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28th
Annual Report
2017



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

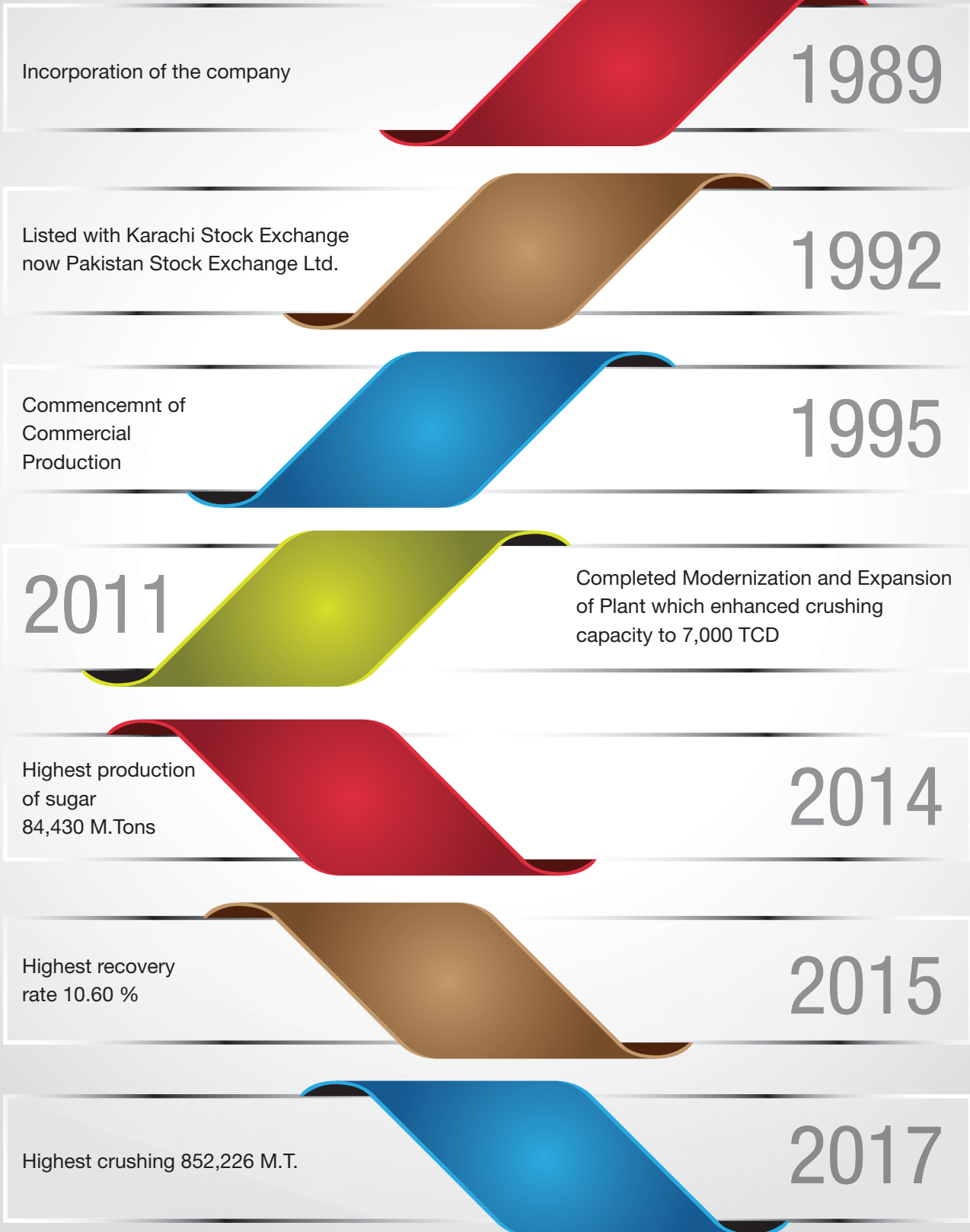
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MAJOR MILESTONES



KSML History

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

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



KHAIRPUR
SUGAR MILLS LIMITED.



CORPORATE INFORMATION

Date of Incorporation

August 23, 1989

Date of Commencement of Business

September 13, 1989

BOARD OF DIRECTORS

Mr. Muhammad Mubeen Jumani - Chief Executive Officer

Mr. Faraz Mubeen Jumani - Managing Director

Mr. Fahad Mubeen Jumani

Mrs. Qamar Mubeen Jumani - Chairperson

Miss. Arisha Mubeen Jumani

Mr. Ahmed Ali Jumani

Lt. Gen (Retd). Anis Ahmed Abbasi

CHIEF FINANCIAL OFFICER

Mr. Shoaibul Haque

COMPANY SECRETARY

Mr. Abdul Wahid Naviwala

BANKERS

National Bank of Pakistan

Sindh Bank Limited

Dubai Islamic Bank Pakistan Limited

JS Bank Limited

United Bank Limited

MCB Bank Limited

Bank Al Falah Limited

Habib Bank Limited

STATUTORY AUDITORS

M/S. Reanda Haroon Zakaria & Company

Chartered Accountants

Room No. M1-M4, Mezzanine Floor, Progressive Plaza,

Plot No. 5 CL - 10, Civil Lines Quarter,

Beaumont Road, Near Dawood Centre,

Karachi - 75530 PAKISTAN.

AUDIT COMMITTEE

Lt. Gen (Retd.) Anis Ahmed Abbasi Chairman

Mr. Ahmed Ali Jumani Member

Mrs. Qamar Mubeen Jumani Member

HR AND REMUNERATION COMMITTEE

Miss. Arisha Mubeen Jumani Chairman

Lt. Gen (Retd.) Anis Ahmed Abbasi Member

Mr. Muhammad Mubeen Jumani Member

LEGAL ADVISOR

Syed Zafar Ali Shah (Advocate)

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

Jumani Arcade, University Road,

Gulshan-e-Iqbal, Karachi.

SHARES REGISTERAR

M/S. C & K Management Associates (Pvt.) Limited

404, Trade Tower, Abdullah Haroon Road,

Near Metropole Hotel, Karachi.

REGISTERED OFFICE

3rd Floor, Plot No. 15-C, 9th Commercial Lane,

Zamzama, Defence Housing Authority, Phase V,
Karachi.

Ph: 021-35810771-75

Fax: 021-35810776

MILLS

Naroo Dhoro, Taluka Kot Diji, Khairpur.

E-MAIL & WEBSITE

headoffice@jumanigroup.com

www.jumanigroup.com

STOCK EXCHANGE SYMBOL KPUS

VISION STATEMENT

We aim to be a leading manufacturer of quality sugar, and other allied products and its supplier in local and international markets. We aspire to be known for the quality of our products and intend to play a pivotal role in the economic and social development of Pakistan.

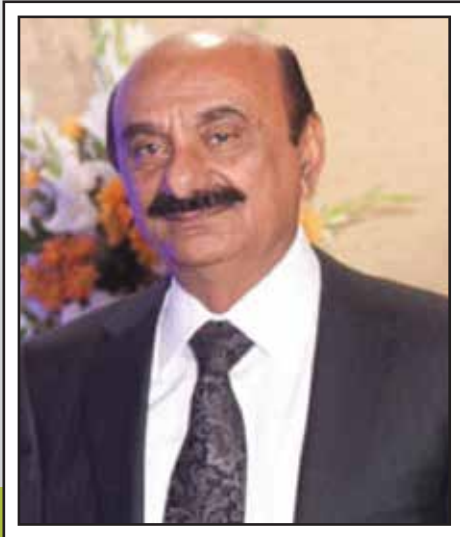


MISSION STATEMENT

As a prominent producer of sugar, and other allied products, we shall continue to strive to achieve excellence in performance and aim to exceed the expectations of all stakeholders. We target to achieve technological advancements to inculcate the most efficient, ethical and time tested business practices in our management.



CHIEF EXECUTIVE OFFICER'S PROFILE



Muhammad Mubeen Jumani

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

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

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

MANAGING DIRECTOR'S PROFILE



Faraz Mubeen Jumani

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

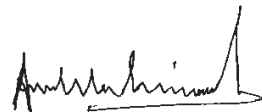
NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 28th Annual General Meeting of KHAIRPUR SUGAR MILLS LIMITED will be held at our registered office at 3rd Floor, Plot No. 15-C, 9th Commercial Lane, Zamzama, DHA Phase V, Karachi on Tuesday, February 27, 2018 at 02.30 pm to transact the following business

ORDINARY BUSINESS

1. To confirm the minutes of the 27th Annual General Meeting of the Company held on February 27, 2017.
2. To receive, consider and approve the Annual Audited Financial Statements of the Company for the year ended September 30, 2017 together with the Directors' and Auditors' report thereon.
3. To appoint Auditors for the year ending September 30, 2018 and fix their remuneration. The Audit Committee of the Board has recommended the retiring auditors M/s. Reanda Haroon Zakaria & Company, Chartered Accountants being eligible have offered themselves for re-appointment.
4. To transact any other business with permission of the Chair.

By order of the Board



Abdul Wahid Naviwala
Company Secretary

Karachi: January 18, 2018

Notes

1. The share transfer book of the Company shall remain closed with effect from February 20, 2018 to February 27, 2018 (both days inclusive). Transfers received at the office of Shares Registrar M/S. C & K Management Associates (Pvt.) Limited, 404, Trade Tower, Abdullah Haroon Road, Near Metropole Hotel, Karachi Phone 35687839 & 35685930 at the close of business on February 19, 2018 will be considered in time to attend and vote at the meeting and for the purpose of any entitlement to the transferees.
2. A member eligible to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her proxy, in order to be effective must reach the Company Register Office not less than 48 hours before the time of the meeting during working hours.
3. The shareholders are advised to notify the Registrar of any change in their addresses.
4. With reference to S.R.O 787(1)/2014 dated September 8, 2014 issued by SECP, shareholders have option to receive Annual Audited Financial Statements and Notice of General Meeting through email. Shareholders of the company are requested to give their consent to the Company's Head Office to update our record if they wish to receive Annual Financial Statements and notice of Annual General Meeting through email. However, if shareholder, in addition, request for hard copy of Audited Financial Statements the same shall be provided free of cost within seven (7) days of receipt of such request.

