BAWANY SUGAR MILLS LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2015

AUDITORS' REPORT TO THE MEMBERS

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

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

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

(a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion:

   (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
   (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
   (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and the statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affair as at September 30, 2015 and of the profit, its cash flows and changes in equity for the year then ended; and

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Moochhala Gangat & Co
Chartered Accountants

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

Without qualifying our opinion, we draw attention to note 2.5 to the financial statements which indicates that the Company has incurred net loss of Rs. 13.552 million for the year and as at 30 September 2015, the Company has accumulated losses of Rs. 834.572 million and the equity of the Company is negative by Rs. 744.826 million. These conditions along with other matters as set forth in note 2.5 to the financial statements indicate the existence of material uncertainty, which may cast significant doubt about the Company's ability to continue as a going concern.

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

Moochhala Gangat & Co.

Moochhala Gangat & Co.
Chartered Accountants

Name of the audit engagement partner:
Mr. Hussaini Fakhruddin

Karachi
Date: 07 JAN 2016

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

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

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

CHIEF EXECUTIVE

Kh. Ali Kamal Majid

Kh. A. K. M.

DIRECTOR

Kh. Anwar Majid

Kh. A. M.

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

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

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

CHIEF EXECUTIVE **DIRECTOR**

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

	2015	2014
	-------(Rupees)-------	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	**(55,704,825)**	41,591,944
Adjustments for :		
Depreciation	**53,077,753**	153,262,634
Amortization	**598,875**	484,907
Present value adjustment	**(166,300,389)**	-
Workers' Welfare Fund	**205,073**	8,267,271
Workers' Profit Participation Fund	**2,127,517**	2,718,323
Loans waived off by sponsors	-	(424,575,639)
Finance cost	**301,653,474**	383,612,791
	191,362,302	123,770,287
	135,657,477	165,362,231
(INCREASE) / DECREASE IN CURRENT ASSETS		
Biological assets	**(30,075,500)**	-
Stores, spares and loose tools	**5,194,909**	(27,345,840)
Stock-in-trade	**(192,580,166)**	(134,209,578)
Trade debts	**73,740,548**	199,526,692
Advances, deposits, current account balances with statutory authorities and other receivables	**182,646,844**	46,199,368
	38,926,635	84,170,642
INCREASE / (DECREASE) IN CURRENT LIABILITIES		
Trade and other payables	**462,153,533**	(195,804,280)
Cash generated from operations	**636,737,644**	53,728,593
Finance cost paid	**(356,852,964)**	(284,172,075)
Gratuity paid	-	(349,080)
Workers' Welfare Fund paid	**(2,739,275)**	(1,788,923)
Income tax paid	**(14,421,864)**	(5,575,982)
Net cash generated / (used) in operating activities (A)	**265,462,816**	(236,368,544)
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure incurred	**(188,400)**	(116,818,759)
Capital work in progress	**(15,300,000)**	--
Intangible asset acquired	**(1,381,428)**	-
Net cash used in investing activities (B)	**(16,869,828)**	(116,818,759)
CASH FLOWS FROM FINANCING ACTIVITIES		
Subordinated loan	**204,963,456**	-
Long term finance	**(198,977,356)**	(214,937,261)
Net cash outflow from financing activities (C)	**5,986,100**	(214,937,261)
Net increase / (decrease) in cash and cash equivalents (A+B+C)	**254,579,088**	(568,124,564)
Cash and cash equivalents at the beginning of the year	**(1,235,208,195)**	(667,083,631)
Cash and cash equivalents at the end of the year	**(980,629,107)**	(1,235,208,195)
Cash and bank balances	**6,093,760**	16,672,886
Short term borrowing	**(986,722,867)**	(1,251,881,081)
	(980,629,107)	(1,235,208,195)

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

CHIEF EXECUTIVE **DIRECTOR**

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

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

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

CHIEF EXECUTIVE

DIRECTOR

1 STATUS AND NATURE OF BUSINESS

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

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Significant accounting estimates and judgments

