



1/07/08





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# BABA FARID SUGAR MILLS LTD.

## COMPANY INFORMATION

### BOARD OF DIRECTORS

### CHIEF EXECUTIVE

Mr. Kaiser Mahmood Fecto

### DIRECTORS

Mr. Munawar Ali Fecto

Mr. Imran Azim

Mrs. Abida Bano

Mr. Moin A. Haroon

Mr. James R. Richards

Mr. Fazalur Rehman

### AUDIT COMMITTEE

Mr. Moin A. Haroon - Chairman

Mr. Kaiser Mahmood Fecto - Member

Mr. James R. Richards - Member

### COMPANY SECRETARY

Mr. Malik Ahmed Saeed Nasir

### AUDITORS

M/s. Hyder Bhimji & Co.  
Chartered Accountants  
Karachi.

### SHARE REGISTRAR

Gangjees Registrar Services (Pvt.) Ltd.

### BANKERS

MCB Bank Limited  
NIB Bank Limited  
The Bank of Punjab  
My Bank Limited

### REGISTERED OFFICE

1st Floor, Panorama Centre,  
Raja Ghazanfar Ali Khan Road,  
Karachi-75530

### ZONAL OFFICE

1st Floor, Nawa-e-Waqt House,  
4-Shahrah-e-Fatima Jinnah,  
Lahore.

### MILLS

Okara (Distt. Okara)

### WEBSITE

[www.fecto.com](http://www.fecto.com)





## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty First Annual General Meeting of the members of Baba Farid Sugar Mills Limited will be held on Friday the 29<sup>th</sup> January 2010 at 04:30 P.M at Dr. Abdul Qadeer Khan Auditorium, Haji Abdullah Haroon Muslim Gymkhana, Gate # 1, Awan-e-Saddar Road, Karachi to transact the following business:

### ORDINARY BUSINESS

- (1) To confirm the minutes of 30th Annual General Meeting held on 30th January 2009.
- (2) To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended September 30, 2009 together with the Directors' and Auditors' Report thereon.
- (3) To appoint Auditors for the year ending September 30, 2010 and fix their remuneration. The retiring auditors, Messers Hyder Bhimji & Company, Chartered Accountants, Karachi, being eligible, have offered themselves for re-appointment.
- (4) To elect Seven Directors as fixed by the Board of Directors, in accordance with the provisions of Section 178 of the Companies Ordinance, 1984 for the period of 3 years. The retiring directors are Messers Munawar Ali fecto, Kaiser Mahmood Fecto, Imran Azim, Moin A. Haroon, James R. Richards, Abdul Haiy Khan and Fazalur Rehman.

### OTHER BUSINESS

- (5) To transact any other business with the permission of the Chair.

By Order of the Board.

KAISER MAHMOOD FECTO.  
Chief Executive  
Karachi: January 05, 2010.

### NOTES:

- (1) The share Transfer Book of the Company will remain closed from January 22, 2010 to January 29, 2010 (both days inclusive). Physical transfer / CDC transactions IDs received in order at the registered office of the Company, 1<sup>st</sup> Floor Panorama Centre, Raja Ghazanfar Ali Khan Road, Saddar, Karachi upto 01:00 P.M on January 21, 2010 will be considered in time for attending the meeting.
- (2) All members should bring their original Computerized National Identity Card at the time of meeting.
- (3) A member eligible to attend and vote at this Meeting may appoint another member as his / her proxy to attend speak and vote on his/her behalf. Proxies in order to be effective must reach Company's Registered Office not less than 48 hours before the time of the meeting. Proxies of the members through CDC shall be accompanied with attested copy of their CNICs. The shareholders through CDC requested to bring original CNICs account Number and participant Account Number to produce at the time of attending the meeting.
- (4) Shareholders are requested to notify any change in their address immediately.
- (5) In compliance with the requirement of Form-A (Annual Return), all shareholders of the Company are requested to intimate their CNIC number for local shareholders and passport number for foreign shareholders alongwith folio number.
- (6) Any member who seeks to contest the election to the office of Directors, shall whether he/she is retiring Director or otherwise, file with the Company, not later than 14 days before the date of the meeting at which elections are to be held, a notice of his / her intention to offer himself / herself for election as a Director in terms of section 178 (3) of the Companies Ordinance, 1984. He / she should also furnish the Declaration as required under clause II to V of the code of Corporate Governance.





## **VISION AND MISSION STATEMENT**

We, at Baba Farid Sugar Mills Limited, always strive hard to stimulate collective efforts of all segments of the Company to achieve desired goals by:

1. satisfying the customers' needs, providing high-quality products.
2. fulfilling our commitment towards all the stakeholders.
3. providing an environment, which is conducive for the work force where they can work with highest degree of honesty, dedication & motivation.
4. steady growth in earning based on performance through strong returns for our shareholders.
5. becoming a good corporate citizen complying with all Rules and Regulations.



**DIRECTORS' REPORT**

The Members,  
**Baba Farid Sugar Mills Limited,**  
KARACHI.

Assalam-o-Alaikum

The Board of Directors place before you the thirty first Annual Report of the Company together with audited Financial Statements for the year ended September 30, 2009.

**GENERAL**

The Crushing started on November 27, 2008 and ended on February 27, 2009. The company has not been able to crush sufficient quantity of sugar cane due to its scarcity. Sugar cane shortage pushed its prices well above than Government's notified price of Rupees 80 per 40 kilo grams. Lesser sugar cane crop triggered the price war and sugarcane prices sky-rocketed to unprecedented level in the history of the Pakistan's sugar industry. Due to these reasons, crushing season was of 93 days only, as compared to 121 days of the previous season. Due to shorter season and reduced crushing, production of sugar was 45% lesser than the previous year. The increase in sugar cane price and rising costs of all inputs including abrupt increase in minimum wages by the Government badly effected financial performance of the company.

The management sincerely appreciates its entire work force for its devotion and loyalty to the company during this difficult time.

Sugar prices remained high specially during the second half of the year and the company could have the benefit of higher subsequent sugar prices, if the sugarcane would have been available at reasonable prices. Further, menace of middleman in sugar procurement process if avoided could have also a positive impact as they are minting money at the cost of projects.

**OPERATING RESULTS**

The mills crushed a total quantity of 219,035 tons of sugar cane as compared to 422,544 tons of cane crushed during the previous season. A total quantity of 17,306 tons of sugar was produced during the season as compared to 31,579 tons produced during last season. Overall sucrose recovery achieved is 7.91% during the season under review as compared to 7.47% achieved during previous season.

The operating results of your Company for the season are summarized as under :-

	2008-2009	2007-2008
Season started	Nov 27, 2008	Nov 30, 2007
Season closed	Feb 27, 2009	Mar 30, 2008
Days worked	93	121
Sugarcane crushing (Tons)	219,035	422,544
Sugar recovery (%)	7.91	7.47
Sugar production (Tons)	17,306	31,579
Molasses Produced (Tons)	10,885	20,820
Molasses Recovery (%)	4.97	4.92





## BABA FARID SUGAR MILLS LTD.

### FINANCIAL RESULTS

The Company's financial results are appended below :-

	2008-2009	2007-2008
Net Sales	579,326,183	1,147,880,942
Gross (Loss) / Profit	(26,895,355)	56,941,366
Loss for the year	(129,546,910)	(26,170,463)
Loss per share	(11.21)	(0.42)

Gross revenue for the year registered decrease of 49% over last year's gross sale. The average sale price registered an increase of 41% from last year average sale price. A disproportionate increase in operating costs, mainly high sugarcane cost, which was 36% higher than last year and payroll & related costs adversely affected the profitability of the company and your company's result appeared as negative.

### STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The Company has complied with all the requirements of code of Corporate Governance as required by the listing regulations. In compliance with the code of corporate governance, the directors are pleased to confirm that;

- 1) The financial statements prepared by the management of the company fairly present its state of affairs, the results of its operations, the cash flows and the changes in equity.
- 2) The Company has maintained Proper books of accounts.
- 3) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- 4) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of Financial Statements and departure, if any, there from has been adequately disclosed.
- 5) The system of internal control is sound in design and has been effectively implemented and monitored.
- 6) The management view in respect of auditors' observation regarding Company's ability to continue on a going concern basis has been explained in note 1.2 of the financial statements and hereinafter.
- 7) There has been no material departure from the best practices of the corporate governance, as detailed in the listing regulations.
- 8) The pattern of Shareholding along with additional information as required by Code of Corporate Governance is annexed.
- 9) No Trading in shares of the company were carried out by CEO, Directors, CFO & Company Secretary and their spouses and minor children.
- 10) NUMBER OF BOARD MEETINGS:

Sr.#	Name of Directors	Total of Board Meetings held	No.of Meeting Attended
01)	Mr. Munawar Ali Fecto	4	3
02)	Mr. Kaiser Mahmood Fecto	4	4
03)	Mr. Yahya Ahmed Bawany	4	1
04)	Mr. Moin A.Haroon	4	2
05)	Mr. Imran Azim	4	4
06)	Mr. James R. Richards	4	1
07)	Mr. Fazalur Rehman	4	1
08)	Mrs. Abida Bano	3	2

One of our Directors, Mr. Yahya Ahmed Bawany has expired. The management expresses its





grief and sorrow to the aggrieved family and appreciates his participation for the betterment of the company, based on his long experience and business acumen.

