves for re-appointment.
- 4. To transact any other ordinary business with the permission of the Chair.

By Order of the Board

Karachi: January 06, 2016 Company Secretary

# NOTES:

- 1. The Share Transfer Books of the Company will remain closed from 22-01-2016 to 30-01-2016 (both days inclusive) for entitlement of cash dividend, 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 21-01-2016 at the Company's Share Registrar M/s Hameed Majeed Associates (Pvt) Limited, Karachi Chamber, Hasrat Mohani Road, Karachi will be considered in time for entitlement of Cash Dividend as declared and 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 filled in/executed and received at the Registered Office of the Company at C-27, Plot No. F-24, Block-9, Clifton, Karachi-75600, at least 48 hours before the time of this meeting. A Form of Proxy is attached herewith.
- 3. Submission of copy of CNIC (Mandatory). The Securities and Exchange Commission of Pakistan (the S.E.C.P.) vide their S.R.O. 779 (i) 2011 dated August 18, 2011 has directed the Company to print your Computerized National Identity Card (CNIC) number on your dividend warrants and if your CNIC number is not available in our records, your dividend warrant will not be issued/dispatched to you. In order to comply with this regulatory requirements, you are requested to kindly send photocopy of your CNIC to your Participant/Investor Account Services or in case of Physical Shareholding, immediately to Company's Share Registrar.
- 4. A Member holding Physical Shares must bring his/her original CNIC and should mention his/her CNIC and Folio No. and sign on the Attendance Sheet while personally attending this Meeting. Also Member having deposited his/her shares into Central Depository Company of Pakistan Limited must bring his/her Participant's ID No. and Account/Sub-account No. alongwith original CNIC and mention his/her CNIC and CDC Account No. and sign on the Attendance Sheet while personally attending this Meeting. Representatives of corporate Members should bring the usual documents required for such purpose as prescribed by the S.E.C.P.
- 5. Members are advised to promptly notify change in their postal address, if any, to the Company's Share Registrar.
- 6. Pursuant to the provision of the Finance Act 2015 effective July 01, 2015, the rate of deduction of income tax from dividend payments under Section 150 of the Income Tax Ordinance, 2001 have been revised as follows:
  - Rate of tax deduction for filer @ 12.5%
     Rate of tax deduction for non-filers @ 17.5%
  - To enable the Company to make tax deduction on the amount of cash dividend @ 12.5% instead of 17.5% shareholders whose names are not entered into the Active Taxpayers List (ATL) provided on the website of the FBR, despite the fact that they are filers, are advised to make sure that their names are entered in ATL, otherwise tax on their cash dividend will be deducted @ 17.5% instead of 12.5%.
- 7. Further, according to clarification received from Federal Board of Revenue (FBR), withholding tax will be determined separately on 'Filer/Non-Filer' status of Principal Shareholder as well as Joint-holder(s) based on their shareholding proportions, in case of joint accounts. In this regard all shareholders who hold shares jointly are requested to provide shareholding proportions of Principal shareholder and Join-holder(s) in respect of shares held by them to our Share Registrar, in writing as follows:

			Principal	Shareholder	Joint	Shareholder
Company Name	Folio/CDS Account #	Total Shares	Name and CNIC #	Shareholding Proportion (No. of Shares)	Name and CNIC #	Shareholding Proportion (No. of Shares)

The required information must reach our Share Registrar within 10 days of this notice, otherwise it will be assumed that the shares are equally held by Principal shareholder and Joint-Holder(s).

- 8. Shareholders are therefore advised to ensure that they have provided their CNIC/NTN to their respective Participant/CDC Investor Account Services (if shareholding in Book Entry Form) or Company's Share Registrar (if shareholding in Physical Form) for checking the tax status as per the ATL issued by FBR from time to time.
- 9. CDC Account Holders will further have to follow the under mentioned guideline as laid down in circular dated January 26, 2000 issued by S.E.C.P.

# **Directors' Report**

The Directors of your Company are pleased to present Thirtieth Annual Report with the Audited Financial Statements of the Company for the year ended September 30, 2015.

# Review of the Performance of the Company

The crushing season for the year 2014-2015 started on November 15, 2014 and completed on March 31, 2015. Due to lesser crop in Sanghar district, your Company has started commercial Production 15 days late as compared with last season and was able to operate for 137 days only, crushing at the average rate of 4,601 Metric Tons of sugarcane per day as compared with an average of 4,888.8 Metric Tons per day crushing during 151 days of the previous season.

# **Operating Results**

A brief summary of operating results of the Company for the year ended September 30, 2015 along with the comparatives for the corresponding year is given below:

	2014-2015	2013-2014
Season started on	15-11-2014	01-11-2013
Season completed on	31-03-2015	31-03-2014
Duration of crushing days	137	151
Sugarcane Crushed (Metric Tons)	630,317	738,209
Cane sugar produced (Metric Tons)	64,271	72,530
Sucrose recovery (%)	10.19	9.81

# **Review of Operation**

As mentioned above, the Company operates for a shorter period of time due to lesser availability of sugarcane as compared to last year; However the Sucrose recovery is higher by 0.36% offsetting the effect of decrease in crushing to certain extent.

### **Financial Results**

The key financial figures of the Company for the year ended September 30, 2015 along with the comparatives for the corresponding year are summarized as under:

	2015	2014
	(Ru	upees in '000)
Profit before taxation	89,783	36,091
Taxation	32,383	27,359
Profit after taxation	57,400	8,732
Earnings per share-basic and diluted (Rupees)	4.80	0.73

# **Review of Financial Results**

Although the Company has produced lesser quantity of Sugar as compared with last year, the financial results are much better due to higher selling price of Sugar, higher Sucrose recovery and also due to sale of surplus electricity to Hyderabad Electric Supply Company.

# **Future Prospects**

Current crushing season is progressing satisfactorily; the crop of Sugar cane in Sanghar district is almost identical with the last year, the recent announcement by Government of Sindh of Minimum price of Cane at Rs. 172/40 K.gs kept us floating. With this support price and current trend in selling price of sugar, the results of next year would be satisfactory, subject to the condition that Mills will not include in price war over Cane.

# Dividend

The Board of Directors of the Company in its meeting held on January 06, 2016 has decided to recommend to pay cash dividend at Rs. 2/per share i.e. 20 % for the year ended September 30, 2015 (September 30, 2014: Nil).

# Statement on Corporate and Financial Reporting Framework

In compliance with the Code of Corporate Governance, the Board of Directors hereby confirms that:

- i. The Financial Statements for the year ended September 30, 2015, prepared by the Management, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- ii. Proper books of accounts of the Company have been maintained.
- iii. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- iv. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of Financial Statements and any departure there from has been adequately disclosed and explained.
- v. The system of internal control is sound in design and has been effectively implemented and monitored.
- vi. There are no significant doubts upon the Company's ability to continue as going concern.
- vii. There has been no material departure from the best practices of the Corporate Governance as detailed in the Listing Regulations of the Stock Exchanges.
- viii. The Key Operating and Financial Data for last ten years in summarized form are annexed.
- ix. There are no statutory over dues otherwise than those disclosed in the financial statements and statutory payments due on account of taxes duties, levies and charges are being made in the normal course of business.
- x. An unfunded gratuity scheme is in operation for all permanent employees. Provision are made annually to cover the obligation on the basis of actuarial valuation, related details of which are mentioned in the Notes to the Financial Statements.
- xi. The Pattern of Shareholding as on September 30, 2015 is annexed.
- xii. To the best of our knowledge, the Directors, Executives and their spouses and their minor children have not undertaken any trading of Company's shares during the year ended September 30, 2015.
- xiii. A Statement of Compliance with the Code of Corporate Governance for the year ended September 30, 2015 is annexed with the Report.

# Board of Directors - Changes and Re Categorization

The Board of Directors of the Company was composed of three Executive Directors and five Non-Executive Directors upto completion of its tenure on November 03, 2014 namely - 1) Haji Khuda Bux Rajar (Executive Director - Chairman & Chief Executive) - 2) Mr. Ghulam Dastagir Rajar (Non-Executive) - 3) Mr. Mohammad Aslam (Executive Director) - 4) Mr. Gul Mohammad (Executive Director) 5) Mr. Jam Mitha Khan (Non-Executive Director) - 6) Mr. Qazi Shamsuddin (Non-Executive Director) 7) Mr. Shahid Aziz (Non-Executive Director) and 8) Mr. Irshad Hussain (Non-Executive Director).

In order to comply with the provisions of the Companies Ordinance, 1984, the Board fixed seven number of Directors to be elected before the expiry of the tenure of above mentioned Directors. Accordingly, the Extra Ordinary General Meeting (The E.O.G.M) of the Company was held on October 30, 2014 wherein the Shareholders unanimously elected seven Directors namely (1) Haji Khuda Bux Rajar (2) Mr. Ghulam Dastagir Rajar(3) Mr. Mohammad Aslam (4) Mr. Gul Mohammad (5) Mr. Ghulam Hyder (6) Mr. Qazi Shamsuddin and (7) Mr. Shahid Aziz for next term of three years with effect from November 04, 2014 to November 03, 2017. Mr. Jam Mitha Khan and Mr. Irshad Husain did not offer for election as director hence they were automatically retired on the expiry of their tenure.

A casual vacancy occurred on the Board because Mr. Gul Mohammad elected as Director in the E.O.G.M. held on October 30, 2014 for the next tenure of the Board of Directors starting from November 04, 2014, resigned on November 01, 2014 which was accepted by the Board of Directors in its meeting held on November 05, 2014 (because of public holidays on November 02, to 04, 2014 due to Aashura) and Mr. Rahim Bux was appointed as the Director of the Company by the Board of Directors in his place in order to fill the casual vacancy immediately.

In order to comply with the requirements as provided under proviso of the clause (vi) and clause i (b) of the Code of Corporate Governance, the Board in its meeting held on November 05, 2015, elected Mr. Ghulam Dastagir Rajar (Non-Executive Director) as Chairman of the Board in place of Haji Khuda Bux Rajar. The Board in this meeting also re-appointed Haji Khuda Bux Rajar as the Chief Executive of the Company and re-appointed Mr. Mohammad Aslam as Working Director for next three years effective from November 04, 2014 to November 03, 2017 as authorized by the Articles of Association of the Company on the remuneration, terms and conditions mentioned in the Abstract U/s 218(2) of the Companies Ordinance, 1984 which was circulated to the Shareholders of the Company as required within the specified time in this regard. Accordingly, after election, the Reconstituted Board of Directors from November 05, 2014 to January 08, 2015 has the following composition (one independent, two executive and four non-executive Directors):

	Name of Directors	Status	Category
1)	Mr. Ghulam Dastagir Rajar	Chairman	Non-Executive Director
2)	Haji Khuda Bux Rajar	Chief Executive Property of the Chief Executive	Executive Director
3)	Mr. Mohammad Aslam	Director	Executive Director
4)	Mr. Rahim Bux	Director	Independent Director
5)	Mr. Ghulam Hyder	Director	Non-Executive Director
6)	Mr. Qazi Shamsuddin	Director	Non-Executive Director
7)	Mr. Shahid Aziz	Director (N.I.T)	Non-Executive Director

The Board, in its meeting held on January 08, 2015, appointed in terms of provisions of Articles of Association of the Company, Mr. Ghulam Hyder as Working / Executive Director in place of Mr. Mohammad Aslam who was relinquished as Working / Executive Director commencing from January 09, 2015 to November 03, 2017 and approved his remuneration, terms and condition of appointment that were already notified through Abstract U/s 218 (2) of the Companies Ordinance, 1984 to the Shareholders of the Company with in specified time in this regard.

Accordingly, the Reconstituted Board of Directors from January 09, 2015 to date has the following composition:

(One independent, two executive and four non executive Directors):

	Name of Directors	Status	Category
1)	Mr. Ghulam DastagirRajar	Chairman	Non-Executive Director
2)	Haji Khuda Bux Rajar	Chief Executive	Executive Director
3)	Mr. Mohammad Aslam	Director	Non-Executive Director
4)	Mr. Rahim Bux	Director	Independent Director
5)	Mr. Ghulam Hyder	Director	Executive Director
6)	Mr. QaziShamsuddin	Director	Non-Executive Director
7)	Mr. Shahid Aziz	Director (N.I.T)	Non-Executive Director

# Attendance of Reconstituted Board of Directors in Board Meeting

Five Board meetings were held during the year ended September 30, 2015. Leave of absence was granted to the Director unable to attend the meeting. Attendance by each Director was as mentioned below:

	Name of Directors	Status	No. of meeting attended
1)	Mr. Ghulam Dastagir Rajar	Chairman	5
2)	Haji Khuda Bux Rajar	Chief Executive	5
3)	Mr. Mohammad Aslam	Director	5
4)	Mr. Rahim Bux	Director	5
5)	Mr. Ghulam Hyder	Director	5
6)	Mr. QaziShamsuddin	Director	4
7)	Mr. Shahid Aziz	Director (N.I.T)	5

### **Re Constituted Audit Committee**

The Board after election of Directors has reconstituted the Audit Committee effective from November 05, 2014 for the tenure of three years in order to comply with the provisions of the Code of Corporate Governance. Accordingly, the Board appointed three members of the Audit Committee having the following composition:

	Name of Directors	Status	Category	Explanation
1)	Mr. Rahim Bux	Chairman	Independent Director	_
2)	Mr. Ghulam Hyder	Member	Non-Executive Director	Relinquished on January 09, 2015
3)	Mr. Shahid Aziz	Member	Non-Executive Director	Having financial skills and experience
4)	Mr. Mohammad Aslam	Member	Non-Executive Director	Appointed on January 09, 2015

The Board of Directors in its meeting held on January 08, 2015 relinquished Mr. Ghulam Hyder as member of Audit Committee effective from January 09, 2015 and in his place appointed Mr. Mohammad Aslam as member of Audit Committee for the remaining period of his tenure of directorship.

# Attendance of Members in Meeting of Reconstituted Audit Committee

Five meetings of Audit Committee were held during the year ended September 30, 2015. Leave of absence was granted to the Member unable to attend the meeting. During the year, its one member was replaced as mentioned above. Attendance by each Member was as mentioned below:

	Name of Directors	Status	No. of Meetings Attended
1)	Mr. Rahim Bux	Chairman	5
2)	Mr. Ghulam Hyder	Member	2
3)	Mr. Shahid Aziz	Member	4
4)	Mr. Mohammad Aslam	Member	3

### Reconstituted Human Resource & Remuneration Committee

The Board after election of Directors has reconstituted the Human Resource & Remuneration (H.R. & R.) Committee effective from November 05, 2014 for the tenure of three years in order to comply with the provisions of the Code of Corporate Governance. Accordingly, the Board appointed three members of the H.R. & R. committee having the following composition:

	Name of Directors	Status	Category	Explanation
1)	Mr. Rahim Bux	Chairman	Independent Director	_
2)	Mr. Ghulam Hyder	Member	Non-Executive Director	Relinquished on January 09, 2015
3)	Mr. Shahid Aziz	Member	Non-Executive Director	<u> </u>
4)	Mr. Mohammad Aslam	Member	Non-Executive Director	Appointed on January 09, 2015

The Board of Directors in its meeting held on January 08, 2015 relinquished Mr. Ghulam Hyder as member of H.R. & R. Committee effective from January 09, 2015 and in his place appointed Mr. Mohammad Aslam as member of H.R. & R. Committee for the remaining period of his tenure of directorship.

