BABA FARID

SUGAR MILLS LIMITED



37th Annual Report 2015

CONTENTS

Company Review

02 Corporate Information

03 Vision, Mission , Strategy Goal & Core Valves

04 Notice of Annual General Meeting

06 Six years' Review At Glance

07 Director's Report

11 Pattern of Share Holding

12 Categories Of Shareholders

Financial Statements

13 Statement Of Compliance With The Code Of Corporate Governance

15 Review Report to the Members

16 Auditors' Report to the Members

17 Balance Sheet

18 Profit and Loss Account

19 Statement of Comprehensive Income

20 Cash Flow Statement

21 Statement of Changes in Equity

22 Notes to the Financial Statement

Form of Proxy

BABA FARID SUGAR MILLS LIMITED

Corporate Information

Board Of Directors

Muhammad Sarwar	Chief Executive
Mr. Shahid Mahmood Quershi	Director
Syed Qaissar Abbas Naqvi	Director
Mrs. Naheed Roohi	Director
Ms. Rafia Aslam	Director
Mr. Mirza Maqsood-ul-Hassan	Director
Muhammad Ashraf	Director

Audit Committee

Mr. Mirza Maqsood-ul-Hassan	Chairman
Muhammad Ashraf	Member
Mr. Shahid Mahmood Quershi	Member

Human Resource & Remuneration Committee

Mrs. Naheed Roohi	Member
Ms. Rafia Aslam	Member
Mr. Shahid Mahmood Quershi	Member

Company Secretary

Muhammad Ibrahim Raza

Chief Financial Officer

Muhammad Khalid Ali

Auditors

Sheikh & Chaudhri
Chartered Accountants
166-B, Upper Mall Scheme
Lahore.
Tel: 042-35751138, Fax: 042-35751128
Email ; info@schcho.com

Share Registrar

M/s. Corplink (Pvt.) Ltd.
Share Registrar & Corporate Consultants
Wing Arcade, 1-K, Commercial
Model Town, Lahore.
Tel: 042-35916714, Fax: 042-35869037
Email ; corplink786@gmail.com

Mills

5. K.M. Faisalabad Road
Okara
Tel; 0442-522878, 511878, Fax; 0442-522978

Registered Office

Suite - T 09, 3rd Floor, Hafeez Centre
75 - E/1Main Boulevard, Gulberg III, Lahore
Tel; 042-35884180-5, Fax; 042-35884138-39

Bankers

Habib Bank Limited
Bank Al-Habib Limited
United Bank Limited
MCB Bank Limited

Legal Advisor

Muzamil Akhtar Shabir
(Advocate)

BABA FARID SUGAR MILLS LIMITED



Vision Statement

Efficient organization with professional competence of top order is engaged to remain a Market leader in the sugar industry in manufacturing and marketing of white sugar.

To ensure attractive returns to business associates and shareholders as per their expectations.

Mission Statement

Quality objectives are designed with a view to enhance customer satisfaction and operational efficiencies.

To be a good corporate citizen to fulfill the social responsibilities.

Commitment to building Safe, Healthy and Environment friendly atmosphere.

We value the social and economic well being of our partners and strive for a harmonious environment conducive to team performance.

The quality policy also encompasses our long term Strategic Goals and Core Values, which are integral part of our business.

Strategic Goals

Providing Customer Satisfaction by serving with superior quality production of white sugar at lowest cost.

Ensuring Security and Accountability by creating an environment of security and accountability for employees, production facilities and products.

Ensuring Efficient Resource Management by managing human, financial, technical and infrastructural resources so as to support all our strategic goals and to ensure highest possible value addition to stakeholders.

Care Values

Striving for continuous improvement and innovation with commitment and responsibility;

Treating stakeholders with respect, courtesy and competence;

Practicing highest personal and professional integrity;

Maintaining teamwork, trust and support with open and candid communication; and

Ensuring cost consciousness in all decisions and operations.

BABA FARID SUGAR MILLS LIMITED

Notice Of Annual General Meeting

37th

Annual General Meeting

Notice is hereby given that the thirty seventh (37th) annual general meeting of the members of Baba Farid Sugar Mills Limited will be held on Friday the 29th January, 2016 at 8.30 A.M. at 42-G, Gulberg-III, Near Firdous Market, lahore. transact the following business :-

Ordinary Business

1. To confirm the minutes of extraordinary general meeting held on August 07, 2015.
2. To receive, consider and adopt the audited financial statements for the financial year ended September 30, 2015 and reports of the directors and auditors thereon.
3. To appoint Auditors for the year ending September 30, 2016 and to fix their remuneration.
4. To elect seven Directors as fixed by the Board of Directors pursuant to section 178 of the Companies Ordinance, 1984 for the period of three years commencing from January 29, 2016 to January 29, 2018. The names of the retiring directors are Mr. Muhammad Sarwar, Mr. Shahid Mahmood Qureshi, Syed Qaissar Abbas Naqvi, Mrs. Naheed Roohi, Ms. Rafia Aslam, Mirza Maqsood-ul-Hassan and Muhammad Ashraf.
5. Transact any other business with the permission of the Chair.

By Order of the Board.

Muhammad Ibrahim
Company Secretary

December 31, 2015

Notes

1. The share Transfer Books of the Company will remain closed from January 22, 2016 to January 29, 2016 (both days inclusive). Transfer received in order at the office of Share Registrar of the Company, i.e. M/s. Corplink (Pvt.) Limited, Wings Arcade, 1-K, Commercial Model Town, Lahore, by the close of business on January 21, 2016 will be considered in time for the purpose.

2. A member entitled to attend and vote at this meeting will be required to present his/her original Computerized National Identity Card (CNIC) and a member may appoint another member only as his/her proxy to attend and vote on his/her behalf.

3. All members of the Company are entitled to attend the Meeting and vote thereat in person or through Proxy. A proxy, duly appointed, shall have such rights as respects speaking and voting at the meeting as are available to a member. The proxies shall produce their original CNICs or original Passports at the time of the Meeting.

4. A member of the Company may appoint another member as his/her Proxy to attend and vote instead of him/her. A Corporation being a member may appoint any person, whether or not a member of the Company, as its Proxy. In the case of corporate entities, the Board of Directors' resolution / power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity, unless provided earlier, shall be submitted to the Company along with the Proxy Form.

5. Duly completed proxy forms in order to be valid must be received at the Registered Office of the Company not less than 48 hours before the time of meeting. A member shall not be entitled to appoint more than one proxy.

6. All those shareholders who have not yet submitted their valid copies of CNIC/National Tax Number are requested to send the copies of the same along-with Folio Number at the earliest to the Share Registrar of the Company.

7. Any person who seeks to contest the election of directors shall, whether he is a retiring director or otherwise, file the following documents at its Registered Office, T-09, 3rd Floor, Hafeez Centre, Main Boulevard, Gulberg-III, Lahore not later than fourteen days before the date of the above said meeting:

   (i) Notice of his/her intention to offer himself/herself for the election of directors in terms of Section 178(3) of the Companies Ordinance, 1984.

   (ii) Consent to act as Director in Form 28 under section 184 of the Companies Ordinance, 1984.

   (iii) A detailed profile along-with his/her office address as required under SRO 25(1) 2012 dated 16 January 2012.

   (iv) He/she should also confirm that:

He/she is not ineligible to become a Director of the Company under any applicable laws and regulations (including listing regulations of Stock Exchange).

He/she is not serving as Director in more than seven listed companies simultaneously. Provided that this limit shall not include the directorship in the listed subsidiaries of a listed holding company.

Neither he/she nor his/her spouse is engaged in the business of brokerage or is a sponsor director or officer of a corporate brokerage house.

Six Years' Review At Glance

		2015	2014	2013	2012	2011	2010
Operational Performance							
Crusting Days	Days	94	111	129	114	122	84
Total Cane Milled	M.Tons	249,228	407,635	413,485	342,173	310,906	143,576
Sugar Produced	M.Tons	21,845	39,062	37,742	32,263	28,013	11,249
Sugar Recovery	%age	8.82%	9.60%	9.14%	9.43%	9.02%	7.87%
Molasses Produced	M.Tons	11,209	18,960	23,120	15,515	14,100	6,410
Molasses Recovery	%age	4.52%	4.66%	5.59%	4.54%	4.54%	4.48%
Support Price	Rupees	180	170	170	150	125	100
Operating Results (Million)							
Sale		1,638.08	1,754.60	1,955.01	1,839.80	950.03	657.51
Gross Profit/(Loss)		41.87	266.76	85.92	52.90	101.87	(196.08)
Net Profit/(Loss) before Taxation		(204.86)	2.84	(135.65)	(222.92)	(191.77)	(305.60)
Net Profit/(Loss) after Taxation		(198.71)	8.72	(132.32)	(255.87)	(244.09)	(316.89)
Basic Earring (Loss) Per share		(21.03)	0.92	(14.00)	(27.08)	(23.71)	(33.53)
Ratios							
Gross Profit/(Loss)		2.56%	15.20%	4.39%	2.88%	10.72%	-29.82%
Assets Employed (Million)							
Operating assets		2,038.36	2,083.26	1,952.25	1,898.86	1,917.72	1,047.78
Current assets		596.37	917.50	591.48	753.20	1,028.60	120.24

BABA FARID SUGAR MILLS LIMITED

Director's Report To The Members

On behalf of the Board of Directors,' I am pleased to present the 37th Annual Report of your Company together with the audited financial statements for the year ended 30th September 2015.