- 11) Key operating and financial data of last six years is annexed.
- 12) Information about taxes and levies is given in notes to the accounts.
- 13) The present Auditors M/S Hyder Bhimji & Co., Chartered Accountants stand retired and have offered themselves for reappointment. The Audit Committee has recommended to the Board for their appointment. Therefore, Board of Directors has proposed to the shareholders to appoint M/S Hyder Bhimji & Co., Chartered Accountants, as Auditors of the Company for the year ending September 30, 2010.
- 14) The value of investments held by the Provident Fund Trust based on unaudited financial statements as at September 30, 2009 was Rs. 16,430,052.

### Going Concern

In their report, the auditors have raised doubts about the ability of the Company to continue on a going concern basis. Your Company and other sugar mills have been facing these conditions due to high sugarcane price and decline in sucrose recovery, not compensating the high production cost of sugar which have affected the Company's profitability. This situation is watched carefully and all events are under constant review for which the management has taken several measures to strengthen the financial position of the Company. Continued support of sponsoring directors through mark-up free finances has helped the Company to reduce losses. These facts evidence that the management is sincere and rational for the growth. And the management is in anticipation to maintain the same spirit in future as well. In view of these facts, the management do not have any doubt about the Company's ability to continue as a going concern. Accordingly, these financial statements have been prepared on a going concern basis. Further, the company has met all its financial obligations, due during the period.

### Sale of Land

A portion of Land on the eastern side of mills, which was encroached upon by the Land grabbers, was sold to save the company from further expenditures and ensuring better management of the assets of the company. The sale proceeds were used to benefit the Company's cash flows.

### Future Outlook

- Future prospects of the sugar industry depend on the consistent policies of the Government towards maintenance of reasonable sugar prices, which will help to a great extent to reduce the impact of higher production cost. The industry deserves a fair market price of sugar keeping in view the production cost of sugar plus economic return on equity.
- Lack of coordination between Government, Sugar Cane growers, sugar industry and existence of middlemen is responsible for deteriorating economics of sugar industry. Therefore, there is dire need to examine the reason for economic distress for the industry and to take suitable steps to save this industry.
- Driven by insufficient stock combined with a forecast of reduction in crop area, projecting a lower sugar production in the coming year, the market is expected to show a positive trend during the next financial year, your management has taken some firm steps to procure the sugarcane to ensure the availability of raw material at lower cost and have devised a strategy to cope with the situation to reduce our dependence on borrowing in the coming year. The Management is doing its utmost efforts to improve the profitability by focusing on reduction of cost and improvement in efficiencies.

For the benefit of consumers, we further quote that, there is a fear of short sugar production during the ensuing crushing season and as a sincere advice, we recommend that government should take immediate measures for import of sugar well in time otherwise the situation may get out of control and acute shortage of sugar is definite.





## Acknowledgement

The relations between the management and the employees remained cordial. The directors would like to record their appreciation for the efforts and devotion of employees and entire team of the management, and hope that they will continue their efforts for the enhancement of the productivity and well-being of the company in future as well.

Further, the board extends its gratitude to the banks, financial institutions, leasing companies and suppliers for their valuable support and cooperation for the prosperity of the company.

Dated: January 05, 2010

(KAISER MAHMOOD FECTO)  
Chief Executive





## SIX YEARS' REVIEW AT GLANCE

		2009	2008	2007	2006	2005	2004
Production	M.Tons	17,306	31,579	32,685	25,191	32,510	38,006
Crushing	M.Tons	219,035	422,544	433,111	326,040	400,844	444,548
Recovery	%age	7.91%	7.47%	7.56%	7.72%	8.11%	8.55%
Support Price	Rs.	80	60	60	45	40	40
<b>Operating results</b>							
Sale		579,326,183	1,147,880,942	588,743,157	825,903,521	611,195,873	387,820,985
Gross Profit		(26,895,355)	56,941,366	2,783,048	101,103,292	118,018,959	23,521,062
Net Profit / (Loss) after Taxation		(105,918,680)	(3,942,286)	(153,748,816)	(22,018,629)	10,920,948	(43,720,250)
<b>Assets Employed</b>							
Operating assets		1,075,010,288	1,129,461,674	357,836,267	339,630,955	220,030,862	215,852,134
Current assets		111,586,177	130,381,455	558,681,376	418,121,802	564,558,779	386,469,839
Others		25,319,925	25,298,925	33,891,710	46,699,639	46,973,543	40,806,026
<b>Ratios</b>							
Gross Profit / (Loss) percentage		(4.64)%	4.96%	0.47%	12.24%	19.31%	6.06%





### STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED SEPTEMBER 30, 2009.

The statement is being presented to comply with the code of corporate Governance as contained in Regulation No. 37 of the Listing Regulations of the Karachi Stock Exchange and Chapter XII of Listing Regulations of Lahore Stock Exchange and Chapter XI of the Listing Regulations of Islamabad Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. Company encourages the representation of non-executive directors on its Board. At present the Board of Directors includes four independent non-executive directors.
2. The members of the Board have confirmed that none of them is serving as a Director in more than ten listed companies including the company.
3. All members of the Board are registered tax-payers and none of them has defaulted in payment of any loan to a banking company, a DFI or a NBFI. None of the director is a member of any stock exchange.
4. Casual vacancy occurring on the Board during the year ended September 30, 2009 was duly filled up by the Directors within 30 days thereof.
5. The meetings of the Board is presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board has met at least once in every quarter. Written notices of the Board meeting, alongwith agenda, were circulated at least seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated.
6. The Directors have been provided orientation on changes in IFRS during the year to apprise them of their duties and responsibilities.
7. The company has prepared a "Statement of Ethics and Business Practices" which has been signed by the directors and employees of the company.
8. The company has developed a vision/mission statement, overall corporate strategy and significant policies of the Company duly approved by the Board. A complete record of particulars of significant policies, alongwith the dates on which they were approved or amended and has been maintained.
9. The Board has approved appointment of CFO, Company Secretary and head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by CEO.
10. The Board has set up an effective internal audit function.
11. The financial statements of the company were duly endorsed by the CEO and CFO before approval of the Board.
12. The Directors report for this year has been prepared in compliance with the requirement of the code and fully describes the salient matters required to be disclosed.
13. The Directors, CEO and executive do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.





14. The Company has complied with all the Corporate and financial reporting requirements of the code.
15. All the powers of the Board have been fully exercised and the Board has taken decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors.
16. The Board has already constituted an audit committee. It comprises three members, of whom two are non-executive directors.
17. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the code. The terms of reference of the Committee have been framed and advised to the committee for compliance.
18. The statutory auditors 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 the code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. 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 regards.
20. We confirm that other material principles contained in the Code have been complied with.

**On behalf of the Board**

**(Kaiser Mahmood Fecto)**  
Chief Executive

Karachi: January 05, 2010





## **REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended September 30, 2009 prepared by the Board of Directors of **BABA FARID SUGAR MILLS LIMITED** to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub-Regulation (xiii a) of Listing Regulations 35 (Previously Regulation No.37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Company to place before the board of directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevailed in arm's length transactions and transaction which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, as applicable to the Company for the year ended September 30, 2009.

Karachi: January 05, 2010

**HYDER BHIMJI & CO.**  
**CHARTERED ACCOUNTANTS**



**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed Balance Sheet of **BABA FARID SUGAR MILLS LIMITED** as at September 30, 2009 and the related Profit and Loss Account, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
  - i) the Balance Sheet and Profit and Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied;
  - 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 and Profit and Loss Account, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at September 30, 2009 and of the loss, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Without qualifying our opinion, we draw attention to note no: 1.2 of the annexed financial statements. The Company has suffered a net loss after tax of Rs.105.918 million during the year as against after tax loss of Rs.3.942 million in the preceding year. As of the balance sheet date the company's accumulated loss stood at Rs.322.859 million (2008: Rs.261.658 million) and the shareholders equity position stood at negative Rs.228.359 million (2008: Rs.167.158 million). Besides the company's current portion of long term liabilities have reached to Rs. 38.673 million (2008: Rs.57.005 million). These conditions along-with the matters as stated in note no: 1.2 indicate the existence of material uncertainty, which may cast doubt about the company's ability to continue as a going concern.