# Attendance of Members in Meeting of Re constituted H. R. & R. Committee

Three meetings of H. R. & R. Committee were held during the year ended September 30, 2015. Leave of absence was granted to the Member unable to attend the meeting. During the year, its one member was replaced as mentioned above. Attendance by each Member was as mentioned below:

	Name of Directors	Status	No. of Meetings Attended
1)	Mr. Rahim Bux	Chairman	3
2)	Mr. Ghulam Hyder	Member	2
3)	Mr. Shahid Aziz	Member	2
4)	Mr. Mohammad Aslam	Member	1

# **Directors' Training Program Attendance**

The Directors are well aware of their duties and responsibilities under the Code of Corporate Governance (CCG). One Director Haji Khuda Bux Rajar is exempt from Directors' Training Program in accordance with criteria defined in clause (xi) of the CCG. Five Directors namely Mr. Ghulam Dastagir Rajar, Mr. Mohammad Aslam, Mr. Ghulam Hyder, Mr. Rahim Bux and Mr.Qazi Shamsuddin have attended approved Directors Training Program. Mr. Shahid Aziz, Director representing N.I.T. will attend the approved Directors' Training Program with in specified time under the CCG.

### **Board Evaluation**

Complying with the Code of Corporate Governance, the Board approved Self-Evaluation mechanism for evaluation of performance of the Board, its directors and committees through discussion and questions focusing on the Board's scope, objectives, functions, responsibilities, the Company's performance and monitoring. The Board has evaluated all the factors based on the inputs of the Directors made in the Board Meeting.

# Threshold for determining Executive

Pursuant to the requirement of Clause xvi (i) of the Code of Corporate Governance, the Board has revised and set out as Threshold for determining an 'Executive' in respect of trading of company's shares whose annual basic salary exceeds Rupees 1.8 million during the year commencing from October 01, 2014 upto the next period when it will be revised and approved by the Board as and when deemed necessary.

# Sustainability & Corporate Social Responsibility

Sanghar Sugar Mills Limited (the Company) acknowledges its social and ethical responsibility to carry out its business in order to keep it safe and protect it for the generations to come. Sustainability Policy is considered to be essential for continuing of the business at Sanghar Sugar Mills Limited. The Company considers itself accountable to its stakeholders and informs them about the initiative and measures taken to ensure sustainability and has identified the following dimensions of performing social responsibilities which contributing to economy, environment, health, education and society.

- i. To support the sugarcane growers of the area and provide better quality seeds and fertilizers to achieve improvement in quality of sugarcane and enhance its quantity and productivity in order to have regular, constant and better supply in future the major basic raw material for sugar mills.
- ii. To alleviate illiteracy in the rural areas of the Country, the Company has launched education program and is providing education facilities at the premises adjacent to the Mills' Employees' Colony by the qualified staff on concessional basis to the children of the factory employees and persons living nearby in rural areas.
- iii. The Company is contributing to the National growth by sharing its revenue with the nation in the form of taxes, rates and duties. The Company is also helping the Country to improve foreign reserves by earning foreign currency through exports of sugar as and when allowed. The Company contributed to National Exchequer in the form income taxes, sales tax and other levies amounting to Rs. 255,818 thousand during the year ended September 30, 2015 as compared to Rs. 283,052 thousand during the last year.
- iv. To follow consciously the needs of the Society concerning health, safety and environment for achieving the objective. The Company is responsive to make efforts to minimize the accidental risks, have necessary medical facilities and continuously shrine to improve greenery and maintain clean and safe environment around the Mills, better housekeeping, safeguarding the health of employees and application of the principles of safety in its operations, the consumers and public at large by following the rules and regulations in this regard.
- v. The Company's efforts have primarily on improving the social conditions of the Communities and employees related to the Company by establishing fair working conditions, ensuring occupational safety, setting social standard, establishing minimum wages, zero tolerance on child labour and forced labour etc.
- vi. The Company continuously is striving to improve greenery, maintaining clean environment around the mills and better house-keeping.
- vii. To encourage employment of workforce living in the rural areas in order to yield significant gain and uplift their living standard.
- viii. The Company treats all employees fairly and compensates them according to the industry practice. The Company provides the benefits such as perquisites, annual leaves, pick and drop, facility of mess, safe and healthy working conditions etc along-with group insurance, making payments to Employees Old Age Benefits Institution, Worker's Welfare Fund, Worker's Profit Participation Funds.
- ix. The Company is committed to maintaining the principles of integrity and trust with respect to privacy of the employees of the Company.

# Auditors

The present Auditors M/s. Kerston Hyder Bhimji & Co. Chartered Accountants retire at the conclusion of forthcoming Annual General Meeting and being eligible, have offered themselves for re-appointment. As suggested by the Audit Committee in terms of the Code of Corporate Governance, the Board of Directors has recommended their appointment as Auditors of the Company for the year ending September 30, 2016.

# Acknowledgement

Your Directors place on record their appreciation for devotion of duty, loyalty and hard work of the executives, officers, staff members and workers for smooth running of the Company's affair and hope that they will continue for enhancement of productivity with great zeal and spirit under the blessings of Almighty Allah.

The Directors would like to thank all the government functionaries, banking and non-banking financial institutions, suppliers and shareholders for their continued support and cooperation for the betterment and prosperity of the Company.

For and on behalf of the Board of Directors

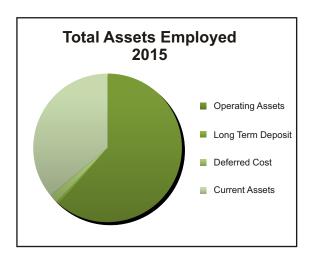
**Chief Executive** 

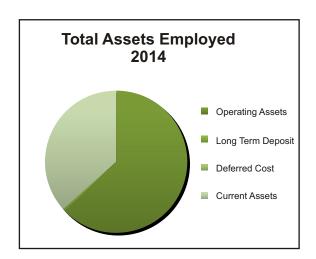
Karachi: January 06, 2016

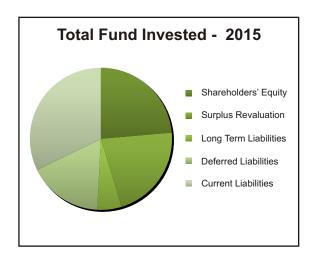
# **Key Operating & Financial Highlights**

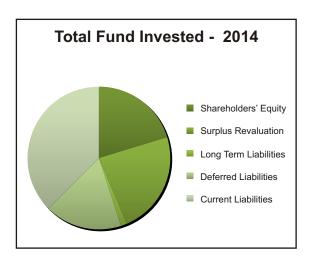
		2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
OPERATIONAL DATA											
Duration of Season	(Days)	137	151	121	109	117	114	132	182	146	126
Cane crushed	(Tons)	630,317	738,209	542,289	483,352	491,205	484,452	597,111	853,592	526,439	419,498
Sucrose Recovery	(%)	10.19	9.81	9.77	9.62	9.57	9.60	9.58	9.50	8.68	9.42
Sugar Made	(Tons)	64,271	72,530	52,823	46,516	47,008	46,547	57,308	87,026	45,602	39,837
Molasses	(Tons)	34,299	39,260	27,460	26,503	24,004	23,785	30,279	49,360	26,200	19,773
All figures in Rs in '00	0										
PROFIT & LOSS RESU	JLTS										
Turnover - Net		2,869,164	3,196,951	2,771,454	3,005,261	1,498,297	2,679,922	1,679,489	1,861,248	1,065,461	1,052,760
Gross profit		257,087	213,749	148,572	195,512	245,956	377,383	225,504	233,621	71,575	178,720
Operating profit		170,905	135,446	135,446	95,814	159,342	308,572	162,815	171,328	28,489	134,932
Profit/(loss) before taxa	tion	89,783	36,091	14,271	(424)	64,345	213,047	115,257	134,232	(12,373)	94,186
Profit/(loss) after taxation		57,400	8,732	6,901	(6,554)	37,759	134,431	66,912	98,603	(19,755)	55,461
ASSETS EMPLOYED											
Operating Assets		1,167,508	1,146,845	729,685	747,116	754,005	477,508	494,031	516,797	524,078	539,306
Long Term Deposits		10,966	9,478	45,300	36,369	36,396	2,223	2,223	2,223	2,223	2,385
Deferred Cost		33,373	_	_	_	_	_	_	_	_	_
Current Assets		688,656	670,133	461,593	935,108	1,471,518	240,366	277,084	119,007	125,784	125,371
Total Assets Employe	d	1,900,503	1,826,456	1,236,578	1,718,593	2,261,919	720,097	773,338	638,027	652,085	667,062
FINANCED BY											
Shareholder's equity		451,265	370,861	354,765	329,931	327,682	305,462	179,574	106,967	2,757	28,566
Surplus on Revaluation		409,370	427,287	146,801	160,241	169,043	46,213	49,624	55,319	103,695	109,587
Long Term Liabilities		103,640	23,174	75,242	64,908	85,089	23,159	75,812	210,646	250,621	240,218
Deferred Liabilities		325,349	320,838	210,011	217,741	217,014	145,489	150,054	145,697	128,348	125,374
Current Liabilities		610,879	684,296	449,759	945,772	1,463,091	199,774	318,274	119,398	166,664	163,317
Total Fund Invested		1,900,503	1,826,456	1,236,578	1,718,593	2,261,919	720,097	773,338	638,027	652,085	667,062

# **Graphical Presentation** of Financial Highlights









# **Horizontal Analysis of Financial Statements**

	2015	2014 Ru	2013 pees in 000	2012	2011	2015	2014	2013 Variance in	2012 %	2011
Balance Sheet										
Total Non-Current Assets	1,211,847	1,156,323	774,985	783,485	790,401	4.80	49.21	(1.08)	(0.87)	64.76
Total Current Assets	688,656	670,133	461,593	935,108	1,471,518	2.76	45.18	(50.64)	(36.45)	512.20
Total Assets	1,900,503	1,826,456	1,236,578	1,718,593	2,261,919	4.05	47.70	(28.05)	(24.02)	214.11
Total Equity & Surplus on revaluation	860,635	798,148	501,566	490,172	496,725	7.83	59.13	2.32	(1.32)	41.25
Total Non-Current Liabilities	428,989	344,012	285,253	282,649	302,103	24.70	20.60	0.92	(6.44)	59.63
Total Current Liabilities	610,879	684,296	449,759	945,772	1,463,091	(10.73)	52.15	(52.45)	(35.36)	716.59
Total Equity & Liabilities	1,900,503	1,826,456	1,236,578	1,718,593	2,261,919	4.05	47.70	(28.05)	(24.02)	214.11
Profit & Loss Account										
Sales	2,869,164	3,196,951	2,771,454	3,005,261	1,498,297	(10.25)	15.35	(7.78)	100.58	(44.09)
Cost of sales	(2,612,077)	(2,983,202)(	(2,622,882)	(2,809,749)(	(1,252,341)	(12.44)	13.74	(6.65)	124.36	(45.61)
Gross Profit	257,087	213,749	148,572	195,512	245,956	20.28	43.87	(24.01)	(20.51)	(34.83)
Loss from trading activities	_	(577)	_	_		(100.00)	100.00	_	_	_
Distribution cost	(769)	(5,326)	(6,934)	(9,578)	(2,213)	(85.56)	(23.19)	(27.60)	332.81	28.22
Administrative expenses	(75,544)	(63,949)	(61,481)	(90,120)	(84,401)	18.13	4.01	(31.78)	6.78	24.06
Other operating expenses	(9,950)	(8,834)	(20,378)	(5,984)	(7,739)	12.63	(56.65)	240.54	(22.68)	(71.39)
Other income	81	383	34,801	3,698	7,423	(78.85)	(98.90)	841.08	(50.18)	683.84
Operating Profit	170,905	135,446	94,580	93,528	159,026	26.18	43.21	1.12	(41.19)	(43.51)
Finance cost	(81,122)	(99,355)	(80,309)	(93,952)	(94,682)	(18.35)	23.72	(14.52)	(0.77)	38.26
Profit / (loss) before taxation	89,783	36,091	14,271	(424)	64,344	148.77	152.90	(3,465.80)	(100.66)	(69.80)
Taxation	(32,383)	(27,359)	(7,370)	(6,130)	(26,585)	18.36	271.22	20.23	(76.94)	(66.18)
Profit / (loss) after taxation	57,400	8,732	6,901	(6,554)	37,759	557.35	26.53	(205.29)	(117.36)	(71.91)

# **Vertical Analysis of Financial Statements**

F	2015 Rupees in 000	2015 %	2014 Rupees in 000	2014 %	2013 Rupees in 000	2013 %	2012 Rupees in 000	2012 ) %	2011 Rupees in 00	2011 0 %
Balance Sheet										
Total Non-Current Assets	1,211,847	63.76	1,156,323	63.31	774,985	62.67	783,485	45.59	790,401	34.94
Total Current Assets	688,656	36.24	670,133	36.69	461,593	37.33	935,108	54.41	1,471,518	65.06
Total Assets	1,900,503	100.00	1,826,456	100.00	1,236,578	100.00	1,718,593	100.00	2,261,919	100.00
Total Equity & Surplus on revaluation	860,635	45.28	798,148	43.70	501,566	40.56	490,172	28.52	496,725	21.96
Total Non-Current Liabilities	428,989	22.57	344,012	18.83	285,253	23.07	282,649	16.45	302,103	13.36
Total Current Liabilities	610,879	32.14	684,296	37.47	449,759	36.37	945,772	55.03	1,463,091	64.68
Total Equity & Liabilities	1,900,503	100.00	1,826,456	100.00	1,236,578	100.00	1,718,593	100.00	2,261,919	100.00
Profit & Loss Account										
Sales	2,869,164	100.00	3,196,951	100.00	2,771,454	100.00	3,005,261	100.00	1,498,297	100.00
Cost of sales	(2,612,077)	(91.04)	(2,983,202)	(93.31)	(2,622,882)	(94.64)	(2,809,749)	(93.49)	(1,252,341)	(83.58)
Gross Profit	257,087	8.96	213,749	6.69	148,572	5.36	195,512	6.51	245,956	16.42
Loss from trading activities	_	_	(577)	(0.02)	_	_	_	_	_	_
Distribution cost	(769)	(0.03)	(5,326)	(0.17)	(6,934)	(0.25)	(9,578)	(0.32)	(2,213)	(0.15)
Administrative expenses	(75,544)	(2.63)	(63,949)	(2.00)	(61,481)	(2.22)	(90,120)	(3.00)	(84,401)	(5.63)
Other operating expenses	(9,950)	(0.35)	(8,834)	(0.28)	(20,378)	(0.74)	(5,984)	(0.20)	(7,739)	(0.52)
Other income	81	0.00	383	0.01	34,801	1.26	3,698	0.12	7,423	0.50
Operating Profit	170,905	5.96	135,446	4.24	94,580	3.41	93,528	3.11	159,026	10.61
Finance cost	(81,122)	(2.83)	(99,355)	(3.11)	(80,309)	(2.90)	(93,952)	(3.13)	(94,682)	(6.32)
Profit / (loss) before taxation	89,783	3.13	36,091	1.13	14,271	0.51	(424)	(0.01)	64,344	4.29
Taxation	(32,383)	(1.13)	(27,359)	(0.86)	(7,370)	(0.27)	(6,130)	(0.20)	(26,585)	(1.77)
Profit / (loss) after taxation	57,400	2.00	8,732	0.27	6,901	0.25	(6,554)	(0.22)	37,759	2.52

# Stakeholders Information

# **Stock Exchange Listing**

Sanghar Sugar Mills Limited is a listed Company and its shares are traded on Karachi and Lahore Stock Exchanges. The Company's shares are quoted in leading newspapers under Sugar Sector.

