

***FINANCIAL STATEMENTS
OF
ABDULLAH SHAH GHAZISUGAR
MILLS LIMITED
FOR THE YEAR ENDED
SEPTEMBER 30, 2014***

Director's Report

Dear Members

On behalf of the Board of Directors, It gives me pleasure to welcome you all to the Thirty first Annual General Meeting of the Company and present before you the Annual Report for The Financial Year ended September 30, 2014 along with Financial Statements and Auditor's Report thereon.

The operating results for the year under review are summarized below:

OPERATING RESULTS:

		2014	2013
Crushing Days	Days	127	82
Cane Crushed	Tons	249,886.963	217,538.902
Avg. Crushing Per day	Tons	1,967.614	2,652.913
Sucrose Recovery	%age	09.861	09.721
Sugar Produced	Tons	24,641.500	21,195.000
Molasses Recovery	%age	4.961	4.956

FUTURE OUTLOOK:

Sugar Industry has and is going through difficult times for the last few years, whereby the minimum support price of raw material has been significantly increased and market has not responded to the such increase.

The crushing season 2014-15 has already commenced. The sugar cane support price has however been increased from PKR 172.00/- per maunds to PKR 182/- per Maunds by the Sindh Government for the crushing season 2014-15. This will increase the cost of production further. With surplus sugar still available in the country and companies finding it difficult to offload the surplus stock in the country, Federal Government has recently allowed an export of 650,000/- Tons of sugar with a subsidy of PKR 10.00/- per Kg. The export measures so taken by the Federal Government has given some stability to the depressed sugar prices and the price has started to show some positive trend.

With Sugar sector still not out of difficult times, The Company management is now more focus on the measures to curb/ control costs by improving operational efficiency and reducing financial burden to perform better next season.

Corporate and Financial Reporting Framework:

The Directors are pleased to confirm compliance with corporate and financial reporting framework of the Securities and Exchange Commission of Pakistan and the Code of Corporate Governance for the following:

CORPORATE GOVERNANCE COMPLIANCE

The compliance with the best practices of Code of Corporate Governance provides comfort to the Board. Therefore, the management ensures that all requirements of the code of corporate governance are complied with. The statement of compliance with the best practices of Code of Corporate Governance is annexed.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

In compliance with the Code of Corporate Governance, we give below statements on Corporate and Financial Reporting Framework:

- The financial statements prepared by the management of the company present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
 - The company has maintained proper books of accounts as per statutory requirements.
 - Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
 - The International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
 - The system of internal control is sound in design and has been effectively implemented and monitored.
 - There are no significant doubts upon the company's ability to continue as a going concern.
 - There has been no departure from the best practices of corporate governance, as detailed in the listing regulations.
 - Key operating and financial data of last six years is annexed in summarized form.
 - Information about outstanding taxes and other government levies are given in related note(s) to the accounts.
 - The company operates an Unfunded gratuity scheme for all employees. The net value of investment in their respective accounts is given in related note(s) to the accounts.
 - All material information, as described in the Code is disseminated to the Stock Exchange and Securities and Exchange Commission of Pakistan in a timely fashion.
 - The Directors are aware of their fiduciary responsibilities.
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- The directors, CEO, CFO, Company Secretary and their spouses and minor children have made no trading in the company's share during the year. The number of shares, if any, held by them is annexed.

BOARD MEETINGS

During the year under review four (04) meetings of the Board of Directors were held. Participation of Directors is as follows: -

Directros' Names	Meetings Attended
RiazQadeer Butt	4
Muhammad Rashid Rana	4
Atif Butt	4
Muhammad Talib	4
YasirIqbal	4
Shoukat Ali Butt	4
Muhammad Nawaz	1

AUDIT COMMITTEE

The audit committee is performing its duties in the line with its terms of reference framed by the Company's Board of Directors.

HUMAN RESOURCES AND REMUNERATION COMMITTEE

The HR and Remuneration Committee comprises of three members. The Committee met once in a year.

PATTERN OF SHAREHOLDING

Pattern of shareholding as at September 30, 2014 is annexed.

AUDITORS

The present auditors, Faruq Ali & Company, Chattered Accountants, retire and offer themselves for reappointment for 2014-15. Audit Committee has also recommended them for reappointment.

APPRECIATION

The Board acknowledges with thanks the continued support and cooperation extended by the shareholders, bankers, sugarcane farmers and all other stakeholders. The Board also places on record its appreciation for employees of the Company for their devotion and hard work.

On behalf of Board of Directors

A handwritten signature in black ink, appearing to read 'Riaz Qadeer Butt', written over a horizontal line.

Riaz Qadeer Butt
(Chief Executive)

Karachi: February 02, 2015

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 **Abdullah Shah Ghazi Sugar Mills Limited** ('the Company') to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We 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.

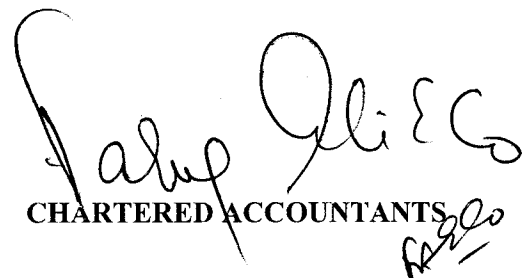
Further, listing regulations require the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transaction which are not executed at arm's length price recording proper justifications 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 under taken 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, 2014.

During the year under consideration a minimum of one director was required to acquire certification under directors' training program, which has not been complied with. (Point reference 9 of the statement).

Dated: **02 FEB 2015**
KARACHI:

Engagement partner: Fasih-uz-Zaman


CHARTERED ACCOUNTANTS
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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **ABDULLAH SHAH GHAZI SUGAR MILLS LIMITED** as at September 30, 2014 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 above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) A sum of Rs.411.595 million was reflected as long term loan from previous management (note 7.2 to the financial statements) which were pending being under discussion with the previous management for final settlement. Out of the total amount Rs.46.460 was reversed to income during the financial year ended September 30, 2005 and remaining amount of Rs.365.135 million has been written back during the current financial year. We have not been provided with information and explanation to ascertain the final outcome and basis on which the liabilities have been written back in the financial statements.
- b) In our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;
- c) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change as mentioned in note 4.2 with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- d) in our opinion and to the best of our information and according to the explanations given to us, except for the matter stated in paragraph (a) above, 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, 2014 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and
- e) In our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

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Without further qualifying our opinion we draw attention of the members to note 2 to the financial statements which indicates that as of September 30, 2014 Company has accumulated losses of Rs.595.159 million and as of that date its current liabilities exceeded its current assets by Rs.659.785 million. These condition indicate the existence of material uncertainty which may cast significant doubt about company's ability to continue as going concern. The figure of accumulated losses reported in said note does not include the effect of matter discussed in para (a) above.

