BABA FARID

SUGAR MILLS LIMITED



38th Annual Report 2016

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BABA FARID SUGAR MILLS LIMITED

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

Muhammad Ashraf	Chairman
Mr. Mirza Maqsood-ul-Hassan	Member
Syed Qaissar Abbas Naqvi	Member
Mr. Shahid Mahmood Quershi	Member

HR & R 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

M/s Hasnain Ali & Co
Chartered Accountants
Room # 103, 1st Floor, Regency Plaza
Near Mini Market, Gulberg III, Lahore.
Tel; 042-35755212, Fax; 042-35755213
Email ; info@hac.com.pk

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/1
Main Boulevard, Gulberg III, Lahore
Tel; 042-35884180-5, Fax; 042-35884138-39
Email ; info@bfsml.com

BANKERS

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

LEGAL ADVISOR

MOHSIN TAYEBALY & CO.
Corporate Legal Consultants | Barristers & Advocates | High Courts & Supreme Courts
Lahore Office: 102-C/1, St. John's Park (opp Fortress Stadium). Lahore Cantt, Lahore
Tel: (92-42) 36672102
Email: arshad.mirza@mtclaw.com.pk

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.

CORE 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

38TH



ANNUAL GENERAL MEETING

NOTICE is hereby given that the Thirty Eighth Annual General Meeting of the members of Baba Farid Sugar Mills Limited will be held on Tuesday, 31st January, 2017 at 9:30 A.M. at 42-G, Gulberg-III, Near Firdous Market, Lahore to transact the following business :-

ORDINARY BUSINESS

1. To confirm the minutes of 37th Annual General Meeting held on 29th January 2016.
2. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended September 30, 2016 together with the Chairman's, Directors' and Auditors' Report thereon.
3. To appoint Auditors for the year ending September 30, 2017 and fix their remuneration. The retiring auditors, Hasnain Ali & Company, Chartered Accountants, Lahore, being eligible, have offered themselves for re-appointment.
4. Any other business with the permission of the chair.

SPECIAL BUSINESS

5. To consider and if deemed fit, to pass the following resolutions as special resolutions for alteration of Articles of Association of the Company, with or without modification, addition(s) or deduction (s), as recommended by the Board of Director.

   Resolved that pursuant to Section 28 and other applicable provisions, if any, of the Companies Ordinance, 1984 and any other law(s), the Articles of Association of Baba Farid Sugar Mills Limited (the Company) be and are hereby altered/ amended as follow:

   a) by adding a new Article 100 (a) after existing Article 100:
   "The provisions and requirements for e-voting as prescribed by the SECP from time to time shall be deemed to be incorporated in these Articles of Association, irrespective of the other provision of these Articles and notwithstanding anything contradictory therein."

   b) by altering/re-wording of existing Article 101 (a):
   "An instrument appointing a proxy shall be in the form specified in Regulation 39 of the Table 'A' in the First Schedule to the Ordinance or Schedule II of the Companies (E-Voting) Regulations, 2016 or in any other form which the directors may approve."

   Resolved Further that the Chief Executive Officer and Company Secretary of the Company shall be singly authorized to take all actions and to do all things, to complete any or all steps and actions necessary, incidental and ancillary as may be required for the purpose of amendment/ alteration in Articles of Association of the Company.

STATEMENT UNDER SECTION 160(1)(B) OF THE COMPANIES ORD. 1984

This statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting of the Company to be held on January 31, 2017.

(i) To amend Articles of Association of the Company to facilitate E-voting in general meeting of the company in compliance with the requirements of The Companies (E-voting) Regulations, 2016.

The Board of Directors of Baba Farid Sugar Mills Limited ("the Company") in their meeting held on January 5, 2017 recommended to amend Articles of Association of the Company in compliance with the requirements of The Companies (E-voting) Regulation 2016 in order to allow members of the Company to opt for E-voting in a general meeting of the Company in compliance with the requirements of the Companies (E-voting) Regulations, 2016, as amended from time to time. In the case of E-voting, both members and non-members can be appointed as proxy. The instruction to appoint execution officer and option to e-vote through intermediary shall be required to be deposited with the Company, at least ten (10) days before holding of the general meeting, at the Company's registered office address or through email. The Company will arrange E-voting if the Company receives demand for poll from at least five (5) members or by any member or members having not less than one tenth (1/10) of the voting power.

(ii) Approval for circulation of Annual Reports through CD/DVD/USB.

To save the printing cost of annual reports, it is suggested that in future reports will be sent on CD/DVD/USB to the shareholders instead of Hard Copies. However, on request in writing received from any shareholder printed copies will be dispatched to him.

The Directors of the Company have no interest, directly or indirectly in the above business.

6. To consider and if deemed fit pass the following ordinary resolution for getting shareholders' approval for circulation of Annual Report through CD/DVD/USB:

   "Resolved that approval be and is hereby granted to allow the Company (Baba Farid Sugar Mills Limited) to transmit the Annual Balance Sheet, Profit and Loss Account, Auditors' Report and Directors' Report etc. (Audited Financial Statements) along with notice of annual general meeting (Notice) to its members through CD/DVD/USB instead of hard copy at their registered addresses.

7. To consider and if deemed fit, to pass the following ordinary resolution for getting shareholders 'approval for circulation of Annual Report through e-mail:

   "Resolved that approval be and is hereby granted to allow the Company (Baba Farid Sugar Mills Limited) to transmit the Annual Balance Sheet, Profit and Loss Account. Auditors Reports and Directors Report etc. (Audited Financial Statements) along with notice of annual general meeting (Notice) to its members' e-mail though instead of hard copies at their registered address"

BY ORDER OF THE BOARD

Qaissar Abbas Naqvi
Director

January 05, 2017

Notes:

(1) The Share Transfer Books of the Company will remain closed from January 25, 2017 to January 31, 2017 (both days inclusive). Transfer received at the office of Share Registrar of the Company, i.e. M/s. Corplink (Pvt.) Limited, Wings Arcade, 1-K, Commercial Model Town, Lahore, at the close of business on January 24, 2017 will be considered in time for entitlement to attend the Meeting.

(2) All members should bring their original Computerized National Identity Card at the time of meeting.

(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) Proxy Forms, duly filled and signed, must be received at the Registered Office of the Company, not less than forty eight (48) hours before the Meeting. A blank Proxy Form is annexed with the report.

