ANNUAL REPORT 2019

BABA FARID
SUGAR MILLS LIMITED

Table of Contents

Company Information

BOARD OF DIRECTORS	Mrs. Qaiser Shamim Khan	Chairperson
	Mr. Adnan Ahmed Khan	Chief Executive
	Mr. Muhammad Shamim Khan	Executive Director
	Mr. Nauman Ahmed Khan	Non-Executive
	Mrs. Sarah Hajra Khan	Non-Executive
	Mr. Farid ud Din Ahmed	Independent Director
	Mr. Malik Manzoor Hussain Humayoon	Independent Director
AUDIT COMMITTEE	Mr. Farid-ud-Din Ahmad	Chairman
	Mrs. Sarah Hajra Khan	Member
	Mr. Malik Manzoor Hussain Humayoon	Member
CHIEF FINANCIAL OFFICER	Mr. Wasif Mahmood	
COMPANY SECRETARY	Mr. Muhammad Imran	
AUDITORS	BDO Ebrahim & Co. Chartered Accountants F-2, First Floor, Grace Centre, Canal Bank Road, 1-B Canal Park, Gulberg-II, Lahore Tel: 042-35875709-10 Fax: 042-35717351 Email: info@bdo.com.pk	
MILLS	5 K.M. Faisalabad Road, Okara Tel: 044-2522878, 2524279 Fax: 044-2522978	
BANKERS	Habib Bank Limited Bank Al-Habib Limited United Bank Limited MCB Bank Limited J.S Bank Limited	
HUMAN RESOURCES & REMUNERATION COMMITTEE	Mr. Farid-ud-Din Ahmad	Chairman
	Mr. Adnan Ahmed Khan	Member
	Mr. Malik Manzoor Hussain Humayoon	Member
SHARE REGISTRAR	M/s Corplink (Pvt) Limited Share Registrar, Wings Arcade, 1-K Commercial Model Town, Lahore. Tel: 042-35916714, Fax: 042-35869037 Email: corplink786@gmail.com	

REGISTERED OFFICE	2-D-1, Gulberg III, Lahore Tel: 042-35771066-71 Fax: 042-35756687 Email: info@bfsml.com Website: www.bfsml.com
LEGAL ADVISOR	Mohsin Tayebaly & Co. Corporate Legal Consultants (Barrister & Advocates) High Courts & Supreme Courts Lahore Office: 102-C-1, St. John's Park (Opp. Fortress Stadium), Lahore Tel: 042-36672102 Email: Arshad.mirza@mtclaw.com.pk

Notice of Annual General Meeting

Notice is hereby given that the 41st Annual General Meeting of the Shareholders of the **Baba Farid Sugar Mills Limited** will be held on Monday, the 27th January, 2020 at 11.00 a.m. at Registered Office, 2-D-1, Gulberg III, Lahore to transact the following business:

ORDINARY BUSINESS:

1. Confirmation of the minutes of the 40th Annual General Meeting of the Baba Farid Sugar Mills Limited held on 28-01-2019.

2. To receive, consider and adopt Annual Audited Accounts alongwith Balance Sheet for the year ended 30th September 2019 together with Auditors' and Directors' reports thereon.

3. To appoint Auditors of the Company for the next financial year 30th September, 2020 and to fix their remuneration. The present Auditors, M/s. BDO Ebrahim & Co. Chartered Accountants, Lahore, retired and being eligible, have offered themselves for reappointment as Auditors of the Company.

4. To consider any other business with the permission of the Chair.

BY ORDER OF THE BOARD

MUHAMMAD IMRAN
Company Secretary

Lahore: 30th December 2019

Note:

1. Closure of Shares Transfer Books:

Share Transfer Books of the Company will remain closed from 21-01-2020 to 27-01-2020 (both days inclusive). No transfer of shares will be accepted for registration during the closed period. However, transfer received at the office of the Company's Share Registrar Office at M/s. Corplink (Pvt.) Limited, Wings Arcade, 1-K, Commercial Model Town, Lahore by the close of business hours on 20th January, 2020 will be treated in time for the entitlement of payout of cash dividend (if any).

2. Participation in the Annual General Meeting

Members are requested to attend in person alongwith national identity card or appoint some other member as proxy and send their proxy duly witnessed so as to reach at Registered Office, 2D-1 Gulberg III, Lahore not later than 48 hours before the time of holding the meeting.

Copies of Memorandum and Articles of Association of the Company, Listing Regulations of the Stock Exchanges, Companies Act 2017 and other relevant laws/record may be inspected during the business hours on any working day at 2-D-1, Gulberg III, Lahore from the date of the publication of the notice till the conclusion of the general meeting. A Corporate member of the Company may by a resolution of its Board of Directors authorize a person to act as its representative at the meeting.

3. Change of Address:

Shareholders are requested to promptly notify the change in their address, if any to the Company's Share Registrar M/s. Corplink (Pvt.) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore and also furnish attested photocopy of their computerized National Identity Card as per Listing Regulations, if not provided earlier.

4. Further Guidelines for CDC Account Holders:

CDC shareholders are requested to bring with them their CNICs, Participants' ID numbers and their account numbers duly verified by the CDC at the time of attending the Annual General Meeting in order to facilitate identification. In case of corporate entity, a certified copy of the resolution passed by the Board of Directors/ valid Power of Attorney with specimen signatures of the nominee be produced at the time of meeting.

5. Submission of Copy of CNIC (Mandatory):

Pursuant to the directives of the Securities and Exchange Commission of Pakistan (SECP) through its Notification No. SRO 831 (1) 2012 dated July 5, 2012 r/w SRO 19(1)/2014 dated January 10, 2014, dividend warrants cannot be issued without valid CNICs. All the shareholders were advised to submit copies of their valid CNICs. In the absence of shareholders valid CNIC the company will be constrained to withhold dispatch of dividend to such shareholders. Those shareholders who have not yet submitted their valid CNICs are once again advised to provide attested copies of their valid CNICs with their folio numbers to the company's Share Registrar if they hold physical shares, to ensure timely disbursement of dividend.

6. Revision of Withholding Tax on dividend income under Section 150 of Income Tax Ordinance 2001:

It is further being informed that pursuant to the provisions of Finance Act, 2017 the rate of deduction of income tax under section 150 of the Income Tax Ordinance 2001 from dividend payment have been revised as: for filers of Income Tax return 15.00% and Non-filers of Income Tax return 30.00% respectively. You are therefore advised to check and ensure your Filer status from Active Tax Payer List (ATL) available to FBR, website www.fbr.gov.pk as well as ensure that your CNIC/ Passport number has been recorded by your Participant/ Investor Account Services (in case your shareholding is in book entry form) or by Company's Share Registrar M/s. Corplink (Pvt.) Ltd. (in case of physical shareholding).

7. Payment of Dividend Electronically

According to the provisions of Section 242 of the Companies Act, 2017 ("the Act"), any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholders. Further, rule 3 of the Companies (Distribution of Dividends) Regulations, 2017 provides that the company should make payment of cash dividend within a period of fifteen working days from the date of its declaration. Therefore, the registered shareholders of the Company are requested to provide the following details in order to credit their cash dividends directly to their international bank account number (IBAN), if declared:

(i) In case of book-entry securities in CDS, to CDS Participants; and
(ii) In case of physical securities to the Company's Share Registrar as mentioned below.

1. Name of Shareholder's______________________________________
2. Father's / Husband's Name;__________________________________
3. Folio Number;____
4. Postal Address;____
5. Name of Bank;____
6. Name of Branch;____
7. Address of Branch;____
8. Title of Bank Account;_____________________________________
9. Bank Account Number (Complete with code);_____________________

10. IBAN Number (Complete with code);___________________________
11. Cell Number;____
12. Telephone Number (if any);__________________________________
13. CNIC Number (attach copy);_________________________________
14. NTN (in case of corporate entity, attach copy);____________________

IBAN number (International Bank Account Number) will be provided by your banker, containing alpha, number and without any space and gap.

To, Share Registrar

M/s. Corplink (Pvt.) Limited, Wings Arcade, 1-K, Commercial Model Town, Lahore. Ph. No. 042-35916719, 042-35839182,

8. Electronic Transmission of Audited Financial Statements.

SECP through its Notification SRO No. 787 (1) 2014 dated September 8, 2014 has allowed the circulation of Audited Financial Statements along with Notice of Annual General Meeting to the members of the Company through email. Therefore, all members of the Company who wish to receive soft copy of Annual Report are requested to send their email addresses. The Consent Form for electronic transmission could be downloaded from Company's website: www.bfsml.com. The Company has already dispatched hard copy of the Audited Financial Statement to its shareholders.

9. Video Conferencing Facility:

If the Company receives consent from members holding aggregate 10% or more shareholding, residing in geographical location to participate in the meeting through video conference at least 7 days prior to the date of AGM, the Company will arrange video conference facility in that city subject to availability of such facility in that city.

In this regard, please fill the following and submit to registered address of the company at least 7 days prior to the date of AGM.

I/We, ____________________ of ________________, being a member of the Baba Farid Sugar Mills Limited, holder of ______________ ordinary share(s) as per Registered Folio/CDC Account/Sub Account No. ____________________ hereby opt for video conference facility at _____________.

10. Zakat Declarations (CZ-50)

The Zakat will be deducted from the dividends at source at the rate of 2.5% of the paid-up value of the shares (Rs. 10/-each) under Zakat and Ushar Laws and will be deposited within the prescribed period with the relevant authority, Please submit your Zakat Declarations under Zakat and Ushr Ordinance, 1980 & Rule 4 of Zakat (Deduction & Refund) Rules, 1981 CZ-50 form, in case you want to claim exemption, with your brokers or the Central Depository Company Ltd (In case the shares held in Investor Accounts Services on the CDC) or to our Registrars, M/s. Corplink (Pvt.) Limited 1-K, Commercial Model Town, Lahore (In case the shares are held in paper certificate form). The shareholders while sending the Zakat Declarations, as the case may be must quote company name and respective folio numbers.

Director's Report to the Members

The Directors of your Company are pleased to present the 41st Annual Report together with Audited Accounts and Auditor's Report thereon for the financial year ended 30 September 2019.

CHANGE OF MANAGEMENT CONTROL DURING THE YEAR

Naubahar Bottling Company (Private) Limited, Mr. Muhammad Shamim Khan, Mrs. Qaiser Shamim Khan, Mr. Adnan Ahmed Khan and Mr. Nauman Ahmed Khan (the Acquirers) entered into a Share Purchase Agreement dated 23 January 2019 with Ms. Naheed Rohi, Mr. Muhammad Ashraf, Mr. Muhammad Sarwar, Mr. Muhammad Shah Anjum, Ms. Rafia Aslam, Mr. Shahid Mehmood Qureshi, Syed Qaisar Abbas Naqvi, Mr. Maqsood Ul Hassan, Mr. Muhammad Aslam and M/s. Pattoki Sugar Mills Limited (collectively, the "Sponsor Sellers") for the sale and purchase of 9,115,456 Ordinary Shares representing 96.46% of the total issued share capital of the Company. Further, a Public Offer was made on 27 March 2019 by the Acquirers to acquire up to 167,272 Ordinary Shares of the Company constituting 1.77% of the issued share capital of the Company at an offer price of Rupees 52 per Ordinary Share pursuant to Part IX of the Securities Act, 2015 ("Act") and the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2017 ("Regulations").

New management took charge on 13 June 2019, after meeting of board of directors pursuant to completion of all legal and corporate formalities for acquisition of majority shareholding and management control of the Company.

Naubahar Bottling Company (Private) Limited is engaged in beverage business. Mr. Muhammad Shamim Khan, Mrs. Qaiser Shamim Khan, Mr. Adnan Ahmed Khan and Mr. Nauman Ahmed Khan are engaged in business of sugar, beverage, steel, power and textile, hence have rich relevant experience. Naubahar Bottling Company (Private) Limited consumes a considerable portion of total sugar produced in group and this demand is expected to increase every year.

During the year under reference, the Company mainly remained under the process of change of management and sponsors, complying with legal & corporate formalities of SECP, Pakistan Stock Exchange and others. The new management is making all out efforts to increase the production capacity, improving profitability of the Company through process efficiency, installing latest technology equipment and reducing costs. The development of quality cane is being pursued by providing the latest improved seed varieties, fertilizers and other inputs to cane growers. We hope that in the longer term this will ultimately result in higher sugarcane crop/yield for the grower's benefit and higher sugar recovery for the Company and also financially beneficial for the shareholders of the Company.

INDUSTRY OVERVIEW

The crop size during the period under review was approximately 25% less and yield per acre being reported by the growers was also considerably lower. However, sucrose contents were better than last crushing season.

For current crushing season 2018-19, notified support price of sugarcane in Punjab was Rs. 180/- per 40 kg. The Federal Government allowed in December 2018 sugar export of 1.1 million tons and an export subsidy of Rs. 5.35/- per kg was also approved by the Punjab Government for a quantity proportionate to provincial share in exports (about 52%).

PERFORMANCE OF THE COMPANY

The Company was able to crush 26,976 M. Tons sugarcane and produced 1,936 M. Tons white refined sugar at an average recovery of 5.58% during the current year ended 30 September 2019 as compared to last year sugarcane crushing of 208,594 M. Tons and production of 18,262 M. Tons white refined sugar at an average recovery of 8.80%. The decline in Company's sugar production is mainly due to inability of the previous management to run the mills and the operation at optimum level and partially due to overall reduction of sugar production in the country.

FINANCIAL HIGHLIGHTS

Net sales were recorded at Rs. 121.61 million during the current year as compared to Rs. 1,381.82 million during the corresponding period last year. Company suffered pretax loss of Rs. (627.63) million during the period under reference as compared to pretax loss of Rs. (378.29) million in the corresponding period last year. The Company's losses were attributed to its inability to run the plant at optimum capacity level and resultant change of management and control. During the transition phase the operations of the Company remain closed.

After taking over, new management focused on the rehabilitation/maintenance of existing plant to make it capable of achieving its maximum operational efficiency. These efforts ultimately resulted in increased repair & maintenance.

Description	2019	2018
	(Rupees in Million)	
Sales	121.61	1,381.82
Gross Profit / (Loss)	(357.09)	(163.83)
Net Profit / (Loss) before Taxation	(627.63)	(378.29)
Net Profit / (Loss) after Taxation	(682.63)	(374.07)
Earnings / (Loss) Per Share (Rs.)	(72.24)	(39.58)
Gross Profit / (Loss) Ratio	(293.64%)	(12.49%)
P/E Ratio	(0.68)	(0.96)
Market Price Per Share	49.25	38.00

APPROPRIATION: -

In light of loss suffered by the Company during the year, the Board of Directors have decided not to recommend any cash dividend or bonus shares for the current year (2018: Nil)

DIVIDEND: -

The Directors of the Company have not recommended any dividend for the year due to current year loss as well as accumulated losses of the Company.

RESEARCH AND DEVELOPMENT

Agricultural R&D is an integral part of the Company's policy which entails identification and multiplication of promising new sugarcane varieties and their subsequent commercial sowing through progressive growers with best agricultural practices. This not only increases per acre yield of sugar cane but also enhances growers earning and creates more enthusiasm for sowing sugarcane compared to competing crops. It also increases the sugarcane supply to the Company and boosts overall sugar recovery, directly improving the bottom line of the Company.

Based on the above fact, your management has decided to provide new improved varieties of sugarcane seed with high yield/recovery and disease/frost resistance along with fertilizers and pesticides to cane growers on markup free credit basis for Autumn sowing 2019, as well as free of cost timely services of biological laboratory at their door step so that sugarcane procurement for the next crushing season may not suffer.

FUTURE OUTLOOK AND GOING CONCERN ASSUMPTION

The new sponsors have a reputed profile in the industry and not only have managed operations of existing mills but also expanded sugar extraction from sugar beet in KP province. Furthermore, the group is engaged in business of sugar, beverage, steel, power and textile, hence have rich relevant experience. Naubahar Bottling Company (Private) Limited consumes a considerable portion of total sugar produced in group and this demand is expected to increase every year.

This acquisition allows the new management to better meet increasing demand of quality sugar which will bring further strength, experience and efficiency to the Company. Specifically, the acquisition has the potential to facilitate expansion and efficient growth of business, strengthen the management and finances and improve financial planning; thereby facilitating business to be carried on more advantageously and economically with enhanced profitability. It is expected to yield better returns to the shareholders and additional benefits for other stakeholders. It is expected that the Company shall become financially more viable in comparison to its current status.

The Company will have better managerial planning. Consequently, shall be able to pass on parts of the expected benefits to the other stakeholders such as the Government, employees, general body of consumers and the society at large. The new Directors are much more experienced and have a large professional management team to revive sugar mills operations and explore new markets. The new management is quite confident that it will be able to expand the Company's business and operate more efficiently and will be able to convert into a profitably run organization in long term.

These financial statements have been prepared on a going concern basis based on the sponsors' commitment to provide financial and operational support to the Company. The management has no doubts about the Company's ability to continue as a going concern.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

1. The Financial Statements prepared by the Company fairly present its state of affairs, the result of operations, cash flows and changes in equity.
2. Proper books of accounts of the Company have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards as applicable in Pakistan and the requirements of the Companies Act, 2017 have been followed in preparation of financial statements and there has been no departure there from.
5. The system of internal control has been designed and effectively implemented according to the requirement of the industry and on modern managerial principles which are being continuously reviewed and monitored. The review will continue in future for the improvement in control.
6. The Company has appointed M/s CORPLINK (Pvt) Ltd, independent share Registrar in terms of section 195 of the Companies Act, 2017.
7. There is no doubt upon the Company's ability to continue as a going concern.
8. There has been no material departure from the best practices of corporate governance.
9. The key operating and financial data of the last six (06) years is annexed herewith.
10. There are no statutory payments against the Company on account of Taxes, duties, levies and other charges except for those which are being paid in the normal course of business except those as disclosed the note No.32 of the financial statements **(Contingencies & Commitments)**.
11. The Company maintains unfunded gratuity scheme for its permanent employees.
12. Share transactions (if any) have been reported by the Directors, CFO, other Executives, Auditors, Company secretary or their spouses and minor children during the year ended 30 September 2019 are annexed in pattern of shareholding.
13. All the information as required to be placed on Company's website under SRO No. 634(1) 2014 is appropriately placed at www.bfsml.com.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance relevant to the year ended 30 September 2019 have been duly complied with. A statement to this effect is annexed with the review report from the auditors.

BOARD MEETINGS

During the year under review five (05) Meetings of the Board of Directors were held. Participation of Directors is as follows:

Sr. No.	Name of Directors (Old Directors)	Number of Meeting Attended	Name of Directors (Current Directors)	Number of Meeting Attended	Total Meetings
1	Mrs. Naheed Rohi (Chairperson)	3	Mrs. Qaiser Shamim Khan (Chairperson)	2	5
2	Mr. Muhammad Sarwar (Chief Executive)	3	Mr. Adnan Ahmed Khan (Chief Executive)	1	4
3	Syed Qaissar Abbas Naqvi (Director)	3	Mr. Muhammad Shamim Khan (Director)	2	5
4	Mr. Muhammad Shah Anjun (Director)	3	Mr. Nauman Ahmed Khan (Director)	1	4
5	Mr. Shahid Mahmood Qureshi (Director)	3	Mrs. Sarah Hajra Khan (Director)	2	5
6	Ms. Rafia Aslam (Director)	3	Mr. Fareed Ud Din Ahmed (Independent Director)	2	5
7	Mr. Muhammad Ashraf (Independent Director)	3	Mr. Malik Manzoor Hussain Humayun (Independent Director)	2	5

CHANGE IN THE BOARD

New management took charge on 13 June 2019 after meeting of board of directors pursuant to completion of all legal and corporate formalities for acquisition of majority shareholding and management control of the Company. The newly reconstituted Board was informed about various critical items requiring Board's immediate attention and following major decision were taken:

a- As required under section 192 of the Companies Act 2017, Mrs. Qaiser Shamim Khan (Director) was appointment as Chairperson of the Board as a result of vacancy generated due the resignation of former Chairperson, Ms. Naheed Rohi; and

b- Mr. Adnan Ahmed Khan was appointed as Chief Executive Officer as a result of vacancy generated due the resignation of former Chief Executive Officer, Mr. Muhammad Sarwar; and

c- Mr. Muhammad Imran was appointed as Company Secretary as a result of resignation of former Company secretary, Muhammad Ibrahim; and d- Mr. Wasif Mahmood was appointed as Chief Financial Officer as a result of resignation of former Chief Financial Officer, Mr. Adnan Zulfiqar; and

e- The Registered Officer of the Company was shifted from Suite – T 09, 3rd Floor, Hafeez Centre, 75-E/1, Main Boulevard, Gulberg-III, Lahore to 2-D-1 Gulberg III, Lahore.

CORPORATE GOVERNANCE

Best Corporate Practices

Directors are committed to good corporate governance and comply with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2017 and the Rule Book of Pakistan Stock Exchange. The statement of compliance with the CCG is enclosed. The composition of the Board of Directors (the Board") is as follows:

Category	Names
Independent Directors	Mr. Farid-ud-Din Ahmad Mr. Malik Manzoor Hussain Humayoon
Executive Directors	Mr. Adnan Ahmed Khan (CEO) Mr. Muhammad Shamim Khan
Non-Executive Directors	Mrs. Qaiser Shamim Khan Mr. Nauman Ahmed Khan Mrs. Sarah Hajra Khan

The Board has formed committees comprising of members given below:

AUDIT COMMITTEE

i) Mrs. Sarah Hajra Khan;
ii) Mr. Farid-ud-Din Ahmad (Chairman of the Audit Committee); and
iii) Mr. Malik Manzoor Hussain Humayoon

HR AND REMUNERATION COMMITTEE

i) Mr. Adnan Ahmed Khan;
ii) Mr. Farid-ud-Din Ahmad (Chairman of the HRR Committee); and
iii) Mr. Malik Manzoor Hussain Humayoon.

SHARE TRANSFER

During the year 9,115,456 number of Ordinary Shares representing 96.46% of the total issued share capital of the Company, has been transferred to the following persons. Further, a Public Offer was made on 27 March 2019 by the Acquirers to acquire up to 167,272 Ordinary Shares of the Company constituting 1.77% of the issued share capital of the Company at an offer price of Rupees 52 per Ordinary Share Pursuant To Part IX of the Securities Act, 2015 (“Act”) and the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2017 (“Regulations”). Out of which the Acquirer acquired 67,131 Ordinary Share @ Rs. 52/- Per share from General Public.