# **Communication with Users of Financial Statements**

Communication with users of financial statements is given high priority. Annual, half yearly and quarterly reports are distributed to the shareholders and provided to other users within the time specified in the Companies Ordinance, 1984. There is also an opportunity for individual shareholder to participate at the Annual General Meetings to ensure high level of accountability.

# **Shareholders Information**

Enquiries concerning verification of transfer deeds, transfer of share certificates, change of address etc., should be directed to the Shares Registrar, Hameed Majeed Associates (Pvt) Ltd. Karachi Chambers, Hasrat Mohani Road, Karachi Phone No: 021- 32424826, Fax No: 021-32424835.

# **Public Information**

Financial analysts, stock brokers, interested investors and financial media desiring information about Sanghar Sugar Mills Limited and its products should contact the Executive Director/Chief Financial Officer at Registered Office, Karachi Phone: 021-35371441 to 43 (03 lines), Fax: 021-35371444.

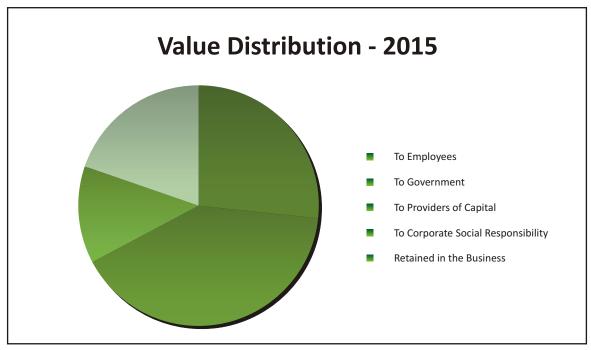
# **FINANCIAL RATIOS**

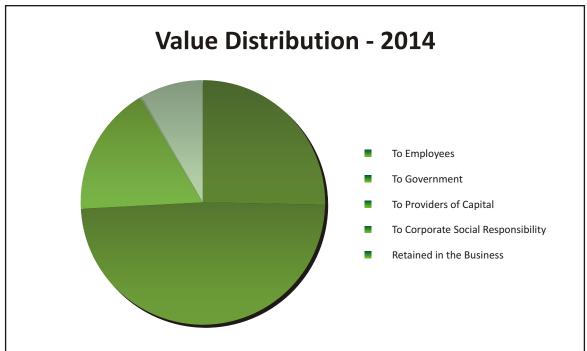
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Profitability Ratios										
Gross Profit Ratio (%)	8.96	6.69	5.36	6.51	16.42	14.08	13.43	12.55	6.72	16.97
Net Profit to Sales (%)	2.00	0.27	0.25	(0.22)	2.52	5.02	6.86	7.21	(1.16)	8.94
Return on Capital										
Employed (%)	37.87	36.52	36.52	42.17	47.43	85.86	77.37	41.48	19.49	24.92
Turnover Ratios										
Inventory Turnover Ratio	5.21	8.01	6.19	3.08	1.96	17.51	11.72	26.36	18.41	16.28
Fixed Assets Turnover Ratio	245.93	278.88	383.94	403.72	200.02	561.23	339.96	360.15	203.30	195.21
Investor Information										
Price Earning Ratio	5.31	34.89	39.47	(44.91)	3.39	1.23	2.81	2.96	(5.14)	1.93
Market Value per Share	41.74	25.50	22.89	24.70	10.71	13.84	15.75	24.45	8.50	8.50
Book Value per Share	37.78	31.04	29.70	27.62	27.43	25.57	15.03	8.95	0.23	2.39
Earning per Share	4.80	0.73	0.58	(0.55)	3.16	11.25	5.60	8.25	(1.65)	4.40
Liquidity Ratios										
Current Ratio	1.13	0.98	1.03	0.99	1.01	1.203	0.871	0.997	0.75	0.77
Capital Structure Ratios										
Debt Equity Ratio	0.53	0.69	1.05	2.06	3.12	1.05	1.97	2.30	1.60	1.24
Interest Cover Ratio	2.11	1.36	1.18	1.00	1.68	4.11	4.14	6.30	0.67	3.77

# **Statement of Value Addition and Its Distribution**

	20 <sup>-</sup>	15	2014		
Value Addition:	(Rs. '000)		(Rs. '000)	%	
Turnover Gross	3,416,685	99.998	3,937,882	99.990	
Other Income	81	0.002	383	0.010	
	3,416,766	100.00	3,938,265	100.00	
Cane Procurement and related expenses	2,702,619	96.918	3,212,827	95.623	
Other Expenses	85,956	3.082	147,058	4.377	
	2,788,575	100.00	3,359,885	100.00	
	628,191	18.386	578,380	14.686	
Value Distribution:					
Distributed as follows					
To Employees					
<ul> <li>Remuneration</li> </ul>	162,152	25.813	144,141	24.922	
<ul> <li>Worker's profit participation fund</li> </ul>	4,822	0.768	1,938	0.335	
	166,974		146,079		
To Government					
<ul> <li>Federal Excise Duty / Sales Tax</li> </ul>	229,532	36.539	251,731	43.523	
- Income Tax	21,638	3.444	26,987	4.666	
<ul> <li>Deferred Tax</li> </ul>	(1,655)	(0.263)	(7,662)	(1.325)	
- Cess & Fees	6,303	1.003	11,996	2.074	
	255,818		283,052		
To Providers of Capital					
<ul><li>Finance Cost</li></ul>	81,122	12.914	99,355	17.178	
	81,122		99,355		
To Corporate Social Responsibility					
- Charity & Donations	1,156	0.184	1,263	0.218	
	1,156		1,263		
Retained in the Business					
<ul> <li>Depreciation &amp; Amortization</li> </ul>	65,721	10.462	39,899	6.898	
<ul> <li>Profit for the Year</li> </ul>	57,400	9.137	8,732	1.510	
	123,121		48,631		
	628,191	100.00	578,380	100.00	

# **Graphical Presentation of Value Addition & Distribution**







# 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 **SANGHAR SUGAR MILLS LIMITED** (the Company) for the year ended September 30, 2015 to comply with the requirements of Listing Regulations of the Karachi and Lahore Stock Exchanges, 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 requirements 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 part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Director's statement on internal controls covers all risk and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code applicable to the company for the year ended September 30, 2015.

KRESTON HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS

Karachi: January 06, 2016

# KARACHI Office:

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

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

### FAISALABAD Office:

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

# Statement of Compliance with the Code of Corporate Governance

Name of Company: SANGHAR SUGAR MILLS LIMITED

Year ended: September 30, 2015

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

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

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

Cate	gory		Name
(i)	Independent Director	1.	Mr. Rahim Bux
(ii)	Executive Directors		Haji Khuda Bux Rajar Mr. Ghulam Hyder
(iii)	Non-Executive Directors	2. 3.	Mr. Ghulam Dastagir Rajar Mr. Mohammad Aslam Mr. Qazi Shamsuddin Mr. Shahid Aziz

The Independent Director meets the criteria of independence under Clause 1(b) the CCG.

- 2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
- 3. The 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. None of the directors of the Company is a member of the stock exchange.
- 4. A causal vacancy occurring on the Board upon resignation of Mr. Gul Mohammad on November 01, 2014 was immediately filled up by the Board of Directors of the Company in their meeting held on November 05, 2014 by appointing Mr. Rahim Bux.
- 5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
- 6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- 7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive, 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, 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. The Chairman Audit Committee attended the preceding of Annual General Meeting of the Company.
- 9. The Board is well aware of their duties and responsibilities under the Code. One Director of the Company-Haji Khuda Bux Rajar is exempt from Directors' Training Program in accordance with

criteria defined in clause (xi) of CCG. Five Directors - Mr. Ghulam Dastagir Rajar, Mr. Mohammad Aslam, Mr. Ghulam Hyder, Mr, Rahim Bux and Mr. Qazi Shamsuddin have completed approved Directors' Training Program and one Director namely Mr. Shahid Aziz (representing N.I.T) will be trained within specified time under the CCG.

- 10. No new appointment of CFO, Company Secretary or the Head of Internal Audit has been made during the year. The remuneration, terms and conditions of the employment of CFO, Company Secretary and Head of Internal Audit and any changes thereto has been approved by the Board.
- 11. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
- 12. The Financial Statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
- 13. The Directors, Chief Executive and Executives do not hold any interest in the shares of the Company other than that disclosed in the Pattern of Shareholding.
- 14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
- 15. The Board has formed the Audit Committee. It comprises three members of whom two are Non-Executive Directors and one is Independent Director, who is its Chairman.
- 16. The meetings of the Audit Committee were held at least once every quarter prior to the approval of interim and final results of the Company and as required by the CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
- 17. The Board has formed a Human Resource & Remuneration Committee. It comprises three members of whom two are Non-Executive Directors and one is Independent Director, who is its Chairman.
- 18. The Board has set up an effective internal audit function in the Company managed by experience persons who are conversant with the policies and procedures of the Company and the industry's best practices. They are involved in the internal audit functions on a full time basis. The head of internal audit department functionally reports to the Board's Audit Committee
- 19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of Institute of Chartered Accountants of Pakistan (the ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
- 20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of 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. We confirm that all other material principles enshrined in the CCG have been complied with.

For and On Behalf of Board of Directors

Chief Executive Officer

KARACHI: January 06, 2016



# **Auditors' Report to the Members**

We have audited the annexed balance Sheet of **M/s. SANGHAR SUGAR MILLS LIMITED** (the Company) as at September 30, 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
  - the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity, together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at September 30, 2015 and of profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under Zakat and Ushr Ordinance, 1980(XVIII of 1980).

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

Karachi: January 06, 2016

# KARACHI Office:

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# **Balance Sheet**

As at September 30, 2015

ASSETS NON-CURRENT ASSETS	Notes	2015 (Rupe	2014 es in '000)
Property, plant and equipment	5	1,166,639	1,146,348
Intangible asset	6	869	497
Long term deposits	7	10,966	9,478
Deferred cost	8	33,373	
20.002	•	1,211,847	1,156,323
CURRENT ASSETS		.,,	1,100,000
Stores, spare parts and loose tools	9	42,326	42,125
Stock-in-trade	10	560,944	442,118
Trade debts	11	11,635	
Loans and advances	12	24,603	67,069
Trade deposits & short term prepayments	13	1,012	64,174
Other receivables	14	26,609	23,196
Tax refund due from Government - net of provision		11,778	24,177
Cash and bank balances	15	9,749	7,274
		<u>688,656</u>	670,133
TOTAL ASSETS		1,900,503	_1,826,456_
EQUITY AND LIABILITIES SHARE CAPITAL AND RESERVES Authorized capital			
20,000,000 shares of Rs.10 each		200,000	200,000
Issued, subscribed and paid up capital	16	119,460	119,460
Unappropriated profit		331,805	251,401
		451,265	370,861
Surplus on revaluation of property, plant & equipment <b>NON CURRENT LIABILITIES</b>	17	409,370	427,287
Long term financing	18	66,000	_
Liabilities against assets subject to finance lease	19	37,640	23,174
Deferred liabilities	20	325,349	320,838
CURRENT LIABILITIES		428,989	344,012
Trade and other payables	21	242,365	137,603
Accrued mark-up / financial charges	22	13,756	20,314
Short term borrowings	23	317,304	470,058
Current portion of long term financing Current portion of liabilities against assets	18	22,000	
subject to finance lease	19	15,454	56,321
•		610,879	684,296
CONTINGENCIES AND COMMITMENTS	24		
TOTAL EQUITY AND LIABILITIES		1,900,503	1,826,456
The annexed notes form an integral part of these financial	al statements.		

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

# **Profit and Loss Account**

For the year ended September 30, 2015

	Notes	2015 (Rupee	2014 s in ' <b>000)</b>
Sales	25	2,869,164	3,196,951
Cost of sales	26	2,612,077	2,983,202
Gross Profit		257,087	213,749
Loss from trading activities	27	_	577
		257,087	213,172
Distribution cost	28	769	5,326
Administrative expenses	29	75,544	63,949
Other operating expenses	30	9,950	8,834
		86,263	78,109
		170,824	135,063
Other income	31	81	383
Operating Profit		170,905	135,446
Finance cost	32	81,122	99,355
Profit before taxation		89,783	36,091
Taxation	33	32,383	27,359
Profit after taxation		57,400	8,732
Earnings per share - Basic and diluted (Rupees)	34	4.80	0.73

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

# **Statement of Comprehensive Income**

For the year ended September 30, 2015

	Note	2015 2014 (Rupees in '000)	
Profit after taxation		57,400	8,732
Other Comprehensive Income			
Items that will not be reclassified to Profit & Loss:			
Remeasurement Gain on Employees Benefits Plan recognized during the year	20.2.1		920
Impact of tax			(304)
		_	616
Total Other Comprehensive Income		_	616
Total Comprehensive Income for the year		57,400	9,348

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

# **Cash Flow Statement**

For the year ended September 30, 2015

, ,	,	2015	2014
	Notes	(Rupees i	n '000)
Profit before taxation		89,783	36,091
Adjustment for non cash charges and other items:			
Depreciation	5.1.2	65,455	39,759
Amortization	6	266	140
Amortization of deferred cost	8	8,343	_
Employees retirement benefits expense	20.2.3	10,370	9,090
Provision for market committee fee	20	6,303	7,382
Gain on disposal of property, plant & equipment - net	5.1.3	_	(301)
Provision for slow moving and obsolete stores,	•	4.074	4 00=
spares and loose tools	9	1,271	1,027
Finance cost	32	81,122 173,130	99,355 156,452
		262,913	192,542
Changes in Working conital		202,913	192,542
Changes in Working capital  Decrease / (Increase) in current assets			
Stores, spare parts and loose tools		(1,472)	94
Stock - in - trade		(118,826)	(139,818)
Trade debts		(11,635)	(100,010)
Loans and advances		42,466	(42,160)
Trade deposits & Short term prepayments		63,162	(14,217)
Other Receivables		(3,413)	(119)
		(29,718)	(196,220)
Increase / (Decrease) in current liabilities			
Trade and other payables		104,762	(278,214)
Cash generated from / (used in) Operations		337,957	(281,892)
Employees retirement benefits paid during the year	20.2.1	(5,420)	(2,498)
Finance cost paid during the year		(87,680)	(80,729)
Increase in long term deposits		(1,488)	` -
Deferred Cost incurred during the year	8	(41,716)	-
Income tax paid during the year		(21,638)	(26,987)
		(157,942)	(110,214)
Net cash inflow / (out flow) from operating activities		180,015	(392,106)
CASH FLOW FROM INVESTING ACTIVITIES			
Additions in property, plant & equipment		(85,747)	(64,167)
Addition in Intangible Assets	6	(638)	(637)
Proceeds from disposal of property, plant & equipment		_	410
Net cash outflow from investing activities		(86,385)	(64,394)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from sale & lease back of property,			
plant & equipment	5.1.3	30,000	
Proceeds from Long Term Financing	18	88,000	
Payments of liabilities against asset subject to finance lease		(56,401)	(28,001)
Net cash inflow / (outflow) from financing activities		61,599	(28,001)
Net increase / (decrease) in cash and cash equivalents		155,229	(484,501)
Cash and cash equivalents at beginning of the year		(462,784)	21,717
Cash and cash equivalents at end of the year	35	(307,555)	(462,784)
The annexed notes form an integral part of these financial stater	ments.		

