



NAZIR CHAUDHRI & CO.

CHARTERED ACCOUNTANTS

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Bawany Sugar Mills Limited** ('the Company') as at 30 September 2014 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes described in note 3.1 to the accompanying financial statements with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of Company's affairs as at 30 September 2014 and of the loss, total comprehensive loss, its cash flows and changes in equity for the year then ended; and

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

Without qualifying our opinion, we draw attention to note 2.5 to the financial statements which indicates that the Company has incurred net loss of Rs.132.545 million for the year and as at 30 September 2014, the Company has accumulated losses of Rs.847.459 million and the equity of the Company is negative by Rs. 757.713 million. These conditions along with other matters as set forth in note 2.5 to the financial statements indicate the existence of material uncertainty, which may cast significant doubt about the Company's ability to continue as a going concern.

Karachi
10 January 2015

Nazir Chaudhri & Co.
Nazir Chaudhri & Co.
Chartered Accountants
Engagement Partner : Abdul Rafay, ACA



BAWANY SUGAR MILLS LIMITED

1st Floor, Block-2, Hockey Club of Pakistan Stadium, Karachi-75350, Pakistan.
UAN: 92-21 111-666-447 Ph: 92-21 35655131-4, 92-21 35657781-6, Fax: 92-21 35680533

Directors' Report

Dear Shareholders; – Assalam-o-Alekum

On behalf of the Board of Directors and myself, I am pleased to present 50th Annual audited accounts financial statements of the Company for the year ended September 30, 2014 along with operational results, and Auditors' Report thereon.

OPERATING RESULTS

	(Rupees in thousands)
Profit before taxation	41,592
Add: Taxation	(174,137)
Loss after taxation	(60,804)
Accumulated loss brought forward	(786,655)
Accumulated loss carried forward	(847,459)
Loss per share – Basic and diluted	(15.19)

Performance Review

By the Grace of Allah, the overall performance of the Company continued to be satisfactory during the year.

Your Company started the crushing operations 2013-14 commenced on 1st November 2013 and the plant operated up to 22nd March 2014 for 134 days as against 142 days in the preceding season. Sugarcane crushed during the current season was 246,723 M. Tons with average sucrose recovery of 10.89 % and sugar production of 26,880.5 M. Tons, as compared with crushing of 30,135 M. Tons with average sucrose recovery of 11.05 % and sugar production of 30,135 M. Tons during the preceding season.

		2013-14	2012-13
Crushing duration	Days	142	87
Sugarcane crushed	M.Tons	246,723	272,727
Sugar production	M.Tons	26,880	30,135
Sugar recovery	%	10.89	11.05
Molasses production	M.Tons	11,136	12,378
Molasses recovery	%	4.5	4.5

Audited accounts show that company earned a gross profit of Rs. 99.715 million during the year, as compared to gross profit 208.1 million preceding year.

The company's financial results were also subject to cost audit under the Companies (Audit and Cost Account) Rules 1998 as in previous years. The cost audit was conducted by Messrs. Siddiqi & Company, Cost & Management Accountants.



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Future Prospects

Your Company is considering for corporate forming in order to secure high quality sugar cane at lower cost in order to earn better return on capital employed.

Furthermore that the government has very recently allowed export of 650,000 M. Tons and also allowed freight subsidy of Rs. 2/Kg and cash subsidy of Rs.8/Kg on export of sugar that will have some positive impact on local sugar market and these measurements will bring relief to the Company to some extent and sugar industry will recoup from the current crises.

Corporate Social Responsibility

Since the sugarcane growers are considered to be the important stakeholders, your Company is committed to facilitate the local farmers of the area. In order to support the farmer of the area the company has given them substantial amount as grower's loan and advances particularly for fertilizer and seeds.

Auditors

The auditors Messrs. Nazir Chaudhri & Co, Chartered Accountants, retire and being eligible have offered themselves for re-appointment. The Audit Committee has recommended considering the re-appointment of Messrs. Nazir Chaudhri & Co Chartered Accountants, as auditors of the Company for the ensuing year.

GENERAL

The directors place on record their appreciation of the devoted services and hard work put in by the officers, staff and workers of the Company.

On behalf of the Board of Directors

Khawaja Ali Kamal Majid
Chief Executive

Karachi: January 09, 2015

**FINANCIAL STATEMENTS
OF
BAWANY SUGAR MILLS LIMITED
FOR THE YEAR ENDED
SEPTEMBER 30, 2014**

BAWANY SUGAR MILLS LIMITED

BALANCE SHEET

As at 30 September 2014

	Notes	2014 RUPEES	2013 RUPEES	2012 RUPEES
SHARE CAPITAL AND RESERVES				
			Restated	Restated
Share capital	5	87,245,910	87,245,910	87,245,910
Dividend equalization reserve		2,500,000	2,500,000	2,500,000
Accumulated losses		(847,459,061)	(786,655,072)	(749,674,594)
		(757,713,151)	(696,909,162)	(659,928,684)
Surplus on revaluation of fixed assets	6	1,551,068,721	1,639,153,292	1,700,505,483
NON CURRENT LIABILITIES				
Long term finances	7	993,683,544	1,360,487,287	1,094,052,387
Deferred taxation	8	475,287,317	297,521,746	337,473,976
Subordinated loan	9	-	381,521,057	338,528,001
		1,468,970,861	2,039,530,090	1,770,054,364
CURRENT LIABILITIES				
Current portion of long term finances	7	464,488,804	279,349,625	35,215,000
Short term borrowings	10	1,251,881,081	679,498,536	822,234,570
Trade and other payables	11	167,970,171	351,529,665	450,398,563
Accrued markup		104,785,921	83,280,756	72,116,091
Provision for taxation - net		14,508,621	7,369,670	4,792,757
		2,003,634,598	1,401,028,252	1,384,756,981
CONTINGENCIES AND COMMITMENTS				
	12			
		<u>4,265,961,029</u>	<u>4,382,802,472</u>	<u>4,195,388,144</u>
NON CURRENT ASSETS				
Property, plant and equipment	13	2,729,097,932	2,765,541,807	2,790,253,092
Intangible asset	14	609,023	1,093,930	-
Long term deposits		1,041,300	1,041,300	1,041,300
		2,730,748,255	2,767,677,037	2,791,294,392
CURRENT ASSETS				
Stores, spares and loose tools	15	197,741,657	170,395,817	166,046,314
Stock-in-trade	16	627,951,790	493,742,212	569,828,530
Trade debts	17	142,122,353	341,649,045	126,263,743
Advances, deposits, current account balances with statutory authorities and other receivables	18	550,724,088	596,923,456	520,436,552
Cash and bank balances	19	16,672,886	12,414,905	21,518,613
		1,535,212,774	1,615,125,435	1,404,093,752
		<u>4,265,961,029</u>	<u>4,382,802,472</u>	<u>4,195,388,144</u>

The annexed notes from 1 to 36 form an integral part of these financial statements. NCC


CHIEF EXECUTIVE


DIRECTOR

Kho. Ali Kamal Majid
K. A. K. M.

Kho. Anwar Majid
K. A. M.

BAWANY SUGAR MILLS LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 30 September 2014

	Notes	2014 RUPEES	2013 RUPEES Restated
Sales -Net	20	1,171,188,483	1,638,568,870
Cost of sales	21	(1,071,473,018)	(1,430,463,461)
Gross profit		99,715,465	208,105,409
Operating expenses			
Distribution cost	22	(2,857,429)	(8,541,487)
Administrative expenses	23	(84,878,666)	(58,462,894)
Other operating expenses	24	(12,774,517)	-
		(100,510,612)	(67,004,381)
Operating (loss) / profit		(795,147)	141,101,028
Other income	25	425,999,882	30,268,402
		425,204,735	171,369,430
Finance cost	26	(383,612,791)	(289,093,272)
Profit / (loss) before taxation		41,591,944	(117,723,842)
Taxation	27	(174,137,179)	1,852,533
Loss after taxation		(132,545,235)	(115,871,309)
OTHER COMPREHENSIVE INCOME			
Incremental depreciation on revalued fixed assets - net of tax		71,741,246	78,890,831
Total comprehensive loss for the year		(60,803,989)	(36,980,478)
Loss per share - basic and diluted	28	(15.19)	(13.28)

The annexed notes from 1 to 36 form an integral part of these financial statements. *NCC*


CHIEF EXECUTIVE

Kh. A. K. M.