Operational Performance Review

The comparative results of your Company as compared to last year are given

		2014-15	2013-14
Season started		28-Nov-14	25-Nov-13
Season closed		01-Mar-15	15-Mar-14
Crushing days		94	111
Sugarcane crushed	M.Tons	249,228	407,635
Sugar recovery	%	8.82%	9.60%
Sugar produced	M.Tons	21,845	39,062
Molasses recovery	%	4.52%	4.66%
Molasses produced	M.Tons	11,209	18,960

The mills were operated for 94 days with total crushing of 249,228 M. Tones as against 111 days with total crushing of 407,635 M. Tones. Production of molasses remained 11,209 M. Tons as against 18,960 M. Tones of the last year. Minimum support price has been increased by Government but growers are still demanding higher prices. Currently (season 2014-2015) we are paying around Rs.180/- per 40 Kg of sugarcane. The management has taken healthy measures to control the average price at minimum.

Sucrose recovery has decreased from 9.60% last year to 8.82 this year. Which is 8.13% decrease from the last year. Molasses Recovery has decreased 2.90% i.e. 4.659% to 4.524% this year.

Our shareholders are well aware that there is an excess production of sugar against consumption in the country apart from last year carryover of sugar stocks. Government of Pakistan has allowed the export of sugar but due to non-availability of incentive for export compared to international prices, reduction in the dollar value, the export of sugar is very limited. Sugar market remained depressed throughout the year.

Financial Results

There is downfall in the financial results of your company as compared to last year. An analysis of the key financial results is given below:

	2014-15 (Million)	2013-14 (Million)
Sales	1,638.08	1,754.60
Gross Profit	41.87	266.76
(Loss)/profit before Taxation	(204.86)	2.84
(Loss)/profit for the year	(198.71)	8.72
(Loss) /earnings per share- Basic and diluted	(21.03)	0.92

Sugar sector is going through the worst ever crisis & incurred heavy losses due to multiple reasons. Depression in the prices of sugar in international market as well. Currently international sugar market touched its five years low.

The Company Sales decrease to Rs. 1,638.08 million from Rs. 1,754.60 million of last year. Due to higher purchase price and low sale price in the prevailing market has hit the financial health of the company and as the result a net loss of Rs. 198.71 million with the loss per share of Rs. 21.03 during the period. When compared with the last year Rs. 0.92 per share.

Dividend

The Directors of the company has/have not recommended any dividend for the year due to accumulated losses of the company.

Going Concern

The Auditors of the Company have raised doubts on the Company's ability to continue as a going concern on the basis of heavy accumulated losses. The management has no doubts about the Company's ability to continue as a going concern and is justify for the preparation of financial statements on going concern basis. However, the managements has taken various measures to improve the financial position of the Company which include the sponsors' continued assurance for arrangement of funds as and when required, prompt discharging of its liabilities including financial obligations, securing growers' commitments for availability of quality sugar cane and hiring of competent management personnel for managing Company's affairs. As per Special Resolution passed by the Shareholders of the Company, the holding company will acquire 50 M Ordinary Shares of the Company against the long term loan to the extent of Rs.500 M for improving the financial position of the company.

Future Prospects

The government has maintained the minimum support price of sugarcane. The new price is Rs180/= per 40 kg of sugarcane but the growers are still demanding higher price.

Furthermore we are going for development of variety cane at mill gate in order to bring the mills into profitability due the better yield & reduction in cane cost. We make advances to growers in the shape of fertilizer/seed/Diesel & cash to meet the emergent requirements during the whole year.

Neighboring mills and middlemen have also started unhealthy competition resulting in price hike and disturbed cane supply to the mills. Your management has taken some positive measures to improve cane supply to mill. It is very important for the industry that sugarcane price is contained at the government support price and the role of middlemen be eliminated by introducing previously practiced zone based procurement system.

Pakistan Sugar Mills Association is persuading the Government of Pakistan to consider adoption of a more reliable sugarcane payment system linking the price of cane with the sugar content as being used in Australia and other countries of the world, based on cane quality, a fair deal to growers and millers as well. At present in Pakistan sugarcane is the only crop that gets paid by weight and not by quality. The system does not provide for any incentive to the grower to improve his crop particularly towers the most crucial aspect, the sugar content. Unless such mechanism is not adopted in Pakistan further expansion in the production will remain in jeopardy while all potentials exist to improve yield and recovery and utilize the already built production capacity.

The management of the company is anticipating a tough and challenging season for the sugar industry and is doing its utmost efforts to improve the profitability of the company by focusing on reduction of production cost especially financial cost and improvement in production efficiencies. We have devised a long term strategy to cope with situation to reduce our dependence on the borrowing in the coming years.

Compliance With Code Of Corporate Governance

The requirements of the Code of Corporate Governance set out by the Karachi, Lahore and Islamabad Stock Exchanges in their Listing Regulations, relevant to the year ended September 30, 2015 have been duly complied with. A statement to this effect is annexed with the review report from the auditors.

Corporate And Financial Reporting Framework

The Board of Directors hereby declares that:

- The financial statements present fairly the state of affairs of the company, the results of its operation, cash flows and changes in equity.
- Proper books of accounts of the company have been maintained.
- Accounting policies as stated in the notes to the financial statements have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, and the requirements of Companies Ordinance 1984 have been followed in preparation of the financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts about the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance as detailed in the listing regulations.
- Information about taxes and levies is given in the notes to the accounts
- A statement regarding key financial data for the last six years is annexed to this report

Board Meetings

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

Name of Directors	No of Meeting Attended
Muhammad Sarwar	4
Mr. Shahid Mahmood Quershi	4
Mrs. Naheed Roohi	4
Mrs. Rafia Aslam	3
Mr. M. Maqsood ul Hassan	4
Muhammad Ashraf	1
Sayed Qaissar Abbas Naqvi	4

*Meetings attended during the tenure

The Board granted leave of absence to the directors who could not attend the Meeting.

Audit Committee

The Board has constituted an audit committee consisting of three members including chairman of the committee. The committee regularly meets as per requirements of the code.

The committee supervises the internal control procedures through internal audit department and review financial statements periodically, before the same are circulated. The audit committee is also responsible for recommending the appointment of auditors and ensures their independence with regard to services provided by them.

A total of four (04) meetings of the Audit Committee were held during the year.

Board Human Resource Committee

A Human Resource and Remuneration Committee have been in existence since the enforcement of the Revised Code of Corporate Governance, which comprises of three Directors. During the year one meeting of the Human Resource and Remuneration Committee was held.

Pattern Of Shareholding

A statement of pattern of shareholding is annexed.

No trading in the shares of the company was carried out by the Directors, CEO, and CFO, Company Secretary and their spouses and minor children during the year except those that have been duly reported as per law.

Auditors

The present Auditors M/s. Sheikh & Chaudhry Chartered Accountants, Lahore stand retired and have not offered themselves for re-appointment for the year 2016. The Audit Committee has recommended to the Board the appointment of M/s. Hassnain Ali & Co., Chartered Accountants, Lahore, being eligible and offered themselves for appointment as auditors of the Company for the year ended September 30, 2016. Therefore, Board of Directors has proposed to the shareholder to appoint M/s. Hassnain Ali & Co., Chartered Accountants, as Auditors of the Company for the year ending September 30, 2016.

Acknowledgment

The Board would like to thank the shareholders and bankers for their trust and continued support extended to the company for its smooth operation. The Board would also like to place on record its appreciation for the efforts, loyalty and hard work of all the workers, staff and management team and hope that the same spirit would continue in future as well.