The Breakup of Shareholding is given below:

Naubahar Bottling Co. (Pvt) Limited	4,806,468
Mr. Muhammad Shamim Khan	1,640,784
Mrs. Qaiser Shamim Khan	911,545
Mr. Adnan Ahmed Khan	911,545
Mr. Nauman Ahmed Khan	911,545
Mr. Malik Manzoor Hussain Humayun	200
Mr. Farid Ud Din Ahmed	200
Mrs. Sarah Hajrah Khan	300

HOLDING COMPANY

Naubahar Bottling Company (Pvt.) Limited is the holding company with the 50.8621% Ordinary Shares.

PATTERN OF SHAREHOLDING

The statement of pattern of shareholding along with categories of shareholding of the Company as noted on 30 September 2019 required under section 227 of the Companies Act, 2017 and Code of Corporate Governance is annexed with this report. Statement of transaction in shares of the Company by the Directors, CEO, CFO and Company Secretary and their spouses and minor children during the year is enclosed in this report.

AUDITORS

The present auditors M/s. BDO Ebrahim &Co., Chartered Accountants retired and have offered themselves for re-appointment. The Audit Committee has recommended M/s. BDO Ebrahim & Co., Chartered Accountants for re-appointment as auditor for year ended September 30, 2020.

ACKNOWLEDGEMENT

The Directors would like to express their appreciation for the dedication and hard work of the workers, staff and members of the management team. Growers are the key element of our industry and we thank them for their continued co-operation. The Directors of the Company are also thankful to the banks and financial institutions for the financial assistance and co-operation, which they have extended to the Company.

For and on behalf of Board
Baba Farid Sugar Mills Limited

Qaiser Shamim

Adnan Ahmed Khan
Chief Executive

Mrs. Qaiser Shamim Khan
Chairperson

Lahore: 30 December 2019

ڈائریکٹرز کی ارکان کو رپورٹ

کمپنی کے ڈائریکٹرز 30 ستمبر 2019 کو ختم ہونے والے مالی سال کے لئے 41ویں سالانہ رپورٹ معہ نظر ثانی شدہ حسابات اور اس پر آڈیٹرز کی رپورٹ بخوشی پیش کر رہے ہیں۔

سال کے دوران انتظامی کنٹرول کی تبدیلی

نو بہار بوٹلنگ کمپنی (پرائیویٹ) لمیٹڈ، جناب محمد شمیم خان، محترمہ قیصر شمیم خان، جناب عدنان احمد خان اور جناب نعمان احمد خان (خریدکنندگان) نے محترمہ ناہید روہی، جناب محمد اشرف، جناب محمد سرور، جناب محمد شاہ انجم، محترمہ رفیعہ اسلم، جناب شاہد محمود قریشی، سید قیصر عباس نقوی، جناب مقصود الحسن، جناب محمد اسلم اور میسرز پتوکی شوگر ملز لمیٹڈ (مجموعی طور پر، "سپانسر فروخت کنندگان") کے ساتھ کمپنی کے کل جاری شدہ شیئر کیپٹل کی 96.46% نمائندگی کرنے والے 9,115,456 عام حصص کی فروخت اور خریداری کے لئے مورخہ 23 جنوری 2019 کو ایک شیئرز خریدنے کا معاہدہ کیا ہے۔ اس کے علاوہ، سیکورٹیز ایکٹ 2015 (ایکٹ) کے پارٹ IX اور مندرجہ کمپنیز (ووٹنگ شیئرز کے حصول اور ٹیک اوورز سبسٹینشل) قواعد 2017 (ریگولیشن) کی پیروی میں 52 روپے فی شیئر کی پیشکش قیمت پر کمپنی کے جاری شدہ شیئر کیپٹل کی 1.77% مقررہ کمپنی کے 167,272 عام شیئرز تک حاصل کرنے کے لئے خریدکنندگان کی طرف سے 27 مارچ 2019 کو ایک عام پیشکش کی گئی تھی۔

نئی انتظامیہ نے کمپنی کے اکثریتی شیئر ہولڈنگ اور انتظامی کنٹرول کے حصول کے لئے تمام قانونی اور کارپوریٹ تقاضوں کو مکمل کرتے ہوئے بورڈ آف ڈائریکٹرز کے اجلاس کے بعد، 13 جون 2019 کو چارج لیا۔

نو بہار بوٹلنگ کمپنی (پرائیویٹ) لمیٹڈ مشروبات کے کاروبار میں مصروف ہے۔ جناب محمد شمیم خان، محترمہ قیصر شمیم خان، جناب عدنان احمد خان اور جناب نعمان احمد خان چینی، مشروبات، اسٹیل، بجلی، ٹیکسٹائل کے کاروبار میں مصروف ہیں، لہذا کافی متعلقہ تجربہ رکھتے ہیں۔ نو بہار بوٹلنگ کمپنی (پرائیویٹ) لمیٹڈ گروپ میں پیدا ہونے والی مجموعی چینی کی قابل ذکر مقدار استعمال کرتی ہے اور یہ طلب ہر سال میں بڑھنے کی توقع ہے۔

زیر جائزہ سال کے دوران، کمپنی بنیادی طور پر انتظامیہ اور سپانسرز کی تبدیلی، SECP، پاکستان اسٹاک ایکسچینج اور دیگرز کے قانونی اور کارپوریٹ تقاضوں پر عملدرآمد کرنے کے عمل میں رہی ہے۔ نئی انتظامیہ پراسیس کی کارکردگی بہتر بنانے، جدید ترین ٹیکنالوجی آلات نصب کرنے اور پیداواری اخراجات کو کم کر کے کمپنی کی پیداوار اور منافع کو بڑھانے کے لئے کوششیں کر رہی ہے۔ اچھا معیاری گنا حاصل کرنے کے لئے گنے کے کاشتکاروں کو مسلسل جدید بہتر بیج کی اقسام، کھادیں اور دیگر باہم سہولیات پہنچائی جا رہی ہیں۔ ہمیں امید ہے کہ طویل مدت میں اس کے نتیجے میں زیادہ پیداوار کے ذریعے کمپنی کے لئے چینی کی ریکوری زیادہ، گنے کے کاشتکاروں کی فصل/پیداوار میں اضافہ اور کمپنی کے حصص داران کو انفرادی طور پر مالی فوائد بھی حاصل ہوں گے۔

انڈسٹری کا جائزہ

زیر جائزہ مدت کے دوران فصل کا سائز تقریباً 25% کم تھا اور کاشتکاروں کی طرف سے بیان کی گئی فی ایکڑ پیداوار بھی قابل ذکر کم تھی۔ تاہم، سکروس کے اجزاء گزشتہ کرشنگ سیزن سے بہتر تھے۔

حالیہ کرشنگ سیزن 19-2018 کیلئے گنے کی کم سے کم قیمت خرید حکومت پنجاب کی طرف سے -/180 روپے فی من برقرار رکھی گئی۔ دسمبر 2018 میں، وفاقی حکومت نے 1.1 ملین ٹن چینی برآمد کرنے کی اجازت دی اور برآمدات میں (تقریباً 52%) صوبائی حصہ کے کوانٹٹی تناسب کے لئے حکومت پنجاب نے -/5.35 روپے فی کلوگرام کی برآمدی سبسڈی کی بھی منظوری دی گئی تھی۔

کمپنی کی کارکردگی

30 ستمبر 2019 کو ختم ہونے والے موجودہ سال کے دوران کمپنی نے 26,976 میٹرک ٹن گنے کی کرشنگ کی اور 5.58 فیصد اوسط ریکوری کے ساتھ 1,936 میٹرک ٹن سفید ریفائنڈ چینی بنائی۔ جبکہ اس کے مقابلے میں گزشتہ سال 208,594 میٹرک ٹن گنے کی کرشنگ کی اور 8.80 فیصد اوسط ریکوری کے ساتھ 18,262 میٹرک ٹن سفید ریفائنڈ چینی بنائی۔ موجودہ سال میں پیداوار بنیادی طور پر اس وجہ سے کم ہوئی کیونکہ گزشتہ انتظامیہ کی نااہلی کی وجہ سے ملز اور آپریشن کو کم از کم سطح پر چلایا گیا اور جزوی طور پر ملک میں چینی کی پیداوار کی مجموعی کمی کی وجہ سے ہوئی۔

مالی جھلکیاں

موجودہ سال کے دوران خالص فروخت 121.61 ملین روپے درج کی گئی جبکہ گزشتہ سال کی اسی مدت کے دوران 1,381.82 ملین روپے تھی۔ زیر جائزہ مدت کے دوران کمپنی کو قبل از ٹیکس نقصان (627.63) ملین روپے ہوا جبکہ گزشتہ سال اسی مدت میں قبل از ٹیکس نقصان (378.29) ملین روپے ہوا تھا۔ کمپنی کے نقصانات پلانٹ کو اس کی کم از کم کپیسٹی سطح پر چلانے کی نا اہلیت اور نتیجتاً انتظامیہ اور کنٹرول کی تبدیلی سے منسوب ہیں۔ ٹرانزیشن مرحلہ کے دوران کمپنی کے آپریشنز بند رہے۔

ٹیکنگ اوور کے بعد، نئی انتظامیہ نے موجودہ پلانٹ کو زیادہ سے زیادہ آپریشنل صلاحیت کے حصول کے قابل بنانے کے لئے اس کی بحالی/ مینٹی نینس پر توجہ مرکوز کی ہے۔ ان کوششوں کے نتیجے مرمت اور بحالی میں اضافہ ہوا۔

روپے ملین میں

تفصیل	2019	2018
فروخت	121.61	1,381.82
مجموعی منافع/ (نقصان)	(357.09)	(163.83)
ٹیکس سے پہلے منافع/ (نقصان)	(627.63)	(378.29)
ٹیکس کے بعد منافع/ (نقصان)	(682.63)	(374.07)
آمدنی/ (نقصان) فی شیئر (روپے)	(72.24)	(39.58)
مجموعی منافع/ (نقصان) تناسب	(293.64%)	(12.49%)
P/E تناسب	(0.68)	(0.96)
مارکیٹ قیمت فی شیئر	49.25	38.00

تصرفات:

سال کے دوران کمپنی کو نقصان ہونے کی روشنی میں، بورڈ آف ڈائریکٹرز نے موجودہ سال کے لئے کوئی نقد ڈیویڈینڈ یا بونس شیئرز (Nil: 2018) سفارش نہ کرنے کا فیصلہ کیا ہے۔

منافع منقسمہ:

موجودہ سال کے نقصان اور کمپنی کے مجموعی نقصانات کی وجہ سے بورڈ آف ڈائریکٹرز نے موجودہ سال کے لئے کسی منافع منقسمہ کی سفارش نہیں کی ہے۔

تحقیق و ترقی

زرعی تحقیق و ترقی کمپنی کی پالیسی کا ایک لازمی حصہ ہے جس میں بہترین زرعی طریقوں کے ساتھ ترقی پسند کاشتکاروں کے ذریعے گنے کی مختلف اور نئی اقسام کی شناخت اور اس کے بعد تجارتی پیمانے پر ان کی کاشت شامل ہے۔ یہ نہ صرف گنے کی فی ایکڑ پیداوار بڑھاتی ہے بلکہ کاشتکاروں کی آمدنی میں اضافہ اور مسابقتی فصلوں کے مقابلے میں گنے کی بوائی کے لئے زیادہ شوق پیدا کرتی ہے۔ یہ کمپنی کو گنے کی سپلائی، مجموعی طور پر شوگر کی ریکوری کو بڑھاتی ہے اور براہ راست کمپنی کے منافع کو بہتر بناتی ہے۔

بالا حقائق کی بناء پر، انتظامیہ نے خزاں 2019 کی بوائی کے لئے سود کے بغیر قرض کی بنیاد پر گنے کے کاشتکاروں کو کھاد اور کیڑے مار ادویات کے ساتھ ساتھ اعلیٰ پیداوار اور بیماری کے خلاف مزاحمت کے حامل گنے کے بیج کی نئی بہتر اقسام فراہم کرنے کے ساتھ ساتھ ان کے کھیتوں میں ہی حیاتیاتی تجربہ گاہوں کی مدد سے بروقت مفت خدمات دینے کا فیصلہ کیا ہے تا کہ اگلے کرشنگ سیزن کے لئے گنے کے حصول میں دشواری نہ ہو۔

مستقبل کا نقطہ نظر اور گوئنگ کنسرن مفروضہ

نئے اسپانسرز کی صنعت میں ایک معروف پروفائل ہے اور نہ صرف موجودہ ملوں کے آپریشنز سنبھال چکے ہیں بلکہ صوبہ کے پی میں بھی شوگر بیٹ سے شوگر ایکسٹریکشن کی توسیع رکھتے ہیں۔

مزید برآں، یہ گروپ چینی، مشروبات، اسٹیل، بجلی اور ٹیکسٹائل کے کاروبار میں مصروف ہے، لہذا اس کا بھرپور متعلقہ تجربہ ہے۔ نوبہار بوٹلنگ کمپنی (پرائیویٹ) لمیٹڈ گروپ میں تیار کی جانے والی مجموعی چینی کا کافی حصہ استعمال کرتا ہے اور ہر سال اس طلب میں اضافہ متوقع ہے۔

یہ ایکوزیشن نئی انتظامیہ کو معیاری چینی کی اس بڑھتی ہوئی طلب کو بہتر پورا کرنے کی اجازت دیتا ہے جو کمپنی کو مزید مضبوط، تجربہ اور کارکردگی کو مزید بہتر بنائے گا۔ خاص طور پر، حصول ممکن ہے کہ کاروبار کو وسعت اور مؤثر نمو کو سہولت فراہم کرنے، انتظامیہ اور مالی حیثیت کو مضبوط بنانے؛ اور مالیاتی منصوبہ بندی کو بہتر بنانے؛ اس طرح کاروباری طور پر بہتر منافع بخش ہونے کے ساتھ ساتھ کاروبار میں زیادہ فائدہ منداور اقتصادی طور پر سہولت فراہم کرنے میں مدد کرے۔ اس سے حصص داروں کے لئے بہتر ریٹرن کی پیداوار اور دیگر اسٹیک ہولڈرز کے لئے اضافی فوائد حاصل ہونے کی اُمید کی جاتی ہے۔ یہ اُمید ہے کہ کمپنی اپنی موجودہ حیثیت کے مقابلے میں مالی طور پر زیادہ قابل عمل بن جائے گی۔

کمپنی بہتر انتظاماتی منصوبہ بندی کرے گی۔ اس کے نتیجے میں، ممکنہ طور پر متوقع فوائد دیگر اسٹیک ہولڈرز جیسے کہ حکومت، ملازمین، عام صارفین اور بڑے پیمانے پر معاشرے میں منتقل کرنے کے قابل ہو جائے گی۔ نئے ڈائریکٹرز بہت زیادہ تجربہ کار ہیں اور شوگر ملز کے آپریشنز کی بحالی اور نئی مارکیٹوں کی تلاش کے لئے پیشہ ورانہ مینجمنٹ ٹیم رکھتے ہیں۔ نئی انتظامیہ کو یقین ہے کہ وہ کمپنی کے کاروبار کو بڑھانے، زیادہ مؤثر اور منافع بخش طریقے سے چلانے کے قابل ہوں گے۔

یہ مالی گوشوارے کمپنی کو مالی اور آپریشنل مدد فراہم کرنے کے لئے اسپانسرز کی وابستگی کی بنیاد پر ایک جاری تشویش کی بنیاد پر تیار کیے گئے ہیں۔ انتظامیہ کو جاری تشویش کے بطور کمپنی کے جاری رہنے کی صلاحیت کے بارے میں کوئی شبہ نہیں ہے۔

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک

1۔ کمپنی کی طرف سے تیار کردہ مالیاتی حسابات اس کے امور، آپریشنز کے نتائج، نقدی بہاؤ اور ایکوئٹی میں تبدیلیوں کو منصفانہ طور پر ظاہر کرتے ہیں۔

2۔ کمپنی کے کھاتہ جات بالکل صحیح طور سے بنائے گئے ہیں۔

3۔ مالی حسابات کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو تسلسل کے ساتھ لاگو کیا گیا ہے اور اکاؤنٹنگ کے تخمینہ جات مناسب اور دانشمندانہ فیصلوں پر مبنی ہیں۔

4۔ مالی حسابات کی تیاری میں پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ کے معیارات اور کمپنیز ایکٹ 2017 کی ضروریات کی پیروی کی گئی ہے، اور کسی بھی انحراف کا موزوں انکشاف اور وضاحت کی گئی ہے۔

5۔ اندرونی کنٹرول کا نظام صنعت کی ضروریات اور جدید انتظامی اصولوں کے مطابق ڈیزائن ہے اور اسکی مؤثر طریقے سے عملدرآمد اور نگرانی کی جاتی ہے۔ کنٹرول میں بہتری کے لئے مستقبل میں مسلسل جائزہ لیا جائے گا۔

6۔ کمپنی نے کمپنیز ایکٹ 2017 کی دفعہ 195 کی شرائط میں میسرز کارپ لنک (پرائیویٹ) لمیٹڈ کو آزاد شیئر رجسٹرار مقرر کیا ہے۔

7۔ کمپنی کے گوئنگ کنسرن ہونے کی صلاحیت پر کوئی قابل ذکر شکوک وشبہات نہیں ہیں۔

8۔ کارپوریٹ گورننس کے بہترین عوامل سے کوئی مادی انحراف نہیں کیا گیا ہے۔

9۔ گزشتہ چھ سال کا کلیدی آپریٹنگ اور مالیاتی ڈیٹا منسلک ہے۔

10۔ ٹیکس، ڈیوٹیز، لیویز اور چارجز کی مد میں کوئی قانونی ادائیگی واجب الادا نہیں ہے جو بقایا ہوں، سوائے ان کے جو معمول کے کاروبار میں ادا کئے جا رہے ہیں سوائے جن کا مالیاتی گوشواروں (Contingencies & Commitments) کے نوٹ 32 میں انکشاف کیا گیا ہے۔

11۔ کمپنی اپنے مستقل ملازمین کے لئے غیر فنڈڈ گریجوئٹی سکیم برقرار رکھتی ہے۔

12۔ 30 ستمبر 2019 کو ختم ہونے والے سال کے دوران شیئر ٹرانزیکشنز (اگر کوئی ہو) ڈائریکٹرز، CFO، دیگر ایگزیکٹوز، آڈیٹرز، کمپنی سیکرٹری یا ان کے زوج اور نابالغ بچوں کی طرف سے کی گئیں نمونہ حصص داری میں منسلک ہیں۔

13۔ SRO-634(1) 2014 کے ساتھ تمام درکار معلومات کو بطریق احسن کمپنی کی ویب سائٹ www.bfsml.com پر رکھ دیا گیا ہے۔

کوڈ آف کارپوریٹ گورننس کی تعمیل

30 ستمبر 2019 کو ختم ہونے والے سال سے متعلقہ کوڈ آف کارپوریٹ گورننس کے تقاضوں کی باقاعدہ تعمیل کی گئی ہے۔ اس اثر کا بیان آڈیٹرز کی جائزہ رپورٹ کے ساتھ منسلک ہے۔

بورڈ کے اجلاس

زیرِ جائزہ سال کے دوران بورڈ آف ڈائریکٹرز کے پانچ (5) اجلاس منعقد ہوئے اور بورڈ کے اجلاس میں ہر ایک ڈائریکٹر کی حاضری حسب ذیل ہے۔

نمبر شمار	نام ڈائریکٹرز (سابقہ ڈائریکٹرز)	تعداد حاضری	نام ڈائریکٹرز (موجودہ ڈائریکٹرز)	تعداد حاضری	کل اجلاس
1	محترمہ ناہید روہی (چیئرپرسن)	3	محترمہ قیصر شمیم خان (چیئرپرسن)	2	5
2	جناب محمد سرور (چیف ایگزیکٹو)	3	جناب عدنان احمد خان (چیف ایگزیکٹو)	1	4
3	سید قیصر عباس نقوی (ڈائریکٹر)	3	جناب محمد شمیم خان (ڈائریکٹر)	2	5
4	جناب محمد شاہ انجم (ڈائریکٹر)	3	جناب نعمان احمد خان (ڈائریکٹر)	1	4
5	جناب شاہد محمود قریشی (ڈائریکٹر)	3	محترمہ سارہ ہاجرہ خان (ڈائریکٹر)	2	5
6	محترمہ رفیعہ اسلم (ڈائریکٹر)	3	جناب فرید الدین احمد (آزاد ڈائریکٹر)	2	5
7	جناب محمد اشرف (آزاد ڈائریکٹر)	3	جناب ملک منظور حسین ہمایوں (آزاد ڈائریکٹر)	2	5

بورڈ میں تبدیلی

نئی انتظامیہ نے کمپنی کے اکثریتی شیئر ہولڈنگ اور انتظامی کنٹرول کے حصول کے لئے تمام قانونی اور کارپوریٹ تقاضے مکمل کرتے ہوئے بورڈ آف ڈائریکٹرز کے اجلاس کے بعد 13 جون 2019 کو چارج لیا۔ نئے مقررہ بورڈ کو بورڈ کی فوری توجہ طلب مختلف اہم آئٹمز کے بارے میں مطلع کیا گیا اور مندرجہ ذیل اہم فیصلے کئے گئے:

a۔ کمپنیز ایکٹ 2017 کی دفعہ 192 کی شرائط کے مطابق، سابقہ چیئرپرسن محترمہ ناہید روہی کے مستعفی ہونے کے باعث خالی ہونے والی آسامی پر بورڈ کی چیئرپرسن کی حیثیت سے محترمہ قیصر شمیم خان (ڈائریکٹر) کو مقرر کیا گیا، اور

b۔ سابقہ چیف ایگزیکٹو آفیسر، جناب محمد سرور کے مستعفی ہونے کے باعث خالی ہونے والی آسامی پر چیف ایگزیکٹو آفیسر کی حیثیت سے جناب عدنان احمد خان کو مقرر کیا گیا، اور

c۔ سابقہ کمپنی سیکرٹری، جناب محمد ابراہیم کے مستعفی ہونے کے باعث خالی ہونے والی آسامی پر کمپنی سیکرٹری کی حیثیت سے جناب محمد عمران کو مقرر کیا گیا، اور

d۔ سابقہ چیف فنانشل آفیسر، جناب عدنان ذوالفقار کے مستعفی ہونے کے باعث خالی ہونے والی آسامی پر چیف فنانشل آفیسر کی حیثیت سے جناب واصف محمود کو مقرر کیا گیا، اور

e۔ کمپنی کا رجسٹرڈ دفتر از سائٹ 09 T، تیسری منزل، حفیظ سنٹر، 75-E/1، مین بلیوارڈ، گلبرگ III، لاہور سے 1-D-2، گلبرگ III، لاہور پر منتقل ہو گیا ہے۔

