BABA FARID SUGAR MILLS LIMITED

35th Annual Report

2013

CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS:	Muhammad Sarwar	Chief Executive
	Mr. Shahid Mahmood Quarshi	
	Syed Qaissar Abbas Naqvi	
	Mrs. Naheed Roohi	
	Ms. Rafia Aslam	
	Mr. Mirza Maqsood-ul-Hassan	
	Muhammad Ashraf	
AUDIT COMMITTEE :	Mr. Mirza Maqsood-ul-Hassan	Chairman
	Syed Qaissar Abbas Naqvi	
	Mr. Shahid Mahmood Quarshi	
COMPANY SECRETARY:	Muhammad Ibrahim	
AUDITORS:	Sheikh & Chaudhri, Chartered Accountants, 166-B, Upper Mall, Lahore	
SHARE REGISTRAR :	M/s. Corplink (Pvt.) Ltd. Wing Arcade, 1-K, Commercial Model Town, Lahore	
BANKERS:	MCB Bank Limited	
	Bank Al-Habib Limited	
	United Bank Limited	
	Habib Bank Limited	
REGISTERED OFFICE:	1st Floor, Panorama Centre, Raja Ghazanfar Ali Khan Road, Saddar, Karachi-75530	
MILLS :	5. K.M. Faisalabad Road, Okara	

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Thirty Fifth Annual General Meeting of the members of Baba Farid Sugar Mills Limited will be held on Friday, 31st January, 2014 at 3.00 P.M at the Mills Premises, 5 K.M Faisalabad Okara Road, Okara - Punjab to transact the following business :-

Ordinary Business

1. To confirm the minutes of 34th Annual General Meeting held on 29th January 2013.
2. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended September 30, 2013 together with the Directors' and Auditors' Report thereon.
3. To appoint Auditors for the year ending September 30, 2014 and fix their remuneration. The retiring auditors, Sheikh & Chaudhry, Chartered Accountants, Lahore, being eligible, have offered themselves for re-appointment.

Special Business

4. To consider and, if thought fit, to pass with or without modification, the following Resolution as a Special Resolution to approve alterations in the relevant clauses of the Memorandum and Articles of Association of the Company for Increase in the Authorized Capital of the Company .

   "RESOLVED that the Authorized Capital of the Company be and is hereby increased from Rs.100,000,000 Rupees one hundred million) to Rs.600,000,000 (Rupees six hundred million) and that:

   a) Clause V of the Memorandum of Association be and is hereby amended to read as follows:
      "V. The share capital of the Company is Rs.600,000,000 (Rupees six hundred million) divided into 60,000,000 Ordinary shares of Rs.10/- (Rupees ten) each".
   b) Article 3 of the Articles of Association of the Company be and is hereby amended to read as follows :
      "The share capital of the Company is Rs.600,000,000 (Rupees six hundred million) divided into 60,000,000.
5. To consider, and if thought fit, to pass the following resolution as a Special Resolution.

   "RESOLVED that the consent of the Company in General Meeting be and is hereby accorded to issue 50,000,000 ordinary shares of Rs.10/- each, without issue of right shares, to M/s. Pattoki Sugar Mills Limited(the holding company) against their long term loan to the extent of Rs.500,000,000/- (Rupees five hundred million only) in accordance with section 86(1) of the Companies Ordinance, 1984 subject to any regulatory approval required under the law".
6. "FURTHER RESOLVED, that the Chief Executive and Company Secretary (the "Authorized Officers") of the Company, be and are hereby empowered, jointly or severally on behalf of the Company to undertake all such steps, actions, execute all such documents and do all such things, ancillary and incidental in respect of issuance of shares without issuance of right shares including taking necessary permissions for the Regulatory Authorities, if any, including seeking the approval of the Securities and Exchange Commission of Pakistan, Alterations in the Memorandum and Articles of Association of the Company and to sign, execute and amendsuch documents, papers, instruments etc., as may be necessary or expedient for the purpose of giving effect to the spirit and intent of the aforesaid resolution".

   A Statement under section 160(1)(b) of the Companies Ordinance, 1984, pertaining to the special resolution is

Other Business

7. To transact any other business with the permission of the Chair.

By Order of the Board.

Muhammad Ibrahim
Company Secretary

January 04, 2014.

Notes:

(1) The share Transfer Books of the Company will remain closed from January 24, 2014 to January 31, 2014 (both days inclusive). Transfer received at the office of Share Registrar of the Company, i.e. M/s. Corplink (Pvt.) Limited, Wings Arcade, 1-K, Commercial Model Town, Lahore, at the close of business on January 23, 2014 will be considered in time for attending of Annual General 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 the Meeting may appoint another member as his / her proxy to attend speaks 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) In compliance with the requirement of Form-A (Annual Return), all shareholders of the Company are requested to intimate their CNIC number / passport number along-with folio number.

Statement Under Section 160(1)(b) of the Companies Ordinance, 1984.

This statement sets out the material facts concerning the special business to be transacted at the Annual General Meeting of the Company to be held on 31st January, 2014.

1. The Company intends to issue 50,000,000 ordinary shares of Rs.10/- without issuance than as of right shares to M/s. Pattoki Sugar Mills Limited (the holding company) against the long term loan to the extent of Rs.500,000,000/- (Rupees Five hundred million) subject to approval from Securities & Exchange Commission of Pakistan (SECP).

2. The holding company i.e. Pattoki Sugar Mills Limited is charging mark-up at the rate of 3 month's KIBOR +2% which effectively comes to the tune of approximate of 11.16% to 12.27% per annum which substantially dilutes the Baba Farid Sugar Mills Limited earnings for the year. With holding company's loan being converted to equity, company's earning will be improved and consequently more profits will be available for appropriation as dividend to shareholders.

3. The shares are issued at par value i.e. Rs.10/- to Pattoki Sugar Mills Limited and the directors of Pattoki Sugar Mills Limited have given written consent for issuing shares in respect of the outstanding loan to the extent of Rs.500,000,000/-. These shares will rank pari passu in all respects with the existing shares of the company. The average market value of the share in the last 6 month's is Rs.25 while the break-up value of the share (excluding revaluation surplus) is (Rs.110.90).

4. Existing shareholding of Pattoki Sugar Mills Limited in Baba Farid Sugar Mills Limited is as follows:-

Name	# of Shares	%age of holding
Pattoki Sugar Mills Limited	7,696,072	81.44%

After the issuance of shares, the revised shareholding will be as follows:-

Pattoki Sugar Mills Limited	57,696,072	97.00%

5. None of the directors are, in any way, interested in the resolution except to the extent of their common directorship and shareholding in Pattoki Sugar Mills Limited.

VISION STATEMENT

Efficient organization with professional competence of top order is engaged to remain a Market leader in the sugar industry in manufacturing and marketing of white sugar.

- To ensure attractive returns to business associates and shareholders as per their expectations.

MISSION STATEMENT

Quality objectives are designed with a view to enhance customer satisfaction and operational efficiencies.

- To be a good corporate citizen to fulfill the social responsibilities.
- Commitment to building Safe, Healthy and Environment friendly atmosphere.
- We, with our professional and dedicated team, ensure continual improvement in quality and productivity through effective implementation of Quality Management System. Be a responsibleemployer and reward employees according to their ability and performance.
- We value the social and economic well being of our partners and strive for a harmonious environment conducive to team performance.
- The quality policy also encompasses our long term Strategic Goals and Core Values, which are integral part of our business.

STRATEGIC GOALS

- Providing Customer Satisfaction by serving with superior quality production of white sugar at lowest cost.
- Ensuring Security and Accountability by creating an environment of security and accountability for employees, production facilities and products.
- Expanding Customer Base by exploring new national and international markets and undertaking product research and development in sugar industry.
- Ensuring Efficient Resource Management by managing human, financial, technical and infrastructural resources so as to support all our strategic goals and to ensure highest possible value addition to stakeholders.

CORE VALUES

- Striving for continuous improvement and innovation with commitment and responsibility;
- Treating stakeholders with respect, courtesy and competence;
- Practicing highest personal and professional integrity;
- Maintaining teamwork, trust and support with open and candid communication; and
- Ensuring cost consciousness in all decisions and operations.

DIRECTOR'S REPORT TO THE MEMBERS

The Directors of your company have the pleasure in submitting their 35th annual report together with the Audited Accounts of the company for the year ended September 30, 2013.

