ABDULLAH SHAH GHAZI SUGAR MILLS LIMITED

35TH ANNUAL REPORT 2018

ABDULLAH SHAH GHAZI SUGAR MILL LIMITED

CORPORATE INFORMATION

BOARD DIRECTORS

Muhammad Irshad Butt
(Director/Chief Exective)
Muhammad Nawaz
Muhammad Rashid Rana
Atif Butt
Muhammad Talib
Yasir Iqbal
Muhammad Dawood

AUDIT COMMITTEE

Muhammad Irshad Butt (Director)
Muhammad Talib (Member)
Muhammad Dawood (Member)

CHIEF FINANCIAL OFFICER

Sohail Azam Khan

COMPANY SECRETARY

Saleem Abbas

INTERNAL AUDITORS

Riaz Ahmed, Saqib, Gohar and Company
Chartered Accountants

AUDITORS

Kaleem & Company
Chartered Accountants

REGISTRAR

Central Dipository Company of Pakistan Limited,
CDC House, 99-B, BLOCK-B, S.M.C.H.S.,
Main Shahrah-e-Faisal, Karachi, Pakistan.

REGISTERED OFFICE

7/10, A-2 Arkay Square
Shahrah-e-Liaqat, New Challi, Karachi.

MILLS

Abdullah Shah Ghaziabad, Garho,
District Thatta, Sindh

Bankers

Bank islami Pakistan Limited
Summit Bank Limited
Bank Al-Falah Limited
Silk Bank Limited
MCB bank Limited
Meezan Bank Limited
Habib Metroplotian Bank Limited
United Bank Limited
Allied Bank Limited

Web Presence:
www.asgsml.co

ABDULLAH SHAH GHAZI SUGAR MILLS LIMITED

Mission Statement

To be the premier sugar and allied product's manufacturer while providing our clients with flexibility, on-time delivery, and consistent quality and to achieve sustainable and equitable expansion and growth through efficient and effective resources and at the same time developing a Corporate business environment most suited to all the employees and people Concerned.

Vision Statement

To transform the Company into a market leader for the Quality Sugar Manufacturing, while keeping our focus on the growing customer base, be characterized by a high degree of professionalism and is accountable for the successful fulfillment of the company's mission, and to play a meaningful role in the economy of Pakistan

ABDULLAH SHAH GHAZI SUGAR MILLS LIMITED

NOTICE OF THIRTY FIFTH ANNUAL GENERAL MEETING:

NOTICE IS HEREBY GIVEN to all the Members of Abdullah Shah Ghazi Sugar Mills Limited (the ‘Company”) that 35th Annual General Meeting of the Company will be held at 09:00 am on Monday, January 28, 2019 at Diamond Banquet, Plot No. C-36, 37 Extension, Gulshan-e-Hadeed, Phase-1, Karachi, to transact the following business:

1. To receive, consider and adopt the annual audited financial statements of the Company for the year ended September 30, 2018 together with the Directors’ and Auditors’ Reports thereon and Chairman’s Review Report.
2. To appoint Company’s Auditors and fix their remuneration. Audit Committee and the Board of Directors have recommended the appointment of the retiring auditors, Messrs Kaleem & Co, Chartered Accountants, who being eligible have offered themselves for re-appointment.

By Order of the Board

Saleem Abbas
Company Secretary

Lahore:
January 7, 2019

1. A member entitled to attend and vote at this meeting may appoint any other member as his/her proxy to attend and vote. The Instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarial attested copy of the power of attorney must be deposited at the registered office of the Company at least 48 hours before the time of the meeting.
2. Members, who have deposited their shares into Central Depositary Company of Pakistan Limited, are being advised to bring their original National Identity Cards along with CDC Participant ID and account number at the meeting venue.
3. Members who have deposited their shares into Central Depository Company of Pakistan Limited (“CDC”) will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan. A proxy form, both in English and Urdu languages, is being separately sent to the members along with notice of meeting.

   A. For Attending the Meeting

      a. In case of Individuals, the account holder and/or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall authenticate his/her identity by showing his/her original CNIC or, original Passport at the time of attending the Meeting.

b. In case of corporate entity, the Board's resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For Appointing Proxies

a. In case of individuals, the account holder and/or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per above requirements.
b. The proxy form shall be witnessed by two persons, whose names, addresses and CNIC numbers shall be mentioned on the form.
c. Attested copies of the CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.
d. The proxy shall produce his original CNIC or original passport at the time of the Meeting.
e. In case of corporate entity, the Board's resolution / power of attorney with specimen signature shall be furnished (unless it has been provided earlier) along with proxy form to the Company.

4. Members are requested to timely notify any change in their addresses.
5. Pursuant to the provisions of the Companies Act, 2017, the shareholders residing in a city and collectively holding at least 10% of the total paid up share capital may demand the Company to provide the facility of video-link for participating in the meeting. The demand for video-link facility shall be received by the Share Registrar at the address given hereinabove at least seven (7) days prior to the date of the meeting on the Standard Form which can be downloaded from the company's website: www.asgsml.co
6. The Company has placed the Audited Annual Financial Statements for the year ended September 30, 2018 along with Auditors and Directors Reports thereon and Chairman's review report on its website: www.asgsml.co.

Book Closure:

The Register of Members of the Company will remain closed from 22 January 2019 to 28 January 2019 (both days inclusive). Transfers received in order at the office of the Company's Independent Share Registrar, M/s. Central Depository Company of Pakistan Limited, CDC House, 99-B, Block-B, S.M.C.H.S, Main Shahrah-e-Faisal, Karachi by the close of business (5:00 PM) on Friday, 21 January 2019 will be considered in time to be eligible for the purpose of attending and voting at the Annual General Meeting.

ABDULLAH SHAH GHAZI SUGAR MILLS LTD.

DIRECTORS' REPORT

IN THE NAME OF ALLAH THE MOST GRACIOUS AND MOST MERCIFUL

Dear Members; Assalam-o-Alaikum:

On behalf of the board of directors, I welcome all of you to the 35th annual general meeting of the Company and present before you the annual report for the financial year ended September 30, 2018 along with financial statements and auditors' report thereon. The financial results of the year under review can be summarized as follows:

FINANCIAL RESULTS

Particulars	**2018 Rupees**	2017 Rupees
Net sales	**118,723,068**	298,565,682
Gross loss	**(244,310,282)**	(102,743,952)
Net Profit / (Loss) after tax	**(322,611,200)**	54,983,527
Key performance indicators		
- Gross loss as % to sales	**(205.78 %)**	(34.41 %)
- Net Profit % to sales	**(271.73 %)**	18.42 %
- Profit/ earning per share	**(4.07)**	0.69

There remained a persistent shortage of sugar cane crop especially in mills' surrounding areas and generally in entire lower Sindh. This scarcity of crop resulted in to fewer crushing days that were restricted to 70 only and even during the operational period cane arrival remained far below than the normal levels.

All these factors resulted in to above unhealthy financial numbers as outlined above.

OPERATING RESULTS:

Operations		**2018**	2016
Crushing days	Days	**70**	58
Cane crushed	Tons	**39,361.796**	16,940.81
Avg. crushing per day	Tons	**562.311**	292.083
Sugar produced	Tons	**3,096.000**	1,200.000
Average sugar recovery	% age	**8.004 %**	8.030 %
Molasses recovery	% age	**5.920 %**	4.800 %

FUTURE OUTLOOK:

Due to scarcity of sugar cane in surrounding areas of mills and current liquidity crunch resulting from persistent losses, future looks tough. Management is striving hard to safely sail the Company out of current troubled situation and firmly believes that following factors will eventually pave way to deliver long term values to all stakeholders including our worthy shareholders:

- Unfavorable business conditions are temporary and cyclical in nature and would reverse in future.
- Arbitration efforts that have been undertaken to resolve dispute with TCP will be successful and the Company will be able to settle the subject amount in a convenient and sustainable manner.
- Negotiations with all the secured creditors and financial institutions to restructure the liabilities on long-term basis are underway and some financial institutions have restructured their facilities and management expects that the remaining will also turnout successful.
- There will be a persistent financial support from sponsors to enable Company to survive as a "going concern".
- Management is actively pursuing a plan to reduce cost and to increase the efficiency of mills.
- Current anti-corruption drive in Sindh will pave way to procure sugarcane in a fair and competitive fashion.

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 list in regulations.
- Key operating and financial data of last six years is annexed in summarize form.
- Information about outstanding taxes and other government levies are given in related note(s) to the accounts.
- The Company operates an un-funded gratuity scheme for all employees. The net value of investment in the irrespective 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.
- 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: -

Director's Names	Meetings Attended	Director's Names	Meetings Attended
Mr. Muhammad Irshad Butt	1	Mr. Yasir lqbal	3
Mr. Muhammad Rashid Rana	4	Mr. Muhammad Dawood	4
Mr. Atif Butt	4	Mr. Muhammad Nawaz	4
Mr. Muhammad Talib	4		

AUDIT COMMITTEE:

The audit committee is performing its duties in 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, 2018 is annexed.

AUDITORS:

The auditors, M/s Kaleem & Co., Chartered Accountants, retire and offer themselves for re-appointment.

The Audit Committee has recommended to consider the re-appointment of M/s Kaleem & Co., Chartered Accountants as auditors of the Company for the next year ending 30-09-2019.

APPRECIATION:

The Board acknowledges 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

MUHAMMAD IRSHAD BUTT
(CHIEF EXECUTIVE)

Lahore: January 07, 2019

ABDULLAH SHAH GHAZI SUGAR MILLS LTD.