Submission of copies of CNIC and NTN Certificates (Mandatory)

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

Guidelines for CDC Holders

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

A For Attending the Meeting

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

B For Appointing Proxies

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

رضامنڈی کمپنی کے ہیڈ آفس بھیجیں اور کمپنی کے ریکارڈز میں اپنی درخواست رجسٹرڈ کروائیں تاکہ سالانہ اکاؤنٹس اور تمام اجلاس کانٹریکٹس آپ کو بذریعہ ای میل بھیجا جائے تاہم اس کے باوجود اگر کسی حصص یافتہ نے نقد کا پیوں کی درخواست دی تو اسے 7 روز کے اندر بغیر کسی معاوضے کے ارسال کی جائیگی۔

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

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

سی ڈی سی ہولڈرز کی رہنمائی کیلئے

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

اے۔ اجلاس میں شرکت کیلئے

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

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

بی۔ پراسیسز کی تقرری کیلئے

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

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

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

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

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

سالانہ اجلاس عام کانوٹس

بذریعہ نوٹس ہذا مطلع کیا جاتا ہے کہ خیر پور شوگر ملز لمیٹڈ کا 28 واں سالانہ اجلاس عام ہمارے رجسٹرڈ آفس واقع تیسری منزل، پلاٹ نمبر C-15، 9 ویں کمرشل لین، زمزمہ، ڈی ایچ اے فیئر-V، کراچی میں 27 فروری 2018ء کو دوپہر ڈھائی بجے منعقد ہوگا جس میں درج ذیل کاروباری امور طے کئے جائیں گے۔

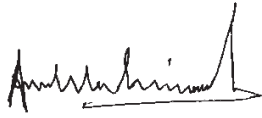
عام کاروبار

- 1- کمپنی کے 27 ویں سالانہ اجلاس عام منعقدہ 27 فروری، 2017 کی کارروائی کی توثیق
- 2- 30 ستمبر، 2017 کو ختم ہونے والے سال کیلئے کمپنی کے سالانہ آڈٹ شدہ مالیاتی گوشواروں کے ساتھ ڈائریکٹران اور آڈیٹرز کی رپورٹ کی وصولی، غور

اور منظوری

- 3- 30 ستمبر، 2018 کو ختم ہونے والے سال کیلئے آڈیٹرز کا تقرر اور ان کے مشاہرے کا تعین، بورڈ کی آڈٹ کمیٹی نے ریٹائر ہونے والے آڈیٹرز میسرز ریٹائرڈ ہارون ذکریا اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کو اہلیت کی بنیاد پر سفارش کی ہے کہ انہوں نے دوبارہ تقرری کیلئے اپنی خدمات پیش کی ہیں۔
- 4- چیئرمین کی اجازت سے دیگر کاروباری امور طے کئے جائیں گے۔

بحکم بورڈ



(عبدالواحد نوالا)

کمپنی سیکریٹری

کراچی: جنوری 2018ء

نوٹس:

- 1- کمپنی کی حصص منتقلی کی کتابیں فروری 20، 2018ء تا فروری 27، 2018ء (بشمول دونوں ایام) بند رہیں گی۔ شیئر رجسٹرار میسرز سی اینڈ کے مینجمنٹ ایسوسی ایٹس (پرائیویٹ) لمیٹڈ کے آفس واقع 404، ٹریڈ ٹاور، عبداللہ ہارون روڈ، نزد میٹروپول ہوٹل کراچی۔ فون 021-35687839 اور 35685930 پر جمعہ 19 فروری 2018ء تک اوقات کار کے دوران موصول ہونے والے ٹرانسفرز کو بروقت تصور کیا جائے گا، ٹرانسفریز کے کسی بھی تبدیل شدہ کے استحقاق کا مقصد ووٹ دینے اور اجلاس میں شرکت کر سکے گا۔
- 2- کمپنی کا ہر میروٹ دینے اور اجلاس میں شرکت کا اہل ہے اور وہ اپنی جگہ اجلاس میں شرکت اور ووٹ دینے کیلئے اپنا پراسی مقرر کر سکتا ہے، اس سلسلے میں اسے کمپنی رجسٹر آفس کو اجلاس سے کم سے کم 48 گھنٹہ قبل اوقات کار کے دوران مطلع کرنا ہوگا۔
- 3- حصص یافتگان کو مشورہ دیا جاتا ہے کہ وہ اپنے پتوں میں کسی بھی تبدیلی کی صورت رجسٹرار کو مطلع کریں۔
- 4- SRO 787(1) 2014 بتاریخ 8 دسمبر، 2014ء جاری کردہ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی روشنی میں حصص یافتگان اس بات کا استحقاق رکھتے ہیں کہ کمپنی کے سالانہ اکاؤنٹس یا سالانہ عام اجلاس کانوٹس بذریعہ ای میل وصول کر سکے۔ حصص یافتگان سے درخواست ہے کہ اس سلسلے میں اپنی

Bagasse

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



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Biogas

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



SIX YEARS' REVIEW AT A GLANCE

	2017	2016	2015	2014	2013	2012
OPERATIONAL TRENDS						
Sugarcane crushed - M.Tons	852,226	647,635	649,134	819,719	556,436	402,177
Sugar produced - M.Tons	83,579	66,818	68,798	84,430	47,130	34,425
Average sucrose recovery - %	9.81	10.32	10.60	10.30	8.47	8.56
Crushing days	140	115	120	155	143	128
Average crushing per day - M.Tons	6,087	5,632	5,409	5,289	3,891	3,142
BALANCE SHEET						
	figures in million					
Share capital	160.18	160.18	160.18	160.18	160.18	160.18
Shareholders' equity	(64.59)	(97.53)	(168.67)	(559.05)	(561.38)	(243.47)
Non current liabilities	1,030.04	1,098.30	1,105.92	1,234.61	1,027.19	935.42
Current liabilities	2,430.35	613.27	1,084.36	1,143.02	1,410.28	1,033.13
Total Equity & Liabilities	3,660.38	1,887.08	2,331.06	2,143.77	2,217.82	1,999.02
Fixed Assets	1,570.60	1,437.39	1,514.11	1,495.40	1,520.74	1,446.45
Non current assets	34.64	0.26	0.26	0.26	0.91	0.68
Current assets	2,055.14	449.42	816.69	648.11	696.16	551.89
Total assets	3,660.38	1,887.08	2,331.06	2,143.77	2,217.82	1,999.02
FINANCIAL TRENDS						
	figures in million					
Turnover	2,933.18	4,146.50	3,492.71	4,247.77	2,316.60	1,714.83
Gross profit/(loss)	193.91	326.74	467.32	323.26	(259.60)	(74.38)
Operating profit/(loss)	58.50	175.06	289.47	137.26	(347.34)	(171.65)
Pre-tax profit/(loss)	(110.74)	42.64	153.59	77.96	(381.28)	(171.53)
After-tax profit/(loss)	(93.49)	56.77	90.94	28.58	(333.118)	(167.43)
Cash Flows						
Operating activities	(1,063.22)	206.81	260.15	(98.74)	(224.50)	(115.55)
Investing activities	(209.36)	(44.84)	(101.56)	(52.82)	(24.17)	(102.75)
Financing activities	1,284.52	(196.85)	(119.82)	(34.57)	276.66	50.99
Cash and cash equivalents at the end of the year	37.05	25.10	59.98	(304.80)	(118.66)	(146.64)
Profitability indications						
Gross profit/(loss) margin (%)	6.61	7.88	13.38	7.61	(11.21)	(4.34)
Net (loss)/profit margin (%)	(3.19)	1.37	2.60	0.67	(14.38)	(9.76)

DIRECTORS' REPORT TO MEMBERS

Dear Members - Assalam-o-Alekum

In the name of Almighty ALLAH, the most gracious and most merciful, on behalf of Board of Directors, it is my privilege to present the 28th Annual Report of your company with the audited financial statements for the year ended September 30, 2017.

FINANCIAL RESULTS

	2017	2016
	----- Rupees in thousand -----	
(Loss)/Profit before taxation	(110,740)	42,636
Taxation	17,248	14,134
(Loss)/Profit after taxation	(93,492)	56,770
(Loss)/Earning per share	(5.84)	3.54

PERFORMANCE REVIEW

The operating results for the crushing season are mentioned here as under:

	SEASON 2016-2017	SEASON 2015-2016
Season Started	11-11-2016	20-11-2015
Season Ended	30-03-2017	13-03-2016
Number of days worked	140	115
Sugarcane Crushing (MT)	852,226.272	647,634.964
Recovery (%) Sugar	9.807	10.317
Recovery (%) Molasses	3.900	3.883
Production - Sugar (MT)	83,579.00	66,817.50
Production - Molasses (MT)	33,237.00	25,148.00

The crushing season 2016-17 commenced on 11-11-2016 and continued till 30th March, 2017. Government of Sindh on October 31, 2016 issued notification, fixing minimum price of Sugar Cane at Rs. 182/ per 40 kg for crushing season 2016-17 as compared to Rs. 172/- per 40 kg for crushing season 2015-16.

During the current season supply of sugarcane was better in district Khairpur. Hence your mill achieved the crushing target 850,000 MT which is the highest ever its establishment. Due to global warming the temperatures were high, resulting in lower sucrose recovery as compared to the last year. Current year Sugar production is higher than expectations, resultantly; the Sugar and Molasses prices saw a downward especially after March 2017. Sugar prices in domestic and international market showed a drastic decline which needs a negative impact on the overall profitability. Further, increased cost of production on account of lower recovery and higher sugarcane price as compared with the previous year was another reason. The Economic Co-ordination Committee (ECC) of the Federal Cabinet allowed export of Sugar 0.225 million M.Tons and 0.200 million M.Tons in January 2017 and April 2017 respectively but due to decline in the sugar prices in the international market, export of sugar was not considered viable.



Incidence of losses during the year under review is as under:

- Depressed Sugar and Molasses prices.
- Increased cost of production on account of lower recovery and higher sugarcane price.

DIVIDEND

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

(LOSS)/EARNING PER SHARE

The (Loss)/Earning per share for the year comparative to previous year is given hereunder:

	2016-2017	2015-2016
Basic and diluted	(5.84)	3.54

FUTURE OUTLOOK

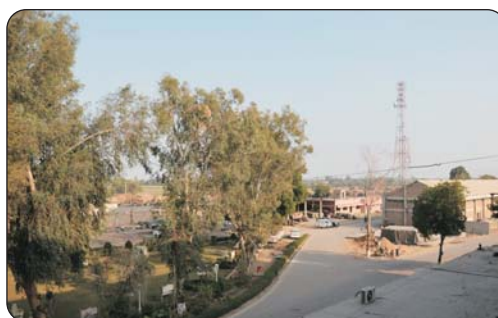
The sugar cane crushing season 2017-18 started from November 29, 2017 and by the date of this report we have produced 21,260 M.T. Sugar with average recovery of 9.785%. The Government of Sindh on 05th December, 2017 issued notification fixing the minimum Sugarcane support price at Rs. 182/ per 40 kgs for the crushing season 2017-18. Sugar and Molasses prices are still depressed. Under the situation, profitability of your mill is likely to be lower due to low recovery and increased cost of production.

Working on 12.00 MW Bagasse/Bio-Mass Power Generation plant is still delayed and hopefully will be completed by next years.