کارپوریٹ گورننس

بہترین کارپوریٹ عوامل

ڈائریکٹرز بہتر کارپوریٹ گورننس پر عملدرآمد اور فہرستی کمپنیز (کارپوریٹ گورننس کا ضابطہ) ریگولیشنز، 2017 اور پاکستان اسٹاک ایکسچینج کی رُول بُک کی ضروریات کو پورا کرتے ہیں۔ CCG کی تعمیل کا بیان منسلک ہے۔ بورڈ آف ڈائریکٹرز (بورڈ) کی تشکیل مندرجہ ذیل ہے:

کیٹگری	نام
آزاد ڈائریکٹرز	جناب فرید الدین احمد جناب ملک منظور حسین ہمایوں
ایگزیکٹو ڈائریکٹرز	جناب عدنان احمد خان (سی ای او) جناب محمد شمیم خان
نان ایگزیکٹو ڈائریکٹرز	محترمہ قیصر شمیم خان جناب نعمان احمد خان محترمہ سارہ ہاجرہ خان

بورڈ نے حسبِ ذیل ارکان پر مشتمل کمیٹیاں تشکیل دی ہیں۔

آڈٹ کمیٹی

- i) محترمہ سارہ ہاجرہ خان
- ii) جناب فریدالدین احمد (چیئرمین آڈٹ کمیٹی)
- iii) جناب ملک منظور حسین ہمایوں

ایچ آر اینڈ ریمنریشن کمیٹی

- i) جناب عدنان احمد خان
- ii) جناب فریدالدین احمد (چیئرمین HRR کمیٹی)
- iii) جناب ملک منظور حسین ہمایوں

حصص کی منتقلی

سال کے دوران کمپنی کے کل جاری شدہ شیئر کیپٹل کے 96.46 فیصد کی نمائندگی کرنے والے 9,115,456 عدد عام حصص درج ذیل افراد کو منتقل کئے گئے۔ اس کے علاوہ، سیکورٹیز ایکٹ 2015 (ایکٹ) کے پارٹ IX اور مندرجہ کمپنیز (ووٹنگ شیئرز اور ٹیک اوورز کے سبسٹینشل حصول) قواعد 2017 (ریگولیشن) کی پیروی میں 52 روپے فی شیئر کی پیشکش قیمت پر کمپنی کے جاری شدہ شیئر کیپٹل کی 1.77% مقررہ کمپنی کے 167,272 عام شیئرز تک حاصل کرنے کے لئے خریدکنندگان کی طرف سے 27 مارچ 2019 کو ایک عام پیشکش کی گئی تھی۔ جس میں سے حاصل کنندہ نے عام پبلک سے -/52 روپے فی شیئر کی شرح پر 67,131 عام شیئر حاصل کئے۔

شیئر ہولڈنگ کا بریک اپ حسبِ ذیل ہے:

نو بہار بوٹلنگ کمپنی (پرائیوٹ) لمیٹڈ	4,806,468
جناب محمد شمیم خان	1,640,784
محترمہ قیصر شمیم خان	911,545
جناب عدنان احمد خان	911,545
جناب نعمان احمد خان	911,545
جناب ملک منظور حسین ہمایوں	200
جناب فریدالدین احمد	200
محترمہ سارہ ہاجرہ خان	300

ہولڈنگ کمپنی

نو بہار بوٹلنگ کمپنی (پرائیوٹ) لمیٹڈ 50.8621 فیصد عام حصص کے ساتھ ہولڈنگ کمپنی ہے۔

نمونہءحصص داری

کمپنی ایکٹ 2017 کی دفعہ 227 اور کوڈ آف کارپوریٹ گورننس کے تحت مطلوبہ 30 ستمبر 2019 کے مطابق کمپنی کی شیئر ہولڈنگ کی کیٹگریز کے ساتھ نمونہءحصص داری کا بیان اس رپورٹ کے ہمراہ منسلک ہے۔ سال کے دوران ڈائریکٹرز، سی ای او، سی ایف او اور کمپنی سیکرٹری اور ان کے شریک حیات اور نابالغ بچوں کے ذریعہ کمپنی کے حصص میں لین دین کا بیان اس رپورٹ کے ہمراہ منسلک ہے۔

آڈیٹرز

موجودہ آڈیٹرز میسرز بی ڈی او ابراہیم اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس ریٹائر ہو گئے اور انہوں نے خود کو دوبارہ تقرری کے لئے پیش کیا ہے۔ آڈٹ کمیٹی نے میسرز بی ڈی او ابراہیم اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کی 30 ستمبر 2020 کو ختم ہونے والے سال کے لئے آڈیٹر کی حیثیت سے دوبارہ تقرری کے لئے سفارش کی ہے۔

اظہار تشکر

ڈائریکٹرز کارکنوں، عملے اور انتظامی ٹیم کے ارکان کی لگن اور محنت کا اعتراف کرتے ہیں۔ کاشت کار ہماری صنعت کا کلیدی عنصر ہیں اور ہم ان کے مسلسل تعاون پر ان کا شکریہ ادا کرتے ہیں۔ کمپنی کے ڈائریکٹرز بینکوں اور مالیاتی اداروں کی مالی مدد اور تعاون پر بھی ان کے شکر گزار ہیں۔

منجانب بورڈ

بابا فرید شوگر ملز لمیٹڈ

عدنان احمد خان	محترمہ قیصر شمیم خان
چیف ایگزیکٹو	چیئر پرسن

لاہور: 30 دسمبر 2019ء

7 Years Operting Results

OPERATING PERFORMANCE:

Description	2019	2018	2017	2016	2015	2014	2013
Sales	121.61	1,381.82	1,932.15	1,264.12	1,638.08	1,754.60	1,955.01
Gross Profit / (Loss)	(357.09)	(163.83)	194.67	139.13	41.87	266.76	85.92
Net Profit / (Loss) before Taxation	(627.63)	(378.29)	23.96	3.24	(204.86)	2.84	(135.65)
Net Profit / (Loss) after Taxation	(682.63)	(374.07)	29.54	12.49	(198.71)	8.72	(132.32)
Earning / (Loss) Per Share	(72.24)	(39.58)	3.13	1.32	(21.03)	0.92	(14.00)
Gross Profit / (Loss) Ratio	(293.64%)	(12.49%)	10.07%	11.00%	2.56%	15.20%	4.39%
P/E Ratio	(0.68)	(0.96)	14.34	21.59	(1.30)	28.80	(1.58)
Market Price Per Share	49.25	38.00	44.88	28.50	27.30	26.50	22.15

FORM-34
THE COMPANIES ACT, 2017
(SECTION 227(2)(F)
PATTERN OF SHAREHOLDING

1. Incorporation Number: **0006535**

2. Name of the Company: **BABA FARID SUGAR MILLS LIMITED**

2.1 Pattern of holding of the shares held by the shareholders as at: 30/09/2019

2.2 Number of Shareholders	Shareholdings From	Shareholdings To	Total Shares Held
629	1	100	15,960
377	101	500	67,298
32	501	1,000	24,755
37	1,001	5,000	89,025
5	5,001	10,000	29,255
1	10,001	15,000	10,500
1	35,001	40,000	37,668
3	910,001	915,000	2,734,635
1	1,640,001	1,645,000	1,640,784
1	4,800,001	4,805,000	4,800,120
1,087			**9,450,000**

2.3	Categories of shareholders	Shares Held	Percentage
2.3.1	Directors, Chief Executive Officers, and their spouse and minor children	4,376,119	46.3081%
2.3.2	Associated Companies, undertakings and related parties. (Parent Company)	4,806,468	50.8621%
2.3.3	NIT and ICP	1,000	0.0106%
2.3.4	Banks Development Financial Institutions, Non Banking Financial Institutions.	100	0.0011%
2.3.5	Insurance Companies	0	0.0000%
2.3.6	Modarabas and Mutual Funds	0	0.0000%
2.3.7	Shareholders holding 10% or more	6,447,252	68.2249%
2.3.8	General Public		
	a. Local	257,065	2.7203%
	b. Foreign	0	0.0000%
2.3.9	Others (to be specified)		
	Joint Stock Companies	9,248	0.0979%

Categories of Share Holders
As on 30th September 2019

S. No.	NAME	HOLDING	%AGE
DIRECTORS, CEO THEIR SPOUSE AND MINOR CHILDREN			
1	MR. MUHAMAMD SHAMIM KHAN (CDC)	1,640,784	17.3628
2	MRS. QAISER SHAMIM KHAN (CDC)	911,545	9.6460
3	MR. ADNAN AHMED KHAN (CDC)	911,545	9.6460
4	MR. NAUMAN AHMED KHAN (CDC)	911,545	9.6460
5	MALIK MANZOOR HUSSAIN HUMAYUN	200	0.0021
6	MR. FARID UL DIN AHMED	200	0.0021
7	MRS. SARAH HAJRAH KHAN	300	0.0032
		4,376,119	46.3081
ASSOCIATED COMPANIES			
1	NAUBAHAR BOTTING COMPANY (PVT) LIMITED	6,348	0.0672
2	NAUBAHAR BOTTING COMPANY (PVT) LIMITED (CDC)	4,800,120	50.7949
		4,806,468	50.8621
NIT & ICP			
1	M/S INVESTMENT CORPORATION OF PAKSTAN	1,000	0.0106
		1,000	0.0106
BANKS, DEVELOPMENTS, FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS			
1	M/S FIDELITY INVESTMENT BANK LTD.	100	0.0011
		100	0.0011
JOINT STOCK COMPANIES			
1	CENTRAL DEPOSITORY COMPANY OF PAKISTAN LTD.(CDC)	25	0.0003
2	MAPLE LEAF CAPITAL LIMITED (CDC)	1	0.0000
3	SALIM SOZER SECURITIES (PVT.) LTD. (CDC)	5,222	0.0553
4	SARFRAZ MAHMOOD (PRIVATE) LTD. (CDC)	500	0.0053
5	SANDIA LIMITED (CDC)	3,500	0.0370
		9,248	0.0979
SHARES HELD BY THE GENERAL PUBLIC (FOREIGN)		0	0.0000
SHARES HELD BY THE GENERAL PUBLIC (LOCAL)		257,065	2.7203
		257,065	2.7203
	TOTAL:	**9,450,000**	**100.0000**

S. No.	NAME	HOLDING	%AGE
SHAREHOLDERS HOLDING 10% OR MORE OF TOTAL CAPITAL			
1	NAUBAHAR BOTTING COMPANY (PVT) LIMITED	4,806,468	50.8621
2	MR. MUHAMAMD SHAMIM KHAN (CDC)	1,640,784	17.3628
3	MRS. QAISER SHAMIM KHAN (CDC)	911,545	9.6460
4	MR. ADNAN AHMED KHAN (CDC)	911,545	9.6460
5	MR. NAUMAN AHMED KHAN (CDC)	911,545	9.6460
		9,181,887	97.1628

During the financial year the trading in shares of the company by the Directors, CEO, CFO, Company Secretary and their spouses and minor children is as follows

S. No.	NAME	SALE	PURCHASE
1	MR. MUHAMAMD SHAMIM KHAN (CDC)	0	1,640,784
2	MRS. QAISER SHAMIM KHAN (CDC)	0	911,545
3	MR. ADNAN AHMED KHAN (CDC)	0	911,545
4	MR. NAUMAN AHMED KHAN (CDC)	0	911,545
5	MALIK MANZOOR HUSSAIN HUMAYUN	0	200
6	MR. FARID UL DIN AHMED	0	200
7	MRS. SARAH HAJRAH KHAN	0	300

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

The Baba Farid Sugar Mills Limited ("the Company") has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 ("the Regulations") in the following manner:

1. The total number of directors are seven as per the following:

   a. Male: 05
   b. Female: 02

2. The composition of the Board of Directors (the Board") is as follows:

Category	Names
Independent Directors	Mr. Farid-ud-Din Ahmad Mr. Malik Manzoor Hussain Humayoon
Non-Executive Director	Mrs. Qaiser Shamim Khan Mr. Nauman Ahmed Khan Mrs. Sarah Hajra Khan
Executive Directors	Mr. Adnan Ahmed Khan (CEO) Mr. Muhammad Shamim Khan
Female Directors	Mrs. Qaiser Shamim Khan Mrs. Sarah Hajra Khan

   There are two Independent directors, however, as required fraction is not rounded up as one as this "clause" was added in the new regulation issued on September 25, 2019, and the Board was constituted before that date and the Regulation has provided relaxation that for the purpose of electing independent director, the Board shall be reconstituted not later than expiry of its current terms;

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company;

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. The Board has ensured that complete record of particulars of significant policies along with their date of approval or updating is maintained by the Company;

6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by the board /shareholders as empowered by the relevant provisions of the Act and these regulations;

7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recordings and circulating minutes of meeting of the board.

8. The Board of Directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;

9. The Board arranged orientation courses for its directors (as and when needed) to apprise them of their duties and responsibilities. One of the directors namely, Miss. Sarah Hajra Khan have already acquired certification under Director training programs conducted by Executive development center of The University of Lahore, a duly approved training institution by Security and Exchange Commission of Pakistan. Four directors are exempted from such training as they have fourteen years of education and fifteen years of experience on the board of the listed company. Two directors have obtained training subsequent to the reporting date.

10. The Board has approved appointment of chief financial officer, company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. Chief financial officer and chief Executive Officer duly endorsed the financial statements before approval of the Board.

12. The Board has formed committees comprising of members given below:

AUDIT COMMITTEE

Mr. Farid ud Din Ahmad (Chairman) – Independent Director
Mrs. Sarah Hajra Khan – Non- Executive Director
Mr. Malik Manzoor Hussain Hamayoon – Independent Director

HR AND REMUNERATION COMMITTEE

Mr. Farid ud Din Ahmad (Chairman) – Independent Director
Mr. Adnan Ahmed Khan – Chief Executive
Mr. Malik Manzoor Hussain Hamayoon – Independent Director

NOMINATION COMMITTEE

Malik Manzoor Hussain Humayoon (Chairman)
Mr. Farid ud Din Ahmed

RISK MANAGEMENT COMMITTEE

Malik Manzoor Hussain Humayoon (Chairman)
Mr. Farid ud Din Ahmed

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;

14. The frequency of meetings of the aforesaid committees were as per following:

a) Audit Committee: (6) meetings held during the year.
b) HR and Remuneration Committee: One held during the year.
c) Nomination committee – one held during the year
d) Risk Management Committee - One held during the year

15. The Board has set up an effective internal audit function supervised by a qualified Head of Internal Audit, who is considered suitably qualified and experienced for the purpose and are conversant with policies and procedures of the Company;

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with international federation of accountant (IFAC) guidelines on code of ethics as adopted by Institute of chartered accountants of Pakistan and that they and partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all requirements of the Regulations 3, 6, 7, 8, 27, 32, 33, and 36 of the Regulations have been complied with, expect for Independent director in which fraction is not rounded up as one as this “clause” was added in the new regulation issued on September 25, 2019, and the Board was constituted before that date and the Regulation has provided relaxation that for the purpose of electing independent director, the Board shall be reconstituted not later than expiry of its current terms.

19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8 27, 32, 33, and 36 are below:

 - As per regulation 35, “Disclosure of significant policies on website” the Company may post the following on its website:

 Key element of its significant policies

 Brief synopsis of terms of reference of the Board Committees
 Key element of the directors’ remuneration policy

 However, these have not been posted on the website as Baba Farid Sugar Mills Limited has been acquired by new management during the year and updation of website is in progress.

For and on behalf of Board of Directors,
Baba Farid Sugar Mills Limited

Mr. Adnan Ahmed Khan
Chief Executive

Mrs. Qaiser Shamim Khan
Chairperson

Lahore: 30 December 2019

Independent Auditor's Review Report

To the Members of Baba Farid Sugar Mills Limited

Review Report on the Statement of Compliance Contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Baba Farid Sugar Mills Limited (the Company) for the year ended September 30, 2019 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended September 30, 2019.

Further we highlight below instances of non-compliance with the requirement of the regulations as reflected in the paragraph reference where it is stated in the statement of Compliance:

Paragraph	Reference	Description
I	18	Independent director in which fraction is not rounded up as "One".
II	19	Disclosure of significant policies have not been posted on the Company website.

BDO Ebrahim & Co.

BDO EBRAHIM & CO.
Chartered Accountants
Engagement Partner: Muhammad Imran

LAHORE: DECEMBER 30, 2019

Independent Auditor's Report

To the Members of Baba Farid Sugar Mills Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **BABA FARID SUGAR MILLS LIMITED (the Company)**, which comprise the statement of financial position as at September 30, 2019, and statement of profit or loss, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity 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, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity 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, 2019 and of the loss and other comprehensive income, its cash flows and the changes in equity 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

We draw attention to Note 4 to the financial statements, which indicates that the Company incurred a net loss of Rs. 682.625 million during the year ended September 30, 2019 and, as of that date, the Company's current liabilities exceeded its current assets by Rs. 604.005 million. The accumulated losses have exceeded the issued, subscribed and paid up capital by Rs. 2,324.241 million as at September 30, 2019 and accumulated losses as of that date amounted to Rs. 2,418.741 million. These conditions, along with other matters as set forth in Note 4, indicate the existence of a material uncertainty which may cast doubt about the Company's ability to continue as a going concern. However, these financial statements have been prepared on a going concern basis based on the sponsors' commitment to provide financial support to the Company and other mitigating factors mentioned in the note 4.

Considering the mitigating factors mentioned in the note 4, these financial statements have been prepared on going concern basis. Our opinion is not modified in respect of this matter.

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 period. 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.

Following are the Key audit matters:

Sr.No	Key audit matters	How the matter was addressed in our audit
1.	**First time adoption of IFRS 9 Financial Instruments** The Company adopted IFRS 9 "Financial Instruments" with effect from October 1, 2018 and this new standard supersedes the requirements of IAS 39 "Financial instruments - Recognition and Measurement". IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting and a new impairment model for financial assets. Management has determined that the most significant Impact of the new standard on the Company financial statements relates to the calculation of the allowance for the impairment of accounts receivables. As at September 30, 2019 the carrying value of accounts receivables amounted to Rs. 77.491 million (2018: Rs. 492.485 million unadjusted) and the allowance for impairment of accounts receivables amounted to Rs. 305.161. During the year an amount of Rs. 12.505 million and as at October 01, 2018 Rs. 292.656 million has been charged as impairment under this IFRS. The Company assesses at each reporting date whether the financial assets carried at amortized cost are credit impaired. The Company's management has applied a simplified expected credit loss ("ECL") model to determine the allowance for impairment of trade receivables. The ECL model involves the use of various assumptions, macro-economic factors and study of historical trends relating to the Company's history of collection of trade receivables. We considered this as key audit matter due to the judgements and estimates involved in the application of the expected credit loss model. Refer to notes 6.1, 8.17, 14, and 49 to the financial statements for accounting policies and the relevant detailed disclosures, respectively.	We developed an understanding of the relevant business process and performed the following procedures: • Specifically considered the validity of management's conclusion that the main area of impact was in respect of trade receivables impairment, using our experience and knowledge of similar entities; • Verified whether the ECL model developed by management is consistent with the requirements of IFRS 9; • Tested the accuracy and completeness of underlying data used in the model and the arithmetical accuracy of the computation of ECL; • Tested key assumptions and judgments, such as those used to calculate the likelihood of default and loss on default by comparing to historical data. We also considered the appropriateness of forward-looking factors (macroeconomic factors) used to determine expected credit losses; and • Involved our accounting specialists to review the methodology used in the ECL model. • We also reviewed the adequacy of the Company's disclosures included in notes 6.1, 8.17, 14, and 49 to the accompanying financial statements.

Sr.No	Key audit matters	How the matter was addressed in our audit
2.	**Contingencies** As disclosed in note 32.1 to the financial statements, the Company is involved in certain legal and tax proceedings against the Company. The appeals were filed by the Company against these orders at respective forum. Management judgement is involved in assessing the accounting for claims, and in particular in considering the probability of a claim being successful and we have accordingly designated this as a focus area of the audit. The risk related to the claims is mainly associated with the completeness of the disclosure, and the completeness of the provisions in the financial statements. No provision has been made in the financial statements for the liability that may arise in the event of a decision against the Company as the management is of the opinion, based on advice of legal and tax advisor that the decision is likely to be in the favor of the Company. There are significant uncertainties attached to the future outcome of these pending matters and, therefore, are considered as key audit matters.	In response to the risk of completeness of the disclosures and the completeness of the provisions in the financial statements, we obtained external confirmations directly from legal and tax advisors. We undertook number of procedures to verify the appropriateness of contingencies in the financial statements. This included, among others: • We discussed the cases with management, and reviewed correspondence and other documents exchanged between the Company and the other parties involved in the disputes. • We read the minutes of the Board meetings, and inspected the company's legal expenses, in order to ensure all cases have been identified. • We tested provisions recorded in the accounting records, and reviewed the disclosures for completeness based on our procedures detailed above. • We followed the progress of each case and the Company's estimate of the cost to be incurred; • We considered the impact on future case costs from changes arising in the regulatory environment; • We obtained confirmations from legal advisors for current status on pending previous cases and any new case filed during the year; • Checked orders by relevant authority on previous lawsuits / cases appearing in the financial statements; and • Obtained legal advice on the above cases with the legal advisors to ensure that the outflow is possible and not probable.