**HYDER BHIMJI & CO.**  
CHARTERED ACCOUNTANTS  
ENGAGEMENT PARTNER: HYDER ALI BHIMJI

Karachi: January 05, 2010





# BABA FARID SUGAR MILLS LTD.

## BALANCE SHEET AS AT SEPTEMBER 30, 2009

	NOTE	2009 RUPEES	2008 RUPEES
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, Plant & Equipment	4	1,079,348,150	1,132,696,704
Long Term Deposits	5	25,319,925	25,298,925
		<u>1,104,668,075</u>	<u>1,157,995,629</u>
<b>CURRENT ASSETS</b>			
Stores, Spare Parts and Loose Tools	6	44,854,926	44,498,738
Stock - In - Trade	7	4,185,108	6,525,316
Trade Debts (Considered good-Unsecured)		191,250	662,553
Loans and Advances	8	53,353,189	30,679,813
Deposits, Prepayments and Other Receivables	9	1,076,917	18,602,209
Cash and Bank Balances	10	7,924,787	29,412,826
		<u>111,586,177</u>	<u>130,381,455</u>
<b>TOTAL ASSETS</b>		<u><u>1,216,254,252</u></u>	<u><u>1,288,377,084</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized 10,000,000 Ordinary Shares Of Rs. 10/- each.		100,000,000	100,000,000
Issued, Subscribed & Paid up Capital	11	94,500,000	94,500,000
Accumulated loss		(322,859,080)	(261,658,280)
		<u>(228,359,080)</u>	<u>(167,158,280)</u>
Surplus on Revaluation of Fixed Assets	12	595,086,093	639,803,973
<b>NON-CURRENT LIABILITIES</b>			
Long Term Financing - Secured	13	75,000,000	80,000,000
Liabilities Against Assets Subject To Finance Lease	14	92,620,565	130,635,709
Deferred Liability	15	191,595,583	218,309,200
Sub-Ordinated Loan	16	135,100,000	135,100,000
Loan from Director - Interest Free (Unsecured)		8,300,000	-
		<u>502,616,148</u>	<u>564,044,909</u>
<b>CURRENT LIABILITIES</b>			
Trade & Other Payables	17	297,151,690	189,808,655
Accrued Mark-up		8,000,509	4,872,185
Current Portion of Long Term Financing	13	10,000,000	20,000,000
Current Portion of Liabilities Against Assets Subject to Finance Lease	14	28,673,504	37,005,642
Provision for Taxation		3,085,388	-
		<u>346,911,091</u>	<u>251,686,482</u>
<b>Contingencies &amp; Commitments</b>	18	-	-
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<u><u>1,216,254,252</u></u>	<u><u>1,288,377,084</u></u>

The annexed notes 1 to 34 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR



**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	NOTE	2009 RUPEES	2008 RUPEES
Sales-net	19	579,326,183	1,147,880,942
Cost of Sales	20	606,221,538	1,090,939,576
<b>Gross (Loss) / Profit</b>		<b>(26,895,355)</b>	<b>56,941,366</b>
Distribution Costs	21	2,331,713	5,077,740
Administrative Expenses	22	47,598,562	39,724,918
Other Operating Expenses	24	698,875	1,164,205
		<b>50,629,150</b>	<b>45,966,863</b>
<b>Operating Profit / (Loss)</b>		<b>(77,524,505)</b>	<b>10,974,503</b>
Finance Costs	25	39,036,193	63,637,563
Loss on sale of fixed asset	4	13,696,094	
Other Operating Income	26	709,882	26,492,597
<b>(Loss) before taxation</b>		<b>(129,546,910)</b>	<b>(26,170,463)</b>
Taxation	27	23,628,230	22,228,177
<b>(Loss) After Taxation</b>		<b>(105,918,680)</b>	<b>(3,942,286)</b>
(Loss) per Share-Basic & diluted	28	<b>(11.21)</b>	<b>(0.42)</b>

The annexed notes 1 to 34 form an integral part of these financial statements.

**CHIEF EXECUTIVE****DIRECTOR**





# BABA FARID SUGAR MILLS LTD.

## CASH FLOW STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2009

	NOTE	2009 RUPEES	2008 RUPEES
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	A	83,179,737	537,420,701
Finance costs		(35,907,869)	(102,662,947)
Taxes paid		(2,333,069)	(3,598,703)
<b>Net cash inflow from operating activities</b>		<b>44,938,799</b>	<b>431,159,051</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(20,358,556)	(13,620,796)
(Increase)/Decrease in long term deposits		(21,000)	(617,520)
Proceeds from Sale of Property, Plant & Equipment		7,000,000	50,000,000
		(13,379,556)	35,761,684
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Net (Repayment)/ Proceeds of Long term financing		(15,000,000)	(25,404,164)
Net (Repayment) / Proceeds of obligation under finance lease		(46,347,282)	74,756,269
Loan from directors		8,300,000	-
(Decrease) / Increase in short term finance		-	(558,285,092)
		(53,047,282)	(508,932,987)
Net (decrease)/increase in cash and cash equivalents		(21,488,039)	(42,012,252)
Cash and Cash Equivalents at the beginning of the year		29,412,826	71,425,078
Cash and cash equivalents at the end of the year		<b>7,924,787</b>	<b>29,412,826</b>
<b>A CASH GENERATED FROM OPERATIONS</b>			
(Loss) before taxation		(129,546,910)	(26,170,463)
Add/(less) adjustment for non cash charges and other items			
Loss on Sale of Fixed Assets		13,696,094	(25,800,000)
Depreciation		53,011,016	13,113,527
Finance costs		39,036,193	63,637,563
		105,743,303	50,951,090
Operating Profit /(Loss)before working capital changes		(23,803,607)	24,780,627
<b>EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES</b>			
<b>(Increase) in current assets</b>			
Stores, spares parts and loose tools		(356,188)	(6,424,866)
Stock in trade		2,340,208	400,011,565
Trade debts		471,303	526,638
Loans and advances		(20,340,307)	(587,043)
Deposits, Prepayments & Other Receivables		17,525,292	(7,238,625)
		(359,692)	386,287,669
<b>Increase in current liabilities</b>			
Trade and other Payables		107,343,036	126,352,405
		106,983,344	512,640,074
<b>Cash generated from operations</b>		<b>83,179,737</b>	<b>537,420,701</b>

The annexed notes 1 to 34 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR





## BABA FARID SUGAR MILLS LTD.

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Share Capital Rupees	Accumulated (Loss) Rupees	Total Rupees
Balance as at October 01, 2007	94,500,000	(279,451,241)	(184,951,241)
Net Loss after taxation for the Year	-	(3,942,286)	(3,942,286)
Adjustment of Revaluation on Sale of Land		21,735,247	21,735,247
Balance as at September 30, 2008	94,500,000	(261,658,280)	(167,158,280)
Net Loss after taxation for the Year	-	(105,918,680)	(105,918,680)
Adjustment of Revaluation on Sale of Land		19,642,740	19,642,740
Transferred from Surplus on Revaluation of Property Plant & Equipment - net of deferred tax		25,075,140	25,075,140
Balance as at September 30, 2009	94,500,000	(322,859,080)	(228,359,080)

The annexed notes 1 to 34 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR





**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**1 STATUS AND NATURE OF BUSINESS**

1.1 The Company was incorporated in Pakistan in 1978 as a Public Limited company and is listed at Karachi, Lahore and Islamabad stock exchanges. The company is principally engaged in the manufacture and sale of sugar and its by- product i.e Molasses. The registered office of the company is situated at 1st Floor, Panorama Centre, Raja Ghazanfar Ali Khan Road, Saddar, Karachi. and its manufacturing facilities are located in the District of Okara, Punjab.

**1.2 Going Concern**

The Company incurred a loss after taxation of Rs.105,918,680 during the year and its net current liability (net of current assets) is at Rs.235,324,914 as compared to Rs.322,859,080 in the corresponding years. Furthermore, accumulated loss has eroded the equity which is in negative by Rs.228,359,080. These circumstances raised the question of company's ability to remain going concern in near term. The Company as well as the whole sugar industry is in the similar situation, the reason being, high raw material cost thrust upon by the Government on mills to benefit the growers. Additionally fall of sucrose recovery rate due to abnormal climatic conditions prevailed in the country during the year also dented the profitability of sugar manufacturing, even though it was marginally better than last year.

Furthermore, selling price of sugar remained depressed during the season. However, sponsoring directors commitment of providing / arranging finance is always available to the company who are committed for providing necessary finances as needed, in the anticipation of revival of the whole industry in the coming years. These facts evidence that the management has achieved rational production level, and the management anticipation to maintain the same spirit in future as well in view of these facts, the management do not have any doubt about the Company's ability to continue as a going concern. Accordingly, these financial statements have been prepared on a going concern basis.

**2 BASIS OF PREPARATION:**

**2.1 Statement of Compliance**

These financial statements have been prepared in accordance with the approved accounting standards, as applicable in Pakistan. Approved accounting standards comprise of such international Financial Reporting Standards (IFRS) issued by the international Accounting Standards Board 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 Standards, interpretations and amendments to Published Standards**

The International Accounting Standards Board (IASB) announces new standards, interpretations thereof and amendments therein in the international Accounting Standards (IASs) and international Financial Reporting Standards (IFRSs) from time to time. The amendments in the following IASs, IFRSs, and IFRICs, in relation to subjects mentioned below, have already been published by the IASB, becoming mandatorily applicable, from accounting periods beginning on or after the dates specified hereunder, which may or may not be relevant to Company's operations and may or may not have any significant impact besides enhanced disclosure.