Dated: 02 FEB 2015
Place: Karachi

Engagement partner: Fasih-uz-Zaman

Fasih uz Zaman
CHARTERED ACCOUNTANTS
Fasih uz Zaman

ABDULLAH SHAH GHAZI SUGAR MILLS LIMITED
BALANCE SHEET AS ON SEPTEMBER 30, 2014

	Notes	2014	2013 (Restated)	2012 (Restated)
<u>EQUITY AND LIABILITIES</u>				
SHARE CAPITAL AND RESERVES				
Authorized share capital 100,000,000 (2013:100,000,000) Ordinary shares of Rs. 10/- each		1,000,000,000	1,000,000,000	1,000,000,000
Issued, subscribed and paid-up capital	5	792,616,660	792,616,660	792,616,660
Accumulated loss		(595,159,449)	(697,068,689)	(634,794,090)
		197,457,211	95,547,971	157,822,570
Surplus on revaluation of property plant and equipments	6	574,721,669	608,649,931	644,802,353
NON-CURRENT LIABILITIES				
Long term loans - Unsecured	7	123,416,314	488,551,332	488,551,332
Retirement benefit obligations	8	5,319,134	3,551,396	2,885,465
Deferred taxation	9	345,615,509	320,632,412	331,192,594
CURRENT LIABILITIES				
Accrued markup		76,362,100	69,391,889	84,424,362
Trade and other payables	10	1,534,046,976	788,790,385	727,021,441
Short term borrowings	11	721,607,328	790,191,916	802,122,280
Provision for taxation - Net		6,484,468	--	--
		2,338,500,872	1,648,374,190	1,613,568,083
CONTINGENCIES AND COMMITMENTS				
	12	--	--	--
		<u>3,585,030,709</u>	<u>3,165,307,232</u>	<u>3,238,822,397</u>
<u>ASSETS</u>				
NON CURRENT ASSETS				
Property, plant and equipments	13	1,900,957,525	1,811,671,217	1,828,254,973
Long term deposits		5,357,065	5,376,065	5,315,865
CURRENT ASSETS				
Stores and spares		279,070,919	232,063,286	253,810,988
Stock in trade	14	1,228,947,846	1,015,679,872	1,059,361,285
Advances, deposits and prepayments	15	159,309,032	89,940,535	66,507,729
Advance income tax - Net		--	5,700,811	13,076,726
Cash and bank balances	16	11,388,322	4,875,446	12,494,831
		1,678,716,119	1,348,259,950	1,405,251,559
		<u>3,585,030,709</u>	<u>3,165,307,232</u>	<u>3,238,822,397</u>

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


CHIEF EXECUTIVE


DIRECTOR

ABDULLAH SHAH GHAZI SUGAR MILLS LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Notes	2014	2013 (Restated)
		RUPEES	
Sales - Net	17	1,057,295,114	1,277,459,371
Cost of sales	18	1,157,282,858	1,232,626,803
Gross (loss) / profit		<u>(99,987,744)</u>	<u>44,832,568</u>
OPERATING EXPENSES			
Administrative and general expenses	19	36,469,389	45,646,569
Distribution expenses	20	4,767,154	5,674,272
Workers' welfare fund		3,205,129	--
		<u>44,441,672</u>	<u>51,320,841</u>
Operating loss		<u>(144,429,416)</u>	<u>(6,488,273)</u>
Finance cost	21	107,768,210	105,009,089
Loss for the year		<u>(252,197,626)</u>	<u>(111,497,362)</u>
Other income	22	365,660,067	15,989,371
Profit / (loss) before taxation		<u>113,462,441</u>	<u>(95,507,991)</u>
Taxation			
- Current	23	(19,288,615)	(12,774,594)
- Deferred		(25,345,716)	10,546,355
- Prior		(143,226)	(663,951)
		<u>(44,777,557)</u>	<u>(2,892,190)</u>
Profit / (loss) after taxation		<u>68,684,884</u>	<u>(98,400,181)</u>
Earnings / (loss) per share - Basic and diluted	24	<u>0.87</u>	<u>(1.24)</u>

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

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CHIEF EXECUTIVE

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DIRECTOR

ABDULLAH SHAH GHAZI SUGAR MILLS LIMITED
STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED SEPTEMBER 30, 2014

	2014	2013 (Restated)
	RUPEES	
Profit / (loss) for the year	68,684,884	(98,400,181)
Other comprehensive income:		
Transfer from surplus on revaluation of fixed assets in respect of		
Incremental depreciation	51,406,457	54,776,397
Related deferred tax	(17,478,195)	(18,623,975)
	33,928,262	36,152,422
Remeasurement of net defined benefit liability	(1,066,525)	(40,667)
Related deferred tax	362,619	13,827
	(703,906)	(26,840)
Total comprehensive income for the year	101,909,240	(62,274,599)
Total comprehensive income for the year transferred to equity	101,909,240	(62,274,599)

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

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CHIEF EXECUTIVE


DIRECTOR

ABDULLAH SHAH GHAZI SUGAR MILLS LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2014

	2014	2013 (Restated)
	RUPEES	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	113,462,441	(95,507,991)
Adjustments for non cash and other items:		
Depreciation	89,409,701	94,241,175
Financial charges	107,768,210	105,009,089
Provision against doubtful receivable	--	20,831,910
Workers' welfare fund	3,205,129	--
Liabilities written back	(365,135,018)	--
Provision for gratuity	1,135,713	952,064
	(163,616,265)	221,034,238
Cash flow before working capital changes	(50,153,824)	125,526,247
Movement in working capital		
(Increase) / decrease in current assets		
Stores and spares	(47,007,633)	21,747,702
Stock in trade	(213,267,974)	43,681,413
Advances, deposits and prepayments	(69,368,497)	(44,264,716)
Increase / (decrease) in current liabilities		
Trade and other payables	738,165,118	57,223,994
	408,521,014	78,388,393
Cash generated from operations	358,367,190	203,914,640
Payments for:		
Taxes	7,246,562	6,062,630
Financial charges	96,911,655	115,496,612
Gratuity	434,500	326,800
	(104,592,717)	(121,886,042)
Net cash generated from operating activities	253,774,473	82,028,598
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditures	(178,696,009)	(77,657,419)
Long term deposit	19,000	(60,200)
Net cash (used in) investing activities	(178,677,009)	(77,717,619)
CASH FLOW FROM FINANCING ACTIVITIES		
Short term borrowings - Net	(68,584,588)	(11,930,364)
Net cash used from financing activities	(68,584,588)	(11,930,364)
Net increase / (decrease) in cash and cash equivalent	6,512,876	(7,619,385)
Cash and bank balances at the beginning of the year	4,875,446	12,494,831
Cash and bank balances at the end of the year	11,388,322	4,875,446