Sr.No	Key audit matters	How the matter was addressed in our audit
3	**Revenue recognition** The Company focuses on revenue as a key performance measure which could create an incentive for revenue to be recognized before the control of the goods have been transferred to customers and the customer can direct the use of and substantially obtain all the benefits from the goods, resulting in a significant risk associated with revenue from an audit perspective. The Company adopted IFRS 15 "Revenue from Contracts with Customers" with effect from October 1, 2018. The adoption of new standard involved the exercise of a number of key judgements and estimates around the identification of transaction price as a result of variable consideration included therein. Due to the significant risk associated with revenue recognition and the work effort from the audit team, the recognition of revenue is considered to be a key audit matter. Refer to note 6.2 and 8.21 to the financial statements for accounting policies and the relevant detailed disclosures respectively.	Our audit procedures included considering the appropriateness of the Company's revenue recognition accounting policies and assessing compliance with the policies in accordance with the applicable financial reporting framework. We developed an understanding of relevant business process and performed the following procedures: • Control testing over the point of transfer of control of the goods to customers and the customers can direct the use of and substantially obtain all the benefits from the goods, was supported by substantive audit procedures including, amongst others: • Performing predictive analytical tests on the different revenue streams. • Testing a sample of sales transactions around year end to ensure inclusion in the correct period. • Testing of a sample of sales and trade receivables at year end by agreeing a sample of open invoices at year end to subsequent receipts from customers.

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.

The Board 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, statement of comprehensive income, the statement of cash flows and the statement of changes in equity 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) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Other matter

The financial statements of the Company for the year ended September 30, 2018 were audited by another firm of chartered accountants who had expressed an unmodified opinion with emphasis of matter paragraph on going concern thereon vide their report dated January 04, 2019.

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Imran.

BDO Ebrahim & Co.

BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

LAHORE: DECEMBER 30, 2019

Statement of Financial Position
As At 30 September 2019

	Note	2019 Rupees	2018 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	9	2,815,822,997	2,378,527,606
Capital work in progress	10	7,170,132	117,465,019
		2,822,993,129	2,495,992,625
Long term deposits	11	-	587,575
		2,822,993,129	2,496,580,200
CURRENT ASSETS			
Stores, spares and loose tools	12	49,585,594	43,621,327
Stock in trade	13	-	51,731,844
Trade debts	14	77,491,042	492,485,573
Loans and advances	15	15,136,357	109,752,981
Short term prepayments	16	584,822	-
Other receivables	17	127,260,380	105,742,500
Cash and bank balances	18	26,379,048	2,220,193
		296,437,243	805,554,418
TOTAL ASSETS		3,119,430,372	3,302,134,618
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	19.1	700,000,000	700,000,000
Issued, subscribed and paid up capital	19.2	94,500,000	94,500,000
Reserves			
Revenue reserves - accumulated losses		(2,418,741,317)	(1,480,646,743)
Directors' loans	20	1,211,500,000	-
Surplus on revaluation of fixed assets	21	1,978,871,445	1,715,902,655
		866,130,128	329,755,912
NON CURRENT LIABILITIES			
Long term financing	22	-	100,000,000
Loan from ex -holding company	23	-	500,000,000
Loan from holding company	24	965,960,400	-
Deferred liabilities	25	386,897,450	288,233,669
		1,352,857,850	888,233,669
CURRENT LIABILITIES			
Trade and other payables	26	609,544,364	619,496,337
Unclaimed dividend		255,930	255,930
Due to ex holding company	27	104,066,694	1,154,442,231
Temporary bank overdraft	28	-	25,982,166
Mark-up accrued	29	86,562,191	154,058,109
Taxation - net	30	13,215	4,910,264
Current portion of long term liabilities	31	100,000,000	125,000,000
		900,442,394	2,084,145,037
CONTINGENCIES AND COMMITMENTS	32		
TOTAL EQUITY AND LIABILITIES		3,119,430,372	3,302,134,618

The annexed notes from 1 to 59 form an integral part of these financial statements.

CHIEF EXECUTIVE | DIRECTOR | CHIEF FINANCIAL OFFICER

Statement of Profit or Loss
For the year ended 30 September 2019

	Note	2019 Rupees	2018 Rupees
Sales	33	121,607,382	1,381,820,573
Cost of sales	34	(478,699,099)	(1,545,649,532)
Gross loss		(357,091,717)	(163,828,959)
Selling and distribution expenses	35	(471,827)	(2,283,934)
General and administrative expenses	36	(30,665,594)	(41,844,351)
Other operating expenses	37	(86,201,097)	(560,000)
Other income	38	22,997,483	-
		(94,341,035)	(44,688,285)
Operating loss		(451,432,752)	(208,517,244)
Financial charges	39	(176,192,506)	(169,775,372)
Loss before taxation		(627,625,258)	(378,292,616)
Taxation	40	(54,999,835)	4,226,425
Loss after taxation		(682,625,093)	(374,066,191)
Loss per share - Basic and diluted (Rupees)	44	(72.24)	(39.58)

Appropriations have been reflected in the statement of changes in equity.

The annexed notes from 1 to 59 form an integral part of these financial statements.

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

Statement of Comprehensive Income

For the year ended 30 September 2019

	Note	2019 Rupees	2018 Rupees
(Loss after taxation for the year		(682,625,093)	(374,066,191)
Other comprehensive income			
Items that will not be reclassified to the statement of profit or loss			
Remeasurement of defined benefit liability	25.3	-	617,565
Related tax effect		-	-
		-	617,565
Surplus on revaluation of operating fixed assets	21	349,215,869	-
Related tax effect		(49,060,277)	-
		300,155,592	-
Items that may be reclassified to the statement of profit or loss in subsequent periods		-	-
Total comprehensive loss for the year		(382,469,501)	(373,448,626)

The annexed notes from 1 to 59 form an integral part of these financial statements.

CHIEF EXECUTIVE | DIRECTOR | CHIEF FINANCIAL OFFICER

Statement of Cash Flows

For the year ended 30 September 2019

	Note	2019 Rupees	2018 Rupees
Cash flows from operating activities			
Loss before tax		(627,625,258)	(378,292,616)
Adjustments for items not involving movement of funds:			
Depreciation	9.6	75,726,346	75,435,154
Provision for staff retirement gratuity	25.3	170,460	1,227,664
Gain on sale of fixed assets	37 & 38	(3,622,818)	-
Doubtful advances written off	14	65,034,841	-
Doubtful other receivable written off	15	7,249,736	-
Provision for doubtful debts	36	12,505,195	-
Liabilities written back		(13,965,934)	-
Long term deposit written off		587,575	-
Gratuity balance written back	25	(3,742,680)	-
Provision for obsolete stores and spares	12	15,041,549	-
Financial charges	39	176,192,506	169,775,372
Net cash flow before working capital changes		(296,448,482)	(131,854,426)
Decrease / (increase) in current assets			
Stores, spares and loose tools		(21,005,816)	(6,349,586)
Stock in trade		51,731,844	481,302,846
Trade debts		109,833,053	(29,955,432)
Loans and advances		29,581,783	29,918,430
Trade deposits and short term prepayments		(584,822)	-
Other receivables		(28,767,616)	-
		140,788,426	474,916,258
Increase / (decrease) in current liabilities			
Trade and other payables		2,989,673	(81,965,174)
Cash (used in) / generated from operations		(152,670,383)	261,096,658
Taxes paid		(1,810,896)	(1,406,973)
Financial charges paid		(243,688,424)	(66,202,334)
Net cash (used in) / generated from operating activities		(398,169,703)	193,487,351
Cash flows from investing activities			
Additions to operating fixed assets		(2,107,171)	(53,057,011)
Additions to capital work in progress		(51,666,968)	-
Net cash used in investing activities		(53,774,139)	(53,057,011)
Cash flows from financing activities			
Repayments of long term financing		(100,000,000)	(100,000,000)
Due to ex holding company		(1,575,375,537)	24,194,869
Loan from holding company		965,960,400	-
Directors' contribution		1,211,500,000	-
Net cash generated from / (used in) financing activities		502,084,863	(75,805,131)
Net increase in cash and cash equivalents		50,141,021	64,625,209
Cash and cash equivalents at the beginning of the year		(23,761,973)	(88,387,182)
Cash and cash equivalents at the end of the year	42	26,379,048	(23,761,973)

The annexed notes from 1 to 59 form an integral part of these financial statements.

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

Statement of Changes in Equity

For the year ended 30 September 2019

	Note	Issued, subscribed and paid-up capital Ordinary shares	Surplus on revaluation of fixed assets	Directors' loans	Revenue Reserves Accumulated losses	Total
		----------------------------(Rupees)	----------------------------			
Balance as at October 1, 2017		94,500,000	1,746,005,655	-	(1,146,927,052)	693,578,603
Total comprehensive loss for the year						
Loss for the year		-	-	-	(374,066,191)	(374,066,191)
Remeasurement of defined benefit liability - net		-	-	-	617,565	617,565
Transfer from surplus on revaluation of fixed assets incremental depreciation-net of deferred tax		-	(39,728,935)	-	39,728,935	-
Surplus on revaluation of fixed assets related to rate change		-	9,625,935	-	-	9,625,935
		-	(30,103,000)	-	(333,719,691)	(363,822,691)
Balance as at September 30, 2018 - reported		94,500,000	1,715,902,655	-	(1,480,646,743)	329,755,912
IFRS 9 - Financial Instruments - Impact of change in accounting policy	6.1	-	-	-	(292,656,283)	(292,656,283)
Balance as at October 01, 2018 - restated		94,500,000	1,715,902,655	-	(1,773,303,026)	37,099,629
Total comprehensive loss for the year						
Loss for the year		-	-	-	(682,625,093)	(682,625,093)
Remeasurement of defined benefit liability - net		-	-	-	-	-
Surplus on revaluation of fixed assets		-	300,155,592	-	-	300,155,592
Transfer from surplus on revaluation of fixed assets incremental depreciation-net of deferred tax		-	(37,186,802)	-	37,186,802	-
Director contribution	20	-	-	1,211,500,000	-	1,211,500,000
		-	262,968,790	1,211,500,000	(645,438,291)	829,030,499
Balance as at September 30, 2019		94,500,000	1,978,871,445	1,211,500,000	(2,418,741,317)	866,130,128

The annexed notes from 1 to 59 form an integral part of these financial statements.

CHIEF EXECUTIVE DIRECTOR CHIEF FINANCIAL OFFICER

Notes to the Financial Statements
For the year ended 30 September 2019

1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 Baba Farid Sugar Mills Limited ("the Company") was incorporated in 1978 under the Companies Act 1913 (now Companies Act, 2017) as a Public Limited Company and its shares are quoted at Pakistan Stock Exchange. It is principally engaged in the manufacturing and sale of sugar including its by-products i.e. molasses and V.Filter cake.

1.2 4,806,468 (2018: Nil) ordinary shares of the Company which represent 50.862% (2018: Nil) of the issued, subscribed and paid up share capital of the Company are held by Naubahar Bottling Company (Private) Limited which is incorporated / registered in Pakistan under Pakistani laws. The registered address of the Holding Company is 38-40 Grand Trunk Road, Industrial Estate Model Town, Gujranwala, Punjab. The Holding Company is engaged in the manufacturer and distributor of Pepsi Cola soft drinks in Pakistan. The Chief Executive of the Holding Company is Mr. Muhammad Shamim Khan.

As at September 30, 2018 M/s Pattoki Sugar Mills Limited (the Ex-holding Company) holds 7,696,072 (81.44%) shares of the Company. During the year, as explained in note 3, the shares has been acquired by the Naubahar Bottling Company (Private) Limited (Holding Company) and other shareholders. M/s Pattoki Sugar Mills Limited has been mentioned in these financial statements as "Ex - holding Company".

2. GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS

The registered office of the Company is situated at 2-D/1, Gulberg III, Lahore. During the period the Company has changed its registered address from Suit-T-09, 3rd Floor, 75-E/1 Main Boulevard, Gulberg III, Lahore to 2-D/1, Gulberg III, Lahore. The manufacturing facility of the Company is located at 5 KM Faisalabad Road, district Okara, Punjab.

3. ACQUISITION OF THE COMPANY

Naubahar Bottling Company (Private) Limited, Mr. Muhammad Shamim Khan, Mrs. Qaiser Shamim Khan, Mr. Adnan Ahmed Khan and Mr. Nauman Ahmed Khan (the Acquirers/Sponsors/related parties) have entered into a Share Purchase Agreement dated 23 January 2019 with Ms. Naheed Rohi, Mr. Muhammad Ashraf, Mr. Muhammad Sarwar, Mr. Muhammad Shah Anjum, Ms. Rafia Aslam, Mr. Shahid Mehmood Qureshi, Syed Qaisar Abbas Naqvi, Mr. Maqsood Ul Hassan, Mr. Muhammad Aslam and Pattoki Sugar Mills Limited (collectively, the "Sponsor Sellers") for the sale and purchase of 9,115,456 Ordinary Shares representing 96.46% of the total issued share capital of the Company, at an aggregate sale price of Rupees 474,003,712 calculated at the rate of Rs. 52 per share. Further, a Public Offer was made on March 27, 2019 by the Acquirers to acquire upto 167,272 Ordinary Shares of the Company constituting 1.77% of the issued share capital of the Company at an offer price of Rupees 52 per Ordinary Share Pursuant To Part IX of the Securities Act, 2015 ("Act") and the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2017 ("Regulations"). Transaction has been completed during the year except some settlement of dues and vacation of charge on assets and guarantees.

4. GOING CONCERN ASSUMPTION

The Company incurred a net loss of Rs. 682.625 million during the period ended September 30, 2019 and, as of that date, the Company's current liabilities exceeded its current assets by Rs. 604.005 million. The accumulated losses have exceeded the issued, subscribed and paid up capital by Rs. 2,324.241 million as at September 30, 2019 and accumulated losses as of that date amounted to

Rs. 2,418.741 million. These conditions indicate the existence of a material uncertainty which may cast doubt about the Company's ability to continue as a going concern. However, these financial statements have been prepared on a going concern basis based on the sponsor's commitment to provide financial support to the Company.

As mentioned in note 3 to these financial statements the acquisition will further bring strength, experience and efficiency to the Company. Specifically, the acquisition has the potential to: facilitate expansion and efficient growth of business; strengthen the management and finances; and improve financial planning; thereby facilitating business to be carried on more advantageously and economically with enhanced profitability. It is expected to yield better returns to the shareholders and additional benefits for other stakeholders. It is expected that the Company shall become more financially viable in comparison to its current status. It is also expected that the Acquirers will have better managerial planning. Consequently, the Acquirers may be able to pass on parts of the expected benefits to the other stakeholders such as the Government, employees, general body of consumers and the society at large. The Sponsors have appointed an experienced Board of Directors and professional management team to revive sugar mills operations and explore new markets. The Sponsors are confident that it will be able to expand the Company's business and operate more efficiently and profitably.

5. BASIS OF PREPARATION

5.1 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 (IFRS) 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 IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

5.2 Accounting convention

These financial statements have been prepared under the historical cost convention except for recognition of certain staff retirement benefits at present value and as modified for fair value adjustment in certain fixed assets and exchange differences.

The preparation of financial statements in conformity with approved financial reporting standards requires management to make estimates, assumptions and use judgments that effect the application of policies and reported amounts, of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

Judgments and estimates made by the management that may have a significant risk of material adjustments to the financial statements in subsequent years are disclosed in note 41.

5.3 Functional and presentation currency

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

6. CHANGE IN ACCOUNTING POLICES - IFRS 9 FINANCIAL INSTRUMENTS AND IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

6.1 IFRS 9: Financial Instruments

IFRS 9 'Financial Instruments' was issued on July 24, 2017. This standard is adopted locally by the Securities and Exchange Commission of Pakistan through its S.R.O. 229 (I)/2019 and is effective for accounting period / year ending on or after June 30, 2019.

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaced IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through OCI (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

i. Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities.

The revised provisions on the classification and measurement of financial assets (applicable mainly to trade receivables and other receivables) and financial liabilities (mainly trade creditors and interest-bearing debt) have not affected Company's financial information. Consequently, the comparative figures have not been restated on the introduction of IFRS 9.

The accompanying note at 49 explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at October 1, 2018. These financial assets classified as 'loans and receivables' have been classified as amortised cost.

ii. Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

The guiding principle of the expected credit loss (ECL) model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. The amount of ECLs recognised as a loss allowance or provision depends on the extent of credit deterioration since initial recognition. Under the general approach, there are two measurement bases:

- 12-month ECLs (Stage 1), which applies to all items (from initial recognition) as long as there is no significant deterioration in credit quality.

- Lifetime ECLs (Stages 2 and 3), which applies when a significant increase in credit risk has occurred on an individual or collective basis.

The Company's financial assets include mainly trade debts, deposits, advances, other receivables and bank balances.

The Company's trade receivables do not contain a significant financing component (as determined in terms of the requirements of IFRS 15 "Revenue from Contracts with Customers"), therefore, the Company is using simplified approach, that does not require the Company to track the changes in credit risk, but, instead, requires to recognise a loss allowance based on lifetime ECLs at each reporting date.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging.

The expected loss rates are based on the Company's historical credit losses experienced over the three year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Company's customers. The Company has identified the gross domestic product (GDP), unemployment rate and inflation rate as the key macroeconomic factors. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt instruments classified as FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than IAS 39. The Company applies the IFRS 9 simplified approach to measure the expected credit losses which uses a lifetime expected loss allowance. Management uses actual credit loss experience over past years to base the calculation of ECL.

Given the Company's good collection history with no historical loss rates / bad debts and normal receivable ageing, the move from an incurred loss model to ECL has not had an impact on the financial statements of the Company. The Company has determined that the application of IFRS 9's impairment requirements at October 01, 2018 results in an additional allowance for impairment as follows.

	(Rupees)
Loss allowance at September 30, 2018 under IAS 39	-
Additional impairment recognized at October 01, 2018 on:	(292,656,283)
Loss allowance at October 01, 2018:	(292,656,283)
Trade receivables as at September 30, 2018	492,485,573
Loss allowance at October 01, 2018 under IFRS 9	(292,656,283)
Net receivables as at October 01, 2018	199,829,290

iii. Transition

The Company has used the exemption not to restate comparative periods and any adjustments on adoption of IFRS 9 are to be recognized in statement of changes in equity as on October 1, 2018.

The Company has adopted modified retrospective restatement for adopting IFRS 9 and accordingly, all changes arising on adoption of IFRS 9 have been adjusted at the beginning of the current year. The effect of change in accounting policy is as follows:

	As reported as at September 30, 2018	Change	Restated as at 01, October 2018
		Rupees	
Impact on statement of financial position - trade debts	492,485,573	(292,656,283)	199,829,290
Impact on statement of financial position - Deferred tax	-	-	-
Impact on statement of changes in equity	(1,480,646,743)	(292,656,283)	(1,773,303,026)
Impact on statement of profit or loss	-	-	-
Impact on statement of other comprehensive income	-	-	-
Impact on statement of cash flows	-	-	-

Detail accounting policies under IFRS-9 are set out in note 8.17 to the financial statements.

Deferred tax asset amounting Rs. 84.870 million on impairment loss has not been recognised in the financial statements as a matter of prudence as in the opinion of the management there is no certainty regarding realisability of the amount.

6.2 IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 'Revenue from Contracts with Customers' is effective for accounting period beginning on or after July 1, 2018. This standard has replaced IAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers.

The IFRS 15 establish a five-steps mode to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires the entities to exercise judgment, taking in to consideration all of the relevant facts and circumstances when applying each step of the model to contracts with the customers. The Company has concluded that the impact of adoption of revenue recognition model as laid down in IFRS 15 is not material.

There is no material impact of transition to IFRS 15 on the financial position of the Company and there is no effect on the accounting policies of the Company in respect of revenue from contracts with customers.

7. NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED STANDARDS

7.1 Amendments that are effective in current year and relevant to the Company

The Company has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard:

		Effective date (annual periods beginning on or after)
Conceptual Framework for Financial Reporting 2018 - Original Issue		March 01, 2018
IFRS 2	Share-based Payment - amendments to clarify the classification and measurement of share-based payment transactions	January 01, 2018
IFRS 4	Insurance Contracts - amendments regarding the interaction of IFRS 4 and IFRS 9	January 01, 2018
IFRS 5	Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	July 01, 2018
IFRS 8	Amendments regarding the interaction of IFRS 4 and IFRS 9	January 01, 2018
IFRS 7	Financial Instruments : Disclosures - additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	July 01, 2018
IFRS 9	Financial Instruments - reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9	July 01, 2018
IFRS 9	Financial Instruments - finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition	July 01, 2018
IFRS 15	Original issue	July 01, 2018
IFRS 15	Clarifications to IFRS 15	July 01, 2018
IAS 39	Financial Instruments: Recognition and Measurements- amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception	July 01, 2018
IAS 40	Investment Property - amendments to clarify transfers of property to, or from, investment property	January 01, 2018

Other than the amendments to standards mentioned above, there are certain annual improvements made to IFRS that became effective during the year:

		Effective date (annual periods beginning on or after)
Annual Improvements to IFRSs (2014 – 2016) Cycle:		
IFRS 1	First-time Adoption of International Financial Reporting Standards	January 01, 2018
IAS 28	Investments in Associates and Joint Ventures	January 01, 2018

7.2 Amendments not yet effective

The following amendments to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard:

		Effective date (annual periods beginning on or after)
Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update these pronouncements with regard to references to and quotes from the framework or to indicate where they refer to different version of the Conceptual Framework.		January 01, 2020
IFRS 3	Business Combinations - amendments to clarify the definition of a business	January 01, 2020
IFRS 8	Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
IFRS 9	Financial Instruments - amendments regarding prepayment features with negative compensation and modifications of financial liabilities negative compensation and modifications of financial liabilities	January 01, 2019
IAS 1	Presentation of Financial Statements - amendments regarding the definition of materiality	January 01, 2020
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors - amendments regarding the definition of materiality	January 01, 2020
IAS 19	Employee benefits - amendments regarding plan amendments, curtailments or settlements	January 01, 2019
IAS 17	Amendments regarding plan amendments, curtailments or settlements	January 01, 2019
IAS 28	Investments in Associates and Joint Ventures - amendments regarding long-term interests in associates and joint ventures	January 01, 2019

The annual improvements to IFRSs that are effective from the dates mentioned below against respective standards:

		Effective date (annual periods beginning on or after)
Annual improvements to IFRSs (2015 – 2017) Cycle:		
IFRS 3	Business Combinations	January 01, 2019
IFRS 11	Joint Arrangements	January 01, 2019
IAS 12	Income Taxes	January 01, 2019
IAS 23	Borrowing Costs	January 01, 2019

7.3 Standards or interpretations not yet effective

The following new standards have been issued by the International Accounting Standards Board (IASB), which have been adopted locally by the Securities and Exchange Commission of Pakistan effective from the dates mentioned against the respective standard:

IFRS 16	Leases	January 01, 2019

The effects of IFRS 16 - Leases are still being assessed, as these new standards may have a significant effect on the Company's future financial statements.