**2.3 Amendments to Published Standards and New Interpretations Effective in 2009**

IFRS 7 – Financial Instruments: Disclosures (effective for annual periods beginning on or after April 28, 2008) supersedes IAS 30 – Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS 32 – Financial Instruments: Disclosure and Presentation.

IFRIC 10 ‘Interim Financial Reporting and Impairment’ prohibits the impairment losses recognized in an interim period on good will and investments in equity instruments in financial assets carried at cost to be reversed at a subsequent balance sheet date. This IFRIC does not have any impact on the company’s financial statements.

IFRIC 11-IFRS 2-‘Group and Treasury Shares Transactions’ provides guidance on whether share based transaction involving treasury shares or involving group entities should be accounted for as equity settled or cash settled share based payment transactions in the stand alone financial

Amendments to IAS-1,‘Presentation of Financial -Capital Disclosures’ ; introduces new disclosures about the level of an entity’s capital how it manages capital.

**Standards, Interpretations and amendments to published approved accounting standards that are not yet effective**

The following standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning from the dates specified below are either not relevant to Company or are not expected to have significant impact on Company’s financial statements other than increased disclosures in certain cases.

<b>Standards or Interpretation</b>	<b>Effective date (accounting periods beginning on or after)</b>
Revised IAS 1 - Presentation of financial statements	January 01, 2009
Revised IAS 23 - Borrowing costs	January 01, 2009
Amended IAS 27 - Consolidated and Separate Financial Statements	July 01, 2009
IAS 27 ‘Consolidated and separate financial statements	January 01, 2009
Amendments to IAS 32 Financial instruments: Presentation	July 01, 2009
Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible hedged Items	January 01, 2009
Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations	January 01, 2010
Revised IFRS 3 Business Combinations	July 01, 2009
IFRS 4 - Insurance Contracts	January 01, 2009
Amendment to IFRS 7 - Improving disclosures about Financial Instruments	January 01, 2009
IFRS 8 - Operating Segments	January 01, 2009
IFRIC 15 - Agreement for the Construction of Real Estate	October 01, 2009
IFRIC 17 - Distributions of Non-cash Assets to Owners	July 01, 2009
IFRIC 18 Transfers of Assets from Customers	July 01, 2009

The International Accounting Standards Board made certain amendments to existing standards as part





of its first annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Company's 2010 financial statements.

The International Accounting Standards Board made certain amendments to existing standards as part of its Second annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Company's 2010 financial statements.

## 2.5 Significant accounting estimates and judgments

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

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

There have been no critical judgments made by the Company's management in applying the accounting policies that would have the most significant effect on the amounts recognized in the financial statements.

The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows.

### - Taxation:

In making the estimate for income taxes currently payable by the Company, the management considers the current income Tax Law and the decisions of appellate on certain issue in the past.

### - Property, Plant and Equipment

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

### - Stock in trade

Stock in trade is carried at lower of the cost and net realizable value. The net realizable value is assessed by the Company having regard to the budgeted cost of completion, estimated selling price and knowledge of recent comparable transactions.

### - Contingencies

Nature of contingencies is evaluated based on the element of issue involved, opinion of the legal counsel and conclusion is accordingly reflected in the financial statements.

### - Slow Moving and Stores Obsolescence

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

## 2.6 Accounting convention

These financial statement have been prepared under the historical cost convention except for land which is stated at revalued amount valuation of stock in trade when valued at net realizable value and financial assets and liabilities which are carried at their fair values.





## 3 SIGNIFICANT ACCOUNTING POLICIES:

### 3.1 Property, plant and equipment

#### 3.1.1 Owned

Operating property, plant and equipments are stated at cost or revalued amounts less accumulated depreciation and impairment loss, if any, except for Lease hold land which is stated at revalued amount.

Depreciation is charged, on a systematic basis over the useful lives of the assets, using reducing balance method, at the rates specified in Note No.4, whereby the cost of an asset is written off over its estimated useful life.

Depreciation on additions is charged from the month in which the assets are put to use while no depreciation is charged in the month in which the assets are disposed off.

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

Profit or loss on disposal of fixed assets is included in current year's Profit & Loss Account. When revalued assets are sold, the relevant un-depreciated surplus is transferred directly to Statement of Changes in Equity.

Surplus arising on revaluation of fixed assets is credited to the 'surplus on revaluation of fixed assets account'. The surplus on revaluation of fixed assets to the extent of incremental depreciation charged on the related assets, is transferred directly to Statement of Changes in Equity (net of deferred tax).

#### 3.1.2. Finance Leases

Property, plant and equipment held under liabilities under finance lease are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of the assets at the inception of lease. Subsequently these are stated at cost less accumulated depreciation and any identified impairment loss. The related obligations of the leases are accounted for as liabilities.

Assets acquired under a finance lease are depreciated over the useful life by using the rates in note 4.1. Depreciation on additions to leased asset is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the assets is disposed off.

#### 3.1.3. Capital work-in-progress

Capital work in progress is stated at cost. All expenditure connected to the specific assets incurred during installation and construction period are carried at under this head. These are transferred to specific assets as and when assets are available for use.

### 3.2 Stores, spare parts and loose tools

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

### 3.3. Stock-in-trade

Stock in Trade is valued at the lower of cost and net realizable value except for molasses (by product) that is valued at net realizable value. Cost in relation to work in progress and finished goods consists of average material cost, direct labor and applicable factory overheads. Net realizable value signifies the prevailing market prices in the ordinary course of business less selling expenses incidental to sales.

### 3.4 Employees benefits

The Company operates an approved Defined Contributory Provident Fund Scheme for all permanent employees who have completed the minimum qualifying period of service. Equal monthly contributions are made, by the company and the employees to the Fund.





## 3.5 Taxation

### 3.5.1. Current

Provision for current taxation is based on taxable income at the current rate of tax after taking into account applicable tax credits, rebates and exemptions available, if any, or half percent of turnover under the Income Tax Ordinance 2001 which ever is higher.

### 3.5.2. Deferred

Deferred tax is provided by using the liability method, on all major temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax assets are recognized only to the extent that it is probable that future profits will be available against which the assets can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

## 3.6 Provisions

Provisions are recognized in the balance sheet when the Company has a legal or constructive obligation as a result of past event, and it is probable that the outflow of economic benefits will be required to settle the obligation.

## 3.7 Foreign currency translation

Transactions in foreign currencies are recorded into reporting currency at the rate of exchange prevailing on the date of transactions. Monetary assets and liabilities in foreign currencies are translated into Pakistan rupees of the rate of exchange prevailing at the balance sheet date. Exchange gains losses, if any, are included in the profit and loss currently.

## 3.8 Financial instruments

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

Financial instruments carried on the balance sheet date include loans, investments, trade and other debts, cash and bank balance, borrowings, liabilities against assets subject to finance leases, trade and other payables, accrued expenses and unclaimed dividends. All financial assets and financial liabilities are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value or cost as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

## 3.9 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognized amounts and the Company intends to either settle on a net basis or to realize the asset and discharge the liability simultaneously.

## 3.10 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprises cash in hand balance with banks (In current & deposit accounts) and that are readily convertible to known amounts of cash and which are subject to insignificant changes in value.





### 3.11 Borrowing cost

Mark-up/interest and other charges on borrowings are capitalized upto the date of commissioning of the related fixed assets, acquired out of the proceeds of such long term borrowings. All other mark-up, interest and other charges are charged to income.

### 3.12 Related party transactions

All transactions between the Company and related party are recorded at arm's length prices determined in accordance with Comparable Uncontrolled Price Method.

### 3.13 Impairment

The carrying amount of the Company's assets are reviewed for any indication of impairment at each year end. If such indication exists, the asset recoverable amount is estimate in order to determine the extent of impairment loss, which is taken to profit and loss account.

### 3.14 Trade and other payable

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

### 3.15 Trade debts

These are carried at original invoice value. Debts considered irrecoverable are written off and appropriate provision is made where recovery is considered doubtful.

### 3.16 Revenue recognition

Revenue is recognized to the extent that it is probable that the future economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and government levies. Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities.

Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods to customers.