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

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

- Useful lives of property, plant and equipment (note: 5.1)
- Provision against stores, spares and loose tools (note:8)
- Valuation of stock in trade (note: 9)
- Provision for taxation (note: 20)

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2.5 Going concern

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

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

Further, the sponsors of the Company have provided interest free subordinated loan of Rs. 204.963 million to the company repayable at the option of the company and are committed to finance further, if required, to help the Company meet its cash flow requirements. The Company's long term loans have approached to maturity for repayment and the Company has made timely payments and have repaid Rs. 198.977 million (2014: Rs. 214.937 million). The repayment of these loans will help the Company in reducing its finance cost and improve its profitability.

Short term borrowings of the Company have become due before these financial statements have been authorized for issue. The Company is also negotiating with the banks to obtain renewal of short term borrowings and management is confident that it will obtain the renewal for next one year.

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

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

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

Following are the amended / revised standards which are considered to be relevant and became effective as of October 1, 2014.

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

The adoption of the above amendments did not have any effect on these financial statements.

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

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

Standards / Interpretation		**Effective date (annual periods beginning on or after)**
IFRS 10	Consolidated Financial Statements (Amendments)	January 01, 2015
IFRS 11	Joint Arrangements (Amendments)	January 01, 2015
IFRS 12	Disclosure of Interests in Other Entities (Amendments)	January 01, 2015
IFRS 13	Fair Value Measurement (Amendments)	January 01, 2015
IAS 16 & 38	Clarification of Acceptable Methods of Depreciation and Amortization	January 01, 2016
IAS 16 & 41	Agriculture : Bearer Plants	January 01, 2016
IAS 27	Separate Financial Statements	January 01, 2015

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

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

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

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Defined contribution plan

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

4.2 Taxation

Income tax expense comprises current and deferred tax.

Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

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

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

4.3 Property, plant and equipment and depreciation

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

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

The Company assesses at each balance sheet date that whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in income currently. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

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

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

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

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

4.4 Surplus on revaluation of fixed assets

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

a) depreciation on asset which are revalued is determined with reference to the value assigned to such asset on revaluation and depreciation charge for the year is taken to the profit and loss account; and

b) an amount equal to incremental depreciation for the year net of defferd taxation is transferred from "Surplus on Revaluation of Fixed Assets account" to accumulated profit / losses through Statement of Changes in Equity to record realization of surplus to the extent of the incremental depreciation charge for the year.

c) The above mentioned change in accounting treatment will not have have any effect on prior period figures, therefore, disclosures of IAS 8 "Accounting policies, change in accounting estimates and errors" related to change in accounting policy have not been presented.

4.2 Intangible asset and amortization

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

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

4.5 Borrowing costs

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

4.6 Stores, spares and loose tools

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

4.7 Stock-in-trade

The basis of valuation has been specified against each.

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

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

4.8 Trade debts

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

4.9 Revenue recognition

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

4.10 Foreign currency transactions

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

4.11 Provisions

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

4.12 Impairment

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

4.13 Biological assets

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

4.14 Related party transactions

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

4.15 Financial Instruments

Financial assets

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

Financial liabilities

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

Recognition and derecognition

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

4.16 Off-setting of financial assets and liabilities

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

4.17 Cash and cash equivalents

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

4.18 Trade and other payables

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

4.19 Dividends

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

5 PROPERTY, PLANT AND EQUIPMENT

	Note	2015	2014
		-----(Rupees)-----	
Operating fixed assets	*5.1*	3,601,851,209	2,612,708,373
Capital work in progress	*5.2*	31,689,559	116,389,559
Major Stores and spare parts		15,300,000	-
		3,648,840,768	2,729,097,932