6 YEARS OPERATING HIGHLIGHTS

(Figure in Thousand)

DESCRIPTION		2018	2017	2016	2015	2014	2013
OPERATING HIGHLIGHTS							
Gross sales		128,863	327,387	462,101	1,899,161	1,128,471	1,304,581
Net sales		118,723	298,566	430,564	1,763,890	1,057,295	1,277,459
Cost of sales		363,033	401,310	754,224	2,250,360	1,157,283	1,232,626
Gross profit		(244,310)	(102,744)	(323,660)	(486,470)	(99,988)	44,833
Administrative and selling expenses		20,264	24,170	25,681	40,110	44,441	51,321
Interest expenses		49,236	48,262	60,317	38,502	107,768	105,009
Other income		-	-	2	1,446	365,660	15,989
Profit before taxation		(313,811)	(175,177)	(409,656)	(563,636)	113,462	(95,508)
Profit after taxation		(322,570)	54,984	(384,250)	(515,795)	68,685	(98,400)
Basic earnings per share Rs.		(4.07)	0.69	(4.85)	(6.51)	0.867	(1.241)
PRODUCTION DATA							
Crushing days		70	58	54	87	127	82
Cane Crushed	TPD	562	292	1,902	3,071	1,968	2,653
Sugar production	M.Tons	3,096	1,200	8,195	26,490	24,642	21,195
Sugar recovery	% age	8.00	8.08	8.43	9.91	9.86	9.72
Molasses production	M.Tons	2,325	1,440	5,121	13,500	12,397	10,794
Molasses recovery	% age	5.92	4.80	5.35	5.049	4.96	4.96

ABDULLAH SHAH GHAZI SUGAR MILL LIMITED
Pattern of Shareholding

FORM "34" THE COMPANIES ACT 2017 (SECTION 227(2)(f)

1	**Incorporation Number**	**0011303**
2	**Name of Company**	**ABDULLAH SHAH GHAZI SUGAR MILLS LIMITED**
3	**Pattern of holding of the shares held by the sharehoders as**	**30-09-2018**

4	# Of Shareholders	Shareholdings'Slab			Total Shares Held
	721	1	to	100	57,937
	698	101	to	500	268,338
	244	501	to	1000	234,372
	405	1001	to	5000	1,246,213
	154	5001	to	10000	1,299,695
	56	10001	to	15000	729,500
	39	15001	to	20000	735,498
	24	20001	to	25000	568,417
	23	25001	to	30000	647,700
	9	30001	to	35000	306,000
	5	35001	to	40000	186,500
	7	40001	to	45000	304,500
	14	45001	to	50000	688,000
	2	50001	to	55000	105,555
	3	55001	to	60000	178,000
	1	60001	to	65000	63,000
	3	65001	to	70000	208,000
	1	75001	to	80000	79,500
	1	80001	to	85000	83,947
	3	85001	to	90000	264,075
	6	95001	to	100000	600,000
	1	100001	to	105000	101,400
	2	115001	to	120000	232,500
	1	120001	to	125000	123,100
	1	125001	to	130000	130,000
	1	170001	to	175000	175,000
	1	175001	to	180000	180,000
	1	190001	to	195000	192,000
	1	195001	to	200000	200,000
	1	225001	to	230000	229,000
	1	250001	to	255000	254,161
	1	320001	to	325000	323,000
	1	330001	to	335000	335,000
	1	395001	to	400000	395,500
	1	550001	to	555000	553,500
	1	4890001	to	4895000	4,890,249
	1	62090001	to	62095000	62,092,509
	2436				**79,261,666**

5	Categories of Shareholders	Shareholders	Shares Held	Percentage
5.1	**Directors and their spouse(s) and minor children**			
	MR. RIAZ QADEER BUTT	1	500	0.00
	MUHAMMAD TALIB	1	400	0.00
	ATIF BUTT	1	400	0.00
	MUHAMMAD RASHID RANA	1	400	0.00
	YASIR IQBAL	1	400	0.00
	MR. MUHAMMED NAWAZ	1	100	0.00
	MR. MUHAMMAD DAWOOD	1	400	0.00
5.2	**Associated Companies, undertakings and related parties**			
	HAQ BAHU SUGAR MILLS (PVT) LTD	2	62,215,609	78.49
5.3	**Executives**	-	-	-
5.4	**Public Sector Companies and Corporations**	3	47,300	0.06
5.5	**Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds**	3	5,444,249	6.87
5.6	**Mutual Funds**	-	-	-
5.7	**General Public**			
	a. Local	2408	11,319,808	14.28
	b. Foreign	1	19,000.00	0.02
5.8	**Others**	12	213,100	0.27
	Totals	**2436**	**79,261,666**	**100.00**

Share holders holding 5% or more	Shares Held	Percentage
HAQ BAHU SUGAR MILLS (PVT) LTD	62,215,609	78.49
AL BARAKA BANK (PAKISTAN) LIMITED	4,890,249	6.17

6	Signature of Company Secretary	
7	Name of signatory	**Saleem Abbas**
8	Designation	**Company Secretary**
9	CNIC Number	**32304-8810990-5**
10	Date	**30-09-2018**

ABDULLAH SHAH GHAZI SUGAR MILLS LIMITED

Pattern of Shareholding

as at September 30, 2018

S.No.	Folio #	Name of shareholder		Number of shares	Per %
Directors and their spouse(s) and minor children					
1	6785	MR. RIAZ QADEER BUTT		500	0.00
2	6847	MUHAMMAD TALIB		400	0.00
3	6848	ATIF BUTT		400	0.00
4	6849	MUHAMMAD RASHID RANA		400	0.00
5	6850	YASIR IQBAL		400	0.00
6	6889	MR. MUHAMMED NAWAZ		100	0.00
7	6904	MR. MUHAMMAD DAWOOD		400	0.00
			7	**2,600**	**0.00**
Associated companies, undertakings and related parties					
1	6776	HAQ BAHU SUGAR MILLS (PVT) LTD		123,100	0.16
2	03525-70701	HAQ BAHU SUGAR MILLS (PVT) LTD		62,092,509	78.34
			2	**62,215,609**	**78.49**
Executive					
			0	-	-
			-	-	-
Public sector companies and corporations					
1	9	M/S. NATIONAL BANK OF PAKISTAN TRUSTEE DEPARTMENT		100	0.00
2	5077	M/S. PAKISTAN INDUSTRIAL CREDI. INVESTMENT CORPN. LTD.		27,200	0.03
3	5145	INVESTMENT CORPN.OF PAKISTAN		20,000	0.03
			3	**47,300**	**0.06**
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds					
1	5306	M/S. ADAMJEE INSURANCE CO. LTD		500	0.00
2	09944-24	AL BARAKA BANK (PAKISTAN) LIMITED		4,890,249	6.17
3	05132-26	ASKARI BANK LIMITED		553,500	0.70
			3	**5,444,249**	**6.87**
Mutual Funds					
			NIL		-
			-	-	-
General Public Foreign					
1	16238-1334	FARAZ AHMED YOUSFANI		19,000	0.02
			1	**19,000**	**0.02**
Others					
1	5143	M/S. ASIF AGENCIES		3,400	0.00
2	5144	M/S. KARACHI INVESTMENT COMPANY (PRIVATE) LTD.		1,000	0.00
3	5259	M/S. PAK GREASE MFG. CO. (PVT)		700	0.00
4	5268	M/S. THE PAKISTAN FUND		101,400	0.13
5	5304	M/S. CENTRAL CHEMICAL LTD		1,000	0.00
6	5428	M/S. VALIKA ART FABRICS LTD.		100	0.00
7	06445-28	DARSON SECURITIES (PVT) LIMITED		500	0.00
8	06684-29	MOHAMMAD MUNIR MOHAMMAD AHMED KHANANI SECURITIES (PVT.) LTD.		50,000	0.06
9	14241-22	FIKREES (PRIVATE) LIMITED		2,500	0.00
10	04952-28	SHERMAN SECURITIES (PRIVATE) LIMITED		15,000	0.02
11	09472-22	M. J. MEMON SECURITIES (PVT) LIMITED.		35,000	0.04
12	06452-17120	MUHAMMAD SHAFI TANNERIES (PVT) LTD		2,500	0.00
			12	**213,100**	**0.27**
Total			**2436**	**79,261,666**	**100.00**
General Public Local			**2408**	**11,319,808**	**14.28**

KALEEM & COMPANY
CHARTERED ACCOUNTANTS

134 - C, Street # 2, Link # 4,
Cavalry Ground, Lahore
Cantt, Pakistan.