(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

BABA FARID SUGAR MILLS LIMITED

DIRECTOR'S REPORT TO THE MEMBERS

On behalf of the Board of Directors, ' I am pleased to present the 38th Annual Report of your Company together with the audited financial statements for the year ended 30th September 2016

OPERATIONAL PERFORMANCE REVIEW

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

		2015-16	2014-15
Season started		27-Nov-15	28-Nov-14
Season closed		05-Mar-16	01-Mar-15
Crushing days		100	94
Sugarcane crushed	M.Tons	261,931	249,228
Sugar recovery	%	9.17%	8.82%
Sugar produced	M.Tons	23,943	21,845
Molasses recovery	%	4.65%	4.52%
Molasses produced	M.Tons	12,154	11,209



The mills were operated for 100 days with total crushing of 261,931 M. Tones as against 94 days with total crushing of 249,228 M. Tones. Production of molasses remained 12,154 M. Tons as against 11,209 M. Tones of the last year. Minimum support price has been increased by Government but growers are still demanding higher prices. Currently (season 2015-2016) 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 increased from 8.82 % last year to 9.17 % this year. Which is 11.78 % increase from the last year. Molasses Recovery has increased 2.88 % i.e. 4.52 % to 4.65 % 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 significant improvement in the financial results of your company as compared to last year. An analysis of the key financial results is given below:

	2015-16 (Million)	2014-15 (Million)
Sales	1,264.12	1,638.08
Gross Profit	139.13	41.87
(Loss)/profit before Taxation	3.24	(204.86)
(Loss)/profit for the year	12.49	(198.71)
(Loss) /earnings per share Basic and diluted	1.32	(21.03)



During the year under review, we have achieved earning per share (EPS) Rs. 1.32 as compared to Rs. (21.03). The company earned gross profit of Rs.139.13 (M) as compared to Rs. 41.870 (M) of pervious year. Company's financial results charged to positive, and profit before tax has been increased to Rs.3.24 (M) from Rs. (204.86) (M) of the last year.

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 due to improvement of sugarcane recovery percentage, better sale rate of sugar, increase in gross profit and net profit for the year. 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.

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 Director	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 four 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 of M/s. Hussain Ali & Co., Chartered Accountants, Lahore stand retired and have offered themselves for re-appointment for the year 2017. The Audit Committee has recommended to the Board the re-appointment of M/s. Hussain Ali & Co., Chartered Accountants, Lahore, being eligible and offered themselves for appointment as auditors of the Company for the year ended September 30, 2017. Therefore, Board of Directors has proposed to the shareholder to appoint M/s. Hussain Ali & Co., Chartered Accountants, as Auditors of the Company for the year ending September 30, 2017.

ACKNOWLEDGEMENT

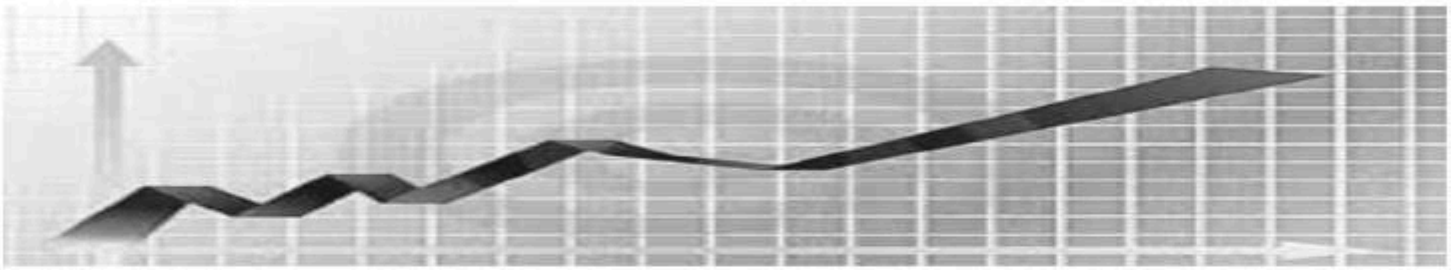
The Board would like to thank the shareholders and bankers for their trust and continued support extended to the company for its smooth operation. The Board would also like to place on record its appreciation for the efforts, loyalty and hard work of all the workers, staff and management team and hope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

For and on behalf of the Board
(Muhammad Sarwar)
Chief Executive

Lahore, January 5, 2017

BABA FARID SUGAR MILLS LIMITED

SIX YEARS' REVIEW AT GLANCE



		2016	2015	2014	2013	2012	2011
OPERATIONAL PERFORMANCE							
Crusting Days	Days	100	94	111	129	114	122
Total Cane Milled	M.Tons	261,930	249,227	407,635	413,485	342,173	310,906
Sugar Produced	M.Tons	23,943	21,845	39,062	37,742	32,263	28,013
Sugar Recovery	%age	9.17%	8.82%	9.60%	9.14%	9.43%	9.02%
Molasses Produced	M.Tons	12,155	11,209	18,960	23,120	15,515	14,100
Molasses Recovery	%age	4.65%	4.52%	4.66%	5.59%	4.54%	4.54%
Support Price	Rupees	180	180	170	170	150	125
OPERATING RESULTS (MILLION)							
Sale		1,264.12	1,638.08	1,754.60	1,955.01	1,839.80	950.03
Gross Profit/(Loss)		139.13	41.87	266.76	85.92	52.90	101.87
Net Profit/(Loss) before Taxation		3.24	(204.86)	2.84	(135.65)	(222.92)	(191.77)
Net Profit/(Loss) after Taxation		12.49	(198.71)	8.72	(132.32)	(255.87)	(244.09)
Basic Earnings (Loss) Per share		1.32	(21.03)	0.92	(14.00)	(27.08)	(23.71)
Ratios							
Gross Profit/(Loss)		11.00%	2.56%	15.20%	4.39%	2.88%	10.72%
ASSETS EMPLOYED (MILLION)							
Operating assets		2,475.98	2,037.78	2,083.26	1,952.25	1,898.86	1,917.72
Current assets		808.35	596.37	917.50	591.48	753.20	1,028.60

CHIEF EXECUTIVE **DIRECTOR**

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, 2016

SHAREHOLDING

04 NO. OF SHAREHOLDERS	FROM	To	TOTAL SHARE SHELD
695	1	100	18,631
388	101	500	70,897
35	501	1,000	25,740
43	1,001	5,000	104,622
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
1,175			**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	333,018	3.5240%
	b) Foreign	0	0.0000%
5.9	Others (to be specified) Joint Stock Companies	526	0.0056%

6.0	Signature of Company Secretary	
7.0	Name Of Signatory	Muhammad Ibrahim Raza
8.0	Designation	Company Secretary
9.0	NIC Number	35201-8459576-7
10.0	Date	30-Sep-16

BABA FARID SUGAR MILLS LIMITED

CATEGORIES OF SHAREHOLDING

As Required Under Code Of Corporate Governance (CCG) As On September 30, 2016

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 and 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 C ompanies, 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 and their spouses and minor children shall be disclosed:

Sr. NO	Name	Sales	Purchase

FINANCIAL STATEMENTS

For the year ended September 30, 2016



BABA FARID SUGAR MILLS LIMITED

STATEMENT OF COMPLIANCE

with best practices of CORPORATE GOVERNANCE for the year ended September 30, 2016

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in regulation No. 5.19.23 of Pakistan Stock Exchange Rule Book for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

1. Company encourages the representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

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



The independent director meets the criteria of independence as contained in the Code

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

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

4. A casual vacancy on the board is filled up by the directors within 90 days.

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

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

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

8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda

and working papers, were circulated at least seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated.