DIRECTOR

Kh. A. K. M.

BAWANY SUGAR MILLS LIMITED

CASH FLOW STATEMENT

For the year ended 30 September 2014

2014
RUPEES

2013
RUPEES

CASH FLOWS FROM OPERATING ACTIVITIES

Profit / (loss) before taxation 41,591,944 (117,723,842)

Adjustments for :

Depreciation	153,262,634	141,304,647
Amortization	484,907	375,485
Workers' Welfare Fund	8,267,271	-
Workers' Profit Participation Fund	2,718,323	-
Loans waived off by sponsors	(424,575,639)	-
Finance cost	383,612,791	289,093,272
	123,770,287	430,773,404
	<u>165,362,231</u>	<u>313,049,562</u>

(INCREASE) / DECREASE IN CURRENT ASSETS

Stores, spares and loose tools	(27,345,840)	(4,349,503)
Stock-in-trade	(134,209,578)	76,086,318
Trade debts	199,526,692	(215,385,302)
Advances, deposits, current account balances with statutory authorities and other receivables	46,199,368	(76,486,904)
	<u>84,170,642</u>	<u>(220,135,391)</u>

INCREASE / (DECREASE) IN CURRENT LIABILITIES

Trade and other payables	(195,804,280)	(100,563,781)
Cash generated from / (used in) operations	<u>53,728,593</u>	<u>(7,649,610)</u>
Finance cost paid	(284,172,075)	(219,151,026)
Gratuity paid	(349,080)	(1,605,623)
Workers' Welfare Fund paid	(1,788,923)	-
Income tax paid	(5,575,982)	(14,683,638)
Net cash used in operating activities	<u>(236,368,544)</u>	<u>(243,089,897)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Fixed capital expenditure incurred	(116,818,759)	(116,593,362)
Intangible asset acquired	-	(1,469,415)
Net cash used in investing activities	<u>(116,818,759)</u>	<u>(118,062,777)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Short term borrowings received / (repaid) - net	572,382,545	(142,736,034)
Long term finances (repaid) / received - net	(214,937,261)	494,785,000
Net cash generated from financing activities	<u>357,445,284</u>	<u>352,048,966</u>
Net increase / (decrease) in cash and cash equivalents	<u>4,257,981</u>	<u>(9,103,708)</u>
Cash and cash equivalents at the beginning of the year	12,414,905	21,518,613
Cash and cash equivalents at the end of the year	<u>16,672,886</u>	<u>12,414,905</u>

The annexed notes from 1 to 36 form an integral part of these financial statements. *NCC*


CHIEF EXECUTIVE


DIRECTOR

K.A.M.

K.A.M.

BAWANY SUGAR MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2014

	Issued, subscribed and paid-up capital	Revenue Reserves		Total
		Dividend equalization reserve	Accumulated losses	
----- Rupees -----				
Balance as at 30 September 2012 - as previously reported	87,245,910	2,500,000	(1,047,462,162)	(957,716,252)
Effect of correction of error - note 4.19	-	-	297,787,568	297,787,568
Balance as at 30 September 2012 - Restated	87,245,910	2,500,000	(749,674,594)	(659,928,684)
Loss after taxation - restated	-	-	(115,871,309)	(115,871,309)
Other comprehensive income				
Incremental depreciation on revalued fixed assets - net of tax	-	-	78,890,831	78,890,831
Balance as at 30 September 2013 - Restated	87,245,910	2,500,000	(786,655,072)	(696,909,162)
Loss after taxation	-	-	(132,545,235)	(132,545,235)
Other comprehensive income				
Incremental depreciation on revalued fixed assets - net of tax	-	-	71,741,246	71,741,246
Balance as at 30 September 2014	87,245,910	2,500,000	(847,459,061)	(757,713,151)

The annexed notes from 1 to 36 form an integral part of these financial statements. NCC


CHIEF EXECUTIVE

K. A. K. M.


DIRECTOR

K. A. K. M.

BAWANY SUGAR MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014

1 STATUS AND NATURE OF BUSINESS

Bawany Sugar Mills Limited ('the Company') was incorporated in Pakistan on 16th December 1964, as a Public Limited Company and its shares were quoted on Karachi and Lahore Stock Exchanges. However during the year ended 30 September 2012 the board of directors in their meeting held on 11 May 2012 decided to voluntarily delist the Company's shares from Karachi Stock Exchange and Lahore Stock Exchange. Accordingly a de-listing application dated 14 May 2012 was filed with the Stock Exchanges for delisting of the Company's shares. The application was approved by the Stock Exchanges and the majority shareholders of the Company were allowed to buy back the shares from minority shareholders at price of Rs. 10.75 per share. Initial buy back period of purchase of shares of the Company by the sponsors was expired on 6 September 2012. After the expiry of purchase period, the majority shareholders filed statement of shares acquired during purchase period and requested stock exchanges to delist Company's shares. However, the Stock Exchanges approved the delisting of Company's shares with effect from 15 November 2012.

Principal activity of the Company is the manufacture and sale of sugar. The Company's manufacturing facilities are located at Talhar, Sindh while its registered office is situated at 1st floor, Block # 2, Hockey Club of Pakistan Stadium, Liaquat Barracks, Karachi.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for freehold land, factory building, non-factory building and plant and machinery stated at revalued amounts less accumulated depreciation and impairment losses, if any, and certain long term finances and subordinated loan stated at amortised cost.

2.3 Functional and presentation currency

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

2.4 Significant accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise judgment, estimates and assumptions in the process of applying accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. In the process of applying the Company's accounting policies, management has made the following estimates and judgments, which are significant to the financial statements:

- Useful lives of property, plant and equipment (note: 13.1)
- Provision against stores, spares and loose tools and doubtful debts (note: 15 and 17)
- Valuation of stock in trade (note: 16)
- Provision for taxation (note: 27)

2.5 Going concern

The financial statements of the Company for the year ended 30 September 2014 reflect loss after taxation of Rs.132.545 million(2013 : Rs. 115.871 million- restated) and as of that date its has accumulated losses of Rs.847.459 million(2013: Rs. 786.655 million- restated) and the equity of the Company is fully eroded and is negative by Rs.757.713 million(2013: Rs.696.909 million- restated). The Company has negative net current assets of Rs. 468.422 million(2013: positive net current assets of Rs. 214.097 million).Further, the repayment installments of long term loans amounting to Rs.53.887 million(2013: Rs. Nil) are overdue as at 30 September 2014. These conditions indicate the existence of material uncertainty, which may cast significant doubt about the Company's ability to continue as going concern.

However, the Company is a member of Pakistan Sugar Mills Association (PSMA), from which platform, all sugar mills are endeavouring to make pleas through different platforms, legal and otherwise to bring down the cost of production and to raise the revenues, to achieve this objective the PSMA become able to secure the decision of Economic Co-ordination Committee (ECC) of Cabinet for export of 650,000 Metric tons of sugar at subsidy of Rs.10 per kg. The management is confident that this decision of ECC to allow export of excess stock of sugar from the country and subsidy thereon will positively effect the current market and help sugar mills to off load excess stock from country and improve prices in the local market. The management is also considering to file an appeal along with other members of PSMA Sindh chapter in Honourable Supreme Court of Pakistan against decision of Honourable High Court of Sindh for fixation of sugarcane prices affordable for both, growers and mill owners. These factors will enable the Company to increase its revenue and profits.