Phone : (92-42) 36672322
E-mail : info@kaleemco.com.pk
Web : kaleemco.com.pk

INDEPENDENT AUDITOR'S REPORT

To the Members of **Abdullah Shah Ghazi Sugar Mills Limited**

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Abdullah Shah Ghazi Sugar Mills Limited** (the Company), which comprise the statement of financial position as at **September 30, 2018**, and the statement of profit or loss and other comprehensive loss, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2018 and of the loss and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty relating to Going Concern

The financial statements of the company for the year ended September 30, 2018 reflect that company has sustained a net loss after taxation of Rs. 322.625 million and as of that date it has accumulated losses of Rs. 1,639.771 million (2017: Rs. 1,345.597 million) resulted in negative equity of Rs. 847.154 million and its current liabilities exceeded its current assets by Rs. 2,692.066 million (2017: Rs. 2,502.739 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. Despite of all above factors financial statement is prepared on going concern basis.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

S. No.	Key audit matters	How the matters were addressed in our audit
1.	**Companies Act, 2017** *(Refer note 2.1 to the annexed financial statements.)* The provisions of the Fourth Schedule to the Companies Act, 2017 became applicable to the Company for the first time during this financial year in the preparation of its financial statements. Keeping in view the changes brought forth by the application of the above mentioned provisions, the resulting relative changes in the applicable financial reporting framework and additional disclosures in the financial statements, we consider the implementation of the new act as a key audit matter.	We reviewed and developed an understanding of the requirements of the provisions of the Fourth Schedule, and : • Reviewed the management's process for accounting for the required changes and additions in the disclosures to the financial statements; • Verified the accuracy and appropriateness of the disclosures provided in the financial statements in conformity with the relevant provisions.
2.	**Revenue Recognition** *(Refer note 20 to the annexed financial statements.)* Revenue consists of local sales of Sugar, Molasses. Revenue is a material item of the financial statements from a quantitative and qualitative perspective. Due to the matters stated above and revenue being a key performance indicator, we consider it a key audit matter.	Our audit procedures to assess the recognition of revenue, amongst others, included the following: • Obtaining an understanding of and assessing the design and operating • effectiveness of controls designed to ensure that revenue is recognized in the appropriate accounting period; • Assessing the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards; • Comparing a sample of revenue transactions recognized during the year with the sale invoices, delivery orders and other relevant underlying documentation; • Comparing, on a sample basis, specific revenue transactions recorded prior and subsequent to the reporting date with underlying documentation to assess whether revenue has been recognized in

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		the appropriate accounting period; and • Inspecting credit notes issued to record sales returns subsequent to year end, if any.
3.	**Determination of carrying amount of Property, Plant, & Equipment** *(Refer note 15 to the annexed financial statements.)* The property, plant, and equipment is a significant and material amount in the financial statements of the Company. We considered this a key audit matter because it involved the exercise of significant assumptions by the management due to determination of the depreciation rate on the different classes of assets and the Company adopting the revaluation model to measure some of them.	Audit procedures we conducted to assess the carrying amount of the property, plant, and equipment, among others, were as follows: • Determining the policy adopted to capitalize items in property, plant, and equipment and assessing its appropriateness in accordance with the applicable financial reporting; • Reviewing the accuracy of the implementation of the policy to capitalize items in property, plant, and equipment; • Recalculation of the depreciation expense in the financial statements to assess its accuracy and appropriateness in accordance with the accounting policy; • Verifying, on a sample basis, the additions and deletions to property, plant and equipment and checking their underlying supporting evidence for sufficiency and appropriateness; and
4.	**Valuation of Stock-in-trade** *(Refer note 17 to the annexed financial statements.)* Inventory forms a material portion of the Company's assets. We identified the valuation of the stock-in-trade as a key audit matter due to its materiality and its direct effect on the profitability of the Company.	Our audit procedures to assess the valuation of stock-in-trade, amongst others, included the following: • Attending physical inventory counts performed by the company; • Evaluating the management's instructions and procedures for recording and controlling the results of the Company's physical inventory counts; • Observing the management's count procedures and compliance with

KALEEM & COMPANY
CHARTERED ACCOUNTANTS

		management's instructions and performance of procedures; • Performing test counts; • Inspecting the inventory to assess its condition; • Obtaining an understanding of internal controls over purchases and valuation of stock- in-trade and testing, on a sample basis, their design, implementation and operating effectiveness; • Comparing, on a sample basis, specific purchases with underlying supporting documents and/or agreements, if any; • Comparing calculations of the allocation of directly attributable costs with the underlying supporting documents; • Obtaining an understanding of management's determination of net realizable value and the key estimates adopted, including future selling prices, future costs to complete work-in-process and costs necessary to make the sales and their basis; and • Comparing the net realizable value, on a sample basis, to the cost of finished goods to assess whether any adjustments are required to value inventory in accordance with applicable accounting and reporting standards.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Boards of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

• Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

(a) Proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

(b) the statement of financial position, the statement of profit or loss and other comprehensive loss, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

(c) Investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

(d) No zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

MUHAMMAD KALEEM RATHOR
(Engagement Partner)

Lahore

Date: January 07, 2019

KALEEM & COMPANY
CHARTERED ACCOUNTANTS

KALEEM & COMPANY
LAHORE
Chartered Accountants

ABUDULLAH SHAH GHAZI SUGAR MILLS LITD.

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017 FOR THE YEAR ENDED 30th SEPTEMBER, 2018

This statement is being presented to comply with the Code of Corporate Governance ("The Code") contained in listing regulations of Pakistan 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 CCG in the following manner:

1. The Company has complied with the requirements of Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) in the following manner:

Category	
Independent Directors	Mr. Muhammad Rashid Rana
	Mr. Muhammad Nawaz
Executive Directors	Mr. Muhammad Irshad Butt
	Mr. Yasir Iqbal
	Mr. Atif Butt
Non-Executive Directors	Mr. Muhammad Talib
	Mr. Mahummad Dawood

The independent director meet the criteria of independence under clause I(b) of the CCG.

2. The Directors have confirmed that none of them is serving as a Director on more than five listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).

3. All the resident directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4 The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

5 The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

6 All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.

7 The meetings of the board were presided over by the Chairman and, in his absence, by the Chief Executive Officer and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

8 Directors are well conversant with the fiduciary responsibilities and orientation courses were arranged in-house and however during the year under consideration at least one director was required to acquire the certification under the directors' training program which could not be acquired due to other commitments of directors.

9 No new appointment of the CFO, Company Secretary and Head of Internal Audit has been made during the year.

10 The director's report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

11 CFO and CEO duly endorsed the financial statements before approval of the Board.

12 The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

13 The Company has complied with all the corporate and financial reporting requirements of the CCG.

14 The system of internal controls is sound in design and has been effectively implemented and is being consistently reviewed by the Internal Audit Department.

15 There has been no material departure from the best practices of Corporate Governance as detailed in listing regulations of Pakistan Stock Exchange.

16 The board has formed an Audit Committee. It comprises of three members, all of whom are non-executive directors and the chairman of the committee is an independent director.

17 The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

18 The board has formed an HR and Remuneration Committee. It comprises of three members, of whom one is and independent director, the other is an executive director and the Chairman of the committee is a non-executive director.

19 The board has outsourced the internal audit function to Riaz Ahmad, Saqib, Gohar and Company, Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

20 The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP

21 The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

22 The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.

23 Material/price sensitive information has been disseminated among all market participants at once through stock exchange.

24 We confirm that all other material principles contained in the CCG have been complied with.

For & on behalf of the Board

LAHORE:
DATE : January 07, 2018

CHIEF EXECUTIVE OFFICER

ABDULLAH SHAH GHAZI SUGAR MILLS LIMITED
STATEMENT OF FINANCIAL POSITION
AS ON SEPTEMBER 30, 2018

	Notes	2018 RUPEES	2017 RUPEES
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	**5.1**	**1,000,000,000**	**1,000,000,000**
Issued, subscribed and paid-up capital	**5.2**	792,616,660	792,616,660
Accumulated losses		(1,639,771,429)	(1,345,597,152)
		(847,154,769)	**(552,980,492)**
Surplus on revaluation of property, plant and equipments - net	**6**	502,399,755	523,581,629
NON-CURRENT LIABILITIES			
Long term loan from related party - unsecured	**7**	123,416,314	123,416,314
Long term loan from bank - secured	**8**	5,000,000	6,091,101
Retirement benefit obligations	**9**	5,953,240	4,850,576
Deferred taxation	**10**	-	-
		134,369,554	**134,357,991**
CURRENT LIABILITIES			
Trade and other payables	**11**	2,363,146,120	2,146,310,690
Finance cost payable	**12**	226,679,952	184,467,672
Short term borrowings - secured	**13**	74,720,546	74,720,546
Current portion of long term loan from bank	**8**	347,798,518	348,398,518
Provision for taxation - net	**26**	1,484,038	-
		3,013,829,174	**2,753,897,426**
CONTINGENCIES AND COMMITMENTS	**14**	**-**	**-**
		2,803,443,714	**2,858,856,554**
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipments	**15**	2,479,855,189	2,605,872,926
Long term deposits	**16**	1,826,165	1,826,165
CURRENT ASSETS			
Stores and spares		38,320,772	41,740,839
Stock in trade	**17**	183,613,276	114,914,525
Advances, deposits and prepayments	**18**	88,191,562	73,480,481
Taxes recoverable		6,867,218	11,024,020
Cash and bank balances	**19**	4,769,532	9,997,598
		321,762,360	**251,157,463**
		2,803,443,714	**2,858,856,554**

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

CHIEF EXECUTIVE	**DIRECTOR**	**CHIEF FINANCIAL OFFICER**

ABDULLAH SHAH GHAZI SUGAR MILLS LIMITED
STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Notes	2018 RUPEES	2017 RUPEES
Sales - net	**20**	118,723,068	298,565,682
Cost of sales	**21**	363,033,350	401,309,634
Gross loss		**(244,310,282)**	**(102,743,952)**
Administrative and general expenses	**22**	19,165,900	23,190,757
Distribution expenses	**23**	1,140,000	979,736
		20,305,900	**24,170,493**
Operating loss		**(264,616,182)**	**(126,914,445)**
Finance cost	**24**	49,236,346	48,262,380
Other income	**25**	-	-
Net loss before tax		**(313,852,528)**	**(175,176,825)**
Taxation	**26**	8,758,672	(230,160,352)
Net profit/(loss) after tax		**(322,611,200)**	**54,983,527**
Profit/(loss) per share - basic and diluted	**27**	**(4.07)**	**0.69**