ENVIRONMENT

Pollution free environment, It is priority of the Management to provide healthy atmosphere to its workers and general population in surrounding villages and Khairpur city. All appropriate setups adopted by the management substantial capital outlay. In this regard, green belts and parks have been created. Drainage has been lined properly and extensive tree plantation has been done. This year, we have also installed Effluent Treatment Plant (CEPT - Chemically Enhanced Primary Treatment) system having capacity 3,000 cum/day at approx. cost of Rs. 12.650 million. The said plant will be operational in crushing season 2017-18.



CORPORATE SOCIAL RESPONSIBILITY

Responding to needs of local communities, civil society organizations and Government bodies includes social welfare, education; health care, infrastructural development and livelihood generation are the priorities of Khairpur Sugar Mills Limited since the establishment of the company.

CONTRIBUTION TO THE NATIONAL EXCHEQUER

The Company contributed a total amount of Rs. 360.654 million to the Government Treasury in shape of taxes, levies, excise duty and sales tax.

CORPORATE GOVERNANCE

The Directors are pleased to state that your Company has complied with the provisions of the Code of Corporate Governance as required by SECP which formed part of rule book of Pakistan Stock Exchange.

Statement on Corporate and Financial Reporting Framework

- The financial statements, prepared by the management of the Company, present its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment. Except as stated in note 3.1.
- International Accounting Standards (IFRS) as applicable in Pakistan have been followed in preparation of these financial statement and any departure therefrom has been adequately disclosed and explained.
- The system of internal control is sound in design and has been effectively implemented and monitored, and
- Summary of key operational and financial data for the last six years is annexed.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- Information about taxes and levies is given in the notes to and forming part of the financial statements.
- There are no doubts upon the Company's ability to continue as a going concern.

INDUSTRIAL RELATIONS

Harmonious working environment and cordial industrial relations atmosphere prevailed within the Company.

BOARD MEETINGS

During the year under review four (4) meetings of the Board of Directors were held; attendance of each director was as follows: -

Name of Directors	No. of meeting attended
Mr. Muhammad Mubeen Jumani	4
Mr. Faraz Mubeen Jumani	4
Mr. Fahad Mubeen Jumani	4
Mrs. Qamar Mubeen Jumani	4
Miss. Arisha Mubeen Jumani	4
Mr. Ahmed Ali Jumani	3
Lt. Gen (Retd.) Anis Ahmed Abbasi	4

AUDIT COMMITTEE

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

Name of Directors	No. of meeting attended
Lt. Gen (Retd.) Anis Ahmed Abbasi	4
Mrs. Qamar Mubeen Jumani	4
Mr. Ahmed Ali Jumani	3

MEETING OF HR & REMUNERATION COMMITTEE

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

Name of Directors	No. of meeting attended
Miss. Arisha Mubeen Jumani	1
Lt. Gen (Retd.) Anis Ahmed Abbasi	1
Mr. Muhammad Mubeen Jumani	1

AUDITORS

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

The Audit Committee has recommended to consider the re-appointment of M/S. Reanda Haroon Zakaria & Company, Chartered Accountants as auditors of the company for next year ending 30-09-2018.

PATTERN OF SHAREHOLDING

The Pattern of shareholding as on September 30, 2017 in accordance with the requirements of Code of Corporate Governance and a statement reflecting distribution of shareholding, is separately annexed to this report.

ACKNOWLEDGEMENT

We take pleasure by thanking members of the management, other employees and staff for their continued commitment to the success of the Company. We also value the support and cooperation of our customers, suppliers, bankers and all stakeholders and wish to record our thanks and gratitude. May Allah bless us in our efforts. Ameen!

For and on behalf of Board of Directors,



Qamar Mubeen Jumani (Mrs)
Chairperson

Place: Karachi
Dated: January 18, 2018

آڈیٹرز

موجودہ آڈیٹرز، میسرز ریٹائرڈ اہارون ذکریا اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس ہیں جنہوں نے اگلے سال کیلئے بحیثیت آڈیٹرز کے لئے پیش کیا ہے اور رضامندی ظاہر کی ہے۔

آڈٹ کمیٹی نے ان کی دوبارہ نامزدگی کی میسرز ریٹائرڈ اہارون ذکریا اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کو کمپنی کے آڈیٹرز برائے اگلے سال اختتام 30 ستمبر 2018ء کی سفارش کی ہے۔



شیررز ہولڈنگز کا پیٹرن

کمپنی کا شیررز ہولڈنگز سال کے اختتام 30 ستمبر 2017ء کو کوڈ آف کارپوریٹ گورننس کے مطابق کمپنی کا شیررز ہولڈنگز کی تفصیلات سالانہ رپورٹ کے ساتھ منسلک ہے۔

اعتراف

ہم خوشی کے ساتھ انتظامیہ کے تمام کارندے و دیگر کارکنان کی کاوشوں کا شکریہ ادا کرتے ہیں ہم قابل قدر کسٹمرز، مالیاتی اداروں اور دیگر اسٹیک ہولڈرز کا شکریہ اور اعتراف کرتے ہیں۔ اللہ ہماری کوششوں میں خیر کرے۔ آمین

منجانب بورڈ آف ڈائریکٹرز خیر پور شوگر ملز لمیٹڈ

قمر مبین جمانی (مسز)

چیئر پرسن

کراچی مورنہ 18 جنوری 2018ء

بورڈ میٹنگ

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



ڈائریکٹر کے نام	بورڈ اجلاس میں شرکت کی تعداد
جناب محمد مبین جمانی	4
جناب فرامین جمانی	4
جناب فہد مبین جمانی	4
مسز قمر مبین جمانی	4
مس عریشہ مبین جمانی	4
جناب احمد علی جمانی	3
لیفٹیننٹ جنرل (ریٹائرڈ) انیس احمد عباسی	4

آڈٹ کمیٹی

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



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

HR & R کمیٹی کے اجلاس

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



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

ہریالی اور پارک بتائے جارہے ہیں۔ گندے پانی کی ترسیل کے لئے انتظام کئے گئے ہیں اور وسیع پیمانے پر پودے لگائے جارہے ہیں۔ اس سال ہم نے رواں ٹریٹمنٹ پلانٹ (CEPt-Chemical enhanced primary PG1) سسٹم جس کی صلاحیت تقریباً 3,000 cum/day ہے مبلغ 12.650 ملین روپے میں خریدا ہے اس پلانٹ پر عمل درآمد کرشنگ سیزن 2017-18ء میں ہو جائیگا۔

کارپوریٹ سماجی ذمہ داری

ہم اس کام کو اپنی ذمہ داری سمجھتے ہیں کہ اطراف عام کی مندرجہ بالا ضروریات کے لئے آبادی، سول سوسائٹی کے ادارے، سرکاری محکمے بشمول سماجی بہبود، تعلیم، صحت عامہ، بنیادی ڈھانچے کیلئے بھرپور تعاون کریں اور یہ روز اول سے ہماری ترجیحات میں شامل ہے۔

☆ ٹیکس اور لیویز سے متعلق فنانشل گوشوارے کے نوٹس اس کا حصہ ہے۔

قومی خزانے میں اعانت

ادارے نے مالی سال 2016-17ء میں 360.654 ملین روپے قومی خزانے میں مختلف شکل کے ٹیکس، لیویز، ایکسائز اور سیلز ٹیکس کی مد میں جمع کرائے۔

کارپوریٹ حکمرانی

آپ کی کمپنی نے دوران سال ہر طرح سے SECP، پاکستان اسٹاک ایکسچینج کے قانونی اور انتظامی تقاضے پورے کئے۔

کارپوریٹ و فنانشل رپورٹنگ فریم ورک

☆ ایجنٹ کی جانب سے فنانشل گوشوارہ، اس کے موجودہ امور کی حالت، آپریشن کے نتائج، نقد جاری، منصفی تبدیلیوں کو شفاف طریقے سے پیش کیا گیا ہے۔

☆ موزوں اکاؤنٹس بک کمپنی کے برقرار رکھا ہے۔

☆ فنانشل گوشوارے کی تیاری میں موزوں اکاؤنٹنگ پالیسیوں کو بروئے کار لایا گیا ہے اور اکاؤنٹنگ اسٹیٹمنٹس موزوں اور زیرک فیصلے کی بنیاد پر کئے گئے ہیں۔

☆ پاکستان میں قابل اطلاق فنانشل رپورٹنگ پالیسیاں (IFRS) پورے طور پر ظاہر کیا گیا ہے۔

☆ اندرونی کنٹرول کا سسٹم ترتیب میں مستحکم ہے اور موثر طور پر نافذ ہے اور نگرانی کی جارہی ہے۔

☆ پچھلے چھ سالوں کے اہم آپریشن اور فنانشل کوائف کا خلاصہ منسلک کیا گیا ہے۔

☆ یہاں کارپوریٹ گورننس کے بہترین اعمال سے کوئی مادی رخصت نہیں ہے جیسا کہ لسٹنگ ریگولیشن میں بیان کیا گیا ہے۔

☆ ٹیکس اور لیویز سے متعلق فنانشل گوشوارے کے نوٹس اس کا حصہ ہے۔

☆ اس میں کوئی شک نہیں کہ کمپنی کی صلاحیت ہے کہ مسلسل چلتی رہے۔

صنعتی تعلق

کام میں ماحولیاتی ہم آہنگی اور مقوی صنعتی ریلیشن کا ماحول ہماری کمپنی میں قائم ہے۔

2015-16ء مقرر کیا تھا۔ موجودہ سیزن 2016-17ء کے دوران گنا کی پیداوار خیر پور ضلع میں بہتر رہی اس لئے آپ کی مل نے 850,000 میٹرک ٹن سے زیادہ گنا کرش کرنے کا ہدف حاصل کیا جو کہ ادارے کے قیام سے اب تک سب سے زیادہ ہے۔ عالمی موسمیاتی اثرات کی وجہ سے درجہ حرارت زیادہ ہونے کے نتیجے میں پچھلے سال کے مقابلے میں شوگر ریکوری میں کمی آئی۔ اس سال چینی کی پیداوار توقع سے زیادہ ہوئی۔ جس کی وجہ سے چینی اور مولا سس کی قیمت گرتی چلی گئی، خصوصی طور پر مارچ 2017ء کے بعد۔ چینی کی قیمت مقامی اور بین الاقوامی مارکیٹ میں بہت زیادہ کمی آئی۔ اس وجہ سے کمپنی کی مالی حالت پر منفی اثر ہوا اور منافع میں کمی واقع ہوئی۔ مزید پیداواری لاگت میں اضافہ، ریکوری میں کمی اور خام گنے کی قیمتوں میں اضافہ کی وجہ سے ہوا۔

وفاقی حکومت (ECC) نے 225,000 میٹرک ٹن اور 200,000 میٹرک ٹن بالترتیب جنوری 2017ء اور اپریل 2017ء چینی برآمد کرنے کی اجازت دی۔ لیکن بین الاقوامی مارکیٹ میں کمی کے رجحان کے مدنظر چینی کی برآمدگی قابل منافع نہ رہی۔