4 Property, Plant & Equipment

Operating fixed assets

Capital Work-In-Progress

Civil Work

Plant and Machinery

2009	2008
Rupees	Rupees
1,075,010,288	1,129,461,674

3,276,438	2,173,606
1,061,424	1,061,424
4,337,862	3,235,030
1,079,348,150	1,132,696,704

Schedule of Operating fixed assets

PARTICULARS	COST/REVALUATION			RATE	DEPRECIATION			WRITTEN DOWN VALUE AS AT 30/09/2009
	AS AT 1/10/2008	ADDITIONS DURING THE YEAR	SALES AND ADJUSTMENT		UP TO 1/10/2008	ON SALES & ADJUSTMENT	FOR THE YEAR	
	Rs.	Rs.	Rs.	%	Rs.	Rs.	Rs.	Rs.
<b>OWNED</b>								
Land (leased hold)	185,000,000	-	(20,696,094)	-	-	-	-	164,303,906
Building (on lease-hold land)	142,247,539	800,000	-	5 - 10	57,097,874	-	64,555,207	78,492,332
Plant and Machinery	906,882,972	16,035,794	125,000,000	5	232,580,018	25,222,984	298,042,159	749,876,607
Electric Installation	9,674,395	-	-	10	8,261,543	-	8,402,828	1,271,567
Tools and Equipment	3,016,409	28,105	-	10	2,394,454	-	2,457,081	587,433
Vehicles	16,347,028	168,000	1,512,000	20	14,786,727	923,651	16,198,908	1,828,120
Furniture & Fixture	5,414,309	52,863	-	10	4,427,769	-	4,531,285	935,887
Equipments	9,401,460	2,170,962	-	10	5,959,717	-	6,361,252	5,211,170
	1,277,984,112	19,255,724	105,815,906		325,508,102	26,146,635	400,548,720	1,002,507,022
<b>LEASED:</b>								
Machinery	304,119,306	-	(125,000,000)	5	129,628,776	(25,222,984)	108,141,468	70,977,838
Vehicles	3,712,000	-	(1,512,000)	20	1,216,866	(923,651)	674,572	1,525,428
	307,831,306	-	(126,512,000)		130,845,642	26,146,635	108,816,040	72,503,266
Total Rupees 2009	1,585,815,418	19,255,724	(20,696,094)		456,353,744	-	509,364,760	1,075,010,288
Total Rupees 2008	801,076,484	13,118,127	(24,200,000)		443,240,217	-	456,353,744	1,129,461,674

4.1 Surplus on revaluation represents, the revaluation of Land carried on by M/S Rahim, Iqbal Rafiq & Company and M/S Iqbal A. Nanji & CO (technical consultants) on the basis of current market value as on January 30, 2006 and September 29, 2008 respectively, resulting in surplus over book value amounting to Rs.911,286,902.

Had there been no revaluation on mentioned above, the written down value of revalued assets would have been as follows:

	2009	2008
	Rupees	Rupees
Land	7,959,798	9,415,725
Building	26,312,165	27,171,701
Plant and Machinery	199,318,511	194,619,493
	233,590,474	231,206,919

4.2 Depreciation charge for the year has been allocated as follows:

	2009	2008
	Rupees	Rupees
Raw material Procurement Expenses	324,621	387,297
Manufacturing Expenses	50,452,547	10,379,241
Administrative Expenses	2,096,825	2,202,755
Distribution Costs	137,023	144,234
	53,011,016	13,113,527



4.3 Details of disposal of property, plant and equipment are as following

PARTICULARS	COST	ACCUMULATED DEPRECIATION	WRITTEN DOWN VALUE	SALE PROCEED	GAIN/ (LOSS)	MADE OF DISPOSAL	SOLD TO
Land	20,696,094	-	20,696,094	7,000,000	(13,696,094)	Negotiation	Mr. Yunus Butt s/o Jalal-ud-din Resident of Officers Colony - Okara
<b>TOTAL RUPEES</b>	<b>20,696,094</b>	<b>-</b>	<b>20,696,094</b>	<b>7,000,000</b>	<b>(13,696,094)</b>		

A portion of Land on the east of mills alongwith the chuk (village) which was encroached upon by the Land grabbers and considered extra by the management was sold to save the company from further expenditures. The Land was of no economic value for the company.

4.4 Property, Plant & Equipment

Operating fixed assets  
(At cost less accumulated depreciation as per schedule attached)

Capital Work-In-Progress

Civil Work

Plant and Machinery

	2008 Rupees	2007 Rupees
	1,129,461,674	357,836,267
	2,173,606	1,676,988
	1,061,424	1,055,373
	3,235,030	2,732,361
	<b>1,132,696,704</b>	<b>360,568,628</b>

SCHEDULE PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	AS AT 1/10/2007 Rs.	ADDITIONS DURING THE YEAR Rs.	COST / REVALUATION		RATE	AS AT 30/09/2008 Rs.	REVALUATION SURPLUS Rs.	DEPRECIATION		WRITTEN DOWN VALUE AS AT 30/09/2008 Rs.
			SALES AND ADJUSTMENT Rs.	AS AT 30/09/2008 Rs.				UP TO 1/10/2007 Rs.	ON SALES & ADJUSTMENT Rs.	
<b>OWNED</b>										
Land (leased hold)	126,944,000	-	(24,200,000)	185,000,000		82,256,000	-	-	-	185,000,000
Building (on lease-hold land)	84,269,575	-	-	142,247,539	5 - 10	57,977,964	57,977,964	1,770,367	1,770,367	85,149,665
Plant and Machinery	391,755,107	12,930,519	27,780,000 (181,169,497)	906,882,972	5	655,586,843	655,586,843	12,512,284 (60,537,497)	5,983,062	674,302,954
Electric Installation	9,674,395	-	-	9,674,395	10	-	-	8,104,560	156,983	1,412,852
Tools and Equipment	2,974,791	41,618	-	3,016,409	10	-	-	2,327,301	67,153	621,955
Vehicles	16,347,028	-	-	16,347,028	20	-	-	14,396,652	390,075	1,560,301
Furniture & Fixture	5,371,846	42,463	-	5,414,309	10	-	-	4,320,077	107,692	986,540
Equipments	9,297,933	103,527	-	9,401,460	10	-	-	5,583,529	376,188	3,441,743
	646,634,675	13,118,127	(177,589,497)	1,277,984,112		795,820,807	795,820,807	364,681,795	8,851,520	952,476,010
<b>LEASED:</b>										
Machinery	150,729,809	-	(27,780,000) 181,169,497	304,119,306	5	-	-	77,965,339	60,537,497 (12,512,284)	174,490,530
Vehicles	3,712,000	-	-	3,712,000	20	-	-	593,083	623,783	2,495,134
	154,441,809	-	153,389,497	307,831,306		-	-	78,558,422	4,262,007	176,985,664
Total Rupees 2008	801,076,484	13,118,127	(24,200,000)	1,585,815,418		795,820,807	795,820,807	443,240,217	13,113,527	1,129,461,674
Total Rupees 2007	770,660,911	-	-	801,076,484		30,415,573	30,415,573	431,029,956	12,210,261	357,836,267

4.5 The balance of Operating Property, Plant and equipment represents the value subsequent to revaluation carried out on January 30, 2006 by M/S Rahim, Iqbal, Rafiq & Company and M/S Iqbal A. Nanji & Company (technical consultants) and on September Had there been no revaluation on mentioned above, the written down value of revalued assets would have been as follows:



	2008 Rupees	2007 Rupees
Land	9,415,725	11,477,905
Building	27,171,701	
Plant and Machinery	194,619,493	
	231,206,919	11,477,905

	Note
Raw material Procurement Expenses	20.1
Manufacturing Expenses	20.2
Administrative Expenses	22
Distribution Costs	21

#### 4.6 Depreciation charge for the year has been allocated as follows:

PATRICULARS	COST	ACCUMULATED DEPRECIATION	WRITTEN DOWN VALUE	SALE PROCEED	GAIN/ (LOSS)	MADE OF DISPOSAL	SOLD TO
Land	24,200,000	-	24,200,000	50,000,000	25,800,000	Negotiation	MR.Zakir Hussain S/O Hashim Ali Residen of Zai-un-din Colony Depalpur,Okara
<b>TOTAL RUPEES</b>	<b>24,200,000</b>	<b>-</b>	<b>24,200,000</b>	<b>50,000,000</b>	<b>25,800,000</b>		

4.7 Details of disposal of property, plant and equipment are as following

A portion of Land on the east of mills alongwith the chuk ( village) which was encroached upon by the Land grabbers and considered extra by the management was sold to save the company from further expenditures. The Land was of no economic value for the company.