9. All the Directors on the Board are well conversant with the listing regulations, legal requirements and operational imperatives of the company, and as such are fully aware of their duties and responsibilities. The Board arranged training program for one of its directors.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms & conditions of employment.

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

12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.

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

14. The company has complied with all the corporate and financial reporting requirements of the CCG.

15. The board has formed an Audit Committee. It comprises four members, of whom two directors are non-executive, one is independent and one is executive director (having financial skills / expertise and experience).

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

17. The board has formed an HR and Remuneration Committee. It comprises four members of whom one director is executive, two are non-executive and one is independent.

18. The board has set up an effective internal audit function managed by suitably qualified and experienced personnel who are conversant with the policies and procedures of the company.

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

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

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

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. The company has complied with the requirements relating to maintenance of register of persons having assessed to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.

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

For and on behalf of the Board

(Muhammad Sarwar)
Chief Executive

Lahore, January 05, 2017

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Baba Farid Sugar Mills Limited (the company) as at September 30, 2016 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 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, 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, 2016 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Without qualifying our opinion, we draw attention to note 2 to the financial statements. During the current financial year, the Company has earned profit before tax amounting to Rs. 3,237,466 (2015: Loss of Rs.204,862,324) and at balance sheet date its accumulated losses have stood up to Rs. 1,217,959,120 (2015: Rs. 1.266,087,217). Further, the Company's equity is in negative and its current liabilities have exceeded its current assets by Rs. 972,420,689 (2015: Rs. 997,691,225). These conditions may cast significant doubt on Company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

The financial statements of the company as of September 30, 2015, were audited by another firm of chartered accountants whose report dated December 31, 2015 expressed an unqualified opinion with an emphasis of matter paragraph on those statements.

Dated: **January 5, 2017**
Place: Lahore

HASNAIN ALI & CO
CHARTERED ACCOUNTANTS
Engagement Partner: - Hasnain Adam Ali

REVIEW REPORT TO THE MEMBERS

ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended September 30, 2016 prepared by the Board of Directors of Baba Farid Sugar Mills Limited (the company) to comply with requirenments of listing regulations of Pakistan Stock Exchange Limited.

The responsibility for compliance with the Code of Corporate Governance 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 of Corporate Governance 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 part of our audit of 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's statement on internal control covers all risks and controls, or to form an opinion on effectiveness of such internal controls, the company's corporate governance procedures and risks.

The Code also requires the company to place before the Board of Directors for their consideration and approval of 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 recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before 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 of Corporate Governance as applicable to the company for the year ended September 30, 2016.

Date: January 5, 2017
Place: Lahore

HASNAIN ALI & CO
CHARTERED ACCOUNTANTS

BABA FARID SUGAR MILLS LIMITED

BALANCE SHEET

AS AT SEPTEMBER 30, 2016

EQUITY AND LIABILITIES	Note	2016 Rupees	2015 Rupees
SHARE CAPITAL AND RESERVES			
Authorized capital			
70,000,000 ordinary shares of Rs.10 each		700,000,000	100,000,000
(2015: 10,000,000 ordinary shares of Rs.10 each			
Issued, subscribed and paid-up capital	5	94,500,000	94,500,000
Accumulated (Loss)		(1,217,959,120)	(1,266,087,217)
		(1,123,459,120)	(1,171,587,217)
Surplus on revaluation of property, plant & equipment	6	1,779,773,872	1,407,196,280
NON CURRENT LIABILITIES			
Long term loans	7	-	8,333,334
Loan from holding company	8	500,000,000	500,000,000
Deferred liability	9	347,835,618	296,732,631
		847,835,618	805,065,965
CURRENT LIABILITIES			
Current portion of long term liabilities	10	54,408,109	81,743,108
Short term finances	11	101,799,132	247,126,965
Due to related party		1,111,646,078	718,754,403
Trade and other payables	13	480,373,054	467,794,368
Interest and mark-up accrued	14	20,715,647	63,057,318
Provision for taxation		11,831,378	15,583,818
		1,780,773,398	1,594,059,980
TOTAL EQUITY & LIABILITIES		**3,284,923,768**	**2,634,735,008**
Contingencies and commitments	15		
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	16	2,475,983,483	2,037,778,678
Long term deposits	17	587,575	587,575
		2,476,571,058	2,038,366,253
CURRENT ASSETS			
Stores, spares and loose tools	18	45,609,787	37,444,120
Stock-in-trade	19	381,077,616	252,997,843
Trade debts	20	108,890,582	98,574,506
Advances	21	144,705,252	77,055,602
Trade deposits and short term prepayments	22	20,632,000	20,636,150
Other receivables	23	105,742,500	107,742,500
Cash and bank balances	24	1,694,973	1,918,034
		808,352,710	596,368,755
TOTAL ASSETS		**3,284,923,768**	**2,634,735,008**

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

CHIEF EXECUTIVE **DIRECTOR**

BABA FARID SUGAR MILLS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Note	2016 Rupees	2015 Rupees
Sales - Net	25	1,264,121,314	1,638,078,692
Cost of sales	26	1,124,993,001	1,596,207,684
Gross profit		**139,128,313**	**41,871,008**
Distribution and selling expenses	27	3,005,568	16,035,698
Administrative expenses	28	37,549,476	34,708,870
Other expenses	29	-	4,789,830
		40,555,044	55,534,398
Operating profit / (loss)		**98,573,269**	**(13,663,390)**
Other income	30	30,629,036	1,867,505
Operating profit / (loss) before finance cost		**129,202,305**	**(11,795,885)**
Finance cost	31	125,964,839	193,066,439
Profit / (Loss) before taxation		**3,237,466**	**(204,862,324)**
Taxation	32	(9,247,615)	(6,148,153)
Profit / (Loss) after taxation		**12,485,081**	**(198,714,171)**
Earning / (Loss) per share - Basic and diluted	33	1.32	(21.03)

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, 2016

	2016 Rupees	2015 Rupees
Profit / (Loss) for the year	12,485,081	(198,714,171)
Items that will not be subsequently reclassified to profit or loss:		
Remeasurement of net defined benefit liability	(31,357)	(487,860)
Total comprehensive income / (loss) for the year	**12,453,724**	**(199,202,031)**

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

CHIEF EXECUTIVE **DIRECTOR**

BABA FARID SUGAR MILLS LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Note	2016 Rupees	2015 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	34	(4,299,889)	579,588,972
Finance cost paid		(168,306,510)	(266,467,256)
Gratuity paid		-	(174,099)
Taxes paid		(10,672,470)	(13,843,568)
Net cash (used in) / generated from operating activities		**(183,278,869)**	**299,104,048**
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(28,839,700)	(25,776,846)
Net cash (used in) investing activities		**(28,839,700)**	**(25,776,846)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term loan		(35,668,333)	(30,555,558)
Due to related party		392,891,675	35,558,586
Repayment of loan from holding company		-	-
Net cash generated from investing activities		357,223,342	5,003,028
Net increase in cash and cash equivalents		145,104,772	278,330,231
Cash and cash equivalents at the beginning of the year		(245,208,930)	(523,539,161)
Cash and cash equivalents at end of the year	**35**	**(100,104,159)**	**(245,208,930)**