OPERATIONAL PERFORMANCE

Operating results for the year under review are summarized below:

		2012-13	2011-12
Season started		18-Nov-13	18-Nov-11
Season closed		26-Mar-13	10-Mar-12
Crushing days		129	114
Sugarcane crushed	M.Tons	413,485	342,173
Sugar recovery	%	9.14%	9.43%
Sugar produced	M.Tons	37,742	32,263
Molasses recovery	%	5.59%	4.54%
Molasses produced	M.Tons	23,120	15,515

The Company has operated at comparatively higher level of cursing during the period under review as compared to pervious year. The company crushed 413,485 M.Tons of sugarcane and produced 37,742 M.Tons of sugar as compared to 342,173 M.Tons of sugarcane crushed and 32,263 M.Tons of Sugar produced during the last year. As a result sugar produced in the current year was higher by 16.98% from the corresponding year. Production of molasses remained 23,120 M.Tons as against 15,515 M. Tons of last year. Sugar recovery percentage decreased from 9.43 % to 9.14% and molasses percentage increased from 4.535% to 5.594% . In its efforts to further improve its operational efficiencies and increase production volume, the company during the year had undertaken several measures involving major capital expenditures because of which improvements were witnessed in various key areas of the factory operation.

FINANCIAL RESULTS

An analysis of the key financial results is given below:

	2012-13	2011-12
	(Rupees in Million)	
Sales	1,995.01	1,839.79
Gross Profit/ (Loss)	86.07	52.90
Net Loss before Taxation	(135.50)	(222.92)
Net Loss after Taxation	(132.17)	(255.87)
Loss per share	(13.99)	(27.08)

During the year under review, company has been able to increase sales to Rs. 1,995.01 (M) from 1839.79 (M) of last year an impact of 8.44%. the company earned gross profit of Rs. 86.07 (M) as compared to Rs 52.90 (M) of pervious year. Company's financial results charged to positive, and loss before tax has been decreased to Rs. 135.50 (M) from Rs. 222.92(M) of the last year. Although there was an increase in the q uantity of sugar sold the sales revenue of the Company declined by 7.85% from the corresponding period last year.

DIVIDEND

Because of the loss sustained by the company during the year under review, the Directors do not recommend any dividend for the year.

GOING CONCERN

In the Auditors Report to the Members, The Auditors have raised doubts about the Company's ability to continue as a going concern. The Sugar Industry is facing high sugar cane price multiplied by the maneuvering of middle men, contributing toward the high production cost of sugar which have affected the Company's profitability. The situation is being watched carefully by the new management and for improving the financial position of the Company, which includes continued assurance, arrangements and providing of funds by the holding Company as and when required for prompt discharging of its liabilities including financial obligations. The management has sincere believe and does not have any doubts about the Company's ability to continue as a going concern and also justify the preparation of financial statements on the going concern basis.

FUTURE PROSPECTS.

Initial expected sugarcane crop for the season 2013-14 is 65.214 MMT, an decrease of 10 percent over the previous year due to an anticipated decrease in planting area. Minimum support price has not been increased by Government but growers are still demanding higher prices. Currently we are paying around Rs.175/- per 40 Kg of sugarcane.

Neighboring mills and middlemen have also started unhealthy competition resulting in price hike and disturbed cane supply to the mills. Your management has taken some positive measures to improve cane supply to mill. It is very important for the industry that sugarcane price is contained at the government support price and the role of middlemen be eliminated by introducing previously practiced zone based procurement system.

Research and Development is also long over due in the cultivation of good quality sugarcane to increase existing rather static average yield per hectare of 43-50 Tons/ hectare plus average sugar recovery of 9.0% to 9.5%. Thus vital work needs to be undertaken expeditiously at every level.

Continued efforts are underway led by the Pakistan Sugar Mills Association to persuade the Government of Pakistan to consider adoption of a more reliable sugarcane payment system linking the price of cane with the sugar content as being used in Australia and other countries of the world, based on cane quality, a fair deal to growers and millers as well. At present in Pakistan sugarcane is the only crop that gets paid by weight and not by quality. The system does not provide for any incentive to the grower to improve his crop particularly towers the most crucial aspect, the sugar content. Unless such mechanism is not adopted in Pakistan further expansion in the production will remain in jeopardy while all potentials exist to improve yield and recovery and utilize the already built production capacity.

The management of the company is anticipating a tough and challenging season for the sugar industry and is doing its utmost efforts to improve the profitability of the company by focusing on reduction of production cost especially financial cost and improvement in production efficiencies. We have devised a long term strategy to cope with the situation to reduce our dependence on the borrowing in the coming years.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance set out by the Karachi, Lahore and Islamabad Stock Exchanges in their Listing Regulations, relevant to the year ended September 30, 2013 have been duly complied with. A statement to this effect is annexed with the review report from the auditors.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

a) The Board of Directors hereby declares that:

- The financial statements present fairly the state of affairs of the company, the results of itsoperation, cash flows and changes in equity.
- Proper books of accounts of the company have been maintained.
- Accounting policies as stated in the notes to the financial statements have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, and the requirements of Companies Ordinance 1984 have been followed in preparation of the financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts about the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance as detailed in the listing regulations.
- Information about taxes and levies is given in the notes to the accounts

b) A statement regarding key financial data for the last six years is annexed to this report

c) Four meetings of the Board of Directors were held during the year which was attended by the members of the Board as follows:

Name of Director	No. of Meetings attended
Muhammad Sarwar	3
Mr. Shahid Mahmood Quershi	4
Mrs. Naheed Roohi	4
Mrs. Rafia Aslam	4
Mr. M. Maqsood ul Hassan	4
Muhammad Ashraf	1
Sayed Qaissar Abbas Naqvi	4

Leave of absence was granted to the directors who could not attend the Board Meetings.

AUDIT COMMITTEE

The Board has constituted an audit committee consisting of three members including chairman of the committee. The committee regularly meets as per requirements of the code. The committee supervises the internal control procedures through internal audit department and review financial statements periodically, before the same are circulated. The audit committee is also responsible for recommending the appointment of auditors and ensures their independence with regard to services provided by them.

PATTERN OF SHARHOLDING

A statement of pattern of shareholding is annexed.

No trading in the shares of the company was carried out by the Directors, CEO, and CFO, Company Secretary and their spouses and minor children during the year except those that have been duly reported as per law.

AUDITORS

M/s. Shiekh & Chaudhri & Co. Chartered Accountants, will be retired on the date of Annual General Meeting i.e. January 31, 2014.

ACKNOWLEDGEMENT

The Board would like to thank the shareholders and bankers for their trust and continued support extended to the company for its smooth operation. The Board would also like to place on record its appreciation for the efforts, loyalty and hard work of all the workers, staff and management team and hope that the same spirit would continue in future as well.

For and on behalf of the Board

Lahore, January 04, 2014

(Muhammad Sarwar)
Chief Executive

SIX YEARS' REVIEW AT GLANCE

		2013	2012	2011	2010	2009	2008
Production	M.Tons	37,742	32,263	28,013	11,249	17,306	31,579
Crushing	M.Tons	413,485	342,173	310,906	143,576	219,035	422,544
Recovery	%age	9.14%	9.43%	9.02%	7.87%	7.91%	7.47%
Support Price	Rupees	170	150	125	100	80	60
Operating results (Million)							
Sale		1,955,014,141	1,839,791	950,031	657,510	579,326	1,147,881
Gross Profit/(Loss)		86,070,574	52,895	101,869	(196,077)	(26,895)	56,941
Net Profit/(Loss) after Taxation		(132,165,503)	(255,874)	(224,089)	(316,891)	(105,919)	(3,942)
Assets Employed							
Operating assets		1,952,253,622	1,898,277	1,917,136	1,026,557	1,075,010	1,129,462
Current assets		591,481,316	753,201	1,028,604	120,245	108,501	130,381
Others		578,575	578,575	578,575	21,220	25,320	25,299
Ratios							
Gross Profit/(Loss)		4.40%	2.88%	10.72%	-29.82%	-4.64%	4.96%

STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CORPORATE GOVERNANCE FOR THE YEAR ENDED SEPTEMBER 30, 2013

The statement is being presented to comply with the Code of Corporate Governance as contained in Regulation No.35, Chapter No. XI of the Listing Regulations of the Karachi Stock Exchange, Lahore Stock Exchange and 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.

Category	Names
Independent Directors	Mirza Maqsood-ul - Hassan
Executive Directors	Muhammad Sarwar
	Mr. Shahid Mahmood Quershi
	Syed Qaisar Abbas Naqvi
Non Executive Directors	Mrs. Naheed Roohi
	Ms. Rafia Aslam
	Muhammad Ashraf

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, 2013 was duly filled up by the Directors within 30 days thereof save as restricted by Listed Companies (Substantial Acquisition of Voting Shares and Take-overs) Ordinance, 2002.