# **Statement of Changes in Equity**

For the year ended September 30, 2015

Particulars	Notes	Share Capital	Unappropriated profit (Rs in '000)	Total
Balance as at October 01, 2013		119,460	235,305	354,765
Total Comprehensive Income for the year				
Profit after tax for year ended September 30,	2014		8,732	8,732
Incremental depreciation charged on surplus or revaluation of property, plant & equipment - no deferred tax			6,748	6,748
Remeasurement Gain recognized during the year - net of deferred tax	20.2.1		616 7,364	616 7,364
	_	<u> </u>	16,096	16,096
Balance as at September 30, 2014		119,460	251,401	370,861
Total Comprehensive Income for the year				
Profit after tax for year ended September 30, Incremental depreciation charged on surplus			57,400	57,400
revaluation of property, plant & equipment - no deferred tax	et of 17		23,004	23,004
Remeasurement Gain recognized during				
the year - net of deferred tax	20.2.1			
			23,004	23,004
			80,404	80,404
Balance as at September 30, 2015		119,460	331,805	451,265

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

# **Notes to the Financial Statements**

For the year ended September 30, 2015

# 1 COMPANY AND ITS OPERATIONS

The Company is a public limited Company incorporated in 1986 in Pakistan under the Companies Ordinance, 1984. Its shares are quoted on Karachi and Lahore Stock Exchanges. The Company is principally engaged in the manufacture and sale of sugar and its by-products. The company has also installed transmission equipment to sell surplus electric power. The registered office of the Company is situated at C-27, Plot No. F-24, Block - 9, Clifton, Karachi and its manufacturing facilities are located in district Sanghar, Sindh.

# 2 BASIS OF PREPARATION

# 2.1 Statement of Compliance

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

# 2.2 Accounting Convention

These financial statements have been prepared under the historical cost convention, except for, certain employees retirement benefits that are based on actuarial valuation, items of property, plant and equipment which are carried at revalued amounts and stock in trade when valued at net realisable value.

# 2.3 RECENT ACCOUNTING DEVELOPMENTS

# STANDARDS, AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARD AND INTERPRETATIONS

# 2.3.1 New and amended standards and interpretations became effective

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

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

IFRIC 21 Levies

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

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

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

# Effective dates as determined by relevant IFRS

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

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

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

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

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

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

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

# 3 CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

The preparation of these financial statements in conformity with the approved accounting standards requires management to make judgments, estimates and assumptions that affects the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under that circumstances, the results of which form the basis of making judgment about carrying value of assets and liabilities that are not readily apparent from other sources. However, uncertainty about these assumptions and estimates could result in outcome that require material adjustment to the carrying amount of the asset or liability affected in future periods.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and any future period affected.

Judgments made by the management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

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

# — Taxation :

In making the estimates of the income tax liabilities, the management considers current income tax law and decisions of appellate authorities. Deferred tax estimate is made considering future applicable tax rate.

# Defined Benefit Plan

Certain actuarial assumptions have been adopted as disclosed in these financial statements for valuation of present value of defined benefit obligation. Any changes in these assumptions in future years might effect gains and losses in those years. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates.

# Property, Plant and Equipment

The Company's management determines the estimated useful lives and related depreciation charge for its property, plant and equipment. The Company reviews the value of assets for possible impairment on financial year end. Any change in the estimate in the future years might effect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on the depreciation charge and impairment.

### Stock in trade

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

# Contingencies

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The Company, based on the availability of the latest information, estimates the value of contingent assets and liabilities which may differ on the occurrence / non-occurrence of the uncertain future event(s).

# Provision against trade debts, deposits, advances and other receivables

The Company reviews the recoverability of its trade debts, deposits, advances and other receivables to assess amount of doubtful & bad debts and provision required there against.

# Slow Moving and Stores Obsolescence

In making estimates of quantum of slow moving and obsolescence, the aging analysis, current condition of various items component of realization and expected use in future are considered.

# Impairment

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

# 4 SIGNIFICANT ACCOUNTING POILICIES

### 4.1 Taxation

# 4.1.1 Current

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

# 4.1.2 Deferred

Deferred tax is recognized 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 their tax base and is recognized on the basis of the expected manner of the realization or settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantially enacted at the balance sheet date. Deferred tax asset is recognized to the extent that it is probable that the future taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax asset is reduced to the extent that is no longer probable that the related tax benefit will be realized.

# 4.1.3 Sales tax and Federal Excise Duty (FED)

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

- Where amount incurred on a purchase of asset or service is not recoverable from the taxation authorities, in which case the tax / duty is recognized as part of the cost of the acquisition of the assets or as part of the expense item as applicable; and
- Receivables or payables that are stated with the amount of Sales tax / FED included.

The net amount of sales tax and FED recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

# 4.2 Employees Retirement benefits:

# 4.2.1 Defined benefit plan

The Company operates an unfunded gratuity scheme for all employees eligible to the scheme with qualifying service period. Provision is made annually to cover the obligation on the basis of actuarial valuation carried out using Projected Unit Credit Method, and is charged to profit and loss account, related details of which are given in the respective note to the financial statements. Remeasurement gains or losses are recognized in full as and when arise and are charged to other comprehensive income.

# 4.3 Property, plant and equipment

# 4.3.1 Owned assets

These are stated at cost less accumulated depreciation and impairment, if any, except for free hold land, buildings and plant and machinery which are stated at revalued amounts.

Depreciation is charged, on a systematic basis over the economic useful life of the asset, on reducing balance method, which reflects the pattern in which the assets economic benefits are consumed by the Company, at the rates specified in respective note. Depreciation on additions is charged from the month in which the assets are put to use while no depreciation is charged in the month in which the assets are disposed off.

The Surplus on revaluation of Property, Plant and Equipment is recognized in accordance with section 235 of the Companies Ordinance, 1984. The surplus on revaluation of Property, Plant and Equipment to the extent of incremental depreciation net of deferred tax thereon charged on the related assets is transferred to statement of changes in equity under unappropriated profit. In case of disposal of revalued Property, Plant and Equipment, any revaluation surplus is directly transferred to retained earning through statement of Other Comprehensive Income. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

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

# 4.3.2 Assets subject to finance lease

These are accounted for by recording the assets at the lower of present value of minimum lease payments under the lease agreements and the fair value of assets acquired. Depreciation is charged to the profit and loss account using the same basis as for owned assets.

# 4.3.3 Capital work-in-progress

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

# 4.4 Intangible Asset

Computer software are stated at cost less accumulated amortisation. Software cost are only capitalized when it is probable that future economic benefits attributable to the software will flow to the Company and the same is amortised applying the straight line method at the rate stated in respective note to these financial statements.

# 4.5 Deferred Cost

Deferred cost are the cost / expenses inurred during the year whose benefits are expected to be received beyond the period of one year. Cost are amortized over the estimated period of consuming benefits.

# 4.6 Stores, spare parts and loose tools

These are valued at cost calculated on moving average basis less provision for obsolescence, and slow moving items, except for the items in transit, which are valued at cost accumulated up to the balance sheet date.

# 4.7 Stock in trade

Stock of sugar is valued at lower of the weighted average cost and net realizable value. By-products i.e. Molasses and Baggasse are valued at net realizable value (NRV). Cost in relation to work in process and finished goods consists of material cost, proportionate manufacturing overheads.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated cost necessary to be incurred to make the sale.

# 4.8 Trade debts

Trade debts are carried at original invoice amount less provision if any. Provision for doubtful debts is based on management's assessment of customers and their credit worthiness. Bad debts are written off when there is no realistic prospect of recovery.

# 4.9 Trade and other payables

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

# 4.10 Finance Lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee or meet other criteria defined in IAS 17. All other leases are classified as operating lease. Assets held under finance lease are recognized as items of property, plant & equipment of the company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as "Liabilities against asset subject to finance lease". Lease payments are apportioned between finance charges and reduction of the liabilities against assets subject to finance lease so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit & loss account unless they are directly attributable to qualifying assets in which case they are capitalized in accordance with the Company's general policy on borrowing cost.

# 4.11 Ijarah Lease contracts

Leases, where a significant portion of the risk and rewards of ownership are retained by the lessor, are classified as ijarah lease. Payments made under the Ijarah lease agreements are charged to profit & loss account.

# 4.12 Revenue recognition

Revenue is recognized to the extent that it is probable that the future economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and government levies.

Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods to customers. Electric power supply is recognized when the supply of power is passed-on through transmission lines. Rental income is recorded on an accrual basis.

# 4.13 Functional and presentation currency

These financial statements are presented in Pakistan Rupee which is the Company's functional and presentation currency.

# 4.14 Foreign currency transaction and translation

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

# 4.15 Provisions

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

# 4.16 Borrowing cost

Mark-up, interest and other charges on loans are capitalized up to the date of commissioning of the respective qualifying assets. All other mark-up, interest, profit and other charges are charged to profit & loss account.

### 4.17 Financial Instruments

Financial assets and liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and derecognized when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liability when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss, if any, on derecognition of financial assets and financial liabilities is included in the profit and loss account currently.

# 4.18 Offsetting of financial assets and liabilities

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

# 4.19 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand and bank balances net of short term borrowings.

# 4.20 Dividend and appropriation to reserves

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

# 4.21 Impairment

# Financial assets

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

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

# Non-Financial assets

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

# 4.22 Employee compensated absences

The Company provides for compensated absences for all eligible employees in the period in which these are earned in accordance with the terms of employment.

			2015	2014	
5	PROPERTY, PLANT AND EQUIPMENT (Rupees in '00				
	These are comprised as under:				
	Operating fixed assets	Note - 5.1	1,164,277	1,086,312	
	Capital work-in-progress	Note - 5.2	2,362	60,036	
			1,166,639	1,146,348	
	Capital work-in-progress	Note - 5.2			

