

**BAWANY SUGAR MILLS  
LIMITED**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
SEPTEMBER 30, 2015**



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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 **September 30, 2015** 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 account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure 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 the statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affair as at September 30, 2015 and of the profit, its cash flows and changes in equity for the year then ended; and

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(d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 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. 13.552 million for the year and as at 30 September 2015, the Company has accumulated losses of Rs. 834.572 million and the equity of the Company is negative by Rs. 744.826 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.

The financial statements of the Company for the year ended September 30, 2014 were audited by another firm of Chartered Accountants whose report dated January 10, 2015 expressed an unmodified opinion on those financial statements.

*plus* **Moochhala Gangat & Co.**  
Chartered Accountants

Name of the audit engagement partner:  
**Mr. Hussaini Fakhruddin**

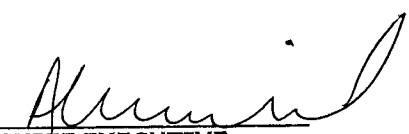
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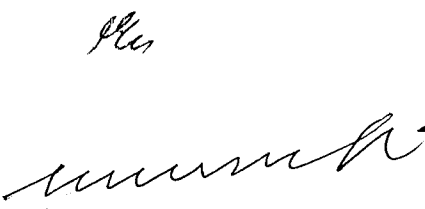
**Date:** 07 JAN 2016

**BAWANY SUGAR MILLS LIMITED**  
**BALANCE SHEET**  
**AS AT SEPTEMBER 30, 2015**

	Note	2015	2014
------(Rupees)-----			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	5	3,648,840,768	2,729,097,932
Intangible asset	6	1,391,576	609,023
Long term deposits		1,041,300	1,041,300
		<b>3,651,273,644</b>	2,730,748,255
<b>CURRENT ASSETS</b>			
Biological assets	7	30,075,500	-
Stores, spares and loose tools	8	177,246,748	197,741,657
Stock-in-trade	9	820,531,956	627,951,790
Trade debts	10	68,381,805	142,122,353
Advances, deposits, current account balances with statutory authorities and other receivables	11	368,077,244	550,724,088
Cash and bank balances	12	6,093,760	16,672,886
		<b>1,470,407,013</b>	1,535,212,774
		<b>5,121,680,657</b>	4,265,961,029
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital 15,000,000 (2014 : 15,000,000) Ordinary shares of Rs.10 each		<b>150,000,000</b>	150,000,000
Issued, subscribed and paid-up capital	13	87,245,910	87,245,910
Dividend equalization reserve		2,500,000	2,500,000
Accumulated losses		(804,825,776)	(847,459,061)
		<b>(715,079,866)</b>	(757,713,151)
Surplus on revaluation of fixed assets	14	2,347,661,788	1,551,068,721
<b>NON CURRENT LIABILITIES</b>			
Long term finances	15	880,842,408	993,683,544
Deferred taxation	16	511,973,326	475,287,317
Subordinated loan	17	38,663,067	-
		<b>1,431,478,801</b>	1,468,970,861
<b>CURRENT LIABILITIES</b>			
Current portion of long term finances	15	378,352,583	464,488,804
Short term borrowings	18	986,722,867	1,251,881,081
Trade and other payables	19	632,456,294	167,970,171
Accrued markup		49,586,431	104,785,921
Taxation - net	20	10,501,759	14,508,621
		<b>2,057,619,934</b>	2,003,634,598
<b>CONTINGENCIES AND COMMITMENTS</b>			
	21	<b>5,121,680,657</b>	4,265,961,029

The annexed notes from 1 to 37 form an integral part of these financial statements.

  
**CHIEF EXECUTIVE**  
 Kh. Ali Karamat Majid  
 Kh. A. K. M.

  
**DIRECTOR**  
 Kh. Anwar Majid  
 Kh. A. M.

**BAWANY SUGAR MILLS LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Note	2015	2014
		-----( <i>Rupees</i> )-----	
Sales -Net	22	1,041,500,154	1,171,188,483
Cost of sales	23	<u>(960,744,418)</u>	<u>(1,071,473,018)</u>
Gross profit		80,755,736	99,715,465
Operating expenses			
Distribution cost	24	<u>(1,132,448)</u>	(2,857,429)
Administrative expenses	25	<u>(56,136,957)</u>	(84,878,666)
Other operating expenses	26	<u>(2,332,590)</u>	(12,774,517)
		<u>(59,601,995)</u>	<u>(100,510,612)</u>
Operating profit / (loss)		21,153,741	(795,147)
Other income	27	<u>228,942,829</u>	425,999,882
		250,096,570	425,204,735
Finance cost	28	<u>(305,801,395)</u>	(383,612,791)
(Loss) / profit before taxation		<u>(55,704,825)</u>	41,591,944
Taxation	29	<u>71,899,027</u>	(174,137,179)
Profit / (Loss) after taxation		<u>16,194,202</u>	<u>(132,545,235)</u>
<b>OTHER COMPREHENSIVE INCOME</b>		-	-
Total comprehensive income for the year		<u><u>16,194,202</u></u>	<u><u>(132,545,235)</u></u>

The annexed notes from 1 to 37 form an integral part of these financial statements.