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, 2016

	Issued, subscribed and paid-up capital	Accumulated (Loss)	Total
	---------- Rupees ----------		
Balance as at October 01, 2014	**94,500,000**	**(1,101,736,762)**	**(1,007,262,283)**
Current year incremental depreciation - net of deferred tax	-	34,851,576	34,851,576
Total comprehensive (loss) for the year	-	(199,202,031)	(199,176,509)
Balance as at September 30, 2015	**94,500,000**	**(1,266,087,217)**	**(1,171,587,216)**
Balance as at October 01, 2015	**94,500,000**	**(1,266,087,217)**	**(1,171,587,217)**
Current year incremental depreciation - net of deferred tax	-	35,674,373	35,674,373
Total comprehensive income for the year	-	12,453,724	12,453,724
Balance as at September 30, 2016	**94,500,000**	**(1,217,959,120)**	**(1,123,459,121)**

CHIEF EXECUTIVE **DIRECTOR**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

1. STATUS AND ACTIVITIES

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 Pakistan Stock Exchange. 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 earned profit before tax amounting to Rs. 3,237,466 (2015: Loss of Rs.204,862,324) and at balance sheet date its accumulated losses have stood up to Rs. 1,217,959,120 (2015: Rs. 1.266,087,217). Further, the Company's equity is in negative and its current liabilities have exceeded its current assets by Rs. 972,420,689 (2015: Rs. 997,691,225). These conditions may cast significant doubt on Company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. However, 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. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

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

3.2 Application of new and revised International Financial Reporting Standards (IFRSs)

3.2.1 Standards, amendments to standards and interpretations becoming effective in current year

The following standards, amendments to standards and interpretations have been effective and are mandatory for financial statements of the Company for the periods beginning on or after October 01, 2015 and therefore, have been applied in preparing these financial statements.

- IFRS 12, 'Disclosures of interests in other entities

The standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance-sheet vehicles. The application of standard has no significant impact on the Company's financial statements.

- IFRS 13 Fair Value Measurement

The standard replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard and requires certain additional disclosures about fair value measurement. The application of standard has no significant impact on the Company's financial statements.

- **Annual improvements to IFRS's 2010-2012 and 2011-2013**

The standard replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard and requires certain additional disclosures about fair value measurement. The application of standard has no significant impact on the Company's financial statements.

- **Annual improvements to IFRS's 2010-2012 and 2011-2013**

The company has applied the amendments to IFRS's included in the annual improvements 2010-2012 cycle and 2011-2013 cycle in the current year.

The application of amendments has no significant impact on the disclosures or amounts recognized in the company's financial statements

3.2.2 Standards, amendments to standards and interpretations becoming effective in current year but not relevant

There are certain amendments to standards that became effective during the year and are mandatory for accounting periods of the Company beginning on or after October 01, 2015 but are considered not to be relevant to the Company's operations and are, therefore, not disclosed in these financial statements.

3.2.3 Standards, amendments to standards and interpretations becoming effective in current year but not relevant

The following standards, amendments to standards and interpretations have been published and are mandatory for the Company's accounting periods beginning on or after their respective effective dates:

- **IFRS 9 Financial Instruments (2014):**

IFRS 9 contains accounting requirements for financial instruments in the areas of classification and measurement, impairments, hedge accounting, de-recognition:

All recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at Fair Value Through Other Comprehensive Income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, standard requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

In relation to the impairment of financial assets, standard requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39.

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective

assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The standard is effective for accounting period beginning on or after January 01, 2018. The managementof the

Company is reviewing the changes to evaluate the impact of application of standard on the financial statements.

IFRS 15 Revenue from Contracts with Customers:

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The standard is effective for accounting periods beginning on or after January 01, 2017. The Management is in the process of evaluating the impact of application of the standard on the Company's financial statements.

IFRS 16 Leases

Replaces the current IAS – 17 and requires lessees to recognize a lease liability reflecting future lease payments for virtually all lease contracts.
The amendmentsare effective for accounting periods beginning on or after January 01, 2019. The application of standard is not expected to have any material impact on the Company's financial statements.

IAS 12 Income taxes

The amendmentsto IAS 12 address the issue of recognition of deferred tax assets for unrealized losses and clarify how to account for deferred tax assets related to debt instruments measured at fair value.

The amendmentsare effective for accounting period beginning on or after January 01, 2017. The application of standard is not expected to have any material impact on the Company's financial statements.

IAS 7 Statement of cash flows

The amendmentsto IAS 7 introduce an additional disclosure that will enable users of financial statementsto evaluate changes in liabilities arising from financing activities
The amendmentis effective for accounting period beginning on or after January 01, 2017. The application of amendments is not expected to have any material impact on the Company's financial statements.

Amendment s to IAS 1 Disclosure Initiative

These amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in IFRS, and do not affect recognition and measurement.

These amendmentsare as part of the IASB initiative to improve presentationand disclosure in financial reports. The amendmentsare effective for annual periods beginning on or after 1 January 2016, The managementof the Company is reviewing the impact on the disclosure requirements of financial statements.

Amendment to IAS 16 "Property Plant and Equipment" and IAS 38 "Intangible Assets":

In this amendmentit is clarified that the use of revenue based methodsto calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The amendment is effective for accounting periods beginning on or after January 01, 2016. The application of amendment is not expected to have any material impact on the Company's financial statements.

Equity Method in Separate Financial Statements – Amendments to IAS 27

These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

The amendments are effective for annual periods beginning on or after 1 January 2016. The application of amendments is not expected to have any material impact on the Company's financial statements.

- **Annual improvements 2014**

These set of amendments impacts 4 standards:

IFRS 5, 'Non-current assets held for sale and discontinued operations' regarding methods of disposal.

IFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts.

IAS 19, 'Employee benefits' regarding discount rates.

IAS 34, 'Interim financial reporting' regarding disclosure of information.

The amendments are effective for accounting periods beginning on or after January 01, 2016. The application of amendments is not expected to have any material impact on the Company's financial statements.

3.2.4 Standards, amendments to standards and interpretations becoming effective in future periods but not relevant

There are certain new standards, amendments to standards and interpretations that are effective from different future periods but are considered not to be relevant to the Company's operations, therefore, not disclosed in these financial statements.

3.2 Basis of preparation

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

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 income applying the reducing balance method at the rates specified in property, plant and equipment note. Assets' residual values, if significant and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. In respect of additions and disposals during the year, depreciation is charged from the month of acquisition and upto the month preceding the disposal respectively.