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, along with 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 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, along with 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 constituted an audit committee. It comprises three members, of whom two are non-executive directors.
17. The meeting of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the code. The terms of reference of the Committee have been formed and advised to the committee for compliance.
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.
20. We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board

(Muhammad Sarwar)
Chief Executive

Lahore: January 04, 2014

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of BABA FARID SUGAR MILLS LIMITED ("the Company") to comply with the Listing Regulations of the Karachi, Lahore and Islamabad 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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges require the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price 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, 2013.

January 4, 2014
Lahore

SHEIKH & CHAUDHRI
Chartered Accountants
Audit Engagement Partner: Muhammad Saeed Malik

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of BABA FARID SUGAR MILLS LIMITED ("the Company") as at September 30, 2013 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 purpose 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;

(ii) the expenditure

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at September 30, 2013 and of the loss, total comprehensive loss, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Without qualifying our opinion, we draw attention to note 2 to the financial statements. During the current financial year, the Company has sustained loss before tax amounting to Rs.135,501,272 (2012: Rs.222,917,795) and at balance sheet date its accumulated losses have stood up to Rs.1,142,516,857 (2012: Rs. 1,040,822,593). Further, the Company's equity is in negative and its current liabilities have exceeded its current assets by Rs.796,618,435 (2012: Rs. 646,551,737). These conditions may cast

significant doubt on Company's ability to continue as a going concern.

January 4, 2014
Lahore

SHEIKH & CHAUDHRI
Chartered Accountants
Audit Engagement Partner: Muhammad Saeed Malik

BALANCE SHEET AS AT SEPTEMBER 30, 2013

	Note	2013 Rupees	2012 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
10,000,000 ordinary shares of Rs.10 each		100,000,000	100,000,000
Issued, subscribed and paid-up capital	5	94,500,000	94,500,000
Accumulated loss		(1,142,516,857)	(1,040,822,593)
		(1,048,016,857)	(946,322,593)
Surplus on revaluation of property, plant & equipment	6	1,327,289,411	1,349,797,462
NON CURRENT LIABILITIES			
Long term loans	7	72,222,222	-
Loan from holding company	8	500,000,000	525,000,000
Deferred liabilities	9	304,140,411	323,838,046
		876,362,633	848,838,046
CURRENT LIABILITIES			
Current portion of long term liabilities	10	73,409,778	170,632,000
Short term finances	11	241,314,905	475,809,350
Due to related party	12	328,966,229	312,744,880
Trade and other payables	13	611,784,247	218,547,341
Interest and mark-up accrued	14	123,884,904	210,753,696
Provision for taxation		8,739,688	11,269,161
		1,388,099,751	1,399,756,428
TOTAL EQUITY & LIABILITIES		2,543,734,938	2,652,069,343
Contingencies and commitments	15		
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	16	1,951,666,047	1,898,277,077
Long term deposits	17	587,575	587,575
		1,952,253,622	1,898,864,652
CURRENT ASSETS			
Stores, spares and loose tools	18	39,665,097	57,989,765
Stock-in-trade	19	344,810,400	384,157,275
Trade debts	20	50,259,797	215,954,571
Advances	21	98,131,538	59,046,334
Trade deposits and short term prepayments	22	22,443,056	29,480,399
Other receivables	23	4,560,159	4,465,031
Cash and bank balances	24	31,611,269	2,111,316
		591,481,316	753,204,691
TOTAL ASSETS		2,543,734,938	2,652,069,343

The annexed notes 1 to 44 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Note	2013 Rupees	2012 Rupees
Sales - net	25	1,955,014,141	1,839,791,110
Cost of sales	26	1,868,943,567	1,786,896,045
Gross profit		86,070,574	52,895,065
Distribution and selling expenses	27	21,460,486	7,678,761
Administrative expenses	28	34,395,307	34,225,949
Other expenses	29	1,000,000	-
		56,855,793	41,904,710
Operating profit		29,214,781	10,990,355
Other income	30	9,927,886	1,187,970
Operating profit before finance cost		39,142,667	12,178,325
Finance cost	31	174,643,939	235,096,120
Loss before taxation		(135,501,272)	(222,917,795)
Taxation	32	(3,335,769)	32,956,401
Loss for the year		(132,165,503)	(255,874,196)
Loss per share - Basic and diluted	33	(13.99)	(27.08)

The annexed notes 1 to 44 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	2013 Rupees	2012 Rupees
Loss for the year	(132,165,503)	(255,874,196)
Other comprehensive income	-	-
Total comprehensive loss for the year	(132,165,503)	(255,874,196)

The annexed notes 1 to 44 form an integral part of these financial statements.

CHIEF EXECUTIVE DIRECTOR

CASH FLOW STATEMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Note	2013 Rupees	2012 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	34	709,668,214	467,430,482
Finance cost paid		(261,071,613)	(282,283,246)
Taxes paid		(34,769,336)	(17,063,068)
Net cash generated / (used in) operating activities		413,827,265	168,084,168
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(116,054,216)	(45,104,478)
Net cash (used in) investing activities		(116,054,216)	(45,104,478)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term loan		100,000,000	(60,000,000)
Due to related party		16,221,349	(387,712,448)
Repayment of loan from holding company		(150,000,000)	(150,000,000)
Net cash (used in) from financing activities		(33,778,651)	(597,712,448)
Net increase / (decrease) in cash and cash equivalents		263,994,398	(474,732,758)
Cash and cash equivalents at the beginning of the year		(473,698,034)	1,034,724
Cash and cash equivalents at end of the year	35	(209,703,636)	(473,698,034)

The annexed notes 1 to 44 form an integral part of these financial statements.

CHIEF EXECUTIVE DIRECTOR

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Issued, subscribed and paid-up capital	Accumulated Loss	Total
	Rupees	Rupees	Rupees
Balance as at October 01, 2011	94,500,000	(817,020,347)	(722,520,347)
Current year incremental depreciation - net of deferred tax	-	32,071,950	32,071,950
Total comprehensive loss for the year	-	(255,874,196)	(255,874,196)
Balance as at September 30, 2012	94,500,000	(1,040,822,593)	(946,322,593)
Balance as at October 01, 2012	94,500,000	(1,040,822,593)	(946,322,593)
Current year incremental depreciation - net of deferred tax	-	30,471,239	30,471,239
Total comprehensive loss for the year	-	(132,165,503)	(132,165,503)
Balance as at September 30, 2013	94,500,000	(1,142,516,857)	(1,048,016,857)

The annexed notes 1 to 44 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

1. STATUS AND NATURE OF BUSINESS

Baba Farid Sugar Mills Limited ("the Company") was incorporated in 1978 under the Companies Ordinance, 1984 as a Public Limited Company and its shares are quoted at Karachi, Lahore and Islamabad Stock Exchanges. It is engaged in manufacturing and sale of sugar including its by-product i.e. molasses and V. Filter cake. The registered office of the Company is situated at 1st Floor, Panorama Center, Raja Ghazanfar Ali Khan Road, Sadar, Karachi and its manufacturing facilities are located in the district Okara, Punjab.

2. GOING CONCERN ASSUMPTION

During the current financial year, the Company has sustained loss before tax amounting to Rs.135,501,272 (2012:Rs.222,917,795) and at balance sheet date its accumulated losses have stood up to Rs.1.142,516,857 (2012: Rs.1.040,822,593). Further, the Company's equity is in negative and its current liabilities have exceeded its current assets by Rs.796,618,435 (2012: Rs. 646,551,737). These conditions may cast significant doubt on Company's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. However, the management has taken various measures to improve the financial position of the Company which include the sponsors' continued assurance for arrangement of funds as and when required, prompt discharging of its liabilities including financial obligations, securing growers' commitments for availability of quality sugarcane and hiring of competent management personoel for managing Company's affairs.

The management has firm belief that the above stated measures shall mitigate the doubt about the Company's ability to continue as a going concern and also justifies the preparation of these financial statements on going concern basis.

3. BASIS OF PREPARATION

3.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the CompaniesOrdinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requiretments of Companies Ordinance, 1984 or the requirements of the said directives shall prevail.

3.2 Basis of measurement

These financial statements have been prepared on the historical cost basis except for freehold land, buildings on freehold land and plant & machinery which are stated at revalued amounts.

