



Habib Sugar Mills Limited

Annual Report 2015



Company Information

Board of Directors	Asghar D. Habib Ali Raza D. Habib Muhammad Nawaz Tishna Murtaza H. Habib Amin Ali Abdul Hamid Shams Mohammad Haji Imran A. Habib Raeesul Hasan	<i>Chairman</i> <i>Chief Executive</i>
Audit Committee	Amin Ali Abdul Hamid Ali Raza D. Habib Shams Mohammad Haji	Chairman Member Member
Human Resource & Remuneration Committee	Shams Mohammad Haji Amin Ali Abdul Hamid Raeesul Hasan	Chairman Member Member
Company Secretary	Amir Bashir Ahmed	
Registered Office	4th Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi-75530 Phones : (+92-21) 35680036 - 5 Lines Fax : (+92-21) 35684086 www : habib.com/sugar E-mail : sugar@habib.com	
Mills	Nawabshah Phones : (+92-244) 360751 - 5 Lines Fax : (+92-244) 361314	
Bankers	Allied Bank Limited Bank AL Habib Limited First Women Bank Limited Habib Bank Limited Habib Metropolitan Bank Limited MCB Bank Limited Meezan Bank Limited National Bank of Pakistan Standard Chartered Bank (Pakistan) Limited United Bank Limited	
Statutory Auditors	Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants	
Cost Auditors	Haroon Zakaria & Co. Chartered Accountants	
Share Registrar	THK Associates (Pvt.) Limited 2nd Floor, State Life Building-3, Dr. Ziauddin Ahmed Road, Karachi-75530 Phones : (+92-21) 111-000-322 Fax : (+92-21) 35655595 E-mail : secretariat@thk.com.pk info@thk.com.pk Website : www.thk.com.pk	



VISION STATEMENT

We aim to be a leading manufacturer and supplier of quality sugar, ethanol, liquidified carbon dioxide (CO₂) and household textiles 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 and supplier of sugar, ethanol, liquidified carbon dioxide (CO₂) and household textiles, 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.



Code of Conduct

The founders of Habib Sugar Mills Limited were visionaries who established the company on very sound principles and envisioned its development and growth on the basis of making no compromises in any aspects of business practices. The company takes pride in adherence to its principles and continues to serve its customers, stakeholders and society based on the following guidelines :

Products

- To produce refined, high-grade sugar that is edible and hygienic and provides all the nutrition and food value at standards determined by the company, which would exceed industry norms and averages.
- To produce by-products and allied products including molasses, ethanol and liquidified carbon dioxide (CO₂).
- To diversify into other products such as home textiles thus consuming indigenous raw material and generating export earnings.

Systems & Processes

- To regularly update and upgrade manufacturing systems and processes so as to keep abreast with technological advancements, achieve economies of production and transfer knowledge and skill to workers.
- To develop and maintain the technical and professional standards, standard operating procedures and stringent quality control measures with on-line quality assurance at every stage of manufacture.
- To continuously conduct product research and develop new products, while improving upon the existing products, using ideal additives and packaging material.
- To regularly maintain, replace and upgrade all machinery and equipment for smooth working, optimum output and ensure safe working in all production units.
- To maintain a smooth work-flow in all departments with an effective communication system contained within the framework of principles yet allowing the required degree of autonomy for efficient functioning.

Management & Employees

- To employ only the appropriately suited human resource through the selection and recruitment process based on the commensurate qualifications and experience criteria without any non-professional considerations, without any bias or prejudice of race, cast, colour, creed or religious beliefs.
- To ensure that all management personnel are adequately qualified to perform management functions as assigned.
- To guide, direct and motivate employees to perform functions and to recognize and reward employees based on their performance outputs.
- To measure employee's performance by a pre-determined criteria so as to be fair and equitable towards every single employee.
- To ensure that all employees work towards achievement of corporate objectives, individually and collectively as a team and conduct themselves at work and in society as respectable employees and responsible citizens.



- To regularly train all employees at all levels to improve their knowledge and skill and provide employees with a career path whereby they can seek a planned betterment in their professional and personal life.
- To ensure that all employees and management personnel strictly adhere to the company rules and regulations and observe the best codes of conduct and abide by all laws of Pakistan.
- To make timely payment of salaries, wages and all allowances and benefits to all employees in line with their terms.
- To ensure all directors and employees of the company shall undertake such activities, whether personal or professional, that in no way conflicts with the interests of the company but contributes towards the betterment, development and growth of the organization in particular and the industry in general.

Financial

- To implement an effective, transparent and secure financial reporting and internal control system so as to ensure compliance with regulatory factors as well as meet all obligations of payable and receivables and keep investors, shareholders and management fully aware.
- To ensure effective utilization of all company resources and plan and operate resource utilization in order to produce better results and generate better yields and facilitate timely decisions.
- To place a strict Internal Audit system to study, analyze, review and report all company earning and spending and enhance reliability of all financial information and build shareholders confidence.
- To regularly prepare, as per pre-determined schedules, all financial reports and present accounts to the Board for review and analysis and show trends based on company income, revenues and expenses and industry trends.
- To ensure cost effectiveness and purchase goods and services based on developed criteria, vendor assessment and market competitiveness and evaluate options on prices, terms, products/services, substitute available, prior to purchase.
- To ensure timely and proper payments as per negotiated terms to all suppliers and deduct applicable taxes so as to enhance corporate credibility and image.
- To maintain an excellent relationship with bankers and utilize banking facilities in a manner to benefit company whilst making proper use of funding and facilities available and ensuring no defaults.

Adherence to Law

- The company shall at all times strictly adhere to all laws of the country and fulfill all statutory requirements and ensure timely, proper and full payment of all applicable taxes, rates, duties and/or any other levies as may be imposed from time to time.

Environment

- The company shall use all means to ensure a clean, safe, healthy and pollution free environment not only for its workers and employees but for the well being of all people who live in and around any of the production and manufacturing units and employ such technology as may be beneficial in maintaining a healthy and hygienic working and living environment.

Planning

- The company shall prepare an annual plan with clearly defined objectives, goals and strategies and implement those plans with a close watch on achievements and monitor and control measures shall be built in to ensure achievement of objectives and enhancement of corporate image.



Notice of Annual General Meeting

Notice is hereby given that the 54th Annual General Meeting of Habib Sugar Mills Limited will be held on Wednesday, January 27, 2016 at 11:00 a.m. at Moosa D. Desai Auditorium, the Institute of Chartered Accountants of Pakistan (ICAP), Chartered Accountants Avenue, Clifton, Karachi to transact the following business:

Ordinary Business

1. To receive and consider the audited financial statements, the Directors' report and the Auditors' report for the year ended September 30, 2015.
2. To approve payment of cash dividend @ 50 % i.e. Rs. 2.50 per share of Rs. 5 each for the year ended September 30, 2015 as recommended by the Board of Directors.
3. To appoint auditors of the company for the year ending September 30, 2016 and fix their remuneration.

By order of the Board

Amir Bashir Ahmed
Company Secretary

Karachi: December 30, 2015

Notes:

1. The Share Transfer Books of the Company will remain closed from Monday, January 18, 2016 to Wednesday, January 27, 2016 both days inclusive.
2. A member entitled to attend and vote at this meeting is entitled to appoint another member of the Company as a proxy to attend and vote on his / her behalf. Proxies in order to be effective must be received at the Registered Office of the Company duly stamped and signed at least 48 hours before the time of meeting.
3. For identification, Owners of the physical shares and CDC account holder should present Computerized National Identity Card (CNIC) along with participants ID number and CDC account Number. In case of appointment of proxy by such account holders, the guidelines as contained in the SECP's circular of 26th January, 2000 are to be followed.
4. Members are requested to notify any change in their addresses and their contact numbers immediately to our Share Registrar, THK Associates (Pvt.) Limited, Karachi.
5. Pursuant to the directives of the Securities and Exchange Commission of Pakistan, CNIC number is mandatorily required to be mentioned on dividend warrants, shareholders holding physical share certificate are therefore requested to submit a copy of your valid CNIC, if not already provided to THK Associates (Pvt.) Limited, 2nd Floor, State Life Building-3, Dr. Ziauddin Ahmed Road, Karachi (the Share Registrar). In case of non-receipt of the copy of valid CNIC, Habib Sugar Mills Limited would be unable to comply with SRO 831(1)/2012 dated 5 July 2012 of SECP and therefore will be constrained under Section 251(2)(a) of the Companies, Ordinance, 1984 to withhold dispatch of dividend warrant of such shareholders.



6. The Government of Pakistan through Finance Act, 2015 has made certain amendments in Section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These tax rates are as under:

- | | | |
|-----|--------------------------------------|-------|
| (a) | For filers of income tax returns | 12.5% |
| (b) | For non-filers of income tax returns | 17.5% |

To enable the company to make tax deduction on the amount of cash dividend @ 12.5 % instead of 17.5 %, all the shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the book closure of the Company, otherwise tax on their cash dividend will be deducted @ 17.5 % instead of 12.5 %.

For shareholder holding their shares jointly, as per the clarification issue by the Federal Board of Revenue, withholding tax will be determined separately on 'Filer / Non-Filer' status of Principle shareholder as well as joint-holder(s) based on their shareholding proportions. Therefore, all shareholders who hold shares jointly are required to provide shareholding proportions of Principle shareholder and Joint-holder(s) in respect of shares held by them to our share registrar, in writing as follows:

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

The Corporate shareholders having CDC account are required to have their National Tax number (NTN) updated with their respective participants, whereas physical shareholders should send a copy of their NTN certificate to the company or Company's Share Registrar M/s THK Associates (Pvt.) Limited. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective Folio numbers.

For any query / clarification / information, the shareholder may contact the company, and / or the Share Registrar at the following addresses:

Company Address:

Habib Sugar Mills Limited

3rd Floor, Imperial Court

Dr. Ziauddin Ahmed Road, Karachi-75530

Phones : (+92-21) 35680036-5 Lines

Fax : (+92-21) 35684086

e-mail : companysecretary@habibsugar.com

Share Registrar Address:

THK Associates (Pvt.) Limited

Second Floor, State Life Building-3

Dr. Ziauddin Ahmed Road, Karachi. 75530

UAN : (021) 111-000-322, Fax : (021) 35655595

e-mail : secretariat@thk.com.pk



Six years' review at a glance

		2015	2014	2013	2012	2011	2010
Sugar Division							
Sugarcane crushed	M. Tons	854,231	1,116,554	939,959	851,620	800,636	681,623
Average sucrose recovery	%	10.40	10.44	11.02	10.78	9.87	10.24
Sugar produced	M. Tons	88,807	116,513	103,582	91,832	79,056	69,784
Raw sugar refined	M. Tons	-	-	-	-	4,885	-
Average sucrose recovery	%	-	-	-	-	94.35	-
Sugar produced	M. Tons	-	-	-	-	4,609	-
Total sugar produced	M. Tons	88,807	116,513	103,582	91,832	83,665	69,784
Distillery Division							
Ethanol							
Molasses processed	M. Tons	163,846	176,226	173,497	163,560	167,969	145,652
Average ethanol yield	%	18.73	18.59	17.56	17.92	17.45	18.00
Ethanol produced	M. Tons	30,681	32,768	30,464	29,307	29,303	26,210
Liquidified Carbon dioxide (CO₂) produced	M. Tons	9,230	8,436	7,584	4,902	5,644	3,648
Textile Division							
Yarn / Semi finished goods consumed	Kgs.	890,831	983,143	1,100,321	780,469	491,138	356,648
Average yield	%	84.58	84.95	86.23	86.64	98.73	98.83
Finished product	Kgs.	753,449	835,210	948,812	676,185	484,885	352,490
				(Restated)			
Operating results – Consolidated							
Sales / Rental income	Rs. '000	8,197,388	9,050,916	8,812,098	7,096,467	7,467,944	5,919,338
Cost of sales	Rs. '000	7,222,293	7,983,079	7,606,639	5,847,461	6,201,551	4,960,283
Gross profit	Rs. '000	975,095	1,067,837	1,205,459	1,249,006	1,266,393	959,055
Profit before taxation	Rs. '000	970,230	922,091	933,951	981,150	1,050,016	759,535
Profit after taxation	Rs. '000	815,230	797,091	778,951	781,150	755,016	534,535
Shareholders' Equity							
Paid-up capital	Rs. '000	750,000	750,000	750,000	750,000	750,000	600,000
Reserves	Rs. '000	5,110,222	4,699,252	3,882,767	3,304,851	2,768,090	2,251,222
Shareholders' equity	Rs. '000	5,860,222	5,449,252	4,632,767	4,054,851	3,518,090	2,851,222
Break-up value per share	Rupees	39.07	36.33	30.89	27.03	23.45	23.76
Adjusted earnings per share - Restated*	Rupees	5.43	5.31	5.19*	5.21	5.03	3.56
Return on equity	%	13.91	14.63	16.81	19.26	21.46	18.75
Financial position - Assets							
Fixed assets - Restated*	Rs. '000	1,542,980	1,353,601	959,820*	771,839	795,194	817,860
Long-term investments	Rs. '000	1,711,136	1,451,587	999,888	2,001,263	923,856	695,432
Long-term loans and deposits	Rs. '000	6,975	8,354	5,852	7,207	9,807	6,808
Current assets - Restated*	Rs. '000	4,609,485	4,167,349	3,918,926*	2,497,320	2,287,890	1,915,962
Total assets	Rs. '000	7,870,576	6,980,891	5,884,486	5,277,629	4,016,747	3,436,062
Financial position - Liabilities							
Non-current liabilities	Rs. '000	102,000	90,000	75,000	81,500	81,500	86,500
Current liabilities	Rs. '000	1,908,354	1,441,639	1,176,719	1,141,278	417,157	498,340
Total liabilities	Rs. '000	2,010,354	1,531,639	1,251,719	1,222,778	498,657	584,840
Ratios							
Current ratio		2.42	2.89	3.33	2.19	5.48	3.84
Dividends							
Cash	%	50	50	50	50	50	25
Bonus shares	%	-	-	-	-	-	25



Directors' Report

Dear Members – Assalam-o-Alekum

On behalf of the Board of Directors and myself, I am pleased to welcome you all to the 54th Annual General Meeting of the Company and present before you the Annual Report and Audited Financial Statements of the Company for the year ended September 30, 2015.