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 14	Regulatory Deferral Accounts
IFRS 17	Insurance Contracts

The Company expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Company's financial statements in the period of initial application.

8. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented except as disclosed in note 6.1 and 6.2 to these financial statements.

8.1 Property, plant and equipment

a) Owned assets

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for freehold land, buildings on freehold land, and plant & machinery which is carried at revalued amount and capital work-in-progress which is stated at cost less impairment losses.

Depreciation is charged on all fixed assets by applying the reducing balance method at the rates specified in note 9. The rates are determined to allocate the cost of an asset less estimated residual value, if not insignificant, over its useful life.

Depreciation on assets is charged from the month of addition while no depreciation is charged for the month in which assets are disposed off.

Increases in the carrying amounts arising on revaluation of fixed assets is recognised, net of tax, in other comprehensive income and accumulated revaluation surplus in shareholders' equity and value of fixed assets. If an assets' carrying amount is increased as a result of revaluation, the increase will be recognized in other comprehensive income. However, the increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss. If an assets' carrying amount is decreased as a result of revaluation, the decrease shall be recognized in profit or loss. However, the decrease shall be recognized in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that assets.

Maintenance and normal repairs are charged to income as and when incurred while cost of major replacements and improvements, if any, are capitalized.

Gains and losses on disposal and retirement of an asset are included in the the statement of profit or loss.

Surplus on revaluation of operating fixed assets

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

b) Leased assets

Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance lease. Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreement and the fair value of the assets acquired on lease. Outstanding obligations under the lease less finance charges allocated to future periods are shown as liability. Finance costs under lease agreements are allocated to the period during the lease term so as to produce a constant periodic rate of financial cost on the remaining balance of principal liability for each period.

Assets acquired under a finance lease are depreciated over the useful life of the asset on reducing balance method at the rates given in note 9. Depreciation on leased assets is charged to the the statement of profit or loss.

Depreciation on additions to leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which asset is disposed off.

c) Capital work in progress

Capital work-in-progress are stated at cost less impairment losses, if any, and consists of expenditure incurred, advances made and other costs directly attributable to operating fixed assets in the course of their construction and installation. Cost also includes applicable borrowing costs. Transfers are made to relevant operating fixed assets category as and when assets are available for use intended by the management.

d) Impairment of non-financial assets

The carrying amount of the Company's non-financial assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If such indications exist, the assets' recoverable amounts are estimated in order to determine the extent of impairment loss, if any.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that is largely independent from other assets and group. Impairment losses are recognized as expense in the statement of profit or loss. The recoverable amount is the higher of an asset's 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 asset's revised carrying amount over its estimated useful life.

Impaired assets are reviewed for possible reversal of the impairment at each statement of financial position date. Reversal of the impairment losses are restricted to the extent that asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment losses had been recognized. A reversal of impairment loss is recognized in the the statement of profit or loss.

8.2 Intangible assets

Costs that are directly associated with identifiable software products controlled by the Company and have probable economic benefits beyond one year are recognized as intangible assets. These are stated at cost less accumulated amortization and impairment losses, if any. Amortization is provided on a straight line basis over the asset's estimated useful lives.

8.3 Investment property

Investment property is property which is held either to earn rental income or for capital appreciation or for both. Investment property is initially recognized at cost, being the fair value of the consideration given. Subsequent to initial recognition investment property is carried at fair value. The fair value is determined annually by an independent approved valuer. The fair values is based on market value being the estimated amount for which a property could be exchanged on the date of valuation between knowledgeable and willing buyer and seller in an arms length transaction.

Any gain or loss arising from a change in fair value is recognized in the income statement.

Rental income from investment property is accounted for as described in note 8.21.

When an item of property, plant and equipment is transferred to investment property following a change in its use, differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognized in surplus on revaluation of property, plant and equipment, if it is a gain. Upon disposal of the item the related surplus on revaluation of property, plant and equipment is transferred to retained earnings. Any loss arising in this manner is recognized immediately in the income statement.

For a transfer from inventories to investment property that will be carried at fair value any difference between the fair value of the property at that date and its previous carrying amount shall be recognized in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes.

8.4 Investment in associates

Investment in associates where the Company holds 20% or more of the voting power of the investee companies and where significant influence can be established are accounted for using the equity method. Investment in associates other than those described as above are classified as “Fair value through OCI”.

In case of investments accounted for under the equity method, the method is applied from the date when significant influence is established until the date when that significant influence ceases.

8.5 Investments in subsidiary

Investment in unquoted subsidiary is initially valued at cost. At subsequent reporting dates, the Company reviews the carrying amount of the investment to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any.

8.6 Stores, spares and loose tools

These are valued at lower of weighted average cost and net realizable value less impairment, if any, except for items in transit, which are valued at cost comprising of invoice value plus other charges paid thereon till the statement of financial position date. The Company reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores, spares and loose tools. For items which are slow moving and / or identified as surplus to the company’s requirements, adequate provision is made for any excess book value over estimated realisable value.

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

8.7 Stock-in-trade

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

Raw and packing materials	-	Weighted average cost
Materials in transit	-	Invoice value plus other expenses incurred thereon
Work in process	-	Cost of material as above plus proportionate production overheads
Finished goods	-	Average cost of manufacture which includes proportionate production overheads including duties and taxes paid thereon, if any.
By products	-	At net realizable value

Adequate provision is made for slow moving and obsolete items.

Net realizable value represents the estimated selling prices in the ordinary course of business less expenses incidental to make the sale.

8.8 Trade debts and other receivables

Trade debts and other receivables are recognized and carried at original invoiced amount which is the fair value of the consideration to be received in future for goods sold less provision for doubtful amounts. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

8.9 Taxation

a) Current

The charge for current year is higher of the amount computed on taxable income at the current rates of taxation after taking into account tax credits and rebates, if any, and minimum tax computed at the prescribed rate on turnover or alternative corporate tax. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

b) Deferred

Deferred tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of Technical Release - 27 of the Institute of Chartered Accountants of Pakistan.

Deferred tax asset is recognised for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realised or the liabilities are settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the the statement of profit or loss, except in case of items charged or credited directly to equity in which case it is included in the statement of comprehensive income.

8.10 Borrowings

Loans and borrowings are recorded at the proceeds received. Finance cost are accounted for on accrual basis and are shown as interest and mark-up accrued to the extent of the amount remaining unpaid.

Short term borrowings are classified as current liabilities unless the Company has unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Borrowing cost on long term finances and short term borrowings which are obtained for the acquisition of qualifying assets are capitalized as part of cost of that asset. All other borrowing costs are charged to the statement of profit or loss in the period in which these are incurred. Borrowing cost also includes exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest cost as allowed under IAS 23 “Borrowing cost”.

8.11 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

8.12 Provisions

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

8.13 Leases

Finance lease

Leases that transfer substantially all the risks and rewards incidental to ownership of an asset is classified as finance lease. Assets on finance lease are capitalised at the commencement of the lease term at the lower of the fair value of leased assets and the present value of minimum lease payments. Finance costs under lease arrangements are allocated to the periods during the lease term so as to produce a constant periodic rate of finance cost on the remaining balance of principal liability for each period.

Operating lease / Ijarah

Operating lease / ijarah in which a significant portion of the risks and rewards of ownership are retained by the lessor / Muj'ir (lessor) are classified as operating leases/Ijarah. Payments made during the period are charged to profit and loss on a straight-line basis over the period of the lease / Ijarah.

The SECP has issued directive (vide SRO 431(I)/2007 dated May 22, 2007) that Islamic Financial Accounting Standard 2 (IFAS-2) shall be followed in preparation of the financial statements by companies while accounting for Ijarah (Lease) transactions as defined by said Standard. The Company has adopted the above said standard.

8.14 Cash and bank balances

Cash in hand and at banks are carried at nominal amount.

8.15 Cash and cash equivalents

For the purposes of cash flow statement, cash and cash equivalents consist of cash in hand, cheques in hand and balances with banks net of borrowings not considered as being in the nature of financing activities.

8.16 Dividend and appropriation to reserve

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

8.17 Financial instruments

8.17.1 Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, fair value through other comprehensive income and amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. All the financial assets of the Company as at statement of financial position date are carried at amortized cost.

Amortized cost

A financial asset is measured at amortized cost if it meets both the following conditions and is not designated as at fair value through profit or loss:

- it is held with in a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt Instrument - FVOCI

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity Instrument - FVOCI

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Fair value through profit or loss (FVTPL)

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Impairment

The Company recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets.

The Company recognizes loss allowance for Expected Credit Losses (ECLs), except for the following, which are measured at 12-month ECLs, on financial assets measured at amortized cost and contract assets. The Company measures loss allowance at an amount equal to lifetime ECLs.

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

Lifetime ECLs are those that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

At each reporting date, the Company assesses whether the financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial assets have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company applies the IFRS 9 simplified approach to measure the expected credit losses which uses a lifetime expected loss allowance. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. Management uses actual credit loss experience over a past years to base the calculation of ECL.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

8.17.2 Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

8.17.3 Recognition and measurement

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

8.17.4 Derecognition

The financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial assets. The financial liabilities are de-recognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired.

8.18 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is 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.

8.19 Foreign currency transactions and translation

Transactions in foreign currencies are translated into Pak Rupees at the rates of exchange approximating those prevailing on the date of transactions or at the contract rate. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange approximating those prevailing at the balance sheet date or at the contract rate. Exchange gains and losses are included in the statement of profit or loss currently.

8.20 Employee benefits

The Company's employees benefits comprise of gratuity scheme and compensated absences for eligible employees.

8.20.1 Staff retirement benefits

Defined benefit plan (Gratuity Fund)

The Company operates an un-funded gratuity scheme for all its permanent employees who have attained retirement age, died or resigned during service period and have served for the minimum qualification period. Provision is based on the actuarial valuation of the scheme carried out as at September 30, 2019 using the Projected Unit Credit Method in accordance with IAS-19 "Employee Benefits" and resulting vested portion of past service cost has been charged to income in the current year. The remeasurement gains / losses as per actuarial valuation done at financial year end are recognized immediately in other comprehensive income and all other expenses are recognized in accordance with IAS 19 "Employee Benefits" in the statement of profit or loss.

8.20.2 Compensated absences

The Company accounts for these benefits in the period in which the absences are earned.

8.21 Revenue recognition

Revenue comprises the fair value for the sale of goods net of sales taxes and discounts. Revenue from the sale of goods is recognized when control of the goods passes to customers and the customers can direct the use of and substantially obtain all the benefits from the goods.

Revenue is recognized when specific criteria have been met for each of the Company's activities as described below.

Revenue from contracts with customers

Sale of goods

- Sale of goods is recognized when the Company has transferred control of the products to the customers and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Contract assets

Contract assets arise when the Company performs its performance obligations by transferring goods to a customer before the customer pays its consideration or before payment is due.

Contract liabilities

Contract liability is the obligation of the Company to transfer goods to a customer for which the Company has received consideration from the customer. If a customer pays consideration before the Company transfers goods, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Company performs its performance obligations under the contract.

Others

- Scrap sales are recognized on delivery to customers at realized amounts.
- Return on deposit is accrued on time proportion basis by reference to the principle outstanding and the applicable rate of return.
- Rental income is recognized on accrual basis.
- All other income is recognized on accrual basis.
- Dividend on equity investments is recognized as income when the right to receive payment is established.

8.22 Related party transactions

Transactions and contracts with the related parties are based on the policy that all transactions between the Company and related parties are carried out at an arm's length. These prices are determined in accordance with the methods prescribed in the Companies Act, 2017.

8.23 Borrowing costs

Interest and commitment charges on long term loans are capitalized for the period up to the date of commencement of commercial production of the respective plant and machinery acquired out of the proceeds of such loans. All other interest and charges are treated as expenses during the year.

8.24 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' results are reviewed regularly by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Company has only one reportable segment.

8.25 Contingencies

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

8.26 Share capital

Share capital is classified as equity and recognized at the face value. Incremental costs, net of tax, directly attributable to the issue of new shares are shown as a deduction in equity.

8.27 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

9. OPERATING FIXED ASSETS

The following is the statement of property, plant and equipment:

Description	Freehold land	Buildings on freehold land	Plant and machinery	Electric installation	Tools and equipment	Vehicles	Furniture and fixtures	Office and other equipments	Total
	(Rupees)								
Net carrying value basis year ended September 30, 2019									
Opening net book value (NBV)	1,080,150,000	154,429,539	1,137,582,296	498,208	821,563	767,241	529,045	3,749,714	2,378,527,606
Additions / Transfer (at cost)	-	-	162,324,157	-	114,000	-	219,249	1,411,620	164,069,026
Revaluation during the year	180,042,500	134,522,415	34,650,954						349,215,869
Disposals (NBV)	-	-	-	-	-	(263,158)	-	-	(263,158)
Depreciation charge	-	(15,442,954)	(59,557,407)	(49,821)	(83,106)	(100,817)	(61,450)	(430,791)	(75,726,346)
Closing net book value	1,260,192,500	273,509,000	1,275,000,000	448,387	852,457	403,266	686,844	4,730,543	2,815,822,997
Gross carrying value basis year ended September 30, 2019									
Cost/revalue	1,260,192,500	487,635,689	2,187,972,112	9,681,095	4,394,715	11,351,282	6,002,811	15,694,096	3,982,924,300
Accumulated depreciation	-	(214,126,689)	(912,972,112)	(9,232,708)	(3,542,258)	(10,948,016)	(5,315,967)	(10,963,553)	(1,167,101,303)
Net book value	1,260,192,500	273,509,000	1,275,000,000	448,387	852,457	403,266	686,844	4,730,543	2,815,822,997
Net carrying value basis year ended September 30, 2018									
Opening net book value (NBV)	1,080,150,000	171,588,377	1,142,467,588	553,564	912,848	935,018	587,828	3,710,526	2,400,905,749
Additions (at cost)	-	-	52,598,604	-	-	23,284	-	435,123	53,057,011
Adjustment against land during year	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-	-
Disposals / transfers (NBV)	-	-	-	-	-	-	-	-	-
Depreciation charge	-	(17,158,838)	(57,483,896)	(55,356)	(91,285)	(191,061)	(58,783)	(395,935)	(75,435,154)
Closing net book value	1,080,150,000	154,429,539	1,137,582,296	498,208	821,563	767,241	529,045	3,749,714	2,378,527,606
Gross carrying value basis year ended September 30, 2018									
Cost/revalue	1,080,150,000	353,113,274	1,990,997,001	9,681,095	4,280,715	15,178,282	5,783,562	14,282,476	3,473,466,405
Accumulated depreciation	-	(198,683,735)	(853,414,705)	(9,182,887)	(3,459,152)	(14,411,041)	(5,254,517)	(10,532,762)	(1,094,938,799)
Net book value	1,080,150,000	154,429,539	1,137,582,296	498,208	821,563	767,241	529,045	3,749,714	2,378,527,606
Depreciation rate % per annum	-	10	5	10	10	20	10	10	

9.1 Free hold land of the Company is located at 5-km Faisalabad Road, District Okara, Punjab with an area covering 72.011 acres (2018: 72.011). The building on freehold land and other immovable assets of the Company are constructed/located at above mentioned freehold land and address.

9.2 Plant and machinery includes transfer from capital work-in-progress amounting to Rs. 161.961 million (2018: Nil).

9.3 Free hold land, buildings, plant & machinery were revalued by independent valuers M/s. Tristar International Consultants (Private) Limited as at September 30, 2019 on the basis of market value. The revaluation resulted in surplus aggregating to Rs. 349.215 million. Had there been no revaluation on that date, the book value of operating fixed assets would have been lower by Rs. 1,978.871 million (2018: Rs. 1,715.903 million).

9.4 Had there been no revaluation, the net book value of the assets as at September 30, 2019 would have been as under.

	Note	2019 Rupees	2018 Rupees
Land		7,959,798	7,959,798
Building		12,196,121	13,551,245
Plant and machinery		512,878,031	371,823,333
		533,033,950	393,334,376

9.5 The forced sale value of free hold land, building and plant & machinery is Rs. 1,071.163 million, 218.807 million and 956.250 million, respectively.

9.6 The depreciation charge for the year has been allocated as follows:

	Note	2019 Rupees	2018 Rupees
Cost of sales	34	75,050,182	74,789,375
General and administrative expenses	36	676,164	645,779
		75,726,346	75,435,154

9.7 The following operating fixed assets were disposed off during the year:

Description	Cost	Accumulated depreciation	Net Book value	Adjustments (Note 9.7)	Gain / (Loss)	Mode of disposal	Particulars of buyers
			(Rupees)				
Vehicles							
Tractor-OKA-7792	175,000	174,765	235	246,250	246,015	Negotiation	Aleem Akbar
Tractor-OKA-7796	175,000	174,765	235	246,250	246,015	Negotiation	Aleem Akbar
Tractor-OKA-7794	65,000	64,913	87	246,250	246,163	Negotiation	Aleem Akbar
Tractor-OKA-7793	180,000	179,698	302	246,250	245,948	Negotiation	Aleem Akbar
Tractor-OKA-7797	175,000	174,707	293	246,250	245,957	Negotiation	Aleem Akbar
Tractor-OKA-8805	175,000	174,707	293	246,250	245,957	Negotiation	Aleem Akbar
Tractor-OKA-8802	175,000	174,707	293	246,250	245,957	Negotiation	Aleem Akbar
Tractor-OKA-5156	800,000	752,354	47,646	246,250	198,604	Employee settlement	Faizan Farukh Lashari
Trolley 8 Wheeler	460,000	459,535	465	710,909	710,444	Negotiation	Muhammad Javaid
Trolley 8 Wheeler	200,000	199,732	268	309,091	308,823	Negotiation	Muhammad Javaid
Motorcycle-OK-6354	20,000	19,945	55	5,429	5,374	Negotiation	Ishtiaq Parvez S/O Muhammad Yaqoob
Motorcycle-OKB-1432	20,000	19,945	55	5,429	5,374	Negotiation	Ishtiaq Parvez S/O Muhammad Yaqoob
Motorcycle-OKB-1433	20,000	19,945	55	5,429	5,374	Negotiation	Ishtiaq Parvez S/O Muhammad Yaqoob
Motorcycle-OKA-6351	18,000	17,974	26	5,429	5,403	Negotiation	Ishtiaq Parvez S/O Muhammad Yaqoob
Motorcycle-OKB-7130	30,000	29,797	203	5,429	5,226	Negotiation	Ishtiaq Parvez S/O Muhammad Yaqoob
Motorcycle-OKD-6929	46,000	44,145	1,855	5,429	3,574	Negotiation	Ishtiaq Parvez S/O Muhammad Yaqoob
Motorcycle-OKD-7030	46,000	44,145	1,855	5,429	3,574	Negotiation	Ishtiaq Parvez S/O Muhammad Yaqoob
Motorcycle-OKD-1431	46,000	44,145	1,855	5,429	3,574	Negotiation	Ishtiaq Parvez S/O Muhammad Yaqoob
Motorcycle-OK-1429	20,000	19,945	55	5,429	5,374	Negotiation	Ishtiaq Parvez S/O Muhammad Yaqoob
Motorcycle-OKB-6352	20,000	19,945	55	5,429	5,374	Negotiation	Ishtiaq Parvez S/O Muhammad Yaqoob
Motorcycle-OK-1430	20,000	19,945	55	5,429	5,374	Negotiation	Ishtiaq Parvez S/O Muhammad Yaqoob
Motorcycle-OK-8326	21,000	20,963	37	5,429	5,392	Negotiation	Ishtiaq Parvez S/O Muhammad Yaqoob
Motorcycle-OK-7030	50,000	46,850	3,150	5,429	2,279	Negotiation	Ishtiaq Parvez S/O Muhammad Yaqoob
Motorcycle-OKD-1431	50,000	46,850	3,150	5,429	2,279	Negotiation	Ishtiaq Parvez S/O Muhammad Yaqoob
Motorcycle-LEV-7510	68,500	54,135	14,365	68,508	54,143	Employee Settlement	Nazar Hussain
Motorcycle-LEP-5342	68,500	54,135	14,365	68,508	54,143	Employee Settlement	Syed Irfan Ali
Motorcycle-LEP-7560	68,500	54,135	14,365	68,500	54,135	Employee Settlement	Abdul Haq
Motorcycle-LEV-7553	68,500	54,135	14,365	68,500	54,135	Employee Settlement	Muhammad Akram
Motorcycle-LEV-7685	68,500	54,135	14,365	68,508	54,143	Employee Settlement	Umer Farooq
Motorcycle-LEV-7524	68,500	54,135	14,365	68,500	54,135	Employee Settlement	Mazar Iqbal
Motorcycle-LEQ-2278	68,500	54,135	14,365	68,500	54,135	Employee Settlement	Muhammad Sarwar
Motorcycle-LEP-5381	68,500	54,135	14,365	68,500	54,135	Employee Settlement	Abdul Rauf
Motorcycle-LEV-7594	68,500	54,135	14,365	68,500	54,135	Employee Settlement	Rana Mushtaq Ahmad
Motorcycle-LEV-7647	68,500	54,135	14,365	68,500	54,135	Employee Settlement	Nabeel Amjad
Motorcycle-LEV-7564	68,500	54,135	14,365	68,500	54,135	Employee Settlement	Hassan Tariq
Motorcycle-LEV-1784	66,500	23,935	42,565	66,446	23,881	Employee Settlement	Shafqat cheema
Total - 2019	3,827,000	3,563,842	263,158	3,885,976	3,622,818		
Total - 2018	-	-	-	-	-		

9.8 Proceeds/adjustment against these assets has been adjusted against payable balances of these parties.

9.9 Fair value measurement (revalued property, plant and equipment)

9.9.1 Fair value measurement of free hold land is based on the valuations carried out by an independent valuer M/s. Tristar International Consultants (Private) Limited as at September 30, 2019 on the basis of market value.