For and on behalf of the Board

(Muhammad Sarwar)
Chief Executive

Lahore, December 31, 2015

BABA FARID SUGAR MILLS LIMITED

Pattern Of Shareholdings

01 Incorporation Number

02 Name Of the Company BABA FARID SUGAR MILLS LIMITED

03 Pattern of holding of shares held by shareholders as at September 30, 2015

SHAREHOLDING

04 NO. OF SHAREHOLDERS	FROM	To	TOTAL SHARES HELD
711	1	100	18,839
387	101	500	70,297
34	501	1,000	25,740
44	1,001	5,000	106,014
6	5,001	10,000	36,416
1	10,001	15,000	10,500
2	35,001	40,000	77,668
1	50,001	55,000	50,853
1	135,001	140,000	136,995
1	440,001	445,000	441,601
1	915,001	920,000	916,000
1	7,555,001	7,560,000	7,559,077
1,190			**9,450,000**

5	Categories of Shareholders	Shares Held	Percentage
5.1	Directors, Chief Executive Officers, and their spouse and minor children	1,419,284	15.0189%
5.2	Associated Companies, undertakings and related parties	7,696,072	81.4399%
5.3	NIT and ICP	1,000	0.0106%
5.4	Bank Development Financial Institutions, Non Banking Financial Institutions	100	0.0011%
5.5	Insurance Companies	0	0.0000%
5.6	Modarabas and Mutual Funds	0	0.0000%
5.7	Share holders holding 10%	7,696,072	81.4399%
5.8	General Public		
	a) Local	333,043	3.5243%
	b) Foreign	0	0.0000%
5.9	Others (to be specified) Joint Stock Companies	501	0.0053%

6.0	Signature of Company Secretary	
7.0	Name Of Signatory	Muhammad Ibrahim Raza
8.0	Designation	Company Secretary
9.0	NIC Number	35201-84595767
10.0	Date	30-Sep-15

Categories Of Shareholding

As Required Under Code Of Corporate Governance (CCG) As On September 30, 2015

Sr. NO	Name	No. Of Shares Held	Percentage
Associated Companies, Undertakings and Related Parties (Names Wise Detail):			
1	M/s Pattoki Sugar Mills LTD.	7,696,072	81.4399
Mutual Funds (Name Wise Detail)			-
Directors and their Spouse a nd Minor Children (Name wise Detail):			
1	Muhammad Sarwar	47,593	0.5036
2	Mrs. Naheed Roohi	2,500	0.0265
3	Miss. Rafia Aslam	2,500	0.0265
4	Mirza Muhammad Maqsood ul Hassan	441,601	4.6730
5	Muhammad Ashraf	2,500	0.0265
6	Mr. Shahid Mahmood Quershi	2,500	0.0265
7	Sayeed Qaissar Abbas Naqvi	4,090	0.0433
8	Muhammad Aslam H/O Mrs. Naheed Roohi	916,000	9.6931
Executives:			
Public Sector Companies & Corporations:			
Banks, Development Finance Institutions , Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:		100.00	0.0033
Shareholders holding five percent or more voting interest in the listed company (Name wise Detail)			
1	M/S Pattoki Sugar Mills LTD.	7,696,072	81.4399
2	Muhammad Aslam	916,000	9.6931

All traders in the share of the listed company, carried out by its Directors, Executives an d their spouses and minor children shall be disclosed:

Sr. NO	Name	Sales	Purchase



Financial Statements

for the year ended

September 30, 2015

STATEMENT OF COMPLIANCE

with best practices of CORPORATE GOVERNANCE for the year ended September 30, 2015

The statement is being presented to comply with the Code of Corporate Governance as contained in Regulation No.35, Chapter No. XI of the Listing Regulations of the Karachi Stock Exchange, Lahore Stock Exchange and Islamabad Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance. The company has applied the principles contained in the Code in the following manner:

1. Company encourages the re presentation of non -executive directors on its Board. At present the Board of Directors includes four independent non -executive directors.

Category	Names
Independent Directors	Mirza Maqsood-ul – Hassan
Executive Directors	Muhammad Sarwar
	Syed Qaisar Abbas Naqvi
Non Executive Directors	Mrs. Naheed Roohi
	Ms. Rafia Aslam
	Muhammad Ashraf
	Mr. Shahid Mahmood Quershi

2. The members of the Board have confirmed that none of them is serving as a Director in more than seven listed companies including the company.
3. All members of the Board are registered tax-payers and none of them has defaulted in payment of any loan to a banking company, a DFI or a NBFI. None of the director is a member of any stock exchange
4. Casual vacancy occurring on the Board during the year ended September 30, 2015 was duly filled up by the Directors within 30 days thereof save as restricted by Listed Companies (Substantial Acquisition of Voting Shares and Take-overs) Ordinance, 2002.
5. The meetings of the Board is presided over by the Chairman and, in his absence by a director elected by the Board for this purpose and the Board has met at least once in every quarter. Written notices of the Board meeting, along with agenda, were circulated at least seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated.
6. The Directors have been provided orientation to apprise them of their duties and responsibilities.
7. The company has prepared a "Statement of Ethics and Business Practices" which has been signed by the directors and employees of the company.
8. The company has developed a vision/mission statement, overall corporate strategy and significant policies of the Company duly approved by the Board. A complete record of particulars of significant policies, along with the dates on which they were approved or amended and has been maintained.

9. The Board has approved appointment of CFO, Company Secretary and head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by CEO.
10. The Board has set up an effective internal audit function.
11. The financial statements of the company were duly endorsed by the CEO and CFO before approval of the Board.
12. The Directors report for this year has been prepared in compliance with the requirement of the code and fully describes the salient matters required to be disclosed.
13. The Directors, CEO and executive do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the code.
15. All the powers of the Board have been fully exercised and the Board has taken decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors.
16. The Board has constituted an audit committee. It comprises three members, of whom two are non-executive directors.
17. The meeting of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the code. The terms of reference of the Committee have been formed and advised to the committee for compliance.
18. The statutory auditors have confirmed that they have been given a satisfactory rating under the Quality Control Review Programme of the Institute of Chartered Accountants of Pakistan., that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on the Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors.
20. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

(Muhammad Sarwar)
Chief Executive

Lahore, December 31, 2015

REVIEW REPORT TO THE MEMBERS
ON STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **BABA FARID SUGAR MILLS LIMITED** ("the Company") for the year ended September 30, 2015 to comply with the requirements of Listing Regulations No. 35 of the Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

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

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

The Code requires the Company to place before the Audit Committee, and upon recomendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism.

We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recomendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended September 30, 2015.

SHEIKH & CHAUDHRI
Chartered Accountants
Engagement Partner:
Muhammad Saeed Malik

December 31, 2015
Lahore

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of BABA FARID SUGAR MILLS LIMITED ("the Company") as at September 30, 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of 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, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at September 30, 2015 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 and Ushr Ordinance, 1980 (XVIII of 1980).

Without qualifying our opinion, we draw attention to note 2 to the financial statements. During the current financial year, the Company has suffered / earned loss / profit before tax amounting to Rs. 204,862,324 (2014: Rs. 2,844,558) and at balance sheet date its accumulated losses have stood up to Rs.1,266,087,217 (2014: Rs. 1,101,736,762). Further, the Company's equity is in negative and its current liabilities have exceeded its current assets by Rs.997,691,225 (2014: Rs. 788,953,579). These conditions may cast significant doubt on Company's ability to continue as a going concern.

SHEIKH & CHAUDHRI
Chartered Accountants
Engagement Partner: Muhammad Saeed Malik

December 31, 2015
Lahore

BABA FARID SUGAR MILLS LIMITED

Balance Sheet
AS AT SEPTEMBER 30, 2015

EQUITY AND LIABILITIES	Note	2015 Rupees	2014 Rupees
SHARE CAPITAL AND RESERVES			
Authorized share capital			
10,000,000 ordinary shares of Rs.10 each		100,000,000	100,000,000
Issued, subscribed and paid-up capital	5	94,500,000	94,500,000
Accumulated loss		(1,266,087,217)	(1,101,736,762)
		(1,171,587,217)	(1,007,236,762)
Surplus on revaluation of property, plant & equipment	6	1,407,196,280	1,433,431,861
NON CURRENT LIABILITIES			
Long term loans	7	8,333,334	41,666,667
Loan from holding company	8	500,000,000	500,000,000
Deferred liabilities	9	296,732,631	326,445,038
		805,065,965	868,111,705
CURRENT LIABILITIES			
Current portion of long term liabilities	10	81,743,108	78,965,333
Short term finances	11	247,126,965	527,797,959
Due to related party	12	718,754,403	683,195,817
Trade and other payables	13	467,794,368	263,523,925
Interest and mark-up accrued	14	63,057,318	136,474,552
Provision for taxation		15,583,818	16,493,069
		1,594,059,980	1,706,450,655
TOTAL EQUITY & LIABILITIES		2,634,735,008	3,000,757,459
Contingencies and commitments	15	-	-
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	16	2,037,778,678	2,082,672,808
Long term deposits	17	587,575	587,575
		2,038,366,253	2,083,260,383
CURRENT ASSETS			
Stores, spares and loose tools	18	37,444,120	39,366,037
Stock-in-trade	19	252,997,843	604,235,643
Trade debts	20	98,574,506	173,434,138
Advances	21	77,055,602	75,202,185
Trade deposits and short term prepayments	22	20,636,150	21,000,275
Other receivables	23	107,742,500	-
Cash and bank balances	24	1,918,034	4,258,798
		596,368,755	917,497,076
TOTAL ASSETS		2,634,735,008	3,000,757,459

The annexed notes 1 to 44 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Note	2015 Rupees	2014 Rupees
Sales - net	25	1,638,078,692	1,754,597,141
Cost of sales	26	1,596,207,684	1,487,835,681
Gross profit		41,871,008	266,761,460
Distribution and selling expenses	27	16,035,698	3,775,474
Administrative expenses	28	34,708,870	32,170,462
Other expenses	29	4,789,830	149,714
		55,534,398	36,095,650
Operating (loss) / profit		(13,663,390)	230,665,810
Other income	30	1,867,505	1,632,126
Operating (loss) / profit before finance cost		(11,795,885)	232,297,936
Finance cost	31	193,066,439	229,453,378
(Loss) / profit before taxation		(204,862,324)	2,844,558
Taxation	32	(6,148,153)	(5,872,322)
(Loss) / profit for the year		(198,714,171)	8,716,880
(Loss) / earnings per share - Basic and diluted	33	(21.03)	0.92