# 5.1 Operating Fixed Assets

					OWNED					LEASED	OWNED &
	Free hold	Factory	Non-Factory	Plant and	Furniture	Vehicles	Computer	Stores & Spares	Sub - Total	Plant and	LEASED Grand Total
Net carrying value as at Sept 30, 2015	land	Building on free hold land	Building on free hold land	Machinery	and Fittings		Equipment & Appliances	held for capital expenditure		Machinery	
					Rupe	es in'000					
Opening Net Book											
Value (NBV) Direct Additions at Cost	93,500	135,920	69,780 —	638,999	1,835	10,547	2,934 272	5,654	959,169 272	127,143	1,086,312
Transfer from Capital											
Work in Progress	_	2,091	776	140,282	_	_	-	-	143,149	_	143,149
Transfer from Leased to Owned at WDV	_	_	_	88,655	_	_	_	_	88,655	(88,655)	_
Assets Sold and Leased Back	_	_	_	(30,000)	_	_	_	_	(30,000)	30,000	_
Depreciation charge for				, , ,					, , ,	ĺ	
the year	_	(13,766)	(7,043)	(38,565)	(184)	(2,109)	(390)	(283)	(62,340)	(3,116)	(65,455)
Closing Net Book Value	93,500	124,245	63,513	799,370	1,651	8,438	2,816	5,371	1,098,904	65,373	1,164,277
Gross carrying value as at Sept 30, 2015											
Cost	7,043	27,362	12,365	729,769	6,470	21,930	11,702	5,867	822,507	70,000	892,507
Accumulated Depreciation - Cost	_	(16,970)	(8,576)	(231,691)	(4,819)	(13,492)	(8,886)	(496)	(284,930)	(4,627)	(289,557)
	7,043	10,392	3,789	498,078	1,651	8,438	2,816	5,371	537,577	65,373	602,950
Revaluation	86,457	158,654	73,618	378,502	_	_	_	-	697,231	_	697,231
Accumulated Depreciation - Revaluation	_	(44,801)	(13,894)	(77,209)	_	_	_	_	(135,904)	_	(135,904)
revaldation	86,457	113,853	59,724	301,293					561,327		561,327
Total Net Book Value	93,500	124,245	63,513	799,370	1,651	8,438	2,816	5,371	1,098,904	65,373	1,164,277
					OWNED					LEACED	OWNED &
					OWNED					LEASED	
	Free hold	Factory	Non-Factory	Plant and	Furniture	Vehicles	Computer	Stores & Spare		Plant and	LEASED  Grand Total
Net carrying value as at Sept 30, 2014	Free hold land	Factory Building on free hold land	Non-Factory Building on free hold land	Plant and Machinery		Vehicles	Computer Equipment & Appliances				LEASED
	land	Building on free hold land	Building on free hold land	Machinery	Furniture and Fittings		Equipment & Appliances	held for capital		Plant and Machinery	LEASED Grand Total
at Sept 30, 2014  Opening Net Book	land	Building on free hold land	Building on free hold land	Machinery	Furniture and FittingsRupe	es in'000	Equipment & Appliances	held for capital expenditure		Plant and Machinery	LEASED Grand Total
at Sept 30, 2014  Opening Net Book Value (NBV)	land	Building on free hold land	Building on free hold land	Machinery	Furniture and Fittings		Equipment & Appliances	held for capital expenditure  3,763	588,006	Plant and Machinery	LEASED Grand Total
at Sept 30, 2014  Opening Net Book Value (NBV)  Direct Additions at Cost Transfer from Capital	land	Building on free hold land	Building on free hold land	494,708 —	Furniture and Fittings Rupe	<b>es in'000</b> 12,426	Equipment & Appliances	held for capital expenditure  3,763	588,006 3,268	Plant and Machinery	T21,841 3,268
at Sept 30, 2014  Opening Net Book Value (NBV)  Direct Additions at Cost Transfer from Capital Work in Progress	land	Building on free hold land	Building on free hold land	Machinery	Furniture and Fittings Rupe	<b>es in'000</b> 12,426	Equipment & Appliances	held for capital expenditure  3,763	588,006	Plant and Machinery	LEASED Grand Total 721,841
at Sept 30, 2014  Opening Net Book Value (NBV)  Direct Additions at Cost Transfer from Capital Work in Progress  Revaluation during the year	land	Building on free hold land	Building on free hold land	494,708 —	Furniture and Fittings Rupe	es in'000 12,426 781 —	Equipment & Appliances	held for capital expenditure  3,763	588,006 3,268 8,707 392,364	Plant and Machinery  133,835  — — —	721,841 3,268 8,707 392,364
at Sept 30, 2014  Opening Net Book Value (NBV)  Direct Additions at Cost Transfer from Capital Work in Progress Revaluation during the year  Disposal at NBV	25,600 —	Building on free hold land  37,836	Building on free hold land  8,700	494,708 — 8,707	Furniture and Fittings Rupe	<b>es in'000</b> 12,426	Equipment & Appliances	held for capital expenditure  3,763	588,006 3,268 8,707	Plant and Machinery  133,835  — — —	721,841 3,268 8,707
at Sept 30, 2014  Opening Net Book Value (NBV)  Direct Additions at Cost Transfer from Capital Work in Progress  Revaluation during the year	25,600 —	Building on free hold land  37,836	Building on free hold land  8,700	494,708 — 8,707	Furniture and Fittings Rupe	es in'000 12,426 781 —	2,98* 354 ———————————————————————————————————	held for capital expenditure	588,006 3,268 8,707 392,364 (109)	Plant and Machinery  133,835  — — —	721,841 3,268 8,707 392,364
at Sept 30, 2014  Opening Net Book Value (NBV)  Direct Additions at Cost Transfer from Capital Work in Progress Revaluation during the year  Disposal at NBV  Depreciation charge for the year  Closing Net Book Value	25,600 —	37,836 — 101,868 —	8,700 — 61,950 —	494,708 — 8,707 160,646 —	Furniture and Fittings  Rupe  1,992 45  — — —	12,426 781 — — — (109)	2,98* 354 ———————————————————————————————————	held for capital expenditure	588,006 3,268 8,707 392,364 (109) (33,067)	Plant and Machinery  133,835  — — — —	721,841 3,268 8,707 392,364 (109)
at Sept 30, 2014  Opening Net Book Value (NBV)  Direct Additions at Cost Transfer from Capital Work in Progress Revaluation during the year  Disposal at NBV  Depreciation charge for the year	25,600 — 67,900 — 93,500	37,836 — 101,868 — (3,784) 135,920	8,700 — 61,950 — (870) 69,780	494,708   8,707  160,646   (25,062)  638,999	Furniture and Fittings  Rupe  1,992 45 — — — — — — — — (202) 1,835	12,426 781 — (109) (2,551)	2,98 <sup>2</sup> 354 — (401 2,934	A	588,006 3,268 8,707 392,364 (109) (33,067) 959,169	Plant and Machinery  133,835 — — — — — — — — — — (6,692) 127,143	721,841 3,268 8,707 392,364 (109) (39,759)
at Sept 30, 2014  Opening Net Book Value (NBV) Direct Additions at Cost Transfer from Capital Work in Progress Revaluation during the year Disposal at NBV Depreciation charge for the year Closing Net Book Value Gross carrying value as at Sept 30, 2014 Cost	25,600 — 67,900 — 93,500 — 7,043	37,836 — 101,868 — (3,784)	8,700 — 61,950 — (870)	494,708 — 8,707 160,646 — (25,062)	Furniture and Fittings  Rupe  1,992 45  — — — — — — — (202)	12,426 781 — — (109)	2,98° 354 ———————————————————————————————————	A	588,006 3,268 8,707 392,364 (109) (33,067)	Plant and Machinery  133,835 — — — — — — — — — — (6,692)	721,841 3,268 8,707 392,364 (109) (39,759)
at Sept 30, 2014  Opening Net Book Value (NBV) Direct Additions at Cost Transfer from Capital Work in Progress Revaluation during the year Disposal at NBV Depreciation charge for the year Closing Net Book Value Gross carrying value as at Sept 30, 2014	25,600 — 67,900 — 93,500 — 7,043	37,836 — 101,868 — (3,784) 135,920	8,700 — 61,950 — (870) 69,780	494,708   8,707  160,646   (25,062)  638,999	Furniture and Fittings  Rupe  1,992 45 — — — — — — — — (202) 1,835	12,426 781 — (109) (2,551)	2,98° 354 ———————————————————————————————————	held for capital expenditure  3,763 2,088  — — — — — — — — — — — — 5,654	588,006 3,268 8,707 392,364 (109) (33,067) 959,169	Plant and Machinery  133,835 — — — — — — (6,692)  127,143	721,841 3,268 8,707 392,364 (109) (39,759)
at Sept 30, 2014  Opening Net Book Value (NBV) Direct Additions at Cost Transfer from Capital Work in Progress Revaluation during the year Disposal at NBV Depreciation charge for the year Closing Net Book Value Gross carrying value as at Sept 30, 2014 Cost Accumulated Depreciation - Cost	25,600 — 67,900 — 93,500 — 7,043 — 7,043	37,836 — 101,868 — (3,784) 135,920 25,271 (15,740) 9,531	8,700 — 61,950 — (870) 69,780 — (8,121) 3,468	494,708 — 8,707 160,646 — (25,062) <b>638,999</b> 530,832 (207,831) 323,001	Furniture and Fittings  Rupe  1,992 45	12,426 781 — (109) (2,551) 10,547	2,98° 354 ———————————————————————————————————	held for capital expenditure  3,763 4 2,088  — — — — — — — — — — — — — — — — — —	588,006 3,268 8,707 392,364 (109) (33,067) 959,169 620,433 (256,419) 364,013	Plant and Machinery  133,835 — — — — — — (6,692)  127,143	721,841 3,268 8,707 392,364 (109) (39,759) 1,086,312  768,755 (277,598) 491,156
at Sept 30, 2014  Opening Net Book Value (NBV) Direct Additions at Cost Transfer from Capital Work in Progress Revaluation during the year Disposal at NBV Depreciation charge for the year Closing Net Book Value Gross carrying value as at Sept 30, 2014 Cost Accumulated Depreciation - Cost	25,600 — 67,900 — 93,500 — 7,043 — 7,043 — 86,457	37,836 — — 101,868 — (3,784) 135,920 — 25,271 (15,740)	8,700 — 61,950 — (870) 69,780	494,708 — 8,707 160,646 — (25,062) 638,999 530,832 (207,831)	Furniture and Fittings	12,426 781 — (109) (2,551) 10,547	2,98° 354  ——————————————————————————————————	held for capital expenditure  3,763 2,088 ———————————————————————————————————	588,006 3,268 8,707 392,364 (109) (33,067) 959,169 620,433	Plant and Machinery  133,835 — — — — — — — — (6,692)  127,143	721,841 3,268 8,707 392,364 (109) (39,759) 1,086,312
at Sept 30, 2014  Opening Net Book Value (NBV) Direct Additions at Cost Transfer from Capital Work in Progress Revaluation during the year Disposal at NBV Depreciation charge for the year Closing Net Book Value Gross carrying value as at Sept 30, 2014 Cost Accumulated Depreciation - Cost	25,600 — 67,900 — 93,500 — 7,043 — 7,043 — 86,457 — —	37,836 — — 101,868 — (3,784) 135,920 — 25,271 (15,740) 9,531 158,654 (32,265)	8,700 — 61,950 — (870) 69,780 — 11,589 (8,121) 3,468 73,618 (7,306)	494,708 — 8,707 160,646 — (25,062) 638,999 530,832 (207,831) 323,001 378,501 (62,503)	Furniture and Fittings	12,426 781 — (109) (2,551) 10,547 21,930 (11,383) 10,547	2,98° 354  ——————————————————————————————————	held for capital expenditure  3,763 4 2,088  — — — — — — — — — — — — — — — — — —	588,006 3,268 8,707 392,364 (109) (33,067) 959,169 620,433 (256,419) 364,013 697,230 (102,074)	Plant and Machinery  133,835  — — — — — — — — — — — — — — — — — —	721,841 3,268 8,707 392,364 (109) (39,759) 1,086,312  768,755 (277,598) 491,156 697,230 (102,074)
at Sept 30, 2014  Opening Net Book Value (NBV) Direct Additions at Cost Transfer from Capital Work in Progress Revaluation during the year Disposal at NBV Depreciation charge for the year Closing Net Book Value Gross carrying value as at Sept 30, 2014 Cost Accumulated Depreciation - Cost  Revaluation Accumulated Depreciation - Revaluation	25,600 — 67,900 — 93,500 7,043 — 7,043 86,457 — 86,457	37,836 — — 101,868 — (3,784) 135,920 25,271 (15,740) 9,531 158,654 (32,265) 126,389	8,700 — 61,950 — (870) 69,780 — (8,121) 3,468 — 73,618 — (7,306) 66,312	494,708  8,707  160,646  (25,062)  638,999  530,832 (207,831) 323,001 378,501 (62,503) 315,998	Furniture and Fittings	es in'000  12,426 781  — (109) (2,551)  10,547  21,930 (11,383) 10,547  — — —	2,984	held for capital expenditure	588,006 3,268 8,707 392,364 (109) (33,067) 959,169 620,433 (256,419) 364,013 697,230 (102,074) 595,156	Plant and Machinery  133,835  — — — — — — — — — — — — — — — — — —	721,841 3,268 8,707 392,364 (109) (39,759) 1,086,312  768,755 (277,598) 491,156 697,230 (102,074) 595,156
at Sept 30, 2014  Opening Net Book Value (NBV) Direct Additions at Cost Transfer from Capital Work in Progress Revaluation during the year Disposal at NBV Depreciation charge for the year Closing Net Book Value Gross carrying value as at Sept 30, 2014 Cost Accumulated Depreciation - Cost  Revaluation Accumulated Depreciation	25,600 — 67,900 — 93,500 — 7,043 — 7,043 — 86,457 — —	37,836 — — 101,868 — (3,784) 135,920 — 25,271 (15,740) 9,531 158,654 (32,265)	8,700 — 61,950 — (870) 69,780 — 11,589 (8,121) 3,468 73,618 (7,306)	494,708 — 8,707 160,646 — (25,062) 638,999 530,832 (207,831) 323,001 378,501 (62,503)	Furniture and Fittings	12,426 781 — (109) (2,551) 10,547 21,930 (11,383) 10,547	2,98° 354  ——————————————————————————————————	held for capital expenditure	588,006 3,268 8,707 392,364 (109) (33,067) 959,169 620,433 (256,419) 364,013 697,230 (102,074) 595,156	Plant and Machinery  133,835  — — — — — — — — — — — — — — — — — —	721,841 3,268 8,707 392,364 (109) (39,759) 1,086,312  768,755 (277,598) 491,156 697,230 (102,074)

- **5.1.1** The Company's freehold land, building and plant and machinery were revalued on September 30, 2014, by independent professional valuers M/s Oceanic Surveyors (Pvt) Limited at fair market value. The resultant revaluation on surplus has been adjusted to the surplus on revaluation of Fixed Assets Account. The Fair Values were determined with reference to market based evidence, based on active market prices and relevant enquiries and information as considered necessary, adjusted for any difference in nature, location or condition of the specific property.
- **5.1.2** Depreciation charge for the year has been allocated as under:

		2015 (Rupees	2014 s in ' <b>000</b> )
Cost of Sales	Note 26	55,730	35,537
Administrative Expenses	Note 29	9,725	4,222
		65,455	39,759

**5.1.3** The following Property, plant and equipments were disposed off during the year:

Particulars	Cost	Written Down Value	Sale Proceeds	Gain/ (Loss)	Mode of Disposal	Purchaser		
Rupees in '000								
Plant & Machinery								

Juice Heaters & Centrifugal Machines	30,000	30,000	30,000	_
Sept 30, 2015	30,000	30,000	30,000	
Sep. 30, 2014	418	109	410	301

Orix Leasing Pakistan Sale and leased back Limited

5.2

Capital work-in-progress								
	Cost at October 01	Capital expenditure incurred during	Transferred to operating	Cost at September 30				
	October 01	the year	fixed assets	oeptember 30				
	Rupees in '000							
,		201	5					
Plant and Machinery - under erection	57,169	85,475	140,282	2,362				
Civil Works	2,867		2,867	_				
As at Sept 30, 2015	60,036	85,475	143,149	2,362				
,	2014							
Plant and Machinery - under erection	7,844	58,032	8,707	57,169				
Civil Works		2,867		2,867				
As at Sep 30, 2014	7,844	60,899	8,707	60,036				

## **6 NTANGIBLE ASSET**

## **Computer Software**

Net carrying	value as	at Sep 30
--------------	----------	-----------

Opening Net Book Value (NBV)		497	_
Additions at cost during the year		638	637
Amortization charged during the year	Note 29	(266)	(140)
Closing Net Book Value		869	497
Gross carrying value as at Sep 30			
Cost		1,275	637
Accumulated Amortization		(406)	(140)
		869	497

**6.1** The cost is being amortized using straight line method over a period of three years.

## 7 LONG TERM DEPOSITS

,	LONG TERM DEPOSITS			
	Finance Lease deposits		7,500	41,823
	Ijarah Lease deposit		2,930	2,930
	Lease deposit being adjustable within next twelve			
	months classified as current asset	Note 13	_	(35,822)
			10,430	8,931
	Security deposits		536	547
			10,966	9,478
8	DEFERRED COST			
	Deferred costs	Note 8.1	41,716	_
			<b>(2.2.42)</b>	
	Amortization	Note 26	(8,343)	
			33,373	

**8.1** Deferred costs represent the costs incurred during the year in respect of obtaining an independent / dedicated feeder for evacuation of power from the Company's power generation unit to HESCO Grid Station. The benefit of these costs are expected over the period of license however the same are being amortized over the period of Power Purchase Agreement that is five years.

## 9 STORES, SPARE PARTS AND LOOSE TOOLS

-				
	Stores		24,611	22,762
	Spare parts		30,661	33,149
	Loose tools		2,679	568
			57,951	56,479
	Provision for slow moving items and obsolescence	Note 9.1	15,625	14,354
			42,326	42,125
9.1	Reconciliation of provision for slow moving and ob	solete items		
	Opening balance at the beginning of the year		14,354	13,327
	Charge for the year	Note 30	1,271	1,027
	Closing balance at the end of the year		15,625	14,354

				2015 (Rupee:	2014 <b>s in '000)</b>
10	STOCK-IN-TE Sugar Sugar in proce Molasses in p Baggasse	ess	Note 10.1 & 26 Note 26	557,362 510 226 2,846 560,944	440,832 886 250 150 442,118
10.1 11	The closing stopledged again  TRADE DEB1	ock of sugar having carrying valust cash finance obtained from B	ue of Rs. 46,094 tho anking Companies.	ousands (2014: 1	96,678) has been
••		Considered Good	Note 11.1	11,635	_
11.1	This represer electricity gen Pending the fire	its receivable from Hyderabad erated and transmitted to Nati nalizing the terms of supplying e risional prices of electricity expe	Electric Supply Conal Grid with the lectricity with the au	company (HESC approval of relations	evant authorities.
	Interest free Secured	loyees - Other than CEO,			
	Directors & E Un-Secured	xecutives	Note 12.1	1,500	366
	Advances to	<ul><li>Employees against salaries</li><li>Contractors and suppliers</li></ul>		559 11,527_	165 21,768
	- Growers	Considered good Considered doubtful	Note 12.2	11,017 6,925 17,942	44,770 6,925 51,695
	Provision agai	nst doubtful growers advances		6,925 11,017 24,603	6,925 44,770 67,069
12.1	housing assis	vances have been given to emplotance in accordance with the to allow installments and are non-intented to the contract of the	erms of the employ	ase of house hole  yments and are	d equipments and repayable in the
12.2		makes advances to growers which is adjustable against the supee.			
13	Trade Deposi		YMENTS		
			Note 7 Note 24.2		35,822 18,750 8,855 — 63,427
	Short Term P Prepaid Insura Others			457 75 532	65,427 666 81 747
				1,012	64,174