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


CHIEF EXECUTIVE


DIRECTOR

ABDULLAH SHAH GHAZI SUGAR MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Share capital	Accumulated Loss	Total
	RUPEES		
Balance as at October 01, 2012 - As reported	792,616,660	(635,650,383)	156,966,277
Effect of change in accounting policy (Note 4.2)	--	856,293	856,293
Balance as at October 01, 2012 - As restated	792,616,660	(634,794,090)	157,822,570
Total comprehensive income for the year			
Loss for the year - Restated	--	(98,400,181)	(98,400,181)
Transfer from surplus on revaluation of property, plant and equipments in respect of Incremental depreciation - Net of tax	--	36,152,422	36,152,422
Remeasurement of net defined benefit liability	--	(26,840)	(26,840)
	--	(62,274,599)	(62,274,599)
Balance as at September 30, 2013 - (Restated)	792,616,660	(697,068,689)	95,547,971
Total comprehensive income for the year			
Profit for the year	--	68,684,884	68,684,884
Transfer from surplus on revaluation of property, plant and equipments in respect of Incremental depreciation - Net of tax	--	33,928,262	33,928,262
Remeasurement of net defined benefit liability	--	(703,906)	(703,906)
	--	101,909,240	101,909,240
Balance as at September 30, 2014	792,616,660	(595,159,449)	197,457,211

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

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CHIEF EXECUTIVE


DIRECTOR

ABDULLAH SHAH GHAZI SUGAR MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014

1 STATUS AND NATURE OF BUSINESS

The Company was incorporated in Pakistan on February 25, 1984 as a Private Limited Company and was subsequently converted into a Public Limited Company on February 11, 1990. The Company is listed in Karachi and Lahore Stock Exchanges. The principal business of the Company is manufacturing and selling of refined sugar and by products. The Mill is located at Garho, Sindh. Name of parent company is M/s. Haq Bahu Sugar Mills (Private) Limited and registered office of the company is situated at 5, Nasim C.H.S., Major Nazir Bhatti Road, Off: Shaheed-e-Millat Road, Karachi.

2 GOING CONCERN ASSUMPTION

The financial statements of the company reflect that as of September 30, 2014 it has accumulated losses of Rs.595.159 million (2013: Rs.697.069 million) which have eroded its capital and its current liabilities exceeded its current assets by Rs.659.785 million (2013: Rs.300.114 million). These conditions indicate the existence of material uncertainty which may cast significant doubt about the company's ability to continue as going concern and therefore the company may not be able to realize its assets and discharge its liabilities in the normal course of business. However the financial statements have been prepared under going concern assumption as the conditions mentioned above are temporary and would reverse. The cost of production was high during the year under consideration, while sugar prices were showing declining trend. Despite of declining prices, the company's operating cash flows remained positive. Subsequent to balance sheet date, the prices are showing increasing trend, therefore company expect profitabilities in future. Hence the preparation of financial statements using the going concern assumption is justified.

3 STATEMENT OF COMPLIANCE

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

3.1 Amendments to published approved standards that are effective in current year and are relevant to the Company

The following amendments to published approved standards are mandatory for the Company's accounting periods beginning on or after 01 October 2013:

IFRS 7 (Amendment) 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 January 2013). The International Accounting Standards Board (IASB) has amended the accounting requirements and disclosures related to offsetting of financial assets and financial liabilities by issuing amendments to IAS 32 'Financial Instruments: Presentation' and IFRS 7. These amendments are the result of IASB and US Financial Accounting Standard Board undertaking a joint project to address the differences in their respective accounting standards regarding offsetting of financial instruments. The application of the amendments does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

On 17 May 2012, IASB issued Annual Improvements to IFRS: 2009 – 2011 Cycle, incorporating amendments to five IFRS more specifically in IAS 1 'Presentation of Financial Statements' and IAS32 'Financial instruments: Presentation' that are considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 October 2013. The application of the amendments does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

3.2 Standards, interpretation and amendments to published approved standards that are effective in current year but not relevant to the Company

There are other standards, new interpretation and amendments to published standards that are mandatory for accounting periods beginning on or after 01 October 2013 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

3.3 Standards, interpretation and amendments to published standards that are not yet effective but relevant to the Company

Following standards, interpretation and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 October 2014 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2018). A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 'Financial Instruments: Recognition and Measurement'. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. It introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when financial and non-financial risk exposures. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IFRS 13 'Fair value Measurement' (effective for annual periods beginning on or after 01 January 2015). 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, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. This standard is not expected to have a material impact on the Company's financial statements.

IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2017). IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are: identify the contract with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contracts; and recognize revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IAS 16 (Amendments) 'Property, Plant and Equipment' (effective for annual periods beginning on or after 01 January 2016). The amendments clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment; and add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset. However, the amendments are not expected to have a material impact on the company's financial statements.

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IAS 32 (Amendments) 'Financial Instruments: Presentation' (effective for annual periods beginning on or after 01 January 2014). Amendments have been made to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas: the meaning of 'currently has a legally enforceable right of set-off'; the application of simultaneous realization and settlement; the offsetting of collateral amounts and the unit of account for applying the offsetting requirements. However, the amendments are not expected to have a material impact on the Company's financial statements.

IAS 36 (Amendments) 'Impairment of Assets' (effective for annual periods beginning on or after 01 January 2014). Amendments have been made in IAS 36 to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. However, the amendments are not expected to have a material impact on the Company's financial statements.

On 12 December 2013, IASB issued Annual Improvements to IFRSs: 2010 – 2012 Cycle, incorporating amendments to seven IFRSs more specifically in IFRS 8 'Operating Segments', IFRS 13 'Fair Value Measurement' and IAS 16 'Property, Plant and Equipment', which are considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 October 2014. These amendments are unlikely to have a significant impact on the Company's financial statements and have therefore not been analyzed in detail.

On 12 December 2013, IASB issued Annual Improvements to IFRSs: 2011 – 2013 Cycle, incorporating amendments to four IFRSs more specifically in IFRS 13 'Fair Value Measurement', that is considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 October 2014. These amendments are unlikely to have a significant impact on the Company's financial statements and have therefore not been analyzed in detail.

IFRIC 21 'Levies' (effective for annual periods beginning on or after 01 January 2014). The interpretation provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and those where the timing and amount of the levy is certain. The interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. However, the interpretation is not expected to have a material impact on the Company's financial statements.

3.4 Standards and amendments to published approved standards that are not yet effective and not considered relevant to the Company

There are other standards and amendments to published approved standards that are mandatory for accounting periods beginning on or after 01 October 2014 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of preparation

These financial statements have been prepared under the "historical cost convention" except of certain classes of property, plant and equipments which are stated at revalued amount.