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

CHIEF EXECUTIVE **DIRECTOR** **CHIEF FINANCIAL OFFICER**

ABDULLAH SHAH GHAZI SUGAR MILLS LIMITED
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Notes	2018 RUPEES	2017 RUPEES
Profit/loss after taxation for the period		**(322,611,200)**	**54,983,527**
Other comprehensive income:			
Remeasurement of net defined benefit liability		(19,586)	410,102
Related deferred tax		5,680	(123,031)
		(13,906)	**287,071**
Total comprehensive profit/(loss) for the year		**(322,625,106)**	**55,270,598**

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

CHIEF EXECUTIVE	DIRECTOR	CHIEF FINANCIAL OFFICER

ABDULLAH SHAH GHAZI SUGAR MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Share Capital RUPEES	Accumulated Profit / (Loss) RUPEES	Total RUPEES
Balance as at October 01, 2016	792,616,660	(1,430,699,304)	(638,082,644)
Transfer from surplus on revaluation of fixed assets	-		
Net profit for the year ended September 30, 2017	-	55,270,598	55,270,598
Balance as at September 30, 2017	**792,616,660**	**(1,345,597,152)**	**(552,980,492)**
Balance as at October 01, 2017	792,616,660	(1,345,597,152)	(552,980,492)
Transfer from surplus on revaluation of fixed assets	-	28,450,829	28,450,829
Net loss for the year ended September 30, 2018	-	(322,625,106)	(322,625,106)
Balance as at September 30, 2018	**792,616,660**	**(1,639,771,429)**	**(847,154,769)**

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

CHIEF EXECUTIVE	DIRECTOR	CHIEF FINANCIAL OFFICER

ABDULLAH SHAH GHAZI SUGAR MILLS LIMITED
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	2018 RUPEES	2017 RUPEES
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(313,852,528)	(175,176,825)
Adjustments for non cash and other items:		
Depreciation	133,482,001	
Financial charges	49,236,346	48,262,380
Workers' welfare fund	6,790,793	5,744,825
Provision for gratuity	1,202,618	1,399,295
	190,711,758	**135,466,253**
Cash flow before working capital changes	**(123,140,770)**	**(39,710,572)**
Effect on cash flows due to working capital changes		
(Increase) / Decrease in:		
Stores and spares	3,420,067	138,567
Stock in trade	(68,698,751)	131,819,567
Trade debts	-	2,279,739
Advances, deposits and prepayments	(14,711,081)	32,328,888
	(79,989,765)	**166,566,761**
Increase / (Decrease) in:		
Trade and other payables	210,044,638	(58,178,229)
	210,044,638	**(58,178,229)**
Cash generated from operations	**6,914,103**	**68,677,959**
Income tax paid	(4,156,801)	529,043
Finance cost paid	7,024,065	5,988,412
Gratuity paid	119,540	477,250
	(2,986,804)	**(6,994,705)**
Net cash generated from operating activities	**3,927,299**	**61,683,254**
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditures	(7,464,264)	(46,954,601)
Long term deposit	-	(500,000)
Net cash used in investing activities	**(7,464,264)**	**(47,454,601)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term loan from bank	(1,691,101)	279,489,619
Short term borrowings - net	-	(286,535,089)
Net cash (used in) financing activities	**(1,691,101)**	**(7,045,470)**
Net (decrease) / increase in cash and cash equivalent	**(5,228,066)**	7,183,183
Cash and bank balances at the beginning of the year	9,997,598	2,814,415
Cash and bank balances at the end of the year	4,769,532	9,997,598

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

CHIEF EXECUTIVE	DIRECTOR	CHIEF FINANCIAL OFFICER

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 Pakistan Stock Exchange. 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 7/10, A-2 Arkay Square Shahra - e - Liaquat, New Challi, Karachi.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRSs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of Measurement

These financial statements have been prepared under the “going concern convention” except of certain classes of property, plant and equipment which are stated at revalued amount and employee retirement benefits which are stated at fair value.

The financial statements of the company for the year ended September 30, 2018 reflect that company has sustained a net loss after taxation of Rs. 322.625 million and as of that date it has accumulated losses of Rs. 1,639.771 million (2017: Rs. 1,345.597 million) resulted in negative equity of Rs. 847.154 million and its current liabilities exceeded its current assets by Rs. 2,692.066 million (2017: Rs. 2,502.739 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 management has taken the following significant measures to improve the operational performance and liquidity of the company:

a) Unfavorable business conditions are temporary and cyclical in nature and would reverse in future;
b) Arbitration efforts that have been undertaken to resolve dispute with TCP will be successful and the Company will be able to settle the subject amount in a convenient and sustainable manner;
c) Negotiations with all the secured creditors and financial institutions to restructure the liabilities on long-term basis are underway and some financial institutions have restructured their facilities and management expects that the remaining will also turnout successful;
d) There will be a persistent financial support from sponsors to enable Company to survive as a ‘going concern’.
e) Further, the management is actively pursuing a plan to reduce cost and to increase the efficiency of mills.

Finally, the management is very much convinced that the above measures would result in improving the financial position and operational performance of the company.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupee, which is the Company's functional and presentation currency. All financial information presented in Pak Rupee has been rounded off to the nearest Rupee unless stated otherwise.

2.4 Use of significant estimates and judgments

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

The estimates underlying the assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Information about the judgments made by the management in the application of the accounting policies, that have the most significant effect on the amount recognized in these financial statements, assumptions and estimation uncertainties with significant risk of material adjustment to the carrying amount of assets and liabilities in the next year are described in the following notes:

- Property, plant and equipment and intangible assets (notes 4.7).
- Trade debts (note 4.10)
- Stores and spares (note 4.8)
- Stock-in-trade (note 4.9)
- Taxation (note 4.4)
- Staff retirement benefits (note 4.3)
- Impairment (note 4.16)
- Provisions (note 4.6)

Accounting policies

The accounting policies adopted for the preparation of these financial statements are consistent with those applied in the preparation of the preceding annual financial statements of the company for the year ended September 30, 2017.

2.6 Change in accounting standards, interpretations and amendments to published approved accounting standards

a) Standards, interpretations and amendments to published approved accounting standards that are effective and relevant:

'IAS 7, 'Statement of Cash Flows' amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statements disclosure can be improved. In the first year of adoption, comparative information need not be provided. The relevant disclosure have been made in these financial statements (Refer note 26 to these financial statements).

The Companies Act, 2017 (the Act) has also brought certain changes with regard to preparation and presentation of annual financial statements of the Company. Further, the disclosure requirements contained in the fourth schedule to the Act have been revised, resulting in the elimination of duplicative disclosures with the IFRS disclosure requirements and incorporation of significant additional disclosures which have been included in these financial statements.

b) Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant:

There are certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after 1 July 2017. However, these do not have any significant impact on the Company's financial reporting and therefore have not been detailed in these financial statements.

c) Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

The following are the new standards, amendments to existing approved accounting standards and new interpretations that will be effective for the periods beginning on or after 1 July 2018, that may have an impact on the financial statements of the Company:

Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018.

(a) measurement of cash-settled share-based payments;

(b) classification of share-based payments settled net of tax withholdings;

(c) accounting for a modification of a share-based payment from cash-settled to equity-settled.

The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense

recognized for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.

- Transfers of Investment Property (Amendments to IAS 40 'Investment Property'- effective for annual periods beginning on or after 1
- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Company's financial statements.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on Company's financial statements.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have material impact on Company's financial statements.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Company is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard.

- IFRS 9 'Financial Instruments' and amendment - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.
- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. Management is not expecting any impact of the standard on Company's financial reporting.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's financial statements.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments are not likely to have an impact on Company's financial statements.
- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:
- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale. The above improvements to standards are not likely to have material / significant impact on Company's financial statements.

3 USE OF ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which from the basis of making judgments about the carrying value 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 are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment in the future period are as follows:

(i) Useful life and residual value of property, plant and equipment
(ii) Provision for doubtful debts
(iii) Provision for obsolete stores and spares and stock in trade
(iv) Provision for taxation
(v) Staff retirement gratuity
(vi) Contingencies

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Issued, subscribed and paid-up capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

4.2 Borrowings

Loans and borrowings are recorded at their fair value being the proceeds received. Financial charges are accounted for by applying effective interest rate method and included in accrued expenses.

4.3 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 2017 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, 2017 as adjusted for unrecognized actuarial gains and losses.

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'.

4.4 Taxation

(a) Current income tax

Provision for current tax is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for tax on income is calculated at the current rates of taxation as applicable after taking into account tax credit and tax rebates available, if any. Income tax expense is recognized in profit and loss account except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

(b) Deferred tax

Deferred tax is recognized using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes.

Deferred tax asset is recognized for all the deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the asset may be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that related tax benefits will be realized. Deferred tax liabilities are recognized for all the taxable temporary differences.

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

Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to comprehensive income or equity, in which case it is included in comprehensive income or equity.

(c) Sales tax / excise duty

- Revenues, expenses and assets are recognized net of the amount of sales tax / FED except:
- Where the sales tax / FED incurred on purchase of assets or services is not recoverable from the taxation authority.
- Receivables and payables balances that are stated with the amount of sales tax / FED included.

The net amount of sales tax / FED recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

4.5 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/or services received, whether or not billed to the Company.