				2015 (Rupees	2014 in ' <b>000</b> )
14	Inland freigh	CEIVABLES  at subsidy receivant  eceased executive		18,713 —	18,713 —
	Further sale	s tax refundable	Note 14.2	4,283	4,283
	Road Cess Insurance C	laim		3,613	— 200
	ilisulatice C	iaiiii		26,609	23,196
14.1	Pakistan. To Rs. 2,990 th matter of pro-	otal receivable in nousand relating udence and will t	he Government of Pakistan through this respect amounted to Rs. 21,703 to the export sales of year 2013-14, be recognised once the chances of re	Trade Developm thousands; however has not been according to the contraction of the contra	nent Authority of ver an amount of counted for as a
14.2		eceased execut		42.000	40.000
	Provision the	eceased executivere against	e	12,996 (12,996)	12,996 (12,996)
		J			
14.3	Further Tax amounted to aggregated	in their monthly Rs. 764 thouse to Rs. 4,283 the	f one per cent on sales to unregistere y Sales Tax & Federal Excise Retu and and July 2013 amounted to Rs. busand and not charged / received be matter is pending for the final decis	urns for the mont 3,519 thousand by the buyers. Th	th of June 2013 on buyer behalf
15		BANK BALANG	CES		
	Cash in han Cash at ban			82	52
		t accounts		9,667	7,222
				9,749	7,274
16	ISSUED, SU	JBSCRIBED AN	D PAID UP CAPITAL		
	2015	2014			
	10,860,000	10,860,000	Ordinary shares of Rs.10 each allotted for consideration fully paid in cash	108,600	108,600
	1,086,000	1,086,000	Ordinary shares of Rs.10 each	100,000	100,000
			allotted as bonus shares	10,860	10,860
	11,946,000	11,946,000		119,460	119,460
17	SURPLUS (	ON REVALUATI	ON OF PROPERTY,		<del></del>
•••	PLANT & E		on or 1 no. 2,		
	Gross openi		havaar	595,157	212,865
		Surplus during t depreciation cha	ne year arged on surplus on		392,364
	revaluation (	of property, plant	& equipment - net of deferred tax	(23,004)	(6,748)
			Depreciation charged on surplus ant & equipment	(10,826)	(3,324)
	3 Taladi	F. JP 01.13, P	<del></del>	(33,830)	(10,072)
				561,327	595,157
	Related defe	erred Tax surplus net of de	aforred tay	<u>(151,957)</u> 409,370	<u>(167,870)</u> 427,287
	ivevainatioti	anthing tiet of de	FIGITEU LAX	<del>403,370</del>	421,201

			2015	2014
			(Rupees	in '000)
18	LONG TERM FINANCING			·
	Secured			
	From Banking Company under mark-up arra	ngements		
	Demand Finance	Note 18.1	88,000	_
	Current portion shown under current liabilities		(22,000)	_
			66,000	
18.1	This represents Demand Finance obtained from	n Banking Compa	ny under mark-u	o arrangements

18.1 This represents Demand Finance obtained from Banking Company under mark-up arrangements with a grace period of one year from disbursement of loan and repayable in 16 varying quarterly installments starting from December 2015 with a mark-up payments @ 3 months KIBOR + 2.5% in quarterly basis. The finance is secured against 1st registered charge over land and building and 1st pari passu charge over plant & machinery and 1st exclusive charge over specific equipments.

## 19 LIABILITIES AGAINST ASSET SUBJECT TO FINANCE LEASE

Present Value of Minimum Lease Payments	53,094	79,495
Less: Current Portion shown under current liabilities	15,454	56,321
	37,640	23,174

19.1 The amounts of future payments for the lease and the period of their maturity is as follows:

	Minimum Lease Payments (MLP)	Financial Charges Rupees in 00	Present Value of MLP
		2015	
Rentals due within one year	19,858	4,404	15,454
Rentals due after one year but within five years	42,066	4,426	37,640
Balance as at September 30, 2015	61,924	8,830	53,094
		2014	
Rentals due within one year	60,667	4,346	56,321
Rentals due after one year but within five years	25,631	2,457	23,174
Balance as at September 30, 2014	86,298	6,803	79,495

19.1.1 The Company has entered into sale & lease back agreement, for an amount of Rs. 40,000 thousands & Rs. 30,000 thousand with Orix Leasing Pakistan Limited for "Vapourcell, Crystallizers and Vaccum Pan" and "Juice Heaters & Centrifugal Machine" respectively. The Company has option to purchase the assets upon expiry of the lease term by making payment of residual value by way of adjustment of security deposit and intends to opt such option. Minimum lease payments have been discounted using rates linked with KIBOR ranging between 12.04% to 15.17% being rates implicit in the lease. Lease rentals are payable in 48 months on monthly basis starting from July 2013 and October 2015 respectively.

## 20 DEFERRED LIABILITIES

Deferred taxation	Note 20.1	232,046	238,788
Market committee fee	Note 20.2 & 24.1.1	47,924	41,621
Employees retirement benefits			
<ul> <li>Defined benefit plan</li> </ul>	Note 20.3	45,379	40,429
		325,349	320,838

		2015 (Rupee	2014 s in ' <b>000</b> )
20.1	Deferred taxation: Opening Balance Impact of Surplus on revaluation during the year & effect of change in tax rate Impact of deferred tax on actuarial gain / loss Reversal during the year	238,788 (5,087) — (1,655)	141,015 105,131 304 (7,662)
	Closing balance	232,046	238,788
20.1.	I Deferred tax (debit) / credit arising due to:		
	Deferred tax credit arising due to:  — surplus on revaluation  — accelerated depreciation  — assets obtained under finance lease	151,957 117,391 3,929 273,277	167,870 93,277 15,724 276,871
	Deferred tax debit arising due to:		
	— provisions	(41,232) 232,045	<u>(38,083)</u> 238,788
20.2	Market committee fee		
2012	Opening Balance	41,621	34,239
	Charge during the year	6,303	7,382
	Closing balance	47,924	41,621
20.3	Defined Benefits Plan:		

The Company operates an unfunded gratuity scheme for its employees eligible to the benefit effective from July 01, 2003 and provision is made as per actuarial valuation of the scheme conducted for the year ended September 30, 2014 vide Actuarial Valuation Report by M/s Nauman Associates (Consulting Actuaries) dated December 09, 2014 under the "Projected Unit Credit" method. The principal assumptions used for actuarial valuation for the gratuity scheme are as follows:

	2015 (Rupee	2014 <b>s in '000)</b>
20.3.1 Movement in the present value of the obligation  Present value of obligation at the beginning of the year  Charge for the year  Current service cost  Interest cost	40,429 5,726 4,644 10,370	34,757 5,237 3,853 9,090
Benefits paid during the year	(5,420)	(2,498)
Remeasurement gain taken to other comprehensive income		(920)
Present value of obligation at the end of the year	45,379	40,429
20.3.2 Expense for the year charged to Profit & Loss Account Current service cost Interest cost	5,726 4,644 10,370	5,237 3,853 9,090

20.3.3 Charge for the year has been allocated as under:   Cost of Sales
Administrative Expenses Note 29.1 2,592 2,272 10,370 9,090  20.3.4 Significant Actuarial Assumptions  Discount rate used for interest cost 11.50% 13.50% 13.50% Salary increased used for year end obligation Retirement assumption Age 60 Age 60  20.3.5 Year end Sensitivity Analysis (± 100 bps) on Defined Benefit Obligation Discount Rate + 100 bps 42,916 Salary Increase + 100 bps 48,009 42,916 Salary Increase - 100 bps 48,064 42,972 Salary Increase - 100 bps 42,653 38,138  21 TRADE AND OTHER PAYABLES Creditors 184,294 104,802 Accrued liabilities 34,387 16,293 Advances from customers 1,189 3,890 Sales tax / FED payable 9,681 5,315 Worker's Profit Participation Fund Note 21.1 4,822 1,938
10,370   9,090
20.3.4 Significant Actuarial Assumptions  Discount rate used for interest cost  Discount rate used for year end obligation  Salary increased used for year end obligation  Retirement assumption  20.3.5 Year end Sensitivity Analysis (± 100 bps) on  Defined Benefit Obligation  Discount Rate + 100 bps  Salary Increase + 100 bps  Salary Increase + 100 bps  Salary Increase - 100 bps  TRADE AND OTHER PAYABLES  Creditors  Accrued liabilities  Advances from customers  Advances from customers  Sales tax / FED payable  Worker's Profit Participation Fund  Note 21.1  11.50%  11.50%  12.50%  12.50%  42,765  38,227  38,227  38,227  38,227  38,227  38,227  38,227  38,227  38,227  38,227  104,809  42,653  38,138  21  TRADE AND OTHER PAYABLES  Creditors  184,294  104,802  Accrued liabilities  34,387  16,293  Advances from customers  1,189  3,890  Sales tax / FED payable  9,681  5,315
Discount rate used for interest cost       11.50%       11.50%         Discount rate used for year end obligation       13.50%       13.50%         Salary increased used for year end obligation       12.50%       12.50%         Retirement assumption       Age 60       Age 60         20.3.5 Year end Sensitivity Analysis (± 100 bps) on Defined Benefit Obligation       42,765       38,227         Discount Rate + 100 bps       48,009       42,916         Salary Increase + 100 bps       48,064       42,972         Salary Increase - 100 bps       42,653       38,138         21       TRADE AND OTHER PAYABLES       184,294       104,802         Accrued liabilities       34,387       16,293         Advances from customers       1,189       3,890         Sales tax / FED payable       9,681       5,315         Worker's Profit Participation Fund       Note 21.1       4,822       1,938
Discount rate used for year end obligation   13.50%   Salary increased used for year end obligation   12.50%   Retirement assumption   Age 60   Age 60   Age 60
Salary increased used for year end obligation       12.50%       12.50%         Retirement assumption       Age 60       Age 60         20.3.5 Year end Sensitivity Analysis (± 100 bps) on Defined Benefit Obligation       42,765       38,227         Discount Rate + 100 bps       48,009       42,916         Salary Increase + 100 bps       48,064       42,972         Salary Increase - 100 bps       42,653       38,138         21 TRADE AND OTHER PAYABLES       184,294       104,802         Accrued liabilities       34,387       16,293         Advances from customers       1,189       3,890         Sales tax / FED payable       9,681       5,315         Worker's Profit Participation Fund       Note 21.1       4,822       1,938
Retirement assumption       Age 60       Age 60         20.3.5 Year end Sensitivity Analysis (± 100 bps) on Defined Benefit Obligation       42,765       38,227         Discount Rate + 100 bps       48,009       42,916         Salary Increase + 100 bps       48,064       42,972         Salary Increase - 100 bps       42,653       38,138         21       TRADE AND OTHER PAYABLES       184,294       104,802         Accrued liabilities       34,387       16,293         Advances from customers       1,189       3,890         Sales tax / FED payable       9,681       5,315         Worker's Profit Participation Fund       Note 21.1       4,822       1,938
20.3.5 Year end Sensitivity Analysis (± 100 bps) on Defined Benefit Obligation       42,765       38,227         Discount Rate + 100 bps       48,009       42,916         Salary Increase + 100 bps       48,064       42,972         Salary Increase - 100 bps       42,653       38,138         21 TRADE AND OTHER PAYABLES       70,293       70,293         Creditors       184,294       104,802         Accrued liabilities       34,387       16,293         Advances from customers       1,189       3,890         Sales tax / FED payable       9,681       5,315         Worker's Profit Participation Fund       Note 21.1       4,822       1,938
Defined Benefit Obligation         Discount Rate + 100 bps       42,765       38,227         Discount Rate - 100 bps       48,009       42,916         Salary Increase + 100 bps       48,064       42,972         Salary Increase - 100 bps       42,653       38,138         21 TRADE AND OTHER PAYABLES       Teditors       184,294       104,802         Accrued liabilities       34,387       16,293         Advances from customers       1,189       3,890         Sales tax / FED payable       9,681       5,315         Worker's Profit Participation Fund       Note 21.1       4,822       1,938
Discount Rate - 100 bps       48,009       42,916         Salary Increase + 100 bps       48,064       42,972         Salary Increase - 100 bps       42,653       38,138         21 TRADE AND OTHER PAYABLES       Creditors       184,294       104,802         Accrued liabilities       34,387       16,293         Advances from customers       1,189       3,890         Sales tax / FED payable       9,681       5,315         Worker's Profit Participation Fund       Note 21.1       4,822       1,938
Salary Increase + 100 bps       48,064       42,972         Salary Increase - 100 bps       42,653       38,138         21 TRADE AND OTHER PAYABLES       Creditors       184,294       104,802         Accrued liabilities       34,387       16,293         Advances from customers       1,189       3,890         Sales tax / FED payable       9,681       5,315         Worker's Profit Participation Fund       Note 21.1       4,822       1,938
Salary Increase - 100 bps       42,653       38,138         21 TRADE AND OTHER PAYABLES         Creditors       184,294       104,802         Accrued liabilities       34,387       16,293         Advances from customers       1,189       3,890         Sales tax / FED payable       9,681       5,315         Worker's Profit Participation Fund       Note 21.1       4,822       1,938
21 TRADE AND OTHER PAYABLES         Creditors       184,294       104,802         Accrued liabilities       34,387       16,293         Advances from customers       1,189       3,890         Sales tax / FED payable       9,681       5,315         Worker's Profit Participation Fund       Note 21.1       4,822       1,938
Creditors       184,294       104,802         Accrued liabilities       34,387       16,293         Advances from customers       1,189       3,890         Sales tax / FED payable       9,681       5,315         Worker's Profit Participation Fund       Note 21.1       4,822       1,938
Accrued liabilities       34,387       16,293         Advances from customers       1,189       3,890         Sales tax / FED payable       9,681       5,315         Worker's Profit Participation Fund       Note 21.1       4,822       1,938
Advances from customers  Sales tax / FED payable  Worker's Profit Participation Fund  Note 21.1  1,189  3,890  5,315  4,822  1,938
Sales tax / FED payable9,6815,315Worker's Profit Participation FundNote 21.14,8221,938
Worker's Profit Participation Fund Note 21.1 <b>4,822</b> 1,938
Worker's Welfare Fund 3 155 1 323
7,020
Unclaimed dividend 1,550 1,554
Other liabilities         Note 21.2         3,287         2,488
<b>242,365</b> 137,603
21.1 Workers Profit Participation Fund
Opening balance at the beginning of the year 1,938 1,466
Interest paid on funds utilized by the Company 110 76
<b>2,048</b> 1,542
Less: Payments made during the year (2,048) (1,542)
Add: Allocation for the year Note 30 <b>4,822</b> 1,938
Closing balance at the end of the year 4,822 1,938

			2015 (Rupees ii	2014 n <b>'000</b> )
21.2	Other liabilities Sales tax withhold Income tax deducted at source Cane field staff	Note 21.2.1	474 633 1,025	114 499 736
	Others		1,155 3,287	1,139 2,488

21.2.1 These represents amount received from cane field employees under Company's motor cycle policy.

### 22 ACCRUED MARK-UP / FINANCIAL CHARGES

	Accrued financial Charges on liabilities again	st asset	475	700
	subject to finance lease		175	789
	Accrued mark-up on long term financing		2,108	_
	Accrued mark-up on short term borrowings		11,473	19,525
			13,756	20,314
23	SHORT TERM BORROWINGS -Secured			
	Cash Finance	Note 23.1 & 10.1	242,343	420,058
	Running Finance	Note 23.1	74,961	50,000
			317,304	470,058

23.1 The aggregate financing facilities available as at year end amounted to Rs. 1,525,000 thousands (September 2014: 1,450,000 thousands), out of which Rs. 1,207,696 thousand (2014: 979,942 thousand) were un-utilised as at the year end. These are secured by pledge of sugar stocks under the supervision of approved muccadum and hypothecation over current assets of the Company, exclusive & pari passu hypothecation charge on Company's plant & machinery and 1st equitable mortgage charge over fixed assets of the Company. The financing facilities are collaterally secured by the personal guarantees of all the sponsor directors. The facilities carries markup at 3 & 6 months KIBOR as base rate plus 2% to 3% per annum (September 2014: 2.25% & 3%) chargeable and payable quarterly and or at the time of repayment. The facility is renewable annually at the time of maturity.