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

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are as follows:

- i) Provision for taxes
- ii) Estimation of residual values and useful lives of property, plant and equipment.
- iii) Revaluation of property, plant and equipment by independent revaluers.
- iv) Certain actuarial assumptions have been used for the determination of liability of staff retirement benefits.

4.2 Staff retirement benefits

The Company operates an un-funded gratuity scheme covering all employees eligible to the benefit. Provisions are made on the basis of actuarial recommendations. The actuarial valuations are carried out as at 30th September 2014 using the Projected Unit Credit Method, as required by International Accounting Standards (IAS-19).

The amount recognized in balance sheet represents the present value of the defined benefit obligation as on 30th September, 2014 as adjusted for unrecognized actuarial gains and losses.

The company has applied IAS 19 (as revised in 2011) retrospectively in accordance with IAS 8 "Accounting policies, Changes in Estimates and Errors". The change has resulted in an increase in Staff retirement benefits and deferred tax asset by amounts mentioned below.

The amendments in IAS 19 require the recognition of changes in defined benefit obligation and fair value of plan asset when they occur thus eliminating 'Corridor Approach' permitted under previous version of IAS 19 thus accelerating recognition of past service cost. All actuarial gains and losses are recognized immediately through 'Other Comprehensive Income'.

	September 30, 2013
Staff retirement benefit payable as previously reported	4,430,105
Effect of change in accounting policy	(878,709)
Staff retirement benefit payable- Restated (Note 8)	3,551,396

Net effect of change in accounting policy recognized opening balance of accumulated loss is Rs.0.879 million.

Further the change in accounting policy has resulted in recognition of experience adjustment of Rs.0.041 million in other comprehensive income for the year ended September 30, 2013.

4.3 Taxation

Current

The Company accounts for current taxation on the basis of taxable income, if any, at the current rate of taxation after taking into account the tax credits and rebates available, if any.

Deferred

Deferred tax is recognized on all major temporary differences between the carrying amounts for financial reporting purposes and the amount used for taxation purposes.

A deferred tax assets 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 reduced to the extent that it is no longer probable that the related tax benefits will be realized.

4.4 Property, plant and equipment

Operating fixed assets are stated at cost less accumulated depreciation and impairment loss, if any, except certain classes of property, plant and equipment as stated in note 13.3, which are stated at revalued amounts less accumulated depreciation and impairment loss, if any. Free hold land is stated at revalued amount. Depreciation is charged to current year's profit and loss account by applying reducing balance method over estimated useful life at the rates specified in note of property, plant and equipment.

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

Incremental depreciation charged for the period on revalued assets is transferred (net of tax) from surplus on revaluation of fixed assets to retained earnings / (accumulated losses).

Minor renewals, replacements, maintenance, repairs and profit and loss on disposal of fixed assets are included in current year's profit and loss account.

Major renewals and improvements are capitalized.

All expenditures connected with specific assets and incurred during development, installation and construction period are carried as capital work in progress. These are transferred to the specific asset as and when these assets are available for commercial or intended use.

4.5 Stores and spares

These are valued at lower of moving average cost and net realizable value.

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

4.6 Stock in trade

These are valued at lover of cost and net realizable value. The cost is determined as follows:

Raw materials : Average cost
Goods in transi : Cost comprising invoice value plus other charges incurred thereon.
Work in proces : Average cost
Finished goods : Average cost
Molasses : Contracted price / net realizable value

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

4.7 Revenue recognition

Revenue from sales is recognized on dispatch of goods to the customers.



4.8 Borrowing cost

Borrowing Cost incurred on finance obtained for the construction of qualifying assets are capitalized up to the date the respective assets are available for the intended use. All other mark up interest and other related charges are taken to Profit and Loss account.

4.9 Impairment

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is an indication of impairment loss. Any impairment loss arising is recognized as expense in the profit and loss account.

4.10 Provisions

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

4.11 Foreign currency translation

Assets and liabilities in foreign currencies are translated into rupees at the rate of exchange prevailing at the balance sheet date except for the liabilities covered under forward exchange contracts which are translated at the contracted rates. Transaction in foreign currencies are converted into rupees at the rate of ruling on the date of transactions.

4.12 Trade debts

Bad debts are written off and provision is made for debts considered doubtful.

4.13 Financial instruments

Financial assets

Financial assets are loans advances, deposits, trade debts, other receivable and cash and banks. These are initially recognized at its cost which represent fair value of consideration given for it and subsequent to initial recognition financial assets are carried at cost, if fair value is not materially different at the balance sheet date.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual agreements entered into. Significant financial liabilities are long term loans, trade and other payables.

All financial liabilities are initially recognized at cost, which represents fair value of the consideration received at initial recognition. After initial recognition financial liabilities held for trading are carried at fair value and all other financial liabilities are measure at amortized cost.

4.14 Trade and other payables

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

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4.15 Ijarah

Ijarah payments under an Ijarah are recognized as an expense in the profit and loss account on a straight-line basis over the Ijarah term.

4.16 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at nominal amounts. For the purpose of the cash flow statement, cash and cash equivalents comprises cash in hand and balance with banks in current accounts.

4.17 Loans and advances

Loans and advances are recorded at cost. The irrecoverable loans and advances are written off, provision is made against loans and advances considered doubtful.

4.18 Long term and short term borrowings

These are recorded at the proceeds received. Financial charges relating to borrowings are recorded on accrual basis.

4.19 Dividends

Dividend distribution to the company's shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved.

4.20 Transactions with related parties

Transactions with related parties are priced at an arm's length basis. Prices for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods sold or services rendered in an economically comparable market to a buyer unrelated to the seller.

4.21 Off setting of financial assets and liabilities

A financial asset and a financial liability are offset and the net amount is reported in the balance sheet if the company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

	2014	2013
	RUPEES	
5 ISSUED, SUBSCRIBED AND PAID UP CAPITAL		
79,261,666 (2013: 79,261,666) Ordinary shares of Rs.10/- each fully paid in cash	<u>79,261,660</u>	<u>79,261,660</u>
5.1 77,691,800 (2013:77,691,800) shares are held by Haq Bahu Sugar Mills (Private) Limited (holding company) representing 98.02% (2013 : 98.02%) shareholding in the company.		

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2014 2013

RUPEES

**6 SURPLUS ON REVALUATION OF
PROPERTY, PLANT AND EQUIPMENTS**

Opening balance	608,649,931	644,802,353
Transfer to accumulated loss in respect of incremental depreciation charged during the year - Net of tax	(33,928,262)	(36,152,422)
	<u>574,721,669</u>	<u>608,649,931</u>

The following fixed assets owned by the company were revalued on September 30, 2012 . The revaluation of assets carried out by independent valuer M/s. Empire Enterprises (pvt) Limited, using prevailing market value being the basis of revaluation. The surplus arising from revaluation is Rs. 985.156 million. The closing balance of surplus on revaluation of fixed assets is not available for distribution to shareholders.