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 manufacturing average cost
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, 2016 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	**Note**	**2016 Rupees**	**2015 Rupees**
5.1 Authorized capital			
70,000,000 (2015: 10,000,000) ordinary shares of Rs.10 each		700,000,000	100,000,000
5.2 Issued, subscribed and paid up capital			
6,400,000 (2015: 6,400,000) ordinary shares of Rs.10 each		64,000,000	64,000,000
3,050,000 (2015: 3,050,000) bonus shares of Rs.10 each		30,500,000	30,500,000
		94,500,000	94,500,000

As at the September30, 2016 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		
At beginning of the year	1,407,196,280	1,433,431,861
- surplus arisen on the revaluation carried-out during the year	479,795,019	-
Less: transferred to accumulated loss on account of incremental depreciation for the year	(51,701,990)	(51,252,317)
	428,093,029	(51,252,317)

Less: deferred tax on:

- surplus on revaluation of property, plant and equipment during the year	81,767,156	-
- incremental depreciation	(16,027,617)	(16,400,741)
	65,739,539	(16,400,741)
Resultant adjustment due to reduction in tax rate	10,224,102	8,615,995
	1,779,773,872	1,407,196,280

The Company's freehold land, buildings on freehold land, plant and machinery were revalued by MYK Associates (Private) Limited, an independent valuer not connected with the Company and approved by Pakistan Banks' Association (PBA) in "any amount" category, at 02 July 2016. The basis of revaluation for items of these fixed assets were as follows:

Freehold land

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

Buildings on freehold land

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

Plant and machinery

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

7. LONG TERM LOANS

	Note	2016 Rupees	2015 Rupees
Loan from Banking Company	7.1		
Opening Balance		44,444,442	75,000,000
Payments made during the year		(35,668,333)	(30,555,558)
		8,776,109	**44,444,442**
Less: Current portion	10	(8,776,109)	(3,333,333)
		-	41,111,109

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 quarterly basis. It is secured by way of 1st 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 7.79% 8.24% to (2015: 9.01% to 11.63%) per annum and this loan is subordinate to the loan from Bank AL Habib Limited.

9. DEFERRED LIABILITY

Deferred taxation	9.1	345,784,629	295,320,568
Employees retirement benefits - gratuity	9.2	2,050,989	1,412,063
		347,835,618	296,732,631

9.1 Deferred liability on temporary differences:

Taxable temporary differences

Surplus on revaluation of fixed assets	316,947,164	259,311,096
Accelerated tax depreciation on fixed assets	45,298,138	43,879,156
Finance lease arrangements	18,043,800	19,953,652
	380,289,102	323,143,904

Deductible temporary differences

Provision for gratuity	(635,807)	(451,860)
Unabsorbed tax depreciation	(32,318,666)	(25,771,475)
Provision for doubtful debts	(1,550,000)	(1,600,000)
	(34,504,473)	(27,823,335)
	345,784,629	295,320,568

As at September 30, 2016, deferred tax asset amounting Rs. 92.826 million (2015: Rs.141.524 million) on unused tax losses has not been recognised in the financial statements as a matter of prudence. The management intends to re-assess the recognition of deferred tax asset as at September 30, 2017.

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

	Note	2016 Rupees	2015 Rupees
The amount recognized in the balance sheet are as follows:			
Present value of defined benefit obligation		2,050,989	1,412,063
Net liability at beginning of the year		1,412,063	776,504
Charge to profit and loss account		607,569	321,798
Net remeasurements for the year		31,357	487,860
Payments made during the year		-	(174,099)
Net liability at end of the year		2,050,989	1,412,063

The movement in the present value of defined benefit obligation is as follows:

Opening balance	1,412,063	776,504
Current service cost	476,953	230,445
Interest cost	130,616	91,353
Benefits paid	-	(174,099)
Actuarial (gain) / loss	31,357	487,860
Closing balance	2,050,989	1,412,063

	2016	2015	2014	2013	2012
			Rupees		
Present value of defined benefit obligation	2,050,989	1,412,063	776,504	565,121	224,111
Experience adjustment on obligation	31,357	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:

	2016	2015
- Discount rate	7.25%	9.25%
- Expected rate of growth per annum in future salaries	6.25%	8.25%
- Average expected remaining working life time of employees	6 years	7 years

10. CURRENT PORTION OF LONG TERM LIABILITIES

Long term loans	7	8,776,109	36,111,108
Loan from holding company	8	25,000,000	25,000,000
Liability against assets subject to finance lease - (overdue)		20,632,000	20,632,000
		54,408,109	81,743,108

10.1 The company has a dispute with BRR Guardian Modarba "the leasing company" regarding the settlementof 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 delivery orders, return of the post dated cheques and discharge of the personal guarantee of the directors.

11. SHORT TERM FINANCES

	Note	2016 Rupees	2015 Rupees
MCB Bank Limited			
Cash finance - secured	11.1	-	242,949,521
Temporary book overdraft	11.2	101,799,132	4,177,444
		101,799,132	247,126,965

11.1 Short term finance facilities available from various banks under mark-up arrangements aggregate Rs. 200 million (2015: Rs.976.267 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.

11.2 This represents temporary overdraft due to cheques issued by the Company in excess of balance with banks.

12. DUE TO RELATED PARTY

Pattoki Sugar Mills Limited	1,111,646,078	718,754,403

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 2% per annum. The effective mark-up rate charged by PSML during the year ranged from 7.29% to 7.74% (2015: 9.01% to 11.63%) per annum.

13. TRADE AND OTHER PAYABLES

Trade creditors		119,582,003	152,791,260
Due to related party	13.1	15,351,880	11,995,523
Advances from customers		323,350,670	274,628,337
Accrued charges		7,431,909	11,490,920
Unclaimed dividend		2,597,511	2,597,511
Workers profit participation fund		166,131	166,131
Workers welfare fund		736,403	736,403
Taxes and duties payable		1,432,177	700,118
Other payables		9,724,370	12,688,165
		480,373,054	467,794,368

13.1 Due to related party

Imporient Chemicals (Private) Limited	15,351,880	11,995,523

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

14. INTEREST AND MARK-UP ACCRUED

On long term loans	1,095,322	1,277,216
On loan from holding company	19,620,325	44,683,627
On short term finances	-	17,096,475
	20,715,647	63,057,318

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.

  The company (Baba Farid Sugar Mills Limited - BFSML) has issued a corporate guarantee for Rs. 300 million in favour of Apna Micro Finance Bank Limited. Against the said guarantee the bank agreed to finance facility to the local sugarcane growers upto an aggregate amount of Rs. 300 million.

- Please refer to note 10.1. The company has firm belief that matter will be resolved in its favour.

Commitments

- Counter guarantee in favour of Trading Corporation of Pakistan amounting to Rs. Nil (2015: Nil).