## 24 CONTINGENCIES AND COMMITMENTS

## 24.1 Contingencies:

- **24.1.1** The Company has filed a suit in the Honourable High Court of Sindh against the levy of market committee fee by the Government of Sindh on sugarcane purchases at the factory. The Honourable Sindh High Court has granted status quo. Full provision of Rs. 47,924 thousands (2014: 41,621 thousands) has been made as a matter of prudence, which includes Rs. 6,303 thousands for the current crushing season 2014-2015.
- **24.1.2** The Company has filed a petition in the Honourable Supreme Court of Pakistan against a show cause notice issued by Competition Commission of Pakistan (CCP), challenging the jurisdiction of the Competition Commission. The Honourable Supreme Court of Pakistan has disposed the petition on the ground that this matter is already under proceedings with Honourable High Courts and refrained CCP from passing any final / penal order till a final decision is achieved at Honourable High Courts. Proceedings are pending thereat. There are no financial implications related to this at the moment.
- 24.1.3 The Company has filed a suit before the Honourable High Court of Sindh against Pakistan Standards and Quality Control Authority (the Authority) Challenging the levy of marking fee under PSQCA Act-VI of 1996. The Authority has demanded a fee payment @ 0.1% of ex-factory price for the year 2008-2009 amounting to Rs. 1,915 thousands. The Company is of the view that demand notifications so raised are without any lawful authority under the PSQCA Act-VI of 1996 and are in violation of the constitution. The Honourable High Court of Sindh has accepted the petition and termed that impugned notifications have been issued without lawful authority and suspended the operation of the impugned notifications. The constitutional petition filed before the Honourable High Court of Sindh has been allowed in favour of the Company. In the meantime the legal counsel of the Company has filed caveat in respect of an appeal to be filed by PSQCA

against the judgment in the Honourable Supreme Court of Pakistan. The Pakistan Standards and Quality Control Authority have filed an appeal before the Honourable Supreme Court of Pakistan against the decision of the Honourable High Court of Sindh. No provision has been made in this respect, as the Company is confident that the same is not likely to be materialized.

- 24.1.4 A show cause notice has been issued by the department of Inland Revenue Service-LTU against the Company regarding the payment at reduced rate of Federal Excise Duty availed by the Company amounting to Rs. 58,106 thousands under SRO 77(1)/ 2013 dated 7th February 2013. The Company has filed an appeal before the Appellate Tribunal Inland Revenue against the show cause notice and the judgement is reserved. No provision has been made as the management and legal council of the Company is of the view that the outcome of the case is expected in favour of the Company.
- 24.1.5 The matter of quality premium continues to be pending with the Honorable Supreme Court of Pakistan since the year 2004 after it granted leave to defend on the question of issue of quality premium. The Apex court also ordered that no coercive action for recovery of quality premium shall be taken against the mills till the case is decided. The Company purchased sugar cane at market rate, which was higher than minimum support price fixed by the government during the period from 2004-2015. The resultant aggregate excess payment on account of various subsidies born by Company was higher than that absorbed the quality premium for the said years of Rs. 675,264 thousand. It also holds the view that uniform formula being developed by MINFAL for mills and cane growers would be applicable prospectively. In view of above, the Company has not recorded any obligation.
- 24.1.6 The Company filed a suit before the Honorable High Court of Sindh during the season 2013-14 against the cane purchase price of Rs. 172 per 40 kg as fixed by Government of Sindh which was dismissed by the Honorable High Court and the matter was taken up by the Company with the Honorable Supreme Court of Pakistan. In the due course of time, the Government of Sindh fixed the price of sugarcane for the season 2014-15 at Rs. 182 per 40 Kg in pursuance of which the Sindh Chamber of Agriculture filed a petition in the Honorable High Court of Sindh. The Honorable High Court disposed of the case upon settlement with the consent of all the stake holders whereby it was settled that Sugar Mills shall purchase the sugarcane from growers at Rs. 160 per 40 kg for crushing season 2014-15 whereas Rs. 12 per 40 kg will be paid by the Government of Sindh. The Honorable High Court has subjected this interim arrangement to the decision of Civil appeal No 48 of 2015 pending before the Honorable Supreme Court of Pakistan and also have ordered that the fate of remaining Rs. 10 i.e., difference of Rs. 182 and 172 will also be dependent upon the decision of Honorable Supreme Court of Pakistan. The Company as a matter of prudence has accounted for the said difference of Rs. 10/- in the financial statements aggregating to Rs. 157,579 thousand.

## 24.2 Guarantee:

Rs. Nil (2014: 75,000 thousands) guarantee issued by the Bank for six months period in favour of Engro Fertilizers Limited on behalf of the Company for the procurement of Fertilizers for onward supply to sugarcane growers. The guarantee is secured against the 25% cash margin and rest against the existing charge over current and fixed assets of the Company held as collateral.

#### 24.3 Commitments:

- **24.3.1** Capital commitments in respect of plant and machinery amount to Rs. 33,649 thousands (2014: Rs. 40,000 thousands).
- **24.3.2** The Company has entered into Ijarah Lease agreement, for the amount of Rs. 29,334 thousands with Al-Baraka Bank Pakistan Limited to acquire of Shredder Turbine for enhancing power generation capacity. The Company has option to purchase the assets upon expiry of the lease term by making payment of residual value by way of adjustment of security deposit. Ijarah Rentals are based on profit rates linked with KIBOR aggregating to 12.028% to 12.42%. Ijarah lease rentals are payable in 20 quarterly installments starting from March 2014.

The Company is committed for minimum ljarah rental payments for each of the following period as follows:

	2015	2014
	(Rupee:	s in '000)
Not more than one year	7,468	7,533
More than one year but not more than five years	16,803	24,481
	24,271	32,014

25	SALES			
	Export Sales		_	161,227
	Local Sales		3,098,696	3,269,946
	Less: Federal Excise Duty		229,532	234,222
			2,869,164	3,035,724
			2,869,164	3,196,951
26	COST OF SALES			
	Sugar cane consumed (including cane procurer	ment expenses)	2,708,922	3,224,823
	Salaries, wages and staff benefits	Note 26.1	113,427	99,479
	Stores, spare parts & loose tools consumed		105,871	103,761
	Fuel, power & utilities		14,961	8,902
	Insurance		7,550	8,061
	Repairs and maintenance		5,235	3,062
	Vehicle running expenses		9,836	9,478
	ljarah Lease Rentals		8,038	5,650
	Depreciation	Note 5.1.2	55,730	35,537
	Amortization of deferred cost	Note 7.1	8,343	_
	Other expenses		10,979	10,470
			3,048,892	3,509,223
	Sale of Electric Power		11,635	_
	Sugar -in-process			
	<ul><li>Opening</li></ul>		886	1,936
	<ul><li>Closing</li></ul>	Note 10	(510)	(886)
			376	1,050
			3,037,633	3,510,273
	Sale of Molasses		277,274	385,328
	Inventory adjustment		(24)	(240)
			277,250	385,088
	Sale of Baggasse	Note 26.2	29,080	875
	Inventory adjustment		2,696	30
			31,776	905
	Cost of goods manufactured		2,728,607	3,124,280
	Finished sugar			
	<ul><li>Opening stock</li></ul>		440,832	299,754
	<ul><li>Closing stock</li></ul>	Note 10	(557,362)	(440,832)
			(116,530)	(141,078)
			2,612,077	2,983,202

- **26.1** Salaries, wages and benefits include Rs. 7,778 thousands (2014: 6,818 thousands) in respect of defined benefit plan.
- 26.2 These figures are net off sales tax of Rs. 4,944 thousands (2014: Rs. 149 thousands).

27	LOSS FROM TRADING ACTIVITIES  Sales  Less: Sales Tax			120,506 (17,509)
	Less. Gales Tax			102,997
	Less: Purchases & other charges			103,574
	Net Loss			577
28	DISTRIBUTION COST			
	Handling and stacking		769	1,362
	Export Expenses		_	3,964
			769	5,326
29	ADMINISTRATIVE EXPENSES			
	Salaries, wages and staff benefits	Note 29.1	48,725	44,662
	Rent, rates and taxes		1,181	251
	Communication		532	728
	Repairs and maintenance		632	412
	Utilities		495	583
	Entertainment		545	370
	Subscription		1,992	1,702
	Cartage		24	450
	Printing and stationery		1,289	1,398
	Insurance		2,517	2,687
	Conveyance and traveling		2,870	2,668
	Depreciation	Note 5.1.2	9,725	4,222
	Amortization of Intangible asset	Note 6	266	140
	Legal and professional charges		1,542	1,289
	Mess Expenses		_	40
	Others		3,209	2,347
			75,544	63,949

**29.1** Salaries, wages and benefits include Rs. 2,592 thousands (2014: 2,272 thousands) in respect of defined benefit plan.

			2015 (Rupees	2014 in ' <b>000)</b>
30	OTHER OPERATING EXPENSES			
	Auditors' remuneration	Note 30.1	869	710
	Corporate social responsibility costs	Note 30.2	1,156	1,263
	Workers Profit Participation Fund	Note 21.1	4,822	1,938
	Workers Welfare Fund		1,832	737
	Exchange Loss on Export proceeds		_	3,159
	Provision for slow moving and obsolete items	Note 9.1	1,271	1,027
			9,950	8,834
30.1	Auditors' remuneration			
	Statutory Auditors - Kreston Hyder Bhimji ar	nd Co.		
	Audit fee		600	545
	Half yearly review fee		50	30
	Code of corporate governance certification		30	20
	Sindh Sales Tax on Services		41	_
			721	595
	Cost Auditors - Siddiqi and Co.			
	Audit fee		125	100
	Out of pocket expenses		15	15
	Sindh Sales Tax on Services		8	
			148	115
			869	710
30.2	Corporate social responsibility costs do not inclu	ide any amount pai	d to any person o	r organization in

**30.2** Corporate social responsibility costs do not include any amount paid to any person or organization in which any director or their spouse had any interest.

## 31 OTHER INCOME

## Income from non financial assets:

	Gain on sale of property, plant and equipment	_	301
	Others - Rent & Miscellaneous receipts	81	82
		81	383
32	FINANCE COST		
	Mark-up on short-term borrowings & long term financing	76,388	86,043
	Financial charges on liabilities against asset		
	subject to finance lease	3,788	7,314
	Bank charges	836	1,538
	Mark-up on bank guarantee	_	4,384
	Interest on worker's profit participation fund	110	76
		81,122	99,355

2014

2015

33	TAXATION	(Rupe	es in '000)
	Current year	34,038	35,995
	Prior years' Deferred	— (1,655)	(974) (7,662)
		32,383	27,359

Provision for current taxation represents the minimum tax being the turnover tax under section 113 of Income Tax Ordinance, 2001 and tax on undistributed reserves net of available tax credits, hence tax reconciliation of tax expense with accounting profit is not presented for the current year.

## 34 EARNING PER SHARE - Basic and Diluted

There is no dilutive effect on the basic earnings per share of the Company, which is based on.

	Profit after taxation (Rupees '000)	57,400	8,732
	Number of ordinary shares	11,946,000	11,946,000
	Earning per share - (Rupees)	4.80	0.73
35	CASH AND CASH EQUVALENTS Cash and cash equivalent comprise of the following items:		
	Cash and bank balances	9,749	7,274
	Less: Short Term Borrowings	(317,304)	(470,058)
		(307,555)	(462,784)

#### 36 FINANCIAL INSTRUMENTS

## **36.1 FINANCIAL ASSETS AND LIABILITIES**

Table below summarizes the maturity profile of the Company's financial assets and liabilities at the following reporting periods.

				201	5			
	Interest /	Interes	t / Mark-up b	earing	Non Inter	rest / Mark-u	p bearing	
	Interest / markup rate	Maturity upto one year	Maturity after one year	Sub Total (Rupee	Maturity upto one year s in '000)	Maturity after one year	Sub Total	Total 2015
Financial Assets								
Long & short term depos	sits	_	_	_	480	10,966	11,446	11,446
Trade debts		_	_	_	11,635	_	11,635	11,635
Loans and advances		_	_	_	2,059	_	2,059	2,059
Cash and bank balances	3				9,749		9,749	9,749
T O T A L 2015			_	_	23,923	10,966	34,889	34,889
Financial Liabilities				<u> </u>				
Long Term Finance	3 M Kibor - 2.5%	22,000	66,000	88,000	_	_	_	88,000
Liabilities against assets subject to finance lease	12.04% to 15.17%	15,454	37,640	53,094	_	_	_	53,094
Trade & other payables	1M Kibor + 2% to 3%	4,822	_	4,822	236,354	_	236,354	241,176
Accrued mark-up		_	_	_	13,756	_	13,756	13,756
Short-term borrowings	3 & 6 M Kibo	r						
•	+ 2% to 3%	317,304		317,304			_	317,304
T O T A L 2015		359,580	103,640	463,220	250,110	_	250,110	713,330

			2014	4			
Interest /	Interes	t / Mark-up b	earing	Non Inter	rest / Mark-u	p bearing	
markup rate	Maturity upto one year	Maturity after one year	Sub Total (Rupee	Maturity upto one year s in '000)	Maturity after one year	Sub Total	Total 2014
Financial Assets							
Deposits	_	_	_	63,427	9,478	72,905	72,905
Loans and Advances	_	_	_	366	_	366	366
Other Receivables	_	_	_	200	_	200	200
Cash and bank balances	_	_	_	7,274	_	7,274	7,274
T O T A L 2014	_	_	_	71,267	9,478	80,745	80,745
Financial Liabilities							i
Liabilities against assets 14.69% to subject to finance lease 15.69%	56,321	23,174	79,495	_	_	_	79,495
Trade & other payables 1MK + 2.25% & 3%	6 1,938	_	1,938	122,649	_	122,649	124,587
Accrued mark-up	´ —	_	· —	20,314		20,314	20,314
Short-term borrowings 3 MK + 2.25 % to 3%	6 470,058	_	470,058	<u> </u>	_	_	470,058
T O T A L 2014	528,317	23,174	551,491	142,963	_	142,963	694,454

## 37 FINANCIAL RISKS MANAGEMENT

## 37.1 Financial Risk Management Objectives, Policies and Responsibilities

The Company's overall risk management programs focus on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial statements. The Company's risk management policies are established to identify and analyze the risk faced by the Company, to set appropriate risk limits and control, and to monitor risks and adherence to limits.

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company's senior management provides policies for overall risk management, as well as policies covering specific areas such as foreign exchange risks, interest rate risks, credit risks, financial instruments and investment of excess liquidity. It is the Company's policy that no trading in derivatives for speculative purpose shall be undertaken.