3.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is also the Company's functional currency. All financial information presented in Pakistan Rupee has been rounded to the nearest rupee.

3.4 Use of estimates and judgments

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

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

The areas where various assumptions and estimates are significant to company's financial statements or where judgments were exercised in application of accounting policies are as follows:

- Staff retirement benefits - gratuity
- Provision for taxation
- Residual values and useful lives of depreciable assets
- Provisions and contingencies

3.5 Standards, interpretations and amendments to published approved accounting standards

3.5.1 New standards, amendments to approved accounting standards and interpretations, which became effective during the year ended September 30, 2013

There are certain new standards, amendments to the approved accounting standards and new interpretations issued by the International Financial Reporting Interpretations Committee, which became effective during the year but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

3.5.2 New standards, amendments to approved accounting standards and new interpretations, which are not yet effective

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

- IAS 28 (Revised), 'Associates and Joint Ventures' (effective for periods beginning on or after January 01, 2013). This standard includes the requirements for associates and joint ventures that have to be equity accounted following the issue of IFRS 11. The Company is yet to assess the full impact of IAS 28 (Revised).
- IAS 32 (Amendment), 'Financial Instruments: Presentation' (effective for periods beginning on or after January 01, 2014). This amendment updates the application guidance in IAS 32, 'Financial Instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The amendment does not have any significant impact on the Company's financial statements.
- IFRS 9, 'Financial Instruments' (effective for periods beginning on or after January 01, 2015). IFRS 9 replaces the parts of IAS 39, 'Financial Instruments: Recognition and Measurement' that relate to classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories; those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. For financial liabilities, the standard retains most of the requirements of IAS 39. The Company is yet to assess the full impact of IFRS 9; however, initial indications are that it may not significantly affect the Company's financial assets.
- IFRS 13, 'Fair Value Measurement' (effective for periods beginning on or after January 01, 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance and how it should be applied where its use is already required or permitted by other standards within IFRSs. The Company shall apply this standard from October 01, 2013 and does not expect to have a material impact on its financial statements.
- There are number of other standards, amendments and interpretations to the published standards that are not yet effective and are also not relevant to the Company and therefore have not been presented here.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set-out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Property, plant and equipment and depreciation

Owned assets

Property, plant and equipment except freehold land, buildings on freehold land and plant and machinery are stated at cost less accumulated depreciation and impairment losses, if any. Buildings on freehold land and plant and machinery are stated at revalued amounts less accumulated depreciation and impairment losses, if any. Freehold land is stated at revalued amount and actual cost to date respectively.

Subsequent cost

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The carrying amount of the part so replaced is derecognized. The cost of the day-to-day servicing of property, plant and equipment are recognized in profit and loss account as incurred.

Depreciation

Depreciation is charged to profit and loss account applying the reducing balance method over its estimated useful life at the rates specified in note 16.1 to the financial statements. Depreciation on additions to property, plant and equipment is charged from the month in which property, plant and equipment become available for use while no depreciation is charged for the month in which property, plant and equipment is disposed off.

Assets residual values, if significant and useful lives are reviewed and adjusted, if appropriate at each balance sheet date. Gains or losses on disposal of property, plant and equipment are recognized in profit and loss account.

Surplus on revalued property, plant and equipment

Surplus arising on revaluation is credited to surplus on revaluation of property, plant and equipment. This surplus on revaluation, to the extent of incremental depreciation, is transferred to accumulated profit, net of deferred tax.

Impairment

Where the carrying amount of asset exceeds its estimated recoverable amount it is written down immediately to its recoverable amount.

Leased assets

Leases in terms of which the company assumes substantially all the risks and rewards of ownership are classified as finance lease. Asset acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of minimum lease payments at the inception of the lease less accumulated depreciation and impairment losses, if any.

Depreciation is charged on the same basis as used for owned asset. Financial charges are allocated to accounting period in a manner so as to provide a constant rate of charge on outstanding liability.

4.2 Stores and spares and loose tools

Stores, spares and loose tools are valued at lower of weighted average cost and net realizable value, less provision for impairment if any. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

Provision for obsolete and slow moving stores, spares and loose tools is determined based on management's estimate regarding their future usability.

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

Spare parts of capital nature which can be used only in connection with an item of property, plant and equipment are classified as tangible fixed assets under the 'plant and machinery' category and are depreciated over a time period not exceeding the useful life of the related assets.

4.3 Stock-in-trade

These are valued at the lower of cost and net realizable value. Cost is computed applying the following basis:

Raw material	- at weighted averaged cost
Work-in-process	- at manufacturing average cost
Finished goods	- at lower of cost and net realizable value
Molasses	- at net realizable value

Cost in relation to finished goods and work-in-process represents the average manufacturing cost which consists of prime cost and appropriate production overheads.

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

4.4 Trade debts and other receivables

These are initially stated at fair value and subsequently measured at amortized cost using effective interest rate method less provisions for any uncollectible amounts. An estimate is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written off.

4.5 Cash and cash equivalents

Cash and cash equivalents are carried at cost in the balance sheet. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, balances with banks and short term finances.

4.6 Staff retirement benefits (defined benefit plan)

The Company operates an un-funded retirement gratuity scheme for its eligible employees. Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on September 30, 2013 on the basis of the projected unit credit method by an independent Actuary.

4.7 Trade and other payables

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

4.8 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at fair value, less attributable transaction cost. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

4.9 Taxation

- Current

Provision for current year's taxation is determined in accordance with the prevailing law of taxation on income enacted or substantively enacted by the end of the reporting period and is based on current rates of taxation being applied on the taxable income for the year, after taking into account tax credits and rebates available, if any, and taxes paid under the Final Tax Regime.

- Deferred

Deferred tax is provided using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted at the balance sheet date.

Deferred tax liabilities are recognized for all taxable temporary differences. A deferred tax asset is recognized only to the extent that it is probable that future taxable 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 benefits will be realized.

4.10 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed-out in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4.11 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable on the following basis:

- Local sales are recognized when goods are dispatched to customers.
- Export sales are booked on shipment of goods.
- Return on bank deposits is accounted for on 'accrual basis'.

4.12 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of past events, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.13 Impairment

The carrying amount of the Company's assets is reviewed at each balance sheet date to determine whether there is any objective evidence that an asset or group of assets may be impaired. If any such evidence exists, the asset or group of assets' recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account.

4.14 Financial instruments

(i) Financial assets

Significant financial assets include advances, trade debts, trade deposits and prepayments and bank balances. Loan and advances and receivables are stated at their nominal value as reduced by provision for doubtful finances and receivable, while other financial assets are stated at cost.

(ii) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities include long term loans, lease finances, interest and mark up accrued, trade and other payables and short term finances. Markup based financial liabilities are recorded at gross proceeds received. Other liabilities are stated at their nominal value.

(iii) Recognition and derecognition

All the financial assets and financial liabilities are recognized at the time when the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognized when the Company looses control of the contractual rights that comprise of the financial assets. Financial liabilities are derecognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account.

4.15 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are set off and only the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognized amount and the Company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

4.16 Foreign currency translations

Transactions in foreign currencies are accounted for in Pak Rupees at the exchange rates prevailing on the date of transactions. Assets and liabilities in foreign currencies are translated in Pak Rupees at the exchange rates prevailing on the balance sheet date except where forward exchange rates are booked, which are translated at the contracted rates. Exchange differences, if any, are taken to profit and loss account.

5. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

	2013 Rupees	2012 Rupees
5.1 Authorized capital		
10,000,000 (2012: 10,000,000) ordinary shares of Rs.10 each	100,000,000	100,000,000
5.2 Issued, subscribed and and paid up capital		
6,400,000 (2012: 6,400,000) ordinary shares of Rs.10 each	64,000,000	64,000,000
3,050,000 (2012: 3,050,000) bonus shares of Rs.10 each	30,500,000	30,500,000
	94,500,000	94,500,000

As at the September 30, 2013 M/s Pattoki Sugar Mills Limited (the holding company) holds 7,696,072 (81.44%) shares of the Company.

6. SURPLUS ON REVALUATION OF PROPERTY, PLANT & EQUIPMENT

The company, during the financial year ended September 30, 2006, revalued its freehold land. Thereafter, freehold land, buildings on freehold land and plant & machinery were revalued during the financial years ended September 30, 2008 and September 30, 2011. The latest revaluation exercise was carried out by the independent valuers - Dimen Associates (Private) Limited (Approved Valuer of Pakistan Bank Association) on the basis of depreciated market value.