موجودہ سال (2016-17) کے نقصان کی وجہ درج ذیل ہے۔

☆ چینی و مولا سس کی گرتی ہوئی قیمت
☆ بڑھتی ہوئی پیداواری لاگت اور شوگر ریکوری میں کمی

ڈیویڈنڈ

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



فی حصص آمدن

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

2015-16	2016-17
3.54	(5.84)

مستقبل کا منظر

گنے کی کرشنگ سیزن 2017-18ء کا آغاز 29 نومبر 2017ء سے ہوا اور اس رپورٹ کی اشاعت تک آپ کی مل نے 21,260 میٹرک ٹن شوگر ریکوری کے 9.785 فیصد کے حساب سے چینی کی پیداوار کی۔ حکومت سندھ نے 5 دسمبر 2017ء کو 2017-18ء سیزن کے لئے امدادی قیمت 182 روپے فی 40 کلو گرام مقرر کی۔ ابھی بھی چینی اور مولا سس کی قیمت میں کمی کا رجحان ہے۔ آپ کی مل کے نفع کا حساب کمی کی جانب ہے۔ جو کہ شوگر ریکوری میں کمی اور بڑھتی ہوئی پیداواری لاگت ہے۔ آپ کی کمپنی نے 12MW باؤگیس/پاور پیداواری پلانٹ پر کام شروع کیا تھا جس میں دیر ہوگئی ہے لیکن امید ہے آئندہ سالوں میں مکمل ہو جائے گا۔

ماحولیات

آلودگی سے پاک ماحول

یہ ہماری ترجیحات میں شامل ہے کہ عوام الناس اور کارکنان کو صحت مند ماحول فراہم کریں اس سلسلے میں تمام ضروری کارروائی پر عمل کیا جاتا ہے۔ اس سلسلے میں

ڈائریکٹرز رپورٹ برائے ممبران

برائے سال 2016-2017ء

محترم شیئر ہولڈرز

شروع کرتے ہیں اللہ تعالیٰ کے بابرکت نام سے جو بڑا مہربان اور نہایت رحم کرنے والا ہے آپ کے ڈائریکٹرز 30 ستمبر 2017ء کے اختتامی سال کے لئے کمپنی کی سالانہ رپورٹ اور آڈٹ شدہ گوشوارے پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

مالیاتی کارکردگی

2016ء	2017ء	
(روپے ہزار میں)	(روپے ہزار میں)	
42,636	(110,740)	قبل از ٹیکس منافع (نقصان)
14,134	17,248	ٹیکسیشن
56,770	(93,492)	بعد از ٹیکس منافع (نقصان)
3.54	(5.84)	فی حصص آمدنی (نقصان)

کارکردگی جائزہ

آپریٹنگ رزلٹ کے موازنے

سیزن 2015-16ء	سیزن 2016-17ء	
20 نومبر 2015ء	11 نومبر 2016ء	سیزن کا آغاز
13 مارچ 2016ء	30 مارچ 2017ء	سیزن کا اختتام
115 دن	140 دن	کام کا دورانیہ
647,634.964	852,226.272	گنا کرش کیا گیا (میٹرک ٹن)
10.317	9.807	شوگر ریکوری (فیصد)
3.883	3.900	مولاس ریکوری (فیصد)
66,817.50	83,579.00	پیداوار چینی (میٹرک ٹن)
25,148.99	33,237.00	پیداوار مولاس (میٹرک ٹن)

کرشنگ سیزن 2016-17ء کا آغاز 11 نومبر 2016ء کو شروع ہوا اور اختتام 30 مارچ 2017ء کو ہوا۔ حکومت سندھ نے 2016-17ء کے سیزن کے لئے امدادی قیمت برائے گنا 182 روپے فی 40 کلوگرام بجوالہ نوٹیفکیشن بتاریخ 31 اکتوبر 2016ء بمقابلہ 172 روپے فی 40 کلوگرام برائے سیزن

Sugar

Total Sugar Production per million tons has witnessed a 125% increase in 2016-17 as compared to 2009-10 while increase in Sugarcane area per hectares over the same period was 29%.



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Molasses

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



STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

Khairpur Sugar Mills Limited

Year ending : 30-09-2017

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Regulation No. 5.19 of the listing Regulations of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

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

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

Category	Names
Independent Director	Lt. Gen (Retd.) Anees Ahmed Abbasi
Executive Directors	Mr. Muhammad Mubeen Jumani Mr. Faraz Mubeen Jumani
Non-Executive Directors	Mr. Fahad Mubeen Jumani Mrs. Qamar Mubeen Jumani Miss. Arisha Mubeen Jumani Mr. Ahmed Ali Jumani

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

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a TRE certificate holder has been declared as a defaulter by Pakistan stock exchange.
4. There was no casual vacancy on the board in the current period.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.
8. The meetings of the board were presided over by the Chairman/Chairperson and, in his/her absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The company arranges in-house orientation course for its directors as and when needed to apprise them of their duties and responsibilities. One of the director is exempted from the requirement of Directors' training program under clause 5.19.7 of PSX Rule Book and the rest of the directors to be trained within stipulated time. All the directors on the board are fully conversant with the duties and responsibilities.

10. The board has approved appointment of Chief Financial Officer, Company Secretary including their remuneration and terms and conditions of employment, as determined by the CEO. However, no new appointment was made during the year.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code
15. The board has formed an Audit Committee. It comprises of three members, all three members are appointed among from Non-Executive Directors. The Chairman of the Committee is also an independent Director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises 3 members, 1 member each from Executive, non-executive and independent directors. The Chairman of the Committee is from non-executive directors.
18. The board has set up an effective internal audit function managed by the experienced professionals who are conversant with the policies and procedures of the Company.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. The Company has complied with the requirements relating to maintenance of register of persons have access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names from the said list.
24. We confirm that all other material principles enshrined in the Code have been complied.



(MUHAMMAD MUBEEN JUMANI)
Chief Executive Officer



(FARAZ MUBEEN JUMANI)
Managing Director

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Khairpur Sugar Mills Limited (the Company), for the year ended September 30, 2017 to comply with the requirements of Rule Book of Pakistan Stock Exchange Limited Chapter 5, Clause 5.19.24(b) of the Code where the Company is listed.

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

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended September 30, 2017.

Reanda Haroon Zakaria & Co

Reanda Haroon Zakaria & Co.
Chartered Accountants

Engagement Partner
Muhammad Yameen

Dated: January 18, 2018
Karachi

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Khairpur Sugar Mills Limited as at September 30, 2017 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied except for the change as stated in note 3.1 with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, 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, 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, 2017 and of the loss, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Emphasis of matters

We draw attention to note 5.1 to the financial statements related to recoverability of deferred tax asset which depends on future profitability of the Company. There is an inherent uncertainty attached with future profitability as it is always susceptible to change.

Our opinion is not qualified in respect of these matters.

Reanda Haroon Zakaria & Co

Reanda Haroon Zakaria & Company
Chartered Accountants

Place: Karachi
Dated: January 18, 2018

Engagement Partner:
Muhammad Yameen



KHAIRPUR
SUGAR MILLS LIMITED.

Green energy

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



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Animal feed

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



CODE OF CONDUCT

Management of Khairpur Sugar Mills Limited established the Company on very sound principles and envisioned its development and growth on the basis of making no compromise in any aspects of business practices. Management is guided by the following principles in its pursuit of excellence in all activities for the attainment of the Company's Objectives.

THE COMPANY

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

AS DIRECTORS

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

AS EXECUTIVE AND MANAGERS

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

AS EMPLOYEE AND WORKERS

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

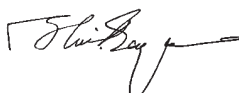
BALANCE SHEET

As at September 30, 2017

	Note	2017	2016
		----- Rupees in thousand -----	
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	1,570,595	1,437,394
Long term deposits		262	262
Deferred taxation	5	34,381	-
		<u>1,605,238</u>	<u>1,437,656</u>
Current Assets			
Stores, spares and loose tools	6	108,999	97,452
Stock in trade	7	1,618,663	97,976
Loans and advances	8	276,283	218,608
Deposits and prepayments	9	14,144	10,282
Cash and bank balances	10	37,048	25,102
		<u>2,055,137</u>	<u>449,420</u>
Total Assets		<u><u>3,660,375</u></u>	<u><u>1,887,076</u></u>
EQUITY AND LIABILITIES			
Authorized Capital			
20,000,000 Ordinary shares of Rs. 10 each		<u>200,000</u>	<u>200,000</u>
Share capital and reserves			
Issued, subscribed and paid up capital	11	160,175	160,175
Accumulated loss		(224,767)	(257,707)
Shareholders' equity		<u>(64,592)</u>	<u>(97,532)</u>
Surplus on revaluation of fixed assets - net	12	264,583	273,036
Non-Current Liabilities			
Long term financing	13	945,091	971,856
Deferred liabilities	14	84,946	126,443
		<u>1,030,037</u>	<u>1,098,299</u>
Current Liabilities			
Short term borrowings	15	1,306,048	17,507
Trade and other payables	16	1,072,169	559,404
Accrued markup		26,349	-
Provision for taxation	17	25,781	36,362
		<u>2,430,347</u>	<u>613,273</u>
Contingencies and commitments	18		
Total Equities and Liabilities		<u><u>3,660,375</u></u>	<u><u>1,887,076</u></u>

The annexed notes 1 to 38 form an integral part of these financial statements.


Muhammad Mubeen Jumani
Chief Executive Officer


Shoabul Haque
Chief Financial Officer


Faraz Mubeen Jumani
Managing Director

Karachi, Dated: January 18, 2018


PROFIT AND LOSS ACCOUNT

For the year ended September 30, 2017

	Note	2017	2016
		----- Rupees in thousand -----	
Sales - net	19	2,933,180	4,146,495
Cost of sales	20	(2,739,274)	(3,819,753)
Gross profit		193,906	326,742
Administrative expenses	21	(130,085)	(132,359)
Distribution cost	22	(16,956)	(11,783)
Other incomes	23	11,932	5,362
Other operating expenses	24	(300)	(12,900)
Operating profit		(135,409)	(151,680)
		58,497	175,062
Finance cost	25	(169,237)	(132,426)
(Loss) / Profit before taxation		(110,740)	42,636
Taxation	26	17,248	14,134
(Loss) / Profit after taxation		(93,492)	56,770
Other comprehensive income for the year			
(a) Items to be classified to profit and loss account in subsequent period			
Remeasurement of long term loan		84,197	-
(b) Items that will not be reclassified to profit and loss account in subsequent period			
Transfer from surplus on revaluation of property and plant on account of incremental depreciation - net of tax		12,339	14,369
Remeasurement of defined benefit liability - net		29,896	-
		126,432	14,369
Total comprehensive income for the year		32,940	71,139
(Loss) / Earning per share - basic and diluted	27	(5.84)	3.54

The annexed notes 1 to 38 form an integral part of these financial statements.


