

# Directors' Report

The Directors of your Company are pleased to present Thirty Third Annual Report with the Audited Financial Statements of the Company for the year ended September 30, 2018.

## **ABOUT THE INDUSTRY:**

### **INDUSTRY OVERVIEW**

Pakistan is the 6th largest sugarcane producer, 9th largest by sugar production and 8th largest sugar consuming country in the world. Over the years, domestic sugar consumption has grown from 0.5 million M.T. in 1975 to 5.1 million M.T. (approx.) on the back of population growth. Per capita consumption of refined sugar in Pakistan was estimated at 25.7 kg. Processed food sector which includes candy, ice cream and soft drink manufactures accounts for almost 60% of total domestic sugar consumption. Furthermore, absence of major substitutes for sugar makes its demand inelastic.

Sugarcane has the largest industrial base after cotton in agricultural sector of Pakistan. For the last 2-3 seasons there has been unrest in growers' community and the sugar industry.

Growers claim an enhanced rate of cane and timely payment of cane supplied to mills; while the Pakistan sugar industry claims that their economic viability is at stake due to low market prices of sugar against the prevailing price of cane fixed by the government.

According to them a number of sugar mills are at the verge of insolvencies. Considering the enhanced prices of inputs involved in cane production and livelihood of a common man, growers claim can't be ignored and has its weight.

The Government support on output prices largely protected sugarcane growers from the impact of subdued commodity prices in the international market. The provincial governments of Sindh and Punjab announced sugarcane price at Rs. 182 and Rs. 180 per 40 kg respectively, which led the manufacturing cost of sugar higher while compared with the average selling price of sugar.

Due to availability of surplus stock, the price of sugar was depressed and the mills could not offload their large carryover stock in the market in the expectation that the domestic prices will raise. Further, the Government still charge sales tax at fixed value i.e. Rs. 60 per kg for the purpose of levying sales tax. This tax is payable at the rate of 8% for registered buyers and 11% for the unregistered buyers.

The Sugar Industry has requested the Government to review the price of sugarcane and link the same with the selling price of sugar to ensure adequate return to all stakeholders including sugar mills.

## **ABOUT YOUR COMPANY:**

### **PRINCIPAL ACTIVITIES & DEVELOPMENT**

The Company is principally engaged in the manufacture and sale of sugar and sale of its by-products i.e. molasses and bagasse. The Company has also installed bagasse fired transmission equipment to sell surplus electric power. The manufacturing facilities are located at Sanghar Sindhri Road, Deh Kehore, District Sanghar in the province of Sindh.

During the year, crushing capacity of sugar has been enhanced from 6,000 tons crushing per day to 8,500 tons crushing per day by adding new plant at an aggregate cost of Rs. 891,475 thousand. Newly installed plant & machinery commenced trial production during the month of March 2018 and has also started commercial production. In addition to this the Company has made capital expenditures for balancing & modernization of existing manufacturing facilities to increase efficiency.

### **OPERATING RESULTS**

The crushing season 2017-18 was started on November 29, 2017 and operated upto April 19, 2018. During the season 712,124 M. Tons of sugarcane was crushed with average sucrose recovery of 10.372% and sugar production of 73,776 M. Tons as compared with crushing of 625,237.042 M. Tons with average sucrose recovery of 10.12% and sugar production of 63,380 M. Tons during the preceding season.

## REVIEW OF OPERATION

Our Company started crushing almost one month delay as compared with the corresponding season. The Company was able to operate 142 days crushing at the average rate of 5,016 Metric Tons of sugarcane per day as compared with the average of 4,701 Metric Tons per day crushing during corresponding season, due to addition in the crushing capacity of the Company at the end of the season the average crushing increases. This, along-with other factors causes increase in recovery rate as compared to corresponding period.

## FINANCIAL RESULTS

The key financial figures of the Company for the year ended September 30, 2018 along with the comparatives for the corresponding year are summarized as under:

	2018	2017
	(Rupees in '000)	
Profit / (Loss) before taxation	24,868	(259,678)
Taxation	(5,442)	(27,426)
Profit / (Loss) after taxation	<u>19,426</u>	<u>(287,104)</u>
Earnings / (Loss) per share-basic and diluted (Rupees)	<u>1.63</u>	<u>(24.03)</u>

## REVIEW OF FINANCIAL RESULTS

During the year under review, production is increased by almost 16.40% and sales quantity is increased by 62.04% as compared with last year and still leaving a surplus stock to carryover for the next year.