  
**CHIEF EXECUTIVE**

*Khoj. K.M.*

*HR*

  
**DIRECTOR**

*Kh. A.M.*

**BAWANY SUGAR MILLS LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

2 0 1 5                      2 0 1 4  
 -----(Rupees)-----

**CASH FLOWS FROM OPERATING ACTIVITIES**

(Loss) / profit before taxation

(55,704,825)                      41,591,944

**Adjustments for :**

Depreciation  
 Amortization  
 Present value adjustment  
 Workers' Welfare Fund  
 Workers' Profit Participation Fund  
 Loans waived off by sponsors  
 Finance cost

53,077,753	153,262,634
598,875	484,907
(166,300,389)	-
205,073	8,267,271
2,127,517	2,718,323
-	(424,575,639)
301,653,474	383,612,791
<u>191,362,302</u>	<u>123,770,287</u>
<b>135,657,477</b>	<b>165,362,231</b>

**(INCREASE) / DECREASE IN CURRENT ASSETS**

Biological assets  
 Stores, spares and loose tools  
 Stock-in-trade  
 Trade debts  
 Advances, deposits, current account balances  
 with statutory authorities and other receivables

(30,075,500)	-
5,194,909	(27,345,840)
(192,580,166)	(134,209,578)
73,740,548	199,526,692
<u>182,646,844</u>	<u>46,199,368</u>
38,926,635	84,170,642

**INCREASE / (DECREASE) IN CURRENT LIABILITIES**

Trade and other payables

462,153,533                      (195,804,280)

**Cash generated from operations**

**636,737,644**                      53,728,593

Finance cost paid

(356,852,964)                      (284,172,075)

Gratuity paid

-                      (349,080)

Workers' Welfare Fund paid

(2,739,275)                      (1,788,923)

Income tax paid

(14,421,864)                      (5,575,982)

**Net cash generated / (used) in operating activities ( A )**

265,462,816                      (236,368,544)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Fixed capital expenditure incurred

(188,400)                      (116,818,759)

Capital work in progress

(15,300,000)                      --

Intangible asset acquired

(1,381,428)                      -

**Net cash used in investing activities ( B )**

(16,869,828)                      (116,818,759)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Subordinated loan

204,963,456                      -

Long term finance

(198,977,356)                      (214,937,261)

**Net cash outflow from financing activities ( C )**

5,986,100                      (214,937,261)

**Net increase / (decrease) in cash and cash equivalents (A+B+C)**

**254,579,088**                      (568,124,564)

Cash and cash equivalents at the beginning of the year

(1,235,208,195)                      (667,083,631)

**Cash and cash equivalents at the end of the year**

(980,629,107)                      (1,235,208,195)

Cash and bank balances

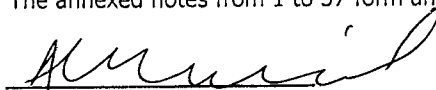
6,093,760                      16,672,886

Short term borrowing

(986,722,867)                      (1,251,881,081)

(980,629,107)                      (1,235,208,195)

The annexed notes from 1 to 37 form an integral part of these financial statements.

  
**CHIEF EXECUTIVE**

  
**DIRECTOR**





**BAWANY SUGAR MILLS LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Issued, subscribed and paid-up capital	Revenue Reserves		Total
		Dividend equalization reserve	Accumulated losses	
----- (Rupees) -----				
Balance as at October 01, 2013 -	<b>87,245,910</b>	<b>2,500,000</b>	<b>(786,655,072)</b>	<b>(696,909,162)</b>
Loss after taxation	-	-	(132,545,235)	<b>(132,545,235)</b>
Incremental depreciation on revalued fixed assets - net of tax	-	-	71,741,246	<b>71,741,246</b>
<b>Balance as at 30 September 2014</b>	<b>87,245,910</b>	<b>2,500,000</b>	<b>(847,459,061)</b>	<b>(757,713,151)</b>
Profot after taxation	-	-	16,194,202	<b>16,194,202</b>
Incremental depreciation on revalued fixed assets - net of tax	-	-	26,439,083	<b>26,439,083</b>
<b>Balance as at 30 September 2015</b>	<b>87,245,910</b>	<b>2,500,000</b>	<b>(804,825,776)</b>	<b>(715,079,866)</b>

The annexed notes from 1 to 37 form an integral part of these financial statements.

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**CHIEF EXECUTIVE**

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*Handwritten signature*  
**DIRECTOR**

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**BAWANY SUGAR MILLS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**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, Sind 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 prevail.

**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 amortized 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: 5.1)
- Provision against stores, spares and loose tools (note:8)
- Valuation of stock in trade (note: 9)
- Provision for taxation (note: 20)



## 2.5 Going concern

The financial statements of the Company for the year ended 30 September 2015 reflect loss after taxation of Rs.13.552 million (2014 : Rs. 132.545 million) and as of that date its has accumulated losses of Rs. 834.572 million (2014: Rs. 847.459 million) and the equity of the Company is fully eroded and is negative by Rs. 744.826 million (2014: Rs. 757.713 million). The Company has negative net current assets of Rs. 587.128 million (2014: Rs. 468.421 million). These conditions indicate the existence of material uncertainty, which may cast significant doubt about the Company's ability to continue as a going concern.

However, the Company is a member of Pakistan Sugar Mills Association (PSMA), from which platform, all sugar mills are endeavoring 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 Sind chapter in Honorable Supreme Court of Pakistan against decision of Honorable High Court of Sind for fixation of sugarcane prices affordable for both, growers and mill owners. These factors will enable the Company to increase it revenue and profits.

Further, the sponsors of the Company have provided interest free subordinated loan of Rs. 204.963 million to the company repayable at the option of 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 have approached to maturity for repayment and the Company has made timely payments and have repaid Rs. 198.977 million (2014: Rs. 214.937 million). The repayment of these loans will help the Company in reducing its finance cost and improve its profitability.

Short term borrowings of the Company have become due before these financial statements have been authorized 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, 2014.

- 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.

### 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.

<b>Standards / Interpretation</b>		<b>Effective date (annual periods beginning on or after)</b>
IFRS 10	Consolidated Financial Statements (Amendments)	January 01, 2015
IFRS 11	Joint Arrangements (Amendments)	January 01, 2015
IFRS 12	Disclosure of Interests in Other Entities (Amendments)	January 01, 2015
IFRS 13	Fair Value Measurement (Amendments)	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 27	Separate Financial Statements	January 01, 2015

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.