By the Grace of Allah, during the year under review, the operations of your Company resulted in pre-tax profit of Rs. 970.23 million. The operating results and appropriations as recommended by the Board are given below:

	(Rupees in thousands)
Profit before taxation	970,230
Less: Taxation	155,000
Profit after taxation	815,230
Other Comprehensive Income	207
Unappropriated profit brought forward	2,496
	2,703
Profit available for appropriation	817,933
Proposed – Cash Dividend @ 50% i.e. Rs.2.50 per ordinary share of Rs.5/- each	375,000
– Transfer to general reserve	440,000
	815,000
Unappropriated profit carried forward	2,933
Earnings per share – Basic and diluted	Rs. 5.43

Performance Review

Alhamdulillah, the overall performance of the Company continued to be satisfactory during the year. Division-wise performance is as follows :

Sugar Division

Crushing season 2014-15 commenced on December 8, 2014 and the plant operated upto April 8, 2015 for 117 days as against 149 days in the preceding season. Sugarcane crushed during the current crushing season was 854,231 M.Tons with average sucrose recovery of 10.40% and sugar production of 88,807 M.Tons, as compared with crushing of 1,116,554 M.Tons with average sucrose recovery of 10.44% and sugar production of 116,513 M.Tons during the preceding crushing season. The quantum of sugarcane crushed and sugar production was lower as compared with the previous season due to reduced availability of sugarcane.

The crushing season started with a dispute over the minimum sugarcane support price between provincial government, growers and millers resulting in delay in the commencement of the season 2014-15. The issue of minimum support price went back and forth before being finally settled by an interim consent order passed by the Honourable High Court of Sindh notifying an interim minimum support price of sugarcane at Rs. 172 per 40 kg with the arrangement that the mills would pay Rs. 160 per 40 kg while the provincial government would pay Rs. 12 per 40 kg. In compliance with the interim order of the Honourable High Court of Sindh, the Company made total payment of Rs. 172 per 40 kg to the growers representing our share of



Rs. 160 per 40 kg and Rs. 12 per 40 kg received from the provincial government of Sindh. The above interim arrangement was subject to the final adjudication of the case filed by the sugar mills before the Honourable Supreme Court of Pakistan.

The Economic Co-ordination Committee of the Cabinet in their meeting held on December 24, 2014 allowed export of 650,000 M. Tons of sugar. To encourage exports, the government also announced subsidy of Rs. 10/kg on sugar exports vide SRO No.1(4) CF-C/2014-114 dated February 10, 2015. Despite the subsidy announced by the government, export of sugar was not viable enough due to depressed sugar prices prevailing in the international market. Our company exported only 500 M. Tons of sugar to Afghanistan and also received subsidy as announced by the government.

The comparative statistics of the division's operations are given below :

		2014-15	2013-14
Crushing duration	Days	117	149
Sugarcane crushed	M.Tons	854,231	1,116,554
Average sucrose recovery	%	10.40	10.44
Sugar production	M.Tons	88,807	116,513

During the year, the division earned operating profit of Rs.305.48 million as compared with profit of Rs.205.39 million during the previous year. The increase in profit was due to better margin on sales.

The division's financial results were also subject to cost audit under the Companies (Audit of Cost Accounts) Rules, 1998 as in previous years. The cost audit was conducted by Messrs. Haroon Zakaria & Co., Chartered Accountants who were recommended for appointment by the Board and duly approved by the Securities & Exchange Commission of Pakistan. The cost audit has been completed and the Company has received the cost audit report. The report will also be submitted directly by the cost auditors to the Securities & Exchange Commission of Pakistan as required by the Companies (Audit of Cost Accounts) Rules, 1998.

Distillery Division

The distillery division continued its operations on satisfactory basis. The division earned operating profit of Rs.300.27 million as compared with profit of Rs.496.56 million during the previous year. The decrease in profit was due to lower selling price of ethanol in the international market.

The liquidified carbon dioxide (CO₂) unit also operated satisfactorily and produced 9,230 M.Tons as compared with 8,436 M. Tons during the previous year.

Comparative statistics of the division's operations are given below:

		2014-15	2013-14
Ethanol			
Days of operation		326	340
Molasses processed	M.Tons	163,846	176,226
Ethanol production	"	30,681	32,768
Liquidified Carbon dioxide (CO ₂)			
Days of operation		232	211
Liquidified Carbon dioxide (CO ₂) production	"	9,230	8,436

Textile Division

The Textile division earned operating profit of Rs.16.83 million as compared with profit of Rs.25.67 million during the previous year. The decrease in profit of the division was mainly on account of lower prices in the international market.

The comparative statistics of the division's operations are given below :

		2014-15	2013-14
Days of operation		350	350
Yarn consumed	Kgs	890,831	983,143
Finished goods production	"	753,449	835,210



Trading Division

During the year under review, the division made operating profit of Rs.22.33 million on account of trading of sugar and molasses as against operating profit of 5.68 million during the previous year.

Future Prospects

Sugar Division

The crushing season 2015-16 commenced on November 24, 2015 and upto December 29, 2015 total crushing was 276,663 M.Tons with average sucrose recovery of 10.08% and sugar production of 27,892 M.Tons including stock in process.

The crushing season 2015-16 started with uncertainty as to minimum support price of sugarcane which is still not notified by the Sindh Government. The Government of Punjab fixed minimum support price of Sugarcane at Rs. 180 per 40 kgs. Various representations were made to the Sindh Government through Pakistan Sugar Mills Association Sindh Zone (PSMA-SZ) drawing their attention to the current sugar stock position in the country and prevailing sugar prices in the domestic and international markets and it was submitted that the above facts be considered before fixing the sugarcane price as it would be a matter of survival for the sugar industry as well as for the growers. The Company for the time being is paying Rs. 160 per 40 kgs to the growers on last year's basis while the matter is pending before the Apex Court.

The Economic Co-ordination Committee (ECC) of the cabinet has allowed export of 500,000 M. Tons of Sugar by March 31, 2016 and approved cash subsidy of Rs. 13/kg on the export of sugar. The cash subsidy will be disbursed through SBP as per the system in vogue. With regard to fixation of minimum support price of sugarcane, it was proposed by the ECC that the price of sugarcane in principle be de-regulated from the next season so that the government involvement and provision of subsidy would be eliminated as the whole issue arises due to fixation of sugarcane price as against prevailing sugar prices. The ECC also directed the Ministry of Industries and Production to place the case before the Cabinet after due consultations with the provinces.

Distillery Division

Distillery division commenced its operation on December 14, 2015 and upto December 29, 2015 the division produced 4,964 M.Tons of ethanol and 1,727 M.Tons of liquidified carbon dioxide.

The production and recovery of ethanol is expected to be better and is likely to compensate lower ethanol prices in the international market.

Textile Division

The slump in the international market continues resulting in reduction in sale volume. However, efforts are being made to explore additional export markets to achieve better sale volume and profitability.

Investment in Wind Power Project

Keeping in view the ever increasing demand of energy in the country, the company decided to invest in wind power generation project. In this respect, the members of the Company in the EOGM held on November 11, 2015 have accorded approval of investment to the extent of Rs. 450 million.



Board and Management Committees

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 including the Chairman of the Committee and one is independent non-executive director. The Audit Committee met four times during the year. Attendance of meetings is as follows:

		No. of meetings attended
Mr. Amin Ali Abdul Hamid	Chairman	4
“ Ali Raza D. Habib	Member	2
“ Shams Mohammad Haji	Member	4

HR and Remuneration Committee

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

		No. of meeting attended
Mr. Shams Mohammad Haji	Chairman	1
“ Amin Ali Abdul Hamid	Member	1
“ Raeesul Hasan	Member	1

Corporate Social Responsibility

Habib Sugar Mills Corporate Social Responsibility (CSR) programme dates back since its inception in 1962. Responding to the needs of local communities, government bodies and civil society organizations, the Company's CSR portfolio has widened over the years to include social welfare, education, healthcare, infra-structural development and livelihood generation.

Community Investment and Welfare Scheme

As a responsible corporate citizen, the Company has, on regular basis, undertaken number of welfare activities viz., running of school upto secondary level, holding of eye camp, financial assistance to villagers in the surrounding area of the mills, construction of public toilets at Peoples Medical Hospital, Nawabshah and supply of free ration and clothing to the needy persons. During the year, the Company made substantial contribution towards the flood affectees of the surrounding areas by providing them ration packets etc.

In addition, the company continued its support to Family Education Services Foundation, a non profitable organization, to run a deaf school at Nawabshah. Your Company has contributed Rs. 6.65 million during the year. At present, over 120 students have been enrolled in the school. The campus is the first ever educational facility of its kind for the deaf in Nawabshah and will enable deaf students to receive an education in an environment that maximizes their potentials and enhances their quality of life.

The contribution of the Company in the social and economic uplift of the district has been acknowledged at all levels.

Environment

Company attaches utmost importance to provide healthy atmosphere to its employees and residents of Nawabshah and accordingly has taken appropriate steps to ensure pollution free environment involving substantial capital outlay.



The fly ash removal systems installed in the boilers of the mills continue to operate satisfactorily and the spread of black soot particles has been completely eliminated. The Company has installed a sugar factory waste water treatment plant to remove oil, grease, total suspended solids, from the waste water. The project has since been completed yielding satisfactory results. Similarly, complete brick lining of the lagoons and replacement of open drain channels with RCC piping have been done to avoid seepage thereby not affecting the water table of the surrounding areas.

The installation of bio-gas plant and carbon dioxide recovery plants are the manifestation of our social responsibility which has helped us to reduce the greenhouse gases emission from our distillery operations. The Company also installed industrial waste water treatment plant based upon Upflow Anaerobic Sludge Bed (UASB) system with energy recovery in the form of bio-gas.

By the grace of Allah, the successful operations of these projects have ensured a pollution free environment for the people of Nawabshah.

Health, Safety and Security

Being a responsible corporate entity, the Company is fully committed to meet all the standards with respect to health, safety and security. The Company also contributes on regular basis towards the medical needs and assistance of the people in the surrounding areas, by giving donations to clinics and welfare institutions for medical and other facilities.

Employment of Special Persons

The Company has provided employment to physically handicapped persons in compliance with the Disabled Persons (Employment & Rehabilitation) Ordinance, 1981.

Industrial Relations

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

Contribution to the National Exchequer

Your Company contributed an amount of Rs. 629.94 million to the Government treasury in the shape of taxes, levies, sales-tax and excise duty in addition to precious foreign exchange earned, equivalent to Pak Rupees 2,977.40 million (US\$ 29.13 million) during the year under review from exports of sugar, ethanol, molasses and household textiles.

Auditors

The auditors Messrs. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, retire and being eligible has offered themselves for re-appointment.

The Audit Committee has recommended to consider the re-appointment of Messrs. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, as auditors of the Company for the ensuing year.

Statement on Corporate and Financial Reporting Framework

1. The financial statements, prepared by the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. Proper books of account of the Company have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of the financial statements. Changes, if any have been adequately disclosed and accounting estimates are based on reasonable and prudent judgement.
4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and deviation there from if any, has been adequately disclosed.



5. The system of internal control is sound in design and has been effectively implemented and monitored regularly.
6. There are no significant doubts upon the Company's ability to continue as a going concern.
7. There has been no material departure from the best practices of the corporate governance, as detailed in the listing regulations.
8. Key operating and financial data for last six years in summarized form is given on page 8.
9. Information about the taxes and levies is given in the notes to the financial statements.
10. Value of investments including profit accrued thereon and balances in deposit / current accounts of Provident Fund and Gratuity Fund as at September 30, 2015 were as follows:

	Rs.'000
Provident Fund	274,967
Gratuity Fund	92,336

11. During the year four meetings were held and the attendance by each Director was as follows:

Name of Director	Number of meetings attended
Mr. Asghar D. Habib	4
" Ali Raza D. Habib	2
" Muhammad Nawaz Tishna	4
" Murtaza H. Habib	4
" Amin Ali Abdul Hamid	4
" Shams Mohammad Haji	3
" Imran A. Habib	2
" Raeesul Hasan	4

12. The pattern of shareholding and additional information regarding pattern of shareholding is given on page 61 and 62.
13. The Directors, CEO, CFO, Company Secretary and their spouses and minor children did not carry out any trade in the shares of the Company.

General

The directors place on record their appreciation of the devoted services and hard work put in by the officers, staff and workers of the Company.

On behalf of the Board of Directors

Asghar D. Habib
Chairman

Karachi: December 30, 2015



Statement of Compliance with the best practices of Code of Corporate Governance

Year ended September 30, 2015

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

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

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:

<u>Category</u>	<u>Names</u>
Independent Director	Mr. Shams Mohammad Haji
Executive Directors	Mr. Murtaza H. Habib Mr. Imran A. Habib Mr. Raeesul Hasan
Non-Executive Directors	Mr. Asghar D. Habib Mr. Ali Raza D. Habib Mr. Muhammad Nawaz Tishna Mr. Amin Ali Abdul Hamid

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
3. All the directors of the Company are registered as taxpayers and none of them have defaulted in payment of any loan to a banking company, a development financial institution or a non-banking financial institution or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the current year.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed vision / mission statement, overall corporate strategy and significant policies of the Company. Particulars of significant policies have been maintained and amended / updated from time to time.
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 and directors, have been taken by the Board.