Better production and sale of molasses and sale of electricity could not give much input to the profitability of the Company due to the depressed selling prices in the local market as well as in an international market.

The Government of Sindh issued notification on December 05, 2017 fixing the minimum support price of sugarcane for crushing season 2017-18 at Rs. 182 per 40 k.g., same as it was fixed for the last year.

The price fixed was not at all justified in relation to the prevailing local as well as international sugar price. Your Company along-with the other sugar mills filed a petition before the Honourable High Court of Sindh against fixation of high minimum price.

On January 30, 2018 the Honourable High Court of Sindh, with the consent of all the stakeholders announced that without prejudice to any right and claim of the parties and subject to final decision of Honourable Supreme Court of Pakistan in the instant petition, the mills will purchase the sugarcane at Rs. 160 per 40 k.g. from growers for the season 2017-18. The Interim order was binding on all the stakeholders.

In the light of the interim order passed by the Honourable High Court of Sindh with the consent of all the stakeholders, the financials of the Company have been prepared taking the sugarcane purchase price at Rs. 160 per 40 k.g. with the hope that considering the continued depressed sugar prices, the final decision by the court is likely to be in line with the consent order.

Your Company incurred operating loss of Rs. 38,589 thousand and the net profit before tax of Rs. 24,868 thousand is due to the subsidy announced by the Federal & Provincial Governments on export of surplus sugar of 1,500 thousand M. Tons. The additional cash support announced by the Government of Sindh of Rs. 9.30 per k.g. have been received while Rs.10.70 per k.g. payable by State Bank of Pakistan are still receivable. The subsidy of Rs. 10.70 per 40 k.g. is to be shared by Federal & Provincial Government equally.

The Government has also been requested to immediately release subsidy on export of sugar to help sugar mills to improve their financial position. Furthermore, it is also requested to rationalize the assessable value of sugar rate for sales tax purpose, which is currently fixed at Rs. 60 per k.g.

## DUE FROM DECEASED EXECUTIVE

An amount of Rs. 12,996 thousand is due from deceased executive of the Company since 2013. Your management has tried to recover the amount from the surviving members (parents) of the deceased executive, after passing away of the father of the deceased, your management is not hopeful of the recovery of this amount and is of the view that it should be written off, consequently upon approval of the Board of Directors, the said amount has been written off, as disclosed in note 16.5 of the financial statements



## COMMENTS ON AUDITOR'S REPORT

The statutory auditors of the Company emphasizing the matter in their report regarding non-provision of Rs. 22 per maund, in this regard we would like to inform you and as explained above, your financials are prepared by taking sugar cane purchased at Rs. 160 per 40 k.g. in the light of the interim order passed by the Honourable High Court of Sindh with the consent of all the stakeholders, we hope that considering the continued depressed prevailing sugar prices both in domestic and international market, the final decision by the Courts is likely to be in line with the consent order.

## STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Board of Directors and the Company remain committed to the principles of good corporate management practice with emphasis on transparency and disclosures. The Board and management are cognizant of their responsibilities and monitor the operations and performance to enhance the accuracy, comprehensiveness and transparency of financial and non-financial information.

The Company is fully compliant with the Code of Corporate Governance and as per the requirements of the listing regulations, following specific statements are being given hereunder:

- i. The Financial Statements prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- 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 there is no departure there from
- 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 Pakistan Stock Exchange.
- 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 eligible employees and also the Leave Encashment Scheme for eligible employees to be paid at the time of retirement or leaving the Company. 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 is annexed.
- xii. In terms of Regulation 20 of the Listed Companies (Code of Corporate Governance) Regulations, 2017, the Companies shall ensure that all the directors on their boards have acquired the prescribed certification under Director Training Program by June 30, 2021. All the directors, except Chief Executive, have attended and completed directors' training course conducted by Institute of Cost & Management Accountant of Pakistan. The Chief Executive has the prescribed education and experience required for exemption under clause 20(2) of CCG Regulations accordingly he is exempted from attending directors' training program pursuant to the clause 20(2) of the CCG Regulations.
- xiii. The Board strives to continuously improve its and Board Committees' effectiveness. Board of Directors has developed a mechanism as required under the Code of Corporate Governance to undertake annual evaluation to assess Board's and its Committees' performance. The Board also reviews developments in corporate governance to ensure that the Company always remains aligned with best practices.
- xvi. 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.
- xv. Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 for the year is annexed with the Report.