<b>Standards</b>	<b>(annual periods beginning on or after)</b>	
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.

## 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.

Depreciation is charged to income on reducing balance method, except for plant and machinery on which unit production method has been applied, so as to write off the written down value of assets over their estimated useful lives at rates disclosed in note 5.1. 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. During the depreciation rates have been revised as follows:

	Previous rate	Revised rate
Factory Building	10%	5%
Non-factory Building	10%	5%

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.

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**4.4 Surplus on revaluation of fixed assets**

The surplus arising on revaluation fixed assets is credited to the "Surplus on Revaluation of Fixed Asset Account" shown below equity in the balance sheet in accordance with the requirement of section 235 of the companies ordinance, 1984. Previously, the Company was transferring the surplus on revaluation on fixed assets to the extent of incremental depreciation through statement of comprehensive income. The said section was amended through the Companies (Amendment) Ordinance, 2002 and accordingly the company has adopted the following accounting treatment of depreciation on revalued assets during the year, keeping in view the Security and Exchange Commission of Pakistan's (SECP) SRO 45(1)/2003 dated January 13, 2003:

- a) depreciation on asset which are revalued is determined with reference to the value assigned to such asset on revaluation and depreciation charge for the year is taken to the profit and loss account; and
- b) an amount equal to incremental depreciation for the year net of defferd taxation is transferred from "Surplus on Revaluation of Fixed Assets account" to accumulated profit / losses through Statement of Changes in Equity to record realization of surplus to the extent of the incremental depreciation charge for the year.
- c) The above mentioned change in accounting treatment will not have have any effect on prior period figures, therefore, disclosures of IAS 8 "Accounting policies, change in accounting estimates and errors" related to change in accounting policy have not been presented.

**4.2 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.

**4.5 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.

**4.6 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.

**4.7 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.

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**4.8 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.

**4.9 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.

**4.10 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.

**4.11 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.

**4.12 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 recognized in the profit and loss account.

**4.13 Biological assets**

These are measured at fair value less costs to sell on initial recognition at each balance sheet date unless the fair value can not be measured reliably. Gain or loss arising on initial recognition of a biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset at the balance sheet date is included in profit and loss account for the period in which it arises.

**4.14 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.

**4.15 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 amortized cost while other liabilities are stated at their nominal value.



**Recognition and derecognition**

All the financial assets and liabilities are recognized 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 obligation specified in the contract is discharged or cancelled. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income.

**4.16 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 simultaneously.

**4.17 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, bank balances and short term borrowing.

**4.18 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.

**4.19 Dividends**

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

*Handwritten signature*

2015 2014  
 (Rupees)

5 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	3,601,851,209	2,612,708,373
Capital work in progress	31,689,559	116,389,559
Major Stores and spare parts	15,300,000	
	<u>3,648,840,768</u>	<u>2,729,097,932</u>

5.1 OPERATING FIXED ASSETS

Description	OWNED										Total	
	Freehold Land	Factory Building	Non-factory Building	Plant and machinery	Furniture and fixture	Agricultural vehicles	Transport vehicles	Office equipments, tools and other	Electrical and air conditional installation	Weigh bridge installation		
<b>COST</b>												
Balance as at 01 October 2013	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
Additions	-	-	51,029,477	-	-	-	362,000	67,200	-	-	-	51,458,677
Disposal	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balance as at 30 September 2014</b>	<b>562,493,750</b>	<b>646,030,793</b>	<b>390,896,786</b>	<b>1,979,923,551</b>	<b>5,169,198</b>	<b>4,101,271</b>	<b>13,911,677</b>	<b>11,336,303</b>	<b>4,815,687</b>	<b>1,728,112</b>		<b>3,620,407,128</b>
Balance as at 01 October 2014	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
Additions / disposal	273,530,250	133,207,520	(2,721,300)	538,015,719	-	-	-	188,400	-	-		188,400
Revaluation surplus	-	-	-	-	-	-	-	-	-	-		942,032,189
Transfer from capital work in progress	-	-	-	100,000,000	-	-	-	-	-	-		100,000,000
<b>Balance as at 30 September 2015</b>	<b>836,024,000</b>	<b>779,238,313</b>	<b>388,175,486</b>	<b>2,617,939,270</b>	<b>5,169,198</b>	<b>4,101,271</b>	<b>13,911,677</b>	<b>11,524,733</b>	<b>4,815,687</b>	<b>1,728,112</b>		<b>3,620,595,528</b>
<b>DEPRECIATION</b>												
Balance as at 01 October 2013	-	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
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
Disposal	-	-	-	-	-	-	-	-	-	-		-
<b>Balance as at 30 September 2014</b>	<b>-</b>	<b>211,350,182</b>	<b>70,140,681</b>	<b>695,748,759</b>	<b>3,860,956</b>	<b>3,796,745</b>	<b>10,023,135</b>	<b>7,895,803</b>	<b>3,764,131</b>	<b>1,118,363</b>		<b>1,007,698,755</b>
Balance as at 01 October 2014	-	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
Charge for the year	-	23,399,125	16,003,789	12,190,511	130,824	60,905	777,708	348,760	105,156	60,975		53,077,753
<b>Balance as at 30 September 2015</b>	<b>-</b>	<b>234,749,307</b>	<b>86,144,470</b>	<b>707,939,270</b>	<b>3,991,780</b>	<b>3,857,650</b>	<b>10,800,843</b>	<b>8,244,563</b>	<b>3,869,287</b>	<b>1,179,338</b>		<b>1,060,776,508</b>
<b>CARRYING AMOUNT - 2015</b>	<b>836,024,000</b>	<b>544,489,006</b>	<b>302,031,016</b>	<b>1,910,000,000</b>	<b>1,177,418</b>	<b>243,621</b>	<b>3,110,834</b>	<b>3,280,140</b>	<b>946,400</b>	<b>548,774</b>		<b>3,601,851,209</b>
<b>CARRYING AMOUNT - 2014</b>	<b>562,493,750</b>	<b>434,680,611</b>	<b>320,756,105</b>	<b>1,284,174,792</b>	<b>1,308,242</b>	<b>304,526</b>	<b>3,888,542</b>	<b>3,440,500</b>	<b>1,051,556</b>	<b>609,749</b>		<b>2,612,708,373</b>
<b>RATE OF DEPRECIATION</b>	-	5%	5%	*	10%	20%	20%	10%	10%	10%		10%