8. The meetings of the Board were presided over by the Chairman and in his absence by a director elected by the Board for this purpose and the Board met atleast 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. Directors are well conversant with the listing regulations, legal requirements and operational imperatives of the company, and as such are fully aware of their duties and responsibilities. At present, four directors have acquired formal directors training certificate and three directors of the Company are exempted from the directors training programme on the basis of their education and length of experience as prescribed in the Code.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit and terms and conditions of their employment.
11. The Directors' report has been prepared in compliance with the requirements of the CCG and it fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of three members of whom two are non-executive directors including the Chairman of the Committee and one is independent director.
16. The meetings of the audit committee were held atleast once in every quarter prior to the approval of the interim and final results of the Company as required by the CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises of three members, of whom two are non-executive directors. The CEO is also member of the Committee. The Chairman of the Committee is independent director. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
18. The Board has set-up an effective internal audit department which is considered suitably qualified and are fully 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 programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by 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 the directors, employees and Stock Exchanges.
22. Material / price sensitive information has been disseminated amongst all market participants at once through Stock Exchanges.
23. All related party transactions have been placed before the audit committee and the Board of Directors on a quarterly basis and have been approved by the Board of Directors to comply with the requirements of listing regulations of the Karachi and Lahore Stock Exchanges.
24. We confirm that all other material principles contained in the CCG have been complied with.

Karachi: December 30, 2015

Asghar D. Habib
Chairman



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) for the year ended 30 September 2015 prepared by the Board of Directors of Habib Sugar Mills Limited (the Company) to comply with the Listing Regulations No. 35 Chapter XI of Karachi Stock Exchange Limited and Lahore Stock Exchange Limited, where the Company is listed.

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

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

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

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

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Karachi: December 30, 2015



Auditors' Report to the Members

We have audited the annexed balance sheet of Habib Sugar Mills Limited as at 30 September 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for changes as stated in note 2.4 to the financial statements, with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 September 2015 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Audit Engagement Partner: Khurram Jameel

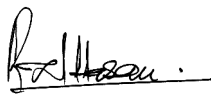
Karachi: December 30, 2015

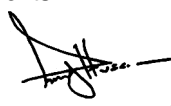


Balance Sheet as at September 30, 2015

	Note	2015 (Rupees in thousands)	2014
Assets			
Non-Current Assets			
Fixed assets			
Property, plant and equipment	3	1,542,980	1,353,601
Long-term investments	4	1,711,136	1,451,587
Long-term loans	5	3,997	5,391
Long-term deposits		2,978	2,963
		<u>3,261,091</u>	<u>2,813,542</u>
Current Assets			
Stores and spare parts	6	113,583	87,983
Stock-in-trade	7	719,141	956,881
Trade debts	8	391,479	619,832
Loans and advances	9	246,303	263,413
Trade deposits and Short-term prepayments	10	7,615	8,725
Profit accrued on bank deposits		327	11,099
Other receivables	11	24,488	20,857
Short-term investments	12	2,809,686	—
Cash and bank balances	13	296,863	2,198,559
		<u>4,609,485</u>	<u>4,167,349</u>
Total Assets		<u>7,870,576</u>	<u>6,980,891</u>
Equity and Liabilities			
Share Capital and Reserves			
Share Capital			
Authorised			
150,000,000 (2014: 150,000,000) Ordinary shares of Rs. 5 each		<u>750,000</u>	<u>750,000</u>
Issued, subscribed and paid-up capital	14	750,000	750,000
Reserves	15	<u>5,110,222</u>	<u>4,699,252</u>
		5,860,222	5,449,252
Non-Current Liabilities			
Deferred taxation	16	102,000	90,000
Current Liabilities			
Trade and other payables	17	1,651,555	1,203,746
Advance from customers		247,057	236,542
Provision for income tax - net		9,742	1,351
		<u>1,908,354</u>	<u>1,441,639</u>
Contingencies and Commitments	18		
Total Equity and Liabilities		<u>7,870,576</u>	<u>6,980,891</u>

The annexed notes 1 to 36 form an integral part of these financial statements.


Raeesul Hasan
 Chief Executive

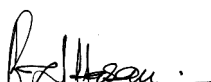

Murtaza H. Habib
 Director



Profit and Loss Account for the year ended September 30, 2015

	Note	2015 (Rupees in thousands)	2014
Net sales and services	19	8,197,388	9,050,916
Cost of sales	20	7,222,293	7,983,079
Gross Profit		975,095	1,067,837
Selling and distribution expenses	21	(191,582)	(204,977)
Administrative expenses	22	(138,593)	(129,552)
Other operating expenses	23	(67,585)	(84,122)
Other income	24	360,694	255,966
		(37,066)	(162,685)
Operating Profit		938,029	905,152
Finance income - net	25	32,201	16,939
Profit before taxation		970,230	922,091
Taxation	26	(155,000)	(125,000)
Profit after taxation		815,230	797,091
Earnings per share - Basic and diluted (Rupees)	27	5.43	5.31

The annexed notes 1 to 36 form an integral part of these financial statements.


Raeesul Hasan
Chief Executive

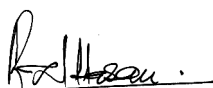

Murtaza H. Habib
Director



Statement of Comprehensive Income for the year ended September 30, 2015

	2015	2014
	(Rupees in thousands)	
Profit for the year	815,230	797,091
Other comprehensive income :		
Items not to be reclassified to profit or loss in subsequent period:		
Actuarial gain / (loss) on defined benefit plan - gratuity	207	(1,560)
	815,437	795,531
Items that will be reclassified subsequently to profit and loss:		
Net gain on investments - available for sale		
Unrealised gain on revaluation of investments during the year - net of tax	9,149	433,674
Reclassification adjustments included in the profit and loss account for:		
Gain on sale of investments	(38,616)	(37,720)
	(29,467)	395,954
Total comprehensive income for the year	785,970	1,191,485

The annexed notes 1 to 36 form an integral part of these financial statements.


Raeesul Hasan
Chief Executive

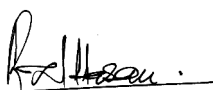

Murtaza H. Habib
Director



Statement of Changes in Equity for the year ended September 30, 2015

	Issued subsc- ribed and paid-up Capital	Capital Reserve	Revenue Reserves			Total Reserves	Total Equity
General Reserve			Unappro- priated profit	Unrealised gain on investments available for sale			
	(Rupees in thousands)						
Balance as on October 1, 2013	750,000	34,000	2,201,000	781,965	865,802	3,882,767	4,632,767
Cash dividend for the year ended September 30, 2013 @ 50%	–	–	–	(375,000)	–	(375,000)	(375,000)
Transfer to general reserve	–	–	400,000	(400,000)	–	–	–
Total comprehensive income for the year ended September 30, 2014	–	–	–	795,531	395,954	1,191,485	1,191,485
Balance as on September 30, 2014	750,000	34,000	2,601,000	802,496	1,261,756	4,699,252	5,449,252
Cash dividend for the year ended September 30, 2014 @ 50%	–	–	–	(375,000)	–	(375,000)	(375,000)
Transfer to general reserve	–	–	425,000	(425,000)	–	–	–
Total comprehensive income for the year ended September 30, 2015	–	–	–	815,437	(29,467)	785,970	785,970
Balance as on September 30, 2015	750,000	34,000	3,026,000	817,933	1,232,289	5,110,222	5,860,222

The annexed notes 1 to 36 form an integral part of these financial statements.


Raeesul Hasan
Chief Executive

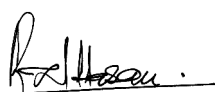

Murtaza H. Habib
Director



Cash Flow Statement for the year ended September 30, 2015

	Note	2015 (Rupees in thousands)	2014
Cash flows from operating activities			
Cash generated from operations	28	1,611,666	532,224
Finance income received - net		42,973	5,840
Income tax paid		(149,609)	(120,708)
Long-term loans		1,394	(2,502)
Long-term deposits		(15)	—
Net cash generated from operating activities		1,506,409	414,854
Cash flows from investing activities			
Fixed capital expenditure		(308,770)	(498,853)
Redemption / sale proceeds of investments		4,284,767	3,804,498
Dividend received		91,690	61,928
Purchase of investments		(7,109,219)	(1,551,691)
Sale proceeds of fixed assets		1,771	4,354
Net cash (used) in / generated from investing activities		(3,039,761)	1,820,236
Cash flows from financing activities			
Dividend paid		(368,344)	(368,170)
Net cash used in financing activities		(368,344)	(368,170)
Net (decrease) / increase in cash and cash equivalents		(1,901,696)	1,866,920
Cash and cash equivalents at the beginning of the year		2,198,559	331,639
Cash and cash equivalents at the end of the year	13	296,863	2,198,559

The annexed notes 1 to 36 form an integral part of these financial statements.


Raeesul Hasan
Chief Executive


Murtaza H. Habib
Director



Notes to the Financial Statements for the year ended September 30, 2015

1. The Company and its operations

Habib Sugar Mills Limited is a public limited Company incorporated in Pakistan, with its shares quoted on the Karachi and Lahore Stock Exchanges. The Company is engaged in the manufacturing and marketing of refined sugar, molasses, ethanol, liquidified carbon dioxide (CO₂), household textiles, providing bulk storage facilities and trading of commodities. The registered office of the Company is situated at Imperial Court, 4th Floor, Dr. Ziauddin Ahmed Road, Karachi.

2. Summary of significant accounting policies

2.1 Statement of compliance

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

2.2 Basis of preparation

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

- staff retirement benefit plan which is carried at present value of defined benefit obligation net of fair value of plan assets as prescribed in IAS 19 "Employees Benefits". and
- investments which have been recognised at fair value in accordance with the requirements of IAS-39 "Financial Instruments: Recognition and Measurement".

2.3 Significant accounting judgements and estimates

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

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

- a) Determining the residual values and useful lives of property, plant and equipment (Note 2.7.1);
- b) Classification and valuation of investments (Note 2.8);
- c) Impairment / adjustment of inventories to their net realizable value (Note 2.9 & 2.10);
- d) Provision against trade debts and other receivables (Note 2.11);
- e) Accounting for staff retirement benefits (Note 2.13);
- f) Recognition of taxation and deferred tax (Note 2.16);
- g) Impairment of financial assets (Note 2.17); and
- h) Contingencies and Commitments (Note 18).



2.4 Amended / revised standards and interpretations that became effective

Following are the amended / revised standards and interpretations which are considered relevant and became effective as of October 1, 2014

- IAS 19 – Employee Contributions – (Amendment)
- IAS 32 – Financial Instruments: Presentation – (Amendment)
- IAS 36 – Impairment of Assets – (Amendment)
- IAS 39 – Financial Instruments: Recognition and Measurement – (Amendment)
- IFRIC 21 – Levies

The adoption of the above amendments to accounting standards and interpretations did not have any material effect on the financial statements.

2.5 Accounting standards that are not yet effective

Following are the amended standards that have been issued and are mandatory for the accounting periods effective from the dates mentioned below against the respective standards :

	Effective date (accounting periods beginning on or after)
IFRS 10 – Consolidated Financial Statements (Amendments)	January 1, 2015
IFRS 11 – Joint Arrangements (Amendments)	January 1, 2015
IFRS 12 – Disclosure of Interests in Other Entities (Amendments)	January 1, 2015
IFRS 13 – Fair Value Measurement (Amendment)	January 1, 2015
IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendments)	January 1, 2016
IAS 16 – Property, Plant and Equipment (Amendments)	January 1, 2016
IAS 27 – Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)	January 1, 2016
IAS 38 – Intangible Assets (Amendments)	January 1, 2016
IAS 41 – Agriculture : Bearer Plants	January 1, 2016

The Company expects that the adoption of the above amended standards will not have any significant effect on the Company's financial statements in the period of initial application.

2.6 Standards issued by International Accounting Standards Board (IASB) but not yet notified by SECP

Following standards have been issued by IASB which are not yet notified by the SECP for the purpose of applicability in Pakistan:

	IASB Effective date (accounting periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 1, 2018
IFRS 14 – Regulatory Deferral Accounts	January 1, 2016
IFRS 15 – Revenue from Contracts with Customers	January 1, 2018



2.7 Fixed assets

2.7.1 Property, plant and equipment

These are stated at cost less accumulated depreciation / amortization / impairment (if any), except for freehold land.

Depreciation is charged to profit and loss account applying the reducing balance method. Depreciation on additions is charged from the month in which the asset is put to use and on disposals up to the month the asset is in use. Assets residual values and useful lives are reviewed, and adjusted, if appropriate at each balance sheet date.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalised.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefit are expected from it use or disposal. Gain or loss on disposal of assets is included in profit and loss account in the year the assets is derecognized.

2.7.2 Capital work-in-progress

Plant and machinery, machinery in transit and advances to suppliers made in respect of fixed assets are stated at cost less accumulated impairment and are transferred to the respective assets when available for intended use.

Significant borrowing costs related to acquisition, construction and commissioning of a qualifying asset are capitalized.

2.7.3 Major stores and spare parts

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.

2.8 Investments - Available for sale

Investments acquired with the intention to be held for over one year are classified as long-term investments. However, these can be sold earlier due to liquidity requirements. Short-term investments are those which are acquired for a short period. All investments are classified as available for sale and are initially recognised at cost, being the fair value of the consideration paid including transaction cost. Subsequent to initial recognition, these investments are re-measured at fair value (quoted market price).

Any gain or loss from a change in the fair value of investments available for sale is recognised directly in other comprehensive income as unrealised, unless sold, collected or otherwise disposed off, or until the investment is determined to be impaired, at which time cumulative gain or loss previously taken to other comprehensive income is recognised in the profit and loss account of the year.

2.9 Stores and spare parts

These are valued at the lower of moving average cost and net realisable value except for items in transit which are valued at actual cost. Provision is made for obsolescence and slow moving items.



2.10 Stock-in-trade

These are valued as follows :

Raw materials	At the lower of average cost and net realisable value
Work-in-process	At the lower of average cost and net realisable value
Finished goods	At the lower of average cost and net realisable value
Fertilizers	At the lower of cost on FIFO basis and net realisable value

2.11 Trade debts and other receivables

Trade debts are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Other receivables are carried at cost less estimates made for doubtful receivables.