Further, the sponsors of the Company have waived off their loans to the Company to help reduce burden of the liabilities on the Company and are committed to finance further, if required, to help the Company meet its cash flow requirements. The Company's long term loans are approaching to maturity for repayment, the Company is making timely payments and repaid Rs. 214.937 million. Further, the Company has also been able to repay the overdue installments of long term loans amounting to Rs.53.887 million before these financial statements were authorised for issue. The repayment of these loans will help the Company in reducing its finance cost and improve its profitability.

During the year the Company was able to obtain / enhance existing limits of short term borrowings aggregating to Rs. 550.7 million. Short term borrowings of the Company have become due before these financial statements have been authorised for issue. The Company is also negotiating with the banks to obtain renewal of short term borrowings and management is confident that it will obtain the renewal for next one year.

These financial statements consequently, do not include adjustments relating to the realization of its assets and liquidation of any liabilities that might be necessary should the Company be unable to continue as a going concern.

3 STANDARDS, AMENDMENTS OR INTERPRETATIONS WHICH BECAME EFFECTIVE DURING THE YEAR AND FORTHCOMING REQUIREMENTS

3.1 Adoption of standards, amendments and interpretations effective during the year

Following are the amended / revised standards which are considered to be relevant and became effective as of October 1, 2013.

- IFRS 7 Financial Instruments: Disclosures - (Amendments)
- IAS 16 Property, plant and equipment - (Amendments)
- IAS-19 Employee Benefits – (Revised)
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

The adoption of the above amendments did not have any effect on these financial statements, except for IAS-16 "Property, plant and equipment". The change in accounting policies and related impact is disclosed in note 4.3 to the financial statements.

NCC

3.2 Standards, interpretations and amendments to published approved International Financial Reporting Standards that are not yet effective

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards or interpretation.

Standards / Interpretation	Effective date (annual periods beginning on or after)
IFRS 10 Consolidated Financial Statements	January 01, 2015
IFRS 11 Joint Arrangements	January 01, 2015
IFRS 12 Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 Fair Value Measurement	January 01, 2015
IAS 16 & 38 Clarification of Acceptable Methods of Depreciation and Amortization	January 01, 2016
IAS 16 & 41 Agriculture : Bearer Plants	January 01, 2016
IAS 19 Employee Contributions (Amendment)	July 01, 2014
IAS 27 Separate Financial Statements	January 01, 2015
IAS 28 Investments in Associates and Joint Ventures (Revised)	January 01, 2015
IAS 32 Offsetting of financial assets and financial liabilities (Amendment)	January 1, 2014
IAS 36 Recoverable Amount for Non-financial Assets (Amendment)	January 1, 2014
IAS 39 Novation of Derivatives and continuation of Hedge Accounting (Amendment)	January 1, 2014
IFRIC 21 Levies	January 1, 2014

In addition to the above amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 July 2014. The Company expects that the adoption of the above revision, amendments and interpretation of the standards will not affect the Company's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standards	(annual periods beginning on or after)
IFRS 9 Financial Instruments	January 01, 2018
IFRS 14 Regulatory Deferral Accounts	January 01, 2016
IFRS 15 Revenue from Contracts with Customers	January 01, 2017

The Company expects that the adoption of the above new standards will not have any material impact on the Company's financial statements in the period of initial application except for IFRS 15, for which the Company is currently evaluating its impact on the financial statements. *WCC*

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Defined contribution plan

The Company operates an approved funded provident fund for all its permanent employees who have completed minimum qualifying period of service as defined under the respective scheme. Equal monthly contributions are made both by the Company and the employees at the rate of 10% of basic salary.

4.2 Taxation

Income tax expense comprises current and deferred tax.

Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. 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.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that further taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits will be utilized.

Deferred tax is calculated at the rates that are expected to apply to the periods when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

4.3 Property, plant and equipment and depreciation

Freehold land, factory building, non-factory building and plant and machinery are shown at revalued figures less accumulated depreciation and any identified impairment loss. Additions subsequent to that date are stated at cost less accumulated depreciation and any identified impairment loss. All other property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Major repairs and improvements are capitalized. All other repair and maintenance costs are charged to income during the period in which they are incurred.

The Company assesses at each balance sheet date that whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in income currently. The recoverable amount is the higher of an asset's fair value less cost 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. *NCC*

Depreciation is charged to income on reducing balance method so as to write off the written down value of assets over their estimated useful lives at rates disclosed in note 13.1. Depreciation on additions is charged from the quarter in which the assets become available for use while on disposals depreciation is charged upto the quarter of deletion.

Increases in the carrying amount arising on revaluation of fixed assets are credited to surplus on revaluation of fixed assets. Decreases that offset previous increases of the same assets are charged against this surplus, all other decreases are charged to income. Each year the difference between depreciation based on revalued carrying amount of the asset (the depreciation charged to the income) and depreciation based on the assets' original cost is transferred from surplus on revaluation of fixed assets to unappropriated profit. All transfers to/from surplus on revaluation of fixed assets are net of applicable deferred taxation.

Depreciation methods, residual values and useful lives of assets are reviewed at the end of each financial year, and adjusted if impact on depreciation is significant.

Gains/ losses on disposal of property, plant and equipment are included in the income currently.

Classification of major stores and spare parts

IAS 16, 'Property, Plant and Equipment' as amended by annual improvements to IFRSs 2009-2011 Cycle (issued May 2013) clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment. The previous wording of IAS 16 indicated that servicing equipment should be classified as inventory, even if it was used for more than one period. Following the amendment, the equipment used for more than one period is classified as property, plant and equipment.

The Company in pursuant to this change has accordingly classified the stores as property, plant and equipment that meet the definition of property, plant and equipment. However this change does not affect the financial statements of the Company for the year ended 30 September 2012 and 2013, therefore, no reclassification in comparative figures have been made.

Major stores and spare parts are valued on the basis mentioned in Note 4.5 of these Financial

4.4 Borrowing costs

Borrowing cost directly attributable to the acquisition, construction or production of a qualifying capital asset under construction are capitalized and added to the project cost until such time the asset are substantially ready for their intended use, i.e., when they are capable of commercial production. All other borrowing costs are recognized as an expense in the income statement in the period in which they are incurred.

4.5 Stores, spares and loose tools

These are valued at lower of cost and net realizable value except for items in transit, which are valued at cost comprising invoice value and related expenses incurred thereon upto the balance sheet date, cost is calculated on First In First Out (FIFO) basis. Obsolete and used stores, spares and loose tools are recorded at nil value. *NCC*

4.6 Stock-in-trade

The basis of valuation has been specified against each.

Finished goods	Lower of cost and net realizable value
Baggase	net realizable value
Work-in-process	cost of raw material consumed and proportionate manufacturing expenses
Rice husk	net realizable value
Molasses in process	net realizable value

Provision for obsolete and slow moving stock are made as and when required. Net realizable value signifies the estimated selling price in the ordinary course of business and cost necessary to be included in order to make the sale.

4.7 Trade debts

Trade debts are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

4.8 Revenue recognition

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer.

4.9 Foreign currency transactions

All monetary assets and liabilities in foreign currencies are translated into rupees at the exchange rate prevailing on the balance sheet date. Transactions in foreign currencies are translated into rupees at the spot rate. All non-monetary items are translated into rupees at exchange rates prevailing on the date of transactions or on the date when fair values are determined. Exchange differences are included in the income currently.

4.10 Provisions

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

4.11 Impairment

The carrying amounts of the assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If any such indication exists, the recoverable amount of that asset is estimated and impairment losses are recognised in the profit and loss account.