## NUMBER OF DIRECTORS

The total numbers of Directors are seven as per the following:

- a) Male: Seven
- b) Female: Nil

## COMPOSITION OF THE BOARD

The composition of Board is as follows:

- a) **Independent Director**  
Mr. Rahim Bux
- b) **Other Non-Executive Directors**  
Mr. Ghulam Dastagir Rajar  
Mr. Mohammad Aslam  
Mr. Qazi Shamsuddin  
Mr. Shahid Aziz (N.I.T.)
- c) **Executive Directors**  
Haji Khuda Bux Rajar  
Mr. Ghulam Hyder

## BOARD COMMITTEES

The Board has formed committees comprising of members given below:

- a) **Audit Committee:**

Name	Status
Mr. Rahim Bux	Chairman
Mr. Mohammad Aslam	Member
Mr. Shahid Aziz	Member
- b) **Human Resource and Remuneration Committee:**

Name	Status
Mr. Rahim Bux	Chairman
Mr. Mohammad Aslam	Member
Mr. Shahid Aziz	Member
- c) **Risk Management Committee:**

Name	Status
Mr. Mohammad Aslam	Chairman
Mr. Ghulam Hyder	Member
Mr. Shahid Aziz	Member
- d) **Corporate Social Responsibility Committee:**

Name	Status
Mr. Rahim Bux	Chairman
Mr. Mohammad Aslam	Member
Mr. Shahid Aziz	Member
S. Rehan Ahmad Hashmi	Member
- e) **Information Technology & Steering Committee:**

Name	Status
Mr. Ghulam Hyder	Chairman
S. Rehan Ahmad Hashmi	Member
Mr. Muhammad Ahmed (Resigned on September 30, 2018)	Member
Mr. Ebad Azhar (Appointed on November 01, 2018)	Member

## ATTENDANCE OF BOARD OF DIRECTORS AND COMMITTEES

### Attendance of Board of Directors in Board Meeting

Five Board meetings were held during the year. 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 Meetings Attended
1) Mr. Ghulam Dastagir Rajar	Chairman	4
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. Qazi Shamsuddin	Director	5
7) Mr. Shahid Aziz	Director (N.I.T.)	5

### Attendance of Members in Meeting of Audit Committee

Five meetings of Audit Committee were held during the year. Attendance by each Member was as mentioned below:

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

### Attendance of Members in Meeting of Human Resource & Remuneration (H. R. & R.) Committee

Two meetings of H. R. & R. Committee were held during the year. Attendance by each Member was as mentioned below:

Name of Members	Status	No. of Meetings Attended
1) Mr. Rahim Bux	Chairman	2
2) Mr. Muhammad Aslam	Member	2
3) Mr. Shahid Aziz	Member	2

### Attendance of Members in Meeting of Information Technology Committee

Two meetings of Information Technology Committee were held during the year. Attendance by each Member was as mentioned below:

Name of Members	Status	No. of Meetings Attended
1) Mr. Ghulam Hyder	Chairman	2
2) Syed Rehan Ahmad Hashmi	Member	2
3) Mr. Muhammad Ahmed	Member	2

### Attendance of Members in Meeting of Corporate Social Responsibility (CSR) Committee

Four meetings of CSR Committee were held during the year. Attendance by each Member was as mentioned below:

Name of Members	Status	No. of Meetings Attended
1) Mr. Rahim Bux	Chairman	4
2) Mr. Muhammad Aslam	Member	4
3) Mr. Shahid Aziz	Member	4
4) Syed Rehan Ahmad Hashmi	Member	4

### Attendance of Members in Meeting of Risk Management Committee

Two meetings of Risk Management Committee were held during the year. Attendance by each Member was as mentioned below:

Name of Members	Status	No. of Meetings Attended
1) Mr. Muhammad Aslam	Chairman	2
2) Mr. Ghulam Hyder	Member	2
3) Mr. Shahid Aziz	Member	2

### 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.

### DIRECTORS TRAINING

One Director of the Company has the prescribed education and experience. Therefore, he is exempted from attending Director's Training Program pursuant to the Code of Corporate Governance Regulations. All other Directors have already completed approved Directors' Training Program as specified in the Corporate Governance.

### ADEQUACY OF INTERNAL FINANCIAL CONTROLS

Directors confirm that the compliance with highest standard of Corporate Governance and comprehensive policies and procedures on internal financial controls has been approved by the Board and are in place and have been effectively implemented and monitored.