An estimate for doubtful trade debts and other receivables is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

2.12 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise of cash in hand, with banks on current, savings, treasury call and deposit accounts, net of short-term borrowings under mark-up arrangements, if any.

2.13 Staff retirement benefits

2.13.1 Staff gratuity

The Company operates an approved defined benefit gratuity scheme for all permanent employees. Minimum qualifying period for entitlement to gratuity is five years continuous service with the Company. The scheme is funded and contributions to the fund are made in accordance with the recommendations of the actuary.

The latest actuarial valuation of the gratuity scheme was carried out as at September 30, 2015. The projected unit credit method, using the following significant assumptions, have been used for actuarial valuation.

Discount rate	9.25% per annum
Expected rate of increase in salaries	8.25% per annum

Based on the actuarial valuation of gratuity scheme as of September 30, 2015, the fair value of gratuity scheme assets and present value of liabilities were Rs.92.33 million and Rs.92.16 million respectively. The Company recognises the total actuarial gains and losses in the year in which they arise. The amounts recognised in balance sheet are as follows:

	2015	2014
	(Rupees in thousands)	
Net Employee Defined Benefit Asset		
Present value of defined benefit obligation	92,164	83,898
Fair value of plan assets	(92,336)	(83,638)
(Asset) / liability recognised in the balance sheet	<u>(172)</u>	<u>260</u>
Charge for the year		
Salaries, wages and amenities include the following in respect of employees' gratuity fund:		
Current service cost	3,202	2,798
Interest cost	11,149	9,041
Expected return on plan assets	(11,116)	(9,480)
	<u>3,235</u>	<u>2,359</u>



	2015 (Rupees in thousands)	2014
The movement in present value of defined benefit obligation is as follows:		
Present value of defined benefit obligation as at 01 October	83,898	84,120
Interest cost	11,149	9,041
Current service cost	3,202	2,798
Benefits paid	(2,556)	(12,769)
Actuarial (gain) / loss	(3,529)	708
Present value of defined benefit obligation as at September 30,	<u>92,164</u>	<u>83,898</u>
The movement in fair value of plan assets is as follows:		
Fair value of plan assets as at 01 October	83,638	84,229
Expected return on assets	11,116	9,480
Contributions	3,460	3,550
Benefits paid	(2,556)	(12,769)
Actuarial loss	(3,322)	(852)
Fair value of plan assets as at September 30,	<u>92,336</u>	<u>83,638</u>
Actual return on plan assets	<u>7,793</u>	<u>8,627</u>
Plan assets comprise:		
Defence saving certificates and Special saving certificates	72,727	72,727
Term Finance Certificates	290	558
Balance with Banks	1,498	266
Accrued interest	17,821	10,087
	<u>92,336</u>	<u>83,638</u>

Comparison of present value of defined benefit obligation, the fair value of plan assets and the surplus or deficit of gratuity fund is as follows:

As at September 30,	2015	2014	2013	2012	2011
			(Rupees in thousands)		
Present value of defined benefit					
Obligation	92,164	83,898	84,120	76,033	68,734
Fair value of plan assets	<u>(92,336)</u>	<u>(83,638)</u>	<u>(84,229)</u>	<u>(76,073)</u>	<u>(68,369)</u>
(Surplus) / Deficit	<u>(172)</u>	<u>260</u>	<u>(109)</u>	<u>(40)</u>	<u>365</u>
Experience adjustment on obligation	<u>3,257</u>	<u>5,629</u>	<u>(764)</u>	<u>(525)</u>	<u>(2,972)</u>
Experience adjustment on plan assets	<u>(3,322)</u>	<u>(852)</u>	<u>(629)</u>	<u>424</u>	<u>895</u>

Sensitivity analysis

Significant assumption for the determination of the defined obligation are discount rate and expected salary increase. The possible changes in defined obligation due to change of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant are as follows :



(Rupees in thousand)

Discount rate +1%	87,265
Discount rate -1%	97,695
Long term salary increases +1%	98,122
Long term salary increases -1%	86,796

2.13.2 Provident fund

The Company operates a recognised provident fund scheme for all its permanent employees. Equal contributions are made by the Company and the employees at the rate of 8.33% of basic salary plus applicable cost of living allowance.

2.13.3 Compensated absences

The Company provides for its estimated liability towards employees accumulated leaves on the basis of current salary.

2.14 Borrowings and their cost

Borrowings are recorded at the proceeds received.

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction and commissioning of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of that asset.

2.15 Trade and other payables

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

2.16 Taxation

2.16.1 Current

Provision for current taxation is computed in accordance with the provisions of the applicable income tax laws.

2.16.2 Deferred

Deferred tax is recognised 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 recognised for all taxable temporary differences. Deferred tax assets are recognised 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 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 utilised.

As the provision for taxation has been made partially under the normal basis and partially under the final tax regime, therefore, the deferred tax liability has been recognised on a proportionate basis in accordance with TR 27 issued by the Institute of Chartered Accountants of Pakistan.

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

2.17 Impairment

The carrying amounts of the Company's assets are reviewed annually to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and impairment losses are recognised in the profit and loss account.



2.18 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed periodically and adjusted to reflect the current best estimate.

2.19 Foreign currencies

Transactions in foreign currencies are translated into Pak. Rupees which is the Company's functional and presentation currency, at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rates ruling on the balance sheet date.

Exchange gains and losses are included in profit and loss account.

2.20 Revenue recognition

Sales are recorded on despatch of goods to customers.

Income on investments is recorded when the right to receive is established.

Income / profit on bank treasury call and deposit accounts is recorded on accrual basis.

Storage income is recorded on accrual basis.

2.21 Segment reporting

Segment reporting is based on operating (business) segments of the Company. These business segments are engaged in providing product or services which are subject to risks and rewards that are different from the risks and rewards of other segments.

2.22 Financial instruments

All the financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised at the time when the Company loses control of the contractual rights that comprises the financial assets. All financial liabilities are derecognised at the time when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gains or losses on derecognition of financial assets and financial liabilities are taken to profit and loss account currently.

2.23 Offsetting

Financial assets and liabilities are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset or settle the liability simultaneously.

2.24 Dividend and appropriation to reserves

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

2.25 Functional and presentation currency

These financial statements are presented in Pak. Rupees, which is the Company's functional and presentation currency.

3. Fixed Assets

Property, plant and equipment:

	Note	2015 (Rupees in thousands)	2014
Operating fixed assets	3.1	1,340,550	1,180,207
Capital work-in-progress	3.4	198,988	148,630
Major stores and spare parts	3.5	3,442	24,764
		<u>1,542,980</u>	<u>1,353,601</u>



3.1 Operating fixed assets for 2015:

	Cost as at Oct. 1, 2014	Additions / (deletions)	Cost as at Sept. 30, 2015	Accum- ulated deprec- iation / amortization as at Oct. 1, 2014	Depre- ciation / amortization charge for the year & accum- ulated deprec- iation on deletions	Accum- ulated deprec- iation / amortization as at Sept. 30, 2015	Written down value as at Sept. 30, 2015	Annual rate of deprec- iation / amortiz- ation %
(Rupees in thousands)								
Land								
Freehold - Sugar / Distillery division	106,549	–	106,549	–	–	–	106,549	–
Leasehold - Textile division	489	–	489	226	5	231	258	1.01
Buildings on freehold land								
Sugar division	84,543	–	84,543	58,854	2,569	61,423	23,120	10
Distillery division	21,243	–	21,243	16,302	494	16,796	4,447	10
Non-factory buildings	30,228	–	30,228	22,252	399	22,651	7,577	5
Buildings on leasehold land								
Textile division	19,335	–	19,335	15,901	343	16,244	3,091	10
Plant and machinery								
Sugar division	1,200,514	21,166	1,221,680	729,247	47,877	777,124	444,556	10
Distillery division - Note 3.1.1	865,543	241,900	1,107,443	402,452	54,134	456,586	650,857	10
Textile division	129,739	–	129,739	60,911	6,883	67,794	61,945	10
Railway siding - Sugar division	468	–	468	462	1	463	5	10
Electric, gas and water installations								
Sugar / Distillery division	8,808	–	8,808	8,140	67	8,207	601	10
Textile division	3,601	–	3,601	2,709	89	2,798	803	10
Furniture, fittings, electrical and office equipment								
Sugar / Distillery division	55,991	4,837 (57)	60,771	46,605	2,794 (56)	49,343	11,428	25
Textile division	9,484	120	9,604	8,790	177	8,967	637	25
Tractors / trolleys and agriculture implements								
Sugar division	2,765	–	2,765	2,670	19	2,689	76	20
Motor cars / vehicles								
Sugar / Distillery division	19,617	11,711 (131)	31,197	3,319	3,459 (77)	6,701	24,496	20
Textile division	764	–	764	634	26	660	104	20
Total	2,559,681	279,734 (188)	2,839,227	1,379,474	119,336 (133)	1,498,677	1,340,550	

3.1.1 Plant and machinery of Distillery division include storage tanks of the CO₂ unit having written down value of Rs. 21.04 (2014: Rs. 23.38) million installed at customers' premises for storage of Liquidified Carbon dioxide.



3.1.2 Reconciliation of carrying values for 2015

	Written down value as at Oct. 1, 2014	Additions / (deletions)	Depreciation / amortization charge for the year & accumulated depreciation on deletions	Written down value as at Sept. 30, 2015
	(Rupees in thousands)			
Land	106,812	–	5	106,807
Buildings on freehold land	38,606	–	3,462	35,144
Buildings on leasehold land	3,434	–	343	3,091
Plant and machinery	1,003,186	263,066	108,894	1,157,358
Railway siding	6	–	1	5
Electric, gas and water installations	1,560	–	156	1,404
Furniture, fittings, electrical and office equipment	10,080	4,957 (57)	2,971 (56)	12,065
Tractors / trolleys and agriculture implements	95	–	19	76
Motor cars / vehicles	16,428	11,711 (131)	3,485 (77)	24,600
	<u>1,180,207</u>	<u>279,734</u> <u>(188)</u>	<u>119,336</u> <u>(133)</u>	<u>1,340,550</u>



3.1.3 Operating fixed assets for 2014:

	Cost as at Oct. 1, 2013	Additions / (deletions)	Cost as at Sept. 30, 2014	Accum- ulated deprec- iation / amortization as at Oct. 1, 2013	Depre- ciation / amortization charge for the year & accum- ulated deprec- iation on deletions	Accum- ulated deprec- iation / amortization as at Sept. 30, 2014	Written down value as at Sept. 30, 2014	Annual rate of deprec- iation / amortiz- ation %
(Rupees in thousands)								
Land								
Freehold - Sugar / Distillery division	20,142	86,407	106,549	-	-	-	106,549	-
Leasehold - Textile division	489	-	489	221	5	226	263	1.01
Buildings on freehold land								
Sugar division	84,543	-	84,543	56,000	2,854	58,854	25,689	10
Distillery division	21,243	-	21,243	15,754	548	16,302	4,941	10
Non-factory buildings	30,228	-	30,228	21,832	420	22,252	7,976	5
Buildings on leasehold land								
Textile division	19,335	-	19,335	15,520	381	15,901	3,434	10
Plant and machinery								
Sugar division	969,099	237,369 (5,954)	1,200,514	692,235	42,306 (5,294)	729,247	471,267	10
Distillery division - Note 3.1.1	767,636	97,907	865,543	357,907	44,545	402,452	463,091	10
Textile division	129,739	-	129,739	53,263	7,648	60,911	68,828	10
Railway siding - Sugar division	468	-	468	461	1	462	6	10
Electric, gas and water installations								
Sugar / Distillery division	8,808	-	8,808	8,066	74	8,140	668	10
Textile division	3,601	-	3,601	2,610	99	2,709	892	10
Furniture, fittings, electrical and office equipment								
Sugar / Distillery division	53,218	2,844 (71)	55,991	43,872	2,795 (62)	46,605	9,386	25
Textile division	9,252	232	9,484	8,610	180	8,790	694	25
Tractors / trolleys and agriculture implements								
Sugar division	2,765	-	2,765	2,646	24	2,670	95	20
Motor cars / vehicles								
Sugar / Distillery division	2,807	17,226 (416)	19,617	1,233	2,414 (328)	3,319	16,298	20
Textile division	679	85	764	613	21	634	130	20
Total	2,124,052	442,070 (6,441)	2,559,681	1,280,843	104,315 (5,684)	1,379,474	1,180,207	



3.1.4 Reconciliation of carrying values for 2014

	Written down value as at Oct. 1, 2013	Additions / (deletions)	Depreciation / amortization charge for the year & accumulated depreciation on deletions	Written down value as at Sept. 30, 2014
		(Rupees in thousands)		
Land	20,410	86,407	5	106,812
Buildings on freehold land	42,428	–	3,822	38,606
Buildings on leasehold land	3,815	–	381	3,434
Plant and machinery	763,069	335,276 (5,954)	94,499 (5,294)	1,003,186
Railway siding	7	–	1	6
Electric, gas and water installations	1,733	–	173	1,560
Furniture, fittings, electrical and office equipment	9,988	3,076 (71)	2,975 (62)	10,080
Tractors / trolleys and agriculture implements	119	–	24	95
Motor cars / vehicles	1,640	17,311 (416)	2,435 (328)	16,428
	843,209	442,070 (6,441)	104,315 (5,684)	1,180,207
		Note	2015	2014
			(Rupees in thousands)	

3.2 Allocation of depreciation / amortization charge for the year:

Cost of Sales			
Sugar division	20	52,327	46,988
Distillery division	20	57,900	47,446
Textile division	20	7,320	8,133
		117,547	102,567
Administrative expenses			
Sugar division	22	1,304	1,262
Distillery division	22	112	108
Textile division	22	203	201
Terminal	19.1	170	177
		1,789	1,748
		119,336	104,315