\* Depreciation on plant and machinery is calculated on the basis of unit production method.

Note                      **2 0 1 5**                      **2 0 1 4**  
 -----(Rupees)-----

**5.2 Capital work-in-progress - at cost**

Plant and machinery - stores held for capitalization		<b>116,389,559</b>	116,389,559
Add: addition during the year		<b>15,300,000</b>	-
Less: Transferred to plant & machinery		<b>(100,000,000)</b>	-
		<b><u>31,689,559</u></b>	<u>116,389,559</u>

**5.1.1 Depreciation charge for the year has been allocated as follows:**

Manufacturing expenses	23.1	<b>35,711,515</b>	116,029,875
Administrative expenses	25	<b>17,366,237</b>	37,232,759
		<b><u>53,077,753</u></b>	<u>141,304,647</u>

**6 INTANGIBLE ASSET****Software***Cost:*

Opening balance		<b>1,469,415</b>	1,469,415.00
Additions during the year		<b>1,381,428</b>	-
		<b>2,850,843</b>	1,469,415

*Amortization:*

Opening balance		<b>(860,392)</b>	(375,485)
Amortization during the year	25	<b>(598,875)</b>	(484,907)
		<b>(1,459,267)</b>	(860,392)

**Net book value**

		<b><u>1,391,576</u></b>	<u>609,023</u>
--	--	-------------------------	----------------

Amortization rate

33%

33%

**7 BIOLOGICAL ASSETS**

Carrying value at beginning of the year		-	-
Addition due to cultivation		<b>30,075,500</b>	-
Gain arising from initial recognition of standing crop less costs to sell		-	-
Carrying value at end of the year		<b><u>30,075,500</u></b>	<u>-</u>

The company held 250 acre land (2014: NIL) on which sugarcane is planted. These assets have been measured at cost as fair value of these assets cannot be measured reliably.

**8 STORES, SPARES AND LOOSE TOOLS**

Stores		<b>176,814,027</b>	197,308,936
Spares and loose tools		<b>987,080</b>	987,080
Less: Provision for obsolescence		<b>(554,359)</b>	(554,359)
		<b><u>177,246,748</u></b>	<u>197,741,657</u>

**9 STOCK-IN-TRADE**

Molasses in process		<b>604,655</b>	389,583
Sugar-in-process		<b>14,651,257</b>	16,307,796
Finished goods	9.1	<b>805,276,044</b>	611,254,411
		<b><u>820,531,956</u></b>	<u>627,951,790</u>

**9.1** Finished goods are pledged with lenders as security against short term borrowings as referred to in note No.18





**10 TRADE DEBTS**

-Related party	10.1	68,381,805	35,310,610
-Others		-	106,811,743
		<u>68,381,805</u>	<u>142,122,353</u>

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

Note 2015 2014  
------(Rupees)-----

**11 ADVANCES, DEPOSITS, CURRENT ACCOUNT BALANCES WITH STATUTORY AUTHORITIES AND OTHER RECEIVABLES****Advances - Unsecured, considered good**

- to staff and workers against salaries and expenses	11.1	2,176,881	2,853,233
- to cane growers		237,184,420	381,559,723
- against supplies		62,914,082	113,557,562
Security deposits Sind Bank - Against guarantee to TCP		-	4,966,591
Freight subsidy on export		65,098,038	28,698,038
Sales tax refundable		703,823	19,088,941
		<u>368,077,244</u>	<u>550,724,088</u>

11.1 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.

**12 CASH AND BANK BALANCES**

Cash in hand	392,737	1,547,130
Bank balances - current account	5,701,023	15,125,756
	<u>6,093,760</u>	<u>16,672,886</u>

**13 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**

Ordinary shares of Rs.10 each	2015	2014	2015	2014
			------(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>

**14 SURPLUS ON REVALUATION OF FIXED ASSETS****Freehold land**

Revaluation surplus over written down value	560,493,849	560,493,849
Surplus arising on revaluation carried out during the year	273,530,250	-
	<u>834,024,099</u>	<u>560,493,849</u>

**Factory building**

Balance at the beginning of the year	423,224,562	470,249,513
Surplus arises during the year	133,207,520	-
Less: Adjustment for incremental depreciation	(22,826,322)	(47,024,951)
	<u>533,605,759</u>	<u>423,224,562</u>
Liability for revaluation at the beginning of the year	148,128,597	159,884,834
Increase in deferred tax liability on revaluation	32,822,333	-
Adjustment of deferred tax rate	(12,696,737)	4,702,495
Transfer to retained earnings in respect of incremental depreciation during the year	(7,304,423)	(16,458,733)
	<u>160,949,769</u>	<u>148,128,597</u>
<b>Revaluation surplus on factory building</b>	<u>372,655,990</u>	<u>275,095,965</u>