5.1 OPERATING FIXED ASSETS

	OWNED										
Description	**Freehold Land**	**Factory Building**	**Non-factory Building**	**Plant and machinery**	**Furniture and fixture**	**Agricultural vehicles**	**Transport vehicles**	**Office equipments, tools and other**	**Electrical and air conditional installation**	**Weigh bridge installation**	**Total**
COST											
Balance as at 01 October 2013	562,493,750	646,030,793	339,867,309	1,979,923,551	5,169,198	4,101,271	13,549,677	11,269,103	4,815,687	1,728,112	3,568,948,451
Additions	-	-	51,029,477	-	-	-	362,000	67,200	-	-	51,458,677
Disposal	-	-	-	-	-	-	-	-	-	-	-
Balance as at 30 September 2014	**562,493,750**	**646,030,793**	**390,896,786**	**1,979,923,551**	**5,169,198**	**4,101,271**	**13,911,677**	**11,336,303**	**4,815,687**	**1,728,112**	**3,620,407,128**
Balance as at 01 October 2014	562,493,750	646,030,793	390,896,786	1,979,923,551	5,169,198	4,101,271	13,911,677	11,336,303	4,815,687	1,728,112	3,620,407,128
Additions / disposal	-	-	-		-	-	-	188,400	-	-	188,400
Revaluation surplus	273,530,250	133,207,520	(2,721,300)	538,015,719							942,032,189
Transfer from capital work in progress				100,000,000							100,000,000
Balance as at 30 September 2015	**836,024,000**	**779,238,313**	**388,175,486**	**2,617,939,270**	**5,169,198**	**4,101,271**	**13,911,677**	**11,524,703**	**4,815,687**	**1,728,112**	**3,620,595,528**
DEPRECIATION											
Balance as at 01 October 2013	-	163,052,336	34,501,114	628,160,612	3,715,596	3,720,613	9,070,687	7,517,259	3,647,291	1,050,613	854,436,121
Charge for the year	-	48,297,846	35,639,567	67,588,147	145,360	76,132	952,448	378,544	116,840	67,750	153,262,634
Disposal	-	-	-	-	-	-	-	-	-	-	-
Balance as at 30 September 2014	**-**	**211,350,182**	**70,140,681**	**695,748,759**	**3,860,956**	**3,796,745**	**10,023,135**	**7,895,803**	**3,764,131**	**1,118,363**	**1,007,698,755**
Balance as at 01 October 2014	-	211,350,182	70,140,681	695,748,759	3,860,956	3,796,745	10,023,135	7,895,803	3,764,131	1,118,363	1,007,698,755
Charge for the year	-	23,399,125	16,003,789	12,190,511	130,824	60,905	777,708	348,760	105,156	60,975	53,077,753
Balance as at 30 September 2015	**-**	**234,749,307**	**86,144,470**	**707,939,270**	**3,991,780**	**3,857,650**	**10,800,843**	**8,244,563**	**3,869,287**	**1,179,338**	**1,060,776,508**
CARRYING AMOUNT - 2015	**836,024,000**	**544,489,006**	**302,031,016**	**1,910,000,000**	**1,177,418**	**243,621**	**3,110,834**	**3,280,140**	**946,400**	**548,774**	**3,601,851,209**
CARRYING AMOUNT - 2014	**562,493,750**	**434,680,611**	**320,756,105**	**1,284,174,792**	**1,308,242**	**304,526**	**3,888,542**	**3,440,500**	**1,051,556**	**609,749**	**2,612,708,373**
RATE OF DEPRECIATION	**-**	**5%**	**5%**	*****	**10%**	**20%**	**20%**	**10%**	**10%**	**10%**	

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

		Note	2015	2014
			-------(Rupees)-------	
5.2	**Capital work-in-progress - at cost**			
	Plant and machinery - stores held for capitalization		**116,389,559**	116,389,559
	Add: addition during the year		**15,300,000**	-
	Less: Transferred to plant & machinery		**(100,000,000)**	-
			31,689,559	116,389,559
5.1.1	**Depreciation charge for the year has been allocated as follows:**			
	Manufacturing expenses	23.1	**35,711,515**	116,029,875
	Administrative expenses	25	**17,366,237**	37,232,759
			53,077,753	141,304,647