9.9.2 Fair value measurement of revalued land is based on assumptions considered to be level 2 inputs.

9.9.3 Valuation techniques used to derive level 2 fair values - Land

Fair value of land has been derived using a sales comparison approach. Sale prices of comparable land in close proximity are adjusted for differences in key attributes such as location and size of the property. The most significant input in this valuation approach is price / rate per canal in particular locality. This valuation is considered to be level 2 in fair value hierarchy due to significant observable inputs used in the valuation.

10. CAPITAL WORK IN PROGRESS

	2019 Rupees	2018 Rupees
This comprises of:		
Building	6,282,560	6,282,560
Plant and machinery	887,572	111,182,459
	7,170,132	117,465,019

10.1 Movement of carrying amount

	Building Rupees	Plant and machinery Rupees	Total Rupees
Year ended September 30, 2019			
Opening balance	6,282,560	111,182,459	117,465,019
Additions (at cost)	-	51,666,968	51,666,968
Transferred to operating fixed assets	-	(161,961,855)	(161,961,855)
Closing balance	6,282,560	887,572	7,170,132
Year ended September 30, 2018			
Opening balance	6,282,560	31,894,571	38,177,131
Additions (at cost)	-	79,287,888	79,287,888
Transferred to operating fixed assets	-	-	-
Closing balance	6,282,560	111,182,459	117,465,019

10.2 Building consists of construction of sugar godown, which is still under construction and expected to be completed on August 31, 2020.

	Note	2019 Rupees	2018 Rupees
11. LONG TERM DEPOSITS			
Long term deposit	11.1	-	587,575

11.1 Movement of carrying amount

	Note	2019 Rupees	2018 Rupees
Opening balance		587,575	587,575
Written off during the year	11.2	(587,575)	-
		-	587,575

11.2 Long term deposits have been written off during the year as there is no chance of recoveries of these deposits being as doubtful.

12. STORES, SPARES AND LOOSE TOOLS

	Note	2019 Rupees	2018 Rupees
Stores			
in hand	12.1	28,047,322	19,068,626
in transit		-	-
		28,047,322	19,068,626
Spares:			
in hand	12.1	36,061,783	24,304,850
in transit		-	-
		36,061,783	24,304,850
		64,109,105	43,373,476
Loose tools		518,038	247,851
Less: Provision for obsolete stores and spares	12.2	(15,041,549)	-
		49,585,594	43,621,327

12.1 Stores and spares also include items which may result in capital expenditure but are not distinguishable at the time of purchase. However, the stores and spares consumption resulting in capital expenditure are capitalized in cost of respective assets.

12.2 Movement of provision for obsolete stores and spares

	2019 Rupees	2018 Rupees
Opening balance	-	-
Provision during the year	15,041,549	-
Reversal during the year	-	-
Written off during the year	-	-
	15,041,549	-

	Note	2019 Rupees	2018 Rupees
13. STOCK IN TRADE			
Work in process			
- Sugar	34	-	31,895,978
- Molasses		-	1,970,542
		-	33,866,520
Finished Goods			
- Sugar	34	-	235,171
- Molasses		-	-
- V.F Cake		-	17,630,153
		-	51,731,844
14. TRADE DEBTS			
Unsecured			
Considered good		77,491,042	492,485,573
Considered doubtful	14.1	305,161,478	-
		382,652,520	492,485,573
Less: Provision for doubtful debts	14.1	(305,161,478)	-
		77,491,042	492,485,573

14.1 Movement of provision for doubtful debts is as follows:

	2019 Rupees	2018 Rupees
Opening balance	-	-
IFRS 9 - Financial Instruments - Impact of change in accounting policy (Note 6.1)	292,656,283	-
Balance as at October 1, 2018	292,656,283	-
Adjustment on account of:		
Doubtful debts written off	-	-
Recovery of doubtful debts	-	-
Provision made for doubtful debts	12,505,195	-
Net adjustment	12,505,195	-
Closing balance	305,161,478	-

	Note	2019 Rupees	2018 Rupees
15. LOANS AND ADVANCES			
Advances - (Unsecured - considered good)			
To employees	15.1	71,300	457,240
Advance to supplies and services (Unsecured)			
Considered good			
Advances to cane growers	15.2	1,646,318	35,048,416
Advance for store purchases	15.3	13,418,739	74,247,325
		15,065,057	109,295,741
Considered doubtful			
Advances to cane growers		-	5,000,000
Less: Provision for doubtful advances		-	(5,000,000)
		-	-
		15,136,357	109,752,981

15.1 This represents advance given to employees against salary and expenses. These advances are provided for general purposes in accordance with the terms of their employment, which is not past due. These advances are unsecured, interest free and receivable on demand.

15.2 This include advances to various sugar cane growers in the form of fertilizers and pesticides. These advances are unsecured, interest free and will be adjusted in sugar cane payment.

15.3 This includes advances provided to employees to meet business expenses and are settled as and when the expenses are incurred. These advances do not carry any interest or mark-up.

15.4 Financial asset under this caption is advance to employees which are trivial for the decision making of users of the financial statements hence no impact on measurement has been considered.

	Note	2019 Rupees	2018 Rupees
15.5 Movement of provision for doubtful debts is as follows:			
Opening balance		5,000,000	5,000,000
Addition during the year		-	-
Written off during the year		(5,000,000)	-
Closing balance		-	5,000,000

16. SHORT TERM PREPAYMENTS

	Note	2019 Rupees	2018 Rupees
Prepayments			
Expenses		500,534	-
Insurance		84,288	-
		584,822	-

17. OTHER RECEIVABLES

	Note	2019 Rupees	2018 Rupees
(Considered good)			
Sales tax		21,517,880	-
Subsidy receivable on exports	17.1	105,742,500	105,742,500
		127,260,380	105,742,500

17.1 This represents subsidy receivables from Government of Pakistan against export of sugar during the financial year 2016. This is claimable under finance division's notification No. 1(4) CF-C/2014-114 dated February 18, 2015 in terms of which Government of Pakistan has approved total cash subsidy at the rate of Rs. 10/- per kg to sugar mills on export of sugar, as per the terms and conditions mentioned therein.

18. CASH AND BANK BALANCES

	Note	2019 Rupees	2018 Rupees
Cash in hand		530,253	69,889
Cash at banks			
Current accounts	18.1	25,848,795	2,150,304
		26,379,048	2,220,193

18.1 Cash with bank in current accounts do not carry any interest or mark-up. There is no impact on measurement of bank balances due to implementation of IFRS 9.

18.2 In some bank accounts, the Company has not conducted any transactions since long and the bank had marked account as dormant. The Company is unable to operate these accounts and banks have not provided bank statements under these accounts, therefore, on prudence basis an impairment amounting to Rs. 0.0240 million has been recognised in these financial statements during the year.

19. SHARE CAPITAL

19.1 Authorized share capital

2019	2018		2019	2018
Number of ordinary shares of Rs. 10/- each			Rupees	Rupees
70,000,000	70,000,000	Ordinary shares of Rs. 10/- each	700,000,000	700,000,000

19.2 Issued, subscribed and paid up capital:

2019	2018		2019	2018
6,400,000	6,400,000	Fully paid in cash	64,000,000	64,000,000
3,050,000	3,050,000	Fully paid bonus shares	30,500,000	30,500,000
9,450,000	9,450,000		94,500,000	94,500,000

19.2.1 Movement of share capital is as follows:

	Number of Shares	Rupees
Opening balance	9,450,000	94,500,000
Bonus shares issued during the year	-	-
Closing balance	9,450,000	94,500,000

19.2.2 There is no shareholder agreement for voting rights, board selection, rights of first refusal and block voting.

19.2.3 As at September 30, 2019 M/s Naubahar Bottling Company (Private) Limited (Holding Company) holds 4,806,468 (50.862%) shares of the company. Pattoki Sugar Mills Limited (ex-holding company) holds 7,696,072 (81.44%) shares of the Company as at September 30, 2018.

20. DIRECTORS' LOANS

	2019 Rupees	2018 Rupees
Unsecured		
Directors		
Others (other than banking companies)		
Opening balance	-	-
Obtained during the period/year		
Mr. Muhammad Shamim Khan	596,500,000	-
Mrs. Qaiser Shamim Khan	593,000,000	-
Mr. Nauman Ahmed Khan	22,000,000	-
	1,211,500,000	-
Repaid during the period / year	-	-
Closing balance	1,211,500,000	-

20.1 This represents unsecured interest free long term loans from directors of the Company to meet the working capital and long term requirements. These are payable on discretion of the Company and will be paid as and when convenient to the Company. This has been disclosed/classified in accordance with TR -32 "Directors' Loan" clause 3.3 "Contractual Directors' loan that is interest free and repayable at the discretion of the Company", issued by the Institute of Chartered Accountants of Pakistan.

21. SURPLUS ON REVALUATION OF FIXED ASSETS

	2019 Rupees	2018 Rupees
Balance brought forward	1,978,827,460	2,034,783,706
Revaluation during the year	349,215,869	-
Less: Transferred to equity in respect of incremental depreciation charged during the year - (net of deferred tax)	37,186,802	39,728,935
Related deferred tax liability during the year transferred to profit and loss account	15,188,976	16,227,311
	52,375,778	55,956,246
	2,275,667,551	1,978,827,460
Less: Related deferred tax effect:		
Balance as at October 01	262,924,805	288,778,051
Effect of change in rate	-	(9,625,935)
Deferred tax impact for the period	49,060,277	-
Incremental depreciation charged during the year transferred to profit and loss account	(15,188,976)	(16,227,311)
	296,796,106	262,924,805
	1,978,871,445	1,715,902,655

21.1 The Company's freehold land, buildings on freehold land, plant and machinery have been revalued by Tristar International Consultants (Private) Limited, an independent valuer not connected with the Company and approved by Pakistan Banks' Association (PBA). The basis of revaluation for items of these fixed assets were as follows:

Freehold land

Fair market value of freehold land was assessed through inquiries to real estate agents and property dealers in near vicinity of freehold land. Different valuation methods and exercises were adopted according to experience, location and other usage of freehold land. Valuer had also considered all relevant factors as well.

Buildings on freehold land

Construction specifications were noted for each building and structure and new construction rates are applied according to construction specifications for current replacement values. After determining current replacement values, depreciation was calculated to determine the current assessed market value.

Plant and machinery

Suppliers and different sugar plant consultants in Pakistan and abroad were contacted to collect information regarding current prices of comparable sugar plant to determine current replacement value. Fair depreciation factor for each item is applied according to their physical condition, usage and maintenance.

21.2 Had there been no revaluation, the net book value of the specific classes of operating assets would have been as follows:

	Note	2019 Rupees	2018 Rupees
Freehold land		7,959,798	7,959,798
Buildings on freehold land		12,196,121	13,551,245
Plant and machinery		512,878,031	371,823,333

22. LONG TERM FINANCING

	Note	2019 Rupees	2018 Rupees
Secured:			
Banking Companies	22.1	-	100,000,000

22.1 From banking companies

		2019 Rupees	2018 Rupees
Opening balances		200,000,000	200,000,000
Obtained during the year		-	-
Repayments made during the year		(100,000,000)	-
		100,000,000	200,000,000
Current portion shown under current liabilities		(100,000,000)	(100,000,000)
		-	100,000,000

22.2 This represents term finance facility obtained from JS Bank Limited for working capital requirements due to BMR activities carried out for enhancement in production capacity. It shall be repaid through 6 equal biannually instalments along with mark up. It is secured by way of first charge over fixed assets of the Company amounting to Rs. 400 million (with 25% margin), corporate guarantee of M/s Pattoki Sugar Mills Limited, subordination of Director's loan of Rs. 500 million in favor of JS Bank and personal guarantees of all directors along with net worth statements.

23. LOAN FROM EX-HOLDING COMPANY

	Note	2019 Rupees	2018 Rupees
Unsecured:			
Pattoki Sugar Mills Limited (PSML)	23.1	-	500,000,000

23.1 From holding company

	2019 Rupees	2018 Rupees
Balance as at October 01	525,000,000	525,000,000
Obtained during the year	-	-
Repayments/adjustment made during the year	(525,000,000)	-
	-	525,000,000
Current portion shown under current liabilities	-	(25,000,000)
	-	500,000,000

23.2 The Company obtained unsecured loan from M/s Pattoki Sugar Mills Limited (PSML) - the ex-holding company that carries mark-up at the rate of 3 month's KIBOR plus 2% per annum. The effective mark-up rate charged by PSML during the year ranging from 10.88% to 12.55% (2018: 8.15% to 8.93%) per annum.

24. LOAN FROM HOLDING COMPANY

	Note	2019 Rupees	2018 Rupees
Unsecured:			
Naubahar Bottling Company (Private) Limited	24.1	965,960,400	-

24.1 From holding company

	2019 Rupees	2018 Rupees
Balance as at October 01	-	-
Obtained during the year	965,960,400	-
Repayments/adjustment made during the year	-	-
	965,960,400	-
Current portion shown under current liabilities	-	-
	965,960,400	-

24.2 The Company obtained unsecured loan from M/s Naubahar Bottling Company (Private) Limited - the holding company that carries mark-up at the rate of 3 month's KIBOR plus 0.5% per annum. The effective mark-up rate charged by Naubahar Bottling Company (Private) Limited during the year ranging from 11.02% to 14.35% (2018: Nil) per annum. The management for the time being does not intend to repay any amount against these loans until the end of next financial year and hence no current maturity has been provided. These will be paid as and when convenient to the Company.

25. DEFERRED LIABILITIES

	Note	2019 Rupees	2018 Rupees
Deferred taxation	25.1	386,808,417	284,572,416
Provision for gratuity	25.3	89,033	3,661,253
		386,897,450	288,233,669

25.1 Deferred taxation

	2019 Rupees	2018 Rupees
Deferred tax liability comprises as follows:		
Taxable temporary differences		
Surplus on revaluation of fixed assets	296,796,106	262,924,805
Tax depreciation allowances	90,012,311	73,748,982
Deductible temporary differences		
Provision for gratuity	-	(1,061,763)
Unabsorbed tax depreciation	-	(51,039,608)
	386,808,417	284,572,416

25.2 The gross movement in the deferred tax liability during the year is as follow:

	2019 Rupees	2018 Rupees
Balance as at October 1,	284,572,416	-
IFRS 9 - Financial Instruments - Impact of change in accounting policy (Note 6.1)	-	-
	284,572,416	-
Charge to profit the statement of profit or loss	53,175,724	-
Charge to other comprehensive income	49,060,277	-
	386,808,417	-

25.2.1 As at September 30, 2019, deferred tax asset amounting Rs. 374.963 million (2018: Rs. 88.87 million) on unused tax losses, impairment loss and gratuity have not been recognised in the financial statements as a matter of prudence as in the opinion of the management there is no certainty regarding realisability of the amount. The management intends to re-assess the recognition of deferred tax asset as at September 30, 2020. The loss can be carry forwarded upto 5 years.

25.3 Provision for gratuity

25.3.1 General description

The scheme provides for terminal benefits for all its permanent employees who qualify for the scheme. The defined benefit payable to each employee at the end of his service comprises of total number of years of his service multiplied by last drawn basic salary including cost of living allowance.

Annual charge is based on actuarial valuation carried out by an independent approved valuer M/S Nauman Associates as at September 30, 2019 using the Projected Unit Credit method.

The Company faces the following risks on account of gratuity:

Final salary risk - The risk that the final salary at the time of cessation of service is greater than what the Company has assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macro-economic factors), the benefit amount would also increase proportionately.

Discount rate fluctuation - The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the current plans' bond holdings.

Demographic Risks: Mortality Risk - The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

Withdrawal Risk - The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

	2019 Percentage	2018 Percentage
	Per annum	

25.3.2 Significant actuarial assumptions

Following are significant actuarial assumptions used in the valuation:

	2019	2018
Discount rate	12.50	10
Expected rate of increase in salary	11.50	9
Expected average remaining working life time of employees	6 years	6 years

	Note	2019 Rupees	2018 Rupees
25.3.3 Reconciliation of payable to defined benefit plan			
Present value of obligation			
Liability recognized in balance sheet		89,033	3,661,253
25.3.4 Movement of the liability recognized in the statement of financial position			
Opening net liability		3,661,253	3,051,154
Charge for the year		170,460	1,227,664
Remeasurement chargeable to other comprehensive income		-	(617,565)
Written back during the year	25.3.12	(3,742,680)	-
Closing net liability		89,033	3,661,253
25.3.5 Movement in present value of defined benefit obligations			
Present value of obligation at the start of the year		3,661,253	3,051,154
Current service cost		300,059	555,606
Past service cost		-	460,200
Interest cost		50,308	211,858
Gains and losses arising on plan settlements		(179,907)	-
Remeasurements:			
Actuarial (gain)/losses from changes in demographic assumption		-	-
Actuarial (gain)/losses from changes in financial assumption		-	14,161
Experience adjustments		-	(631,726)
Benefit due but not paid (payable)	25.3.12	(3,742,680)	-
Closing present value of defined benefit obligations		89,033	3,661,253

25.3.6 Charge for the year

	2019 Rupees	2018 Rupees
Current service cost	300,059	555,606
Past service cost	-	460,200
Interest cost	50,308	211,858
Gains and losses arising on plan settlements	(179,907)	-
Charge for the year	170,460	1,227,664

25.3.7 The expected charge in respect of defined benefit plan for the year ending September 30, 2020 will be 0.433 million.

25.3.8 Total remeasurement charge in other comprehensive income

	2019 Rupees	2018 Rupees
Remeasurement of plan obligation		
Actuarial (gain)/losses from changes in demographic assumption	-	-
Actuarial (gain)/losses from changes in financial assumption	-	14,161
Experience adjustment	-	(631,726)
	-	(617,565)

25.3.9 Sensitivity analysis

The impact of 1% change in following variables on defined benefit obligation is as follows:

	Increase in assumption	Decrease in assumption
Discount rate + 100 bps	85,915	2,960,941
Discount rate - 100 bps	92,519	3,318,230
Salary increase + 100 bps	92,595	3,323,821
Salary increase - 100 bps	85,794	2,952,750

25.3.10 Maturity profile

Time in year	2019 Rupees	2018 Rupees
1	-	511,028
2	48,949	435,086
3	574,600	285,243
4	63,272	439,292
5-11 onwards	34,339,782	16,819,116

The average duration of the defined benefit obligation is 4 years.

25.3.11 Year wise comparison is as follows:

	2019	2018	2017	2016	2015
			Rupees		
Present value of defined benefit obligation	89,033	3,661,253	3,051,154	2,050,989	1,412,063
Experience adjustment on obligation	-	(617,565)	378,046	31,357	487,860

25.3.12 These liabilities have been written back as the final settlement has been made with these employees and acknowledgement has been obtained that no dues are pending at the Company. Accordingly these have been written back to other income.

26. TRADE AND OTHER PAYABLES

	Note	2019 Rupees	2018 Rupees
Trade creditors	26.1 & 2	245,699,769	180,184,246
Accrued liabilities		13,475,505	28,271,372
Advances from customers (unsecured)	26.4	340,197,135	343,376,929
Workers' Profit Participation Fund	26.5	1,872,644	1,609,491
Taxes and duties payable		7,137,046	2,359,634
Sales tax payable		831,110	37,498,444
Other liabilities		331,155	26,196,221
		609,544,364	619,496,337

26.1 This includes Rs. 33.353 million (2018: Rs. 2.184 million) payable to Imporient Chemicals (Private) Limited (Ex related party) against purchase of chemical.

26.2 This includes Rs. 0.690 million (2018: Nil) payable to Thal Industries Corporation Limited and Rs. 0.337 million (2018: Nil) to Al-Moiz Industries Limited (a related parties) against payment of purchase of plant and machinery and steel products.

26.3 The maximum amount due to Thal Industries Corporation Limited and Al-Moiz Industries Limited at the end of any month during the year was Rs. 0.690 million (2018: Nil) and Rs. 0.337 (2018: Nil) respectively.

26.4 The advance from customers' balances amounting to Rs. 340.197 million which are long outstanding at the reporting date are adjustable against the payment to be made to the Sponsor Sellers as per shareholder agreement. However, due to un-availability of third party confirmation, on produce basis these balance have not been adjusted and the Company will complete the due legal process before adjusting these balances.

26.5 Workers' Profit Participation Fund

	Note	2019	2018
Balance as at October 01,		1,609,492	1,442,714
Interest at prescribed rate	26.7	263,152	166,778
Less: Amount paid to fund		-	-
		1,872,644	1,609,492
Current year's allocation at 5%	37	-	-
		1,872,644	1,609,492

26.6 The Company retains the allocation of this fund for its business operations till the amounts are paid.

26.7 Interest on Workers' profit (participation) fund has been provided at the rate of 16.35% (2018: 11.56%).

	Note	2019 Rupees	2018 Rupees
27. DUE TO EX - HOLDING COMPANY			
Unsecured:			
Pattoki Sugar Mills Limited (PSML)	28.1	104,066,694	1,154,442,231

27.1 The Company has obtained unsecured short term loan from M/s Pattoki Sugar Mills Limited (PSML) - the ex-holding company that carries mark-up at the rate of 3 month's KIBOR plus 2% per annum. The effective mark-up rate charged by PSML during the year ranging from 10.88% to 12.55 % (2018: 8.15% to 8.93%) per annum.

28. TEMPORARY BANK OVERDRAFT

	Note	2019 Rupees	2018 Rupees
Temporary bank overdraft - unsecured	28.1	-	25,982,166

28.1 This represents temporary credit balances, which occurred due to outstanding cheques at the period end, issued in anticipation of deposits. Subsequent to period end, this amount has been fully adjusted.