#### 4.8 Reconciliation of opening and closing Net Book Value (NBV)

	Cost/ Revaluation	Accumulated Depreciation	Net Book value	Cost of Addition during the year	Surplus/ Deficit Revaluation during the year	NBV of disposal/ adjustment during the year	Depreciation for the Year	NBV as at September 30, 2009
As at October 1, 2008								
Lease hold land	9,013,152 175,986,848	- -	9,013,152 175,986,848	- -	- -	(1,053,354) (19,642,740)	- -	7,959,798 156,344,108
Factory Building on lease hold land	185,000,000	-	185,000,000	-	-	(20,696,094)	-	164,303,906
Cost Revaluation	84,269,575 57,977,964	57,097,874 -	27,171,701 57,977,964	800,000 -	- -	- -	1,659,536 5,797,796	26,312,165 52,180,168
Plant & Machinery	142,247,539	57,097,874	85,149,665	800,000	-	-	7,457,332	78,492,333
Cost Revaluation	251,296,129 655,586,843	232,580,018 -	18,716,111 655,586,843	16,035,794 -	- -	99,777,016 -	7,459,815 32,779,342	127,069,106 622,807,501
	906,882,972	232,580,018	674,302,954	16,035,794	-	99,777,016	40,239,157	749,876,607





# BABA FARID SUGAR MILLS LTD.

		<b>2009</b>	<b>2008</b>
		<b>RUPEES</b>	<b>RUPEES</b>
<b>5 LONG TERM DEPOSITS</b>			
Security Deposit -Lease key money		24,913,870	24,913,870
-Utilities and Others		406,055	385,055
		<u>25,319,925</u>	<u>25,298,925</u>
<b>6 STORES, SPARE PARTS &amp; LOOSE TOOLS</b>			
Stores		20,898,650	23,979,948
Spare Parts		26,987,922	23,314,844
Loose Tools		319,054	354,646
		<u>48,205,626</u>	<u>47,649,438</u>
Provision for Obsolescence		(3,350,700)	(3,150,700)
		<u>44,854,926</u>	<u>44,498,738</u>
<b>7 STOCK-IN-TRADE</b>			
Work-in-Process-sugar		3,960,526	2,293,608
Finished Goods - Sugar		-	3,938,283
- Molasses		224,582	293,425
		<u>4,185,108</u>	<u>6,525,316</u>
<b>8 LOANS &amp; ADVANCES - UN-SECURED</b>			
Advance Income Tax		3,443,266	1,110,197
Loans to Cane Growers			
-Considered Good	8.1	28,490,263	638,868
-Considered doubtful		2,818,532	2,218,532
-Provision there against		(2,818,532)	(2,218,532)
		<u>-</u>	<u>-</u>
		<u>31,933,529</u>	<u>1,749,065</u>
Considered Good			
Loans to Staff	8.2	1,237,131	1,349,525
Advance against supplies		19,573,654	23,206,392
Advance against expenses		608,875	4,374,831
		<u>53,353,189</u>	<u>30,679,813</u>
<b>8.1</b>	Represents loan given to cane growers for the procurement of seed and pesticide in order to enable them to protect the crop from damages and for sowing variety sugarcane.		
<b>8.2</b>	Represents interest free loan as per company policy The loan is repayable/adjustable in one year against salary and / or bonus. No loan was due from any director, chief executive or executive of the company.		
<b>9 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Short term Deposits		-	17,668,000
Prepaid Expenses		763,117	557,918
Other receivables		313,800	376,291
		<u>1,076,917</u>	<u>18,602,209</u>
<b>10 CASH AND BANK BALANCES</b>			
Cash in hand		385,792	484,567
Balances with Banks			
-In Current Accounts		7,524,425	28,914,167
-In Deposit Accounts		14,570	14,092
		<u>7,924,787</u>	<u>29,412,826</u>





# BABA FARID SUGAR MILLS LTD.

## 11 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2008	2009		2009	2008
No. of shares			RUPEES	RUPEES
		<b>Ordinary shares</b>		
		<b>Rs.10/-each allotted for</b>		
		<b>consideration paid in</b>		
		<b>cash</b>		
6,400,000	6,400,000		64,000,000	64,000,000
		<b>Ordinary shares issued</b>		
		<b>as Rs.10/-each fully paid</b>		
		<b>Bonus Share</b>		
3,050,000	3,050,000		30,500,000	30,500,000
<u>9,450,000</u>	<u>9,450,000</u>		<u>94,500,000</u>	<u>94,500,000</u>

11.1 M/S Fecto Sugar Mills Limited being associated Company holds 1,476,562 shares (15.62 %) of the Company. While Directors namely Mr.Munawar Ali Fecto holds 3,015,269 ordinary shares, ( 31.91 % ) Mr.Kaiser Mahmood Fecto holds 1,633,211 ordinary shares ( 17.28 % ) and Mrs. Abida Bano holds 987,277 ordinary shares (10.44 % ) of the company respectively.

12	SURPLUS ON REVALUATION OF FIXED ASSETS	2009	2008
		RUPEES	RUPEES
	Surplus on revaluation as at October 01	889,551,655	115,466,095
	Transferred to Statement of Changes in Equity in respect of :		
	Land disposed off during the year	(19,642,740)	(21,735,247)
	Surplus recorded during the year	-	795,820,807
		(19,642,740)	774,085,560
	Incremental depreciation charged during the year - net of deferred tax	25,075,140	-
	Related Deferred Tax Liability	13,501,998	-
		(38,577,138)	-
	Surplus on revaluation as at September 30	831,331,777	889,551,655
	Less: Related deferred tax liability	(236,245,684)	(249,747,682)
	Surplus on revaluation at the year end	<u>595,086,093</u>	<u>639,803,973</u>
13	LONG TERM FINANCING - SECURED		
	From Banking Companies	85,000,000	100,000,000
	Less: Current Portion-Shown under current liabilities	(10,000,000)	(20,000,000)
		<u>75,000,000</u>	<u>80,000,000</u>

13.1 These represent financing from NIB Bank Limited & My Bank Limited and carry mark-up at three months KIBOR and 6 months KIBOR respectively plus bank spread of 4% to 4.25% with a minimum floor of 13% & 14% respectively.

These are secured by way of First pari passu charge over fixed assets of the company and is repayable in half yearly installments of Rupees 5 million to 10 million ending by December 2011.





# BABA FARID SUGAR MILLS LTD.

14 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	2009 RUPEES			2008 RUPEES		
	Minimum Lease Payments	Financial Charges allocated to future periods	Present value of minimum lease payments	Minimum Lease Payments	Financial Charges allocated to future periods	Present value of minimum lease payments
Upto One Year	45,843,384	17,168,369	28,673,504	57,866,754	20,861,112	37,005,642
Between one year to five years	121,023,768	28,403,203	92,620,565	175,472,901	44,837,192	130,635,709
	<u>166,867,152</u>	<u>45,571,572</u>	<u>121,294,069</u>	<u>233,339,655</u>	<u>65,698,304</u>	<u>167,641,351</u>

Under the lease agreements rentals are payable in 36 to 60 monthly installments as well as payable annually. Taxes, Repairs, Replacement and Insurance cost, if any are borne by the company. The finances carry interest / mark-up rate of 18.85 percent to 20.80 percent (2008: 19.92 percent to 21.96 percent) per annum which has been used as a discounting factor. the company can exercise the purchase option by making payment of residual value of the leased assets at the expiry of the lease term.

15 DEFERRED LIABILITY Deferred Taxation	2009 RUPEES	2008 RUPEES
Deferred tax asset arising in respect of:		
Unabsorbed tax depreciation	(41,104,061)	(36,169,872)
Deferred tax liabilities arising in respect of:		
Surplus on Revaluation of depreciable fixed assets	236,245,684	249,747,682
On assets under finance lease	(17,076,781)	3,270,510
Provision for Doubtful Loans	(916,486)	
Provision for Obsolescence of Stores & Spares	(1,172,745)	
Accelerated tax depreciation	15,619,972	1,460,880
	<u>191,595,583</u>	<u>218,309,200</u>

The tax losses available for carry forward at September 30, 2009 are Rs.448,524,610 (2008: Rs.410,056,353) out of which Rs.117,440,175 (2008: Rs.103,342,491) relate to unabsorbed depreciation upto tax year 2009. Deferred tax asset has been recognised to the extent of unabsorbed tax depreciation and a portion of carry forward tax losses, in respect of which either there is no limitation of carry forward under the income tax law or the management considers that such losses (including unabsorbed depreciation) will be adjustable against future profits.

16 SUB-ORDINATED LOANS		
Loans From Director		
	135,100,000	135,100,000
	<u>135,100,000</u>	<u>135,100,000</u>

The above unsecured loans are interest free and repayable at the convenience of the company. However as per the agreements with the related parties loans shall be repaid after the settlement of liabilities as mentioned in note 13 and 14.

17 TRADE AND OTHER PAYABLES			
Creditors		98,840,933	103,382,870
Advances against Sales of Molasses			
- Associated Undertaking	17.1	12,080,162	17,266,436
- Other		27,375,641	56,151,003
Advances against Sales of Sugar		114,364,266	5,960,998
Accrued Liabilities		13,667,482	2,191,298
Unclaimed Dividend	17.2	2,604,016	2,604,016
Other Liabilities			
Sales Tax Payable		28,131,150	2,216,486
Other - Staff income tax		88,040	35,548
		<u>297,151,690</u>	<u>189,808,655</u>

17.1 The Maximum aggregate Balance due to Associated Undertaking during the year is Rs.12,080,162

17.2 This represents the dividend declared in Previous year and cheques remained expired.





# BABA FARID SUGAR MILLS LTD.

## 18 CONTINGENCIES AND COMMITMENTS:

- 18.1 The LTU-FBR has preferred a reference before Income tax Appellate (ITAT) for the assessment year 1996-1997 against the decision of CIT appeals. The department has also filed petition for leave to appeal before the honorable Supreme Court of Pakistan for the assessment year 1999-2000 against the order in favor of the Company by the honourable High Court of Sindh. In the opinion of the advisor, the ultimate appellate decision is likely to be in Company's favour. Hence, no provision is made in these accounts.
- 18.2 The company has filed reference application before the Honourable High Court of Sindh against the decision of ITAT in respect of assessment year 2000-2001. The reference application is pending before the honourable High Court Sindh. The company has also filed the appeal before the Commissioner of income tax appeals against the addition made by the assessing officer for the assessment year 2002-2003, which is pending for adjudication.