4.12 Related party transactions

All transactions between the Company and related parties are recorded at arm's length. Prices are determined in accordance with comparable uncontrolled price method, except for the allocation of expenses such as electricity, gas, water, repair and maintenance that are shared with the associated companies based on actual. *NCC*

4.13 Financial Instruments

Financial assets

Significant financial assets include advances, receivables and cash & bank balances. Loans and receivables from clients are stated at their nominal value as reduced by provision for doubtful loans and receivables, while other financial assets are stated at cost.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities include short term and long term finances, interest accrued and trade and other payables. Certain long term finances are carried at amortised cost while other liabilities are stated at their nominal value.

Recognition and derecognition

All the financial assets and liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished i.e. when the obligations specified in the contract is discharged or cancelled. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to

4.14 Off-setting of financial assets and liabilities

Financial assets and financial liabilities are only off-set and the net amount is reported in the financial statements when there is a legally enforceable right to set – off the recognized amounts and the Company intends to either settle on net basis or to realize the assets and settle the liability

4.15 Cash and cash equivalents

Cash and cash equivalents are carried at cost in the balance sheet. For the purpose of the cash flow statement, cash and cash equivalents comprises cash in hand and bank balances.

4.16 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 future for goods and services received.

4.17 Dividends

Dividend distribution to the shareholders is recognized as a liability in the period in which the dividends are approved.

4.18 Intangible asset and amortization

Intangible asset represents the cost of computer software acquired and is stated at cost less accumulated amortization and any identified impairment loss.

Amortization is charged to income on the straight line basis so as to write off the cost of an asset over its estimated useful life. Amortization on additions is charged from the quarter in which an asset is acquired or capitalized while no amortization is charged for the quarter in which the asset is disposed off. Amortization is being charged at the rate disclosed in note 6. *NLC*

4.19 Prior period error

Recording of interest free subordinated loan at amortised cost

Interest free subordinated loans were carried at cost in prior years. However, in current year these have been discounted using discount rate of 12.7% and carried at amortized cost as required under International Accounting Standard 39 (IAS-39) "Financial Instruments: Recognition and Measurement". The interest free loans have been adjusted retrospectively as per International Accounting Standard 8 (IAS - 8) "Accounting policies, changes in accounting estimates and errors". Further, the management has presented three years balance sheet in accordance with requirements of IAS-1 "Presentation of Financial Statements". Details of correction of error are as follows:

	As per audited financial statements	Effect of prior period error	Restated amount
----- Rupees -----			
Effects of prior period error on financial statements for the year ended 30 September 2012			
Balance sheet			
Accumulated losses	(1,047,462,162)	297,787,568	(749,674,594)
Subordinated loan	636,315,569	(297,787,568)	338,528,001
Profit and loss account			
Finance cost	(259,761,498)	(34,802,397)	(294,563,895)
Other income	650,004	136,650,793	137,300,797
Earning per share	3.86	11.67	15.53
Effects of prior period error on financial statements for the year ended 30 September 2013			
Balance sheet			
Accumulated losses	(1,041,449,584)	254,794,512	(786,655,072)
Subordinated loan	636,315,569	(254,794,512)	381,521,057
Profit and loss account			
Finance cost	(246,100,216)	(42,993,056)	(289,093,272)
Loss per share	(8.35)	(4.93)	(13.28)

5 SHARE CAPITAL

5.1 Issued, subscribed and paid-up capital

Ordinary shares of Rs.10 each

2014	2013		2014 RUPEES	2013 RUPEES
1,500,000	1,500,000	Issued for cash	15,000,000	15,000,000
100,000	100,000	Issued for debenture conversion option	1,000,000	1,000,000
7,124,591	7,124,591	Issued as bonus shares	71,245,910	71,245,910
<u>8,724,591</u>	<u>8,724,591</u>		<u>87,245,910</u>	<u>87,245,910</u>

5.2 Authorised Capital

15,000,000 (2013: 15,000,000)	Ordinary shares of Rs. 10 each	<u>150,000,000</u>	<u>150,000,000</u>
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6 SURPLUS ON REVALUATION OF FIXED ASSETS**2014****2013****Freehold land****Rupees****Rupees**

Revaluation surplus over written down value

560,493,849**560,493,849****Factory building**

Revaluation surplus over written down value at beginning

470,249,513**522,499,459**

Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax

(30,566,218)**(34,484,964)**

Related deferred tax liability of incremental depreciation charged during the year

(16,458,733)**(17,764,982)****423,224,562****470,249,513**

Related deferred tax liability at beginning

(159,884,833)**(182,874,810)**

Related to incremental depreciation

16,458,733**17,764,982**

(Increase) / reduction in deferred tax liability due to change in future tax rate

(4,702,495)**5,224,995****(148,128,595)****(159,884,833)****Non - Factory building**

Revaluation surplus over written down value at beginning

102,840,975**114,267,749**

Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax

(6,684,663)**(7,541,671)**

Related deferred tax liability of incremental depreciation charged during the year

(3,599,434)**(3,885,103)****92,556,878****102,840,975**

Related deferred tax liability at beginning

(34,965,932)**(39,993,712)**

Related to incremental depreciation

3,599,434**3,885,103**

(Increase) / reduction in deferred tax liability due to change in future tax rate

(1,028,410)**1,142,677****(32,394,908)****(34,965,932)****Plant and machinery**

Revaluation surplus over written down value at beginning

1,061,242,001**1,117,096,843**

Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax

(34,490,365)**(36,864,196)**

Related deferred tax liability of incremental depreciation charged during the year

(18,571,735)**(18,990,646)****1,008,179,901****1,061,242,001**

Related deferred tax liability at beginning

(360,822,281)**(390,983,895)**

Related to incremental depreciation

18,571,735**18,990,646**

(Increase) / reduction in deferred tax liability due to change in future tax rate

(10,612,420)**11,170,968****(352,862,966)****(360,822,281)****1,551,068,721****1,639,153,292**

NCC

7 LONG TERM FINANCES

		2014 RUPEES	2013 RUPEES
From banks:			
National Bank of Pakistan - Demand Finance	7.1	568,750,000	650,000,000
National Bank of Pakistan - BMR	7.2	146,192,371	167,076,996
National Bank of Pakistan - Grower Finance Loan	7.3	225,622,715	239,937,654
National Bank of Pakistan - Frozen Mark-up	7.4	17,607,262	52,822,262
National Bank of Pakistan - Long Term Finance Facility	7.5	270,000,000	300,000,000
Syndicated Term Finance Facility	7.6	230,000,000	230,000,000
		1,458,172,348	1,639,836,912

Current portion shown under current liabilities

Over due installments	(53,887,038)	-
Due within next twelve months	(410,601,766)	(279,349,625)
	(464,488,804)	(279,349,625)
	993,683,544	1,360,487,287

7.1 The Company obtained 'Term Finance Facility' of Rs. 650 million from National Bank of Pakistan to pay off loan of Bank Islami Pakistan of an amount of Rs. 700 million. The remaining Rs. 50 million were contributed by the directors of the Company. The loan is repayable in 8 equal semiannual installments and first installment became due on 6 June 2014. The facility carries markup @ 6 month KIBOR plus 300 bps per annum payable semi-annually in arrears. The facility is secured against equitable mortgage over land measuring area 234.20 acres and building constructed thereon and hypothecation of all plant & machinery.

7.2 This represents loan obtained by the Company from National Bank of Pakistan for Balancing, Modernization and Replacement (BMR). The loan is repayable in six years with two years grace period and the first installment became due on 2 May 2014. The facility carries mark-up @ 6 month KIBOR plus 350 bps. The facility is secured against equitable mortgage over land measuring area 234.20 acres and building constructed thereon and exclusive hypothecation charge over all plant and machinery.

7.3 National Bank of Pakistan - Grower Finance Loan	213,000,000	213,000,000
Amortization of deferred mark up		
Opening balance	26,937,654	11,153,129
Markup amortised during the year	33,272,697	15,784,525
	60,210,351	26,937,654
Repaid during the year	(47,587,636)	-
	225,622,715	239,937,654

National Bank of Pakistan restructured a short term Running Finance Facility of Rs. 250 million as Long Term Grower Finance Loan to the extent of Rs. 213 million with effect from 1st January 2012. The principal and markup thereon is repayable in six years including two years grace period in sixteen quarterly installments and 1st installment became on March 31, 2014. The facility carries mark-up @ 3 month KIBOR plus 3% p.a. The mark up charged during grace period will be payable in sixteen quarterly installments after the grace period. The Facility is secured by 1st charge by way of hypothecation over all present and future current assets of the Company.