	Note	2013 Rupees	2012 Rupees
Balance at beginning of the year		1,349,797,462	1,381,869,412
Add: surplus arisen on the revaluation carried-out during the year		-	-
Less: transferred to accumulated loss on account of incremental depreciation for the year		(46,168,544)	(49,341,462)
		(46,168,544)	(49,341,462)
Less: deferred tax on:			
- surplus on revaluation of property, plant and equipment during the year		-	-
- incremental depreciation		(15,697,305)	(17,269,512)
		(15,697,305)	(17,269,512)
Resultant adjustment due to reduction in tax rate		7,963,188	-
		1,327,289,411	1,349,797,462

7. LONG TERM LOANS

	Note	2013 Rupees	2012 Rupees
Bank Al Habib Limited	7.1	100,000,000	-
Less: Current portion	10	(27,777,778)	-
		72,222,222	-

7.1 This represents term finance facility obtained from Bank Al Habib Limited for purchase of plant and machineryand increasing godown capacity. It shall be repaid through 36 equal monthly installments starting from December 2013. It carries mark up at the rate of average 6 month KIBOR plus 1.75% per annum, mark up shall be serviced on quarterly basis. It is secured by way of 1st exclusive charge over plant and machinery of the Company amounting to Rs. 170 million and personal guarantees of directors and corporate guarantee of M/s Pattoki Sugar Mills Limited.

8. LOAN FROM HOLDING COMPANY

	Note	2013 Rupees	2012 Rupees
Pattoki Sugar Mills Limited		525,000,000	675,000,000
Less: Current portion	10	(25,000,000)	(150,000,000)
		500,000,000	525,000,000

8.1 The Company obtained unsecured loan from M/s Pattoki Sugar Mills Limited (PSML) - the holding company that carries mark-up at the rate of 3 month's KIBOR plus 2% per annum. The effective mark-up rate charged by PSML during the year ranged from 11.16% to 12.27% (2012: 13.91% to 15.17%) per annum.The Company and PSML have entered into a revised agreement on September 30, 2013 whereby the balance of loan as at September 30, 2013 is repayable in fourty two half-yearly instalments commencing March, 2014 and this loan is subordinate to the loan from Bank AL Habib Limited.

9. DEFERRED LIABILITIES

	Note	2013	2012
Deferred taxation	9.1	303,575,290	323,613,935
Staff retirement benefits - gratuity	9.2	565,121	224,111
		304,140,411	323,838,046

9.1 Deferred liability on temporary differences:

	2013	2012
Taxable temporary differences		
Surplus on revaluation of property, plant and equipment	255,051,108	278,711,601
Accelerated tax depreciation	39,849,538	26,504,303
Finance lease arrangements	24,248,983	26,656,050
	319,149,629	331,871,954
Deductible temporary differences		
Provision for gratuity	(192,141)	(78,439)
Unabsorbed tax depreciation	(15,042,198)	(6,595,585)
Provision for doubtful advances	(340,000)	-
Provision for obsolescence of stores, spares and loose tools	-	(1,583,995)
	(15,574,339)	(8,258,019)
	303,575,290	323,613,935

As at September 30, 2013, deferred tax asset amounting Rs.199.858 million (2012: Rs.252.099 million) on unused tax losses has not been recognised in the financial statements on the grounds of prudence. The management intends to re-assess the recognition of deferred tax asset as at September 30, 2014.

Deferred tax liability at the respective year-end represents deferred tax on surplus on revaluation of property, plant and equipment.

9.2 Staff retirement benefits - gratuity

	2013 Rupees	2012 Rupees
The amount recognized in the balance sheet is as follows:		
Present value of defined benefit obligation	565,121	224,111
Unrecognized actuarial loss	-	-
Net liability at end of the year	565,121	224,111
Net liability at beginning of the year	224,111	-
Charge to profit and loss account	341,010	224,111
Payments made during the year	-	-
Net liability at end of the year	565,121	224,111
The movement in the present value of defined benefit obligation is as follows:		
Opening balance	224,111	-
Current service cost	465,272	194,362
Interest cost	25,773	3,068
Unrecognized transitional liability	-	26,681
Benefits paid	-	-
Actuarial (gain) / loss	(150,035)	-
Closing balance	565,121	224,111
Expense recognized in profit and loss account		
Current service cost	465,272	194,362
Interest cost	25,773	3,068
Unrecognized transitional liability	-	26,681
Actuarial (gain) / loss recognized	(150,035)	-
Charge for the year	341,010	224,111

Comparison of present value of defined benefit obligation and experience adjustment on obligation for five years is as follows:

	2013	2012	2011	2010	2009
	Rupees				
Present value of defined benefit obligation	565,121	224,111	-	-	-
Experience adjustment on obligation	(150,035)	-	-	-	-

The future contribution rates of this scheme include allowance for deficit and surplus. Projected unit credit method, based on the following significant assumptions, is used for valuation:

	2013	2012
- discount rate	11.50%	11.50%
- expected rate of growth per annum in future salaries	10.50%	10.50%
- average expected remaining working life time of employees	12 years	12 years

10. CURRENT PORTION OF LONG TERM LIABILITIES

	Note	2013 Rupees	2012 Rupees
Long term loans	7	27,777,778	-
Loan from holding company	8	25,000,000	150,000,000
Liability against assets subject to finance lease - (Overdue)	10.1	20,632,000	20,632,000
		73,409,778	170,632,000

10.1 The company has a dispute with BRR Guardian Modarba "the leasing company" regarding the settlement of securities provided for the subject facility. The company has officially lodged a complain in Consumer Protection Department of State Bank of Pakistan against the leasing company for release of the delievery orders, return of the post dated cheques and discharge of the personal guarantee of the directors.

11. SHORT TERM FINANCES

	Note	2013 Rupees	2012 Rupees
Bank ALHabib Limited			
Cash finance	11.1	240,362,000	381,825,000
Running finance	11.2	-	50,000,000
Foreign Documentary Bills Purchase (F.D.B.P)	11.3	-	43,984,350
Temporary bank overdraft		952,905	-
		241,314,905	475,809,350

11.1 The Company has obtained cash finance facilities amounting to Rs. 500 million (2012: Rs. 500 million). The mark up rate applicable during the year was 3 months KIBOR plus 1.50% per annum (2012: 3 months KIBOR plus 1.50% per annum). These are secured against pledge of sugar bags of the Company, corporate guarantee of the holding Company, personal guarantee of Directors and Chief Executive of the Company, ranking charge over present and future current assets and plant and machinery of the company for Rs. 55 million and 100 million respectively.

11.2 The Company has obtained running finance facility amounting to Rs. 50 million (2012: Rs. 50 million). The mark up rates applicable during the year was 3 months KIBOR plus 1.75% per annum (2012: Rs 3 months KIBOR plus 1.75% per annum). The facility is secured against pledge of sugar bags of the Company, corporate guarantee of the holding Company, personal guarantee of Directors and Chief Executive of the Company, ranking charge over present and future current assets and plant and machinery of the company for Rs. 55 million and 100 million respectively.

11.3 The limit of this facility was Rs. 44.64 million and is available for discounting of foreign bills at the rate of 4% per annum. It was secured against lien over export documents and is repayable on realization of export proceeds.

11.4 The facilities for opening letters of credit and letters of guarantee as at September 30, 2013 available to the Company amounted to Rs.29.007 million and Rs. 7.463 million respectively (2012: Rs. 31.409 million and Rs. 7.463 million). Amounts unutilized for letters of credit and letters of guarantee as at September 30, 2013 were Rs.16.018 million and Rs.Nil respectively (2012: Rs. 2.677 million and Rs. 7.463 million). These facilities are secured against shipping documents, corporate guarantee of the holding Company, ranking charge over plant & machinery and personal guarantee of Directors and Chief Executive of the Company.

12. DUE TO RELATED PARTY

The Company has obtained unsecured short term loan from M/s Pattoki Sugar Mills Limited (PSML) - the holding company that carries mark-up at the rate of 3 month's KIBOR plus 2% per annum. The effective mark-up rate charged by PSML during the year ranged from 11.16% to 12.27% (2012: 13.91% to 15.17%) per annum.