In view of the favorable decision of the higher appellate forums on the like issues in prior years, the management is hopeful about favorable outcome in above matters. Hence, no provision is made in these account.

		2009 RUPEES	2008 RUPEES
19	<b>NET SALES</b>		
	Gross sales	661,604,300	1,308,397,482
	less: Sales tax	(77,469,887)	(154,098,915)
	Special Excise Duty	(4,808,230)	(6,417,625)
	Net Sales	<u>579,326,183</u>	<u>1,147,880,942</u>
20	<b>COST OF SALES</b>		
	Raw Materials & Expenses thereon	528,893,998	655,450,545
	Manufacturing Expenses	112,208,634	77,092,271
		<u>641,102,632</u>	<u>732,542,816</u>
	Work-in-Process-Opening	2,293,608	2,808,633
	-Closing	(3,960,526)	(2,293,608)
		<u>(1,666,918)</u>	<u>515,025</u>
		639,435,714	733,057,841
	Sale of By-Products		
	Molasses	(36,248,691)	(40,359,389)
	V.F.Cake	(972,611)	(1,255,415)
		<u>(37,221,302)</u>	<u>(41,614,804)</u>
	Cost of Goods Manufactured	602,214,412	691,443,037
	Finished Stock-Opening	4,231,708	403,728,247
	-Closing	(224,582)	(4,231,708)
		<u>4,007,126</u>	<u>399,496,539</u>
	Cost of Sales	<u>606,221,538</u>	<u>1,090,939,576</u>
20.1	<b>RAW MATERIAL &amp; EXPENSES THEREON</b>		
	Raw material purchases (including procurement and other expenses)	519,097,046	642,528,467
	Salaries, Wages, Bonus and Staff Benefits	6,304,043	7,533,033
	Rent, Rates and Taxes	267,146	221,410
	Establishment & Other Expenses	2,662,583	4,539,075
	Depreciation	324,621	387,297
	Insurance	238,559	241,263
		<u>528,893,998</u>	<u>655,450,545</u>





# BABA FARID SUGAR MILLS LTD.

20.1.1 This include contribution to staff provident fund of Rs.48,441 (2008: Rs.81,880)

		2009 RUPEES	2008 RUPEES
<b>20.2 MANUFACTURING EXPENSES</b>			
Processing and Packing Materials		7,592,165	12,170,888
Fuel and Power consumed		9,268,576	6,798,978
Salaries, Wages, Bonus & Staff Benefits	20.2.1	27,561,842	25,552,881
Stores and Spares consumed		14,857,846	20,165,591
Rates and Taxes		60,700	224,148
Establishment & Other Expenses	23	440,726	63,295
Insurance		1,974,232	1,737,249
Depreciation	4.2	50,452,547	10,379,241
		112,208,634	77,092,271

20.2.1 This include contribution to staff provident fund of Rs.211,163 (2008: Rs.297,880)

<b>21 DISTRIBUTION COST</b>			
Salaries, Bonus and Staff Benefits	21.1	1,182,618	1,079,795
Establishment & Other Expenses	23	3,450	11,505
Depreciation	4.2	137,023	144,234
Handling and Stacking Expenses		997,268	1,557,408
Insurance		11,354	2,284,798
		2,331,713	5,077,740

21.1 This include contribution to staff provident fund of Rs.10,163 (2008: Rs.14,710)

<b>22 ADMINISTRATIVE EXPENSES</b>			
Salaries, Bonus & Staff Benefits	22.1	30,028,724	23,536,351
Directors' Fee		17,000	18,000
Rent, Rates and Taxes		332,753	420,131
Establishment & Other Expenses	23	13,656,506	11,719,202
Provision for Stores Obsolescences		200,000	1,000,000
Provision for doubtful growers Loans		600,000	200,000
Insurance		666,754	628,479
Depreciation	4.2	2,096,825	2,202,755
		47,598,562	39,724,918

22.1 This include contribution to staff provident fund of Rs.371,355 (2008: Rs.459,514)

<b>23 ESTABLISHMENT AND OTHER EXPENSES</b>			
Advertisement Expenses		360,365	335,011
Annual General Meeting Expenses		68,530	58,500
Conveyance Expenses		87,605	83,092
Computer Stationary		23,160	8,480
Diesel Charges		1,628,634	1,655,495
Diesel Charges - Generator		430,484	266,348
Effluent water disposal Expenses		33,000	33,000
Electricity		1,599,809	1,007,196
Entertainment Expenses		611,886	422,329
Fees and Subscription		447,250	585,083





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		2009 RUPEES	2008 RUPEES
Freight and Cartage		92,148	102,079
Gardening Expenses		175,201	500
Gas Charges		70,076	94,183
Guest House Expenses		236,071	224,777
Internet charges		27,805	8,800
Legal Fees and Expenses		311,215	744,399
Messing Expenses		3,000	4,600
Mobile Telephone Charges		346,229	289,222
Packing and Forwarding		1,168	100
Papers and Periodicals		51,951	42,661
Postage and Telegram		140,234	140,754
Printing and Stationary		449,444	476,998
Professional Tax		100,000	215,000
Repair and Maintenance		1,810,802	1,064,414
Security Services Charges		579,934	327,485
Sundry Expenses		41,288	122,526
Telephone & Telefax Charges		722,107	630,842
Traveling Expenses		427,943	652,177
Vehicle Expenses		5,842,418	6,708,137
Water Charges		43,508	28,889
		<u>16,763,265</u>	<u>16,333,077</u>
<b>23.1 Above expenses are allocated as follows</b>			
Raw Material	20.1	2,662,583	4,539,075
Manufacturing Expenses	20.2	440,726	63,295
Distribution Costs	21	3,450	11,505
Administrative Expenses	22	13,656,506	11,719,202
		<u>16,763,265</u>	<u>16,333,077</u>
<b>24 OTHER OPERATING EXPENSES</b>			
Corporate social responsibility cost	24.1	300,000	804,095
Auditors' Remuneration	24.2	398,875	360,110
		<u>698,875</u>	<u>1,164,205</u>
<b>24.1 Recipients of corporate social responsibility cost do not include anybody in whom any director of the company or their spouse had any interest.</b>			
<b>24.2 Auditors Remuneration:</b>			
Annual Audit fee-Hyder Bhimji & CO.		225,000	140,000
Review of Half year financial statements		50,000	40,000
		<u>275,000</u>	<u>180,000</u>
Cost Audit fee - Rahim,Iqbal, Rafiq & Co.		80,000	80,000
Traveling & Reimbursement of Expenses		43,875	100,110
		<u>398,875</u>	<u>360,110</u>
<b>25 FINANCE COSTS</b>			
Mark-up on Long term finance / Murabaha Finance		17,113,828	17,481,815
Finance Cost on assets subject to finance lease		21,847,094	10,982,799
Mark-up on Short term borrowings		-	34,452,527
Loan documentation & processing charges		-	56,000
Bank Charges		75,271	664,422
		<u>39,036,193</u>	<u>63,637,563</u>





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		2009 RUPEES	2008 RUPEES
<b>26 OTHER OPERATING INCOME</b>			
Miscellaneous Receipts		709,882	240,428
Profit on Sales of Fixed assets		-	25,800,000
Liabilities written back		-	452,169
		709,882	26,492,597
<b>27 TAXATION</b>			
Current			
for the year	27.1	(3,085,388)	-
Deferred	27.2	26,713,618	22,228,177
		23,628,230	22,228,177

## 27.1 CURRENT

In view of brought forward determined tax losses, the liability of current taxation is calculated at 0.5% of the turnover as minimum tax liability.

No numeric tax rate reconciliation is given, as the company is liable to minimum tax at the rate of 0.5%.

## 27.2 DEFERRED

The company has recognised deferred tax assets to the extent of unabsorbed tax depreciation in previous years and additions thereto have been made during the year due to the reason that on the basis of improved market conditions it is probable that sufficient taxable temporary differences or sufficient taxable profit will be available, against which the unabsorbed tax depreciation can be carried forward without time limitations which can be utilised by the company.

## 28 (LOSS) PER SHARE-BASIC & DILUTED

(Loss) after tax		(105,918,680)	(3,942,286)
No. of Ordinary Shares		9,450,000	9,450,000
Loss per Share-Basic & Diluted		(11.21)	(0.42)

## 29 TRANSACTIONS WITH RELATED PARTIES

Nature of transaction	Relationship	2009 RUPEES	2008 RUPEES
Sale of Molasses	Associate	9,436,274	6,900,000
Advance against sale of molasses	Associate	12,080,162	17,266,436

No transaction with any related parties was carried out except for the remuneration of key management personnel as disclosed in Note No.30. There are no transactions with key management personnel other than those under their terms of employment.