The annexed notes 1 to 44 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	2015 Rupees	2014 Rupees
(Loss) / profit for the year	(198,714,171)	8,716,880
Items that will not be subsequently reclassified to profit or loss:		
Remeasurement of net defined benefit liability	(487,860)	(2,828)
Total comprehensive (loss) / profit for the year	(199,202,031)	8,714,052

The annexed notes 1 to 44 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

CASH FLOW STATEMENT

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Note	2015 Rupees	2014 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	**34**	579,588,971	(398,005,067)
Finance cost paid		(266,467,256)	(216,189,542)
Gratuity paid		(174,099)	(278,187)
Taxes paid		(13,843,569)	(12,836,338)
Net cash generated from / (used in) operating activities		299,104,047	(627,309,134)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(25,776,845)	(15,755,979)
Net cash (used in) investing activities		(25,776,845)	(15,755,979)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term loan		(30,555,558)	(25,000,000)
Due to related party		35,558,586	354,229,588
Net cash generated from financing activities		5,003,028	329,229,588
Net increase / (decrease) in cash and cash equivalents		278,330,230	(313,835,525)
Cash and cash equivalents at the beginning of the year		(523,539,161)	(209,703,636)
Cash and cash equivalents at end of the year	**35**	(245,208,931)	(523,539,161)

The annexed notes 1 to 44 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Issued, subscribed and paid-up capital	Accumulated Loss	Total
	Rupees	Rupees	Rupees
Balance as at October 01, 2013	94,500,000	(1,142,516,857)	(1,048,016,857)
Current year incremental depreciation - net of deferred tax	-	32,066,043	32,066,043
Total comprehensive income for the year	-	8,714,052	8,714,052
Balance as at September 30, 2014	94,500,000	(1,101,736,762)	(1,007,236,762)
Balance as at October 01, 2014	94,500,000	(1,101,736,762)	(1,007,236,762)
Current year incremental depreciation - net of deferred tax	-	34,851,576	34,851,576
Total comprehensive loss for the year	-	(199,202,031)	(199,202,031)
Balance as at September 30, 2015	94,500,000	(1,266,087,217)	(1,171,587,217)

The annexed notes 1 to 44 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

1. STATUS AND NATURE OF BUSINESS

Baba Farid Sugar Mills Limited ("the Company") was incorporated in 1978 under the Companies Ordinance, 1984 as a Public Limited Company and its shares are quoted at Karachi, Lahore and Islamabad Stock Exchanges. It is engaged in manufacturing and sale of sugar including its by-product i.e. molasses and V. Filter cake. The registered office of the Company is situated at Suit - T-09, 3rd Floor, 75-E/1 Main Boulevard, Gulberg III, Lahore and its manufacturing facilities are located in the district Okara, Punjab.

2. GOING CONCERN ASSUMPTION

During the current financial year, the Company has suffered / earned loss / profit before tax amounting to Rs.204,862,324 (2014: Rs.2,844,558) and at balance sheet date its accumulated losses have stood up to Rs.1.266,087,217 (2014: Rs. 1,101,736,762). Further, the Company's equity is in negative and its current liabilities have exceeded its current assets by Rs.997,691,225 (2014: Rs. 788,953,579). These conditions may cast significant doubt on Company's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. However, the management has taken various measures to improve the financial position of the Company which include the sponsors' continued assurance for arrangement of funds as and when required, prompt discharging of its liabilities including financial obligations, securing growers' commitments for availability of quality sugarcane and hiring of competent management personnel for managing Company's affairs.

The management has firm belief that the above stated measures shall mitigate the doubt about the Company's ability to continue as a going concern and also justifies the preparation of these financial statements on going concern basis.

3. BASIS OF PREPARATION

3.1 Statement of compliance

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

3.2 Basis of measurement

These financial statements have been prepared on the historical cost basis except for freehold land, buildings on freehold land and plant & machinery which are stated at revalued amounts.

3.3 Functional and presentation currency

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

3.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in

Pakistan, requires management to make judgments, estimates and assumptions that affects the application of policies and reported amounts of assets and liabilities, incomes and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The areas where various assumptions and estimates are significant to company's financial statements or where judgments were exercised in application of accounting policies are as follows:

-Staff retirement benefits - gratuity

-Provision for taxation

-Residual values and useful lives of depreciable assets

-Provisions and contingencies

3.5 Standards, interpretations and amendments to published approved accounting standards

3.5.1 New standards, amendments to approved accounting standards and interpretations, which became effective during the year ended September 30, 2015

There are certain new standards, amendments to the approved accounting standards and new interpretations issued by the International Financial Reporting Interpretations Committee, which became effective during the year but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

3.5.2 New standards, amendments to approved accounting standards and new interpretations, which are not yet effective

There are certain standards, amendments to the approved accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after October 01, 2015 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set-out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Property, plant and equipment and depreciation

Owned assets

Property, plant and equipment except freehold land, buildings on freehold land and plant and machinery are stated at cost less accumulated depreciation and impairment losses, if any. Buildings on freehold land and plant and machinery are stated at revalued amounts less accumulated depreciation and impairment losses, if any. Freehold land is stated at revalued amount and actual cost to date respectively.

Subsequent cost

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The carrying amount of the part so replaced is derecognized. The cost of the day-to-day servicing of property, plant and equipment are recognized in profit and loss account as incurred.

Depreciation

Depreciation is charged to profit and loss account applying the reducing balance method over its estimated useful life at the rates specified in note 16.1 to the financial statements. Depreciation on additions to property, plant and equipment is charged from the month in which property, plant and equipment become available for use while no depreciation is charged for the month in which property, plant and equipment is disposed off.

Assets residual values, if significant and useful lives are reviewed and adjusted, if appropriate at each balance sheet date. Gains or losses on disposal of property, plant and equipment are recognized in profit and loss account.

Surplus on revalued property, plant and equipment

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

Impairment

Where the carrying amount of asset exceeds its estimated recoverable amount it is written down immediately to its recoverable amount.

Leased assets

Leases in terms of which the company assumes substantially all the risks and rewards of ownership are classified as finance lease. Asset acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of minimum lease payments at the inception of the lease less accumulated depreciation and impairment losses, if any.

Depreciation is charged on the same basis as used for owned asset. Financial charges are allocated to accounting period in a manner so as to provide a constant rate of charge on outstanding liability.

4.2 Stores and spares and loose tools

Stores, spares and loose tools are valued at lower of weighted average cost and net realizable value, less provision for impairment if any. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

Provision for obsolete and slow moving stores, spares and loose tools is determined based on management's estimate regarding their future usability.

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

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

4.3 Stock-in-trade

These are valued at the lower of cost and net realizable value. Cost is computed applying the following basis:

Raw material	- at weighted averaged cost
Work-in-process	- at manufacturing average cost
Finished goods	- at lower of cost and net realizable value
Molasses	- at net realizable value

Cost in relation to finished goods and work-in-process represents the average manufacturing cost which consists of prime cost and appropriate production overheads.

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

4.4 Trade debts and other receivables

These are initially stated at fair value and subsequently measured at amortized cost using effective interest rate method less provisions for any uncollectible amounts. An estimate is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written off.

4.5 Cash and cash equivalents

Cash and cash equivalents are carried at cost in the balance sheet. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, balances with banks and short term finances.

4.6 Staff retirement benefits (defined benefit plan)

The Company operates an un-funded retirement gratuity scheme for its eligible employees. Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on September 30, 2015 on the basis of the projected unit credit method by an independent Actuary.

4.7 Trade and other payables

Liabilities for trade and other payables are carried at cost, which is the fair value of consideration to be paid in the future for goods and services received, whether or not billed to the Company.

4.8 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at fair value, less attributable transaction cost. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

4.9 Taxation

- Current

Provision for current year's taxation is determined in accordance with the prevailing law of taxation on income enacted or substantively enacted by the end of the reporting period and is based on current rates of taxation being applied on the taxable income for the year, after taking into account tax credits

and rebates available, if any, and taxes paid under the Final Tax Regime.

- Deferred

Deferred tax is provided using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted at the balance sheet date.

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

4.10 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed-out in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4.11 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable on the following basis:

- Local sales are recognized when goods are dispatched to customers.
- Export sales are booked on shipment of goods.
- Return on bank deposits is accounted for on 'accrual basis'.

4.12 Provisions

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

4.13 Impairment

The carrying amount of the Company's assets is reviewed at each balance sheet date to determine whether there is any objective evidence that an asset or group of assets may be impaired. If any such evidence exists, the asset or group of assets' recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account.

4.14 Financial instruments

(i) Financial assets

Significant financial assets include advances, trade debts, trade deposits and prepayments and bank

balances. Loan and advances and receivables are stated at their nominal value as reduced by provision for doubtful finances and receivable, while other financial assets are stated at cost.