29. MARK UP ACCRUED

	Note	2019 Rupees	2018 Rupees
Secured			
Long term financing		12,641,413	6,329,216
Long term financing from holding company and ex holding		73,920,778	147,728,893
Short term borrowings		-	-
		86,562,191	154,058,109

30. TAXATION - NET

	Note	2019 Rupees	2018 Rupees
Advance income tax		1,810,896	7,102,633
Less: Provision for taxation	40	(1,824,111)	(12,012,897)
		(13,215)	(4,910,264)

31. CURRENT PORTION OF LONG TERM LIABILITIES

	Note	2019 Rupees	2018 Rupees
Long term financing	22	100,000,000	100,000,000
Loan from ex-holding company	23	-	25,000,000
		100,000,000	125,000,000

32. CONTINGENCIES AND COMMITMENTS

32.1 Contingent liabilities

a) The LTU-FBR has preferred a reference before Income Tax Appellate (ITAT) for the assessment year 1996 - 1997 against the decision of CIT appeals. The department has also filed petition for leave to appeal before the honorable Supreme Court of Pakistan for the assessment year 1999 - 2000 and tax year 2006 against the order in the favour of the company by the honorable High Court of Sindh. In the opinion of the tax advisor the ultimate appellate decision is likely to be in Company's favour, hence no provision is made in these accounts as there will be no tax impact of the matter in view of brought forward tax losses. In view of the favorable decision of the higher appellate forums on the like issue in prior years the management is hopeful about favorable outcome in above matters. Hence no provision is made in these account as there will be no tax impact of the matter in view of brought forward losses.

b) The Company has filed reference application before the Honorable High Court of Sindh against the decision of ITAT in respect of assessment year 2000 -2001, the reference application is pending before the honorable High Court Sindh. The Company has also filed the appeal before the Commissioner of income tax appeals against addition made by the assessing officer for the assessment year 2002 - 2003 which is pending for adjudication. In view of the favorable decision of the higher appellate forums on the like issue in prior years the management is hopeful about favorable outcome in above matters. Hence no provision is made in these account as there will be no tax impact of the matter in view of brought forward losses.

c) The Company has filed an appeal before the Tribunal against the order of Commissioner Inland Revenue disallowing refund of further tax on the ground that the incidence of the tax has been passed on the consumers and the Company is not entitled to claim refund in terms of Section 3 (B) of the sales Tax Act, 1990. The management of the Company is of the view that outcome of the suit would be in favour of the company.

d) Demand amounting to Rs. 3.825 million has been created by DCIR vide order dated November 03, 2017 against the Company for adjustment of input tax. The Company being aggrieved filed input tax rectification application. The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 3.825 million (2018: Rs. 3.825 million).

e) Demand amounting to Rs. 2.528 million has been created by DCIR vide order dated November 07, 2018 against the Company for adjustment of input tax for the period of January 2018. The Company being aggrieved filed input tax rectification application. The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 2.528 million (2018: Rs. 2.528 million).

f) Demand amounting to Rs. 12.648 million has been created by DCIR vide order dated December 16, 2018 against the Company for adjustment of input tax for the period of February 2018. The Company being aggrieved filed input tax rectification application. The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 12.648 million (2018: Rs. 12.648 million).

g) Demand amounting to Rs. 9.894 million has been created by DCIR vide order dated December 20, 2018 against the Company for adjustment of input tax for the period of March 2018. The Company being aggrieved filed input tax rectification application. The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 12.648 million (2018: Rs. 12.648 million).

h) Demand amounting to Rs. 41.616 million has been created by DCIR vide order dated August 04, 2017 against the Company on account of sales tax audit for the tax year 2014 and certain amount were held recoverable. The Company being aggrieved filed appeal before CIR (A). CIR (A) remanded back the case for fresh adjudication. Thereafter in fresh proceedings an amount of Rs. 3.416 million has been established vide order dated March 28, 2019. This has also been challenged before CIR Appeals. The Company expects a favorable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 3.416 million.

i) Demand amounting to Rs. 10.137 million has been created by DCIR vide order dated November 12, 2018 against the Company on account of inadmissible input tax adjustment for the period July 2016 to November 2017. The Company being aggrieved filed appeal before CIR (A). CIR (A) remanded back the case for fresh adjudication. The case decided against the Company and an amount of Rs. 10.211 million has been paid to the Department under protest and also appeal has been filed against this order. The Company expects a favorable outcome of the proceedings.

j) As per SRO of 77(I)/2013 dated February 07, 2013, the Federal Government allowed reduced rate @ 0.5% FED on local sales of white crystalline sugar equivalent to the quantity actually exported by the sugar manufacturer as per quota allotted. Sales tax and Federal Excise returns for the tax periods from November 2013 to June 2014 were analysed by the Commissioner Inland Revenue and it was observed that registered person had declared local sales on which Company was required to charge and pay FED @ 8% in VAT mode under the provision of section 3 and 7 of the Federal Excise Act, 2005. The Commissioner Inland Revenue created a demand amounting to Rs. 65.084 million along with default surcharge and penalty of Rs. 3.254 million on short payment of FED based that Company charged and paid FED at the rate of 0.5% without fulfilling the conditions as mentioned in SRO 77(I)/2013. Being aggrieved with the order passed by the Deputy Commissioner Inland Revenue, the Company preferred appeal before the Commissioner Inland Revenue (Appeals-I), Karachi. The CIR (A) vide order in appeal No. STA/91/LTU/2019/09 vacated order of Deputy Commissioner and passed order in favour of the Company. The department has filed an appeal against this order to Appellate Tribunal IR. The Company expects a favourable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 68.338 million.

k) As per SRO of 77(I)/2013 dated February 07, 2013 read with the SRO 1072(I)/ 2013 dated December 27, 2013, the Federal Government allowed recued rate@.0.5% FED on local sales of white crystalline sugar equivalent to the quantity actually exported by the sugar manufacturer as per quota allotted by the ECC in it meeting held on January 10, 2013. Sales tax and Federal Excise returns for the tax periods from February 2013 to October 2013 were analysed by the Commissioner Inland Revenue and it was observed that registered person had declared local sales on which Company was required to charge and pay FED @ 8% in VAT mode under the provision of section 3 and 7 of the Federal Excise Act, 2005. The Commissioner Inland Revenue created a demand amounting to Rs. 15.393 million along with default surcharge and penalty of Rs. 0.769 million on short payment of FED based that Company charged and paid FED at the rate of 0.5% without fulfilling the conditions as mentioned in SRO 77(I)/2013. Being aggrieved with the order passed by the Deputy Commissioner Inland Revenue, the Company preferred appeal before the Commissioner Inland Revenue (Appeals-I), Karachi. The CIR (A) vide order in appeal No. STA/90/LTU/2019/06 vacated order of Deputy Commissioner and passed order in favour of the Company. The department has filed an appeal against this order to Appellate Tribunal IR. The Company expects a favourable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 16.163 million.

l) Demand amounting to Rs. 10.163 million has been created by DCIR against the Company on account of some discrepancies were observed in the sales tax returns for the period from July 2016 to November 2017. The Company being aggrieved filed appeal before CIR (A). CIR (A) remanded back the case for fresh adjudication. Thereafter in fresh proceedings an amount of Rs. 10.163 million has been demanded by DCIR. This has also been challenged before CIR Appeals. The CIR (A) vide order in Appeal No. STA/40/LTU/2019/07 dated September 26, 2019 annulled order of DCIR. Being aggrieved with the order department has filed second appeal to Appellate Tribunal IR. The Company expects a favourable outcome of the proceedings. However, if the case is decided against the Company, it may result in tax payable of Rs. 10.163 million.

m) The company (Baba Farid Sugar Mills Limited - BFSML) has issued a corporate guarantee for Rs. 300 million (2018: Rs. 300 million) in favour of Bank Alfalah Limited on behalf of Pattoki Sugar Mills Limited. This has been vacated subsequent to the balance sheet date.

n) Land of the company is mortgaged with Bank Al Habib Limited against loan facility to Pattoki Sugar Mills Limited. The long term assets of the company by amounting Rs. 500 million is also pledged with Bank Al Habib Limited. There is also ranking charge amounting to Rs. 225 million. These have been made on the behalf of the Pattoki Sugar Mills Limited. The Company is pursuing the matter and expecting of vacation of these charges during the next year.

o) The long term and current assets of the company by amounting Rs. 2,068 million is also pledged with MCB Bank Limited against loan facility to Pattoki Sugar Mills Limited. The Company is pursuing the matter and expecting of vacation of these charges during the next year.

p) The long term assets of the company by amounting Rs. 294 million is also pledged with Samba Bank Limited against loan facility to Pattoki Sugar Mills Limited. The Company is pursuing the matter and expecting of vacation of these charges during the next year.

32.2 Commitments

The Company is committed as at the balance sheet date in respect of capital expenditure of Rs. 6.00 million (2018: Nil).

33. SALES

	2019 Rupees	2018 Rupees
Sales		
Manufacturing - local		
Sugar	114,874,295	1,439,473,139
By products sales:		
Molasses	16,389,999	69,762,612
V.F.Cake	2,385,000	1,006,408
	18,774,999	70,769,020
Less: Sales tax		
Sugar	(9,313,920)	(128,244,000)
Molasses	(2,381,453)	(31,355)
V.F.Cake	(346,539)	(146,231)
	(12,041,912)	(128,421,586)
	121,607,382	1,381,820,573

34. COST OF SALES

	Note	2019 Rupees	2018 Rupees
Raw materials consumed			
Opening stock		-	-
Purchases		122,252,719	882,081,661
		122,252,719	882,081,661
Closing stock		-	-
		122,252,719	882,081,661
Stores, spares and consumables		8,895,560	2,813,592
Packing materials consumed		713,731	6,812,980
Chemicals consumed		1,241,536	5,520,016
Salaries, wages and other benefits	34.1	40,634,486	53,404,810
Fuel and power		11,414,524	17,568,809
Repair and maintenance		147,760,390	19,564,596
Depreciation	9.6	75,050,182	74,789,375
Vehicle running expenses		2,182,603	1,561,392
Fee and subscription		115,000	60,000
Provision for slow moving stores and spares		15,041,549	-
Other factory overheads		1,664,975	169,455
		304,714,536	182,265,025
Work in process			
Opening		33,866,520	30,439,554
Closing	13	-	(33,866,520)
		33,866,520	(3,426,966)
Cost of goods manufactured		460,833,775	1,060,919,720
Finished goods			
Opening		17,865,324	502,595,136
Closing	13	-	(17,865,324)
		17,865,324	484,729,812
		478,699,099	1,545,649,532

34.1 This amount includes Nil (2018: Rs. 0.352 million) in respect of employees' retirement benefits.

35. SELLING AND DISTRIBUTION EXPENSES

	Note	2019 Rupees	2018 Rupees
Salaries, wages and other benefits	35.1	400,728	841,779
Stacking, restacking and carriage		71,099	1,442,155
		471,827	2,283,934

35.1 This amount includes Nil (2018: Rs. 0.509 million) in respect of employees' retirement benefits.

36. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	2019 Rupees	2018 Rupees
Salaries, wages and other benefits	36.1	15,869,758	25,771,331
Traveling and conveyance		78,798	6,150
Rent, rates and taxes		2,245,112	600
Telephone and postage		184,815	138,215
Printing and stationery		1,083,881	411,471
Fee and subscription		3,874,281	1,290,719
Insurance		463,818	2,371,259
Repair and maintenance		1,147,756	46,550
Vehicle running expenses		2,819,619	4,027,803
Entertainment		1,082,963	685,781
Legal and professional charges		463,000	569,917
Charity and donations	36.2	119,310	323,160
Depreciation	9.6	676,164	645,779
Penalty		-	5,387,138
Miscellaneous		556,319	168,478
		30,665,594	41,844,351

36.1 This amount includes Rs. 0.170 million (2018: Rs. 0.824 million) in respect of employees' retirement benefits.

36.2 Donations

36.2.1 This represents amounts paid for sidqas etc. Donations other than mentioned above were not made to any donee in which any director of the Company or his spouse had any interest at any time during the year.

37. OTHER OPERATING EXPENSES

	Note	2019 Rupees	2018 Rupees
Auditors' remuneration			
Audit fee		500,000	500,000
Half yearly review fee		248,750	50,000
Review of code of corporate governance		50,000	10,000
Out of pocket expenses		25,000	-
		823,750	560,000
Security deposits written off		587,575	-
Provision for doubtful debts		12,505,195	-
Advances written off	37.1	65,034,841	-
Other receivable written off	37.1	7,249,736	-
		86,201,097	560,000

37.1 This represents doubtful advances and other receivables written off during the year on prudence basis as chances of recoveries are remote.

	Note	2019 Rupees	2018 Rupees

38. OTHER INCOME

	Note	2019 Rupees	2018 Rupees
Income from non- financial assets			
Gain on sale of fixed assets		3,622,818	-
Sale of scrap		1,666,051	-
Liabilities no longer payable written back	37.1 & 2	17,708,614	-
		22,997,483	-

38.1 This includes gratuity amounting to Rs. 3.743 million (2018: Nil) written back due final settlement of employees during the year.

38.2 This also includes creditors amounting to Rs. 12.506 million (2018: Nil) written back for excess balances which is not confirmed by them.

39. FINANCIAL CHARGES

	2019 Rupees	2018 Rupees
Mark-up / interest on:		
Long term financing	19,114,969	24,689,567
Loan from ex -holding company	85,160,793	144,810,241
Loan from holding company	71,572,815	-
Worker's profit participation fund	263,152	166,778
	176,111,729	169,666,586
Bank charges and commission	80,777	108,786
	176,192,506	169,775,372

40. TAXATION

	Note	2019 Rupees	2018 Rupees
Current	40.1	1,824,111	12,012,897
Deferred tax		53,175,724	(16,239,322)
		54,999,835	(4,226,425)

40.1 As the tax charge represent alternates minimum tax (turnover) under the income Tax Ordinance, 2001, numerical reconciliation between the average effective tax rate and the applicable tax rate is not prepared and presented.

40.2 The rate of tax has been fixed at 29% for Tax Year 2019 and onwards by taxation authorities.

40.3 Comparison of tax provision against tax assessments

Years	Note	Excess/ (Short)	Tax provision	Tax assessment/ tax return
			(Rupees)	
2017-18	40.4	-	12,012,897	12,012,897
2016-17	40.4	(670)	21,662,092	21,662,762
2015-16	40.4	-	11,831,378	11,831,378

40.4 Minimum tax for tax year 2016, 2017 and 2018 of Rs. 44.095 million, Rs. 47.191 million and Rs. 62.772 million was fully adjusted against the tax credits under section 65B.

41. ACCOUNTING ESTIMATES AND JUDGMENTS

The Company's main accounting policies affecting its result of operations and financial conditions are set out in note 6. Judgments and assumptions have been required by the management in applying the Company's accounting policies in many areas. Actual results may differ from estimates calculated using these judgments and assumptions. Key sources of estimation, uncertainty and critical accounting judgments are as follows:

a) Income taxes

The Company takes into account relevant provisions of the current income tax laws while providing for current and deferred taxes as explained in note 8.10 to these financial statements.

b) Defined benefit plan

Certain actuarial assumptions have been adopted by external professional valuer (as disclosed in note 24.3) for valuation of present value of defined benefit obligations. Any changes in these assumptions in future years might affect unrecognized gains and losses in those years.

c) Property, plant and equipment

The estimates for revalued amounts, if any, of different classes of property, plant and equipment, are based on valuation performed by external professional valuers and recommendation of technical teams of the Company. Further, the Company reviews the value of the assets for possible impairment on an annual basis.

Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment. As explained in note 9 to these financial statements, the Company has revalued its free hold land as on September 30, 2019.

d) Stores and spares

Management has made estimates for realizable amount of slow moving and obsolete stores and spares items to determine provision for slow moving and obsolete items. Any future change in the estimated realizable amounts might affect carrying amount of stores and spares with corresponding affect on amounts recognized in profit and loss account as provision / reversal.

e) Financial instrument

The fair value of the financial instrument that are not traded in an active market is determined by using valuation techniques based on assumption that are dependent on conditions existing at the balance sheet.

f) Provision for doubtful receivables

The Company uses a provision matrix to calculate ECLs for trade receivables and other receivables. The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

g) Fair value measurement

A number of assets and liabilities included in the financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the Establishment's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation technique utilised are (the fair value hierarchy):

- Level 1: Quoted prices in active markets for identical items (unadjusted)
- Level 2: Observable direct or indirect inputs other than Level 1 inputs
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

h) Provision and contingencies

The Company reviews the status of all pending litigations and claims against the Company. Based on its judgment and the advice of the legal advisors for the estimated financial outcome, appropriate disclosure or provision is made. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the balance sheet date.

i) Impairment of assets

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated using criteria given in respective accounting standards to determine the extent of impairment loss, if any.

42. CASH AND CASH EQUIVALENTS

	2019 Rupees	2018 Rupees
Temporary bank overdraft	-	(25,982,166)
Cash and bank balances	26,379,048	2,220,193
	26,379,048	(23,761,973)

43. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The related parties comprise of ultimate parent company and parent company, associated companies and directors of the Company. Significant transactions and balances with related parties, other than those disclosed elsewhere in these financial statements are as follows:

Name of parties	Nature of relationship	Nature of transactions	September 30 2019		September 30 2018	
			Transactions during the period	Closing balance	Transactions during the year	Closing balance
			------------- Rupees -------------			
Pattoki Sugar Mills Limited	Ex- Parent	Long term loans - paid/adjusted	(525,000,000)	-	-	525,000,000
		Short term loans - paid / adjusted	(1,170,332,079)	104,066,694	-	1,154,442,231
		Funds received	16,359,000	-	-	-
		Sales	(77,392,720)	-	-	-
		Amount paid by PSML on behalf of BFSML	180,990,262	-	-	-
		Mark-up payable	85,160,793	2,347,963	-	147,728,891
		Mark-up paid / adjusted	(230,541,721)	-	-	-
Imporient Chemicals (Private) Limited	Ex-Ultimate Parent	Payable balance	-	33,353,666	-	2,184,896
		Funds paid	(10,275,000)	-	-	-
		Amount paid by ICL on behalf of BFSML	6,097,641	-	-	-
		Fund received	3,548,124	-	-	-
		Chemical purchase	31,798,005	-	-	-
		Receivable balance	4,875,766	-	-	26,222,648
		Adjustment against PSML	(31,098,414)			
Exporient Knitters (Private) Limited	Ex-Associate	Receivable balance	-	-	-	3,469,766
		Funds received	-	-	3,469,766	3,469,766
		Adjustment against Imporient	(3,469,766)	-		-
Naubahar Bottling Company (Private) Limited	Holding Company	Long term loans	965,960,400	965,960,400	-	-
		Mark-up payable	-	71,572,815	-	-
		Mark-up charged on advances obtained	71,572,815	-	-	-
The Thal Industries Corporation Limited	Associated	Payable	-	690,094	-	-
		Purchases	690,094	-	-	-
Al-Moiz Industries Limited	Associated	Payable	-	337,500	-	-
		Purchases- Steel items	337,500	-	-	-
Directors/shareholders						
Mr. Muhammad Shamim Khan		Directors' contribution/loan	596,500,000	596,500,000	-	-
Mrs. Qaiser Shamim Khan		Directors' contribution/loan	593,000,000	593,000,000	-	-
Mr. Nauman Ahmed Khan		Directors' contribution/loan	22,000,000	22,000,000	-	-
Executives	Key management personnel	Remuneration paid	1,997,060	-	5,156,258	-

43.1 Basis of relationship with the company

In respect of associated companies and holding company incorporated inside Pakistan with whom the company had entered into transaction during the financial year along with basis of relationship is as follows:

Name of related party	Country of Incorporation	Relationship	Basis of Association	Shareholdings
Pattoki Sugar Mills Limited	Pakistan	Ex- Parent company	Note 43.4	Nil
Imporient Chemicals (Private) Limited	Pakistan	Ex-Associate/ ultimate parent company	Note 43.4	Nil
Exporient Knitters (Private) Limited	Pakistan	Ex-Associate	Note 43.4	Nil
Naubahar Bottling Company (Private) Limited	Pakistan	Holding	Shareholding	50.86%
Al-Moiz Industries Limited	Pakistan	Associated	Common management	Nil
Moiz Textile Limited	Pakistan	Associated	Common management	Nil
The Thal Industries Corporation Limited	Pakistan	Associated	Common management	Nil
Mr. Muhammad Shamim Khan	Pakistan	Director	Shareholding	17.36%
Mrs Qaiser Shamim Khan	Pakistan	Director	Shareholding	9.64%
Mr. Adnan Ahmed Khan	Pakistan	Chief Executive	Shareholding	9.64%
Mr. Nauman Khan	Pakistan	Director	Shareholding	9.64%
Malik Manzoor Hussain Humayun	Pakistan	Director	Shareholding	0.0021%
Mr. Farid ul din Ahmed	Pakistan	Director	Shareholding	0.0021%
Mrs Sarah Hajra Khan	Pakistan	Director	Shareholding	0.0032%

43.2 The details of compensation paid to key management personnel are shown under the heading of "Remuneration of Chief Executive, Directors and Executive (note 48)". There are no transactions with key management personnel other than under their terms of employment except otherwise stated.

43.3 Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. The Company considers all members of its management team, including the Chief Executive Officer and the Directors to be key management personnel.

43.4 This refers to note 3, these entities were the related parties for the period from October 01, 2018 to June 13, 2019.

44. LOSS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

	2019	2018
Profit after taxation	(682,625,093)	(374,066,191)
Weighted average number of ordinary shares	9,450,000	9,450,000
Earnings per share - (Rupees)	(72.24)	(39.58)

45. RECONCILIATION OF MOVEMENT OF LIABILITIES AND EQUITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Liabilities			
	Long term Loan	Directors contribution	Holding company	Total
	(Rupees)			
Balance as at October 1, 2018	200,000,000	-	1,679,442,231	1,879,442,231
Contribution/ borrowings obtained	-	1,211,500,000	965,960,400	2,177,460,400
Repayment of financing	(100,000,000)	-	-	(100,000,000)
Payment/adjustment	-	-	(1,575,375,537)	(1,575,375,537)
	(100,000,000)	1,211,500,000	(609,415,137)	502,084,863
Balance as at September 30, 2019	100,000,000	1,211,500,000	1,070,027,094	2,381,527,094

45.1 There is no movement in the dividend during the year, therefore no reconciliation has been prepared.

45.2 There is Rs.108.491 million as non cash transactions in the financing activities against Pattoki Sugar Mills Limited during the year. These are adjusted through related party receivable balance and sale made during the year.