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

- Market risk
- Credit risk
- Liquidity risk

### 37.1.1 Market Risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer of the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Company is subject to following market risks;

### 37.1.1.1Foreign Exchange Risk

Foreign exchange risk represents the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises mainly from future economic transaction or receivables or payables that exist due to transactions in foreign exchange. The Company is not exposed to currency risk as at balance sheet date.

## 37.1.1.2 Interest / Mark-up rate risk

Interest / mark-up rate risk is the risk that value or future cash flows of the financial instruments will fluctuate because of changes in market interest rate . The Company has mainly long term finance, liabilities against asset subject to finance lease, short term borrowings and worker's profit participation fund which are based at varying rates.

At the reporting date, the interest rate profile of the Company's significant interest / mark-up bearing financial instruments are as follows:

Financial liabilities Variable rate instruments On Balance Sheet	2015 2014 Effective interest / markup rate (in percent)			2014 ing amount pees in '000)
Long Term Finance	3 M Kibor + 2.5%	_	88,000	_
Finance lease obligation	12.04% to 15.17%	14.69% to 15.69%	53,094	79,495
Short term borrowings	3 & 6 M Kibor + 2% to 3%	3 M Kibor + 2.25% & 3%	317,304	470,058
Workers Profit				
Participation Fund	1M Kibor + 2% to 3%	1M Kibor + 2.25% to 3%	4,822 463,220	1,938 551,491
Off Balance Sheet				<del></del>
ljarah Rentals	12.028% to 12.42%	12.42%	24,271	32,014

## Sensitivity analysis

## Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate instruments at fair value through profit & loss account.

## Cash flow sensitivity analysis for variable rate instruments.

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit/loss before tax 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 2014.

		15 s in '000 ) oss 100 bp	(Rupees in '000 )  Profit and loss 100 bp		
Financial liabilities	increase decrease		increase	decrease	
Cash flow sensitivity - on balance sheet	(4,632)	4,632	(5,515)	5,515	
Cash flow sensitivity - off balance sheet	(243)	243	(320)	320	

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

2015

2014

#### 37.1.1.3 Other Price Risk

Other price risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company does not have financial instruments dependent on such market prices.

#### 37.1.2 Credit Risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed to perform as contracted. The Company manages credit risk interalia by setting out credit limits in relation to individual customers and / or by obtaining advance against the sales and / or through letter of credits and / or by providing for doubtful debts.

To manage exposure to credit risk in respect of trade receivables, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Sales contracts and credit terms are approved by the Chief Executive Officer and Executive Directors. Where considered necessary, advance payments are obtained from certain parties.

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.

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:

	(Rupees in '000)			
Deposits	11,446	72,905		
Trade Debts	11,635	_		
Loans and advances	2,059	366		
Other Receivables	_	200		
Bank balances	9,667	7,222		
	34,807	80,693		

## a) Deposits

Deposits are due from leasing companies and others. Major amount of the deposits are from leasing companies which have good credit ratings from the rating agencies and also the lease deposits are secured against the leased asset. The Company believes that it is not exposed to major concentration of any such risk.

## b) Trade Debts

Trade debts is due from Local Government Autority. The Company actively pursue for the recovery and further these are neither past due and not impaired, hence no allowances is necessary in respect of trade debts. Refer note 11.1. Aging of trade debts is as follows:

Upto Six Months	11,635	_

## c) Loans and Advances

These represent balances due from employees that are secured against their balances of retirement benefits. The Company actively pursue for the recovery and based on past experience the Company does not expect that these will fail to meet their obligations hence no impairment allowance is necessary.

## d) Balances with Bank

The Company limits its exposure to credit risk by maintaining bank balances only with counterparties that have stable credit rating. Management actively monitors credit ratings of the counter parties and given their high credit ratings, management does not expect that the counter party will fail to meet their obligations.

The bank balances along with the short term credit ratings are tabulated below:

	2015	2014	
	(Rupees in '000)		
A1+	4,135	5,003	
A1	694	485	
A-1+	4,838		
A-3	_	1	
A-1	1	1,733	
	9,667	7,222	

### 37.1.2.1 Financial assets that are either past due or impaired

The credit quality of financial assets that are either past due or impaired can be assessed by reference to historical information and external ratings or to historical information about counter party default rates as disclosed in respective notes. Management believes that there are no financial asset that are either past due or impaired.

## 37.1.3 Liquidity Risk

Liquidity risk represent the risk where the Company will encounter difficulty in meeting obligations associated with financial liabilities. The maturity profile of the Company's financial assets and liabilities as at the balance sheet date with respect to period lags is given in Note 36.

The Company manages liquidity risk by maintaining sufficient cash and ensuring the fund availability through adequate credit facilities. As at September 30, 2015, the Company has available unutilized borrowing facilities of Rs. 1,207,696 thousands (2014: Rs. 979,942 thousands) and also has cash & bank balances of Rs. 9,749 thousands (2014: 7,274 thousands). Based on the above, the management believes that the Company is not significantly exposed to the liquidity risk.

### 37.2 Fair Value of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The carrying value of all the financial assets and liabilities reflected in the financial statements approximates their fair values.

### 37.3 Capital Risk Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares and take other measures commensuration to the circumstances. The Company finances its expansions projects through equity, borrowings and management of its working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

The Company monitors capital using a gearing ratio, which is net debt divided by total shareholders equity plus net debt. Net debt is calculated as total loans and borrowings less cash and bank balances. The Company's strategy was to maintain leveraged gearing. The gearing ratio as at balance sheet date is as follows:

	2015	2014
	(Rupee	s in '000)
Total financing and borrowings including finance lease	458,398	549,553
Less: Cash and bank balances	(9,749)	(7,274)
Net debt	448,649	542,279
Total Equity	451,265	370,861
Total capital employed	899,914	913,140
Gearing Ratio	49.85%	59.39%

### 38 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Chief	Executive	Dir	ectors	Executives		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
				(Rupees i	in '000)			
Non executive Directors' fee								
- 5 Directors			200	170	_		200	170
		-						
Managerial remuneration	5,383	5,383	1,192	1,236	7,337	7,142	13,912	13,761
Allowances & Others	1,827	1,827	775	804	2,892	2,708	5,494	5,339
	7,210	7,210	1,967	2,040	10,229	9,850	19,406	19,100
Number of persons	1	1	2	2	3	3	6	6
· ·								

The Chief Executive, two Executive Directors and Executives as stated above are provided with the Company maintained cars and telephone facilities.

### 39 RELATED PARTY TRANSACTIONS

The Company in the normal course of business carried out transactions with related parties as detailed below:

Relationship with Company	Nature of Transaction	2015	2014
		(Rupe	es in '000)
Key Management Personnel and			
their relatives	Purchase of sugarcane	27,069	105,620

Transactions, as applicable in relation to Directors of the Company and Key Management Personnel (KMP) have been disclosed in note # 38. Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly.

Receivable / payables as at the balance sheet date are disclosed in the respective notes to the financial statements (if any).

#### **40 ENTITY - WIDE INFORMATION**

**40.1** The Company constitutes of a single reportable segment, the principal class of product is Sugar and by products are Molasses and Baggasse. The Company is also engaged in the sale of electric power generated in excess of in-house consumption which does not constitute reportable segment.

## 40.2 Information about geographical areas

The Company does not hold non-current assets in any foreign country. Revenues from external customers attributed to foreign countries in aggregate are not material in the overall context of these financial statements. The analysis of sugar sales, by products and sales of trading activities are as follows:

3,187,153 3,187,153

3,524,924 3,686,151

161,227

(In percentage)

Export Sales
Local Sales - net

**Export Sales** 

Local Sales - net

100.00% 100.00%

95.63% 100.00%

4.37%

#### 41 CAPACITY AND PRODUCTION

	2015		201	4
	Quantity	No. of	Quantity	No. of
	M. Tons	days	M. Tons	days
Crushing capacity	6,000	Per day	6,000	Per day
Capacity based on actual				
working days	822,000	137	906,000	151
Actual crushing	630,317	137	738,209	151
Sucrose recovery (in %)	10.19		9.81	
Sugar production from cane	64,271		72,530	

41.1 Main reason for under utilization of production capacity is lesser availability of sugarcane during the season.

#### 42 NUMBER OF EMPLOYEES

The number of employees as at year end was 532 (2014: 532) and average number of employees during the year was 755 (2014: 748) included seasonal employees.

### 43 EVENT AFTER THE BALANCE SHEET DATE

### 43.1 Subsequent Effects

The Board of Directors of the Company in its meeting held on January 06, 2016 has proposed the following:

#### Dividend

Your Directors have decided to pay cash dividend @ Rs. 2 per share i.e. 20% for the year ended September 30, 2015.

43.2 Through the Finance Act, 2015 Income Tax has been levied at the rate of 10% on undistributed reserves where such reserves of the Company are in excess of its paid up capital unless the Company distributes cash dividend equal to at least 40% of its after tax profits or 50% of the paid up capital, which ever is lower, within 6 months of the end of the said tax year. Since the Board of Directors has recommended 20% cash dividend for the year ended September 30, 2015 (refer note 43.1) which exceeds the above stated limits, hence there will be no such tax liability.

#### 44 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on January 06, 2016 by the Board of Directors of the Company.

## 45 GENERAL

Figures have been rounded off to nearest thousand of rupees.

Chief Executive Director

## **Pattern of Share Holding**

As at September 30, 2015

Total	Share Holding		Number of
Shares Hel	То	From	Shareholders
22,74	100	1	816
32,21	500	101	117
48,45	1000	501	80
148,68	5000	1001	65
215,42	10000	5001	35
34,00	15000	10001	3
36,50	20000	15001	2
73,00	25000	20001	3
79,94	30000	25001	3
38,50	40000	35001	1
89,65	45000	40001	2
55,75	60000	55001	1
62,70	65000	60001	1
69,39	70000	65001	1
289,14	100000	95001	3
241,48	245000	240001	1
360,17	365000	360001	1
403,10	405000	400001	1
821,72	415000	410001	2
417,00	420000	415001	1
496,00	500000	495001	1
522,60	525000	520001	1
1,145,72	575000	570001	2
659,25	660000	655001	1
674,75	675000	670001	1
858,00	860000	855001	1
913,00	915000	910001	1
979,00	980000	975001	1
1,063,61	1065000	1060001	1
1,094,48	1095000	1090001	<u> </u>
11,946,00			1,150

<sup>\*</sup> There is no shareholding in the slab not mentioned

Cate	egory of Shareholders	Number of Shares Held	Percentage %
01	Directors, Chief Executive Officer, and		
	their spouse and minor children	1,844,216	15.4379
02	Associated Companies, undertakings and related parties	-	-
03	Executives	25,290	0.2117
04	NIT & ICP	1,064,016	8.9069
05	Banks, DFIs, NBFIs, Mudarabas and		
	Pension Fund	101,550	0.8501
06	Insurance Companies	410,840	3.4391
07	Joint Stock Companies	16,928	0.1417
80	Shareholders holding 5% or more	4,519,235	37.8305
09	General Public - Local	3,963,925	33.1821_
	TOTAL	11,946,000	100.0000

## **Detail of Pattern of Share Holding**

As per Requirement of Code of Corporate Governance As at September 30, 2015

Category Name	Number of shares held	Percentage %	Category wise Number of shareholders	Category wise shares held	Percentage %
Directors, Chief Executive and					
their spouse and minor children			7	1,844,216	15.4379
Haji Khuda Bux Rajar	241,487	2.0215			
* Mr. Ghulam Dastagir Rajar	659,250	5.5186			
Mr. Ghulam Hyder	360,179	3.0151			
* Mr. Rahim Bux	572,350	4.7911			
Mr. Mohammad Aslam	3,300	0.0276			
Mr. Qazi Shamsuddin	4,900	0.0410			
Mrs. Khanzady W/o Haji Khuda Bux Ra	ajar 2,750	0.0230			
Associated Companies, Undertaking related parties	ı and		-	-	-
Executives			1	25,290	0.2117
NIT & ICP			2	1,064,016	8.9069
* CDC - Trustee National Investment					
(Unit) Trust	1,063,616	8.9035			
Investment Corporation of Pakistan	400	0.0033			
Banks, DFIs, NBFIs, Mudarabas					
and Pension Funds			4	101,550	0.8501
Insurance Companies			2	410,840	3.4391
Joint Stock Companies			7	16,928	0.1417
* Shareholders holding 5% or more			5	4,519,235	37.8305
General Public - Local			1122	3,963,925	33.1821
TOTAL			1,150	11,946,000	100.000

<sup>\*</sup> Shareholders having 5% or more shares marked as(\*) are shown in their relevant categories. The name wise details of the remaining shareholders having 5% or more given below

Name of Shareholders	Number of shares held	Percentage %	
Mr. Ali Ghulam	858,000	7.1823	
Mr. Khuda Bux	913,000	7.6427	
Mr. Abdul Jabbar	979,000	8.1952	
Mr. Pir Baksh	1,094,485	9.1620	
Mr. Gul Mohammad	674,750	5.6483	
	4,519,235	37.8305	

## Information under clause (xvi) (I) of the Code of Corporate Governance

The Directors, Executives and their spouse and their minor children have not undertaken any trading of Company's shares during the year ended September 30, 2015



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## **FORM OF PROXY**



The Company Secretary **Sanghar Sugar Mills Limited**C-27, Plot No. F-24, Block-9,
Clifton, Karachi-75600

I/We	(Full name) CNIC	5 NO
of being a	a member of <b>SAN</b>	GHAR SUGAR MILLS LIMITED
and holding ordinary shares, as	s per Folio No	/ CDC Participant's
I.D.No and Sub Account No		hereby appoint
(f	Full name) CNIC N	0
as my/our Proxy in my/our absence to attend and vote for mof the Company to be held on Saturday January 30 Shaheed-e-Millat Flyover, opposite City School, P.A.F. Chathereof.	, 2016 at 11:00 a	a.m. at Shangrila Garden, near
As witness my/our hand this day of	f:	Signature on Five Rupees Revenue Stamp
	f: Witness 2	_
, 2016 signed in the presence of	Witness 2	_
	Witness 2 Signature:	Five Rupees Revenue Stamp
Witness 1 Signature:	Witness 2 Signature :	Five Rupees Revenue Stamp
Witness 1 Signature:  Name:	Witness 2 Signature: Name:	Five Rupees Revenue Stamp

## NOTES:

- A member entitled to attend and vote at this meeting may appoint another member as Proxy to attend and vote instead of his/her. The Form of Proxy, duly completed and signed must be deposited at the Company's Registered Office not less than 48 hours before the time for holding the meeting.
- 2) Any individual beneficial owner of CDC, entitled to attend and vote at this meeting, must bring his/her Original CNIC, CDC Account and Participant's ID Number to prove his/her identity, and in case of Proxy, must enclose attested copy of his/her CNIC, CDC Participant's ID and Account Number. Representatives of corporate members should bring the necessary documents as required for such purpose.
- 3) Signature must agree with the specimen signature registered with the Company.



## **REGISTERED / HEAD OFFICE:**

C-27, Plot No. F-24, Block-9, Clifton, Karachi-75600

Phone: 021-35371441 to 43 (three lines)

Fax: 021-35371444

Email: info@sangharsugarmills.com Website: www.sangharsugarmills.com

## **MANUFACTURING FACILITIES:**

13th Km, Sanghar – Sindhri Road, Deh Kehore,

District Sanghar, Sindh

Phone: (0345) 3737001 - 8222911