Muhammad Mubeen Jumani
Chief Executive Officer


Shoabul Haque
Chief Financial Officer


Faraz Mubeen Jumani
Managing Director


Karachi, Dated: January 18, 2018

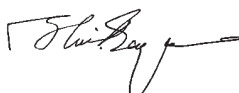
CASH FLOW STATEMENT

For the year ended September 30, 2017

	Note	2017	2016
		----- Rupees in thousand -----	
A. CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / Profit before taxation		(110,740)	42,636
Adjustment for non-cash charges and other items:			
Depreciation		76,157	76,592
Provision for Workers' Welfare Fund		-	2,540
Provision for Workers' Profit Participation fund		-	2,746
Provision for slow moving and obsolete items of store and spares		-	6,990
Gratuity		7,511	6,716
Finance cost		163,162	127,680
Working capital changes	28.1	(1,081,006)	21,976
Cash (used in) / generated from operations		(944,916)	287,876
Finance cost paid		(79,381)	(71,403)
Income tax paid		(38,920)	(9,659)
Net cash (used in) / generated from operating activities		(1,063,217)	206,814
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(86,606)	(39,847)
Capital work-in-progress		(122,752)	(5,657)
Proceeds from disposal of property, plant and equipment		-	666
Net cash used in investing activities		(209,358)	(44,838)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Market Committee fee		(4,020)	(4,020)
Short term finance - net		1,288,541	(192,832)
Net cash generated / (used in) financing activities		1,284,521	(196,852)
Net increase / (decrease) in cash and cash equivalents		11,946	(34,876)
Cash and cash equivalents at the beginning of the year		25,102	59,978
Cash and cash equivalents at the end of the year		37,048	25,102

The annexed notes 1 to 38 form an integral part of these financial statements.


Muhammad Mubeen Jumani
Chief Executive Officer


Shoabul Haque
Chief Financial Officer


Faraz Mubeen Jumani
Managing Director

Karachi, Dated: January 18, 2018

STATEMENT OF CHANGES IN EQUITY

For the year ended September 30, 2017

	Issued, subscribed & paid-up capital	Accumulated gain / (loss)	Total
	----- Rupees in thousand -----		
Balance as at September 30, 2015	160,175	(328,846)	(168,671)
Profit for the year	-	56,770	56,770
Other comprehensive income	-	14,369	14,369
Total comprehensive income	-	71,139	71,139
Balance as at September 30, 2016	160,175	(257,707)	(97,532)
Loss for the year	-	(93,492)	(93,492)
Other comprehensive income	-	126,432	126,432
Total comprehensive income	-	32,940	32,940
Balance as at September 30, 2017	160,175	(224,767)	(64,592)

The annexed notes 1 to 38 form an integral part of these financial statements.



Muhammad Mubeen Jumani
Chief Executive Officer



Shoaibul Haque
Chief Financial Officer



Faraz Mubeen Jumani
Managing Director

Karachi, Dated: January 18, 2018

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2017

1 LEGAL STATUS AND NATURE OF BUSINESS

Khairpur Sugar Mills Limited (the Company) was incorporated in Pakistan on August 23, 1989 as a public limited company under the Companies Ordinance, 1984 (The Ordinance). The Company is listed on Pakistan Stock Exchange Limited. The registered office of the Company is situated at 3rd Floor, Plot No. 15-C, 9th Commercial Lane, Zamzama, D.H.A., Phase V, Karachi.

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

2 BASIS OF PREPARATION

2.1 Statement of Compliance

During the year, the Companies Act 2017 (the Act) has been promulgated, however, Securities and Exchange Commission of Pakistan (SECP) vide its circular no. 23 of 2017 dated July 04, 2017 communicated its decision that the companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, these financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Ordinance and provisions of and directives issued under the Ordinance. In case requirements differ, the provisions or directives of the Ordinance shall prevail.

2.2 Basis of Measurement

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

2.3 Functional and presentation currency

These financial statements are presented in Pakistani rupees which is the functional currency of the company. Figures are rounded off to the nearest thousand rupee.

2.4 Significant accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected.

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

- a) Determining the residual values and useful lives of property, plant and equipments (Note 3.2)
- b) Impairment / adjustments of inventories and stores to their net realizable value (Note 3.4 & 3.5)
- c) Accounting for staff retirement benefits (Note 3.9)
- d) Recognition of taxation and deferred tax (Note 3.10) and
- e) Impairment of assets (Note 3.17)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2017

2.5 New / revised standards that became effective for the year

The following new / revised standards are effective for the year ended September 30, 2017. These standards are, either not relevant to the company's operations or are not expected to have significant impact on the company's financial statements other than certain additional disclosures:

- IFRS 10 - Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements: Investment Entities: Applying the Consolidation Exception (Amendment)
- IFRS 11 - Joint Arrangements: Accounting for Acquisition of Interest in Joint Operation (Amendment)
- IAS 1 - Presentation of Financial Statements: Disclosure Initiative (Amendment)
- IAS 16 - Property, Plant and Equipment and IAS 38 Intangible Assets: Clarification of Acceptable Method of Depreciation and Amortization (Amendment)
- IAS 16 - Property, Plant and Equipment and IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)
- IAS 27 - Separate Financial Statements: Equity Method in Separate Financial Statements (Amendment)

The adoption of the above accounting standards did not have any effect on the financial statements.

2.6 Annual Improvements

- IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal.
- IFRS 7 - Financial Instruments: Disclosures - Servicing contracts
- IFRS 7 - Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements
- IAS 19 - Employee Benefits - Discount rate: regional market issue
- IAS 34 - Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'

The adoption of the above amendments, improvements to accounting standards and interpretations does not have any material effect on the financial statements

2.7 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation

Standard or Interpretation	(annual periods beginning on or after)
IFRS 2 - Classification and Measurement of Share Based Payment Transactions (Amendments)	January 1, 2018

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2017

Standard or Interpretation	(annual periods beginning on or after)
IFRS 7 - Financial Instruments: Disclosures - Disclosure Initiative - (Amendment)	January 1, 2017
IFRS 9 - Financial Instruments: Classification and Measurement	January 1, 2018
IFRS 10 - Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 15 - Revenue from Contracts with Customers	January 1, 2018
IAS 12 - Income Taxes - Recognition of Deferred Tax Assets for Unrealized losses (Amendments)	January 1, 2017
IFRS 4 - Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - (Amendments)	January 1, 2018
IAS 40 - Investment Property: Transfers of Investment Property - (Amendments)	January 1, 2018
IFRIC 22 - Foreign Currency Transactions and Advance Consideration	January 1, 2018
IFRIC 23 - Uncertainty over Income Tax Treatments	January 1, 2019

The Company expects that the adoption of the above amendments and interpretation of the standards will not affect the Company's financial statements in the period of initial application.

Standard or Interpretation	Effective Date (annual periods beginning on or after)
IFRS 1 - First Time Adoption of IFRS	July 1, 2009
IFRS 14 - Regulatory Deferral Accounts	January 1, 2016
IFRS 16 - Leases	January 1, 2019
IFRS 17 - Insurance Contracts	January 1, 2021

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Change in accounting policy

In accordance with IAS-1 'Presentation of Financial Statements', the Company has elected to present all non-owner transactions in one performance statement i.e. profit or loss account instead of separate statements for profit or loss and other comprehensive income, as opposed to previous years. This change in presentation has not any effect on the assets and liabilities of the Company for either the current or prior periods and hence a restated statement has not been presented.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2017

3.2 Property, plant and equipment

Operating fixed assets

These are stated at cost less accumulated depreciation and impairment losses, if any, except for freehold land, building and plant and machinery. Land is stated at revalued amount less impairment losses, if any. Building and plant & machinery are stated at revalued amount less accumulated depreciation and impairment losses, if any. Depreciation on fixed assets is charged to income by applying reducing balance method at the rates specified in the relevant note.

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

Normal repairs and maintenance are charged to income as and when incurred. Major renewals and improvements are capitalized.

The carrying values of tangible fixed assets are reviewed for impairment when event or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

Gain/ loss on disposal of fixed assets are recognized in the profit and loss account.

3.3 Capital work in progress

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

3.4 Stores and Spares

These are valued at lower of the moving average cost or net realizable value. Net realizable value comprise of estimated selling price in the ordinary course of the business less estimated cost necessary to make the sale. Provision is made for items considered obsolete and slow moving. Items in transit are valued at cost comprising invoice price and other charges paid thereon.

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

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

3.5 Stock in trade

These are valued at lower of weighted average cost and net realizable value. Cost is determined as follows:-

Work in process Prime cost plus proportionate allocation of manufacturing overheads based on stage of completion.

Finished goods Prime cost plus an appropriate allocation of manufacturing overheads.

Stock of by product Net realizable value.

Net realizable value comprises of estimated selling price in the ordinary course of the business less estimated cost necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2017

3.6 Trade debts

Trade debts, if any, originated by the Company are carried at an amount, net of any allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as and when identified.

3.7 Loans, advances, deposits and prepayments

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

3.8 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

3.9 Employee benefits

a) Defined contribution plan

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

b) Defined benefit plan

The Company used to operate an unapproved gratuity scheme (defined benefit plan) for its employees. The Company has discontinued its present gratuity scheme.

3.10 Taxation

a) Current

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

b) Deferred

Deferred tax is recognized using the balance sheet liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts appearing in the financial statements. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of all deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets is realised or the liability is settled, based on tax rates that have been enacted or substantially enacted by the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2017

3.11 Provisions

A provision is recognized when the Company has an obligation (legal or constructive), as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

3.12 Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, and is reduced for the allowances such as taxes, duties, commissions, sales returns and trade discounts. The following recognition criteria must be met before revenue is recognized:

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

3.13 Cash and cash equivalents

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

3.14 Borrowing Cost

These are incurred on short term borrowings and are charged to profit and loss account in the year in which it is incurred except to the extent of borrowing costs that are directly attributable to the acquisition, contribution and commissioning of a qualify asset which are capitalized.

3.15 Financial Instruments

3.15.1 Financial assets

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

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

Loans and receivables

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

3.15.2 Financial liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2017

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the profit and loss account.

3.15.3 Offsetting of financial assets and financial liabilities

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

3.16 Translation of foreign currencies

Transaction in foreign currencies are recorded into rupees at the rates approximating those prevailing on the date of each transaction. Monetary assets and liabilities in foreign currencies are reported in rupees using the exchange rates approximating those prevailing on the balance sheet date. Exchange differences are included in income currently.