(ii) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities include long term loans, lease finances, interest and mark up accrued, trade and other payables and short term finances. Markup based financial liabilities are recorded at gross proceeds received. Other liabilities are stated at their nominal value.

(iii) Recognition and derecognition

All the financial assets and financial liabilities are recognized at the time when the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognized when the Company looses control of the contractual rights that comprise of the financial assets. Financial liabilities are derecognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account.

4.15 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are set off and only the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognized amount and the Company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

4.16 Foreign currency translations

Transactions in foreign currencies are accounted for in Pak Rupees at the exchange rates prevailing on the date of transactions. Assets and liabilities in foreign currencies are translated in Pak Rupees at the exchange rates prevailing on the balance sheet date except where forward exchange rates are booked, which are translated at the contracted rates. Exchange differences, if any, are taken to profit and loss account.

5. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL	2015	2014
5.1 Authorized capital	**Rupees**	**Rupees**
10,000,000 (2014: 10,000,000) ordinary shares of Rs.10 each	100,000,000	100,000,000
5.2 Issued, subscribed and paid up capital		
6,400,000 (2014: 6,400,000) ordinary shares of Rs.10 each	64,000,000	64,000,000
3,050,000 (2014: 3,050,000) bonus shares of Rs.10 each	30,500,000	30,500,000
	94,500,000	94,500,000

As at the September 30, 2015 M/s Pattoki Sugar Mills Limited (the holding company) holds 7,696,072 (81.44%) shares of the Company.

6. SURPLUS ON REVALUATION OF PROPERTY, PLANT & EQUIPMENT

The company, during the financial year ended September 30, 2006, revalued its freehold land. Thereafter, freehold land, buildings on freehold land and plant & machinery were revalued during the financial years ended September 30, 2008, September 30, 2011 and September 30, 2014. The latest revaluation exercise was carried out by the independent valuers - K.G Traders (Private) Limited (Approved Valuer of Pakistan Bank Association) on the basis of depreciated market value.

Balance at beginning of the year	1,433,431,861	1,327,289,411
Add: surplus arisen on the revaluation carried-out during the year	-	183,278,940
Less: transferred to accumulated loss on account of incremental depreciation for the year	(51,252,317)	(47,859,765)
	(51,252,317)	135,419,175
Less: deferred tax on:		
- surplus on revaluation of property, plant and equipment during the year	-	52,571,950
- incremental depreciation	(16,400,741)	(15,793,722)
	(16,400,741)	36,778,228
Resultant adjustment due to reduction in tax rate	8,615,995	7,501,503
	1,407,196,280	1,433,431,861

7. LONG TERM LOANS	Note	2015 Rupees	2014 Rupees
Bank Al Habib Limited	7.1	44,444,442	75,000,000
Less: Current portion	10	(36,111,108)	(33,333,333)
		8,333,334	41,666,667

7.1 This represents term finance facility obtained from Bank Al Habib Limited for purchase of plant and machinery and increasing godown capacity. It shall be repaid through 36 equal monthly installments starting from December 2013. It carries mark up at the rate of average 6 month KIBOR plus 1.75% per annum, mark up shall be serviced on quarterely basis. It is secured by way of first charge over plant and machinery of the Company amounting to Rs. 170 million and personal guarantees of directors and corporate guarantee of M/s Pattoki Sugar Mills Limited.

8. LOAN FROM HOLDING COMPANY

Pattoki Sugar Mills Limited		525,000,000	525,000,000
Less : Current Portion	10	(25,000,000)	(25,000,000)
		500,000,000	500,000,000

8.1 The Company obtained unsecured loan from M/s Pattoki Sugar Mills Limited (PSML) - the holding company that carries mark-up at the rate of 3 month's KIBOR plus 2% per annum. The effective mark-up rate charged by PSML during the year ranged from 9.01% to 11.63% (2014: 11.39% to 12.17%) per annum and this loan is subordinate to the loan from Bank AL Habib Limited.

9. DEFERRED LIABILITIES

Deferred taxation	9.1	295,320,568	325,668,534
Staff retirement benefits - gratuity	9.2	1,412,063	776,504
		296,732,631	326,445,038

9.1 Deferred liability on temporary differences:

Taxable temporary differences		
Surplus on revaluation of property, plant and equipment	259,311,096	284,327,832
Accelerated tax depreciation	43,879,155	43,613,092
Finance lease arrangements	19,953,652	22,018,560
	323,143,903	349,959,484
Deductible temporary differences		
Provision for gratuity	(451,860)	(256,246)
Unabsorbed tax depreciation	(25,771,475)	(23,704,704)
Provision for doubtful advances	(1,600,000)	(330,000)
	(27,823,335)	(24,290,950)
	295,320,568	325,668,534

As at September 30, 2015, deferred tax asset amounting Rs.141.524 million (2014: Rs.166.013 million) on unused tax losses has not been recognised in the financial statements on the grounds of prudence. The management intends to re-assess the recognition of deferred tax asset as at September 30, 2015.

Deferred tax liability at the respective year-end represents deferred tax on surplus on revaluation of property, plant and equipment.

9.2 Staff retirement benefits - gratuity	**2015 Rupees**	**2014 Rupees**
The amount recognized in the balance sheet is as follows:		
Present value of defined benefit obligation	1,412,063	776,504
Unrecognized actuarial loss	-	-
Net liability at end of the year	1,412,063	776,504
Net liability at beginning of the year	776,504	565,121
Charge to profit and loss account	321,798	486,742
Net remeasurements for the year	487,860	2,828
Payments made during the year	(174,099)	(278,187)
Net liability at end of the year	1,412,063	776,504

The movement in the present value of defined benefit obligation is as follows:		
Opening balance	776,504	565,121
Current service cost	230,445	437,749
Interest cost	91,353	48,993
Benefits paid	(174,099)	(278,187)
Actuarial (gain) / loss	487,860	2,828
Closing balance	1,412,063	776,504
Expense recognized in profit and loss account		
Current service cost	230,445	437,749
Interest cost	91,353	48,993
Charge for the year	321,798	486,742
Expense recognized in other comprehensive income		
Actuarial (gain) / loss	487,860	2,828

Comparison of present value of defined benefit obligation and experience adjustment on obligation for five years is as follows:

	2015	2014	2013	2012	2011
			Rupees		
Present value of defined benefit obligation	1,412,063	776,504	565,121	224,111	-
Experience adjustment on obligation	487,860	2,828	(150,035)	-	-

The future contribution rates of this scheme include allowance for deficit and surplus. Projected unit credit method, based on the following significant assumptions, is used for valuation:

	2015	2014
- discount rate	9.25%	13.50%
- expected rate of growth per annum in future salaries	8.25%	12.50%
- average expected remaining working life time of employees	7 years	12 years

10. CURRENT PORTION OF LONG TERM LIABILITIES

	Note	2015 Rupees	2014 Rupees
Long term loans	7	36,111,108	33,333,333
Loan from holding company	8.	25,000,000	25,000,000
Lease liability - overdue	10.1	20,632,000	20,632,000
		81,743,108	78,965,333

10.1 The company has a dispute with BRR Guardian Modarba "the leasing company" regarding the settlement of securities provided for the subject facility. The company has officially lodged a complain in Consumer Protection Department of State Bank of Pakistan against the leasing company for release of the delievery orders, return of the post dated cheques and discharge of the personal guarantee of the directors.

11. SHORT TERM FINANCES

Bank Al-Habib Limited			
Cash finance - secured	11.1	-	527,797,959
MCB Bank Limited			
Cash finance - secured		242,949,521	-
Temporary bank overdraft - unsecured	11.2	4,177,444	-
		247,126,965	527,797,959

11.1 Short term finance facilities available from various banks under mark-up arrangements aggregate Rs.976.267 million (2014: Rs.676.267 million). These facilities, during the year, carried mark-up at the rates 3 months KIBOR plus 1.5%. Mark-up is payable on quarterly basis.

Facilities available for opening letters of credit aggregate / guarantee amounting Rs.Nil (2014: Rs.24.8 million) and are secured against the securities as detailed below.

The aggregate facilities are secured against pledge of sugar bags, first charge over receivables and second charge over stocks of Rs. 55 million, personal guarantees of the directors amounting to Rs. 500 million, corporate guarantee of the holding company M/S Pattoki Sugar Mills Ltd amounting to Rs. 500 million.

11.2 This represents temporary overdraft due to cheques issued by the Company in excess of balance with banks which will be presented for payment in subsequent period.

12. DUE TO RELATED PARTY

The Company has obtained unsecured short term loan from M/s Pattoki Sugar Mills Limited (PSML) - the holding company that carries mark-up at the rate of 3 month's KIBOR plus 1.5% per annum. The effective mark-up rate charged by PSML during the year ranged from 9.01% to 11.63% (2014: 10.89% to 11.67%) per annum.

13. TRADE AND OTHER PAYABLES

Trade creditors		152,791,260	202,777,922
Due to related parties	**13.1**	11,995,523	4,277,243
Advances from customers		274,628,337	5,430,896
Accrued expenses		11,490,920	16,974,498
Unclaimed dividend		2,597,511	2,597,511
Workers profit participation fund		166,131	149,714
Workers welfare fund		736,403	-
Taxes and duties payable		700,118	25,947,403
Other payables		12,688,165	5,368,738
		467,794,368	263,523,925

	Note	2015 Rupees	2014 Rupees
13.1 Due to related parties			
Imporient Chemicals (Pvt) Ltd		11,995,523	4,277,243

This represents payable to Imporient Chemicals (Private) Limited against purchase of chemical.