16. PROPERTY, PLANT AND EQUIPMENT

	Note	2016 Rupees	2015 Rupees
Operating fixed assets	**16.1**	2,437,806,352	2,009,259,345
Capital work in progress	**16.5**	38,177,131	28,519,333
		2,475,983,483	2,037,778,678

16.1 Operating fixed assets

	OWNED ASSETS									LEASED ASSETS	GRAND TOTAL
	Land - Freehold	Buildings on freehold land	Plant and machinery	Electric installation	Tools and Equipment	Vehicles	Furniture and fixture	Equipment	Total	Plant and machinery	
	RUPEES										
Net carrying value as at October 01, 2015											
Opening 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
Surplus on revaluation	216,030,000	42,596,791	221,168,228	-	-	-	-	-	479,795,019	-	479,795,019
Additions	-	-	19,183,359	-	-	-	9,803	219,260	19,412,422	-	19,412,422
Disposal at NBV	-	-	-	-	-	(3,593,880)	-	-	(3,593,880)	-	(3,593,880)
Depreciation for the year	-	(17,634,018)	(47,713,749)	(67,576)	(112,697)	(267,719)	(66,989)	(417,809)	(66,280,557)	(4,149,358)	(70,429,915)
Adjustment	-	-	-	-	-	3,363,360	-	-	3,363,360	-	3,363,360
Closing net book value	**1,080,150,000**	**190,653,752**	**1,081,036,236**	**608,186**	**1,014,276**	**1,070,878**	**604,335**	**3,830,884**	**2,358,968,546**	**78,837,806**	**2,437,806,352**
Gross carrying value as at September 30, 2016											
Cost	1,080,150,000	353,113,274	1,714,907,514	9,674,395	4,280,715	15,059,748	5,738,885	13,574,091	3,196,498,622	181,169,497	3,377,668,119
Accumulated depreciation	-	(162,459,522)	(633,871,278)	(9,066,209)	(3,266,439)	(13,988,870)	(5,134,550)	(9,743,207)	(837,530,076)	(102,331,691)	(939,861,767)
	1,080,150,000	**190,653,752**	**1,081,036,236**	**608,186**	**1,014,276**	**1,070,878**	**604,335**	**3,830,884**	**2,358,968,546**	**78,837,806**	**2,437,806,352**
Net carrying value as at October 1, 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
Surplus on revaluation	-	-	-	-	-	-	-	-	-	-	-
Additions	-	-	989,139	-	-	-	-	224,510	1,213,649	-	1,213,649
Disposal at NBV	-	-	-	-	-	(3,300,000)	-	-	(3,300,000)	-	(3,300,000)
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)
Adjustment	-	-	-	-	-	3,246,573	-	-	3,246,573	-	3,246,573
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)	(96,182,333)	(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**
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 October 01, 2016 would have been as under:

	Note	2016 Rupees	2015 Rupees
Land		7,959,798	7,959,798
Building		16,729,932	18,588,812
Plant and Machinery		232,549,851	225,153,388
		257,239,580	**251,701,998**

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

	Note		
Cost of sales	**26**	65,528,040	65,348,377
Administrative expenses	**28**	4,901,875	5,269,171
		70,429,915	70,617,548

16.4 The following assets were disposed off during the year :

Description of Asset	Cost	Accumulated	Book Value	Sale Proceeds	Mode of Disposal	Particulars of Buyer
	Rupees					
Tractor	100,000	97,785	2,215	192,308	As per company policy	Haji Rashid Hussain
Tractor	100,000	97,785	2,215	192,308	As per company policy	Haji Rashid Hussain
Tractor	100,000	97,785	2,215	192,308	As per company policy	Haji Rashid Hussain
Tractor	100,000	97,785	2,215	192,308	As per company policy	Haji Rashid Hussain
Tractor	100,000	97,785	2,215	192,308	As per company policy	Haji Rashid Hussain
Tractor	100,000	97,785	2,215	192,308	As per company policy	Haji Rashid Hussain
Tractor	100,000	97,785	2,215	192,308	As per company policy	Haji Rashid Hussain
Tractor	100,000	97,785	2,215	192,308	As per company policy	Haji Rashid Hussain
Tractor	100,000	97,785	2,215	192,308	As per company policy	Haji Rashid Hussain
Tractor	100,000	97,785	2,215	192,308	As per company policy	Haji Rashid Hussain
Tractor	100,000	97,785	2,215	192,308	As per company policy	Haji Rashid Hussain
Tractor	250,000	234,117	15,883	192,308	As per company policy	Haji Rashid Hussain
Tractor	250,000	234,117	15,883	192,308	As per company policy	Haji Rashid Hussain
Tractor	400,000	262,853	137,147	660,000	As per company policy	Zafar Iqbal
Truck	199,235	194,580	4,655	500,000	As per company policy	Faisal Hussain
Truck	199,235	194,580	4,655	500,000	As per company policy	Faisal Hussain
Truck	199,235	194,580	4,655	500,000	As per company policy	Faisal Hussain
Truck	199,235	194,580	4,655	500,000	As per company policy	Faisal Hussain
Truck	199,235	194,580	4,655	500,000	As per company policy	Faisal Hussain
Truck	199,235	194,580	4,655	500,000	As per company policy	Faisal Hussain
Truck	199,235	194,580	4,655	500,000	As per company policy	Faisal Hussain
Truck	199,235	194,580	4,655	500,000	As per company policy	Faisal Hussain

	Note	2016 Rupees	2015 Rupees
16.5 Capital work in progress			
At beginning of the year		28,519,333	3,956,136
Additions during the year		9,657,798	24,563,197
At end of the year		38,177,131	28,519,333
17. LONG TERM DEPOSITS			
Security deposits - others		587,575	587,575
18. STORES, SPARES AND LOOSE TOOLS			
Stores		22,235,564	14,566,283
Spares		23,142,433	22,641,974
Loose tools		231,790	235,863
		45,609,787	37,444,120

19. STOCK-IN-TRADE

Work-in-Process			
- Sugar		12,498,481	11,665,373
- Molasses		824,393	1,006,455
		13,322,874	12,671,829
Finished Goods			
- Sugar	19.1	334,143,369	238,273,237
- Molasses		8,466,000	-
- V.F Cake		25,145,373	2,052,777
		367,754,742	240,326,014
		381,077,616	252,997,843

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

20. TRADE DEBTS

Unsecured and considered good		108,890,582	98,574,506

21. ADVANCES

Unsecured but considered good:			
Advances to cane growers	21.1	43,858,292	27,011,590
Advances to staff		95,612	116,019
Advance for store purchases		71,593,189	15,858,486
Advance income tax		29,158,159	34,069,507
		144,705,252	77,055,602
Unsecured but considered doubtful:			
Advances to cane growers		5,000,000	5,000,000
		149,705,252	82,055,602
Provision for doubtful advances	21.2	(5,000,000)	(5,000,000)
		144,705,252	77,055,602

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

22. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	Note	2016 Rupees	2015 Rupees
Security deposit - Lease key money		20,632,000	20,632,000
Prepayments		-	4,150
		20,632,000	20,636,150