3.3 Details of fixed assets disposed off:

	Cost	Accumulated depreciation	written down value	Sale proceeds	Gain on disposal	Mode of disposal	Particulars of purchasers
			(Rupees in thousands)				
Furniture, fittings, electrical and office equipment							
Sugar division / Distillery division							
Furniture & fittings	57	56	1	5	4	Negotiation	Mr. Asif, Ashraf Electronics, Hashoo Centre, Saddar, Karachi.
Motor cars / vehicles							
Items having carry value of less than Rs. 50,000 each	131	77	54	1,766	1,712	Various	Various
2015	188	133	55	1,771	1,716		
2014	6,441	5,684	757	4,354	3,597		

Note 2015 2014
(Rupees in thousands)

3.4 Capital work-in-progress

Plant and machinery	198,967	113,344
Machinery in transit	21	21,657
Advance to suppliers	—	13,629
3.4.1	198,988	148,630

3.4.1 Movement in capital work-in-progress

Balance as on October 1,	148,630	108,921
Cost incurred during the year	127,767	247,461
Transfer from Major stores and spare parts	197,223	225,229
	473,620	581,611
Transfer to operating fixed assets	(274,632)	(432,981)
Balance as on September 30,	198,988	148,630

3.5 Major stores and spare parts

Stores	1,253	23,749
Spare parts	2,189	1,015
3.5.1	3,442	24,764

3.5.1 Movement in major stores and spare parts

Balance at the beginning of the year	24,764	7,690
Additions during the year	175,901	242,373
	200,665	250,063
Transfer to capital work-in-progress	(197,223)	(225,299)
Balance at the end of the year	3,442	24,764



4. Long-term investments - available for sale

2015 2014
(Rupees in thousands)

Fully paid-up ordinary shares of listed companies are as follows:

	Number of shares	Face value		
	2015	2014	Rs.	Company's Name
4.1 Investments in related parties				
	147,797	147,797	5	Balochistan Particle Board Limited
	24,136,691	18,486,691	10	Bank AL Habib Limited
	5,363,772	5,363,772	5	Habib Insurance Company Limited
				813 1,098
				1,004,086 836,893
				101,912 96,280
				1,106,811 934,271
4.2 Investments in other companies				
	31,122	31,122	10	Adamjee Insurance Company Limited
	51,400	21,400	10	Allied Bank Limited
	185,000	185,000	10	Bank Alfalah Limited
	173,160	49,500	10	Cherat Cement Company Limited
	56,178	56,178	10	Dawood Lawrencepur Limited
	75,000	70,000	10	D.G. Khan Cement Company Limited
	132,000	262,000	10	Engro Corporation Limited
	12,500	12,500	10	Engro Food Limited
	123,200	29,200	10	Engro Fertilizer
	45,500	-	10	Faran Sugar Mills Limited
	50,000	50,000	10	Fauji Cement Company Limited
	218,885	268,885	10	Fauji Fertilizer Company Limited
	389,000	389,000	5	First Habib Modaraba
	12,100	12,100	10	GlaxoSmithKline Pakistan Limited
	412,337	412,337	10	Habib Metropolitan Bank Limited
	272,513	49,800	10	Habib Bank Limited
	-	54,000	10	Honda Atlas Cars (Pakistan) Limited
	206,000	206,000	10	International Industries Limited
	20,000	20,000	10	Kot Addu Power Company Limited
	11,650	5,750	10	Jubilee Life Insurance Co. Limited
	65,000	235,000	10	Lalpir Power Limited
	40,000	40,000	10	Lucky Cement Limited
	78,027	78,027	10	MCB Bank Limited
	150,116	103,516	10	Mehran Sugar Mills Limited
	11,950	11,950	10	Millat Tractors Limited
	4,500	-	10	Mirpurkhas Sugar Mills Limited
	40,000	40,000	10	Meezan Bank Limited
	-	22,000	10	Nishat (Chunian) Limited
	161,500	102,000	10	Nishat Chunian Power Limited
	50,000	-	10	Nishat Power Limited
	29,300	40,000	10	Nishat Mills Limited
	20,000	20,000	10	Packages Limited
	19,650	19,650	10	Pak Suzuki Motor Company Limited
	46,500	28,500	10	Pakistan Oilfields Limited
	12,000	42,000	10	Pakistan Petroleum Limited
	67	11,667	10	Pakistan Tobacco Company Limited
	6,243,098	3,951,328	5	Shabbir Tiles and Ceramics Limited
	82,793	82,793	10	Sui Northern Gas Pipelines Limited
	711,503	711,503	5	Thal Limited
	204,000	134,000	10	The Hub Power Company Limited
	48,322	48,322	10	TPL Direct Insurance Limited
	43,246	43,246	10	TPL Trakker Limited
	11,000	15,000	10	The Searle Company Limited
	57,000	20,000	10	United Bank Limited
				1,621 1,488
				4,780 2,420
				4,612 5,250
				14,930 2,593
				7,022 6,552
				10,277 5,579
				39,386 43,267
				1,842 1,262
				11,063 1,565
				3,640 -
				1,674 975
				27,021 30,502
				3,742 3,392
				2,586 2,432
				11,929 12,989
				53,870 10,417
				- 7,590
				13,186 13,514
				1,895 1,286
				6,058 1,731
				1,896 4,030
				21,068 16,064
				17,903 22,048
				16,531 10,513
				7,465 6,610
				383 -
				2,019 1,640
				- 894
				9,044 4,416
				2,615 -
				2,909 4,760
				10,670 12,290
				8,146 5,586
				13,668 15,146
				1,430 9,494
				68 10,819
				50,257 47,376
				2,602 1,762
				180,010 171,472
				20,041 8,573
				1,015 1,160
				684 418
				4,404 3,674
				8,363 3,767
				604,325 517,316
				1,711,136 1,451,587



- 4.3** The aggregate cost of the above investments, net of impairment, is Rs.523.53 (2014: Rs.189.83) million.
- 4.4** The above investments are stated at fair value. Unrealised loss of Rs.35.54 (2014: Unrealised gain Rs.433.67) million arising from a change in the fair value of these long-term investments during the current year has been recognised directly in other comprehensive income.

	Note	2015 (Rupees in thousands)	2014
5. Long-term loans			
Secured - considered good			
Executives	5.1 & 5.2	741	1,063
Employees		8,320	10,317
	5.3	9,061	11,380
Receivable within next twelve months shown under current asset			
Executives	9	(324)	(480)
Employees	9	(4,740)	(5,509)
		(5,064)	(5,989)
		3,997	5,391

- 5.1** The maximum aggregate amount due from executives at the end of any month during the year was Rs. 0.94 (2014: Rs.1.26) million. These are secured by way of lien marked on retirements benefits. These loans are carried at cost due to practicality and materiality of amounts involved.

- 5.2** Movement of loans to executives during the year is as follows:

	2015 (Rupees in thousands)	2014
Balance as on October 1,	1,063	641
Disbursements	500	1,218
	1,563	1,859
Repayments	(822)	(796)
Balance as on September 30,	741	1,063

- 5.3** Long-term loans of Rs. 9.06 (2014: Rs.11.38) million, include loans of Rs.0.67 (2014: Rs.0.84) million and Rs.4.67 (2014: Rs.5.25) million to executives and workers respectively which carry no interest. The balance amount of loan carries interest @ 7% per annum.



	Note	2015 (Rupees in thousands)	2014 (Rupees in thousands)
6. Stores and spare parts			
Stores		83,099	61,224
Provision for obsolescence and slow moving stores		(9,500)	(9,500)
		73,599	51,724
Spare parts		59,776	56,051
Provision for obsolescence and slow moving spare parts		(19,792)	(19,792)
		39,984	36,259
		<u>113,583</u>	<u>87,983</u>
7. Stock-in-trade			
Raw materials			
Distillery division		216,590	147,869
Textile division		13,783	23,152
		230,373	171,021
Work-in-process			
Sugar division		940	896
Textile division		41,240	27,695
		42,180	28,591
Finished goods			
Sugar division		324,611	368,929
Distillery division		115,450	287,032
Textile division		315	764
Trading division		3,924	100,237
		444,300	756,962
Fertilizers		2,288	307
		<u>719,141</u>	<u>956,881</u>
8. Trade debts			
Considered good			
Export – Secured against export documents		97,860	282,339
Local – Unsecured		293,619	337,493
	8.1	<u>391,479</u>	<u>619,832</u>



	Note	2015	2014		
		(Rupees in thousands)			
8.1 The aging of trade debts at September 30, is as follows :					
Neither past due nor impaired		391,095	619,456		
Past due but not impaired:					
within 90 days		—	—		
91 to 180 days		—	—		
over 180 days		384	376		
		<u>391,479</u>	<u>619,832</u>		
9. Loans and advances					
Loans - secured considered good					
Current maturity of long-term loans					
Executives	5	324	480		
Employees	5	4,740	5,509		
		5,064	5,989		
Advances - unsecured considered good					
Suppliers		241,239	257,424		
		<u>246,303</u>	<u>263,413</u>		
10. Trade deposits and short-term prepayments					
Trade deposits		1,381	1,531		
Short-term prepayments		6,234	7,194		
		<u>7,615</u>	<u>8,725</u>		
11. Other receivables					
Considered good					
Duty drawback and research & development support claim		14,620	15,078		
Others		9,868	5,779		
		<u>24,488</u>	<u>20,857</u>		
12. Short-term investments - Available for sale					
Investments in Units of Mutual Funds are as follows:					
		<u>Mutual Fund Units</u>	Face		
		2015	2014		
			value		
			Rs.		
12.1 Investments in fund			<u>Fund's Name</u>		
18,784,006	—	50	MCB Pakistan Sovereign Fund	1,022,038	—
74,272,509	—	10	ABL Government Securities Fund	765,497	—
9,277,024	—	100	UBL Government Securities Fund	1,022,151	—
				<u>2,809,686</u>	<u>—</u>



12.2 The aggregate cost of the above investments is Rs.2,750 (2014: Rs.Nil) million.

12.3 The above investments are stated at fair value. Unrealised gain of Rs.59.69 (2014: Rs.Nil) million arising from a change in the fair value of these short-term investments during the year has been recognised directly in other comprehensive income.

	Note	2015 (Rupees in thousands)	2014 (Rupees in thousands)
13. Cash and bank balances			
Cash in hand		118	221
Balances with banks in:			
Current accounts		56,026	30,463
Treasury call accounts	13.1	150,719	257,875
Term Deposit Receipts	13.2	90,000	1,910,000
	13.3	296,745	2,198,338
		<u>296,863</u>	<u>2,198,559</u>

13.1 Profit rates on Treasury call accounts ranged between 6.00% to 9.00% (2014: 8.00% and 9.00%) per annum.

13.2 Profit rates on Term Deposit Receipt ranged between 6.25% to 9.75% (2014: 8.50% to 10.00%) per annum.

13.3 Includes Rs.262.27 (2014: Rs.2,143.44) million kept with Bank AL Habib Limited - a related party.

			2015	2014	
			(Rupees in thousands)		
14.	Issued, subscribed and paid-up capital				
	2015	2014			
	Number of shares				
	10,136,700	10,136,700	Ordinary shares of Rs. 5 each fully paid in cash	50,684	50,684
	139,863,300	139,863,300	Ordinary shares of Rs. 5 each issued as bonus shares	699,316	699,316
			<u>750,000</u>	<u>750,000</u>	
	<u>150,000,000</u>	<u>150,000,000</u>			

Issued, subscribed and paid-up capital of the Company includes 23,832,998 Ordinary shares of Rs. 5 each (2014: 24,283,998) held by related parties at the end of the year.



	Note	2015 (Rupees in thousands)	2014
15. Reserves			
Capital			
Share premium		34,000	34,000
Revenue			
General	15.1	3,026,000	2,601,000
Unappropriated profit		817,933	802,496
Unrealised gain on investments		1,232,289	1,261,756
		5,076,222	4,665,252
		5,110,222	4,699,252
15.1 At the beginning of the year		2,601,000	2,201,000
Transferred from unappropriated profit		425,000	400,000
		3,026,000	2,601,000
16. Deferred taxation			
Deferred tax liability on taxable temporary differences:			
Accelerated tax depreciation on operating fixed assets		95,000	98,000
Unrealised gain on short-term investments		15,000	—
		110,000	98,000
Deferred tax assets on deductible temporary difference:			
Provision for obsolescence and slow moving stores and spare parts		(8,000)	(8,000)
		102,000	90,000
17. Trade and other payables			
Creditors		1,264,945	850,085
Accrued liabilities		208,633	223,960
Sales-tax / Federal excise duty		47,991	23,642
Workers' Profit Participation Fund (WPPF)	17.1	51,846	49,575
Workers' Welfare Fund		34,676	19,830
Income-tax deducted at source		363	209
Unclaimed dividends		43,101	36,445
		1,651,555	1,203,746
17.1 Workers' Profit Participation Fund (WPPF)			
Balance as at October 1,		49,575	50,138
Interest on funds utilized in the Company's business		1,150	1,097
		50,725	51,235
Amount paid to the WPPF		(50,725)	(51,235)
		—	—
Allocation for the year	23	51,846	49,575
Balance as on September 30,		51,846	49,575



18. Contingencies and commitments

18.1 Contingencies

18.1.1 The Company has provided counter guarantees to bank AL Habib Limited, a related party, amounting to Rs.250.00 (2014: Rs. 200.00) million against agriculture finance facilities to growers and counter guarantees to other banks amounting to Rs. 624.04 (2014: 52.75) million against guarantees issued by banks in favour of third parties on behalf of the Company. These guarantees are secured by way of registered charge against hypothecation of stock-in-trade, stores and spares, assignment of trade debts and other receivables.