14. INTEREST AND MARK-UP ACCRUED

On long term loan	1,277,216	2,619,936
On loan from holding company	44,683,627	114,237,584
On short term finances	17,096,475	19,617,032
	63,057,318	136,474,552

15. CONTINGENCIES AND COMMITMENTS

Contingencies

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

- The Company has filed reference application before the Honorable High Court of Sindh against the decision of ITAT in respect of assessment year 2000 -2001, the reference application is pending before the honorable High Court Sindh. The Company has also filed the appeal before the Commissioner of income tax appeals against addition made by the assessing officer for the assessment year 2002 - 2003 which is pending for adjudication.
- In view of the favorable decision of the higher appellate forums on the like issue in prior years the management is hopeful about favorable outcome in above matters. Hence no provision is made in these account as there will be no tax impact of the matter in view of brought forward losses.
- The Company has filed an appeal before the Tribunal against the order of Commissioner Inland Revenue disallowing refund of further tax on the ground that the incidence of the tax has been passed on the consumers and the Company is not entitled to claim refund in terms of Section 3 (B) of the sales Tax Act, 1990. The management of the Company is of the view that outcome of the suit would be in favour of the company.
- Please refer to note 10.1 The company has firm belief that matter will be resolved in its favour.

Commitments

- Letters of credit for capital expenditure amounting to Rs. Nil (2014: Rs. Nil).
- Counter guarantee in favour of Trading Corporation of Pakistan amounting to Rs. Nil (2014: Rs. 20.00 million).

16. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	**16.1**	2,009,259,345	2,078,716,672
Capital work in progress	**16.5**	28,519,333	3,956,136
		2,037,778,678	2,082,672,808

16.1 Operating fixed assets

	OWNED ASSETS									LEASED ASSETS	GRAND TOTAL
	Land - Freehold	Buildings on freehold land	Plant and machinery	Electric Installation	Tools	Vehicles	Furniture and fixture	Equipment	Total	Plant & machinery	
	RUPEES										
Net carrying value as at October 01, 2014											
Opening net book value	864,120,000	184,101,087	934,147,223	750,847	1,252,192	2,014,823	735,023	4,240,567	1,991,361,762	87,354,910	2,078,716,672
Surpus arised during the year	-	-	-	-	-	-	-	-	-	-	-
Additions	-	-	989,139	-	-		-	224,510	1,213,649	-	1,213,649
Disposal at NBV	-	-	-	-	-	(53,427)	-	-	(53,427)	-	(53,427)
Depreciation for the year	-	(18,410,109)	(46,737,964)	(75,085)	(125,219)	(392,279)	(73,502)	(435,644)	(66,249,802)	(4,367,746)	(70,617,548)
Closing net book value	**864,120,000**	**165,690,978**	**888,398,397**	**675,762**	**1,126,973**	**1,569,117**	**661,521**	**4,029,433**	**1,926,272,181**	**82,987,164**	**2,009,259,345**
Gross carrying value as at September 30, 2015											
Cost	864,120,000	310,516,483	1,474,555,927	9,674,395	4,280,715	18,653,628	5,729,082	13,354,831	2,700,885,061	181,169,497	2,882,054,558
Accumulated depreciation	-	(144,825,505)	(586,157,529)	(8,998,633)	(3,153,742)	(17,084,511)	(5,067,561)	(9,325,398)	(774,612,879)	(98,182,333)	(872,795,212)
	864,120,000	**165,690,978**	**888,398,397**	**675,762**	**1,126,973**	**1,569,117**	**661,521**	**4,029,433**	**1,926,272,181**	**82,987,164**	**2,009,259,345**
Net carrying value as at October 1, 2013											
Opening net book value	840,150,000	135,452,858	853,689,146	834,275	1,391,325	2,518,529	816,692	4,594,792	1,839,447,617	91,952,537	1,931,400,154
Surpus arised during the year	23,970,000	63,166,649	96,142,291						183,278,940	-	183,278,940
Additions	-	1,826,213	30,124,878	-	-	-	-	114,645	32,065,736	-	32,065,736
Depreciation for the year	-	(16,344,633)	(45,809,092)	(83,428)	(139,133)	(503,706)	(81,669)	(468,870)	(63,430,531)	(4,597,627)	(68,028,158
Closing net book value	**864,120,000**	**184,101,087**	**934,147,223**	**750,847**	**1,252,192**	**2,014,823**	**735,023**	**4,240,567**	**1,991,361,762**	**87,354,910**	**2,078,716,672**
Gross carrying value as at September 30, 2014											
Cost	864,120,000	310,516,483	1,473,566,788	9,674,395	4,280,715	21,953,628	5,729,082	13,130,321	2,702,971,412	181,169,497	2,884,140,909
Accumulated depreciation	-	(126,415,396)	(539,419,565)	(8,923,548)	(3,028,523)	(19,938,805)	(4,994,059)	(8,889,754)	(711,609,650)	(93,814,587)	(805,424,237
	864,120,000	184,101,087	934,147,223	750,847	1,252,192	2,014,823	735,023	4,240,567	1,991,361,762	87,354,910	2,078,716,672
Rate (% age)	**N/A**	**10%**	**5%**	**10%**	**10%**	**20%**	**10%**	**10%**		**5%**	

16.2 Had there been no revaluation the carrying value of revalued assets as at September 30, 2015 would have been as under:

	Note	2015 Rupees	2014 Rupees
Land		7,959,798	7,959,798
Building		18,588,813	20,654,237
Plant and Machinery		225,153,387	235,994,581
		251,701,998	**264,608,616**

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

Cost of sales	**26**	65,348,377	62,376,286
Administrative expenses	**28**	5,269,171	5,651,872
		70,617,548	68,028,158

16.4. The following assets were disposed off during the year :

Description of Asset	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Mode of Disposal	Particular of Buyer
	Rupees	Rupees	Rupees	Rupees		
VEHICLES						
Mazda Bus	200,000	199,752	248	-	As per company policy	Shehzad Ali
Rocky Jeep	150,000	149,768	232	-	As per company policy	Shahid Ali
Daewoo Car	350,000	347,418	2,582	-	As per company policy	Syed Sikandar Abbass
Suzuki Jeep Vitara	150,000	149,547	453	-	As per company policy	Ch. Adil Bashir
Suzuki Jeep	150,000	149,815	185	-	As per company policy	M Sadaf-ul-Haq
Suzuki Car	100,000	99,901	99	-	As per company policy	M Asghar
Fiat Car	100,000	99,078	922	-	As per company policy	Ahmed Yar
Mitsubishi Lancer	150,000	149,768	232	-	As per company policy	Raja Tayyab
Daewoo Car	300,000	298,229	1,771	-	As per company policy	Imran Masih
Mitsubishi Van	350,000	348,678	1,322	-	As per company policy	Faizan Lashari
Pajero Jeep	250,000	249,690	310	-	As per company policy	Zulfiqar Ali
Mitsubishi Lancer	400,000	398,111	1,889	-	As per company policy	Awais Nizami
Suzuki Bolan	500,000	457,050	42,950	-	As per company policy	Iftikhar Mehmood
Mitsubishi Lancer	150,000	149,768	232	-	As per company policy	Syed Hamid Hussain

	Note	2015 Rupees	2014 Rupees
16.5 Capital work in progress			
Plant and machinery		23,375,870	-
Building on freehold land		5,143,463	3,956,136
		28,519,333	3,956,136
17. LONG TERM DEPOSITS			
Security deposits - others		587,575	587,575
18. STORES, SPARES AND LOOSE TOOLS			
Stores		14,566,283	17,323,276
Spares		22,641,974	21,834,950
Loose tools		235,863	207,811
		37,444,120	39,366,037
19. STOCK-IN-TRADE			
Work-in-Process			
- Sugar		11,665,374	3,532,221
- Molasses		1,006,455	509,100
		12,671,829	4,041,321
Finished Goods			
- Sugar		238,273,237	598,587,076
- V.F Cake		2,052,777	1,607,247
		240,326,014	600,194,323
		252,997,843	604,235,643

19.1. The entire stock of sugar is pledged as security with banks.

	Note	2015 Rupees	2014 Rupees
20. TRADE DEBTS			
Unsecured and considered good		98,574,506	173,434,138
21. ADVANCES			
Unsecured but considered good:			
Advances to cane growers	**21.1**	27,011,590	27,622,696
Advances to staff		219,066	162,795
Advance for store purchases		15,755,439	10,697,687
Advance income tax		34,069,507	36,719,007
		77,055,602	75,202,185
Unsecured but considered doubtful:			
Advances to cane growers		5,000,000	1,000,000
		82,055,602	76,202,185
Provision for doubtful advances	**21.2**	(5,000,000)	(1,000,000)
		77,055,602	75,202,185

21.1 This represents provision of cane seeds, pesticides and fertilizers to cane growers. The balance is adjustable against supply of sugarcane.