3.17 Impairment

Financial assets

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

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

Non-financial assets

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

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

3.18 Earnings per share

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2017

4.1.2 Had the Free hold land, Factory building on free hold land and plant and machinery not been revalued, the total carrying values as at September 30, would have been as follows;

	Note	2017	2016
		----- Rupees in thousand -----	
Free hold land		11,831	11,831
Factory building on free hold land		114,526	120,554
Plant and machinery		906,735	871,199
		<u>1,033,092</u>	<u>1,003,584</u>

4.2 Capital work in progress

Civil works		8,901	5,065
Vehicles		-	592
Plant and machinery		109,703	-
Building		9,240	-
		<u>127,844</u>	<u>5,657</u>

5 DEFERRED TAXATION

Deferred tax asset	14.2 & 5.1	<u>34,381</u>	<u>-</u>
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5.1 Deferred tax asset is recognized in respect of carry forward assessed tax losses to the extent it is probable that there will be future taxable profits against which these losses can be utilized.

	Note	2017	2016
		----- Rupees in thousand -----	
6 STORES, SPARES AND LOOSE TOOLS			
Stores, spares and loose tools		119,778	108,231
Provision for slow moving and obsolete items	6.1	(10,779)	(10,779)
		<u>108,999</u>	<u>97,452</u>

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

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

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

	Note	2017	2016
		----- Rupees in thousand -----	
7 STOCK IN TRADE			
Finished goods			
- Sugar		1,612,155	95,811
- Molasses		-	1,251
- Bagasse		5,282	-
	7.1	<u>1,617,437</u>	<u>97,062</u>
Work in process		1,226	914
		<u>1,618,663</u>	<u>97,976</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2017

- 7.1** The finished goods having cost of Rs. 1,673.045 million are carried at NRV of Rs. 1,612.155 million. Inventory having carrying value of Rs. 1,603.501 (2016 : Rs. Nil) million has been pledged against bank financing.

	Note	2017	2016
----- Rupees in thousand -----			
8 LOANS AND ADVANCES			
Advances			
- to growers	8.1	114,800	123,809
- to suppliers	8.2	133,486	73,737
- for expenses - considered good		20,750	14,875
- to staff	8.3	7,247	6,187
		<u>276,283</u>	<u>218,608</u>
8.1 Advances to growers			
Considered good		114,800	123,809
Considered bad		1,428	1,428
		<u>116,228</u>	<u>125,237</u>
Provision for doubtful advances		(1,428)	(1,428)
		<u>114,800</u>	<u>123,809</u>
8.2 Advances to suppliers			
Considered good		133,486	73,737
Considered bad		6,294	6,294
		<u>139,780</u>	<u>80,031</u>
Provision for doubtful advances		(6,294)	(6,294)
		<u>133,486</u>	<u>73,737</u>
8.3 Advances to staff			
Considered good		7,247	6,187
Considered bad		367	367
		<u>7,614</u>	<u>6,554</u>
Provision for doubtful advances		(367)	(367)
		<u>7,247</u>	<u>6,187</u>
9 DEPOSITS AND PREPAYMENTS			
Deposits	9.1	5,841	5,831
Prepayments		8,303	4,451
		<u>14,144</u>	<u>10,282</u>

- 9.1** In the year ended September 30, 2008, the company has paid Rs.5.220 million as performance money in relation to its agreement with Trading Corporation of Pakistan (TCP) for the purchase of 5,000 M. Tons sugar the season 2007-2008 at a price of Rs. 20,880 per metric ton. Due to non-performance of obligation by Trading Corporation of Pakistan, the company has withdrawn from the agreement but performance money is not refunded by TCP. The case has been filed by the company in High court of Sindh for refund of performance money which is pending.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2017

	Note	2017	2016
		----- Rupees in thousand -----	
10 CASH AND BANK BALANCES			
Cash in hand		171	155
Cash at banks - in current account		36,877	24,947
		<u>37,048</u>	<u>25,102</u>
11 ISSUED, SUBSCRIBED AND PAID UP CAPITAL			
2017			2016
Number of Shares			
16,017,500	16,017,500	Ordinary shares of Rs.10 each fully paid in cash	11.1
		160,175	160,175
11.1 This include 11.097 (2016 : 11.097) million ordinary shares of Rs. 10 each held by the directors and related parties.			
		2017	2016
		----- Rupees in thousand -----	
12 SURPLUS ON REVALUATION OF FIXED ASSETS - NET			
Revaluation surplus			
Balance as at October 01		393,492	459,280
Less : Deficit arising on revaluation during year		-	(44,962)
Less : Transferred to unappropriated profit in respect of incremental depreciation charged during the year		(17,628)	(20,826)
		<u>375,864</u>	<u>393,492</u>
Related deferred tax			
Balance as at October 01		(120,456)	(149,822)
Reduction on revaluation deficit during the year		-	13,937
Effect of rate changed		3,886	8,972
Deferred tax on incremental depreciation charged during the year		5,289	6,457
		<u>(111,281)</u>	<u>(120,456)</u>
		<u>264,583</u>	<u>273,036</u>
12.1 The Company has carried out revaluation of freehold land, factory building and plant & machinery by independent valuer M/s. Amir Evaluations & Consultants and M/s. Consultancy Support & Services (Management Consultants) as at January 25, 2016 and March 29, 2013, December 11, 2007, which resulted in revaluation (deficit) / surplus amounting to Rs. (44.962) million, Rs.125.753 million and Rs.201.386 million respectively. The basis of valuation is assessed / evaluated at market value.			
	Note	2017	2016
		----- Rupees in thousand -----	
13 LONG TERM FINANCING			
From related parties			
- Directors			
Original value of loan		1,140,657	1,140,657
Less: Present value adjustment	13.1	(393,842)	(341,648)
Add: Interest charged to profit and loss account to date		198,276	172,847
		<u>945,091</u>	<u>971,856</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2017

13.1 These loans have been obtained from directors and is unsecured. In accordance with International Accounting Standard 39, Financial Instruments: Recognition and Measurement, these loans have been measured at amortized cost calculated at one year kibar rate. During the year, the financing agreements executed with directors have been revised resulting into revised present value of loan as date of repayment of such loans has been extended from January 01, 2019 to September 30, 2020.

	Note	2017	2016
		----- Rupees in thousand -----	
14 DEFERRED LIABILITIES			
Staff retirement gratuity	14.1	58,817	81,202
Deferred tax liability	14.2	-	15,092
Market Committee Fee	14.3	30,149	34,169
Less: Current portion		(4,020)	(4,020)
		26,129	30,149
		84,946	126,443
14.1 Staff retirement benefits			
Movement in defined obligation Present value of defined benefit obligation			
At beginning of the year		81,202	74,486
Charge for the year	14.1.1	7,511	6,716
Actuarial gain on PVDBO		(29,896)	-
At the end of year		58,817	81,202
14.1.1 Charge for the year			
Interest cost		7,511	6,716
14.1.2 The latest actuarial valuation for gratuity fund was carried out as at September 30, 2017, using the Projected Unit Credit Method (PUCM). The principal actuarial assumptions used for the purpose of the valuation are as follows:			
		2017	2016
Discount rate used for interest cost in P&L charge		8.00%	9.25%
Discount rate for year end obligation		8.00%	9.25%
Expected rate of increase in salary		N/A	N/A
Mortality rates		SLIC 2001-2005	N/A.
Retirement Assumption		Age 60	Age 60
14.1.3 Sensitivity analysis			
(+/- 100 bps) on present value of defined benefit obligation			
Present value of defined benefit obligation		56,861	61,025

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2017

	Note	2017	2016
		----- Rupees in thousand -----	
14.2 Deferred tax asset / (liability)			
Deductible temporary differences:			
Tax losses		199,305	156,805
Minimum tax credit		112,783	104,712
Provision for gratuity		17,645	25,173
Provision for stores, loans and advances		5,660	5,849
		<u>335,393</u>	<u>292,539</u>
Taxable temporary differences:			
Accelerated depreciation		(189,731)	(187,175)
Surplus on revaluation		(111,281)	(120,456)
		<u>(301,012)</u>	<u>(307,631)</u>
Deferred tax asset / (liability)		<u>34,381</u>	<u>(15,092)</u>

14.3 Market committee fee payable

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

	Note	2017	2016
		----- Rupees in thousand -----	
15 SHORT TERM BORROWINGS			
- From Banking Company			
Secured			
Cash finance	15.1	1,257,041	-
- From Related parties			
Unsecured			
from directors	15.2	49,007	17,507
		<u>1,306,048</u>	<u>17,507</u>

15.1 This represents roll over secured cash financing facilities of Rs. 1,800 million (2016 : Rs. 1,200 millions) from National Bank of Pakistan, Sindh Bank Limited and Dubai Islamic Bank. This carries markup at 3 Month KIBOR + 2.5% to 5% (2016 : 3 Month KIBOR + 2.5% to 5%) per annum respectively. The facility is secured against pledge of sugar stock of the Company, first equitable mortgage over land and property of associated company and personal guarantees of all directors of the Company and subordination. The unavailed facility as at September 30, 2017 amounting to Rs.542.959. (2016 : Rs.1,200) million.

15.2 This represents loan from directors which is unsecured and interest free and payable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2017

	Note	2017	2016
		----- Rupees in thousand -----	
16 TRADE AND OTHER PAYABLES			
Creditors		255,217	249,928
Accrued liabilities		42,561	14,222
Market committee fee payable	14.3	15,245	10,228
Advance from customers		609,067	126,424
Unclaimed Gratuity		14,341	14,341
Sales tax payables		30,936	44,418
Workers' Profit Participation Fund	16.1	51,610	46,537
Workers' Welfare Fund		9,038	9,037
Payable to provident fund		868	748
Income tax payable		383	618
Other payables - Related Party	16.2	42,903	42,903
		<u>1,072,169</u>	<u>559,404</u>

16.1 Workers' Profit Participation Fund

Balance at 01 October	46,537	39,526
Interest on funds utilized in the Company's business	5,073	4,265
Charge for the year	-	2,746
	<u>51,610</u>	<u>46,537</u>

The Company retains the allocation to this fund for its business operations till the amounts are paid together with interest at prescribed rate under the Act.

16.2 Other payables - Related Party

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

	Note	2017	2016
		----- Rupees in thousand -----	
17 PROVISION FOR TAXATION			
Opening payable		36,362	5,791
Provision for the year		28,339	38,719
Prior year		-	1,511
		<u>64,701</u>	<u>46,021</u>
Income tax paid / deducted during the year		(38,920)	(9,659)
		<u>25,781</u>	<u>36,362</u>

18 CONTINGENCIES AND COMMITMENTS

18.1 Contingencies

18.1.1 The case in respect of shareholding of 2,669,600 shares of the Company pending in High Court of Sindh in respect of rescheduled loan of Bankers Equity Limited. The Bankers Equity Limited has a claim on these shares and matter is pending in the court.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2017

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

18.1.3 A show cause notice has been served by the Collectorate of Customs, Sales Tax and Central Excise regarding non-payment / charging of further tax to unregistered persons on sales of Sugar made in the month of December 2000, January 2001 and May 2001 amounting to Rs.2.318 million and order against the company has been obtained by the Collectorate. The company has challenged that Order dated December 25, 2008 in the High Court of Sindh. In current year, The Hon'ble High Court of Sindh has decided the case in favor of company, the department has filed the appeal in the Hon'ble Supreme Court of Pakistan.