4.6 Provisions

Provisions are recognized when the company has a present legal or constructive obligation 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 of which reliable estimate can be made. The expense related to provision is presented in profit and loss net of any reimbursements. The provision is recognized at its present value, accounting for time value of money, except where the impact for discounting is considered to be immaterial. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.7 Property, plant and equipment

(a) Operating fixed assets

- Fixed assets including additions are stated at cost less accumulated depreciation, except that certain assets which are stated at revalued amount less accumulated depreciation
- Depreciation on fixed assets is provided on the reducing balance method over its useful life at the rates specified in the fixed assets schedule.
- Depreciation on additions to property, plant and equipment is charged for the month in which an asset is acquired or capitalized while no depreciation is charged for the month in which the asset is disposed off.
- Subsequent costs are included in the asset's carrying amounts or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.
- Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major repairs and improvements are capitalized
- Gain or loss on scrapping or disposal of assets, if any, is charged to profit and loss account.
- The incremental depreciation charged on revalued assets during the year has been transferred to retained earnings/accumulated profit to record realization of surplus to the extent of incremental depreciation.

(b) Capital work in progress

Capital work in progress is stated at cost less identified impairment losses, if any. All expenditure including applicable borrowing costs, if any, connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these are available for use.

4.8 Stores, spares and loose tools

Stores, spares and loose tools are valued at lower of cost, which is calculated according to moving average cost, and net realizable value. The cost is determined using weighted average method.
Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make the sale.

Stores in transit are valued at invoice values including other charges, if any, incurred thereon.

4.9 Stock-in-trade

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

Raw materials:	Weighted average cost
Goods in transit:	Cost comprising invoice value plus other charges incurred thereon.
Work in process:	Weighted average manufacturing cost
Finished goods:	Average manufacturing 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.

4.10 Trade debts

Trade debts are recognized and carried at original invoice amount less an allowance for doubtful debts. Provision for doubtful debts is based on the management's assessment of customer's outstanding balances and credit worthiness. Trade debts are written off when identified and considered irrecoverable.

4.11 Loans, advances, deposits, prepayments and other receivables

Loans, advances, deposits, prepayments and other receivables are carried at cost less provision made for doubtful receivables based on review of all outstanding amounts at the year end. Loans, advances, deposits, prepayments and other receivables considered irrecoverable are written off.

4.12 Cash and cash equivalent

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 and pls accounts.

4.13 Revenue recognition

Revenue from sale of goods is measured at fair value of the consideration received or receivable, net of discounts and applicable taxes. Revenue is

- Sale of goods is recorded when significant risks and rewards of ownership are transferred to the customer;
- Interest and rental income are recognized on accrual basis;
- Dividend income is recognized when the company's right to receive the dividend is established; and
- Sale of scrap is recognized on actual realization basis.

4.14 Borrowing costs

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

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 Impairment

(a) Financial assets

The Company assesses at each balance date whether there is any objective evidence that a financial asset or a group of financial asset is impaired. A financial asset is deemed to be impaired if and only if there is an objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Any impairment loss on financial assets, including the financial assets carried at amortized cost, is recognized in profit and loss account.

(b) Non-financial assets

The Company continually assesses at each balance sheet date whether there is any indication that an asset may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account for the year. The recoverable amount is the higher of an assets' fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the assets' revised carrying amount over its estimated useful life.

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

4.17 Financial instruments

All the financial assets and liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset or a portion of a financial asset when, and only when, the enterprise loses control of the contractual rights that comprise the financial asset or portion of the financial asset. While a financial liability or part of a financial liability is derecognized from the balance sheet, when, and only when it is extinguished, i.e. when the obligation specified in the contract is discharged cancelled or expires.

(a) Financial assets

Financial assets are investment in associates, long term loans and advances, long term deposits, trade debts, short term loans and advances, other receivable and cash and bank balances. 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.

(b) Financial liabilities

Financial liabilities are classified according to the substance of the contractual agreements entered into. Significant financial liabilities are long term loans, short term finances, obligations under finance lease, 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.

4.18 Off setting of financial instruments

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.

4.19 Foreign currency translation and transactions

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. Profit or loss arising on translation is recognized in the profit and loss account currently.

4.20 Related party transactions

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 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.

4.22 Earnings per share

The Company presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing the profit and loss attributable to ordinary shareholders' of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by using profit and loss attributable to ordinary shareholders' and the weighted average number of ordinary shares outstanding, adjusted for the effect of all dilutive potential ordinary shares.

	Notes	2018 RUPEES	2017 RUPEES

5 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

5.1 Authorized Share Capital

2018 Number of Shares	2017 Number of Shares		2018 RUPEES	2017 RUPEES
100,000,000	100,000,000	Ordinary shares of Rs. 10/- each	1,000,000,000	1,000,000,000

5.2 Issued, Subscribed and Paid-up Capital

2018 Number of Shares	2017 Number of Shares		2018 RUPEES	2017 RUPEES
79,261,666	79,261,666	Ordinary shares of Rs. 10/- each fully paid in cash	792,616,660	792,616,660

65,482,609 (2017:65,482,609) ordinary shares are held by Haq Bahu Sugar Mills (Private) Limited (holding company) representing 82.62% (2017:82.62%) shareholding in the company.

6 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENTS - Net

	2018 RUPEES	2017 RUPEES
Opening Balance	**741,650,280**	**784,266,786**
Less: Transferred to equity in respect of:		
Incremental depreciation on revalued Asset	(28,450,829)	(29,831,554)
Related deferred tax liability	(11,620,761)	(12,784,952)
	(40,071,590)	**(42,616,506)**
Closing Balance - Gross	**701,578,690**	**741,650,280**
Less: Related Deferred tax liability		
Related deferred tax liability on revaluation surplus	218,068,651	238,548,723
Effect of change in tax rate	(7,268,955)	(7,695,120)
Amount realized during the year on account of incremental depreciation	(11,620,761)	(12,784,952)
	199,178,935	**218,068,651**
Closing Balance - net	502,399,755	523,581,629

6.1 The revaluation surplus on property, plant and equipments is a capital reserve and in not available for distribution to the shareholders of the company in accordance with section 241 of the Companies Act, 2017.

7 LONG TERM LOAN FROM RELATED PARTY - UNSECURED

	2018 RUPEES	2017 RUPEES
Subordinated loan from Holding Company	123,416,314	123,416,314

The loan has been advanced by M/s. Haq Bahu Sugar Mills (Pvt.) Ltd which carries markup @ 6 months KIBOR plus 1% (2017: @ 3 months KIBOR plus 1%) 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 certain short term finance facility obtained by the company.

8 LONG TERM LOAN FROM BANK - SECURED

	Notes	2018 RUPEES	2017 RUPEES
Markup based borrowing from conventional banks (Secured):			
Term Finance			
Summit Bank	8.1	75,000,000	75,000,000
Silk Bank	8.2	6,000,000	7,091,101
		81,000,000	**82,091,101**
Islamic Mode of Financing (Secured):			
Bank Islami	8.3	271,798,518	272,398,518
		271,798,518	**272,398,518**
		352,798,518	**354,489,619**
Less: Current Portion of Long term Loans		(347,798,518)	(348,398,518)
		5,000,000	6,091,101

8.1 The facility has been obtained from Summit Bank Limited amounting to Rs. 75 million. The facility carries markup @ 3 months KIBOR plus 1% per annum payable quarterly in arrears. The facility is secured against first pari passu charge over present and future fixed assets of the company amounting to Rs. 66.70 million and personal guarantees of all sponsoring directors.

8.2 The facility has been obtained from Silk Bank Limited amounting to Rs. 100 million. The facility carries no markup. The facility is secured against pledge of refined sugar with 10% margin.

8.3 The facility has been obtained from Bank Islami Limited amounting to Rs. 275 million. The facility carries markup @ 3 months KIBOR with a floor of 5% and cap of 12% per annum payable quarterly in arrears. The facility is secured against ranking charge over current assets of the Company with 25% margin.

9 RETIREMENT BENEFIT OBLIGATIONS

	Notes	2018 RUPEES	2017 RUPEES
Balance sheet liability		4,850,576	4,338,633
Expenses chargeable to profit and loss account	**9.1**	1,202,618	1,399,295
Re-measurements chargeable in other comprehensive income	**9.2**	19,586	(410,102)
Benefits paid		(119,540)	(477,250)
		5,953,240	**4,850,576**

9.1 Amount charged to profit and loss account

	2018 RUPEES	2017 RUPEES
Current service cost	960,676	1,188,974
Interest cost on defined benefit obligation	241,942	210,321
Total amount chargeable to profit and loss account	**1,202,618**	**1,399,295**

9.2 Re-measurements chargeable in other comprehensive income

	2018 RUPEES	2017 RUPEES
Remeasurement of plan obligation:		
Actuarial (gains)/losses from changes in financial assumptions	9,231	4,886
Experience assumptions	10,355	(414,988)
Total re-measurements chargeable in other comprehensive income	**19,586**	**(410,102)**

a) Changes in Present Value of Defined benefit Obligations

	2018 RUPEES	2017 RUPEES
Present value of defined benefit obligation	3,178,051	3,613,103
Current service cost	960,676	1,188,974
Interest cost on defined benefit obligation	241,942	210,321
Benefits due but not paid (payables)	(188,000)	(1,123,745)
Benefits paid	(119,540)	(300,500)
Remeasurements:		
Actuarial (gains)/losses from changes in financial assumptions	9,231	4,886
Experience assumptions	10,355	(414,988)
Present value of defined benefit obligation	**4,092,715**	**3,178,051**

9.3 Significant actuarial assumptions

	2018	2017
Discount rate used for interest cost in profit and loss account charge	8.00%	7.25%
Discount rate used for year end obligation	10.00%	8.00%
Salary increase used for year end obligation	N/A	N/A
Net salary is increased at	1-Jan-19	1-Jan-18
Mortality rates	2005	2005
Withdrawal rates	Age-Based	Age-Based
Retirement assumption	Age 60	Age 60

9.4 Allocation

	2018 RUPEES	2017 RUPEES
Total retirement benefits costs are included in salaries and benefits and allocated as follows:		
Cost of sales	577,257	811,591
Administrative and general expenses	625,361	587,704
	1,202,618	**1,399,295**

9.5 Year end sensitivity analysis (± 100 bps) on defined benefit obligation

	2018 RUPEES	2017 RUPEES
Discount rate + 100 BPS	3,975,610	3,031,445
Discount rate - 100 BPS	4,224,693	3,348,393
Salary Increase + 100 BPS	4,228,279	3,353,654
Salary Increase - 100 BPS	3,970,256	3,024,071

The average duration of the defined benefit obligation is 3 years.