23. OTHER RECEIVABLES

Subsidy receivable on exports	105,742,500	107,742,500

24. CASH AND BANK BALANCES

At banks		
- In current accounts	579,674	531,598
In hand		
- Cash	1,115,299	1,386,436
	1,694,973	1,918,034

25. SALES - NET

Sugar - Local	1,367,668,599	774,981,300
- Export	-	920,503,400
Less: Sales tax and federal excise duty	(103,547,285)	(57,406,008)
	1,264,121,314	1,638,078,692

26. COST OF SALES

Cost of sugarcane consumed (including procurement and other costs)		1,178,073,547	1,169,586,082
Salaries, wages and other benefits	**26.1**	48,115,264	52,134,463
Stores, spares and loose tools consumed		9,552,990	19,853,126
Chemicals consumed		8,867,676	8,822,956
Packing material consumed		8,063,618	10,280,381
Fuel and power		10,222,147	12,399,147
Repair and maintenance		2,990,556	18,437,789
Vehicle running expenses		1,701,259	1,304,173
Depreciation	**16.3**	65,528,040	65,348,377
Other factory overheads		178,704	681,841
		1,333,293,801	1,358,848,335
Work in process adjustment			
Opening		12,671,829	4,041,321
Closing		(13,322,874)	(12,671,829)
		(651,045)	(8,630,508)
		1,332,642,756	1,350,217,827
Finished goods adjustment			
Opening		240,326,014	600,194,323
Closing		(367,754,742)	(240,326,014)
		(127,428,728)	359,868,309
Molasses		(80,221,027)	(112,856,696)
V.F.Cake		-	(1,021,756)
		(80,221,027)	(113,878,452)
		1,124,993,001	1,596,207,684

26.1 Salaries, wages and other benefits include employee benefits amounting to Rs. 571,796 (2015:Rs.212,387).

27. DISTRIBUTION AND SELLING EXPENSES

	Note	2016 Rupees	2015 Rupees
Salaries, wages and other benefits	27.1	748,948	534,004
Stacking, restacking and carriage		1,722,297	1,531,819
Other expenses - exports		-	13,444,328
Miscellaneous		534,323	525,547
		3,005,568	16,035,698

27.1 Salaries, wages and other benefits include staff retirement benefits amounting to Rs. 5,396 (2015:Rs. 23,169)

28. ADMINISTRATIVE EXPENSES

Salaries, wages and other benefits	28.1	22,023,281	19,760,931
Traveling and conveyance		32,910	76,140
Rent, rates and taxes		265,815	-
Telephone and postage		128,654	143,366
Printing and stationery		368,382	157,880
Fee and subscription		4,033,662	3,511,420
Insurance		123,437	1,263,382
Repair and maintenance		27,130	10,445
Vehicle running expenses		2,816,888	2,405,440
Entertainment		491,473	426,015
Advertisement expenses		115,702	-
Auditors' remuneration	28.2	640,000	640,000
Legal and professional charges		200,500	432,000
Donations	28.3	1,080,640	220,900
Depreciation	16.3	4,901,875	5,269,171
Miscellaneous		299,127	391,780
		37,549,476	34,708,870

28.1 Salaries, wages and other benefits include employee benefits amounting to Rs. 30,377 (2015:Rs. 86,242)

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 welfare fund	-	736,403
Provision for doubtful advances	-	4,000,000
Loss on sale of fixed assets	-	53,427
	-	4,789,830

30. OTHER INCOME

Liabilities written back	23,699,555	-
Gain on foreign currency transactions	-	1,867,505
Gain on disposal of property, plant & equipment	6,929,481	-
	30,629,036	1,867,505

31. FINANCE COST	Note	2016 Rupees	2015 Rupees
Mark - up on:			
- long term loan		2,286,878	6,531,152
- loan from holding company		115,410,623	139,946,043
- short term finances		7,901,344	45,741,746
- workers profit participation fund		-	16,417
Commission and bank charges		365,994	831,081
		125,964,839	193,066,439

32. TAXATION		
- Current	11,831,378	15,583,817
- Prior	-	-
- Deferred	(21,078,993)	(21,731,971)
	(9,247,615)	(6,148,154)

33. PROFIT / (LOSS) PER SHARE		
Profit / (Loss) for the year	12,485,081	(198,714,171)
	(Number of shares)	(Number of shares)
Weighted average number of shares outstanding during the year	9,450,000	9,450,000
	Rupees	Rupees
Profit / (Loss) per share - basic	1.32	(21.03)

33.1 There is no diluted effect on basic earning per share.

34. CASH GENERATED FROM / (USED IN) OPERATIONS	Note	2016 Rupees	2015 Rupees
Profit / (Loss) before taxation		3,237,466	(204,862,324)
Adjustment for non cash charges and other items:			
Depreciation on property, plant and equipment		70,429,915	70,617,548
Finance costs		125,964,839	193,066,439
Accounting loss on disposal		-	53,427
Provision for doubtful advances		-	4,000,000
Provision for gratuity		607,569	321,798
Working capital changes	34.1	(204,539,678)	516,392,083
		(7,537,355)	784,451,295
		(4,299,889)	579,588,972

34.1 Working capital changes

(Increase) / decrease in current assets		
Stores, spares and loose tools	(8,165,667)	1,921,917
Stock-in-trade	(128,079,773)	351,237,800
Trade debts	(10,316,076)	74,859,632
Advances	(72,560,998)	(8,502,917)
Trade deposits and short term prepayments	4,150	364,125
Other receivables	2,000,000	(107,742,500)
Increase in current liabilities		
Trade and other payables	12,578,686	204,254,026
	(204,539,678)	516,392,083

35. CASH AND CASH EQUIVALENTS

	Note	2016 Rupees	2015 Rupees
Short term finances	11	(101,799,132)	(247,126,965)
Cash and bank balances	24	1,694,973	1,918,034
		(100,104,159)	(245,208,931)

36. REMUNERATION TO THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

36.1 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
	---------- Rupees ----------		
Chief Executive			
2016	-	-	
2015	-	-	
Directors	-		
2016	-	-	
2015	-	-	
Executives			
2016	806,707	403,293	1
2015	806,707	403,293	1

36.2 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.