7.4 This represents deferment of mark-up accrued for December 2011 quarter and partial mark-up of September 2011 quarter on various financing facilities obtained from National Bank of Pakistan. This mark-up is frozen and is repayable in 12 quarterly installments starting from 30 June 2012. The facility is secured against equitable mortgage over land at measuring area 234.20 acres and building constructed thereon and first registered hypothecation charge over all plant and machinery. NCL

7.5 The Company obtained Long term Finance Facility of Rs 300 million from National Bank of Pakistan for repayment of growers' liability of Rs. 130 million, suppliers' liability of Rs.20 million and for meeting permanent working capital requirement and other expenses amounting to Rs. 150 million. The facility carries markup at the rate of 3 month KIBOR plus 300 bps payable quarterly. The principal is repayable in 20 quarterly installment and the first installment became due on 21 March 2014. The facility is secured against first equitable mortgage charge over all present and future fixed assets of the Company including land & building, first exclusive hypothecation charge over present and future plant and machinery of the Company and personal guarantee of sponsoring directors of the Company.

7.6 The Company obtained Syndicated Term Finance Facility (STFF) of Rs 230 million to settle cane growers and suppliers/contractors liabilities and to improve liquidity position. The parties of the syndicates are Sindh Bank Limited with the share of Rs. 200 million and Summit Bank Limited (agent) with the share of Rs. 30 million. The loan is repayable in five years including one year grace period in eight equal consecutive semi-annual installments commencing from 21 July 2014. The facility carries markup at the rate of 6-month KIBOR plus 200 bps payable semi-annually. The facility is secured by first pari passu charge over all present and future fixed assets of the Company.

	2014 RUPEES	2013 RUPEES Restated
8 DEFERRED TAXATION		
Credit balances arising due to accelerated depreciation	73,658,020	60,937,836
Credit balances arising due to surplus on revaluation	533,386,469	555,673,046
Debit balance arising due to unused tax losses and unabsorbed tax depreciation	8.1 (131,757,172)	(319,089,136)
	<u>475,287,317</u>	<u>297,521,746</u>

8.1 Deferred tax asset on tax losses available for carry forward are recognized to the extent that the realization of related tax benefits through future taxable profits is probable.

9 SUBORDINATED LOAN - unsecured

Sponsors' loan

Original loan amount	9.1 636,315,569	636,315,569
Present value adjustment	9.2 (346,082,998)	(346,082,998)
	290,232,571	290,232,571
Interest charged to profit and loss account		
Charged in previous years	91,288,486	48,295,430
Charge during the year	26 43,054,582	42,993,056
	134,343,068	91,288,486
	424,575,639	381,521,057
Loan waived off by sponsors during the year	25 (424,575,639)	-
	-	381,521,057

9.1 These are unsecured and interest free loans, repayable at the convenience of the Company. However, during the year these long term interest free loans have been waived off by the sponsors on 22 August 2014.

9.2 These long term interest free loans have been measured at amortized cost and have been discounted using the weighted average interest rate of 12.7% *NCC*

10 SHORT TERM BORROWINGS - secured

		2014 RUPEES	2013 RUPEES
From banks:			
Cash finances	10.1	991,223,030	568,812,500
Running finances	10.2	260,658,051	101,921,466
		<u>1,251,881,081</u>	<u>670,733,966</u>
Others	10.3	-	8,764,570
		<u>1,251,881,081</u>	<u>679,498,536</u>

10.1 These represent Cash Finance facilities amounting to Rs. 991.71 million (2013: Rs. 720 million) obtained by the Company from National Bank of Pakistan and Sindh Bank Limited. The rate of mark-up applicable during the year was 3 month KIBOR Plus 2.5% to 3 month KIBOR plus 3% (2013 : 3 month KIBOR Plus 2.5% to 3 month KIBOR plus 3%) on the outstanding balance or part thereof to be paid quarterly. These facilities are secured against all present and future current assets and fixed assets of the Company including pledge of sugar bags in standard size of 50 KGs with 20% to 25% margin.

10.2 These represent Running Finance facilities amounting to Rs. 250 million (2013: Rs. 100 million) obtained by the Company from Sindh Bank Limited. The rate of mark-up applicable during the year was 3 month KIBOR Plus 3% (2013: 3 month KIBOR Plus 2.5%) on the outstanding balance or part thereof to be paid quarterly. The facility is secured by ranking charge over current assets of the Company with 25% margin.

10.3 This represents amount received from various parties as interest/mark-up free accommodating finance payable / adjustable.

11 TRADE AND OTHER PAYABLES

Creditors	11.1	68,431,301	63,155,357
Accrued liabilities		5,365,651	5,448,344
Advance from customers	11.2	33,198,140	235,395,633
Unclaimed dividend		823,457	823,457
Worker's Profit Participation Fund	11.3	17,020,139	12,693,544
Provident Fund payable	11.4	17,048,441	18,187,774
Withholding tax payable		1,725,910	744,517
Road cess and surcharge	11.5	10,345,533	10,345,533
Worker's Welfare Fund		11,006,546	2,739,275
Staff gratuity payable	11.6	1,345,803	1,694,883
Others		1,659,250	301,348
		<u>167,970,171</u>	<u>351,529,665</u>

11.1 This include Rs.10,950,000 (2013: Rs. Nil) payable to Omni Aviation (Private) Limited, a related party, in respect of Aviation Services received and Rs. Nil (2013: Rs.26,069,683) payable to Omni Polymer Packages (Private) Limited, a related party, in respect of purchases of polypropylene bags.

11.2 This represents advances received against delivery of sugar for which delivery orders have been issued or sale contracts have been made.

11.3 Worker's Profit Participation Fund

Balance as per last balance sheet		12,693,544	11,332,510
Interest provided for the year	26	1,608,272	1,361,034
Charge for the year		2,718,323	-
		<u>17,020,139</u>	<u>12,693,544</u>

11.4 This represents Company's contributions and employees' deductions made in previous years in respect of provident fund. In the year ended 2012 the Company had established the fund, however, this balance is not transferred till the year end. *NCC*

- 11.5 The amount represents the penalty / surcharge imposed by Cane Commissioner. Against this order the Company has filed an appeal with the competent authority which is still under consideration.
- 11.6 The Company had operated an unfunded gratuity scheme up to December, 2010 covering all its employees who had completed prescribed qualifying period of service. The unfunded gratuity scheme has been substituted by the provident fund scheme operated by the Company for all employees as detailed in note 4.1. This balance of gratuity payable represents the entitlement of current employees as at 31 December, 2010 as reduced by the payments made to employees who have left the Company since then.