10 DEFERRED TAXATION

	Notes	2018 RUPEES	2017 RUPEES
The Liability of Deferred Tax comprises of Temporary differences relating to:			
Taxable Temporary Differences			
Accelerated Tax Depreciation		192,946,611	172,409,787
Revaluation Surplus		199,178,935	218,068,651
		392,125,546	**390,478,438**
Deductible Temporary Differences			
Retirement Benefit Obligation		(1,726,440)	(1,455,173)
Unused Tax Losses		(415,644,249)	(431,340,471)
		(417,370,689)	**(432,795,644)**
Asset not recognized	**10.1**	(25,245,143)	(42,317,206)
		-	-

10.1 Being prudent the Company has not recognised deferred tax assets of Rs. 25,233,094 million (2017: 42,317,206) in respect of unused tax depreciation losses.

11 TRADE AND OTHER PAYABLES

	Notes	2018 RUPEES	2017 RUPEES
Creditors for goods and services		1,062,135,491	1,074,411,442
Advance from customers			
- Trading Corporation of Pakistan	**11.1**	521,162,495	521,162,495
- Others		696,634,462	469,428,513
Accrued liabilities		12,632,702	16,817,866
Deposits		39,076	39,076
Road cess		2,448,207	2,448,207
Income tax payable		3,856,160	3,832,820
Workers' profit participation fund	**11.2**	58,827,516	52,036,724
Workers' welfare fund	**11.3**	4,616,856	4,616,856
Sales tax payable		-	285,633
Other liabilities		793,155	1,231,058
		2,363,146,120	**2,146,310,690**

11.1 The company is in dispute with Trading Corporation of Pakistan. For details refer to note 14.1(b).

11.2 Workers' profit participation fund

	2018 RUPEES	2017 RUPEES
Opening balance	52,036,724	46,291,899
Interest provided for the year	6,790,792	5,744,825
	58,827,516	**52,036,724**

11.2 (a) Mark-up @ 13.05% (2017: 12.41%) per annum is provided on unpaid balance of the fund in accordance with the rules of the fund.

11.3 Workers' welfare fund

	2018 RUPEES	2017 RUPEES
Opening balance	4,616,856	4,616,856
Provision for the year	-	-
	4,616,856	**4,616,856**

12 FINANCE COST PAYABLE

	Notes	2018 RUPEES	2017 RUPEES
Markup on Borrowing from Conventional Banks:			
Long Term Financing		26,195,786	16,054,698
Short Term Borrowings		26,314,348	21,234,901
		52,510,134	**37,289,599**
Islamic Mode of Financing:			
Long Term Financing		25,929,877	8,482,744
Short term		51,706,758	51,706,758
		77,636,635	**60,189,502**
Other			
Long Term Financing	**12.1**	96,533,183	86,988,571
		96,533,183	**86,988,571**
		226,679,952	**184,467,672**

12.1 The markup is payable to Haq Bahu Sugar Mills (Pvt.) Limited, parent of the Company, calculated @ 6 month KIBOR +1%.

13 SHORT TERM BORROWINGS

	Notes	2018 RUPEES	2017 RUPEES
Markup Based Borrowing from Conventional Banks (Secured):			
Cash Finance		-	-
Running Finance	**13.1**	47,080,879	47,080,879
Short Term Finance	**13.2**	8,666,667	8,666,667
		55,747,546	**55,747,546**
Islamic Mode of Financing (Secured):			
Istisna		-	-
Murabaha		-	-
		-	-
Other Financing (Unsecured):	**13.3**	18,973,000	18,973,000
		74,720,546	**74,720,546**

13.1 The facility has been obtained from Summit Bank Limited amounting to Rs. 47.24 million. The facility carries markup @ 3 months KIBOR plus 2.5% per annum payable quarterly in arrears. The facility is secured against first hypothecation charge over company stock amounting to Rs. 93.33 million, first pari passu charge over present and future fixed assets of the company amounting to Rs. 34 million and personal guarantees

13.2 The facility has been obtained from Summit Bank Limited amounting to Rs. 13 million. The facility carries markup @ 3 months KIBOR plus 3% per annum payable quarterly in arrears. The facility is secured against first pari passu charge over all present and future fixed assets of the company amounting to Rs. 96.67 million, post dated cheques as per repayment schedule and personal guarantees of directors.

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

14 CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

a) The Company received advances from Trading Corporation of Pakistan (TCP) under four different sugar supply agreements. The Company has disputed the supply of sugar under the said agreements contending that TCP made numerous breaches of the agreements causing enormous losses to the Company and has filed a civil suit in court of Honorable Civil Judge, Lahore praying to refer the dispute for arbitration under the terms of the agreements. The Court has initiated exparte proceedings against TCP and matter is a pending adjudication.

b) During the year under consideration TCP filed a complaint with National Accountability Bureau (NAB), Sindh for recovery of the amount advanced by it as referred in preceding paragraph. Total amount claimed by TCP is Rs. 1,311.528 million being principal amount of Rs. 570.913 million plus Rs. 740.615 million being penalty, markup and other incident charges. The matter is pending with NAB for disposal and the management expects that outcome will be in its favor and penalty, markup and other incidental charges of Rs. 740.615 million would not be payable, hence no provision there against has been made in these financial statements. During the year TCP has encashed Margin on Guarantee deposited by the company with the banks and therefore the principal amount claimed has been reduced to Rs. 521.165 million.

c) Due to financial crunch faced by the Company the long term loan from Summit Bank (refer note 8) could not be serviced in a timely manner. Summit Bank Limited has filed lawsuit for recovery of this finance facility in Lahore High Court which is a pending adjudication.

d) The Company had deposited an amount of Rs. 20.832 million of excise duty 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 Honorable High Court of Sindh has decided the case in favor 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 favorable outcome. However, as a matter of prudence company has made provision there against in these financial statements.

14.2 Commitments

a) The Company has entered into Ijarah agreements for Rs. 4.409 million (2017: Rs. 4.409 million) with Bank Alfalah Limited to acquire vehicles. The rentals under these agreements are payable monthly up to October 2018 carrying profit rates ranging from three and six month KIBOR plus 1.23% to 1.41% per annum (2017: 1.23% to 1.41% per annum). The total of future Ijarah payments are as under:

Less than one year	13,850	13,850
Within one to five years	-	-

	Notes	2018 RUPEES	2017 RUPEES
15 PROPERTY, PLANT AND EQUIPMENTS			
Operating Fixed Assets	**15.1.3**	2,425,582,769	2,558,955,225
Capital Work in Progress - At Cost	**15.2**	54,272,420	46,917,701
		2,479,855,189	2,605,872,926

15.2 Capital work in progress - At cost

	Notes	2018 RUPEES	2017 RUPEES
Opening balance		46,917,701	1,251,443,173
Add: Additions during the year		7,354,719	46,917,701
Less: Transfer to property,plant and Equipments		-	(1,251,443,173)
	15.2.1	54,272,420	46,917,701

15.2.1 Breakup is as follows

	2018 RUPEES	2017 RUPEES
Plant and machinery	54,272,420	46,917,701
Civil works	-	-
	54,272,420	46,917,701

15.1 Operating Fixed Assets

Particulars	Cost / Revaluation			Rate	Depreciation			WDV
	------------------ 2018 ------------------							
	As at October 01, 2017	Additions	As at September 30, 2018		As at October 01, 2017	For the year	As at September 30, 2018	as at September 30, 2018
	RUPEES			%	RUPEES			
Owned								
Land free hold	8,278,125	--	8,278,125		--	--		
Experimental land	10,500,000	--	10,500,000		--	--	--	10,500,000
Building on free hold land:	--		--					
- Factory	222,805,263	--	222,805,263	10	136,706,716	8,609,855	145,316,571	77,488,692
- Non factory	90,849,466	--	90,849,466	10	63,754,125	2,709,534	66,463,659	24,385,807
Plant and machinery	3,119,376,125	--	3,119,376,125	5	704,041,767	120,766,718	824,808,485	2,294,567,640
Electric installations	12,529,128	--	12,529,128	10	11,779,970	74,916	11,854,886	674,242
Tools and equipment	3,526,377	--	3,526,377	10	2,819,151	70,723	2,889,874	636,503
Telephone installation	1,030,151	--	1,030,151	10	927,613	10,254	937,867	92,284
Electric equipment	7,223,203	--	7,223,203	10	5,598,422	162,478	5,760,900	1,462,303
Furniture and fixture	7,581,644	109,545	7,691,189	10	6,380,728	127,545	6,508,273	1,182,916
Office equipment	4,439,008	--	4,439,008	10	2,207,625	223,138	2,430,763	2,008,245
Arms and ammunitions	453,677	--	453,677	10	369,613	8,406	378,019	75,658
Tents and tarpaulins	3,210,660	--	3,210,660	10	1,504,895	170,577	1,675,472	1,535,188
Computers	3,244,163	--	3,244,163	10	2,242,113	100,205	2,342,318	901,845
Vehicles	11,986,565	--	11,986,565	20	9,751,014	447,110	10,198,124	1,788,441
Scales and weighbridges	14,000	--	14,000	10	8,578	542	9,120	4,880
TOTAL	3,507,047,555	109,545	3,507,157,100		948,092,330	133,482,001	1,081,574,331	2,425,582,769