18.1.4 During the year 2009-10, the Company along with other sugar mills filed a Constitutional petition before the Honorable High Court of Sindh against Pakistan Standards and Quality Controls Authority - PSQCA challenging the notification issued in respect of registration of the standard mark for refined sugar manufactured and sold by the Company and levy of marking fee at the rate of 0.1 % of ex-factory price of sugar sold with effect from January 01, 2009.

The Honorable High Court of Sindh decided the case in favor of Company. Against the said order, PSQCA filed an appeal before the Honorable Supreme Court of Pakistan. The Honorable Supreme Court of Pakistan passed the interim order against PSQCA restraining from demanding any marks or licensing fee from the sugar mills till further order.

The Company is of the view that the demand raised is without any lawful authority and is in violation of the Constitution, hence, no provision is made in this regard.

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

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

18.2 Commitments

There were no material commitments as at September 30, 2017 (2016: Nil).

	Note	2017	2016
		----- Rupees in thousand -----	
19 SALES - NET			
Local			
Sale of sugar		3,024,870	4,212,387
Sale of by-products		224,642	266,553
		<u>3,249,512</u>	<u>4,478,940</u>
Sales tax		(316,332)	(332,445)
		<u>2,933,180</u>	<u>4,146,495</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2017

	Note	2017	2016
		----- Rupees in thousand -----	
20 COST OF SALES			
Raw material consumed		3,886,067	3,204,436
Stores and spares consumed		28,366	21,812
Packing material consumed		31,598	26,662
Salaries and wages	20.1	134,536	91,010
Power and fuel		43,106	29,602
Freight and handling		5,051	1,322
Wastage removing and cane feeding		8,358	7,141
Repair and maintenance		37,890	59,865
Printing and stationery		1,287	723
Vehicle running expenses		5,691	4,505
Insurance		6,391	8,887
Other manufacturing expenses		-	143
Depreciation	4.1.1	71,620	72,605
Manufacturing expenses		4,259,961	3,528,713
Opening stock of work in process		914	872
Closing stock of work in process		(1,226)	(914)
		(312)	(42)
Cost of goods manufactured		4,259,649	3,528,671
Opening stock of finished goods		97,062	388,144
Closing stock of finished goods		(1,617,437)	(97,062)
		(1,520,375)	291,082
		2,739,274	3,819,753
20.1	These include an amount of Rs. 1.873 (2016 : Rs. 9.719) million in respect of staff retirement benefits.		
21 ADMINISTRATIVE EXPENSES			
	Note	2017	2016
		----- Rupees in thousand -----	
Directors' remuneration		16,800	22,930
Salaries and other benefit	21.1	67,920	66,143
Communication expenses		2,668	2,697
Repair and maintenance		5,466	6,364
Traveling and conveyance		2,978	539
Electricity and gas		7,000	6,643
Legal and professional charges		5,722	3,048
Fees and subscription		1,924	1,093
Rent, rates and taxes		217	4,126
Printing and stationery		1,321	500
Entertainment		5,396	4,250
Advance and receivable written off		-	5,872
Insurance		4,260	2,222
Auditors' remuneration	21.2	854	776
Security expenses		2,411	954
General expenses		611	215
Depreciation	4.1.1	4,537	3,987
		130,085	132,359
21.1	These include an amount of Rs. 1.330 (2016 : Rs. 7.064) million in respect of staff retirement benefits.		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2017

	Note	2017	2016
		----- Rupees in thousand -----	
21.2 Auditors' remuneration			
Statutory audit		594	550
Half yearly review		100	85
Other certifications		70	50
Cost audit		-	101
Out of pocket expenses		90	40
		<u>854</u>	<u>776</u>
22 DISTRIBUTION COST			
Loading and unloading		14,212	9,784
Advertisement and publicity		1,280	253
Miscellaneous		1,464	1,746
		<u>16,956</u>	<u>11,783</u>
23 OTHER INCOMES			
Income from non-financial assets			
Insurance claim		13	3,038
Scrap sales		-	1,894
Gain on disposal of operating fixed assets		-	384
Liabilities no longer payable written back		11,919	46
		<u>11,932</u>	<u>5,362</u>
24 OTHER OPERATING EXPENSES			
Provision for slow moving items and obsolescence		-	6,991
Workers' Profit Participation Fund		-	2,746
Workers' Welfare Fund		-	2,540
Charity and donation	24.1	300	623
		<u>300</u>	<u>12,900</u>
24.1			
No donation was paid to any person or institution in which director or his spouse is interested.			
25 FINANCE COST			
Amortization of long term loan from directors		57,432	66,961
Markup on cash finance		105,730	60,719
Interest on Workers' Profit Participation Fund		5,073	4,265
Bank charges		1,002	481
		<u>169,237</u>	<u>132,426</u>
26 TAXATION			
Current			
- for the year		28,339	38,719
- prior year		-	1,511
		<u>28,339</u>	<u>40,230</u>
Deferred			
- for the year		(45,587)	(54,364)
		<u>(17,248)</u>	<u>(14,134)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2017

26.1 The income tax assessments of the Company have been finalised up to and including the tax year 2017. Tax returns which are submitted with Federal Board of Revenue are deemed to be assessed under provisions of the Income Tax Ordinance, 2001 ("the Ordinance") unless selected for an audit by the taxation authorities. The Commissioner of Income Tax may, at any time during a period of five years from date of filing of return, select the deemed assessment order for audit.

26.2 Due to the brought forward tax losses, provision for current income tax is based on section 113 of the Income Tax Ordinance, 2001. Accordingly tax expense reconciliation with the accounting profit is not reported.

	2017	2016
27 (LOSS) / EARNING PER SHARE - BASIC AND DILUTED		
(Loss) / profit after tax (rupees in thousand)	(93,492)	56,770
Weighted average number of ordinary shares	16,017,500	16,017,500
(Loss) / earnings per share - basic and diluted	(5.84)	3.54

	2017	2016
	----- Rupees in thousand -----	
28 CASH (USED IN) / GENERATED FROM OPERATIONS		
28.1 Working capital changes		
(Increase) / decrease in current assets		
- Stores and spares	(11,547)	4,386
- Stock-in-trade	(1,520,687)	291,040
- Loans and advances	(57,675)	32,052
- Trade deposits and short term prepayments	(3,862)	(2,077)
- Trade and other payables	512,765	(303,425)
	(1,081,006)	21,976

29 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2017			
	Chief Executive	Directors	Executive	Total
	----- Rupees in Thousand -----			
Managerial remuneration	6,000	2,400	13,494	21,894
Utilities	1,200	480	6,748	8,428
Perquisites and other benefits	4,800	1,920	6,748	13,468
	12,000	4,800	26,990	43,790
Number of Persons	1	1	20	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2017

	2016			
	Chief Executive	Directors	Executive	Total
	----- Rupees in Thousand -----			
Managerial remuneration	6,000	2,400	6,326	14,726
Utilities	1,200	2,828	1,265	5,293
Perquisites and other benefits	4,800	5,702	5,060	15,562
	12,000	10,930	12,651	35,581
Number of Persons	1	4	8	-

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

29.2 No remuneration or benefit have been paid to non-executive director.

30 PROVIDENT FUND DISCLOSURES

The following information is based on un-audited financial statements of the Fund as at September 30, 2017.

	2017	2016
	----- Rupees in thousand -----	
a) Disclosure with regards to Provident Fund Trust		
(i) Size of the Fund	10,206	5,085
(ii) Fair value of Investments	9,808	4,337
(iii) Percentage of Investment made	96%	85%
b) Break-up of investments is as under		
Banks balances		
- National Bank of Pakistan - current account	-	100%
- Investment Certificates	47%	-
- Mutual Funds	24%	-
- Saving Accounts	29%	-

30.1 The investments out of provident fund have been made in accordance with the provision of Section 227 of the repealed Companies Ordinance, 1984 (now section 218 of the companies act, 2017) and the rules formulated for this purpose.

	2017	2016
31 NUMBER OF EMPLOYEES		
Number of employees including contractual employees at the end of year	754	632
Average number of employees including contractual employees during the year	930	792

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2017

32 TRANSACTIONS WITH RELATED PARTIES

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

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

	2017	2016
	----- Rupees in thousand -----	
Short term loan from directors		
Receipt of loan	41,500	170,600
Repayment of loan	10,000	153,132
Other payables		
Receipt of loan	-	584
Repayments of loan	-	7,097

33 PRODUCTION CAPACITY

	2017		2016	
Crushing capacity	7,000	M. Tons per day	7,000	M. Tons per day
Duration of season	140	days	118	days
Crushing capacity based on actual days	980,000	M. Tons	826,000	M. Tons
Actual cane crushed	852,226	M. Tons	647,635	M. Tons
Sucrose recovery	9.80%		10.32%	
Production - sugar	83,579	M. Tons	66,817	M. Tons

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

Note	2017	2016
	----- Rupees in thousand -----	

34 FINANCIAL INSTRUMENTS

34.1 Financial assets and liabilities

Financial assets		
Loans and advances	7,247	6,187
Trade deposits	6,103	6,093
Cash and bank balances	37,048	25,102
	<u>50,398</u>	<u>37,382</u>
Financial liabilities		
Long term financing	945,091	971,856
Short term borrowings	1,306,048	17,507
Trade and other payables	340,681	307,053
Accrued markup	26,349	-
	<u>2,618,169</u>	<u>1,296,416</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2017

34.2 Financial risk management objectives and policies

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

- Credit risk
- Liquidity risk
- Market risk

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

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

34.2.1 Credit risk

Credit risk is the risk which assess with a possibility that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Exposure to credit risk

Credit risk arises when changes in economic or industry factors similarly affects Company's or counter parties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. Out of the total financial assets of Rs. 50.398 million (2016 : Rs. 37.382 million), the financial assets which are subject to credit risk amounted to Rs.50.227 million (2016 : Rs.37.227 million).