13. TRADE AND OTHER PAYABLES

	Note	2013 Rupees	2012 Rupees
Trade creditors		137,364,368	41,416,578
Advances from customers		450,195,108	164,345,658
Accrued expenses		8,426,989	7,009,616
Unclaimed dividend		2,597,511	2,597,511
Taxes and duties payable		1,212,082	571,041
Other payables		11,988,189	2,606,937
		611,784,247	218,547,341

14. INTEREST AND MARK-UP ACCRUED

On long term loan	2,750,904	-
On loan from holding company	106,960,229	194,760,750
On short term finances	14,173,771	15,992,946
	123,884,904	210,753,696

15. CONTINGENCIES AND COMMITMENTS

Contingencies

- 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 and tax year 2006 against the order in the favour of the company by the honorable High Court of Sindh. In the opinion of the tax advisor the ultimate appellate decision is likely to be in Company's favour, hence no provision is made in these accounts as there will be no tax impact of the matter in view of brought forward tax losses.
- The Company has filed reference application before the Honorable High Court of Sindh against the decision of ITAT in respect of assessment year 2000 -2001, the reference application is pending before the honorable High Court Sindh. The Company has also filed the appeal before the Commissioner of income tax appeals against 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 issue in prior years the management is hopeful about favorable outcome in above matters. Hence no provision is made in these account as there will be no tax impact of the matter in view of brought forward losses.
- The Company has filed an appeal before the Tribunal against the order of Commissioner Inland Revenue disallowing refund of further tax on the ground that the incidence of the tax has been passed on the consumers and the Company is not entitled to claim refund in terms of Section 3 (B) of the sales Tax Act, 1990. The management of the Company is of the view that outcome of the suit would be in favour of the company.
- Please refer to note 10.1 The company has firm belief that matter will be resolved in its favour.

Commitments

- Letters of credit for capital expenditure amounting to Rs. 12.989 million (2012: Rs. 28.732 million).
- Counter guarantee in favour of Trading Corporation of Pakistan amounting to Rs. 20.00 million.

16. PROPERTY, PLANT AND EQUIPMENT

	Note	2013	2012
Operating fixed assets	16.1	1,931,400,154	1,872,137,706
Capital work in progress	16.2	20,265,893	26,139,371
		1,951,666,047	1,898,277,077

19.1 Operating fixed assets

	OWNED ASSETS									LEASED ASSETS	GRAND TOTAL
	Land - Freehold	Buildings on freehold land	Plant and machinery	Electric Installation	Tools	Vehicles	Furniture and fixture	Equipment	Total	Plant and machinery	
	RUPEES										
Net carrying value as at October 01, 2012											
Opening net book value	840,150,000	149,551,947	774,641,006	928,972	1,545,917	3,148,161	874,981	4,507,478	1,775,345,562	96,792,144	1,872,137,70
Additions	-	898,718	120,425,426	-	-	-	32,700	570,800	121,927,884	-	121,927,884
Depreciation for the year	-	(14,997,807)	(41,377,280)	(93,697)	(154,592)	(629,632)	(88,988)	(483,536)	(57,825,636)	(4,839,607)	(62,665,24
Closing net book value	840,150,000	135,452,858	853,689,146	834,275	1,391,325	2,518,529	818,693	4,594,792	1,839,447,617	91,952,537	1,931,400,15
Gross carrying value as at September 30, 2013											
Cost	840,150,000	245,523,631	1,347,299,619	9,674,395	4,280,719	21,963,628	5,729,062	13,015,876	2,487,626,730	181,168,497	2,668,795,23
Accumulated depreciation	-	(110,070,763)	(493,610,473)	(8,840,120)	(2,889,390)	(19,435,099)	(4,912,369)	(8,420,084)	(648,179,113)	(89,215,960)	(737,395,07
	840,150,000	135,452,858	853,689,146	834,275	1,391,325	2,518,529	818,693	4,594,792	1,839,447,617	91,952,537	1,931,400,15
Net carrying value as at October 1, 2011											
Opening net book value	840,150,000	165,620,182	799,749,000	1,029,969	556,208	2,146,270	841,333	4,856,442	1,815,249,504	101,886,467	1,917,135,42
Additions	-	239,173	15,570,753	-	1,148,841	1,726,600	128,935	151,430	18,965,137	-	18,965,13
Depreciation for the year	-	(16,307,408)	(40,679,297)	(100,997)	(161,132)	(724,709)	(95,287)	(498,395)	(58,869,459)	(5,094,323)	(63,963,82
Closing net book value	840,150,000	149,551,947	774,641,006	928,972	1,545,917	3,148,161	874,981	4,507,478	1,775,345,562	96,792,144	1,872,137,70
Gross carrying value as at September 30, 2012											
Cost	840,150,000	244,624,803	1,226,874,193	9,674,395	4,280,715	21,953,628	5,696,362	12,444,826	2,365,698,942	181,169,497	2,546,868,53
Accumulated depreciation	-	(95,072,856)	(452,233,187)	(8,747,423)	(2,734,798)	(18,805,467)	(4,822,301)	(7,937,348)	(590,353,480)	(84,377,353)	(674,730,83
	840,150,000	149,551,947	774,641,006	928,972	1,545,917	3,148,161	874,981	4,507,478	1,775,345,562	96,792,144	1,872,137,70
Rate (% age)	N/A	10%	5%	10%	10%	20%	10%	10%		5%	

19.2 Had there been no revaluation the carrying value of revalued assets as at September 30, 2013 would have been as under:

	Note	2013 Rupees	2012 Rupees
Land		7,959,708	7,959,708
Building		21,136,030	22,468,818
Plant and Machinery		217,855,657	105,274,179
		246,951,405	135,633,888

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

	Note	2013	2012
Cost of sales	28	57,288,705	57,389,702
Administrative expenses	29	5,376,541	6,574,120
		62,665,246	63,963,822

	Note	2013 Rupees	2012 Rupees
16.2 Capital work in progress			
Plant and machinery		18,311,995	25,665,653
Building on freehold land		1,537,658	473,718
Equipment		416,240	-
		20,265,893	26,139,371

17. LONG TERM DEPOSITS

Security deposits - others		587,575	587,575

18. STORES, SPARES AND LOOSE TOOLS

Stores		16,961,993	25,650,317
Spares		22,502,464	36,653,285
Loose tools		200,640	211,863
		39,665,097	62,515,465
Provision for obsolescence	18.1	-	(4,525,700)
		39,665,097	57,989,765

18.1Reconciliation of provision

Opening balance	4,525,700	4,525,700
Obsolete stock written off during the year	(4,525,700)	-
Closing balance	-	4,525,700

19. STOCK-IN-TRADE

Work-in-Process		
- Sugar	2,791,131	1,069,021
- Molasses	199,665	73,960
	2,990,796	1,142,981
Finished Goods		
- Sugar	339,570,066	381,848,383
- V.F Cake	2,249,538	1,165,911
	341,819,604	383,014,294
	344,810,400	384,157,275

19.1.The entire stock of sugar is pledged as security with banks.

20. TRADE DEBTS

Unsecured and considered good	50,259,797	215,954,571

21. ADVANCES

	Note	2013 Rupees	2012 Rupees
Unsecured but considered good:			
Advances to cane growers	21.1	34,506,731	37,536,608
Advances to staff		168,140	780,555
Advances to related parties		20,820,384	-
Advance for store purchases		9,402,114	10,052,784
Advance against expenses		-	942,393
Advance income tax		33,234,169	9,733,994
		98,131,538	59,046,334
Unsecured but considered doubtful:			
Advances to cane growers		1,000,000	
		99,131,538	59,046,334
Provision for doubtful advances	21.3	(1,000,000)	-
		98,131,538	59,046,334

21.1 This represents provision of cane seeds, pesticide sand fertilizers to cane growers. The balance is adjustable against supply of sugarcane.