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

	2018 RUPEES	2017 RUPEES
Cost of goods manufactured	129,693,331	75,796,761
Administration expenses	3,788,670	4,262,992
	133,482,001	80,059,753

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

	2018	2017
Land free hold	2,877,388	2,877,388
Experimental land	1,145,920	1,145,920
Building on free hold land:		
- Factory	30,267,045	33,630,050
- Non Factory	4,524,787	5,027,541
Plant and Machinery	1,674,826,394	1,762,975,152
	1,713,641,534	1,805,656,051

15.1.3 Operating Fixed Assets

Particulars	Cost / Revaluation: As at October 01, 2016	Cost / Revaluation: Additions	Cost / Revaluation: As at September 30, 2017	Rate	Depreciation: As at October 01, 2016	Depreciation: For the year	Depreciation: As at September 30, 2017	WDV as at September 30, 2017
	------------------ 2017 ------------------							
	RUPEES			%	RUPEES			
Owned								
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	16,190,548	222,805,263	10	128,789,248	7,917,468	136,706,716	86,098,547
- Non factory	90,849,466	--	90,849,466	10	60,743,531	3,010,594	63,754,125	27,095,341
Plant and machinery	1,884,123,500	1,235,252,625	3,119,376,125	5	636,514,427	67,527,340	704,041,767	2,415,334,358
Electric installations	12,529,128	--	12,529,128	10	11,696,730	83,240	11,779,970	749,158
Tools and equipment	3,526,377	--	3,526,377	10	2,740,570	78,581	2,819,151	707,226
Telephone installation	1,030,151	--	1,030,151	10	916,220	11,393	927,613	102,538
Electric equipment	7,186,303	36,900	7,223,203	10	5,418,351	180,071	5,598,422	1,624,781
Furniture and fixture	7,581,644	--	7,581,644	10	6,247,293	133,435	6,380,728	1,200,916
Office equipment	4,439,008	--	4,439,008	10	1,959,693	247,932	2,207,625	2,231,383
Arms and ammunitions	453,677	--	453,677	10	360,273	9,340	369,613	84,064
Tents and tarpaulins	3,210,660	--	3,210,660	10	1,315,366	189,529	1,504,895	1,705,765
Computers	3,244,163	--	3,244,163	10	2,130,774	111,339	2,242,113	1,002,050
Vehicles	11,986,565	--	11,986,565	20	9,192,126	558,888	9,751,014	2,235,551
Scales and weighbridges	14,000	--	14,000	10	7,975	603	8,578	5,422
TOTAL	**2,255,567,482**	**1,251,480,073**	**3,507,047,555**		**868,032,577**	**80,059,753**	**948,092,330**	**2,558,955,225**

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

	2017 RUPEES	2016 RUPEES
Cost of goods manufactured	75,796,761	74,696,814
Administration expenses	4,262,992	4,808,862
	80,059,753	**79,505,676**

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

	2017	2016
Land free hold	2,877,388	2,877,388
Experimental land	1,145,920	1,145,920
Building on free hold land:		
- Factory	33,630,050	19,527,137
- Non Factory	5,027,541	5,586,157
Plant and Machinery	1,762,975,152	560,915,172
	1,805,656,051	**590,051,774**

16 LONG TERM DEPOSITS

	Notes	2018 RUPEES	2017 RUPEES
Long Term Deposits	16.1	1,826,165	1,826,165

16.1 These are security deposits against various ijarah facilities and utilities. These will be adjusted at the time of maturity of facilities.

17 STOCK IN TRADE

	Notes	2018	2017
Work in process		99,253,276	114,914,525
Finished goods		84,360,000	-
		183,613,276	114,914,525

18 ADVANCES, DEPOSITS AND PREPAYMENTS

	Notes	2018	2017
Advances - Unsecured, considered good			
Growers		36,740,365	40,218,446
Contractors		1,821,010	860,036
Suppliers		21,215,696	11,473,912
Employees		1,033,194	988,008
For expenses	18.1	5,370,064	4,125,079
Export rebate receivable		15,815,000	15,815,000
		81,995,329	**73,480,481**
Deposits:			
Excise duty		20,831,910	20,831,910
Sales tax receivable		6,196,233	-
		109,023,472	**94,312,391**
Provision against excise duty deposit		(20,831,910)	(20,831,910)
		88,191,562	73,480,481

18.1 It includes advances to executives amounting to Rs. 2.436 million (2017: Rs. 2.467) and maximum amount due at the end of any month was Rs. 2.436 million (2017: Rs. 2.467 Million).

19 CASH AND BANK BALANCES

	Notes	2018	2017
Cash in Hand		526,763	6,807,521
Cash at Banks			
-Current Accounts		4,141,698	3,089,006
-Saving Accounts		101,071	101,071
		4,769,532	9,997,598

20 SALES - NET

	Notes	2018	2017
Gross local sales			
Sugar		111,540,000	317,037,600
Molasses		17,323,068	10,349,682
Total gross sales		**128,863,068**	**327,387,282**
Less Sales tax		(10,140,000)	(28,821,600)
Sales - Net		118,723,068	298,565,682

21 COST OF SALES

	Notes	2018	2017
Cost of sugar cane		163,937,661	89,844,005
Stores and spares consumed		16,053,593	8,236,223
Oil and lubricants consumed		3,508,710	2,865,659
Packing material consumed		1,200,587	469,711
Chemical consumed		5,713,196	2,975,976
Salaries, wages and benefits	21.1	67,500,123	59,818,279
Water, fuel and power		30,082,395	16,358,307
Vehicle running and maintenance		1,947,860	-
Freight, handling and octroi		4,738,694	636,379
Depreciation	15.1.4	129,693,331	75,796,761
Others		7,355,951	12,488,767
		431,732,101	**269,490,067**
Add: Opening WIP		114,914,525	30,518,092
Less: Closing WIP		(99,253,276)	(114,914,525)
Cost of Goods Manufactured		**447,393,350**	**185,093,634**
Add: Opening Finished Goods		-	216,216,000
Less: Closing Finished Goods	21.2	(84,360,000)	-
		363,033,350	401,309,634

21.1 Its includes an amount of Rs. 0.5772 million (2017: Rs. 0.8115 million) in respect of staff retirement benefit.

21.2 Cost of goods sold includes cost of sugar stock loss amounting to Rs. 110.949 million (2017: Rs. Nill million) due to moisture and dampening.

	Notes	2018 RUPEES	2017 RUPEES
22 ADMINISTRATIVE AND GENERAL EXPENSES			
Salaries, bonus and allowances	**22.1**	2,275,361	2,675,933
Fees, subscription and renewals		3,932,616	4,317,660
Vehicle running and maintenance		832,815	2,702,355
Legal and professional charges		33,600	700
Printing and stationery		357,371	193,677
Travelling, conveyance and entertainment		3,116,392	2,718,308
Rent, rates and taxes		260,777	881,267
Repairs and maintenance		4,600	50,000
Auditors remuneration	**22.2**	1,500,000	1,200,000
Depreciation	**15.1.4**	3,788,670	4,262,992
Others		2,943,218	2,501,955
Ijarah rentals		41,550	1,666,910
Entertainment		78,930	19,000
		19,165,900	23,190,757

22.1 Its includes an amount of Rs. 0.6253 million (2017: Rs. 0.587) in respect of staff retirement benefit.

22.2 Auditors' remuneration

	2018 RUPEES	2017 RUPEES
Annual audit fee	1,300,000	1,000,000
Review of code of corporate governance	100,000	100,000
Half year review	100,000	100,000
	1,500,000	1,200,000

	2018 RUPEES	2017 RUPEES
23 DISTRIBUTION EXPENSES		
Loading and unloading charges	-	945,150
Stacking and re-stacking charges	1,140,000	34,586
	1,140,000	979,736
24 FINANCE COST		
Mark up on subordinated sponsors' loan	9,544,612	8,751,095
Markup on long term loan	27,588,221	15,823,112
Mark up on short term borrowings	5,079,448	17,699,765
Markup on WPPF	6,790,792	5,744,825
Bank charges and commission	233,273	243,583
	49,236,346	48,262,380
25 OTHER INCOME		
Profit on deposit account	-	-
	-	-
26 TAXATION		
Current Year Provision	1,484,038	-
Deferred Taxation		
Relating to Origination and Reversal of Temporary Differences	5,679	(230,186,684)
Relating to Rate Change	7,268,955	26,332
	7,274,634	**(230,160,352)**
	8,758,672	(230,160,352)

26.1 Relationship between tax expense and accounting profit

	2018 RUPEES	2017 RUPEES
Accounting profit for the year	(313,852,528)	(175,176,825)
Applicable tax rate	29%	30%
Tax on accounting profit	(91,017,233)	(52,553,048)
Tax effect of expenses that are not deductible in determining taxable profit	39,058,540	24,437,714
Tax effect of expenses that are deductible in determining taxable profit	(53,419,552)	(65,765,248)
Tax effect loss related to presumptive tax regime		
Adjustment of brought forward losses	105,378,245	93,880,582
Tax refundable under normal rules	--	--
Tax payable under normal rules	**NIL**	**NIL**
Minimum tax liability U/s. 113 (2015: U/s 113 - C)	-	-

27 LOSS PER SHARE - Basic and diluted

	Notes	2018 RUPEES	2017 RUPEES
Loss after taxation for the year attributable to ordinary shareholders		(322,611,200)	54,983,527
		NUMBER OF SHARES	
Weighted average number of ordinary shares outstanding during the year		79,261,666	79,261,666
Loss Per share		**(4.07)**	**0.69**

27.1 Diluted Earning per Share

There is no dilution effect on the basic earning per share as the company has no such commitments.