### THRESHOLD FOR DETERMINING EXECUTIVE

Pursuant to the requirement of Clause 5.6.1 (a) & (d) of the Listing Regulations (Rule Book) of the Pakistan Stock Exchange, the Board has set out a Threshold for determining an 'Executive' in respect of trading of Company's shares. The person whose annual basic salary exceeds Rs. 2.3 million during the year is treated as executive.

### RELATED PARTY TRANSACTIONS

The following Related party transactions were placed before the Board Audit Committee and were approved by the Board. These transactions were in-line with the requirements of International Financial Reporting Standards (IFRS) and the Companies Act, 2017. The Company maintains a thorough and complete record of all such transactions.

#### i) Remuneration of Chief Executive, Directors and Executives

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

	Chief Executive		Director		Executives		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	..... (Rupees '000) .....							
Non executive Directors' meeting								
fee - 1 Director (2017: 1 Director)	-	-	240	120	-	-	240	120
Managerial remuneration - Basic	3,850	3,587	1,475	1,375	3,755	3,993	9,080	8,955
Perquisite (Bonuses, House Rent & Others)	4,806	4,470	2,280	1,917	6,184	5,209	13,270	11,596
Reimbursable expenses	1,082	990	-	-	924	668	2,006	1,658
Gratuity Paid	-	-	-	-	-	2,562	-	2,562
	<b>9,738</b>	<b>9,047</b>	<b>3,755</b>	<b>3,292</b>	<b>10,863</b>	<b>12,432</b>	<b>24,356</b>	<b>24,771</b>
<b>Number of persons</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>



The Chief Executive and Executives as stated above are provided with the Company maintained cars and telephone facilities. All non-executive directors except one director waived their directors' fee, which was approved in the Board of Directors meeting.

## ii) Other Transactions

The Company in the normal course of business carried out transactions with Key Management Personnel (KMP) / related parties as detailed below. The transactions reflect economic substance and are executed in the normal course of business.

Name of Related Party	Relationship with Company	Nature of Transaction	2018 (Rupees in '000)	2017
Mr. Ghulam Dastagir Rajar	Chairman	Cane purchased	18,781	29,363
.....Do.....	.....Do.....	Advance against cane purchase	17,898	26,423
Haji Khuda Bux Rajar	Chief Executive	Cane purchased	–	4,360
.....Do.....	.....Do.....	Advance against cane purchase	–	4
Mr. Gul Mohammad Rajar	Son of Chief Executive	Cane purchased	5,543	14,064
.....Do.....	.....Do.....	Advance against cane purchase	1,107	22
Mr. Muhammad Hashim	General Manager	Cane purchased	4,770	4,209
.....Do.....	.....Do.....	Advance against cane purchase	1,915	86

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly.

Name of Related parties with whom the Company has entered into transactions or had agreements and arrangements in place during the financial year along with the basis of relationship are also disclosed in respective notes to the financial statements. Contract or arrangements with related parties were in the ordinary course of business and were at arm's length basis.

## MATERIALITY APPROACH

Determining materiality levels is subjective and varied between organizations. Authorizations for transactions and delegation of powers have been define clearly and carried out through formalized process in the Company. The Company has approved materiality policy, which is reviewed annually to check its relevance.

## HUMAN RESOURCE MANAGEMENT & SUCCESSION PLANNING

The Company is committed to build the better organizational culture that is shaped by empowered employees who demonstrate a deep belief in the Company's Vision and Values. H.R. Management Policy is integral part of the Company's business strategy. The Company fosters leadership, individual accountability and team work. The Company believes in pro-active approach towards Succession Planning. The Company recruits employees, develops their knowledge, skills, abilities and prepares them for advancement and promotion into more challenging roles. Succession Planning ensures that employees are constantly developed to fill each needed role. The Company looks for people who exemplify continuous improvement when it is spotting Successors for future.

## CONFLICT OF INTEREST

The management of Company has the policy for actual and perceived conflicts of interest and measures are adopted to avoid, identify the existence and to disclose the existence of conflict of interest. No employee will perform any kind of work (directly or indirectly) for a third party without proper approval. Employees must notify their any actual or potential conflict of interest situation and obtain an advice or ruling as the case may be. The primary goal of Company is to manage conflicts of interest to ensure that decisions are made and are seen to be made on proper grounds, for legitimate reasons and without bias. The Company has set the procedures to manage and monitor the conflict of interest.