12 CONTINGENCIES AND COMMITMENTS

Contingent liabilities in respect of:

- 12.1 A demand of Rs. 1,186,158 by Assistant Commissioner, Badin was raised on account of compensation of factory free-hold land. The Company has not acknowledged the claim and has filed a petition in the Honourable High Court of Sindh and the Court has remanded the case to Session Judge Karachi. No provision has been made since the legal council of the Company is confident of a favourable outcome.
- 12.2 Claim by National Investment Trust Limited for issue of 6,600 bonus shares and Rs. 40,500 as dividend thereon against shares of the value of Rs. 400,000 issued to N.I.T upon exercise of conversion option in 1976-77. The claim of N.I.T is not acknowledged as debt by the Company and the suit filed in the High Court of Sindh Karachi by N.I.T is being defended by the Company. During prior years Company has approached N.I.T. for resolution of the matter. The response from N.I.T is still awaited by the Company.
- 12.3 The market committee had filed a suit against the Company for recovery of Market Fee amounting to Rs.63,473,871 under the Agricultural Produce Market Act, 1939. Earlier the suit was decreed in favour of committee, but the Company had filed appeal against the decision and the decree has been set aside. The case has been remanded for fresh trial, accordingly the suit is pending for trial before the Learned Senior Civil Judge Badin. No provision has been made since the legal council of the Company is confident of a favourable outcome.
- 12.4 As required under the provisions of Sugar Factories Control Act, 1950, sugar mills in Sindh are required to pay quality premium to cane growers at the rate of 50 paisas per 40 Kg cane for each 0.1 percent of excess sucrose recovery above the benchmark of 8.7 percent, determined on the aggregate sucrose recovery of each mill. The Federal Government in its steering meeting held on July 16, 2007 suspended the quality premium till decision of the Honorable Supreme Court of Pakistan/consensus on uniform formula is developed in the Ministry of Food and Agriculture. The matter of quality premium has been declared unlawful by the Lahore High Court while appeal against the conflicting judgment of the Sindh High Court is pending with the Honorable Supreme Court of Pakistan since the year 2004 after it granted leave to defend on the question of issue of quality premium. The Apex court also ordered that no coercive action for recovery of quality premium shall be taken against the mills till the case is decided. However, for the season 2012-13 and 2013-14, as a matter of prudence the Company has not made any provision for quality premium amounting to Rs.14.70 million (2013: Rs. 8.01million).
- 12.5 The Company has issued bank guarantees of Rs. 7,206,300 (2013: Rs.18,978,914) in favour of Trading Corporation of Pakistan (TCP) against performance of contracts.

13 PROPERTY, PLANT AND EQUIPMENT

		2014	2013
		RUPEES	RUPEES
Operating fixed assets	13.1	2,612,708,373	2,714,512,330
Capital work-in-progress	13.2	116,389,559	51,029,477
		<u>2,729,097,932</u>	<u>2,765,541,807</u>

NCC

13.1 Operating Fixed Assets

	Rupees										
	Factory land - Freehold	Factory building - on freehold land	Non factory building - on freehold land	Plant and machinery	Furniture and fixture	Agricultural vehicles	Transport vehicles	Office equipments, tools and other equipments	Electrical and air conditional installation	Weight bridge installation	Total
As at 01 October 2013											
Cost	562,493,750	646,030,793	339,867,309	1,979,923,551	5,169,198	4,101,271	13,549,677	11,269,103	4,815,687	1,728,112	3,568,948,451
Accumulated depreciation	-	(163,052,336)	(34,501,114)	(628,160,612)	(3,715,596)	(3,720,613)	(9,070,687)	(7,517,259)	(3,647,291)	(1,050,613)	(854,436,121)
Net book value	562,493,750	482,978,457	305,366,195	1,351,762,939	1,453,602	380,658	4,478,990	3,751,844	1,168,396	677,499	2,714,512,330
Year ended 30 September 2014											
Opening net book value	562,493,750	482,978,457	305,366,195	1,351,762,939	1,453,602	380,658	4,478,990	3,751,844	1,168,396	677,499	2,714,512,330
Additions during the year	-	-	51,029,477	-	-	-	362,000	67,200	-	-	51,458,677
Depreciation charge for the year	-	(48,297,846)	(35,639,567)	(67,588,147)	(145,360)	(76,132)	(952,448)	(378,544)	(116,840)	(67,750)	(153,262,634)
Closing net book value	562,493,750	434,680,611	320,756,105	1,284,174,792	1,308,242	304,526	3,888,542	3,440,500	1,051,556	609,749	2,612,708,373
As at 30 September 2014											
Cost	562,493,750	646,030,793	390,896,786	1,979,923,551	5,169,198	4,101,271	13,911,677	11,336,303	4,815,687	1,728,112	3,620,407,128
Accumulated depreciation	-	(211,350,182)	(70,140,681)	(695,748,759)	(3,860,956)	(3,796,745)	(10,023,135)	(7,895,803)	(3,764,131)	(1,118,363)	(1,007,698,755)
Net book value	562,493,750	434,680,611	320,756,105	1,284,174,792	1,308,242	304,526	3,888,542	3,440,500	1,051,556	609,749	2,612,708,373
Depreciation Rates	-	10%	10%	5%	10%	20%	20%	10%	10%	10%	10%
As at 01 October 2012											
Cost	562,493,750	646,030,793	142,270,136	1,902,714,133	5,169,198	4,101,271	13,088,302	9,899,339	4,815,687	1,728,112	3,292,310,721
Accumulated depreciation	-	(109,388,063)	(17,037,968)	(559,967,923)	(3,554,085)	(3,625,449)	(7,960,711)	(7,104,471)	(3,517,469)	(975,335)	(713,131,474)
Net book value	562,493,750	536,642,730	125,232,168	1,342,746,210	1,615,113	475,822	5,127,591	2,794,868	1,298,218	752,777	2,579,179,247
Year ended 30 September 2013											
Opening net book value	562,493,750	536,642,730	125,232,168	1,342,746,210	1,615,113	475,822	5,127,591	2,794,868	1,298,218	752,777	2,579,179,247
Additions during the year	-	-	197,597,173	77,209,418	-	-	461,375	1,369,764	-	-	276,637,730
Depreciation charge for the year	-	(53,664,273)	(17,463,146)	(68,192,689)	(161,511)	(95,164)	(1,109,976)	(412,788)	(129,822)	(75,278)	(141,304,647)
Closing net book value	562,493,750	482,978,457	305,366,195	1,351,762,939	1,453,602	380,658	4,478,990	3,751,844	1,168,396	677,499	2,714,512,330
Depreciation Rates	-	10%	10%	5%	10%	20%	20%	10%	10%	10%	10%

13.1.1 Revaluation of Freehold land, factory building, non-factory building and plant & machinery has been carried out in September 2012 by M/s. Tracom (Private) Limited, an approved professional valuers on the panel of Pakistan Banks' Association, related to the year which has been incorporated showing revaluation surplus of Rs. 2,359,328,773 which was incorporated during the year ended 30 September 2012.

13.1.2 The carrying amount of free hold land, factory building, non-factory building and plant & machinery would have been Rs.2.00 million (2013: Rs.2.00 million), Rs. 11.456 million (2013: Rs.12.729 million), Rs.228.199 million (2013: Rs.181.135 million) and Rs.275.995 million (2013: Rs.290.521 million) respectively, had there been no revaluation.

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

		2014 (Rupees)	2013 (Rupees)
Manufacturing expenses	21.1	116,029,875	122,027,404
Administrative expenses	23	37,232,759	19,277,243
		<u>153,262,634</u>	<u>141,304,647</u>

13.2 Capital work-in-progress - at cost

Plant and machinery - stores held for capitalization		116,389,559	-
Non factory building		-	51,029,477
		<u>116,389,559</u>	<u>51,029,477</u>

14 INTANGIBLE ASSET

Softwares

Cost:

Opening balance		1,469,415	-
Additions during the year		-	1,469,415
		<u>1,469,415</u>	<u>1,469,415</u>

Amortization:

Opening balance		(375,485)	-
Amortization during the year	23	(484,907)	(375,485)
		<u>(860,392)</u>	<u>(375,485)</u>

Net book value

		<u>609,023</u>	<u>1,093,930</u>
--	--	----------------	------------------

Amortization rate

		33%	33%
--	--	-----	-----

15 STORES, SPARES AND LOOSE TOOLS

Stores		197,308,936	169,971,846
Spares and loose tools		987,080	978,330
Less: Provision for obsolescence		(554,359)	(554,359)
		<u>197,741,657</u>	<u>170,395,817</u>

16 STOCK-IN-TRADE

Molasses in process		389,583	346,296
Baggase		-	2,125,535
Rice husk		-	11,200,000
Sugar-in-process		16,307,796	10,116,704
Finished goods	16.1	611,254,411	469,953,677
		<u>627,951,790</u>	<u>493,742,212</u>

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16.1 Finished goods are pledged with lenders as security against short term borrowings as referred to in note No.10.