28 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:

	Chief Executive		Directors		Executives	
	2018	2017	2018	2017	2018	2017
Management Remuneration	-	-	300,000	300,000	3,298,065	7,590,400
Perquisites	-	-	-	-	-	-
	-	-	300,000	300,000	3,298,065	7,590,400
Number of Persons	-	-	1	1	2	9

29 TRANSACTION WITH RELATED PARTIES

Related parties comprise of holding company, subsidiary, associated undertakings, directors of the Company, key employees and staff retirement fund. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables. Parent, subsidiary and associated undertakings also have some common directorship.

Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

Relationship with the Company	Nature of Transactions	2108 RUPEES	2107 RUPEES
Parent company	Long term loan	123,416,314	123,416,314
	Markup payable	96,078,722	86,988,571
	Markup on Long Term Loan	9,544,612	8,751,095

30 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The Company's activities are exposed to a variety of financial risks. The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's overall risk management strategy seeks to minimize adverse effects from the unpredictability of financial markets on the Company's financial performance. The Company sets policies, strategies and mechanisms, which aim at effective management of these risks within its unique operating environment. The key financial risks include credit risk, liquidity risk and interest rate risk.

Risk management is carried out in accordance with established policies and guidelines approved by the Board of Directors. The management continually monitors the Company's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management objectives and policies are reviewed regularly to reflect changes in market conditions and the Company's activities.

a) 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. To reduce exposure to credit risk the Company has developed a formal approval process whereby credit limits are applied to its customers. The management also continuously monitors credit exposure towards the customers and makes provision against those balances considered doubtful of recovery. Credit risk of the Company arises principally from the trade debts, loans and advances, trade deposits and other receivables. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at

Financial Assets		
Long term deposits	1,826,165	1,826,165
Trade debts - unsecured - considered good	-	-
Advances, deposits and prepayments	59,777,071	52,552,394
Bank Balances	4,242,768	3,190,077
	65,846,004	57,568,636

Bank balances are held only with reputable banks. The credit rating of banks holding balances is given below:

Name of Bank	Rating Agency	Short Term	Long Term
MCB Bank Limited	PACRA	A1	AAA
Bank Alfalah Limited	PACRA	A1+	AA+
National Bank of Pakistan	PACRA	A1+	AAA
Allied Bank Limited	PACRA	A1+	AA+
Soneri Bank Limited	PACRA		
Meezan Bank Limited	JCR-VIS		
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
Silk Bank Limited	JCR-VIS	A-2	A-
United Bank Limited	JCR-VIS	A-1+	AAA
Bank Islami Pakistan Limited	PACRA	A1	A+
Summit Bank Limited	JCR-VIS	A-1+	A-
Askari Bank Limited	PACRA	A1+	AA+
Sindh Bank Limited	JCR-VIS	A-1+	AA
Habib Bank Limited	JCR-VIS	A-1+	AAA
JS Bank Limited	PACRA	A1+	AA-
Al Baraka Bank Limited	PACRA	A1	A
Bank Al Habib Limited	PACRA	A1+	AA+

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non performance by these counterparties on their obligations to the Company. Accordingly the credit risk is

b) Liquidity Risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate actions for new requirements. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

	2018				
Non Derivative Financial Liabilities	Carrying Amount	Contractual Cash Flows	One Year or Less	One Year to Two Years	Two Years to Five Years
Long term loan from related party - unsecured	123,416,314	160,030,316	12,193,532	12,226,939	135,609,846
Long term loan from bank - secured	352,798,518	449,302,094	32,138,508	32,226,559	384,937,027
Short term borrowings - secured	74,720,546	7,093,617	7,093,617	-	-
Finance cost payable	226,679,952	226,679,952	226,679,952	-	-
Trade and other payables	1,145,349,163	1,145,349,163	1,145,349,163	-	-
	1,922,964,493	1,988,455,142	1,423,454,772	44,453,498	520,546,873

	2017				
Non Derivative Financial Liabilities	Carrying Amount	Contractual Cash Flows	One Year or Less	One Year to Two Years	Two Years to Five Years
Long term loan from related party - unsecured	123,416,314	149,913,289	8,824,266	8,824,266	132,264,757
Long term loan from bank - secured	354,489,619	420,895,235	22,115,009	22,115,009	376,665,217
Short term borrowings - secured	74,720,546	4,865,496	4,865,496	-	-
Finance cost payable	184,467,672	184,467,672	184,467,672	-	-
Trade and other payables	1,155,719,682	1,155,719,682	1,155,719,682	-	-
	1,892,813,833	1,915,861,374	1,375,992,125	30,939,275	508,929,974

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rate effective as at 30 September. Rates of interest / mark - up and their maturities are given in the respective notes.

c) Market Risk

(i) 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:

Variable rate instruments at carrying amounts:

Financial liabilities		
Long term loan from related party - unsecured	123,416,314	123,416,314
Long term loan from bank - secured	352,798,518	354,489,619
Short term borrowings - secured	74,720,546	74,720,546
	550,935,378	552,626,479
Interest bearing financial assets:		
Bank Balances In Deposit / Saving Accounts	101,071	101,071
	101,071	101,071

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	**410,295**	**1,988,738**
Decrease	**410,295**	**1,988,738**

(ii) Equity Price Risk

Equity price risk is the risk of volatility in share prices resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. As of the balance sheet date, the Company is not exposed to any such risk.

(iii) Foreign Currency Risk

Foreign currency risk is the risk that the value of a financial asset or a financial liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist as a result of transactions with foreign undertakings. As of the balance sheet date, the Company is not exposed to any such risk.

d) Fair Value of Financial Assets and Liabilities

Fair value is the amount for which an asset could be exchanged, or a liability can be settled, between knowledgeable willing parties in an arm's length transaction. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

The Company uses the following hierarchy for disclosure of the fair value of financial instruments by valuation techniques:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities,

Level 2: Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: Those whose inputs for the asset or liability that are not based on observable market date (unobservable inputs).

31 CAPITAL MANAGEMENT

The primary objective of the Company's management is to ensure that it maintains a strong credit rating and healthy capital ratios while continue as going concern in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholder, issue new shares or sell assets to reduce debts or raise debts, if required.

As of the balance sheet date, the management considers that the capital of the Company is sufficient to meet the requirements of the business.
The Company monitors capital on the basis of the gearing ratio. The ratio is calculated as under:

Long term loan from related party - unsecured	123,416,314	123,416,314
Long term loan from bank - secured	352,798,518	354,489,619
Short Term Borrowings	74,720,546	74,720,546
Less: Cash and Cash Equivalents	4,769,532	9,997,598
Net Debt	546,165,846	542,628,881
Total Equity	(847,154,769)	(552,980,492)
Gearing Ratio	-64%	-98%

32 NUMBER OF EMPLOYEES

The total average number of employees during the year and as at September 30, 2017 and 2016 respectively are as follows:

	2018	2017
	Number of Employees	
Average number of employees during the year	**393**	**349**
Number of employees as at year end	231	231

33 CAPACITY AND PRODUCTION

Year	No. of Days Mill Operated	Crushing Capacity (M.Tons)	Total Crushing Capacity (M.Tons)	Sugar Production (M.Tons)	Actual Crushing (M.Tons)
2018	70	5,500	385,000	3,096	39,361
2017	58	5,500	319,000	1,200	16,940

Reason for shortfall:

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

34 **CORRESPONDING FIGURES**

The corresponding figures have been rearranged and reclassified for the purpose of comparison and better presentation however there has been no significant reclassification.

35 **AUTHORIZATION DATE**

These financial statements were authorized for issue on January 07, 2019 by the Board of Directors of the Company.

CHIEF EXECUTIVE	**DIRECTOR**	**CHIEF FINANCIAL OFFICER**

Abdullah Shah Ghazi Sugar Mills Limited

FORM OF PROXY

IMPORTANT

This form of Proxy duly completed must be deposited at the Company's Shares office A-14, Trade Centre, Block-7/8, K.C.H.S. Main Shahrah-e-Faisal, Karachi no later than 48 hours before the time of holding the meeting.

A Proxy should also be a member of the Company.

I/we____

of ____

being a member (s) of ABDULLAH SHAH GHAZI SUGAR MILLS LIMITED and holder of ____________

herby appoint ____

of ____

or failing him____

who is also member of ABDULLAH SHAH GHAZI SUGAR MILLS LIMITED vide Registered Folio No./CDC Participant's

ID and Account No. ________________ as my/our proxy to vote for me/u and on my/our behalf at the 35th Annual General Meeting of the Company to be held on Monday , January 28, 2019 at 09:00 am and any adjournment thereof.

Signed this ______________________________ day of ______________________2019

Affix Revenue Stamp Rs. 5/-

Signature __________________________

Witness: ____________________

SIGNATURE

Name : _____________________

Address : ____________________

____

Witness: _____________________

SIGNATURE

Name : ______________________

Address :___________________

____