## **IMPACT OF COMPANY'S BUSINESS ON ENVIRONMENT**

It is the responsibility of the Company to make the environment healthy and clean. Therefore, the Company has made serious efforts and are installing equipment to reduce the pollution and making a good impact of Company's business on Environment. The Company has installed collection units to retrieve oil / grease e.t.c. from the waste water and ash collectors are also installed at the chimneys to absorb the ash. Further, the feasibility of Effluent treatment plant and consideration of other environmental factors are in process and will be finalized. The first step of which is required the facilities to identify environmental gaps. This includes the consumption of fresh water and energy at the facility as well as effluent discharges, soil and ground water monitoring and emissions from vehicles, generators and boilers. The aim is to address the identified environmental gaps in the subsequent years.

Further, it is to inform you that the Company has prepared the Environmental Management Plan and has also conducted initial environmental examination and is working hard to significantly reduce the consumption of water by doing following steps;

- Increase in imbibition water Temperature at Mill House from 40 Centigrade to 55 Centigrade using condensate water in place of raw water
- Reactivation of cooling tower for vertical crystallizer by this we are re cycling water use for crystallizer cooling purposes. Intake of fresh water is minimized only to make up water loss due to evaporation.
- Process chemicals are prepared with condensate water in place of raw water.
- We are working on reducing, re cycle and re use of water.

The Company is also in negotiation with the consultant for the installation of Effluent Treatment Plant to make it operational before the crushing season 2019-2020.

## **INVESTOR GRIEVANCE AND COMPLAINTS**

The Company allows full access to all shareholders including potential investors, to call for relevant information or details on Company's operations and their own shareholding related details. The required information is provided immediately or a query / grievance is resolved promptly in accordance with the regulatory guidelines.

## **SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY**

Report of Sustainability and Corporate Social Responsibility is annexed

## **RISK MANAGEMENT & STRATEGY**

The Company's overall risk management program focus on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's operations. 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 considers the following material risk:

### **i) Operational Risk**

To mitigate the operational risks, necessary strategies have been developed and substantial investments are continuously being made to ensure the reliability of operating plant. The Company has carried out necessary repairs & maintenance as required.

### **ii) Market Risk**

The Company is not materially exposed to the prices of raw material due to the fixation of prices by the Government. Strategies has been planned and implemented to overcome the huge cost of raw material. Further, the Company is not exposed to the risk of exchange rate fluctuation as at the year-end but the Company was exposed during the year to due to the export of sugar. The management has planned to use of financial instruments in future.





### iii) Credit Risk

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. The Company manages credit risk inter alia 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 adequate allowance for doubtful debts. Where considered necessary, advance payments are obtained from certain parties or by obtain advance payments from counter parties. The Company believes that it is not exposed to major concentration of credit risk.

### iv) Liquidity Risk

The Company manages liquidity risk by maintaining sufficient cash and ensuring the fund availability through adequate credit facilities. As at the year-end, the Company has available un-availed short term borrowing facilities and also has cash & bank balances. The management believes that the Company is not significantly exposed to the liquidity risk.

## CONTRIBUTION TO NATIONAL EXCHEQUER

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 contributed to National Exchequer in the form income taxes, sales tax and other levies amounting to Rs. 492,421 thousand during the year as compared to Rs. 314,404 thousand during the last year.

## FUTURE PROSPECTS

Your Company has commenced crushing season on November 21, 2018 and upto December 27, 2018 crushed 199,616 M. Tons of cane producing 19,525 M. Tons of sugar at the recovery rate of 10.137%.

Your Company as well as sugar mills in Sindh are again facing tough conditions which can be summarized below:

- Low sugar cane crop in Sindh as compared with last year
- Surplus / carry forward stock of sugar in country
- Continued depressed selling prices of sugar in both domestic as well as international market
- Fixation of cane price at Rs. 182 per 40 k.g. by Government of Sindh, additionally mills would be required to quality premium at the rate of Rs. 0.5 for every 0.1% recovery in excess of bench mark of 8.7%.

Your Company as well as sugar industry has again filed petition in the Honourable High Court of Sindh against the fixation of minimum cane price at Rs. 182 per 40 k.g.

## CAPITAL RESERVE

During the year, the Company has changed its accounting policy in respect of accounting and presentation of revaluation of property, plant and equipment, to bring it in line with the requirement of International Accounting Standard (IAS) 16 "Property, Plant & Equipment" as required by Companies Act, 2017.