		2014 (Rupees)	2013 (Rupees)
17 TRADE DEBTS			
-Related party	17.1	35,310,610	212,787,743
-Others		<u>106,811,743</u>	<u>128,861,302</u>
		<u>142,122,353</u>	<u>341,649,045</u>

17.1 This represents receivable from Pak Ethanol (Private) Limited a related party against sale of

**18 ADVANCES, DEPOSITS, CURRENT ACCOUNT BALANCES
WITH STATUTORY AUTHORITIES AND OTHER RECEIVABLES**

Advances - Unsecured, considered good

- to staff and workers against salaries and expenses	18.1	2,853,233	4,080,203
- to cane growers		381,559,723	393,521,734
- against supplies	18.2	113,557,562	151,486,363
Security deposits Sindh Bank - Against guarantee to TCP		4,966,591	12,052,012
Freight subsidy on export		28,698,038	27,138,038
Sales tax refundable		<u>19,088,941</u>	<u>8,645,106</u>
		<u>550,724,088</u>	<u>596,923,456</u>

18.1 Advance to employees given to non-executive staff are for a period of less than a year. The advance is interest free and secured against retirement benefits.

18.2 This include Rs.1,699,150 (2013: Nil) advance to Omni Polymer Packages (Private) Limited, a related party, in respect of purchases of polypropylenebags.

19 CASH AND BANK BALANCES

Cash in hand		1,547,130	359,521
Bank balances - current account		<u>15,125,756</u>	<u>12,055,384</u>
		<u>16,672,886</u>	<u>12,414,905</u>

20 SALES - Net

Sugar - Local		1,152,610,800	969,009,794
Sugar - Export		67,203,786	717,911,806
		1,219,814,586	1,686,921,600
Federal excise duty		<u>(48,626,103)</u>	<u>(48,352,730)</u>
		<u>1,171,188,483</u>	<u>1,638,568,870</u>

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21 COST OF SALES	2014	2013
	(Rupees)	(Rupees)
Sugarcane consumed	1,065,211,835	1,178,180,640
Manufacturing expenses	21.1 240,694,761	266,220,503
	<u>1,305,906,596</u>	<u>1,444,401,143</u>
Opening stocks		
Sugar in process	10,116,704	13,690,302
Finished goods	469,953,677	544,036,500
Molasses in process	346,296	333,151
Baggase	2,125,535	6,194,245
Rice husk	11,200,000	5,574,332
	<u>493,742,212</u>	<u>569,828,530</u>
Closing stocks		
Sugar in process	(16,307,796)	(10,116,704)
Finished goods	(611,254,411)	(469,953,677)
Molasses in process	(389,583)	(346,296)
Baggase	-	(2,125,535)
Rice husk	-	(11,200,000)
	<u>(627,951,790)</u>	<u>(493,742,212)</u>
Sale of by product - Molasses	(100,224,000)	(90,024,000)
	<u>1,071,473,018</u>	<u>1,430,463,461</u>

21.1 Manufacturing expenses

Salaries, wages and benefits	21.1.1 49,678,191	51,391,430
Manufacturing stores and spares	48,522,578	47,765,761
Water, fuel and power	11,805,154	11,897,500
Repairs and maintenance	3,942,331	19,867,892
Insurance	8,295,760	7,451,163
Operational transport and handling	1,877,637	3,913,063
Other manufacturing expenses	543,235	1,906,290
Depreciation	13.1.3 116,029,875	122,027,404
	<u>240,694,761</u>	<u>266,220,503</u>

21.1.1 This includes Rs. 1,237,517 (2013: 1,581,910) in respect of contribution to provident fund.

22 DISTRIBUTION COST

Loading and stacking	711,939	712,894
Raw sugar handling and bags shifting	300,482	1,443,355
Commission expenses on export sales	1,845,008	6,385,238
	<u>2,857,429</u>	<u>8,541,487</u>

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23 ADMINISTRATIVE EXPENSES		2014	2013
		(Rupees)	(Rupees)
			Restated
Administration salaries and other benefits	23.1	17,392,615	18,484,237
Office and other expenses		3,033,338	2,718,759
Advertisements		3,000	50,850
Travelling and conveyance		13,092,184	1,140,234
Legal fees and professional charges		6,490,513	6,125,396
Vehicles expenses		1,075,567	1,665,865
Printing and stationary		1,174,286	42,332
Electricity, gas and water expenses		1,716,307	2,053,364
Entertainment expenses		1,067,668	1,148,068
Insurance		856,976	4,191,279
Auditors' remuneration	23.2	940,112	966,600
Depreciation	13.1.3	37,232,759	19,277,243
Amortization	14	484,907	375,485
Others		318,434	223,182
		84,878,666	58,462,894
23.1	This includes Rs.264,539 (2013: 157,826) in respect of contribution to provident fund.		
23.2 Auditors' remuneration			
Audit fee		800,000	800,000
Cost audit fee		76,000	76,000
Out of pocket expenses		64,112	90,600
		940,112	966,600
24 OTHER OPERATING EXPENSES			
Workers' Welfare Fund		10,056,194	-
Workers' Profit Participation Fund		2,718,323	-
		12,774,517	-
25 OTHER INCOME			
Rental income		473,866	777,085
Exchange (loss) / gain		(609,623)	2,353,279
Loans waived off by sponsors	9	424,575,639	-
Freight subsidy	25.1	1,560,000	27,138,038
		425,999,882	30,268,402

25.1 This represent freight subsidy announced by the Government of Pakistan on export of sugar @ Rs. 1 per kg (2013: Rs.1.75 per kg). The Company has exported 1,506 tons (2013: 15,507 tons) of sugar during the year ended 30 September 2014 and has claimed the subsidy from Government. *NCC*

		2014 (Rupees)	2013 (Rupees)
26 FINANCE COST			
Markup on long term finances and short term borrowings		336,660,370	243,078,237
Bank commission and charges		2,289,567	1,660,945
Mark up on WPPF	11.3	1,608,272	1,361,034
Unwinding of discount on subordinate loan	9	43,054,582	42,993,056
		<u>383,612,791</u>	<u>289,093,272</u>
27 TAXATION			
- Current	27.1	12,689,555	17,260,551
- Deferred		161,422,246	(19,113,084)
- Prior		25,378	-
		<u>174,137,179</u>	<u>(1,852,533)</u>

27.1 Current

Income tax assessments of the Company deemed to be finalized up to the accounting year 2012 corresponding to tax year 2013 u/s 120 of the Income Tax Ordinance 2001. In view of the carry forward tax losses of the Company; current year taxation charge, except for income covered under the presumptive tax regime, has been determined as the minimum tax under Section 113 of the Income Tax Ordinance, 2001. Following course, gross turnover from all sources upto 30 September 2014 have been taxed @ 1% and advance tax deducted under the presumptive tax regime have been determined as the current tax liability of the Company for the year and that preceding. Hence a reconciliation of the accounting and taxable profits is deemed not applicable in the instance.

28 LOSS PER SHARE - basic and diluted

Loss after taxation	Rupees	<u>(132,545,235)</u>	<u>(115,871,309)</u>
Weighted average number of ordinary shares	Number	<u>8,724,591</u>	<u>8,724,591</u>
Loss per share - Basic	Rupees	<u>(15.19)</u>	<u>(13.28)</u>

There is no dilutive effect on loss per share of the Company.

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

- Credit risk
- Liquidity risk
- Market risk

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

This note presents the information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to react changes in market conditions and the Company's activities. *NCC*

29.1 Credit risk

Credit risk is the risk which arises with possibility that one party to financial instrument will fail to discharge its obligation and cause the other party to incur financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transaction with specific counterparties and continually assessing the credit worthiness of counterparties.