18.1.2 During 2009-10 the Company received a showcause notice from Competition Commission of Pakistan (CCP) under the Competition Ordinance, 2009 for alleged violation of certain provisions of the Ordinance. The Company alongwith other sugar mills filed a Constitutional Petition before the Honourable High Court of Sindh challenging the Ordinance. The Honourable High Court of Sindh, granted stay and restrained the Commission not to pass final order in respect of the show cause notice. The CCP filed an appeal before the Honourable Supreme Court of Pakistan which was disposed off by the Honourable Supreme Court based on the grounds that the matter was pending before the Honourable High Courts of Sindh and Lahore.

The Competition Ordinance of 2009 was repealed on March 25, 2010 and thereafter a new Ordinance, 2010 was promulgated which also stood repealed on August 15, 2010. The Parliament thereafter enacted the Competition Act, 2010 (ACT XIX of 2010). The Company filed amended application in view of the promulgation of the Competition Act 2010 which was accepted by the Honourable High Court of Sindh, with the consent of both the parties.

The petitions were last fixed for hearing on April 22, 2015, however, these were not taken up for hearing and adjourned to date in office. The Competition Commission of Pakistan has not imposed any fine / penalty against the alleged violation of any provisions of the Competition Act 2010.

18.1.3 During the year 2009-10 the Company alongwith other sugar mills filed a Constitutional Petition before the Honourable High Court of Sindh against Pakistan Standards and Quality Control Authority - PSQCA challenging the notifications 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 1, 2009.

On December 4, 2012 the Honourable High Court of Sindh decided the case in favour of the Company. Against the above order, PSQCA filed an appeal before the Honourable Supreme Court of Pakistan. On November 25, 2013 the Honourable Supreme Court of Pakistan passed an interim order against PSQCA restraining them from demanding any registration of standard marks / licensing fee from the sugar mills till further order and the case was adjourned to date in office.

According to the advice of legal counsel, 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.

18.1.4 On May 22, 2015 the Government of Pakistan promulgated Gas Infrastructure Development (GID) Cess Act, 2015 and levied GID Cess on gas bills at the rate of Rs.100 / MMBTU on all industrial consumers. The GID Cess Act, 2015 was made applicable with immediate effect superseding the GID Cess Act, 2011 and GID Cess Ordinance, 2014.



The Company challenged the vires of GIDC Cess Act, 2015 before the Honourable High Court of Sindh. The matter came up for hearing on July 24, 2015 and the Honourable High Court of Sindh passed an order restraining the SSGC from demanding and collecting GID Cess as levied by the GID Cess Act, 2015.

The Financial exposure of the Company upto September 30, 2015 is Rs.8.40 million. In view of the advice of legal counsel, the Company is confident of a favourable outcome and accordingly no provision has been made in these financial statements.

18.1.5 Appeals filed by the Tax authorities for the Tax years 1998, 2001 and 2002 against decisions of the Income Tax Appellate Tribunal (ITAT) in favour of the Company are pending before the Honourable High Court of Sindh. The tax exposure against these appeals in aggregate amounts to Rs.14.6 million. During the year, appeals were fixed for hearing on various dates and were adjourned to date in office. In view of the advice of legal counsel, the Company is confident of a favourable outcome and accordingly no provision has been made in these financial statements.

18.1.6 The Company has filed a petition before the Honourable High Court of Sindh challenging the increase in market committee fee from Rs.5 / 40kg to Rs.10 / 40kg on sugarcane purchased by the Company. On February 13, 2012 the Honourable High Court of Sindh granted status quo and no hearing took place during the year. As a matter of prudence, full provision has been made in these financial statements.

18.1.7 The tax authorities increased the rate of Special Excise Duty from 1% to 2.5% for the period from November 7, 2007 to June 30, 2011. The Company disputed the above increase as the levy was without jurisdiction, illegal and unconstitutional. The Company along with other petitioners filed a petition before the Honourable High Court of Sindh challenging the vires of Section 3A of the Federal Excise Act 2005 & SRO 655(1)/2007 with respect to the imposition and increase in rate of Special Excise Duty.

On February 22, 2013 the Honourable High Court of Sindh decided the case in favour of the Company. Against the above order, the Government of Pakistan filed appeal which is pending before the Honourable Supreme Court of Pakistan for final adjudication.

18.1.8 The Government of Sindh vide notification dated July 8, 2014 levied a fee of Rs.0.50 / litre for storage of rectified spirit in bonded warehouse at Terminal Kaemari, Karachi. The Company disputed the above levy and filed constitutional petition before the Honourable High Court of Sindh, challenging the above fee. On July 23, 2014, the Honourable High Court of Sindh granted stay and suspended the operation of the above notification. The case was lastly fixed for hearing on March 20, 2015 and was not taken up for hearing. The financial exposure as at September 30, 2015 is Rs.18.60 million. In view of the advice of legal counsel, the company is confident of a favourable outcome of the case and accordingly no provision has been made in these financial statements.

18.1.9 Pursuant to the decision of ECC on January 10, 2013, the FBR vide its SRO No. 77(1)/2013 dated February 7, 2013, allowed benefit to sugar exporters by reducing FED rate from 8.0% to 0.5% on local sales, equivalent to quantity exported by the mills. The Company availed the benefit and claimed Rs.56.56 million on account of reduced rate of FED.



Against the aforementioned claim, FBR disallowed an amount of Rs.7.0 million and also levied default surcharge of Rs.0.3 million. The disallowances was on the basis that the benefit of claim accrues and arises from February 17, 2013, the date of SRO No: 77(1) /2013 and not from January 10, 2013, the date of ECC meeting wherein the benefit was approved by ECC. The Company maintains that the sugar mills are entitled to avail the benefit of reduced rate of FED on sugar exported against the export quota allotted by ECC in its meeting held on January 10, 2013. Accordingly, the Company filed a suit before Honourable High Court of Sindh and the operations of the said order was suspended by the Honourable Court vide its order dated April 23, 2014. The case was lastly fixed for hearing on December 4, 2014 and was adjourned as date in office. In view of the advice of legal counsel, the company is confident of a favourable outcome and accordingly no provision has been made in these financial statements.

	2015 (Rupees in thousands)	2014
18.2 Commitments		
18.2.1 Capital expenditure	<u>53,593</u>	<u>71,317</u>
18.2.2 Rentals under operating lease agreements in respect of vehicles, payable over the following next four years, are as follows:		
Year ending September 30		
2015	–	11,696
2016	11,756	7,581
2017	7,118	3,372
2018	4,466	720
2019	1,730	–
	<u>25,070</u>	<u>23,369</u>



19. Segment operating results and related information

(Rupees in thousands)

	Note	Sugar Division		Distillery Division		Textile Division		Trading Division		Total	
		2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Net sales and services											
Local sales		5,202,125	5,962,031	395,995	450,907	5,163	3,854	322,474	90,976	5,925,757	6,507,768
Less: Sales tax / Federal excise duty		375,262	425,962	54,571	62,460	304	218	23,887	6,743	454,024	495,383
		4,826,863	5,536,069	341,424	388,447	4,859	3,636	298,587	84,233	5,471,733	6,012,385
Export sales		22,946	236,945	2,223,863	2,349,784	412,189	481,931	133,924	—	2,792,922	3,068,660
Less: Export duty, freight and commission		—	—	21,607	6,557	23,438	24,467	23,330	—	68,375	31,024
		22,946	236,945	2,202,256	2,343,227	388,751	457,464	110,594	—	2,724,547	3,037,636
Net sales		4,849,809	5,773,014	2,543,680	2,731,674	393,610	461,100	409,181	84,233	8,196,280	9,050,021
Services											
Storage income - net	19.1	—	—	1,108	895	—	—	—	—	1,108	895
		4,849,809	5,773,014	2,544,788	2,732,569	393,610	461,100	409,181	84,233	8,197,388	9,050,916
Less: Cost of sales	20	4,391,551	5,403,983	2,094,733	2,093,674	350,231	407,219	385,778	78,203	7,222,293	7,983,079
Gross profit		458,258	369,031	450,055	638,895	43,379	53,881	23,403	6,030	975,095	1,067,837
Selling and distribution expenses	21	27,658	45,636	141,328	135,409	21,885	23,932	711	—	191,582	204,977
Administrative expenses	22	125,118	118,002	8,453	6,926	4,662	4,278	360	346	138,593	129,552
		152,776	163,638	149,781	142,335	26,547	28,210	1,071	346	330,175	334,529
Profit before other operating expenses and other income		305,482	205,393	300,274	496,560	16,832	25,671	22,332	5,684	644,920	733,308
Other operating expenses	23									(67,585)	(84,122)
Other income	24									360,694	255,966
Operating profit										938,029	905,152

- Sugar division is engaged in manufacturing of refined sugar and molasses.
- Distillery division is engaged in manufacturing of ethanol, liquidified carbon dioxide (CO₂) and providing bulk storage facilities.
- Textile division is engaged in manufacturing of household textiles.
- Trading division is engaged in trading of commodities viz sugar / molasses as and when opportunity occurs.



(Rupees in thousands)

	Sugar Division		Distillery Division		Textile Division		Trading Division		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
19.1 Services										
Terminal storage income - net	-	-	4,140	4,500	-	-	-	-	4,140	4,500
Less: Terminal expenses										
Salaries, wages and other benefits - note 19.2	-	-	1,098	1,460	-	-	-	-	1,098	1,460
Repairs and maintenance	-	-	740	440	-	-	-	-	740	440
Water, electricity and gas	-	-	163	272	-	-	-	-	163	272
Rent, rates and taxes	-	-	626	823	-	-	-	-	626	823
Depreciation - note 3.2	-	-	170	177	-	-	-	-	170	177
Travelling and vehicle running expenses	-	-	72	158	-	-	-	-	72	158
Insurance	-	-	46	69	-	-	-	-	46	69
Other expenses	-	-	117	206	-	-	-	-	117	206
	-	-	3,032	3,605	-	-	-	-	3,032	3,605
	-	-	1,108	895	-	-	-	-	1,108	895

19.2 Salaries, wages and other benefits include a sum of Rs. 0.07 (2014: Rs. 0.08) million in respect of staff retirement benefits.



(Rupees in thousands)

	Sugar Division		Distillery Division		Textile Division		Trading Division		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
20. Cost of sales										
Opening stock of raw material	—	—	147,869	149,969	23,152	22,315	—	—	171,021	172,284
Purchases / Transfers	3,912,910	5,177,040	1,563,450	1,786,578	232,350	279,075	—	—	5,708,710	7,242,693
	3,912,910	5,177,040	1,711,319	1,936,547	255,502	301,390	—	—	5,879,731	7,414,977
Closing stock of raw material	—	—	(216,590)	(147,869)	(13,783)	(23,152)	—	—	(230,373)	(171,021)
Raw material consumed	3,912,910	5,177,040	1,494,729	1,788,678	241,719	278,238	—	—	5,649,358	7,243,956
Salaries, wages and other benefits - note 20.1	247,359	238,178	53,185	53,673	11,834	10,855	—	—	312,378	302,706
Research and development expenses	2,321	2,674	—	—	—	—	—	—	2,321	2,674
Process chemicals	53,030	60,678	32,958	31,516	—	—	—	—	85,988	92,194
Packing material	58,689	79,191	—	—	16,309	19,891	—	—	74,998	99,082
Dyeing, weaving and other charges	—	—	—	—	64,340	67,121	—	—	64,340	67,121
Stores and spare parts consumed	77,395	78,701	24,471	23,350	—	—	—	—	101,866	102,051
Rent, rates, taxes and lease rentals	14,568	13,840	6,334	6,504	662	939	—	—	21,564	21,283
Water, fuel and power	58,771	52,781	196,875	197,195	25,121	24,572	—	—	280,767	274,548
Repairs and maintenance	147,354	131,104	44,345	48,404	1,250	3,936	—	—	192,949	183,444
Legal and professional charges	4,448	2,347	—	—	—	—	—	—	4,448	2,347
Insurance	5,918	5,858	5,820	5,712	821	746	—	—	12,559	12,316
Postage, telephone and stationery	3,384	3,363	—	—	—	—	—	—	3,384	3,363
Depreciation / amortization - note 3.2	52,327	46,988	57,900	47,446	7,320	8,133	—	—	117,547	102,567
Other manufacturing expenses	23,266	23,200	6,534	8,611	210	241	—	—	30,010	32,052
Subsidy / Duty drawback / Rebate	(5,000)	—	—	—	(6,259)	(7,487)	—	—	(11,259)	(7,487)
Bagasse sale	(2,373)	(17,715)	—	—	—	—	—	—	(2,373)	(17,715)
Bagasse transferred to distillery division	(19,412)	—	—	—	—	—	—	—	(19,412)	—
Molasses transferred to distillery division	(287,678)	(452,253)	—	—	—	—	—	—	(287,678)	(452,253)
	434,367	268,935	428,422	422,411	121,608	128,947	—	—	984,397	820,293
Manufacturing cost	4,347,277	5,445,975	1,923,151	2,211,089	363,327	407,185	—	—	6,633,755	8,064,249
Opening stock of work-in-process	896	874	—	—	27,695	28,005	—	—	28,591	28,879
Closing stock of work-in-process	(940)	(896)	—	—	(41,240)	(27,695)	—	—	(42,180)	(28,591)
	(44)	(22)	—	—	(13,545)	310	—	—	(13,589)	288
Cost of goods manufactured	4,347,233	5,445,953	1,923,151	2,211,089	349,782	407,495	—	—	6,620,166	8,064,537
Opening stock of finished goods	368,929	326,959	287,032	169,617	764	488	100,237	—	756,962	497,064
Purchases	—	—	—	—	—	—	289,465	178,440	289,465	178,440
Closing stock of finished goods	(324,611)	(368,929)	(115,450)	(287,032)	(315)	(764)	(3,924)	(100,237)	(444,300)	(756,962)
	44,318	(41,970)	171,582	(117,415)	449	(276)	385,778	78,203	602,127	(81,458)
	4,391,551	5,403,983	2,094,733	2,093,674	350,231	407,219	385,778	78,203	7,222,293	7,983,079

20.1 Salaries, wages and other benefits include a sum of Rs. 7.9 (2014: Rs. 7.3) million in respect of staff retirement benefits.