6 INTANGIBLE ASSET

	Note	2015	2014
Software			
Cost:			
Opening balance		**1,469,415**	1,469,415.00
Additions during the year		**1,381,428**	-
		2,850,843	1,469,415
Amortization:			
Opening balance		**(860,392)**	(375,485)
Amortization during the year	25	**(598,875)**	(484,907)
		(1,459,267)	(860,392)
Net book value		**1,391,576**	609,023
Amortization rate		**33%**	33%

7 BIOLOGICAL ASSETS

	2015	2014
Carrying value at beginning of the year	-	-
Addition due to cultivation	**30,075,500**	-
Gain arising from initial recognition of standing crop less costs to sell	-	-
Carrying value at end of the year	**30,075,500**	-

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

8 STORES, SPARES AND LOOSE TOOLS

	2015	2014
Stores	**176,814,027**	197,308,936
Spares and loose tools	**987,080**	987,080
Less: Provision for obsolescence	**(554,359)**	(554,359)
	177,246,748	197,741,657

9 STOCK-IN-TRADE

	Note	2015	2014
Molasses in process		**604,655**	389,583
Sugar-in-process		**14,651,257**	16,307,796
Finished goods	9.1	**805,276,044**	611,254,411
		820,531,956	627,951,790

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

10 TRADE DEBTS

-Related party	*10.1*	**68,381,805**	35,310,610
-Others		**-**	106,811,743
		68,381,805	142,122,353

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

	Note	2015	2014
		-------(Rupees)-------	
11 ADVANCES, DEPOSITS, CURRENT ACCOUNT BALANCES WITH STATUTORY AUTHORITIES AND OTHER RECEIVABLES			
Advances - Unsecured, considered good			
- to staff and workers against salaries and expenses	*11.1*	**2,176,881**	2,853,233
- to cane growers		**237,184,420**	381,559,723
- against supplies		**62,914,082**	113,557,562
Security deposits Sind Bank - Against guarantee to TCP		**-**	4,966,591
Freight subsidy on export		**65,098,038**	28,698,038
Sales tax refundable		**703,823**	19,088,941
		368,077,244	550,724,088

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

12 CASH AND BANK BALANCES

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

13 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Ordinary shares of Rs.10 each			2015	2014
2015	2014		-------(Rupees)-------	
1,500,000	1,500,000	Issued for cash	**15,000,000**	15,000,000
100,000	100,000	Issued for debenture conversion option	**1,000,000**	1,000,000
7,124,591	7,124,591	Issued as bonus shares	**71,245,910**	71,245,910
8,724,591	8,724,591		**87,245,910**	87,245,910

14 SURPLUS ON REVALUATION OF FIXED ASSETS

Freehold land		
Revaluation surplus over written down value	**560,493,849**	560,493,849
Surplus arising on revaluation carried out during the year	**273,530,250**	-
	834,024,099	560,493,849
Factory building		
Balance at the beginning of the year	**423,224,562**	470,249,513
Surplus arises during the year	**133,207,520**	-
Less: Adjustment for incremental depreciation	**(22,826,322)**	(47,024,951)
	533,605,759	423,224,562
Liability for revaluation at the beginning of the year	**148,128,597**	159,884,834
Increase in deferred tax liability on revaluation	**32,822,333**	-
Adjustment of deferred tax rate	**(12,696,737)**	4,702,495
Transfer to retained earnings in respect of incremental depreciation during the year	**(7,304,423)**	(16,458,733)
	160,949,769	148,128,597
Revaluation surplus on factory building	**372,655,990**	275,095,965