Particulars	W.D.V. of assets before revaluation	Revalued amount	Revaluation surplus
	RUPEES		
Land free hold	8,278,125	9,364,025	1,085,900
Experimental land	10,500,000	11,917,850	1,417,850
Building on free hold land:			
- Factory	98,749,735	121,968,300	23,218,565
- Non factory	38,197,724	43,202,500	5,004,776
Plant and machinery	1,395,571,133	2,350,000,000	954,428,867
	<u>1,551,296,717</u>	<u>2,536,452,675</u>	<u>985,155,958</u>

2014 2013

RUPEES

7 LONG TERM LOANS - Unsecured

Subordinated sponsors' loan	7.1	123,416,314	123,416,314
Others - Interest free	7.2	--	365,135,018
		<u>123,416,314</u>	<u>488,551,332</u>

7.1 Subordinated sponsors' loan

The loan has been advanced by M/s. Haq Bahu Sugar Mills (Pvt.) Ltd which carries markup @ six months KIBOR plus 1% (2013: @ six months KIBOR plus 4%) payable half yearly. Since the loan will not be repayable within next twelve months therefore the same has been classified as long term liability. The loan is subordinated to the short term finance facility obtained by the company.

7.2 Others - Interest free

These loans related to previous management are no more payable hence written back in the financial statements during the year.

		2014	2013
		RUPEES	
8 RETIREMENT BENEFIT OBLIGATIONS			
Balance sheet liability		3,551,396	2,885,465
Remeasurements chargeable in other comprehensive income		1,066,525	40,667
Expenses chargeable to profit and loss account	8.1	1,135,713	952,064
Benefits paid		(434,500)	(326,800)
		<u>5,319,134</u>	<u>3,551,396</u>

8.1 Amount charged to profit and loss account

Current service cost	752,286	620,236
Interest cost on defined benefit obligation	383,427	331,828
Total amount chargeable to profit and loss account	<u>1,135,713</u>	<u>952,064</u>

8.2 Significant actuarial assumptions

	2014	2013
Discount rate used for interest cost in profit and loss account charge	11.50%	11.50%
Discount rate used for year end obligation	13.50%	11.50%
Salary increase used for year end obligation	12.50%	10.50%
Net salary is increased at	1-Jan-15	1-Apr-14
Mortality rates	SLIC 2001-2005	EFU 61-66
Withdrawal rates	Age-Based	Age-Based
Retirement assumption	Age 60	Age 60

8.3 Allocation

	2014	2013
	RUPEES	
Total retirement benefits costs are included in salaries and benefits and allocated as follows:		
Cost of sales	647,428	447,470
Administrative and general expenses	488,285	504,594
	<u>1,135,713</u>	<u>952,064</u>

8.4 Year end sensitivity analysis (\pm 100 bps) on defined benefit obligation

Discount rate + 100 BPS	4,973,540	4,040,939
Discount rate - 100 BPS	5,722,039	4,649,085
Salary Increase + 100 BPS	5,733,646	4,658,515
Salary Increase - 100 BPS	4,957,266	4,027,717

The average duration of the defined benefit obligation is 7 years.

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2014 2013

RUPEES

9 DEFERRED TAXATION

Deferred tax liability arising due to

accelerated tax depreciation	122,185,647	119,042,848
revaluation - Net of related depreciation	303,154,217	320,632,412

Deferred tax assets arising out of

staff gratuity	(1,808,506)	(1,506,236)
available tax losses and credits	(77,915,849)	(134,841,215)

	<u>345,615,509</u>	<u>303,327,809</u>
Asset not recognized	--	17,304,603
	<u><u>345,615,509</u></u>	<u><u>320,632,412</u></u>

10 TRADE AND OTHER PAYABLES

Creditors for goods and services		479,163,866	106,220,188
Advance from customers		992,578,856	635,962,248
Accrued liabilities		12,444,553	8,181,745
Deposits		39,076	39,076
Road cess		1,637,677	1,637,673
Income tax payable		2,571,951	2,178,158
Workers' profit participation fund	10.1	36,819,488	32,933,144
Workers' welfare fund	10.2	4,616,856	1,411,727
Sales tax payable		811,644	43,905
Other liabilities		3,363,009	182,521
		<u>1,534,046,976</u>	<u>788,790,385</u>

10.1 Workers' profit participation fund

Opening balance	32,933,144	28,388,194
Interest provided for the year	3,886,344	4,544,950
	<u>36,819,488</u>	<u>32,933,144</u>

10.2 Workers' welfare fund

Opening balance	1,411,727	1,411,727
Provision for the year	3,205,129	--
	<u>4,616,856</u>	<u>1,411,727</u>

11 SHORT TERM BORROWINGS

Short term finances from banks - Secured	11.1	702,634,328	790,191,916
Loan from others - Unsecured, interest free	11.3	18,973,000	--
		<u>721,607,328</u>	<u>790,191,916</u>

11.1 During the year company has obtained various short term borrowings facilities from various banks for working capital requirements against the available limit of Rs.1,037.240 million (2013: Rs.1,426.000) million. These facilities carries markup @ ranging from three to six months KIBOR plus 2.25% to 4% (2013: @ ranging from three to six months KIBOR plus 2.25% to 4%) payable quarterly in arrears. These facilities are secured on all present & future fixed assets of the company, pledge of refined sugar stock and personal guarantees of directors.

for All,

11.2 The facilities amounting to Rs.334.606 million (2013: Rs. 635.808 million) from the banks remained un-availed at the balance sheet date.

11.3 This loan is interest free and unsecured and is payable with the mutual consent.

12 CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

Guarantees issued by commercial bank on behalf of the company amounting to Rs.49.809 million (2013: Rs.49.809) million.