21.2 This represents advance given to Imporient Chemicals (Private) Limited against purchase of chemical.

21.3 Reconciliation of provision for doubtful advances

	2013 Rupees	2012 Rupees
Opening balance	-	-
Provision made during the year	1,000,000	-
Closing balance	1,000,000	-

22. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	2013 Rupees	2012 Rupees
Security deposit - Lease key money	20,632,000	20,632,000
Prepayments	1,759,115	1,333,605
Bank guarantee margin	51,941	7,514,794
	22,443,056	29,480,399

23. OTHER RECEIVABLES

	2013 Rupees	2012 Rupees
Others	41,116	434,176
Sales tax refundable	4,519,043	4,030,855
	4,560,159	4,465,031

24. CASH AND BANK BALANCES

	2013 Rupees	2012 Rupees
At banks		
- In current accounts	30,726,194	2,029,912
In hand		
- Cash	885,075	81,404
	31,611,269	2,111,316

	Note	2013 Rupees	2012 Rupees
25. SALES - NET			
Sugar - Local		1,047,881,580	1,670,922,813
- Export		957,221,003	291,493,000
Less: Federal excise duty		(50,088,442)	(122,624,703)
		1,955,014,141	1,839,791,110
26. COST OF SALES			
Cost of sugarcane consumed (including procurement and other costs)		1,824,908,269	1,365,161,860
Salaries, wages and other benefits.	26.1	54,832,456	42,479,089
Stores, spares and loose tools consumed		10,565,752	16,569,323
Chemicals consumed		15,415,857	11,714,388
Packing material consumed		15,817,718	12,218,135
Fuel and power		13,125,635	9,943,369
Repair and maintenance		24,308,481	26,128,095
Vehicle running expenses		307,651	761,168
Depreciation	16.3	57,286,705	57,389,702
Other factory overheads		7,363,153	3,216,275
		2,023,931,677	1,545,581,404
Work in process			
Opening		1,142,981	960,200
Closing		(2,990,796)	(1,142,981)
		(1,847,815)	(182,781)
		2,022,083,862	1,545,398,623
Finished goods			
Opening		383,014,294	747,059,867
Closing		(341,819,604)	(383,014,294)
		41,194,690	364,045,573
Sale of By products			
Molasses		(194,334,985)	(121,619,585)
V.F.Cake		-	(928,566)
		(194,334,985)	(122,548,151)
		1,868,943,567	1,786,896,045

26.1 Salaries, wages and other benefits include staff retirement benefits amounting to Rs. 292,657 (2012:Rs.186,895).

	Note	2013 Rupees	2012 Rupees
27. DISTRIBUTION AND SELLING EXPENSES			
Salaries, wages and other benefits	27.1	346,527	544,786
Stacking, restacking and carriage		2,462,512	1,716,647
Freight on sugar sale		550,000	-
Other expenses - exports		17,671,769	5,409,912
Miscellaneous		429,678	7,416
		21,460,486	7,678,761

27.1 Salaries, wages and other benefits include staff retirement benefits amounting to Rs.19,341 (2012:Rs. 14,866)

28. ADMINISTRATIVE EXPENSES

	Note	2013 Rupees	2012 Rupees
Salaries, wages and other benefits	28.1	19,650,218	18,193,929
Traveling and conveyance		12,095	286,725
Rent, rates and taxes		100,000	204,463
Telephone and postage		196,747	49,385
Printing and stationery		379,978	276,730
Fee and subscription		2,795,035	507,405
Insurance		1,595,487	1,560,550
Repair and maintenance		133,955	168,700
Vehicle running expenses		1,789,996	4,338,552
Entertainment		397,076	54,612
Advertisement expenses		171,080	221,810
Auditors' remuneration	28.2	640,000	440,000
Legal and professional charges		255,191	1,001,919
Donations	28.3	257,000	191,692
Depreciation	16.3	5,378,541	6,574,120
Miscellaneous		642,908	155,357
		34,395,307	34,225,949

28.1 Salaries, wages and other benefits include staff retirement benefits amounting to Rs.29,012 (2012:Rs. 22,330)

28.2 Auditors' remuneration

	2013	2012
Annual audit fee	500,000	300,000
Review of code of corporate governance	10,000	10,000
Review of half year financial statements	50,000	50,000
	560,000	360,000
Cost audit fee	80,000	80,000
	640,000	440,000

28.3 The company has not paid donation to any organization in which any director or his spouse has any interest.

29. OTHER EXPENSES

	2013	2012
Provision for doubtful advances	1,000,000	-

30. OTHER INCOME

	2013	2012
Gain on foreign currency transactions	9,919,786	1,179,550
Miscellaneous Income	8,100	8,420
	9,927,886	1,187,970

31. FINANCE COST

	Note	2013 Rupees	2012 Rupees
Mark up on:			
- long term loan		3,522,822	5,032,669
- loan from holding company		112,484,479	187,929,809
- short term finances		58,195,520	41,470,765
Commission and bank charges		441,118	662,877
		174,643,939	235,096,120

32. TAXATION

- Current		8,739,688	11,269,161
- Deferred		(12,075,457)	21,687,240
		(3,335,769)	32,956,401

32.1No numeric tax rate reconciliation is given, as the company is liable to final tax.

33. LOSS PER SHARE

Loss for the year	(132,165,503)	(255,874,196)
	(Number of shares)	
Weighted average number of shares outstanding during the year	9,450,000	9,450,000
	Rupees	Rupees
Loss per share - basic	(13.99)	(27.08)

33.1 Diluted loss per share has not been presented as the Company does not have any convertible instruments issue as in at September 30, 2013 and September 30, 2012,which would have any effect loss per on the share of Company the if the option to convert is exercised.

34. CASH GENERATED FROM OPERATIONS

	Note	2013	2012
Loss before taxation		(135,501,272)	(222,917,795)
Adjustment for non cash charges and other items:			
Depreciation on property, plant and equipment		62,665,246	63,963,822
Finance costs		174,202,821	234,433,243
Provision for doubtful advances		1,000,000	-
Provision for gratuity		341,010	224,111
Working capital changes	34.1	606,960,409	391,727,101
		845,169,486	690,348,277
		709,668,214	467,430,482

34.1 Working capital changes

(Increase) / decrease in current assets		
Stores, spares and loose tools	18,324,668	(21,576,169)
Stock-in-trade	39,346,875	363,862,792
Trade debts	165,694,774	(48,439,359)
Advances	(16,585,029)	(2,383,736)
Trade deposits and short term prepayments	7,037,343	(8,745,681)
Other receivables	(95,128)	(2,134,622)
Increase in current liabilities		
Trade and other payables	393,236,906	111,143,876
	606,960,409	391,727,101

35. CASH AND CASH EQUIVALENTS

	Note	2013	2012
Short term finances	11	(241,314,905)	(475,809,350)
Cash and bank balances	24	31,611,269	2,111,316
		(209,703,636)	(473,698,034)

36 Financial instruments

36.1 Financial risk factors

The Company's activities expose it to a variety of financial risks, market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

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

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. The Company is exposed to foreign currency exchange risk in respect of commitments against letters of credit in foreign currency. The management does not view hedging as being financially feasible.

The following significant exchange rate has been applied:

	Average rate		Reporting date rate	
	2013	2012	2013	2012
	Rupees	Rupees	Rupees	Rupees
US $ to PKR	98.88	94.59	105.85	95.23

The weakening of the PKR against US Dollar would have had an equal but opposite impact on the post tax profit / (loss).

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

(ii) Other price risk

Other price risk represents 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). Other price risk arises from the Company's investment in ordinary shares of listed companies. To manage its price risk arising from aforesaid investments, the Company diversifies its portfolio and continuously monitors developments in equity markets. In addition the Investment Committee actively monitors the key factors that affect stock price movement.

(iii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk.

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

Floating rate instruments	2013 Rupees	2012 Rupees
Financial liabilities		
Long term loans	100,000,000	-
Loan from holding company	525,000,000	675,000,000
Finance lease	20,632,000	20,632,000
Due to related party	328,966,229	312,744,880
Short term finances	241,314,905	475,809,350
	1,215,913,134	1,484,186,230

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Company.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Company's credit risk is primarily attributable to its trade debts and its balances at banks. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

Long term deposits	587,575	587,575
Trade debts	50,259,797	215,954,571
Advances	98,131,538	59,046,334
Bank balances	30,726,194	2,029,912
	179,705,104	277,618,392

The aging of trade receivable at the reporting date is as under:

Not past due		
Past due 0 - 180 days	48,128,171	29,216,090
Past due 181 - 365 days	2,131,626	32,550,018
Past due more than one year	-	154,188,463
	50,259,797	215,954,571

The credit quality of cashand bank balances that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating			
	Short term	Long term		
Bank Al-Habib Ltd.	A1+	AA+	12,077,689	955,071
United Bank Ltd.	A-1+	AA+	9,245,900	373,371
MCB Bank Ltd.	A1+	AAA	5,050,409	5,115
National Bank of Pakistan	A-1+	AAA	79,736	6,390
Habib Bank Ltd.	A-1+	AAA	3,714,083	185,113
Habib Metropolitan Bank Ltd.	A1+	AA+	504,155	504,852
Bank Al Falah Ltd	A1+	AA	54,222	-
			30,726,194	2,029,912

(c)Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and bank balances and the availability of funding through an adequate amount of committed credit facilities. At September 30, 2013, the Company had borrowing limits available from financial institutions.