46. FINANCIAL INSTRUMENTS

Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

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

46.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if the counter party fail completely to perform as contracted and arise principally from trade debts, loans and advances, trade deposits, other receivables and bank balances. The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is as follows:

	2019 Rupees	2018 Rupees
Long term deposits	-	587,575
Trade debts - net of provision	77,491,042	492,485,573
Loans and advances - net of provision	71,300	457,240
Bank balances	25,848,795	2,150,304
	103,411,137	495,680,692

To manage exposure to credit risk in respect of trade receivables, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Credit terms are approved by the approval committee. Where considered necessary, advance payments are obtained from certain parties. The management has set a maximum credit period of 30 days to reduce the credit risk.

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

The maximum exposure to credit risk for trade debts at the balance sheet date by geographic region is as follows:

	2019 Rupees	2018 Rupees
Export	-	-
Domestic	77,491,042	492,485,573
	77,491,042	492,485,573

Trade receivables by geographical split is as follows:

	Sales			Trade debts	
	LC	Others	Total	Outstanding balance (Rupees)	
		(Rupees)		2019	2018
Country					
Pakistan	-	121,607,382	121,607,382	77,491,042	492,485,573
Total	-	121,607,382	121,607,382	77,491,042	492,485,573

The maximum exposure to credit risk for trade debts at the balance sheet date by type of customer is as follows:

This was included balance amounting to Rs. 26.222 million receivable from Imporient Chemicals (Private) Limited (group company) which was not past due and adjusted during the year.

The maximum amount due from Imporient Chemicals (Private) Limited at the end of any month during the year was Rs. 31.098 million.

	2019 Rupees	2018 Rupees
Dealers/industries	77,491,042	492,485,573
End-user customers	-	-
	77,491,042	492,485,573

The aging of trade receivable (net of provisions) at the reporting date is:

	2019 Rupees	2018 Rupees
1-30 days	-	-
30-180 days	77,491,042	125,560,763
More than 180 days	-	366,924,810
	77,491,042	492,485,573

The company's most significant customers, are dealers from whom the receivable was Rs. 77.491 million (2018: Rs. 435.396) million.

Based on the past experience, consideration of financial position, past track records and recoveries, the Company believes that impairment allowance is necessary in respect of trade debtors past due, accordingly as mentioned in note 14, 37 and 6.1 appropriate impairment loss has been recorded in these financial statements.

On the prudence basis an amount of Rs. 12.505 million (2018: Nil) has been charged to statement of profit or loss during the year.

The Company's bank balances can be assessed with reference to external credit ratings as follows:

	Rating Agency	Ratings Short Term	Long Term	2019 Rupees	2018 Rupees
Bank Al-Habib Limited	PACRA	A1+	AA+	7,553,481	21,362
Bank Al-Habib Limited	PACRA	A1+	AA+	18,214,979	-
Bank Al-Habib Limited	PACRA	A1+	AA+	599	-
United Bank Limited	JCR-VIS	A-1+	AAA	-	335,164
MCB Bank Limited	PACRA	A1+	AAA	-	125,473
National Bank of Pakistan	PACRA	A1+	AAA	79,736	79,736
Habib Bank Limited	JCR-VIS	A-1+	AAA	-	153,967
Habib Metropolitan Bank Limited	PACRA	A1+	AA+	-	763
Summit Bank Limited	JCR-VIS	A-1	A-	-	635
Bank Alfalah Limited	PACRA	A1+	AA	-	381,131
JS Bank Limited	PACRA	A1+	AA-	-	35,342
The Bank of Punjab	PACRA	A1+	AA	-	10,580
Askari Bank Limited	PACRA	A1+	AA+	-	975,040
Apna Microfinance Bank Limited	PACRA	A3	BBB+	-	27,443
Meezan Bank Limited	JCR-VIS	A-1+	AA	-	3,668
				25,848,795	2,150,304

46.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

	Carrying amount	Contractual cash flow	One to twelve months	One to two years	Two to five years
	-----------	-----------	(Rupees)	-----------	-----------
2019					
Financial liabilities					
Long term financing	100,000,000	114,590,000	114,590,000	-	-
Loan from holding company	965,960,400	1,089,120,351	-	-	1,089,120,351
Mark-up accrued	86,562,191	86,562,191	86,562,191	-	-
Trade and other payables	259,506,429	259,506,429	259,506,429	-	-
Unclaimed dividend	255,930	255,930	255,930	-	-
	1,412,284,950	1,550,034,901	460,914,550	-	1,089,120,351
2018					
Financial liabilities					
Long term financing	200,000,000	200,000,000	100,000,000	100,000,000	-
Loan from ex -holding company	525,000,000	525,000,000	500,000,000	25,000,000	-
Due to ex holding company	1,154,442,231	1,154,442,231	1,154,442,231	-	-
Trade and other payables	234,651,839	234,651,839	234,651,839	-	-
Mark-up accrued	154,058,109	154,058,109	154,058,109	-	-
Unclaimed dividend	255,930	255,930	255,930	-	-
Temporary bank overdraft	25,982,166	25,982,166	25,982,166	-	-
	2,294,390,275	2,294,390,275	2,169,390,275	125,000,000	-

46.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities, and liquidity in the market. The company is exposed to currency risk and interest rate risk only.

a) Currency risk

The Company is exposed to currency risk on trade debts, import of raw materials and stores and spares and export sales that are denominated in a currency other than the respective functional currency of the Company, primarily in U.S. dollar. The Company's exposure to foreign currency risk is as follows:

	Note	2019 Rupees	2018 Rupees
Trade debts		-	-
Gross balance sheet exposure		-	-
Outstanding letters of credit	32.2	-	-
Net exposure		-	-

The following significant exchange rates applied during the year:

	Average rate		Reporting date rate	
	2019	2018	2019	2018
USD to PKR	143.05	113.50	164.50	121.60

Sensitivity analysis

At reporting date, if the PKR had strengthened by 10% against the US dollar with all other variables held constant, post tax profit for the year would have been lower by the amount shown below.

	2019 Rupees	2018 Rupees
Effect on profit or loss		
Loss	-	-

The weakening of the PKR against US dollar would have had an equal but opposite impact on the post tax profits / loss.

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from long term loans and short term borrowings. These are benchmarked to variable rates which expose the Group to cash flow interest rate risk. At the balance sheet date the interest rate profile of the Group's interest - bearing financial instruments is as follows:

	2019	2018	2019	2018
	Effective rate		Carrying amount	
Financial liabilities			Rupees	Rupees
Variable rate instruments:				
Long term financing	14.59%	11.59%	100,000,000	200,000,000
Loan from ex -holding company	11.715%	8.540%	-	525,000,000
Loan from holding company	12.715%	-	965,960,400	-
			1,065,960,400	725,000,000

Effective interest rates are also mentioned in the respective notes to the financial statements.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) loss for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2018.

	Profit and loss	
	100 bp increase	100 bp decrease
As at September 30, 2019		
Cash flow sensitivity - Variable rate financial liabilities	(10,659,604)	10,659,604
As at September 30, 2018		
Cash flow sensitivity - Variable rate financial liabilities	(7,250,000)	7,250,000

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

46.4 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Company is not exposed to any price risk as there are no financial instruments at the reporting date that are sensitive to price fluctuations.

47. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participations at the measurement date.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted prices in active markets for identical assets or liabilities.
Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

There were no financial instruments held by the Company which are measured at fair value as of September 30, 2019 and September 30, 2018.

Transfer between levels of the fair value hierarchy are recognised at the end of the reporting period during which the changes have occurred. However, there were no transfers between levels of fair value hierarchy during the year.

The following is categorization of assets measured at fair value at September 30, 2019:

	2019			
	Level 1	Level 2	Level 3	Total
	Rupees			
Assets:				
Free hold land	-	1,260,192,500	-	1,260,192,500
Buildings	-	273,509,000	-	273,509,000
Plant and machinery	-	1,275,000,000	-	1,275,000,000

	2019			
	Level 1	Level 2	Level 3	Total
	Rupees			
Assets:				
Free hold land	-	1,080,150,000	-	1,080,150,000
Buildings	-	154,429,539	-	154,429,539
Plant and machinery	-	1,137,582,296	-	1,137,582,296

There were no transfers between Levels 1 and 2 & Levels 2 and 3 during the year and there were no changes in valuation techniques during the periods.

48. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the year for remuneration, including all benefits, to the Chief Executive, Directors and Executives of the Company are as follows:

	Chief Executive		Directors		Executives	
	2019	2018	2019	2018	2019	2018
	----------------------- (Rupees) -----------------------					
Managerial remuneration	-	-	-	-	1,997,060	5,156,258
House rent allowance	-	-	-	-	-	2,577,742
Medical expenses	-	-	-	-	-	-
Bonus (performance)	-	-	-	-	-	-
Reimbursable expenses	-	-	-	-	-	-
Gratuity	-	-	-	-	-	-
	-	-	-	-	1,997,060	7,734,000
Number of persons	1	1	7	7	3	8

48.1 The Company also provides the Executives with Company maintained house. Additionally the Executives were provided free use of Cellular phone and company maintained cars in 2018 in accordance with their terms of employment.

48.2 The Chief executive and directors of the company have waived their rights to receive meeting fee.

49. FINANCIAL INSTRUMENTS BY CATEGORY

	Note	Original classification under IAS 39	New classification under IFRS 9	2019 Original carrying amount under IAS 39 Carrying amount: Loans and receivables at amortized cost	Financial liabilities at amortized cost	Total	New carrying amount under IFRS 9: Amortised cost	Amortised cost	Total	Fair value: Level 1	Level 2	Level 3	Total
				Rupees									
On-Balance sheet financial instruments													
As at September 30, 2019													
Financial assets													
At cost or amortised cost													
Trade debtors	14	Trade debtors	Amortised cost	77,491,042	-	77,491,042	77,491,042	-	77,491,042	-	-	-	-
Loans and advances	15	Loans and receivables	Amortised cost	71,300	-	71,300	71,300	-	71,300	-	-	-	-
Cash and bank balances	18	Loans and receivables	Amortised cost	26,379,048	-	26,379,048	26,379,048	-	26,379,048	-	-	-	-
				103,941,390	-	103,941,390	103,941,390	-	103,941,390	-	-	-	-
Financial liabilities at amortised cost													
Long term financing	22	Amortised cost	Amortised cost	-	100,000,000	100,000,000	-	100,000,000	100,000,000	-	-	-	-
Loan from holding company	24	Amortised cost	Amortised cost	-	965,960,400	965,960,400	-	965,960,400	965,960,400	-	-	-	-
Due to ex holding company	27	Amortised cost	Amortised cost	-	104,066,694	104,066,694	-	104,066,694	104,066,694	-	-	-	-
Trade and other payables	26	Amortised cost	Amortised cost	-	259,506,429	259,506,429	-	259,506,429	259,506,429	-	-	-	-
Mark-up accrued	29	Amortised cost	Amortised cost	-	86,562,191	86,562,191	-	86,562,191	86,562,191	-	-	-	-
				-	1,516,095,714	1,516,095,714	-	1,516,095,714	1,516,095,714	-	-	-	-

	Note	Original classification under IAS 39	New classification under IFRS 9	2018 Original carrying amount under IAS 39 Carrying amount: Loans and receivables at amortized cost	Financial liabilities at amortized cost	Total	New carrying amount under IFRS 9: Amortised cost	Amortised cost	Total	Fair value: Level 1	Level 2	Level 3	Total
				Rupees									
On-Balance sheet financial instruments													
As at September 30, 2018/October 01, 2018													
Loans and receivables at cost or amortised cost													
Long-term deposits	11	Loans and receivables	Amortised cost	587,575	-	587,575	587,575	-	587,575	-	-	-	-
Trade debts - net of provisions	14	Loans and receivables	Amortised cost	492,485,573	-	492,485,573	492,485,573	-	492,485,573	-	-	-	-
Loans and advances	15	Loans and receivables	Amortised cost	457,240	-	457,240	457,240	-	457,240	-	-	-	-
Cash and bank balances	18	Loans and receivables	Amortised cost	2,220,193	-	2,220,193	2,220,193	-	2,220,193	-	-	-	-
				495,750,581	-	495,750,581	495,750,581	-	495,750,581	-	-	-	-
Financial liabilities at amortised cost													
Long term financing	22	Amortised cost	Amortised cost	-	200,000,000	200,000,000	-	200,000,000	200,000,000	-	-	-	-
Loan from ex -holding company	27	Amortised cost	Amortised cost	-	1,679,442,231	1,679,442,231	-	1,679,442,231	1,679,442,231	-	-	-	-
Trade and other payables	26	Amortised cost	Amortised cost	-	234,651,839	234,651,839	-	234,651,839	234,651,839	-	-	-	-
Mark-up accrued	29	Amortised cost	Amortised cost	-	154,058,109	154,058,109	-	154,058,109	154,058,109	-	-	-	-
Temporary bank overdraft	28	Amortised cost	Amortised cost	-	25,982,166	25,982,166	-	25,982,166	25,982,166	-	-	-	-
				-	2,294,134,345	2,294,134,345	-	2,294,134,345	2,294,134,345	-	-	-	-

49.1 The Company has valued certain fixed assets at fair value and classified under property, plant and equipment. The carrying value and level of fair value of these non - financial assets have been disclosed in the relevant note to the financial statements.

49.2 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 counter parties on their obligations to the Company. Accordingly, the credit risk is minimal.

49.3 These financial assets classified as 'loans and receivables' have been classified as amortised cost.

50. RECOVERABLE AMOUNTS AND IMPAIRMENTS

As at the reporting date, recoverable amounts of all assets/cash generating units are equal to or exceed their carrying amounts, unless otherwise stated in financial statements.

51. CAPACITY AND PRODUCTION

	Installed capacity Tonnes		Actual production Tonnes		Reason for shortfall
	2019	2018	2019	2018	
Crushing capacity					The Capacity is under utilized due to frequent plant breakdown during the last year. However, during the year most of the time plant had been shut down.
Sugarcane crushed	480,000	480,000	26,976	208,594	
Sugar production	-	-	1,936	18,262	
Days	160	160	22	93	

52. NUMBER OF EMPLOYEES

	2019 Number	2018 Number
Number of employees at September 30		
Permanent		
Head office	2	2
Factory	5	144
Contractual/temporary		
Head office	-	-
Factory	247	123
Average number of employees during the year		
Permanent		
Head office	2	2
Factory	57	140
Contractual/temporary		
Head office	-	-
Factory	149	120

53. CAPITAL RISK MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitor the return on capital, which the Company defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitor the level of dividend to ordinary shareholders. There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

The Company's objectives when managing capital are:

(i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and

(ii) to provide an adequate return to shareholders.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The management at all times seeks to earn returns higher than its weighted average cost of capital, by increasing efficiencies in operations, so as to increase profitability.

	2019 Rupees	2018 Rupees
The proportion of debt to equity at the year end was:		
Total Borrowings (notes 21, 22 and 23)	2,277,460,400	725,000,000
Less: Balances with banks (note 18)	(26,379,048)	(23,761,973)
Net debt	2,303,839,448	748,761,973
Total equity - including surplus on fixed asset	866,130,128	329,755,912
Total capital	3,169,969,576	1,078,517,885
Gearing ratio	73%	69%

In accordance with the terms of agreement with the lenders of long term finances (as referred to in note 22 to these financial statements), the Company is required to comply with certain financial covenants in respect of capital requirements which the Company has compiled with throughout the reporting period.

54. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, whenever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison in accordance with the accounting and reporting standards as applicable in Pakistan. Following reclassification have been made for better presentation.

Description	From	To	2018 Rupees
Balance sheet			
Advance income tax	Loan and advance	Taxation - net	7,102,633
Provision for taxation	Provision for taxation	Taxation - net	(12,012,897)
Advance from customers	Trade debts	Trade and other payable	341,207,543
Statement of profit or loss			
Auditors' remuneration	General and administrative expenses	Other operating expenses	560,000
By products sales	Cost of sales	Sales	70,591,434

Third year balance sheet has not been presented as there is no impact on beginning of the preceding period.

55. SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE

55.1 During the year the Company has paid loan to ex-holding company and obtained new borrowings from new holding company and directors.

55.2 During the year the Company has been acquired by other group of company as explained in note 3 to the financial statements.

55.3 Change in accounting policies in respect to adoption of IFRS -9 Financial Instruments and IFRS -15 Revenue from contracts with customers.

55.4 All other significant transactions and events that have affected the Company's financial position and performance during the year have been adequately disclosed in the notes to these financial statements.

56. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

There are no reportable events after the balance sheet date.

57. OPERATING SEGMENTS

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

Sugar Sales represents 86.80% (2018: 94.89%) of the total sales of the company.

The Company's sales relate to the customers in Pakistan.

All non - current assets of the company as at September 30, 2019 are located in Pakistan.

Sale to the customers accounts for more than 10% of the sales of the company was to Pattoki Sugar Mills Limited Rs. 75.011 million (61.68%) (2018: Nil).

58. DATE OF AUTHORIZATION OF ISSUE

These financial statements were authorized for issue on 30 December 2019 by the Board of Directors of the Company.

59. GENERAL

Figures have been rounded off to the nearest rupees unless stated otherwise.

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

Proxy Form

No. of Shares

Folio No./CDC Participant ID

I/We ____

of____

Being member of BABA FARID SUGAR MILLS LIMITED hereby appoint

Mr./Miss/Mrs.____

of failing him/her ____

being a member of the company a my/our proxy to attend, act and vote for me/us and on my/us and on my/or behalf, at the 41st Annual General Meeting of the company to be held Registered Office, 2-D-1, Gulberg III, Lahore on Monday, the 27th January, 2020 at 11.00 a.m. and every adjournment thereof:

As witness my hand this ____________________ day of ________________________________ 2020

Signed by the said ____________________________ of __________________________________

1. Witness's Signature
Name: ___________________________
CNIC No. _________________________
Address: __________________________

Member's Signature

____

2. Witness's Signature
Name: ___________________________
CNIC No. _________________________
Address: __________________________

Revenue Stamp
Rs. 5/-

Date ____________________

Place ___________________

Notes: __________________

1. This form of proxy, in order to be effected must be deposited duly completed at the registered office 2-D-1, Gulberg III, Lahore, not less than 48 hours before the time for holding the meeting.

2. A Proxy must be a member of the company.

3. Signature should agree with the specimen registered with the company.

4. CDC shareholder's entitled to attend and vote at this meeting must bring with them their Computerized National Identity Card / passport in original to provide his/her identity.

بابافریدشوگرملزلمیٹڈ

مختارنامہ

میں/ہم--- کا / کے ---

بحیثیت رکن بابافریدشگرملزلمیٹڈاورحال حصص، بمطابق شیئر رجسٹرفولیونمبر--

اور/یاسی ڈی سی پارٹیسپینٹ (شرکت آئی ڈی نمبر---

اورسب اکاؤنٹ ذیلی کھاتہ نمبر---

محترم/محترمہ--

کواپنے/ہمارے ایماء پر------------------ مورخہ 27 جنوری 2020ء بروز پیر بوقت 11:00 بجے --------------------------

کومنعقدہونے کمپنی کے سالانہ اجلاس عام میں حق رائے دہی استعمال کرنے یاکسی بھی التواء کی صورت اپنا/ہمارابطورمختار(پراکسی) مقررکرتاہوں/ کرتے ہیں۔

آج بروز----------------بتاریخ ------------------------2020ءکودستخط کیے گئے۔

گواہان

1-

دستخط:---

نام:---

پتہ:---

کمپیوٹرائزڈشناختی کارڈنمبر:--

پانچ روپے کے رسیدٹکٹ پردستخط

2-

دستخط:---

نام:---

پتہ:---

کمپیوٹرائزڈشناختی کارڈنمبر:--

دستخط کمپنی کےنمونہ دستخط سے مماثل ہونے چاہئیں

نوٹ:

1- ایک ممبر(رکن)جواجلاس میں شرکت نہیں کرسکتاوہ اس فارم کومکمل کرےاوردستخط کرنے کے بعداجلاس شروع ہونے سے کم ازکم 48 گھنٹےقبل رجسٹرڈآفس کے پتے پرارسال کرے۔

2- سی ڈی سی شیئرہولڈرہونے کی صورت میں درج بالا کےعلاوہ ذیل میں درج ہدایات پربھی عمل کرناہوگا۔

الف۔ فردہونے کی صورت میں اکاؤنٹ ہولڈریاسب اکاؤنٹ ہولڈراور/یاوہ جس کی سیکیوریٹرزگروپ اکاؤنٹ میں ہوں اوران کی رجسٹریشن کی تفصیلات قواعدوضوابط کے مطابق اپ لوڈہوں انہیں کمپنی کی جانب سے دی گئی ہدایت کی روشنی میں پراکسی فارم جمع کراناہوگا۔

ب۔ مختارنامے پربطورگواہان دوافراد کے دستخط ہونے چاہئیں اوران کے نام، پتے اورکمپیوٹرائزڈقومی شناختی کارڈنمبرفارم پردرج ہوں۔

ج۔ بینفشل اونرز(مستفید ہونے والےفرد)کمپیوٹرائزڈقومی شناختی کارڈیاپاسپورٹ کی مصدقہ نقول بھی منسلک کرنی ہوگی جسے نائب مختارنامہ کےہمراپیش کرے گا۔

د۔ اجلاس کے وقت نائب کواپنااصل کمپیوٹرائزڈقومی شناختی کارڈیااصل پاسپورٹ پیش کرناہوگا۔

و۔ کارپوریٹ ادارہ ہونے کی صورت میں بحثیت ممبر(رکن)بورڈآف ڈائریکٹرزقرارداد/مع نامزدکردہ شخص/اٹارنی کےنمونہ دستخط پاورآف اٹارنی (اگرپہلےفراہم نہ کئے گئے ہوں)پراکسی فارم(مختارنامہ) کےہمراہ کمپنی میں جمع کراناہوگا۔

IF UNDELIVERED PLEASE RETURN TO

BABA FARID SUGAR MILLS LIMITED

2-D-1, Gulberg III, Lahore