(Rupees in thousands)

	Sugar Division		Distillery Division		Textile Division		Trading Division		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
21. Selling and distribution expenses										
Salaries, wages and other benefits - note 21.1	6,621	6,766	2,803	2,825	4,775	4,191	-	-	14,199	13,782
Insurance	2,642	4,715	2,109	1,770	-	-	-	-	4,751	6,485
Rent, rates, taxes and lease rentals	1,749	1,496	1,358	1,009	-	-	-	-	3,107	2,505
Transport, freight, handling and forwarding expenses	16,646	32,659	132,013	125,549	6,767	6,229	711	-	156,137	164,437
Other expenses	-	-	3,045	4,256	10,343	13,512	-	-	13,388	17,768
	<u>27,658</u>	<u>45,636</u>	<u>141,328</u>	<u>135,409</u>	<u>21,885</u>	<u>23,932</u>	<u>711</u>	<u>-</u>	<u>191,582</u>	<u>204,977</u>

21.1 Salaries, wages and other benefits include a sum of Rs. 0.70 (2014: Rs. 0.49) million in respect of staff retirement benefits.

22. Administrative expenses

Salaries, wages and other benefits - note 22.1	69,977	69,513	2,437	2,459	3,450	3,040	205	204	76,069	75,216
Insurance	1,587	1,597	66	75	-	-	-	-	1,653	1,672
Repairs and maintenance	1,372	479	967	440	138	222	-	-	2,477	1,141
Postage, telephone and stationery	3,381	3,150	407	387	143	197	-	-	3,931	3,734
Travelling and vehicle running expenses	14,149	15,045	493	592	-	-	-	-	14,642	15,637
Rent, rates, taxes and lease rentals	6,998	6,425	1,152	1,528	-	-	-	-	8,150	7,953
Water, electricity and gas	3,145	3,236	217	272	46	50	-	-	3,408	3,558
Fees, subscription and periodicals	1,753	1,606	8	16	72	62	-	-	1,833	1,684
Legal and professional charges	1,998	2,781	1,735	410	24	24	-	-	3,757	3,215
Directors' meeting fee	290	160	-	-	-	-	-	-	290	160
Depreciation - note 3.2	1,304	1,262	112	108	203	201	-	-	1,619	1,571
Auditors' remuneration - note 22.2	1,685	1,253	745	470	120	90	131	72	2,681	1,885
Other expenses - note 22.3	17,479	11,495	114	169	466	392	24	70	18,083	12,126
	<u>125,118</u>	<u>118,002</u>	<u>8,453</u>	<u>6,926</u>	<u>4,662</u>	<u>4,278</u>	<u>360</u>	<u>346</u>	<u>138,593</u>	<u>129,552</u>

22.1 Salaries, wages and other benefits include a sum of Rs. 2.69 (2014: Rs. 2.40) million in respect of staff retirement benefits.

22.2 Auditors' remuneration

Annual audit fee	680	640	350	290	55	60	65	50	1,150	1,040
Half yearly review fee	140	130	75	50	10	10	17	10	242	200
Cost audit fee	225	208	-	-	-	-	-	-	225	208
Tax / other services	520	140	270	70	45	10	40	6	875	226
Out of pocket expenses	120	135	50	60	10	10	9	6	189	211
	<u>1,685</u>	<u>1,253</u>	<u>745</u>	<u>470</u>	<u>120</u>	<u>90</u>	<u>131</u>	<u>72</u>	<u>2,681</u>	<u>1,885</u>



22.3 Sugar division's other expenses include donation of Rs.10.7 (2014: Rs. 5.6) million as per details below:

	2015	2014
	(Rupees in thousands)	
Name of Institution		
Al-Sayyeda Benevolent Trust	910	910
Habib Education Trust	840	840
Rehmat Bai Widows & Orphanage Trust	500	500
Habib Medical Trust	840	840
Habib Poor Fund	910	910
Family Education Services Foundation	6,650	1,550
	<u>10,650</u>	<u>5,550</u>

None of the Directors or their spouses had any interest in the above donee's fund, except for Habib Education Trust, where Mr. Imran A. Habib, Director of the Company is a Trustee.

22.4 Information on assets, liabilities and capital expenditure by segment is as follows:

	(Rupees in thousands)									
	Sugar Division		Distillery Division		Textile Division		Trading Division		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
22.4.1 Segment assets	1,429,010	1,410,330	1,124,762	1,442,223	270,272	274,053	177,396	100,237	3,001,440	3,226,843
Unallocated assets									4,869,136	3,754,048
									<u>7,870,576</u>	<u>6,980,891</u>
22.4.2 Segment liabilities	1,314,152	1,129,783	151,719	164,825	46,638	66,769	207,038	424	1,719,547	1,361,801
Unallocated liabilities									290,807	169,838
									<u>2,010,354</u>	<u>1,531,639</u>
22.4.3 Capital expenditure	164,511	264,800	144,259	233,736	-	317	-	-	308,770	498,853



	Note	2015 (Rupees in thousands)	2014
23. Other operating expenses			
Workers' Profit Participation Fund	17.1	51,846	49,575
Workers' Welfare Fund		14,846	19,830
Exchange loss		893	14,717
		<u>67,585</u>	<u>84,122</u>

24. Other income

Income from financial assets

Profit on redemption / sale of investments	24.1	259,250	181,310
Dividend income	24.2	96,356	64,655
		355,606	245,965

Income from non financial assets

Gain on disposal of fixed assets		1,716	3,597
Agricultural income		670	244
Scrap sale		2,702	6,160
		5,088	10,001
		<u>360,694</u>	<u>255,966</u>

24.1 Profit on redemption of investments includes profit of Rs.36.78 (2014: Rs.67.02) million on redemption of units of First Habib Income / Cash Fund, managed by Habib Asset Management Limited, a related party.

24.2 Dividend income includes dividend received from the following related parties:

	2015 (Rupees in thousands)	2014
Bank AL Habib Limited	55,460	33,612
Habib Insurance Company Limited	10,728	5,364
	<u>66,188</u>	<u>38,976</u>

In addition to cash dividend, following bonus shares / units received from the related parties :

	Face Value (Rs.)	2015 No of Shares / Units	2014
Bank AL Habib Limited	10	—	1,680,608
Habib Insurance Company Limited	5	—	1,072,754
First Habib Cash Fund	100	—	465,876



	Note	2015 (Rupees in thousands)	2014 (Rupees in thousands)
25. Finance income / (cost) - net			
Profit on treasury call accounts	13.1	23,109	22,931
Profit on term deposits receipts	13.2	97,902	53,527
Interest on loan to employees		240	270
		121,251	76,728
Less: Mark-up / interest on:			
Short-term borrowings	25.1 & 25.2	(77,487)	(49,370)
Workers' Profit Participation Fund		(1,150)	(1,097)
Bank charges		(10,413)	(9,322)
		(89,050)	(59,789)
		32,201	16,939

25.1 The borrowing facilities from various commercial banks amounted to Rs.3,030 (2014: Rs.1,680) million.

25.2 These facilities are secured by way of registered charge against hypothecation of stock-in-trade, stores and spares, assignment of trade debts and other receivables. The rate of mark-up during the year was 4.30% to 11.68% (2014: 9.20% to 11.94%) per annum.

	Note	2015 (Rupees in thousands)	2014 (Rupees in thousands)
26. Taxation			
Income tax - current		158,000	110,000
Deferred tax		(3,000)	15,000
	26.1	155,000	125,000
26.1 Reconciliation of tax charge for the year			
Accounting profit		970,230	922,091
Corporate tax rate		32%	33%
Tax on accounting profit at applicable rate		310,474	304,290
Tax effect of timing differences		(868)	(4,622)
Tax effect of lower tax rates on export and certain income		(121,488)	(156,811)
Tax effect of income exempt from tax		(214)	(80)
Tax effect of credit for investment in plant and machinery		(26,307)	(26,576)
Tax effect of expenses that are inadmissible in determining taxable income		(6,597)	8,799
		(155,474)	(179,290)
Provision for taxation		155,000	125,000

26.2 The income tax return for the Tax year 2015 (financial year ended September 30, 2014) has been filed.



	2015 (Rupees in thousands)	2014
27. Earnings per share - Basic and diluted		
Profit after taxation	815,230	797,091
	Number of shares	
Number of ordinary shares of Rs. 5 each	150,000,000	150,000,000
Earnings per share - Basic and diluted (Rupees)	5.43	5.31
28. Cash generated from operations		
Profit before taxation	970,230	922,091
Adjustment for non-cash charges and other items		
Depreciation / amortization	119,336	104,315
Gain on disposal of fixed assets	(1,716)	(3,597)
Profit on redemption / sale of investments	(259,250)	(181,310)
Finance income - net	(32,201)	(16,939)
Dividend income	(96,356)	(64,655)
	(270,187)	(162,186)
Working capital changes - note 28.1	911,623	(227,681)
	1,611,666	532,224
28.1 Working capital changes		
Decrease / (Increase) in current assets		
Stores and spare parts	(25,600)	4,203
Stock-in-trade	237,740	(258,036)
Trade debts	228,353	(335,605)
Loans and advances	17,110	97,175
Trade deposits and short-term prepayments	1,110	731
Other receivables	1,035	(3,387)
	459,748	(494,919)
Increase / (decrease) in current liabilities		
Trade and other payables	441,360	283,622
Advance from customers	10,515	(16,384)
	451,875	267,238
Net changes in working capital	911,623	(227,681)



29. Remuneration of Chief Executive, Directors and Executives

	2015				2014			
	Chief Execu- tive	Direc- tors	Execu- tives	Total	Chief Execu- tive	Direc- tors	Execu- tives	Total
	(Rupees in thousands)							
Managerial remuneration	8,208	12,960	63,453	84,621	7,752	15,240	61,157	84,149
Perquisites								
Telephone	41	160	524	725	37	156	520	713
Bonus	—	—	9,227	9,227	—	—	9,383	9,383
Medical	18	1,478	2,744	4,240	194	871	3,495	4,560
Utilities	—	611	—	611	—	823	—	823
Entertainment	—	621	—	621	—	511	—	511
Retirement benefits	594	971	4,859	6,424	526	1,070	4,419	6,015
	<u>8,861</u>	<u>16,801</u>	<u>80,807</u>	<u>106,469</u>	<u>8,509</u>	<u>18,671</u>	<u>78,974</u>	<u>106,154</u>
Number of persons	<u>1</u>	<u>2</u>	<u>40</u>	<u>43</u>	<u>1</u>	<u>3</u>	<u>40</u>	<u>44</u>

29.1 Chief Executive, Directors and certain Executives are also provided with the Company maintained cars.

29.2 Aggregate amount charged in these financial statements in respect of directors' meeting fee paid to five Non-Executive Directors of Rs.290 (2014: Rs. 160) thousands for five Non-Executive Directors.

30. Financial Risk Management Objectives and Policies

The main risks arising from the Company's financial instruments are credit risk, interest risk, liquidity risk, foreign currency risk, equity price risk and capital risk. The Board of Directors reviews and decides policies for managing each of these risks which are summarised below.

30.1 Credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter parties and continually assessing the credit worthiness of counter parties.

Concentrations of credit risk arise 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 economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company is exposed to credit risk on loans, advances, deposits, trade debts, other receivables and bank balances and profit accrued thereon. The Company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. The maximum exposure to credit risk at the reporting date is as follows:



	2015 (Rupees in thousands)	2014
Long-term loans	3,997	5,391
Long-term deposits	2,978	2,963
Trade debts	391,479	619,832
Loans and advances	246,303	263,413
Trade deposits	1,381	1,531
Profit accrued on bank deposits	327	11,099
Other receivables	24,488	20,857
Bank balances	296,745	2,198,338
	<u>967,698</u>	<u>3,123,424</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:

	2015 (Rupees in thousands)	2014
30.1.1 Trade debts		
Customers with no defaults in the past one year	391,102	619,455
Customers with some defaults in past one year which have been fully recovered	—	—
Customers with default in past one year which have not yet been recovered	377	377
	<u>391,479</u>	<u>619,832</u>

30.1.2 Bank Balances

A1+	296,704	2,196,703
A1	—	9
A2	41	1,626
	<u>296,745</u>	<u>2,198,338</u>



30.2 Interest rate risk

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

At balance sheet date, the bank balances of Rs.240.719 (2014: Rs.2,167.876) million are subject to interest rate risk. Applicable interest rates have been indicated in Note 13 to these financial statements. Company's profit after tax for the year would have been 1.64 (2014: 14.524) million higher / lower if interest rates have been 1% higher / lower while holding all other variables constant.

30.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

Year ended September 30, 2015	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
(Rupees in thousands)						
Trade and other payables	–	422,838	1,228,717	–	–	1,651,555
Advance from customers	–	247,057	–	–	–	247,057
Year ended September 30, 2014	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
(Rupees in thousands)						
Trade and other payables	–	375,191	828,555	–	–	1,203,746
Advance from customers	–	236,542	–	–	–	236,542



30.4 Foreign currency risk

Foreign currency risk is the risk that the value of financial assets or a financial liability will fluctuate due to change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions in foreign currency. The Company's exposure to foreign currency risk is as follows:

		2015 (Respective Currency)	2014
Trade debts	\$	905,757	2,658,864
"	£	20,830	58,815
Trade and other payables	\$	108,496	109,555
"	£	4,545	—

The following significant exchange rates have been applied at the reporting dates:

Exchange rates	buying \$	104.20	102.50
	selling \$	104.40	102.70
	buying £	158.01	166.71
	selling £	158.31	167.04

The foreign currency exposure is partly covered as the outstanding balance at the year end is determined in respective currency which is converted into rupees at the exchange rate prevailing at the balance sheet date.