12.2 Commitments

- a) As of reporting date company had unlifted sugar stock having value of Rs.992.579 million (2013: Rs.638.898 million).
- b) The Company has entered into Ijarah agreements for Rs.32.218 million (2013: Rs.32.218 million) with various banks to acquire plant and machinery and vehicles. The rentals under these agreements are payable monthly up to October 2017 carrying profit rates ranging from three and six month kibar plus 1.23% to 1.61% per annum (2013: 1.23% to 1.61% per annum) per annum. The total of future Ijarah payments are as under:

	2014	2013
	RUPEES	
Less than one year	5,185,398	8,235,450
Within one to five years	2,952,800	8,138,198

13 PROPERTY, PLANT AND EQUIPMENTS

Operating fixed assets - At cost less accumulated depreciation	13.1	1,545,335,662	1,628,827,757
Capital work in progress - At cost	13.4	355,621,863	182,843,460
		<u>1,900,957,525</u>	<u>1,811,671,217</u>

13.1 Operating fixed assets - At cost less accumulated-depreciation

Particulars	2014							Book value As at September 30, 2014
	Cost / Revaluation			Rate %	Depreciation			
	As at October 01, 2013	Additions	As at September 30, 2014		As at October 01, 2013	For the year	As at September 30, 2014	
RUPEES				RUPEES				
<i>Owned</i>								
Land free hold	8,278,125	--	8,278,125	--	--	--	--	8,278,125
Experimental land	10,500,000	--	10,500,000	--	--	--	--	10,500,000
Building on free hold land:								
- Factory	206,614,715	--	206,614,715	10	99,858,245	10,675,647	110,533,892	96,080,823
- Non factory	87,196,849	3,652,617	90,849,466	10	49,653,349	4,028,296	53,681,645	37,167,821
Plant and machinery	1,879,029,900	353,600	1,879,383,500	5	429,448,650	72,487,903	501,936,553	1,377,446,947
Electric installations	12,529,128	--	12,529,128	10	11,387,292	114,184	11,501,476	1,027,652
Tools and equipment	3,334,737	85,640	3,420,377	10	2,464,700	95,568	2,560,268	860,109
Telephone installation	1,030,151	--	1,030,151	10	873,866	15,629	889,495	140,656
Electric equipment	6,580,303	232,950	6,813,253	10	4,848,040	185,710	5,033,750	1,779,503
Furniture and fixture	7,213,595	268,049	7,481,644	10	5,777,556	162,605	5,940,161	1,541,483
Office equipment	4,196,488	205,020	4,401,508	10	1,049,828	333,868	1,383,696	3,017,812
Arms and ammunitions	453,677	--	453,677	10	325,551	12,813	338,364	115,313
Tents and tarpaulins	2,327,660	839,500	3,167,160	10	644,580	227,419	871,999	2,295,161
Computers	3,146,964	50,230	3,197,194	10	1,726,768	145,607	1,872,375	1,324,819
Vehicles	11,164,565	230,000	11,394,565	20	6,718,941	923,625	7,642,566	3,751,999
Scales and weighbridges	14,000	--	14,000	10	5,734	827	6,561	7,439
TOTAL	2,243,610,857	5,917,606	2,249,528,463		614,783,100	89,409,701	704,192,801	1,545,335,662

2013								
Particulars	Cost / Revaluation			Rate %	Depreciation			Book value As at September 30, 2013
	As at October 01, 2012	Additions	As at September 30, 2013		As at October 01, 2012	For the year	As at September 30, 2013	
	RUPEES				RUPEES			
<i>Owned</i>								
Land free hold	8,278,125	--	8,278,125	--	--	--	8,278,125	
Experimental land	10,500,000	--	10,500,000	--	--	--	10,500,000	
Building on free hold land:								
- Factory	206,614,715	--	206,614,715	10	87,996,415	11,861,830	106,756,470	
- Non factory	87,196,849	--	87,196,849	10	45,481,849	4,171,500	37,543,500	
Plant and machinery	1,879,029,900	--	1,879,029,900	5	353,154,900	76,293,750	1,449,581,250	
Electric installations	12,529,128	--	12,529,128	10	11,260,421	126,871	1,141,836	
Tools and equipment	3,334,737	--	3,334,737	10	2,368,029	96,671	870,037	
Telephone installation	1,030,151	--	1,030,151	10	856,501	17,365	156,285	
Electric equipment	6,505,303	75,000	6,580,303	10	4,660,233	187,807	1,732,263	
Furniture and fixture	7,173,995	39,600	7,213,595	10	5,619,124	158,432	1,436,039	
Office equipment	1,164,098	3,032,390	4,196,488	10	899,346	150,482	3,146,660	
Arms and ammunitions	453,677	--	453,677	10	311,315	14,236	128,126	
Tents and tarpaulins	1,619,325	708,335	2,327,660	10	477,037	167,543	1,683,080	
Computers	2,762,846	384,118	3,146,964	10	1,577,816	148,952	1,420,196	
Vehicles	8,859,134	2,305,431	11,164,565	20	5,874,124	844,817	4,445,624	
Scales and weighbridges	14,000	--	14,000	10	4,815	919	8,266	
TOTAL	2,237,065,983	6,544,874	2,243,610,857		520,541,925	94,241,175	614,783,100	1,628,827,757

2014 2013
RUPEES

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

- Cost of goods manufactured	83,601,548	88,547,584
- Administration expenses	5,808,153	5,693,591
	<u>89,409,701</u>	<u>94,241,175</u>

13.3 Had there been no revaluation the carrying amount of revalued assets would have been as follows :

Land free hold	2,877,388	2,877,388
Experimental land	1,145,920	1,145,920
Building on free hold land:		
- Factory	24,107,576	26,786,196
- Non Factory	6,896,490	3,908,688
Plant and Machinery	616,567,279	648,655,284
	<u>651,594,653</u>	<u>683,373,476</u>

13.4 Capital work in progress - At cost

Opening balance	182,843,460	111,730,915
Add: Additions during the year	172,778,403	71,112,545
	13.4.1 <u>355,621,863</u>	<u>182,843,460</u>

13.4.1 Breakup is as follows

Plant and machinery	339,726,458	168,081,225
Civil works	15,895,405	14,762,235
	<u>355,621,863</u>	<u>182,843,460</u>

13.4.2 Additions to capital work in progress includes amount of Rs.10.957 million (2013: Rs. 6.429 million) borrowing cost capitalized during the year using average borrowing rate of 15.68% (2013: 14.943%) per annum.

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2013

RUPEES

14 STOCK IN TRADE

Work in process		2,218,671	4,553,615
Finished goods	14.1	1,226,729,175	1,011,126,257
		<u>1,228,947,846</u>	<u>1,015,679,872</u>

14.1 Finished goods stock valuing Rs.591.302 million (2013: Rs.749.409 million) were pledged as security for the finances obtained from commercial banks.

14.2 Finished goods stock has been written down to net realizable value by Rs.90.657 million (2013: 32.242 million).

15 ADVANCES, DEPOSITS AND PREPAYMENTS

Advances - Unsecured, considered good

Growers		65,331,346	12,905,878
Contractors		2,651,087	12,586,667
Suppliers		17,533,362	9,636,896
Employees		440,371	262,036
For expenses	15.1	15,791,668	12,440,001
Export rebate receivable		15,815,000	15,295,000
		117,562,834	63,126,478
Deposits:			
Excise duty	15.2	20,831,910	20,831,910
Margin on bank guarantees		38,614,926	24,137,005
Prepayments		142,396	440,890
Sales tax receivable		2,988,876	2,236,162
		<u>180,140,942</u>	<u>110,772,445</u>
Provision against excise duty deposit		(20,831,910)	(20,831,910)
		<u>159,309,032</u>	<u>89,940,535</u>

15.1 It includes advances to executives amounting to Rs. 11.077 million (2013: Rs.10.667 million) and maximum amount due at the end of any month was Rs.11.077 million (2013: Rs.10.667 million)

15.2 This represents the amount of excise duty deposited in 1991-92 under protest with collector of custom and central excise, Hyderabad on account of rebate of excise duty earlier claimed as per the incentive given by the government. The Hon'able High Court of Sindh has decided the case in favour of Collector of Customs. The company has filed an appeal in Supreme Court of Pakistan which is pending for hearing. The management of the company expects favourable outcome. However, as a matter of prudence company has made provision there against in these financial statements.