Concentration of credit risk arise when a number counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's the performance to developments affecting a particular industry.

The Company is exposed to credit risk on advances, deposits, trade debts, other receivables and bank balances. The Company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. The maximum exposure to credit risk at the reporting date is as follows:

	2014 RUPEES	2013 RUPEES
Long term deposits	1,041,300	1,041,300
Trade debts	142,122,353	341,649,045
Advances, deposits and other receivables	7,819,824	16,132,215
Bank balances	15,125,756	12,055,384
	<u>165,067,933</u>	<u>369,836,644</u>

Quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or the historical information about counterparty default rate as shown below:

29.1.1 Trade debts

Customers with no default in past one year	<u>142,122,353</u>	<u>341,649,045</u>
--	--------------------	--------------------

29.1.2 Bank balances

A1+	12,627,096	423,951
A-1+	2,742,020	11,300,877
A-3	170,821	330,556
	<u>15,539,937</u>	<u>12,055,384</u>

29.2 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, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. For this purpose the Company has sufficient running finance facilities available from commercial banks to meet its liquidity requirements. Further liquidity position of the Company is closely monitored through budgets, cash flow projections and comparison with actual results by the board. *NCC*

Following is the maturity analysis of financial liabilities:

Financial Liabilities	2014			
	Carrying Amount	Less than 12 months	1 to 2 years	2 years and above
Long term finances	1,458,172,348	464,488,804	403,662,186	590,021,358
Short term borrowings	1,251,881,081	1,251,881,081	-	-
Trade and other payables	93,328,100	93,328,100	-	-
Accrued markup	104,785,921	104,785,921	-	-
	2,908,167,450	1,914,483,906	403,662,186	590,021,358

Financial Liabilities	2013			
	Carrying Amount	Less than 12 months	1 to 2 years	2 years and above
Long term finances	1,639,836,912	279,349,625	410,234,249	950,253,038
Short term borrowings	679,498,536	679,498,536	-	-
Trade and other payables	87,916,280	87,916,280	-	-
Subordinated loan	381,521,057	-	-	381,521,057
Accrued markup	83,280,756	83,280,756	-	-
	2,872,053,541	1,130,045,197	410,234,249	1,331,774,095

Effective interest rates for the monetary financial assets and liabilities are mentioned in the respective notes to the financial statements.

29.3 Market risk

Market risk is a risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices such as foreign exchange rates, interest rates and equity price risks. The objective of market risk management is to manage and control market risk exposures within an acceptable range.

29.3.1 Foreign currency risk

Foreign currency risk is the risk that the value of financial asset or liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into foreign currencies.

Risk exposure

The Company is exposed to currency risk on trade debts in a currency other than the functional currency of the Company, primarily in US dollar. The currencies in which these transactions primarily are denominated is US dollars. The Company's exposure to foreign currency risk is as follows:

	2014		2013	
	Rupees	US dollars	Rupees	US dollars
Trade debts	16,811,743	164,017	12,747,302	121,057
Net exposure	16,811,743	164,017	12,747,302	121,057

The following significant exchange rates were used during the year:

	Average rate		Balance sheet date rate	
	2014	2013	2014	2013
US Dollar	103.90	100.25	102.50	105.30 <i>NCC</i>

Sensitivity analysis

At 30 September 2014, if the Rupee had weakened / strengthened by 10% against US dollar with all other variables held constant, post tax profit for the year would have been Rs. 1.681 million (2013: Rs.1.275) lower/higher, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated trade debts.

29.3.2 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rate relates primarily to the Company's running finances.

The Company's policy is to keep its short term running finances at the lowest level by effectively utilizing the cash and bank balances.

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

	2014	2013	2014	2013
	Effective Rate (%)		RUPEES	
Financial liabilities				
Long term finances	3 MK to 6 MK plus 250 to 350 bps	3 MK to 6 MK plus 250 to 350 bps	1,458,172,348	1,639,836,912
Short-term borrowings	3 MK plus 250 to 300 bps	3 MK plus 250 to 300 bps	1,251,881,081	670,733,966
			<u>2,710,053,429</u>	<u>2,310,570,878</u>

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (1%) in interest rates at the reporting date would have changed Company's profit before tax for the year by the amount shown below, with all other variable held constant.

		2014	2013
Change in interest rates	±	1%	1%
Effect on Profit before tax (Rupees)	±	23,292,849	13,933,386

29.3.3 Fair value of financial instruments

The carrying values of all financial assets and liabilities are estimated to approximate their fair values.

29.3.4 Equity price risk

Equity price risk is the risk of loss arising from movements in prices of equity investments. The Company is not exposed to any equity price risk, as the Company does not have any investment in equity shares.

29.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Fair value of all financial assets and financial liabilities are estimated to approximate their respective carrying amount. *NCC*

29.5 Capital risk management

The Company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base.

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

The Company is not subject to externally imposed capital requirements.

30 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for remuneration, including all benefits to the executives of the Company are as follows:

	Executives	
	2014	2013
	RUPEES	RUPEES
Managerial remuneration	5,893,536	4,294,244
Allowances	1,683,092	1,319,244
Company's contribution towards provident fund	589,354	429,424
	<u>8,165,982</u>	<u>6,042,912</u>
No. of persons	<u>7</u>	<u>4</u>

In addition, no remuneration has been paid to chief executive and directors of the Company.

31 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, other related companies, directors of the company, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under respective notes to the accounts. Other significant transactions with related parties are as follows:

<u>Name of Parties</u>	<u>Nature of transactions</u>		
- Omni Polymer Packages (Pvt) Ltd.	Purchase of polypropylene bags	<u>13,171,554</u>	<u>16,125,369</u>
- Pak Ethanol (Pvt) Limited	Sale of molasses	<u>100,224,000</u>	<u>90,024,000</u>
- Directors / Sponsors	Loan waived off	<u>636,315,569</u>	<u>-</u>
- BSML Employees Provident Fund Trust	Contribution to provident fund	<u>1,502,056</u>	<u>1,739,736</u>
- Omni Aviation (Pvt) Limited	Aviation Services received	<u>12,150,000</u>	<u>-</u>

32 CAPACITY AND PRODUCTION (METRIC TONS)

Crushing Capacity				
Years	Number of days mill operated	Installed crushing capacity (Metric tons)	Total crushing on the basis of number of days mill operated (Metric tons)	Total actual crushing on the basis of number of days mill operated (Metric tons)
2013 - 2014	142	9,000	1,278,000	247,443
2012 - 2013	87	9,000	783,000	272,727

The low crushing was due to shortage of sugarcane and funds.

33 NUMBER OF EMPLOYEES

Number of persons employed as at year end were 244 (2013: 265) and the average number of persons employed during the year were 255 (2013: 278).

34 PROVIDENT FUND RELATED DISCLOSURES

	2014 Un-audited	2013 Un-audited
Size of the fund - Total assets	<u>27,300,835</u>	<u>29,251,402</u>
Cost of investments made	<u>10,471,658</u>	<u>12,116,557</u>
Percentage of investments made	<u>38.36%</u>	<u>41.42%</u>
Fair value of investments	<u>10,471,658</u>	<u>12,116,557</u>

34.1 Break-up of fair value of investment is:

	-----2014-----		-----2013-----	
	Rupees	--%--	Rupees	--%--
Saving Accounts	<u>10,471,658</u>	<u>100.00%</u>	<u>12,116,557</u>	<u>100.00%</u>

Investments out of the Provident Fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

35 CORRESPONDING FIGURES

The comparative figures have been rearranged, reclassified, wherever necessary, for the purpose of better comparison, no significant reclassification to report during the year, except as stated in note 4.19.

36 DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on 9 January 2015 by the board of directors of the Company. *NCC*


CHIEF EXECUTIVE

Kh. J. K.M.


DIRECTOR

Kh. J. K.M.