Sensitivity analysis:

The following table demonstrates the sensitivity of the Company's profit before tax and the Company's equity to a reasonably possible change in the foreign currency exchange rate, with all other variables held constant.

	Change in Foreign Currency rate (%)	Effect on profit (Rupees in thousands)	Effect on equity
September 30, 2015	+10	8,562	7,433
	-10	(8,562)	(7,433)
September 30, 2014	+10	27,109	26,826
	-10	(27,109)	(26,826)

30.5 Equity price risk

The Company's investments are susceptible to market price risk arising from uncertainties about future values of investment securities. The Company manages the equity price risk through diversification and placing limits on individual and total investments. Reports on the investment portfolio are submitted to the Company's senior management on a regular basis. The Company's Board Investment Committee reviews and approves policy decisions.

At the balance sheet date, the exposure to investments held as available for sale was Rs.4,520.82 (2014: Rs.1,457.59) million.



30.6 Capital risk management

The primary objective of the Company's capital management is to ensure ample availability of finance for its existing and potential investment projects, to maximise shareholder value and reduce the cost of capital.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The gearing ratio of the company is Nil (2014: Nil) and the company finances its investments portfolio through management of its working capital and equity with a view to maintaining an appropriate mix between various sources of finance to minimise risk.

30.7 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

Financial assets which are tradeable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value.

31. Capacity and production

	2015			2014		
	Quantity		Working days	Quantity		Working days
31.1 Sugar division						
Crushing capacity	7,000	M.Tons Per Day		7,000	M. Tons Per Day	
Crushing based on actual working days	819,000	M. Tons	117	1,043,000	M. Tons	149
Actual crushing	854,231	M. Tons	117	1,116,554	M. Tons	149
Sucrose recovery	10.40	%		10.44	%	
Sugar production	88,807	M. Tons		116,513	M. Tons	
31.2 Distillery division						
a) Ethanol						
Capacity	34,000	M. Tons	300	34,000	M. Tons	300
Actual production	30,681	M. Tons	326	32,768	M. Tons	340
b) Liquidified carbon dioxide (CO₂)						
Capacity	18,000	M. Tons	300	18,000	M. Tons	300
Actual production	9,230	M. Tons	232	8,436	M. Tons	211
c) Distillery / CO ₂ plants operated below capacity due to lesser availability of molasses.						
31.3 Textile division						
Capacity	560,000	Kgs.	300	560,000	Kgs.	300
Actual production	753,449	Kgs.	350	835,210	Kgs.	350

The actual production of textile division was higher than the capacity due to weaving from outside source.



32. Provident Fund related disclosure

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

	2015 (Rupees in thousands)	2014
Size of the fund - Total assets	301,162	305,038
Fair value of investments	274,967	284,059
Percentage of investments made	91.30	93.12

32.1 The cost of above investments amounted to Rs. 214.95 million (2014: Rs. 243.23 million).

32.2 The break-up of fair value of investments is as follows:

	2015 Percentage	2014	2015 (Rupees in thousands)	2014
National savings scheme	95.08	85.26	261,429	242,194
Bank deposits	4.87	14.28	13,404	40,557
Debt securities	0.05	0.46	134	1,308
	<u>100.00</u>	<u>100.00</u>	<u>274,967</u>	<u>284,059</u>

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

33. Number of Employees

	2015	2014
Number of employees including contractual employees at September 30,	580	589
Average number of employees including contractual employees during the year	588	590



34. Transactions with related parties

Related parties comprise of associated entities, entities with common directorship, directors and key management personnel. Material transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	2015 (Rupees in thousands)	2014
Insurance premium paid	18,553	20,726
Insurance claims received	13,301	1,929
Profit on treasury call accounts / term deposits	118,984	72,078
Profit accrued on bank deposit	197	10,824
Purchases of investments	1,499,847	200,000
Sale proceeds of investments	1,286,775	1,667,012
Purchases / sales	—	125
Dividend received	66,188	38,976
Dividend paid	60,710	60,710
Bonus units / shares received at nominal value	—	68,790
Bank charges	297	623

Transactions with related parties are carried out under normal commercial terms and conditions.

35. Dividend

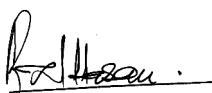
The Board of Directors of the Company in their meeting held on December 30, 2015 have proposed a final cash dividend of Rs. 2.50 per share (50%) for the year ended September 30, 2015. The approval of the members for the proposed final cash dividend will be obtained at the Annual General Meeting of the Company to be held on January 27, 2016.

The Finance Act, 2015 introduced a tax on every public company at the rate of 10% of such undistributed reserves which exceeds the amount of its paid up capital. However, this tax shall not be applied in case of a public company which distributes profit equal to either 40% of its after tax profits or 50% of its paid up capital, whichever is less, within six months from the end of the year.

Based on the fact the Board of Directors of the Company has proposed 50% dividend for the year ended September 30, 2015 which exceeds the above prescribed minimum dividend requirement, the Company believes that it would not eventually be liable to pay tax on its undistributed reserves as of September 30, 2015.

36. General

- Figures have been rounded off to the nearest thousand rupees.
- These financial statements were authorised for issue on December 30, 2015 by the Board of Directors of the Company.


Raeesul Hasan
Chief Executive


Murtaza H. Habib
Director



Pattern of Shareholding as at September 30, 2015

Number of Shareholders	Size of Shareholding		Total Number of Shares held
	From	To	
2,078	1	100	42,276
878	101	500	252,252
496	501	1,000	382,937
1,335	1,001	5,000	3,052,284
267	5,001	10,000	1,947,677
117	10,001	15,000	1,446,870
79	15,001	20,000	1,392,322
51	20,001	25,000	1,148,914
31	25,001	30,000	866,438
27	30,001	35,000	877,997
16	35,001	40,000	605,823
12	40,001	45,000	509,716
10	45,001	50,000	478,031
13	50,001	55,000	682,134
8	55,001	60,000	456,261
5	60,001	65,000	319,094
7	65,001	70,000	478,552
6	70,001	75,000	426,665
7	75,001	80,000	552,167
5	85,001	90,000	433,703
2	90,001	95,000	457,759
1	95,001	100,000	200,000
2	100,001	105,000	102,000
1	110,001	115,000	227,875
2	125,001	130,000	126,500
1	130,001	135,000	262,300
1	135,001	140,000	138,002
3	140,001	145,000	425,385
1	145,001	150,000	150,000
4	150,001	155,000	613,519
1	155,001	160,000	157,750
1	160,001	165,000	161,000
3	165,001	170,000	500,127
1	170,001	175,000	174,988
1	175,001	180,000	176,251
2	185,001	190,000	372,279
2	190,001	195,000	381,329
1	195,001	200,000	200,000
3	200,001	205,000	506,230
1	205,001	210,000	205,156
2	225,001	230,000	453,846
1	265,001	270,000	265,957
2	280,001	285,000	567,330
1	285,001	290,000	289,337
1	300,001	305,000	304,940
2	305,001	310,000	615,646
1	320,001	325,000	320,446
2	325,001	330,000	657,539
1	340,001	345,000	340,740
1	355,001	360,000	359,970
2	385,001	390,000	771,441
1	390,001	395,000	783,658
1	395,001	400,000	397,377
1	405,001	410,000	409,546
1	420,001	425,000	421,146
1	460,001	465,000	463,815
1	470,001	475,000	470,737
2	510,001	515,000	1,021,336
1	520,001	525,000	521,263
1	525,001	530,000	530,000
1	530,001	535,000	530,057
1	570,001	575,000	572,918
1	595,001	600,000	597,032
1	635,001	640,000	638,318
1	655,001	660,000	658,571
2	755,001	760,000	1,515,441
1	840,001	845,000	843,223
1	855,001	860,000	857,000
1	875,001	880,000	876,500
1	890,001	895,000	880,825
1	970,001	975,000	970,127
1	990,001	995,000	994,293
1	995,001	1,000,000	998,887
1	1,000,001	1,005,000	1,004,305
3	1,040,001	1,045,000	3,133,040
1	1,120,001	1,125,000	1,122,697
2	1,180,001	1,185,000	2,364,087
1	1,185,001	1,190,000	1,189,501
1	1,415,001	1,420,000	1,418,565
1	1,440,001	1,445,000	1,440,330
1	1,685,001	1,690,000	1,686,251
1	1,865,001	1,870,000	1,866,906
1	2,025,001	2,030,000	2,029,070
1	2,445,001	2,450,000	2,448,000
1	3,070,001	3,075,000	3,071,845
1	3,230,001	3,235,000	3,235,000
1	3,555,001	3,560,000	3,559,751
1	4,160,001	4,165,000	4,161,950
1	4,515,001	4,520,000	4,517,258
1	5,825,001	5,830,000	5,825,357
1	6,550,001	6,555,000	6,554,075
1	8,865,001	8,870,000	8,868,497
1	9,415,001	9,420,000	9,415,312
1	11,680,001	11,685,000	11,683,253
1	26,510,001	26,515,000	26,513,125
5,552			150,000,000

Shareholders' Category	Number of Shareholders	Number of Shares held	Percentage
Individuals	5,465	45,980,250	30.65
Insurance Companies	4	12,790,785	8.53
Joint Stock Companies	47	47,885,168	31.92
Financial Institutions	10	28,853,019	19.24
Modaraba Companies	2	886,900	0.59
Charitable Trusts	20	13,083,233	8.72
Societies	3	520,644	0.35
Corporate Law Authority	1	1	0.00
	5,552	150,000,000	100.00



Pattern of Shareholding as at September 30, 2015

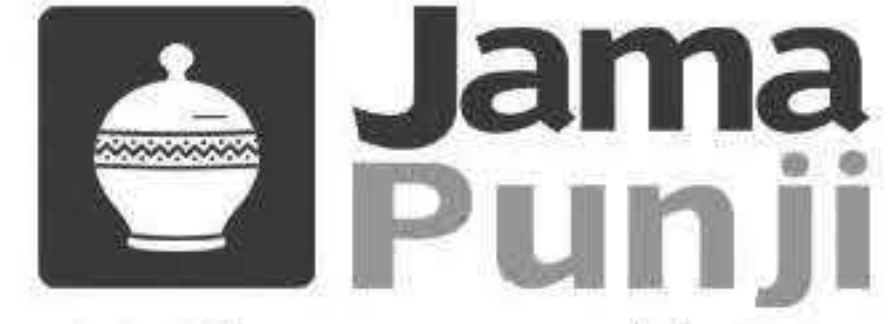
Additional Information

Shareholders' Category	Number of Shareholders	Number of Shares Held
Associated Companies, undertakings and related parties		
Habib Insurance Company Limited	1	4,517,258
Habib Mercantile Company (Pvt) Limited	1	510,668
Habib & Sons (Pvt) Limited	1	521,263
Bank AL Habib Limited	1	9,415,312
Hasni Textiles (Pvt) Ltd.	1	8,868,497
NIT and ICP		
National Investment (Unit) Trust (NIT)	1	11,683,253
Investment Corporation of Pakistan	1	3,753
Directors, CEO and their spouses and minor children		
Asghar D. Habib Chairman	1	1,044,352
Ali Raza D. Habib Director	1	23,218
Muhammad Nawaz Tishna (NIT Nominee)	—	—
Murtaza H. Habib	1	1,180,763
Shams Mohammad Haji	1	5,000
Amin Ali Abdul Hamid	1	23,971
Imran A. Habib	1	1,044,343
Raeesul Hasan Chief Executive	1	31
Mrs. Tahira Ali Asghar w/o Mr. Ashgar D. Habib	1	385,721
Executives	2	758,940
Public Sector Companies and Corporations	43	37,984,740
Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies and Modarabas	12	16,637,485
Individuals	5,456	41,787,554
Charitable & Other Trusts	20	13,083,233
Societies	3	520,644
Government Institution	1	1
	<u>5,552</u>	<u>150,000,000</u>

Shareholders holding 5% or more voting rights

ICOM Industrie Und Handels, Schaan Principality of Liechtenstein	26,513,125
National Investment Trust (Unit) (NIT)	11,683,253
Bank AL Habib Ltd.	9,415,312
Hasni Textiles (Pvt) Ltd.	8,868,497

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*Mobile apps are also available for download for android and ios devices



Form of Proxy

The Company Secretary
Habib Sugar Mills Limited
Imperial Court, 4th Floor
Dr. Ziauddin Ahmed Road
KARACHI – 75530

I/We of
a member(s) of HABIB SUGAR MILLS LIMITED and holding
ordinary shares, as per Folio No. and /or CDC Participant's
I.D. Numbers
and Account / Sub-Account No.
hereby appoint of
or failing him..... of
another member of the Company to vote for me / us and on my / our behalf at the
54th Annual General Meeting of the Company to be held on Wednesday, January 27, 2016
and at any adjournment thereof.

As witness my / our hand this day of 2016

Rs. Five
Revenue
Stamp

.....
SIGNATURE OF MEMBER(S)

1. Witness Signature: _____

Name: _____

Address: _____

CNIC/Passport No: _____

2. Witness Signature: _____

Name: _____

Address: _____

CNIC/Passport No: _____

A member entitled to attend and vote at this meeting is entitled to appoint another member of the Company as a proxy to attend and vote on his / her behalf.

Any individual beneficial owner of CDC, entitled to attend and vote at this meeting must bring his / her National Identity Card, Account and Participant's ID Numbers to prove his / her identity, and in case of proxy, must enclose attested copies of his / her National Identity Card, Account and Participant's ID Numbers. Representatives of corporate members should bring the usual documents as required for such purpose.

The instrument appointing a proxy should be signed by the member or by his attorney duly authorised in writing. If the member is a corporation its common seal (if any) should be affixed to the instrument.

The instrument appointing a proxy, together with the power of attorney (if any) under which it is signed or a notarially certified copy thereof, should be deposited at the registered office of the Company at least 48 hours before the time of the meeting.