**2015**                      **2014**  
-----*(Rupees)*-----

**Non - Factory building**

Balance at the beginning of the year	<b>92,556,878</b>	102,840,975
Surplus arises during the year	<b>(2,721,300)</b>	-
Less: Adjustment for incremental depreciation	<b>(4,627,844)</b>	(10,284,098)
	<b>85,207,734</b>	92,556,878
Liability for revaluation at the beginning of the year	<b>32,394,907</b>	34,965,932
Increase in deferred tax liability on revaluation	<b>(670,528)</b>	-
Adjustment of deferred tax rate	<b>(2,776,706)</b>	1,028,410
Transfer to retained earnings in respect of incremental depreciation during the year	<b>(1,480,910)</b>	(3,599,434)
	<b>27,466,763</b>	32,394,907
<b>Revaluation surplus on non - factory building</b>	<b>57,740,971</b>	60,161,970

**Plant and machinery**

Balance at the beginning of the year	<b>1,008,179,901</b>	1,061,242,001
Surplus arises during the year	<b>538,015,719</b>	-
Less: Adjustment for incremental depreciation	<b>(11,426,838)</b>	(53,062,100)
	<b>1,534,768,781</b>	1,008,179,901
Liability for revaluation at the beginning of the year	<b>352,862,966</b>	360,822,281
Increase in deferred tax liability on revaluation	<b>132,567,073</b>	-
Adjustment of deferred tax rate	<b>(30,245,398)</b>	10,612,420
Transfer to retained earnings in respect of incremental depreciation during the year	<b>(3,656,588)</b>	(18,571,735)
	<b>451,528,053</b>	352,862,966
<b>Revaluation surplus on plant and machinery</b>	<b>1,083,240,728</b>	655,316,935
	<b>2,347,661,788</b>	1,551,068,719

**15 LONG TERM FINANCES**

	<i>Note</i>	<u>Installments</u>		<u>Mark-up</u>	<b>2015</b>	<b>2014</b>
		<u>Number</u>	<u>Commencing from</u>		----- <i>(Rupees)</i> -----	
<b>Term loans</b>						
National Bank of Pakistan	15.1	8 semi-annual	July 2014	6 months KIBOR plus 3% per annum	<b>406,250,000</b>	568,750,000
National Bank of Pakistan	15.2	8 semi-annual	May 2015	6 months KIBOR plus 3.5% per annum	<b>104,423,121</b>	146,192,371
National Bank of Pakistan	15.3	16 Quarterly	Mar 2014	3 months KIBOR plus 3% per annum	<b>166,021,871</b>	225,622,715
National Bank of Pakistan	15.4	12 Quarterly	June 2014	Frozen Markup	-	17,607,262
National Bank of Pakistan	15.5	20 Quarterly	July 2014	6 months KIBOR plus 2% per annum	<b>210,000,000</b>	270,000,000
Sindh/Summit Bank	15.6	8 semi-annual	July 2014	6 months KIBOR plus 2% per annum	<b>172,500,000</b>	230,000,000
Summit Bank	15.7	12 Quarterly	July 2016	3 months KIBOR plus 2% per annum	<b>200,000,000</b>	-
					<b>1,259,194,992</b>	1,458,172,348
Over due Installments					-	(53,887,038)
Less: Current portion shown under current liabilities					<b>(378,352,583)</b>	(410,601,766)
					<b>880,842,408</b>	993,683,544

*plm*

- 15.1** The Company obtained 'Term Finance Facility' of Rs. 650 million (2014: 650 million) from National Bank of Pakistan to pay off loan of Bank Islami Pakistan of an amount of Rs. 700 million (2014: 700 million). The remaining Rs. 50 million were contributed by the directors of the Company. The facility is secured against equitable mortgage over land measuring area 234.20 acres (2014: 234.20 acres) and building constructed thereon and hypothecation of all plant & machinery.
- 15.2** This represents loan obtained by the Company from National Bank of Pakistan for Balancing, Modernization and Replacement (BMR). The facility is secured against equitable mortgage over land measuring area 234.20 acres (2014: 234.20 acres) and building constructed thereon and exclusive hypothecation charge over all plant and machinery.

	2 0 1 5	2 0 1 4
	----- <i>(Rupees)</i> -----	
<b>15.3</b> National Bank of Pakistan - Grower Finance Loan		
Opening	<b>225,622,715</b>	239,937,654
Markup amortized during the year	<b>30,451,182</b>	33,272,697
Repaid during the year	<b>(90,052,026)</b>	(47,587,636)
	<b><u>166,021,871</u></b>	<u>225,622,715</u>

National Bank of Pakistan restructured a short term Running Finance Facility of Rs. 250 million (2014: 250 million) as Long Term Grower Finance Loan to the extent of Rs. 213 million (2014: 213 million) with effect from 1st January 2012. The Facility is secured by 1st charge by way of hypothecation over all present and future current assets of the Company.

- 15.4** 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 (2014: 234.20 acres) and building constructed thereon and first registered hypothecation charge over all plant and machinery.
- 15.5** The Company obtained Long term Finance Facility of Rs 300 million (2014: 300 million) from National Bank of Pakistan for repayment of growers' liability of Rs. 130 million (2014: 130 million), suppliers' liability of Rs.20 million (2014: 20 million) and for meeting permanent working capital requirement and other expenses amounting to Rs. 150 million (2014: 150 million). 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.
- 15.6** The Company obtained Syndicated Term Finance Facility (STFF) of Rs 230 million (2014: 230 million) to settle cane growers and suppliers/contractors liabilities and to improve liquidity position. The parties of the syndicates are Sind Bank Limited with the share of Rs. 200 million (2014: 200 million) and Summit Bank Limited (agent) with the share of Rs. 30 million. The facility is secured by first pari passu charge over all present and future fixed assets of the Company.