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

Note	2017	2016
	----- Rupees in thousand -----	
Loans and advances	7,247	6,187
Trade deposits	6,103	6,093
Bank balances	36,877	24,947
	<u>50,227</u>	<u>37,227</u>

Quality of financial assets

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

Bank Balances

AAA	21,769	19,588
AA+	1,930	2,876
A+	410	-
AA	638	1,340
AA-	12,130	1,143

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2017

34.2.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company ensures that it has sufficient cash on demand to meet expected working capital requirements. The company's exposure to liquidity risk along with expected maturities is as follows:

	2017				
	Carrying amount	Contractual cashflows	Six months or less	Six months to twelve months	More than twelve months
	----- Rupees in thousand -----				
Non-derivative financial liabilities					
Long term loan	945,091	(1,140,657)	-	-	(1,140,657)
Short term finance	1,306,048	(1,306,048)	(1,306,048)	-	-
Trade and other payables	340,681	(340,681)	(340,681)	-	-
Accrued mark up	26,349	(26,349)	(26,349)	-	-
	2,618,169	(2,813,735)	(1,673,078)	-	(1,140,657)
	----- Rupees in thousand -----				
	2016				
	Carrying amount	Contractual cashflows	Six months or less	Six months to twelve months	More than twelve months
	----- Rupees in thousand -----				
Non-derivative financial liabilities					
Long term loan	971,856	(1,140,657)	-	-	(1,140,657)
Short term finance	17,507	(17,507)	(17,507)	-	-
Trade and other payables	307,053	(307,053)	(307,053)	-	-
Accrued mark up	-	-	-	-	-
	1,296,416	(1,465,217)	(324,560)	-	(1,140,657)

34.2.3 Market risk

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

a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. At year end, the Company is not exposed to foreign exchange currency risk.

b) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

At the balance sheet date the interest rate profile of the Company's interest-bearing financial instruments was as follows:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2017

	2017	2016
	Effective Interest Rate (In Percent)	
Variable Rate Instruments		
Financial liabilities		
- Short term borrowings	9.90%	11.04%

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) loss/profit and equity for the year by the amounts shown below. The analysis assumes that all other variables remain constant.

	2017	2016
	----- Rupees in thousand -----	
Cash flow Sensitivity - Variable Rate Instruments		
- Increase	13,060	175
- Decrease	(13,060)	(175)

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

c) Price risk

Price risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments.

Sensitivity analysis

At reporting date, the company is not exposed to sensitivity analysis as the company has no investment and interest bearing financial instruments.

34.3 Capital risk management

The Company's objective when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The company finances its operations through equity and by managing working capital.

Consistent with others in the industry, the company monitors capital on the basis of the its gearing ratio. This is calculated as net debt divided by total capital which is equal to net debt and share holders' equity. Net debt is calculated as total borrowings from financial institutions, if any, and directors less cash and bank balances. Total capital is calculated as equity as shown in the balance sheet plus sponsors' loan, if any, subordinate to equity and net debt.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2017

	2017	2016
	----- Rupees in thousand -----	
Long term borrowings	945,091	971,856
Short term finance	1,306,048	17,507
Total debt	2,251,139	989,363
Less: Cash and bank balances	37,048	25,102
Net Debt	2,214,091	964,261
Share capital	160,175	160,175
Net Debt and share capital	2,374,266	1,124,436
Gearing ratio (%)	93.25%	85.76%

35 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of the financial assets and financial liabilities as at the balance sheet date approximate their fair values.

36 OPERATING SEGMENT

36.1 These financial statements have been prepared on the basis of a single reportable segment.

36.2 Revenue from sale of sugar represents 93% (2016 : 94%) of the gross sales of the Company.

36.3 100% (2016 : 100%) of the gross sales of the Company are made to customers located in Pakistan.

36.4 All non-current assets of the Company at September 30, 2017 are located in Pakistan.

37 DATE OF AUTHORIZATION FOR ISSUE

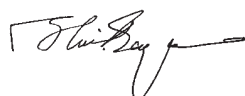
These financial statements were authorized for issue on January 18, 2018 by the Board of Directors of the Company.

38 GENERAL

Figures have been rounded off to the nearest thousand rupees except as stated otherwise.



Muhammad Mubeen Jumani
Chief Executive Officer



Shoaibul Haque
Chief Financial Officer



Faraz Mubeen Jumani
Managing Director

Karachi, Dated: January 18, 2018

PATTERN OF SHAREHOLDING

As at September 30, 2017

No of Shareholders		Size of Shareholding				Total Number of Shares Held
29	FROM	1	TO	100	SHARES	749
80	FROM	101	TO	500	SHARES	38,851
10	FROM	501	TO	1,000	SHARES	9,900
7	FROM	1,001	TO	10,000	SHARES	24,500
0	FROM	10,001	TO	20,000	SHARES	-
1	FROM	20,001	TO	50,000	SHARES	25,000
2	FROM	50,001	TO	100,000	SHARES	118,500
1	FROM	100,001	TO	200,000	SHARES	170,283
NIL	FROM	200,001	TO	300,000	SHARES	NIL
3	FROM	300,001	TO	400,000	SHARES	961,047
2	FROM	400,001	TO	500,000	SHARES	900,000
3	FROM	500,001	TO	1,000,000	SHARES	2,242,443
1	FROM	1,000,001	TO	2,000,000	SHARES	1,040,500
1	FROM	2,000,001	TO	3,000,000	SHARES	2,669,600
1	FROM	3,000,001	TO	8,000,000	SHARES	7,816,127
141	TOTAL					16,017,500

Shareholder's Category	Number of Shareholders	Number of Shares Held	Percentage
Directors, spouses and minor children	9	11,097,523	69
General Public	130	2,249,877	14
Insurance Companies	1	500	0
Financial Institutions	1	2,669,600	17

PATTERN OF SHARE HOLDING (ADDITIONAL INFORMATION)

As at September 30, 2017

		Number of Shareholders	Number of Shareholders
Associated Cos., Undertaking and Related Parties		-	-
Director, CEO and their spouses and Minor Children			
Mr. Muhammad Mubeen Jumani	Chief Executive Officer	1	7,816,127
Mrs. Qamar Mubeen Jumani	Chairperson	1	1,040,500
Mr. Faraz Mubeen Jumani	Managing Director	1	450,000
Mr. Fahad Mubeen Jumani	Director	1	450,000
Miss. Arisha Mubeen Jumani	Director	1	58,500
Mr. Ahmed Ali Jumani	Director	1	500
Lt. Gen (Retd.) Anis Ahmed Abbasi	Director	1	500
Mrs. Yasmeen Mubeen Jumani	Spouse	1	640,698
Mrs. Afroze Mubeen Jumani	Spouse	1	640,698
Executives			-
Banks, DFIs, Insurance Companies, Modarabas and Mutual Funds.			
- Bankers Equity Limited		1	2,669,600
- E.F.U. General Insurance		1	500
General Public		130	2,249,877
Others		-	-
		141	16,017,500
<u>Shareholders holding five percent or more voting rights</u>			
Mr. Muhammad Mubeen Jumani	Chief Executive Officer	1	7,816,127
Mrs. Qamar Mubeen Jumani	Chairperson	1	1,040,500
Mr. Allah Warayo Jumani		1	961,047
Bankers Equity Limited		1	2,669,600

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
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FORM OF PROXY

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

I / We _____ of _____

being a member / members of Khairpur Sugar Mills Limited holding _____ shares of Rs. 10 each, as per folio No. _____ and / or CDC Participant's I.D. Numbers _____ and Account/Sub-Account No. _____ hereby appoint Mr. / Mrs. _____

Of _____ a member of the Company, vide Registered Folio / CDC A/C No. _____ or falling him / her to appoint another member (s) of the company on my / our behalf at the

28th Annual General Meeting of the Company to be held at 3rd floor, Plot NO. 15-C, 9th Commercial Lane, Zamzama, D.H.A. phase V, Karachi on February 27, 2018 and at any adjournment thereof or of any ballot to be taken in consequence thereof.

Signed this _____ day of February, 2018

Witnesses

1. Signature _____

Name _____

CNIC _____

Address _____

2. Signature _____

Name _____

CNIC _____

Address _____

**Rs. 5/
Revenue Stamp**

Signature of Member(s)

Note:

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



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

AFFIX
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پراکسی فارم

کمپنی سیکریٹری
خیر پور شوگر ملز لمیٹڈ
تیسری منزل پلاٹ نمبر C-15، 9th کمرشل لین
زمزمہ، ڈی ایچ اے، فیز 7، کراچی

میں/ ہم _____ ساکن
میں بحیثیت ممبر خیر پور شوگر ملز لمیٹڈ
عام شیئرز جن کے شیئرز رجسٹر فو لیو نمبر _____ اور/ یا سی ڈی سی پارٹنیشنز آئی ڈی نمبر _____
اور ذیلی اکاؤنٹ نمبر _____ بذریعہ ہذا _____ ساکن
اور اگر ان کے لئے ممکن نہ ہو تو _____ ساکن
کو بطور اپنا/ ہمارا پراکسی مقرر کرتا/ کرتی ہوں تاکہ 27 فروری 2018ء منعقدہ کئے جانے والے کمپنی کے 28 ویں سالانہ اجلاس عام میں میری/ ہماری جگہ ووٹ دے
سکیں۔
دستخط _____ مورخہ _____

ممبر کے دستخط

دستخط
مبلغ ۵ روپے
کے ڈاک ٹکٹ

گواہان:

دستخط _____ نام _____
دستخط _____ نام _____
دستخط _____ پتہ _____
شناختی کارڈ نمبر _____ شناختی کارڈ نمبر _____
پاسپورٹ نمبر _____ پاسپورٹ نمبر _____

نوٹ:

موثر العمل ہونے کے لئے پراکسی اجلاس کے وقت انعقاد سے کم از کم ۴۸ گھنٹے قبل کمپنی کے رجسٹرڈ آفس میں لازماً وصول ہو جائے جبکہ لازمی دستخط شدہ مع ٹکٹ کے۔



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

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REQUEST / CONSENT FORM ELECTRONIC TRANSMISSION OF AUDITED FINANCIAL STATEMENTS AND NOTICE OF GENERAL MEETINGS THROUGH E-MAIL.

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

Date: _____

Subject: Request / Consent for electronic transmission of audited financial statements and notice of General Meeting through e-mail.

I/we hereby give my/our consent and opt to receive Annual Audited Financial Statements along with Notice of General Meetings of Khairpur Sugar Mills Limited (Company) through e-mail (Electronic Transmission), in pursuance of SRO No. 787(I)/2014, dated September 08, 2014, issued by the Securities & Exchange Commission of Pakistan (SECP). I/we am/are pleased to provide the following required information:

Folio No. / CDC Participants ID A/C No.
CNIC No.
Passport No. (in case of foreign shareholders)
Cell Number
Land Line Number, if any
E-mail address

It is stated the above mentioned information is correct and I/We shall immediately inform the change, if any, in the above mentioned information to the Company and / or Share Registrar as soon as it occurs. I/we hereby further authorize the Company to update my/our particulars mentioned above in the member register of the Company.

I/we undertake that by sending the Audited Financial Statements and Notices through e-mail, by the Company, the Company shall be considered complaints with relevant requirements of sections of sections 50, 158 and 233 of the Companies Ordinance, 1984. In case a hard copies is desired, specific request for the same will be made.

Signature of the Shareholder(s)



<http://www.jumanigroup.com>



3rd Floor, Plot No. 15-C, 9th Commercial Lane,
Zamzama, Defence Housing Authority, Phase V,
Karachi - 75500

Phone: 021-35810771-75 Fax: 021-35810776

E-mail: headoffice@jumanigroup.com