The following are the contractual maturities of financial liabilities as at September 30, 2013:

	Carrying	Less than	More than
	------------ Rupees ------------		
Long term loans	100,000,000	27,777,778	72,222,222
Loan from holding company	525,000,000	25,000,000	500,000,000
Lease finances	20,632,000	20,632,000	-
Short term finances	241,314,905	241,314,905	-
Due to related party	328,966,229	328,966,229	
Trade and other payables	611,784,247	611,784,247	-
Interest and mark-up accrued	123,884,904	123,884,904	-
	1,851,582,285	1,351,582,285	500,000,000

The following are the contractual maturities of financial liabilities as at September 30, 2012:

	Carrying	Less than	More than
Long term loans	-	-	-
Loan from holding company	675,000,000	150,000,000	525,000,000
Lease finances	20,632,000	20,632,000	-
Short term finances	475,809,350	475,809,350	-
Due to related party	312,744,880	312,744,880	-
Trade and other payables	218,547,341	218,547,341	-
Interest and mark-up accrued	210,753,696	210,753,696	-
	1,913,487,267	1,388,487,267	525,000,000

36.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

36.3 Capital risk management

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders, benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders and / or issue new shares.

There was no change to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements except for the maintenance of debt to equity ratio under the financing agreements.

37. REMUNERATION TO THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

37.1 The aggregate amount charged in the financial statements for the year against remuneration, including certain benefits, to the full time working directors and executives of the Company is as follows:

	Managerial remuneration	Allowances, utilities etc	Number of persons
	---------- Rupees ----------		
Chief Executive			
2013	-	-	-
2012	-	-	-
Directors			
2013	-	-	-
2012	-	-	-
Executives			
2013	800,040	399,960	1
2012	800,040	399,960	1

37.2 The chief executive and the directors of the company have waived their right to receive meeting fee. Additionally, executive is provide with free use of cellular phone and company maintained car.

38. TRANSACTION WITH RELATED PARTIES

Related parties include associated companies, directors of the Company, companies where directors also hold directorship,related group companies, key management personnel and staff retirement funds. All transactions involving related parties arising in the normal course of business are conducted at commercial terms and conditions, and at prices agreed based on inter company prices using admissible valuation modes.

Detail of transactions with related parties is as follows:

Name of related party	Nature of relationship	Basis of relationship	Nature of transaction	Amount (Rupees)
Imporient Chemicals (Pvt) Limited	Associate	Common directorship	Purchase of chemical	16,329,616
Pattoki Sugar Mills Limited	Associate	Holding company	Loan including markup	960,926,458

38.1 Purchase of chemical are based on commercial terms and at market prices which are approved by the Board of Directors.

39. CAPACITY AND PRODUCTION

	2013		2012	
	Days	M.Tonnes	Days	M.Tonnes
Crushing capacity	160	480,000	160	480,000
Sugarcane crushed	129	413,485	114	342,173
Sugar production	-	37,742	-	32,262

The low production was due to limited availabilty of raw material.

40. OPERATING SEGMENTS

These financial statements have been prepared on the basis of single reportable segments.

40.1Sugar Sales represents 91% (2012: 93%) of the total sales of the company.

40.2Company's sales relate to the customers in Pakistan as well as outside Pakistan.

40.3All non - current assets of the company as at September 30, 2013 are located in Pakistan.

41. CORRESPONDING FIGURES

Corresponding figures have been rearranged/ regroupedwherevernecessary for the purposeof better comparison. Significant change made during the year is as follows:
Due torelated party previously classified under the head "Trade and other payables" (note13) has now been presented under current liabilities.

42. NUMBER OF EMPLOYEES

	2013	2012
	Number of employees	
Number of persons employed as at September 30,		
- permanent	191	178
- contractual	182	164
Average number of employees during the year		
- permanent	170	161
- contractual	99	106

43. EVENTS AFTER THE BALANCE SHEET DATE

There are no reportable events after balance sheet date.

44. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on January 04, 2013 by the Board of Directors of the Company.

CHIEF EXECUTIVE DIRECTOR

PATTERN OF SHAREHOLDINGS

1 Incorporation Number
2 Name Of the Company BABA FARID SUGAR MILLS LIMITED
3 Pattern of holding of shares held by shareholders as at September 30, 2013

4 NO. OF SHAREHOLDERS	SHAREHOLDING FROM	To	TOTAL SHARES HELD
745	1	100	22,479
407	101	500	75,001
35	501	1,000	26,915
44	1,001	5,000	101,215
7	5,001	10,000	42,196
2	35,001	40,000	77,668
1	50,001	55,000	50,853
1	135,001	140,000	136,995
1	440,001	450,000	441,601
1	915,001	920,000	916,000
1	7,555,001	7,560,000	7,559,077
1,245			9,450,000

5 Categories of Shareholders	Shares Held	Percentage
5.1 Directors,Chief Executive Officers and their spouse and minor children	1,419,284	15.0189%
5.2 Associated Companies, undertakings and related parties	7,696,072	81.4399%
5.3 NIT and ICP	1,000	0.0106%
5.4 Bank Development Financial Institutions, Non Banking Financial Institutions	100	0.0011%
5.5 Insurance Companies	0	0.0000%
5.6 Modarabas and Mutual Funds	0	0.0000%
5.7 Share holders holding 10%	7,696,072	81.4399%
5.8 General Public		
a) Local	332,937	3.5231%
b) Foreign	0	0.0000%
5.9 Others (to be specified)		
Joint Stock Companies	607	0.0064%

6 Signature of Company Secretary	
7 Name Of Signatory	Muhammad Ibrahim Raza
8 Designation	Company Secretary
9 NIC Number	35201-8459576-7
10 Date	30-Sep-13

Categories Of Shareholding Required Under Code Of Corporate Governance (Ccs)
As On September 30, 2013

Sr. NO	Name	No. Of Shares Held	Percentage
Associated Companies, Undertakings and Related Parties (Names Wise Detail):			
Mutual Funds (Name Wise Detail)			-
Directors and their Spouse and Minor Children (Name wise Detail):			
1	Muhammad Sarwar (CEO)	47,593	0.5036
2	Mrs. Naheed Roohi	2,500	0.0265
3	Miss. Rafia Aslam	2,500	0.0265
4	M. Maqsood ul Hassan	441,601	4.6730
5	Muhammad Ashraf	2,500	0.0265
6	Mr. Shahid Mahmood Quershi	2,500	0.0265
7	Sayeed Qaissar Abbas Naqvi	4,090	0.0433
8	Muhammad Aslam H/O Mrs. Naheed Roohi	916,000	9.6931
Executives:			
Public Sector Companies & Corporations:			
Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:		100.00	0.0011
Shareholders holding five percent or more voting interest in the listed company (Name wise Detail)			
1	M/S Pattoki Sugar Mills LTD.	7,696,072	81.4399
2	Muhammad Aslam	916,000	9.6931

All traders in the share of the listed company, carried out by its Directors, Executives and their spouses and minor children shall be disclosed:

Sr. NO	Name	Sales	Purchase
1	Mr. Shahid Mahmood Quershi	-	2,500
2	Sayeed Qaissar Abbas Naqvi	-	4,090

FORM OF PROXY

"I/We, ______________________________ being member of Baba Farid Sugar Mills Limited, holder of ______________ ordinary Shares as per Share Register. Filo No.________ ands / or CDC participant I.D. No. _________ Account No________ hereby appoint ______________________ of _______________ who is also member of Baba Farid Sugar Mills Limited vide Folio No.________________________ or CDC participant I.D. No.________________ Account No.____________ or failing him / her ____________"

of__________ who is also member of Baba Farid Sugar Mills Limited vide Filo No.______

"or CDC participant I.D. No. ________________ Account No. ____________ as my /our proxy to attend, speak and vote for me / us and on my / our behalf at the Annual General meeting of the company to be held on 31st January, 2014 and at any adjournment thereof."

ou r handt h i s_ ___ ____ ______________ dayof _________ __ ______2014.

Signed by the said ____

in the presence of ____.

Signature on
Rs. 5/-
Revenue
Stamps

Notes:

1) "The Proxy is in order to be valid must be duly stamped, signed and witnessed and be deposited with the Company not later than 48 hours before the time of holding of meeting."
2) The proxy must be a member of the Company.
3) "Signature should agree with the specimen signature, registered with the Company."
4) "CDC Shareholders entitled to attend and vote at this meeting, must bring with them their National Identity Card / Passport in original to prove his / her identity, and in case of Proxy must enclose an attested copy of his/ her NIC or Passport."
5) Representative of corporate members should bring the usual documents required for such purpose.