	<i>Note</i>	2 0 1 5	2 0 1 4
		----- <i>(Rupees)</i> -----	
<b>16 DEFERRED TAXATION</b>			
<b>Taxable temporary differences</b>			
Accelerated tax depreciation		<b>81,463,031</b>	73,658,020
Surplus on revaluation of fixed assets		<b>530,642,672</b>	533,386,469
<b>Deductible temporary differences</b>			
Unabsorbed tax depreciation	<i>16.1</i>	<b><u>(100,132,377)</u></b>	<u>(131,757,172)</u>
		<b><u>511,973,326</u></b>	<u>475,287,317</u>

- 16.1** The Company has not recognized deferred tax asset of Rs. 39.487 million on account of carry forward tax losses in accordance with the accounting policy as disclosed in note 4.2

*plu*

	Note	2015	2014
		------(Rupees)-----	
<b>17 SUBORDINATED LOAN</b>			
<b>Sponsors' loan</b>			
Original loan amount		<b>204,963,456</b>	636,315,569
Present value adjustment	17.1	<b>(166,300,389)</b>	(346,082,998)
		<b>38,663,067</b>	290,232,571
Interest charged to profit and loss account			
Charged in previous years		-	91,288,486
Charge during the year	28	-	43,054,582
		-	134,343,068
		<b>38,663,067</b>	424,575,639
Loan waived off by sponsors during the year	25	-	(424,575,639)
		<b>38,663,067</b>	-

**17.1** These long term interest free loans have been measured at amortized cost and have been discounted using the weighted average interest rate of 10%.

### 18 SHORT TERM BORROWINGS

Cash finances	18.1	<b>715,514,100</b>	991,223,030
Running finances	18.2	<b>271,208,767</b>	260,658,051
		<b>986,722,867</b>	1,251,881,081

**18.1** These represent Cash Finance facilities amounting to Rs. 715.5 million (2014: Rs. 991.22 million) obtained by the Company from National Bank of Pakistan and Sind Bank Limited and Summit Bank Limited. The rate of mark-up applicable during the year was 3 month KIBOR Plus 2.5% to 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.

**18.2** These represent Running Finance facilities amounting to Rs. 271 million (2014: Rs. 260 million) obtained by the Company from Sind Bank Limited and Summit Bank Limited. The rate of mark-up applicable during the year was 3 month KIBOR Plus 3% 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.

	Note	2015	2014
		------(Rupees)-----	
<b>19 TRADE AND OTHER PAYABLES</b>			
Creditors	19.1	<b>213,265,299</b>	68,431,301
Accrued liabilities		<b>7,324,070</b>	5,365,651
Advance from customers		<b>198,486,000</b>	33,198,140
Advance from farms		<b>117,547,256</b>	-
Unclaimed dividend		<b>823,457</b>	823,457
Worker's Profit Participation Fund	19.2	<b>20,849,670</b>	17,020,139
Provident Fund payable	19.3	<b>10,205,563</b>	17,048,441
Withholding tax payable		<b>1,081,567</b>	1,725,910
Road cess and surcharge	19.4	<b>10,345,533</b>	10,345,533
Worker's Welfare Fund		<b>8,472,344</b>	11,006,546
Staff gratuity payable	19.5	<b>1,345,803</b>	1,345,803
Others		<b>42,709,732</b>	1,659,250
		<b>632,456,294</b>	167,970,171

**19.1** This include Rs.1,724,151 (2014: Rs.26,069,683) payable to Omni Polymer Packages (Private) Limited, a related party, in respect of purchases of polypropylene bags and Rs.10,950,000 (2014: Rs. Nil) payable to Omni Aviation (Private) Limited, a related party, in respect of Aviation Services received.

	Note	2015	2014
------(Rupees)-----			
<b>19.2 Worker's Profit Participation Fund</b>			
Opening balance		<b>17,020,139</b>	12,693,544
Interest provided for the year	28	<b>1,702,014</b>	1,608,272
Charge for the year		<b>2,127,517</b>	2,718,323
		<b><u>20,849,670</u></b>	<u>17,020,139</u>

**19.3** 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.

**19.4** 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.

**19.5** 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.

## 20 TAXATION - NET

Opening balance	<b>(14,508,621)</b>	(7,369,670)
Advance tax	<b>14,421,864</b>	5,575,982
Provision for prior year	-	(25,378)
Less: Provision for current year	<b>(10,415,002)</b>	(12,689,555)
Closing balance	<b><u>(10,501,759)</u></b>	<u>(14,508,621)</u>

## 21 CONTINGENCIES AND COMMITMENTS

### Contingent liabilities in respect of:

**21.1** 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 Honorable High Court of Sind 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 favorable outcome.

**21.2** 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 Sind Karachi by N.I.T is being defended by the Company. In the previous years Company has approached N.I.T. for resolution of the matter. The response from N.I.T is still awaited by the Company.

**21.3** 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 favor 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 favorable outcome.

**21.4** As required under the provisions of Sugar Factories Control Act, 1950, sugar mills in Sind are required to pay quality premium to cane growers at the rate of 50 paises 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 Sind 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 2013-14 and 2014-15, as a matter of prudence the Company has not made any provision for quality premium amounting to Rs.15.69 million (2014: Rs. 14.70 million).

**21.5** The Company has issued bank guarantees of Rs. Nil (2014: Rs.7,206,300) in favor of Trading Corporation of Pakistan (TCP) against performance of contracts.