	2015	2014
	--------(Rupees)-------	
Non - Factory building		
Balance at the beginning of the year	**92,556,878**	102,840,975
Surplus arises during the year	**(2,721,300)**	-
Less: Adjustment for incremental depreciation	**(4,627,844)**	(10,284,098)
	85,207,734	92,556,878
Liability for revaluation at the beginning of the year	**32,394,907**	34,965,932
Increase in deferred tax liability on revaluation	**(670,528)**	-
Adjustment of deferred tax rate	**(2,776,706)**	1,028,410
Transfer to retained earnings in respect of incremental depreciation during the year	**(1,480,910)**	(3,599,434)
	27,466,763	32,394,907
Revaluation surplus on non - factory building	**57,740,971**	60,161,970
Plant and machinery		
Balance at the beginning of the year	**1,008,179,901**	1,061,242,001
Surplus arises during the year	**538,015,719**	-
Less: Adjustment for incremental depreciation	**(11,426,838)**	(53,062,100)
	1,534,768,781	1,008,179,901
Liability for revaluation at the beginning of the year	**352,862,966**	360,822,281
Increase in deferred tax liability on revaluation	**132,567,073**	-
Adjustment of deferred tax rate	**(30,245,398)**	10,612,420
Transfer to retained earnings in respect of incremental depreciation during the year	**(3,656,588)**	(18,571,735)
	451,528,053	352,862,966
Revaluation surplus on plant and machinery	**1,083,240,728**	655,316,935
	2,347,661,788	1,551,068,719

15 LONG TERM FINANCES

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

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

15.2 This represents loan obtained by the Company from National Bank of Pakistan for Balancing, Modernization and Replacement (BMR). The facility is secured against equitable mortgage over land measuring area 234.20 acres (2014: 234.20 acres) and building constructed thereon and exclusive hypothecation charge over all plant and machinery.

	2015	2014
	-------(Rupees)-------	
15.3 National Bank of Pakistan - Grower Finance Loan		
Opening	**225,622,715**	239,937,654
Markup amortized during the year	**30,451,182**	33,272,697
Repaid during the year	**(90,052,026)**	(47,587,636)
	166,021,871	225,622,715

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

15.4 This represents deferment of mark-up accrued for December 2011 quarter and partial mark-up of September 2011 quarter on various financing facilities obtained from National Bank of Pakistan. This mark-up is frozen and is repayable in 12 quarterly installments starting from 30 June 2012. The facility is secured against equitable mortgage over land at measuring area 234.20 acres (2014: 234.20 acres) and building constructed thereon and first registered hypothecation charge over all plant and machinery.

15.5 The Company obtained Long term Finance Facility of Rs 300 million (2014: 300 million) from National Bank of Pakistan for repayment of growers' liability of Rs. 130 million (2014: 130 million), suppliers' liability of Rs.20 million (2014: 20 million) and for meeting permanent working capital requirement and other expenses amounting to Rs. 150 million (2014: 150 million). The facility is secured against first equitable mortgage charge over all present and future fixed assets of the Company including land & building, first exclusive hypothecation charge over present and future plant and machinery of the Company and personal guarantee of sponsoring directors of the Company.

15.6 The Company obtained Syndicated Term Finance Facility (STFF) of Rs 230 million (2014: 230 million) to settle cane growers and suppliers/contractors liabilities and to improve liquidity position. The parties of the syndicates are Sind Bank Limited with the share of Rs. 200 million (2014: 200 million) and Summit Bank Limited (agent) with the share of Rs. 30 million. The facility is secured by first pari passu charge over all present and future fixed assets of the Company.

16 DEFERRED TAXATION

	Note	2015	2014
		-------(Rupees)-------	
Taxable temporary differences			
Accelerated tax deprecation		**81,463,031**	73,658,020
Surplus on revaluation of fixed assets		**530,642,672**	533,386,469
Deductible temporary differences			
Unabsorbed tax depreciation	*16.1*	**(100,132,377)**	(131,757,172)
		511,973,326	475,287,317

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