16 CASH AND BANK BALANCES

Cash in hand		83,285	184,719
Cash with banks			
- In current accounts		11,250,104	4,638,945
- In saving account		54,933	51,782
		<u>11,388,322</u>	<u>4,875,446</u>

2014

2013

RUPEES

17 SALES - Net

Gross local sales		
Sugar	998,424,001	740,912,121
Molasses	106,479,486	133,257,733
Export sales - Sugar	23,567,440	430,411,478
Total gross sales	<u>1,128,470,927</u>	<u>1,304,581,332</u>
Less Sales tax and federal excise duty	(71,175,813)	(27,121,961)
Sales - Net	<u><u>1,057,295,114</u></u>	<u><u>1,277,459,371</u></u>

18 COST OF SALES

Cost of sugar cane		1,096,558,109	934,471,656
Stores and spares consumed		26,396,479	16,367,085
Oil and lubricants consumed		6,571,089	4,848,291
Packing material consumed		13,892,010	11,509,959
Chemical consumed		9,183,570	8,334,042
Salaries, wages and benefits		90,383,602	79,653,185
Water, fuel and power		17,017,965	18,737,187
Vehicle running and maintenance		4,181,235	4,865,883
Freight, handling and octroi		2,060,248	3,917,494
Insurance		2,287,325	2,226,300
Ijara rentals		5,925,668	6,100,104
Depreciation	13.2	83,601,548	88,547,584
Others		12,491,984	9,366,620
		<u>1,370,550,832</u>	<u>1,188,945,390</u>
Add: Work in process - Opening		4,553,615	4,085,216
Less: Work in process - Closing		(2,218,671)	(4,553,615)
Cost of goods manufactured		<u>1,372,885,776</u>	<u>1,188,476,991</u>
Add: Finished good - Opening		1,011,126,257	1,055,276,069
Less: Finished good - Closing		(1,226,729,175)	(1,011,126,257)
		<u><u>1,157,282,858</u></u>	<u><u>1,232,626,803</u></u>

File

19 ADMINISTRATIVE AND GENERAL EXPENSES

Salaries, bonus and allowances		13,041,295	4,146,767
Fees, subscription and renewals		4,247,916	3,349,498
Vehicle running and maintenance		1,707,828	1,987,474
Legal and professional charges		1,500,000	134,146
Printing and stationery		352,128	382,083
Insurance		129,319	25,221
Travelling, conveyance and entertainment		2,211,055	2,212,912
Rent, rates and taxes		323,755	402,650
Repairs and maintenance		6,010	33,780
Telephone and telex		20,765	86,662
Electricity		30,004	70,453
Auditors remuneration	19.1	866,400	860,000
Depreciation	13.2	5,808,153	5,693,591
Others		3,831,545	3,469,140
Ijarah rentals		2,045,452	1,923,400
Entertainment		34,779	36,882
Sales tax payments		273,585	--
Provision against excise duty deposit		--	20,831,910
Advances and deposits written off		39,400	--
		<u>36,469,389</u>	<u>45,646,569</u>

19.1 Auditors' remuneration

Annual audit fee		600,000	600,000
Review of code of corporate governance		100,000	100,000
Half year review		100,000	100,000
Cost audit fee		66,400	60,000
		<u>866,400</u>	<u>860,000</u>

20 DISTRIBUTION EXPENSES

Loading and unloading charges		681,201	761,449
Stacking and re-stacking charges		590,948	1,626,091
Transportation charges		453,096	396,715
Numbering charges		59,470	55,468
Re loading charges		324,610	249,622
Service charges		36,169	648,077
Export development surcharge		67,010	1,088,791
Brokerage and commission		271,931	848,059
Carriage and freight		744,360	--
Miscellaneous expenses		122,639	--
Sugar claim		1,415,720	--
		<u>4,767,154</u>	<u>5,674,272</u>

2014 2013

RUPEES

21 FINANCE COST

Mark up on short term borrowings	99,591,567	103,355,194
Mark up on subordinated sponsors' loan	13,810,286	--
Markup on WPPF	3,886,344	4,544,950
Bank charges and commission	1,436,703	3,183,729
Exchange loss	--	353,755
	<u>118,724,900</u>	<u>111,437,628</u>
Less: borrowing cost capitalized	(10,956,690)	(6,428,539)
	<u>107,768,210</u>	<u>105,009,089</u>

22 OTHER INCOME

Scrap sales	--	688,017
Profit on deposit account	5,049	6,354
Rebate on export sales	22.1 520,000	15,295,000
Liabilities written back	7.2 365,135,018	--
	<u>365,660,067</u>	<u>15,989,371</u>

22.1 This represents rebate receivable from Trade Development Authority of Pakistan @ Rs.1.75/- per kg on the quantity exported.

23 TAXATION

Current

The assessment of the company deemed to have been finalized upto tax year 2013.

23.1 Relationship between tax expense and accounting profit

Accounting profit for the year	113,462,441	(95,507,991)
Applicable tax rate	34%	34%
Tax on accounting profit	38,577,230	(32,472,717)
Tax effect of expenses that are not deductible in determining taxable profit	31,875,185	33,266,025
Tax effect of expenses that are deductible in determining taxable profit	(15,965,225)	(23,628,946)
Tax effect loss related to presumptive tax regime	(1,214,537)	7,701,186
Adjustment of brought forward losses	(53,272,653)	15,134,452
Tax refundable under normal rules	<u>--</u>	<u>--</u>
Tax payable under normal rules	NIL	NIL
Minimum tax liability U/s. 113 - C (2013: U/s 113)	<u>19,288,615</u>	<u>12,774,594</u>

2014 2013

RUPEES

24 EARNINGS / (LOSS) PER SHARE - Basic and diluted

There is no dilutive effect on basic earnings / (loss) per share of the company, which is based on:

Profit / (loss) after taxation 68,684,884 (98,400,181)

NUMBER OF SHARES

Weighted average number of ordinary shares 79,261,666 79,261,666

RUPEES

Earnings / (loss) per share - Basic and diluted 0.87 (1.24)

25 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the accounts for remuneration, including all benefits, to the Chief Executive, Directors and Executives of the Company was as follows:

Particulars	2014				2013			
	Chief Executive	Director	Executive	Total	Chief Executive	Director	Executive	Total
Remuneration	--	300,000	11,404,000	11,704,000	--	225,000	10,372,000	10,597,000
Perquisites and other benefits	--	--	--	--	--	--	--	--
Total rupees	<u>--</u>	<u>300,000</u>	<u>11,404,000</u>	<u>11,704,000</u>	<u>--</u>	<u>225,000</u>	<u>10,372,000</u>	<u>10,597,000</u>
No. of persons	<u>--</u>	<u>1</u>	<u>4</u>	<u>5</u>	<u>--</u>	<u>1</u>	<u>3</u>	<u>4</u>

26 TRANSACTION WITH RELATED PARTIES

The related parties comprise associated undertakings, directors, Haq Bahu Sugar Mills (Private) Limited (holding company) and key management personnel. Remuneration and benefits to the chief executive, directors and key management personnel under terms of their employment are disclosed in note 25 to the financial statements. Markup expense on subordinated loan is Rs.13.810 million (2013: markup of Rs.16.717 million was waived by the holding company).

2014 2013

NUMBERS

27 NUMBER OF EMPLOYEES

Number of employees at June 30

Regular 64 66
Contractual 471 462

Average number of employees during the year

Regular 64 66
Contractual 479 453

28 CAPACITY AND PRODUCTION

Year	No. of days Mill Operated	Crushing Capacity		Actual Crushing M. Ton
		M. Ton per day	Total Crushing on the basis of No. of days Mill Operated M.T on	
2014	127	4,000	508,000	249,887
2013	82	4,000	328,000	217,539

Reason for shortfall:

Under utilization of production capacity is due to scarcity of sugarcane in sindh.

29 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The company is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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

29.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The company's credit risk is primary attributable to its receivables and balances with banks.

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

	2014	2013
	RUPEES	
Deposits, loans and other receivables	90,872,860	40,505,506
Bank balances	11,250,104	4,638,945
	102,122,964	45,144,451

The company manages credit risk of receivables through the monitoring of credit exposures and continuous assessment of credit worthiness of its customers. The company believes that it is not exposed to any major concentration of credit risk as it operates in an essential products industry, its customers are credit worthy and dealing banks posses good credit ratings.

FAZCO

Name of Bank	Rating Agency	Rating	
		Short term	Long term
MCB Bank Limited	PACRA	A-1+	AAA
Bank Alfalah Limited	PACRA	A-1+	AA
National Bank of Pakistan	JCR-VIS	A-1+	AAA
Allied Bank Limited	PACRA	A-1+	AA+
Soneri Bank Limited	PACRA	A-1+	AA-
Meezan Bank Limited	JCR-VIS	A-1+	AA
Habib Metropolitan Bank Limited	PACRA	A-1+	AA+
Silk Bank Limited	JCR-VIS	A-2	A-
United Bank Limited	JCR-VIS	A-1+	AA+
Bank Islami Pakistan Limited	PACRA	A-1	A
Burj Bank Limited	JCR-VIS	A-1	A
Summit Bank Limited	JCR-VIS	A-3	A-
Askari Bank Limited	PACRA	A-1+	AA
Sindh Bank Limited	JCR-VIS	A-1+	AA-
Habib Bank Limited	JCR-VIS	A-1+	AAA
JS Bank Limited	PACRA	A-1	A+

29.2 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements. The following are the contractual maturities of the financial liabilities, including estimated markups:

	Carrying Amounts	Contractual Cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
RUPEES						
2014						
Financial liabilities						
Long term loans	123,416,314	164,847,171	6,848,388	6,924,061	13,848,122	137,226,600
Short term borrowings	721,607,328	787,375,637	787,375,637	--	--	--
Accrued markup	76,362,100	76,362,100	76,362,100	--	--	--
Trade and other payables	541,468,120	541,468,120	541,468,120	--	--	--
	<u>1,462,853,862</u>	<u>1,570,053,028</u>	<u>1,412,054,245</u>	<u>6,924,061</u>	<u>13,848,122</u>	<u>137,226,600</u>
2013						
Financial liabilities						
Long term loans	488,551,332	538,571,964	8,268,251	8,359,612	16,673,544	505,270,557
Short term borrowings	790,191,916	840,126,466	840,126,466	--	--	--
Accrued markup	69,391,889	69,391,889	69,391,889	--	--	--
Trade and other payables	788,790,385	788,790,385	788,790,385	--	--	--
	<u>2,136,925,522</u>	<u>2,236,880,705</u>	<u>1,706,576,991</u>	<u>8,359,612</u>	<u>16,673,544</u>	<u>505,270,557</u>

All the financial liabilities of the company are non derivative financial liabilities. The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup rates effect as at September 30.

29.3 Market risk

Market risk is a risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of financial instruments. The company's financial instruments are in its functional currency therefore it is not exposed to currency risk, however the company's exposure to interest rate risk is as follows:

Interest rate risk

Interest rate risk is the risk that the value of financial instrument will fluctuate due to changes in market interest rates. The company's exposure to the risk of changes in interest rates relates primarily to the following:

	2014	2013
	RUPEES	
<u>Variable rate instruments at carrying amounts:</u>		
Financial liabilities		
Long term loan	123,416,314	123,416,314
Short term borrowings	721,607,328	790,191,916
	<u>845,023,642</u>	<u>913,608,230</u>
 Interest bearing financial assets:		
Bank Balances in deposit / saving accounts	<u>54,933</u>	<u>51,782</u>

Fair value sensitivity analysis for fixed rate instruments:

The company does not account for any fixed rate financial assets at fair value through profit or loss, therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments:

A change of 100 basis points in interest rates at the reporting date would have increased / decreased loss / profit for the year by the amounts shown below:

Effect on loss / profit due to change of 100 BPs

Increase	<u>7,484,336</u>	<u>7,978,947</u>
Decrease	<u>7,484,336</u>	<u>7,978,947</u>

29.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction. The carrying values of financial instruments reflected in these financial statements approximate their fair values.

29.5 Capital risk management

The company's prime objective when managing capital is to safe guard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

30 CORRESPONDING FIGURES

The corresponding figures have been rearranged and reclassified for the purpose of comparison and better presentation. These reclassifications represent retrospective restatements due to change in accounting policy as disclosed in note 4.2 to the financial statements, and markup payable to holding company amounting to Rs.43.042 million has been reclassified from non current liabilities to accrued markup under current liabilities for appropriate presentation.

31 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were approved by the board of directors and authorized for issue on _____.

32 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Pakistani Rupees, which is the Company's functional currency. All financial information presented in Rupees been rounded to nearest rupee.


CHIEF EXECUTIVE


DIRECTOR

FA 2/10