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Note	2015	2014
	----- (Rupees) -----	
<b>22 SALES - Net</b>		
Sugar - Local	<b>847,972,201</b>	1,152,610,800
Sugar - Export	<b>256,340,708</b>	67,203,786
	<b>1,104,312,909</b>	1,219,814,586
Sales tax	<b>(62,812,755)</b>	(48,626,103)
	<b>1,041,500,154</b>	1,171,188,483
<b>23 COST OF SALES</b>		
Sugarcane consumed	<b>1,083,587,360</b>	1,065,211,835
Manufacturing expenses	<b>152,808,419</b>	240,694,761
	<b>1,236,395,779</b>	1,305,906,596
<b>Opening stocks</b>		
Sugar in process	<b>16,307,796</b>	10,116,704
Finished goods	<b>611,254,411</b>	469,953,677
Molasses in process	<b>389,583</b>	346,296
Baggase	-	2,125,535
Rice husk	-	11,200,000
	<b>627,951,790</b>	493,742,212
<b>Closing stocks</b>		
Sugar in process	<b>(14,651,257)</b>	(16,307,796)
Finished goods	<b>(805,276,044)</b>	(611,254,411)
Molasses in process	<b>(604,655)</b>	(389,583)
	<b>(820,531,956)</b>	(627,951,790)
Sale of by product - Molasses	<b>(83,071,195)</b>	(100,224,000)
	<b>960,744,418</b>	1,071,473,018

**23.1 Manufacturing expenses**

Salaries, wages and benefits	23.1.1	<b>49,683,805</b>	49,678,191
Manufacturing stores and spares		<b>46,056,775</b>	48,522,578
Water, fuel and power		<b>10,238,268</b>	11,805,154
Repairs and maintenance		<b>3,894,259</b>	3,942,331
Insurance		<b>4,770,858</b>	8,295,760
Operational transport and handling		<b>1,417,009</b>	1,877,637
Other manufacturing expenses		<b>1,035,930</b>	543,235
Depreciation		<b>35,711,515</b>	116,029,875
		<b>152,808,419</b>	240,694,761

23.1.1 This includes Rs. 1,406,486 (2014: 1,237,517) in respect of contribution to provident fund.

**24 DISTRIBUTION COST**

Loading and stacking	<b>7,504</b>	711,939
Raw sugar handling and bags shifting	<b>162,149</b>	300,482
Commission expenses on export sales	<b>962,795</b>	1,845,008
	<b>1,132,448</b>	2,857,429

	Note	2015	2014
		----- (Rupees) -----	
<b>25 ADMINISTRATIVE EXPENSES</b>			
Administration salaries and other benefits	25.1	17,825,220	17,392,615
Office and other expenses		2,312,365	3,033,338
Rent Expense		2,500,000	-
Advertisements		-	3,000
Travelling and conveyance		4,007,071	13,092,184
Legal fees and professional charges		6,650,383	6,490,513
Vehicles expenses		654,265	1,075,567
Printing and stationary		-	1,174,286
Electricity, gas and water expenses		1,628,751	1,716,307
Entertainment expenses		207,118	1,067,668
Insurance		565,371	856,976
Auditors' remuneration	25.2	1,026,900	940,112
Depreciation	5.1.1	17,366,237	37,232,759
Amortization	6	598,875	484,907
Others		794,401	318,434
		<u>56,136,957</u>	<u>84,878,666</u>

**25.1** This includes Rs.269,539 (2014: 264,539) in respect of contribution to provident fund.

**25.2 Auditors' remuneration**

Audit fee	924,000	800,000
Cost audit fee	52,500	76,000
Out of pocket expenses	50,400	64,112
	<u>1,026,900</u>	<u>940,112</u>

**26 OTHER OPERATING EXPENSES**

Workers' Welfare Fund	205,073	10,056,194
Workers' Profit Participation Fund	2,127,517	2,718,323
	<u>2,332,590</u>	<u>12,774,517</u>

**27 OTHER INCOME**

Rental income	242,440	473,866
Exchange (loss) / gain	-	(609,623)
Loans waived off by sponsors	-	424,575,639
Freight subsidy	27.1	62,400,000
Present value adjustment of subordinated loan		166,300,389
		<u>228,942,829</u>
		<u>425,999,882</u>

**27.1** This represent freight subsidy announced by the Government of Pakistan on export of sugar @ Rs. 10 per kg (2014: Rs.1 per kg). The Company has exported 6,240 tons (2014: 1,506 tons) of sugar during the year ended 30 September 2015 and has claimed the subsidy from Government.

**28 FINANCE COST**

Markup on long term finances and short term borrowings		299,951,460	336,660,370
Bank commission and charges		4,147,921	2,289,567
Mark up on WPPF	19.2	1,702,014	1,608,272
Unwinding of discount on subordinate loan	17	-	43,054,582
		<u>305,801,395</u>	<u>383,612,791</u>

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**2015**                      **2014**  
-----*(Rupees)*-----

**29 TAXATION**

- Current	<b>10,415,002</b>	12,689,555
- Deferred	<b>(82,314,029)</b>	161,422,246
- Prior	-	25,378
	<u><b>(71,899,027)</b></u>	<u>174,137,179</u>

**29.1 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 2015 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.

**30 EARNING /(LOSS) PER SHARE - basic and diluted**

Profit /(Loss) after taxation	<u><b>16,194,202</b></u>	<u>(132,545,235)</u>
Weighted average number of ordinary shares	<u><b>8,724,591</b></u>	<u>8,724,591</u>
Earning /(Loss) per share - Basic	<u><b>1.86</b></u>	<u>(15.19)</u>

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

**31 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.

**31.1 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.

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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:

	2 0 1 5	2 0 1 4
	-----( <i>Rupees</i> )-----	
Long term deposits	1,041,300	1,041,300
Trade debts	68,381,805	142,122,353
Advances, deposits and other receivables	2,176,881	7,819,824
Bank balances	5,701,023	15,125,756
	<u>76,259,709</u>	<u>165,067,933</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:

#### 31.1.1 Trade debts

Customers with no default in past one year	<u>68,381,805</u>	<u>142,122,353</u>
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#### 31.1.2 Bank balances

A1+	2,375,193	12,627,096
A-1+	3,325,830	2,327,839
A-3	-	170,821
	<u>5,701,023</u>	<u>15,125,756</u>

### 31.2 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.

Following is the maturity analysis of financial liabilities:

Financial Liabilities	2 0 1 5			
	Carrying Amount	Less than 12 months	1 to 2 years	2 years and above
Long term finances	880,842,408	378,352,583	378,352,583	124,137,242
Short term borrowings	986,722,867	986,722,867	-	-
Trade and other payables	274,328,121	274,328,121	-	-
Accrued markup	49,586,431	49,586,431	-	-
	<u>2,191,479,827</u>	<u>1,688,990,002</u>	<u>378,352,583</u>	<u>124,137,242</u>
Financial Liabilities	2 0 1 4			
	Carrying Amount	Less than 12 months	1 to 2 years	2 years and above
Long term finances	993,683,544	410,601,766	410,234,249	172,847,529
Short term borrowings	1,251,881,081	1,251,881,081	-	-
Trade and other payables	93,328,100	93,328,100	-	-
Subordinated loan	-	-	-	-
Accrued markup	104,785,921	83,280,756	-	21,505,165
	<u>2,443,678,646</u>	<u>1,839,091,703</u>	<u>410,234,249</u>	<u>194,352,694</u>

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

### 31.3 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.

**31.3.1 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:

	2015		2014	
	Rupees	US dollars	Rupees	US dollars
Trade debts	-	-	16,811,743	164,017
<b>Net exposure</b>	<b>-</b>	<b>-</b>	<b>16,811,743</b>	<b>164,017</b>

The following significant exchange rates were used during the year:

	Average rate		Balance sheet date rate	
	2015	2014	2015	2014
US Dollar	<b>100.37</b>	103.90	<b>104.42</b>	102.50

**Sensitivity analysis**

At 30 September 2015, 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. Nil (2014: Rs.1.681M) lower/higher, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated trade debts.

**31.3.2 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:

	2015		2014	
	Effective Rate (%)		RUPEES	
<b>Financial liabilities</b>				
Long term finances	<b>3 MK to 6 MK plus 250 to 350 bps</b>	3 MK to 6 MK plus 250 to 350 bps	<b>1,259,194,992</b>	1,458,172,348
Short-term borrowings	<b>3 MK plus 250 to 300 bps</b>	3 MK plus 250 to 300 bps	<b>986,722,867</b>	1,251,881,081
			<b>2,245,917,859</b>	<b>2,710,053,429</b>

**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.

		2015	2014
Change in interest rates	±	<b>1%</b>	1%
Effect on Profit before tax (Rupees)	±	<b>22,459,179</b>	27,100,534

**31.3.3 Fair value of financial instruments**

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

**31.3.4 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.

**31.4 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.

**31.5 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.

**32 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:

	<b>Executives</b>	
	<b>2015</b>	<b>2014</b>
	-----( <i>Rupees</i> )-----	
Managerial remuneration	<b>5,893,536</b>	5,893,536
Allowances	<b>1,683,092</b>	1,683,092
Company's contribution towards provident fund	<b>589,354</b>	589,354
	<b>8,165,982</b>	8,165,982
<b>No. of persons</b>	<b>7</b>	<b>7</b>

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

**33 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 financial statement. Other significant transactions with related parties are as follows:

<u><b>Name of Parties</b></u>	<u><b>Nature of transactions</b></u>	<b>2015</b>	<b>2014</b>
		-----( <i>Rupees</i> )-----	
- Omni Polymer Packages (Pvt) Ltd.	Purchase of polypropylene bags	<b>15,264,368</b>	13,171,554
- Pak Ethanol (Pvt) Limited	Sale of molasses	<b>83,071,195</b>	100,224,000
- Directors / Sponsors	Loan given	<b>204,963,456</b>	-
- BSML Employees Provident Fund Trust	Contribution to provident fund	<b>1,676,025</b>	1,164,429
- Omni Aviation (Pvt) Limited	Aviation Services received	<b>3,600,000</b>	12,150,000

**34 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	8,000	1,136,000	234,443
2014 - 2015	103	8,000	824,000	273,395

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

**35 NUMBER OF EMPLOYEES**

Number of persons employed as at year end were 253 (2014: 244) and the average number of persons employed during the year were 259 (2014: 255).

**36 PROVIDENT FUND RELATED DISCLOSURES**

	2015 Un-audited	2014 Audited
	----- (Rupees) -----	
Size of the fund - Net assets	<u>24,162,313</u>	27,300,835
Cost of investments made	<u>22,732,759</u>	10,471,658
Percentage of investments made	<u>94.22%</u>	38.36%
Fair value of investments	<u>22,765,550</u>	10,471,658

**36.1 Break-up of fair value of investment is:**

	2015		2014	
	-- (Rupees) --	-- % --	-- (Rupees) --	-- % --
Units of First Habib Income Fund	5,032,792	22.11%	-	-
Saving Accounts	<u>17,732,758</u>	<u>77.9%</u>	10,471,658	100.0%
	<u>22,765,550</u>	<u>100%</u>	10,471,658	100%

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.

**37 DATE OF AUTHORISATION FOR ISSUE**

**10 7 JAN 2016**

These financial statements have been authorized for issue on \_\_\_\_\_ by the board of directors of the Company.

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**CHIEF EXECUTIVE**

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\_\_\_\_\_  
**DIRECTOR**

*kh. A. M.*

*kh. A. M.*