37. 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:

Name of related party	Nature of relationship	Basis of relationship	Nature of transaction	2016 Balance Amount (Rupees) Nature of transaction Amount (Rupees)
Imporient Chemicals (Private) Limited	Associate	Common directorship	Purchase of chemical	15,351,880
Pattoki Sugar Mills Limited	Associate	Holding company	Loan including markup	1,631,266,403

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

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

38. CAPACITY AND PRODUCTION

	2016		2015	
	Days	M.Tonnes	Days	M.Tonnes
Crushing capacity	160	480,000	160	480,000
Sugarcane crushed	100	261,931	94	249,228
Sugar production	-	23,943	-	21,845

39. OPERATING SEGMENTS

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

39.1 Sugar Sales represents 94% (2015: 93%) of the total sales of the company.

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

39.2 All non - current assets of the company as at September 30, 2016 are located in Pakistan.

40. CORRESPONDING FIGURES

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

41 Financial instruments

41.1 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 establishmentand 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

The following significant exchange rate has been applied:

	Average rate		Reporting date rate	
	2016 Rupees	2015 Rupees	2016 Rupees	2015 Rupees
US $ to PKR	-	103.55	-	104.5

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). Other price risk arises from the Company's investment in ordinary shares of listed companies. To manage its price risk arising from aforesaid investments, the Company diversifies its portfolio and continuously monitors developments in equity markets. In addition the Investment Committee actively monitors the key factors that affect stock price movement.

(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:

	2016 Rupees	2015 Rupees
Floating rate instruments		
Financial liabilities		
Long term loans	8,776,109	44,444,442
Loan from holding company	525,000,000	525,000,000
Finance lease	20,632,000	20,632,000
Due to related party	1,111,646,078	718,754,403
Short term finances	101,799,132	247,126,965
	1,767,853,319	1,555,957,810

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	108,890,582	98,574,506
Advances	144,705,252	77,055,602
Bank balances	579,674	531,598
	254,763,083	176,749,281

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

Not past due		
Past due 0 - 180 days	92,556,995	90,728,431
Past due 181 - 365 days	16,333,587	7,846,075
Past due more than one year	-	-
	108,890,582	98,574,506

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+	14,177	53,550
United Bank Ltd.	A-1+	AA+	-	7,303
MCB Bank Ltd.	A1+	AAA+	78,257	10,290
National Bank of Pakistan	A-1+	AAA+	51,574	79,736
Habib Bank Ltd.	A-1+	AAA+	235,160	261,890
Habib Metropolitan Bank Ltd.	A1+	AA+	19,674	763
Summit Bank Limited	A1+	A	31,637	43,028
Bank Al Falah Ltd	A1	AA	73,498	17,870
JS bank	A1+	A	18,521	39,580
Bank Of Punjab	A1	AA-	8,028	8,400
Askri Bank	A1+	A1+	49,149	9,188
			579,674	531,598

(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, 2016, the Company had borrowing limits available from financial institutions.

The following are the contractual maturities of financial liabilities as at September 30, 2016:

	Carrying amount	Less than one year	More than one year
	---------- Rupees ----------		
Long term loan	-	8,776,109	-
Loan from holding company	525,000,000	25,000,000	500,000,000
Lease finances	20,632,000	20,632,000	
Short term finances	101,799,132	101,799,132	-
Due to related party	1,111,646,078	1,111,646,078	-
Trade and other payables	480,373,054	480,373,054	-
Interest and mark-up accrued	20,715,647	20,715,647	-
	2,260,165,911	1,768,942,020	500,000,000

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

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

41.2 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.

41.3 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.

42. NUMBER OF EMPLOYEES

	2016	2015
	Number of employees	
Number of persons employed as at September 30, 2016		
- permanent	140	152
- contractual	123	130
Average number of employees during the year		
- permanent	137	151
- contractual	116	123

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 January 05, 2017 by the Board of Directors of the Company.

CHIEF EXECUTIVE **DIRECTOR**

FORM OF PROXY

38th ANNUAL GENERAL MEETING
BABA FARID SUGAR MILLS LIMITED

I/We,_____

of_____

being member of Baba Farid Sugar Mills Limited _____

hereby appoint _____

failing him_____

as my /our proxy to attend act and vote for me / us and on my / our behalf at 38th Annual General Meeting of the members of the Company to be held at Lahore on Tuesday, 31st January, 2017 at 9:30 A.M. and at any adjournment(s) thereof

Signed this _____day of January 2017

Sign By the said Member

Signed in the presence of;

1 Signature:_____

Name: _____

Address: _____

CNIC/Passport No._____

2 Signature:_____

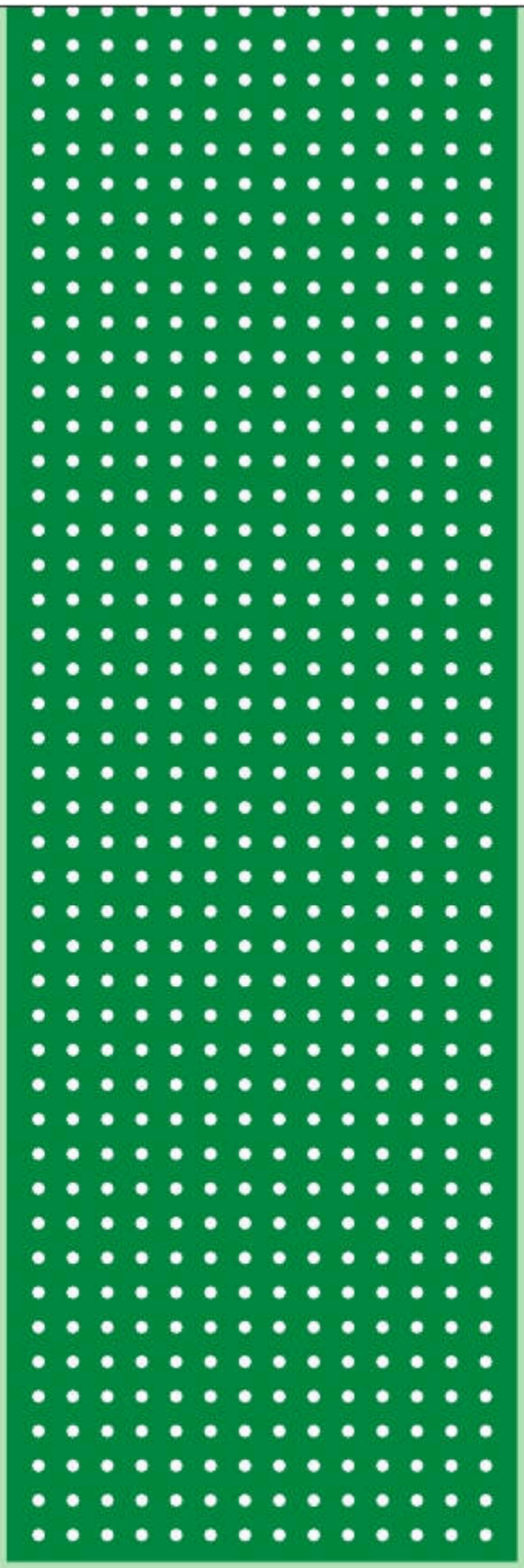
Name: _____

Address: _____

CNIC/Passport No._____

Information Required	For Members (Shareholders)	For Proxy	For alternate Proxy (*)
		(if Member)	
Number of shares held			

Affix Revenue Stamp Of Rs. 5/



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Suite-T-09., 3rd Floor, Hafeez Center,
75-E/1, Main Boulevard,
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