## 30 REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

PARTICULARS	2009			2008		
	CHIEF EXECUTIVE	DIRECTORS	EXECUTIVES	CHIEF EXECUTIVE	DIRECTORS	EXECUTIVES
Managerial Remuneration	-	1,680,000	-	-	1,680,000	-
Allowances	-	619,200	-	-	619,200	-
Medical	-	100,800	-	-	100,800	-
Perquisites in Kind:						
Car Expenses	140,560	-	-	118,511	-	-
Telephone at Residence	2,985	-	-	4,275	-	-
<b>TOTAL</b>	143,545	2,400,000	-	122,786	2,400,000	-
Number of Persons	1	1	-	1	1	-

30.1 The aggregate amount charged for directors fees in the accounts is Rs.17,000 (2008: Rs.18000) for 6 Directors





## 31. FINANCIAL INSTRUMENTS

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

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

### 31.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties fail completely to perform as contracted and arises principally from trade receivables. Out of the total financial assets of Rs. 87.866 million (2008: Rs. 104.656 million), the financial assets which are subject to credit risk amounted to Rs. 50.101 million (2008: Rs. 30.232 million).

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

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

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

	2009	2008
	(Rupees)	
Long-term deposits	25,319,925	25,298,925
Trade debts	191,250	662,553
Loans & Advances	53,353,189	30,679,813
Trade deposits, prepayments & other receivables	1,076,917	18,602,209
Bank balances	7,538,995	28,928,259
	<b>87,480,276</b>	<b>104,171,759</b>

### Quality of financial assets

The Company has exposure to the following risks from its use of financial instruments: information about counter party default rates as shown below:

None of the customer of the Company has made a default in repayment during the past one year.

Bank balances	2009	2008
	(Rupees)	
With external credit rating		
AA+	6,031,196	23,142,607
AA	1,507,799	5,785,652
	<b>7,538,995</b>	<b>28,928,259</b>

The aging of Trade Receivables and Loans and Advances at the reporting date is:

Past due 1-30 days	191,250	662,553
Past due 30-150 days	46,257,215	25,771,043
Past due 150 days	7,095,974	4,908,770
	<b>53,544,439</b>	<b>31,342,366</b>





Based on past experience the management believes that current impairment allowance is adequate in respect of loan and advances, as some receivables have been recovered subsequent to the year end and for other receivables there are reasonable grounds to believe that the amounts will be recovered in the course of time.

## 31.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. In addition, the Company has obtained various financing facilities from commercial banks to meet any deficit, if required to meet the liquidity commitments. Based on the above, management believes the Company is not exposed to liquidity risk.

The following are the contractual maturities of the financial liabilities:

	2009			
	Carrying amount	Six to twelve months	One to two years	Two to five years and over
<b>Financial Liabilities</b>				
Trade and other payables	297,151,690	297,151,690	-	-
Accrued Markup	8,000,509	8,000,509	-	-
Current portion of long term financing	10,000,000	10,000,000	-	-
Current portion of Liabilities against asset Subject to finance lease	28,673,504	28,673,504	-	-
	<b>343,825,703</b>	<b>343,825,703</b>	<b>-</b>	<b>-</b>
	2008			
	Carrying amount	Six to twelve months	One to two years	Two to five years and over
<b>Financial Liabilities</b>				
Trade and other payables	189,808,655	189,808,655	-	-
Accrued Markup	4,872,185	4,872,185	-	-
Current portion of long term financing	20,000,000	20,000,000	-	-
Current portion of Liabilities against asset Subject to finance lease	37,005,642	37,005,642	-	-
	<b>251,686,482</b>	<b>251,686,482</b>	<b>-</b>	<b>-</b>

## 31.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments.

### 31.3.1 Currency risk

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

### 31.3.2 Interest rate risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market yield / mark up rates. Sensitivity to yield / mark up rate risk arises from mismatches of financial assets and liabilities that mature or reprice in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. However as at year end the company is exposed to yield/ mark up rate risk with respect to long term financing linked with Kibor.





# BABA FARID SUGAR MILLS LTD.

At the reporting date the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	2009 Effective interest rate (in percent)	2008 Effective interest rate (in percent)	2009 Carrying amount (Rupees)	2008 Carrying amount (Rupees)
<b>Financial liabilities</b>				
Long term financing	3 - 6 Months Kibor Plus 4%-4.5%		85,000,000	100,000,000
Liabilities against assets subject to Finance lease	18.85 to 21.96		124,294,069	167,641,351

## Sensitivity analysis

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

	Profit and loss 100 bp increase      decrease (Rupees)	
<b>As at 30 September 2009</b>		
Cash flow sensitivity	1,883,647	(1,883,647)
<b>As at 30 September 2008</b>		
Cash flow sensitivity	2,408,772	(2,408,772)

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

### 31.3.3 Other price risk

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

### 31.4 Fair value of financial instruments

The carrying values of the financial assets and financial liabilities approximate their fair values. 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.

### 31.5 Capital risk management

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

The Company's strategy was to maintain leveraged gearing. The gearing ratios as at the balance sheet are as follows:

	(Rupees)	
	2009	2008
Long Term Debt	214,594,069	267,641,351
Equity	501,827,013	607,745,693
Gearing Ratio	42.76%	44.04%





## 32 CAPACITY AND PRODUCTION

	CAPACITY As determined under Production Capacity (Sugar) Rules 1972		ACTUAL PRODUCTION	
	M.TONS	DAYS	M.TONS	DAYS
2009	27,200	160	17,306	93
2008	27,200	160	31,579	121

## 33 AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on January 05, 2010 by the Board of Directors of the Company.

## 34 FIGURES

Figures have been rounded off to the nearest rupees.

CHIEF EXECUTIVE

DIRECTOR





## BABA FARID SUGAR MILLS LTD.

### PATTERN OF SHAREHOLDINGS AS AT SEPTEMBER 30, 2009

No. of Shareholders	Shareholding				Total Shares Held
976	From	001	to	100	34,807
506	From	101	to	500	97,644
67	From	501	to	1,000	52,706
85	From	1,001	to	5,000	215,107
18	From	5,001	to	10,000	118,962
2	From	10,001	to	15,000	24,902
1	From	15,001	to	20,000	18,200
1	From	35,001	to	40,000	37,668
1	From	80,001	to	85,000	84,163
1	From	115,001	to	120,000	118,676
1	From	215,001	to	220,000	217,500
2	From	655,001	to	660,000	1,317,346
1	From	985,001	to	990,000	987,277
1	From	1,475,001	to	1,480,000	1,476,562
1	From	1,630,001	to	1,635,000	1,633,211
1	From	3,015,001	to	3,020,000	3,015,269
1665	TOTAL				9,450,000

Categories of Shareholders	Number of Shares holder	Number of Shares held	Percentage
INDIVIDUALS	1651	7,957,499	84.21 %
INVESTMENT COMPANIES	—	—	—
INSURANCE COMPANIES	—	—	—
JOINT STOCK COMPANIES	11	1,488,449	15.75 %
FINANCIAL INSTITUTIONS	2	1,100	0.01 %
MODARABA COMPANIES	—	—	—
FOREIGN COMPANIES	—	—	—
CO - OPERATIVE SOCIETIES	—	—	—
CHARITABLE TRUST	—	—	—
OTHERS	1	2,952	0.03 %
TOTAL	1665	9,450,000	100.00 %





**PATTERN OF SHAREHOLDINGS  
AS AT SEPTEMBER 30, 2009**

SHAREHOLDERS CATEGORY	NO. OF SHARE HOLDERS	NO. OF SHARES HELD
<b>ASSOCIATED COMPANIES ( RELATED PARTIES )</b>		
Fecto Sugar Mills Limited	1	1,476,562
<b>N.I.T / I.C.P</b>		
N.I.T	—	—
I.C.P	1	1,000
<b>DIRECTORS</b>		
Mr. Kaiser Mahmood Fecto (CEO)	1	1,633,211
Mr. Munawar Ali Fecto	1	3,015,269
Mrs. Abeda Bano	1	987,277
Mr. James R. Richards	1	3,690
Mr. Moin A. Haroon	1	2,669
Mr. Imran Azim	1	2,500
Mr. Fazl-ur-Rehman	1	2,500
<b>DIRETORS / CEO'S SPOUSES</b>		
<b>JOIN STOCK COMPANIES AND CORPORATION</b>		
BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS INSURANCE COMPANIES MODARABAS AND MUTUAL FUNDS.	11	11,987
INDIVIDUALS	1644	2,310,383
<b>Charitable &amp; Other Trusts, Societies and Government Institution</b>		
UQUALI Charitable Society.	1	2,952
<b>SHAREHOLDER HOLDING 10 % OR MORE VOTING INTEREST</b>		
MR. KAISER MAHMOOD FECTO (CEO) (Already mentioned above) MR. MUNAWAR ALI FECTO MRS. ABEDA BANO FECTO SUGAR MILLS LIMITED	1665	9,450,000