21.2 Reconciliation of provision for doubtful advances

Opening balance	1,000,000	1,000,000
Provision made during the year	4,000,000	-
Closing balance	5,000,000	1,000,000

22. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Security deposit - Lease key money	20,632,000	20,632,000
Prepayments	4,150	316,334
Bank guarantee margin	-	51,941
	20,636,150	21,000,275

23. OTHER RECEIVABLES

Subsidy receivable on exports	107,742,500	-

24. CASH AND BANK BALANCES

At banks		
- In current accounts	531,598	3,900,735
In hand		
- Cash	1,386,436	358,063
	1,918,034	4,258,798

25. SALES - NET	Note	2015 Rupees	2014 Rupees
Sugar - Local		774,981,300	1,820,141,085
- Export	25.1	920,503,400	-
Less: Federal excise duty		(57,406,008)	(65,543,944)
			-
		1,638,078,692	1,754,597,141

25.1 It includes rebate on export sales amounting to Rs. 198,342,500 (2014: Nil).

26. COST OF SALES

Cost of sugarcane consumed (including procurement and other costs)		1,169,586,082	1,774,580,865
Salaries, wages and other benefits.	**26.1**	52,134,463	45,886,299
Stores, spares and loose tools consumed		19,853,125	4,986,873
Chemicals consumed		8,822,956	17,232,776
Packing material consumed		10,280,381	19,048,492
Fuel and power		12,399,147	7,223,154
Repair and maintenance		18,437,789	23,637,877
Vehicle running expenses		1,304,174	4,006,227
Depreciation	**16.3**	65,348,377	62,376,286
Other factory overheads		681,841	870,608
		1,358,848,335	1,959,849,457
Work in process			
Opening		4,041,321	2,990,796
Closing		(12,671,829)	(4,041,321)
		(8,630,508)	(1,050,525)
		1,350,217,827	1,958,798,932
Finished goods			
Opening		600,194,323	341,819,604
Closing		(240,326,014)	(600,194,323)
		359,868,309	(258,374,719)
Sale of By products			
Molasses		(112,856,696)	(209,444,790)
Press Mud		(1,021,756)	(3,143,743)
		(113,878,452)	(212,588,533)
		1,596,207,684	1,487,835,681

26.1 Salaries, wages and other benefits include staff retirement benefits amounting to Rs. 212,387 (2014:Rs.321,300).

27. DISTRIBUTION AND SELLING EXPENSES

Salaries, wages and other benefits	**27.1**	534,004	483,156
Stacking, restacking and carriage		1,531,819	2,479,879
Other expenses - exports		13,444,328	-
Miscellaneous		525,547	812,439
		16,035,698	3,775,474

27.1 Salaries, wages and other benefits include staff retirement benefits amounting to Rs. 23,169 (2014:Rs. 35,000)

28. ADMINISTRATIVE EXPENSES	Note	2015 Rupees	2014 Rupees
Salaries, wages and other benefits	28.1	19,760,931	18,501,017
Traveling and conveyance		76,140	68,048
Rent, rates and taxes		-	50,000
Telephone and postage		143,366	120,515
Printing and stationery		157,880	116,021
Fee and subscription		3,511,420	1,349,806
Insurance		1,263,382	1,487,297
Repair and maintenance		10,445	34,810
Vehicle running expenses		2,405,440	2,435,906
Entertainment		426,015	515,029
Advertisement expenses		-	338,830
Auditors' remuneration	28.2	640,000	640,000
Legal and professional charges		432,000	123,000
Donations	28.3	220,900	318,735
Depreciation	16.3	5,269,171	5,651,872
Miscellaneous		391,780	419,576
		34,708,870	32,170,462

28.1 Salaries, wages and other benefits include staff retirement benefits amounting to Rs. 86,242 (2014:Rs. 130,434)

28.2 Auditors' remuneration

Annual audit fee	500,000	500,000
Review of code of corporate governance	10,000	10,000
Review of half year financial statements	50,000	50,000
	560,000	560,000
Cost audit fee	80,000	80,000
	640,000	640,000

28.3 The company has not paid donation to any organization in which any director or his spouse has any interest.

29. OTHER EXPENSES		
Workers profit participation fund	-	149,714
Workers welfare fund	736,403	-
Provision for doubtful advances	4,000,000	-
Loss on sale of fixed assets	53,427	-
	4,789,830	149,714

30. OTHER INCOME		
Gain on foreign currency transactions	1,867,505	1,625,736
Miscellaneous Income	-	6,390
	1,867,505	1,632,126

	Note	2015 Rupees	2014 Rupees
31. FINANCE COST			
Mark up on:			
- long term loan		6,531,152	10,542,360
- loan from holding company		139,946,043	159,077,355
- short term finances		45,741,746	59,159,475
- workers profit participation fund		16,417	-
Commission and bank charges		831,081	674,188
		193,066,439	229,453,378
32. TAXATION			
- Current		15,583,818	16,493,069
- Prior		-	611,812
- Deferred		(21,731,971)	(22,977,203)
		(6,148,153)	(5,872,322)

Numeric tax rate reconciliation between the average tax rate and applicable tax rate has not been presented in these financial statements as the Company is chargeable to minimum tax under section 113 of the Income Tax Ordinance, 2001.

33. EARNING / (LOSS) PER SHARE			
(Loss) / Profit for the year		(198,714,171)	8,716,880
		(Number of shares)	
Weighted average number of shares outstanding during the year		9,450,000	9,450,000
		Rupees	**Rupees**
(Loss) / Earning per share - basic		(21.03)	0.92

33.1 Diluted loss per share has not been presented as the Company does not have any convertible instruments in issue as at September 30, 2015 and September 30, 2014, which would have any effect on the loss per share of the Company if the option to convert is exercised.

34. CASH GENERATED FROM OPERATIONS			
(Loss) / Profit before taxation		(204,862,324)	2,844,558
Adjustment for non cash charges and other items:			
Depreciation on property, plant and equipment		70,617,548	68,028,158
Finance costs		193,066,439	228,779,190
Accounting loss on disposal		53,427	-
Provision for doubtful advances		4,000,000	-
Provision for workers profit participation fund		-	149,714
Provision for gratuity		321,798	486,742
Working capital changes	**34.1**	516,392,083	(698,293,429)
		784,451,295	(400,849,625)
		579,588,971	(398,005,067)
34.1 Working capital changes			
(Increase) / decrease in current assets			
Stores, spares and loose tools		1,921,917	299,060
Stock-in-trade		351,237,800	(259,425,243)
Trade debts		74,859,632	(123,174,341)
Advances		(8,502,917)	26,414,191
Trade deposits and short term prepayments		364,125	1,442,781
Other receivables		(107,742,500)	4,560,159
Increase / (decrease) in current liabilities			
Trade and other payables		204,254,026	(348,410,036)
		516,392,083	(698,293,429)
35. CASH AND CASH EQUIVALENTS			
Short term finances	**11**	(247,126,965)	(527,797,959)
Cash and bank balances	**24**	1,918,034	4,258,798
		(245,208,931)	(523,539,161)

36 Financial instruments

36.1 Financial risk factors

The Company's activities expose it to a variety of financial risks, market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

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

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. The Company is exposed to foreign currency exchange risk in respect of commitments against letters of credit in foreign currency. The management does not view hedging as being financially feasible.

The following significant exchange rate has been applied:

	Average rate		Reporting date rate	
	2015 Rupees	2014 Rupees	2015 Rupees	2014 Rupees
US $ to PKR	103.55	104.23	104.50	102.60

The weakening of the PKR against US Dollar would have had an equal but opposite impact on the post tax profit / (loss).

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

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The company is not exposed to other price risk.

(iii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk.

At the balance sheet date, the interest rate profile of the Company's interest bearing financial instruments was:

Floating rate instruments Financial liabilities	2015 Rupees	2014 Rupees
Long term loans	44,444,442	75,000,000
Loan from holding company	525,000,000	525,000,000
Finance lease	20,632,000	20,632,000
Due to related party	718,754,403	683,195,817
Short term finances	247,126,965	527,797,959
	1,555,957,810	1,831,625,776

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Company.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Company's credit risk is primarily attributable to its trade debts and its balances at banks. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

Long term deposits	587,575	587,575
Trade debts	98,574,506	173,434,138
Advances	77,055,602	75,202,185
Bank balances	531,598	3,900,735
	176,749,281	253,124,633

The aging of trade receivable at the reporting date is as under:

Not past due		
Past due 0 - 180 days	90,728,431	168,021,817
Past due 181 - 365 days	7,846,075	5,412,321
	98,574,506	173,434,138

The credit quality of cash and bank balances that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating			
	Short term	Long term		
Bank Al-Habib Ltd.	A1+	AA+	53,550	239,351
United Bank Ltd.	A-1+	AA+	7,303	363,686
MCB Bank Ltd.	A1+	AAA	10,290	894,330
National Bank of Pakistan	A1+	AAA	79,736	79,736
Habib Bank Ltd.	A-1+	AAA	261,890	594,155
Habib Metropolitan Bank Ltd.	A1+	AA+	763	1,684,177
Summit Bank Ltd	A-1	A	43,028	19,680
Bank Al Falah Ltd	A1+	AA	17,870	25,620
JS Bank	A1+	A+	39,580	-
Bank of Punjab	A1+	AA-	8,400	-
Askari Bank	A-1+	AA	9,188	-
			531,598	3,900,735

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and bank balances and the availability of funding through an adequate amount of committed credit facilities. At September 30, 2015, the Company had borrowing limits available from financial institutions.