Now revaluation surplus on property, plant & equipment is presented in the statement of financial position as part of equity and in the statement of changes in equity as a capital reserve being the part of equity. This surplus is a capital reserve and is not available for distribution to shareholders of the Company in accordance with the Section 241 of the Companies Act, 2017.

## DIVIDEND & APPROPRIATION

Due to the circumstances already discussed, the Board of Directors of the Company in its meeting does not recommend any dividend and or appropriation for the year ended September 30, 2018.



## RE-CONSTITUTED BOARD OF DIRECTORS AFTER ELECTION

During the year, the Shareholders of the Company in the Extra Ordinary General Meeting of the Company held on October 31, 2017 elected the Seven Directors for the tenure of three years commencing from November 04, 2017, namely (1) Mr. Ghulam Dastagir Rajar (2) Haji Khuda Bux Rajar (3) Mr. Mohammad Aslam (4) Mr. Ghulam Hyder (5) Mr. Rahim Bux (6) Mr. Qazi Shamsuddin and (7) Mr. Shahid Aziz (Representing N.I.T).

The Board in this meeting re-elected Mr. Ghulam Dastagir Rajar as the Chairman of the Board. The Board also re-appointed Haji Khuda Bux Rajar as the Chief Executive of the Company and re-appointed Mr. Ghulam Hyder as Working Director for next three years effective from November 04, 2017 as authorized by the Articles of Association of the Company on the remuneration, terms and conditions, as approved by the Board. Accordingly, the re-constituted Board of Directors from November 04, 2017 has the following composition:

### Re-constituted Board of Directors

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

### Re-constituted Audit Committee

The Board after election of Directors has re-constituted the Audit Committee effective from November 04, 2017 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 Members	Status	Category
1) Mr. Rahim Bux	Chairman	Independent Director
2) Mr. Muhammad Aslam	Member	Non-Executive Director
3) Mr. Shahid Aziz	Member	Non-Executive Director having financial skill & experience

### Re-constituted Human Resource & Remuneration Committee

The Board after election of Directors has reconstituted the Human Resource & Remuneration Committee (H.R. & R.) effective from November 04, 2017 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 Members	Status	Category
1) Mr. Rahim Bux	Chairman	Independent Director
2) Mr. Muhammad Aslam	Member	Non-Executive Director
3) Mr. Shahid Aziz	Member	Non-Executive Director

### Re-constituted Information Technology & Steering Committee

The Board after election of Directors has re-constituted the Information Technology & Steering (IT & S) Committee effective from November 04, 2017 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 IT & S Committee having the following composition:-



<b>Name of Members</b>	<b>Status</b>	<b>Category</b>
1) Mr. Ghulam Hyder	Chairman	Executive Director
2) Syed Rehan Ahmad Hashmi	Member	Chief Financial Officer
3) Mr. Muhammad Ahmad	Member	Manager Management Information System
4) Mr. Ebad Azhar	Member	Assistant Manager Management Information System

Mr. Muhammad Ahmad resigned on September 30, 2018 and to fill casual vacancy, Mr. Ebad Azhar was appointed on November 01, 2018.

#### **Re-constituted Corporate Social Responsibility Committee**

The Board after election of Directors has re-constituted the Corporate Social Responsibility (CSR) Committee effective from November 04, 2017 for the tenure of three years in order to comply with the provisions of the Code of Corporate Governance. Accordingly, the Board appointed four members of the CSR Committee having the following composition:-

<b>Name of Members</b>	<b>Status</b>	<b>Category</b>
1) Mr. Rahim Bux	Chairman	Independent Director
2) Mr. Muhammad Aslam	Member	Non-Executive Director
3) Mr. Shahid Aziz	Member	Non-Executive Director
4) Syed Rehan Ahmad Hashmi	Member	Chief Financial Officer Representing Management

#### **Constitution of Risk Management (RM) Committee**

The Board after election of Directors has constituted the Risk Management (RM) Committee effective from November 04, 2017 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 RM Committee having the following composition:-

<b>Name of Members</b>	<b>Status</b>	<b>Category</b>
1) Mr. Muhammad Aslam	Chairman	Non-Executive Director
2) Mr. Shahid Aziz	Member	Non-Executive Director
3) Mr. Ghulam Hyder	Member	Executive Director

#### **AUDITORS**

The present Auditors M/s. Kreston 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, 2019.

#### **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 & on Behalf of the Board

**Ghulam Dastagir Rajar**  
Chairman

**Haji Khuda Bux Rajar**  
Chief Executive Officer

Karachi: December 29, 2018