The following are the contractual maturities of financial liabilities as at September 30, 2015:

	Carrying amount	Less than one year	More than one year
	---------- Rupees ----------		
Long term loans	44,444,442	36,111,108	8,333,334
Loan from holding company	525,000,000	25,000,000	500,000,000
Lease finances	20,632,000	20,632,000	-
Short term finances	247,126,965	247,126,965	-
Due to related party	718,754,403	718,754,403	-
Trade and other payables	467,794,368	467,794,368	-
Interest and mark-up accrued	63,057,318	63,057,318	-
	2,086,809,496	1,578,476,162	508,333,334

The following are the contractual maturities of financial liabilities as at September 30, 2015:

Long term loans	75,000,000	33,333,333	41,666,667
Loan from holding company	525,000,000	25,000,000	500,000,000
Lease finances	20,632,000	20,632,000	-
Short term finances	527,797,959	527,797,959	-
Due to related party	683,195,817	683,195,817	-
Trade and other payables	263,523,925	263,523,925	-
Interest and mark-up accrued	136,474,552	136,474,552	-
	2,231,624,253	1,689,957,586	541,666,667

36.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

36.3 Capital risk management

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders, benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its business.

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 dividend paid to shareholders and / or issue new shares.

There was no change to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements except for the maintenance of debt to equity ratio under the financing agreements.

37. REMUNERATION TO THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

37.1 The aggregate amount charged in the financial statements for the year against remuneration, including certain benefits, to the full time working directors and executives of the Company is as follows:

	Managerial remuneration	Allowances, utilities etc	Number of persons
Chief Executive	---------- Rupees ----------		
2015	-	-	-
2014	-	-	-
Directors			
2015	-	-	-
2014	-	-	-
Executives			
2015	806,707	403,293	1
2014	800,040	399,960	1

37.2 The chief executive and the directors of the company have waived their right to receive meeting fee. Additionally, executive is provide with free use of cellular phone and company maintained car.

38. TRANSACTION WITH RELATED PARTIES

Related parties include associated companies, directors of the Company, companies where directors also hold directorship, related group companies, key management personnel and staff retirement funds. All transactions involving related parties arising in the normal course of business are conducted at commercial terms and conditions, and at prices agreed based on inter company prices using admissible valuation modes.

Detail of transactions with related parties is as follows:

				2015
Name of related party	**Nature of relationship**	**Basis of relationship**	**Nature of transaction**	**Amount (Rupees)**
Imporient Chemicals (Pvt) Limited	Associate	Common directorship	Purchase of chemical	16,114,807
Pattoki Sugar Mills Limited	Associate	Holding company	Loan including markup	1,288,438,030

				2014
Name of related party	**Nature of relationship**	**Basis of relationship**	**Nature of transaction**	**Amount (Rupees)**
Imporient Chemicals (Pvt) Limited	Associate	Common directorship	Purchase of chemical	19,843,995
Pattoki Sugar Mills Limited	Associate	Holding company	Loan including markup	1,322,433,401

38.1 Purchase of chemical are based on commercial terms and at market prices which are approved by the Board of Directors.

39. CAPACITY AND PRODUCTION

	2015		2014	
	Days	**M.Tonnes**	**Days**	**M.Tonnes**
Crushing capacity	160	480,000	160	480,000
Sugarcane crushed	94	249,228	111	407,635
Sugar production	-	21,845	-	39,062

The low production was due to limited availabilty of raw material.

40. OPERATING SEGMENTS

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

40.1 Sugar Sales represents 93% (2014: 89%) of the total sales of the company.

40.2 Company's sales during the year relate to the customers in Pakistan and in Afghanistan.

40.3 All non - current assets of the company as at September 30, 2015 are located in Pakistan.

41. CORRESPONDING FIGURES

Corresponding figures have been rearranged / regrouped wherever necessary for the purpose of better comparison.

42. NUMBER OF EMPLOYEES

	2015	2014
	Number of employees	
Number of persons employed as at September 30,		
- permanent	152	150
- contractual	130	116
Average number of employees during the year		
- permanent	151	171
- contractual	123	149

43. EVENTS AFTER THE BALANCE SHEET DATE

There are no reportable events after balance sheet date.

44. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on December 31, 2015by the Board of Directors of the Company.

CHIEF EXECUTIVE **DIRECTOR**

FORM OF PROXY

I/We, _____being member of

Baba Farid Sugar Mills Limited, holder of _____ ordinary Shares as per

Share Register. Filo No. _____ ands / or CDC participant I.D. No. _____

Account No_____ hereby appoint _____ _____of _____

who is also member of Baba Farid Sugar Mills Limited vide Folio No. _____ or

CDC participant I.D. No. _____Account No. _____

or failing him / her _____ of _____

who is also member of Baba Farid Sugar Mills Limited v ide Filo No. _____

or CDC participant I.D. No. _____Account No. _____

as my /our proxy to attend, speak and vote for me / us and on my / our behalf at the Annual General meeting of the company to be held on 27th January, 2016 and at any adjournment thereof.

As witness my/ our hand this _____day of _____2016.

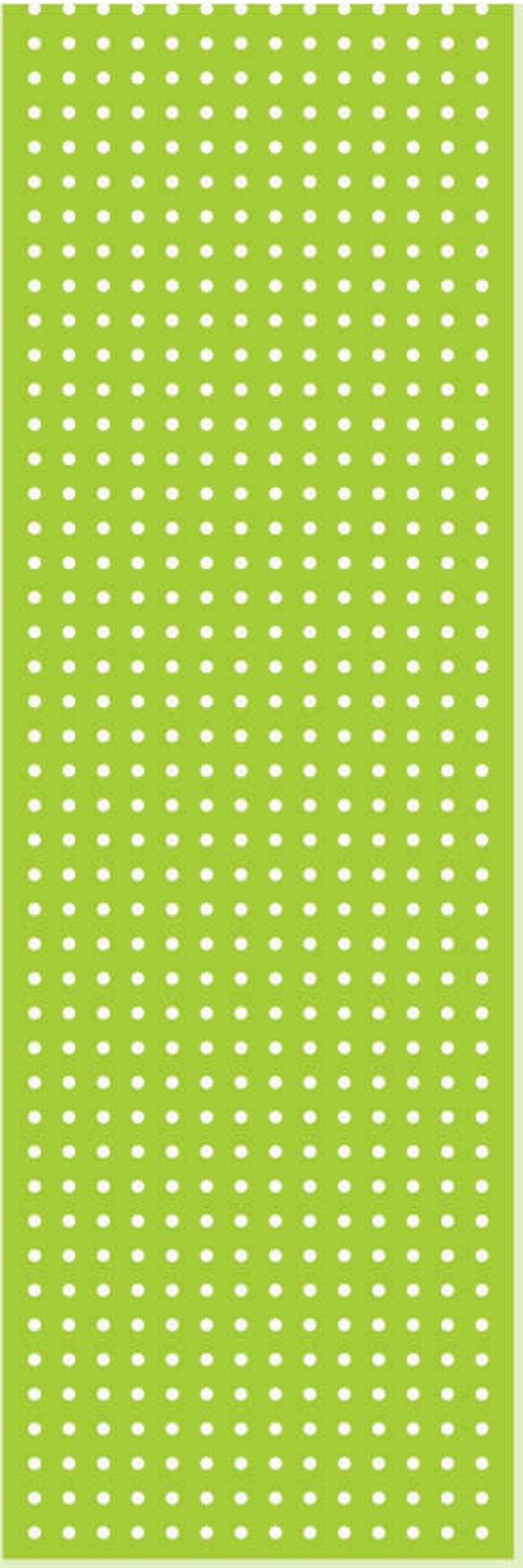
Signed by the said _____

in the presence of _____.

Signature On Rs. 5/- Revenue Stamp

Notes:

1) The Proxy is in order to be valid must be duly stamped, signed and witnessed and be deposited with the Company not later than 48 hours before the time of holding of meeting.
2) The proxy must be a member of the Company.
3) Signature should agree with the specimen signature, registered with the Company.
4) CDC Shareholders entitled to attend and vote at this meeting, must bring with them their National Identity Card / Pa ssport in original to prove his / her identity, and in case of Proxy must enclose an attested copy of his/ her NIC or Passport
5) Representative of corporate members should bring the usual documents required for such purpose



BOOK POST

IF UNDELIVERED PLEASE RETURN TO

BABA FARID SUGAR MILLS LIMITED
Suite-T-09., 3rd Floor, Hafeez Center,
75-E/1, Main Boulevard,
Gulberg III, Lahore.