HASEEB WAQAS SUGAR MILLS LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2018

	Note	**September 30, 2018 Rupees**	September 30, 2017 Rupees Restated	Septembr 30, 2016 Rupees Restated
CAPITAL AND LIABILITIES				
Share Capital and Reserves				
Authorized capital				
35,000,000 (2017: 35,000,000) ordinary shares of Rs. 10 each		350,000,000	350,000,000	350,000,000
Issued, subscribed and paid up capital	5	324,000,000	324,000,000	324,000,000
Loan from directors and sponsors	6	829,647,072	804,314,867	615,211,264
Capital Reserves				
Surplus on Revaluation of Property, Plant and Equipment	7	1,527,024,369	1,603,039,450	1,683,536,288
Revenue Reserves				
Accumulated (loss) / profit		(3,278,500,546)	(2,865,617,599)	(2,373,421,473)
		(597,829,105)	(134,263,282)	249,326,079
Non Current Liabilities				
Long term financing	8	549,373,562	1,050,739,048	1,370,430,334
Liabilities against assets subject to finance lease	9	-	-	-
Deferred liabilities	10	17,343,374	39,158,944	34,397,335
Deferred taxation	11	719,558,548	773,081,208	778,717,623
		1,286,275,484	1,862,979,200	2,183,545,292
Current Liabilities				
Trade and other payables	12	814,472,632	961,586,683	662,763,791
Markup on loans and other payables	13	396,565,989	283,670,346	261,949,861
Short term borrowings	14	669,579,535	574,535,180	312,262,432
Unclaimed dividend		1,443,972	1,443,972	1,443,972
Current portion of non current liabilities	15	1,102,814,080	612,948,594	540,740,258
		2,984,876,208	2,434,184,775	1,779,160,314
Contingencies and Commitments	16	-	-	
		3,673,322,587	4,162,900,693	4,212,031,686
ASSETS				
Non Current Assets				
Property, plant and equipment	17	3,483,247,293	3,674,162,329	3,738,964,682
Long term deposits	18	490,000	11,990,000	13,271,620
		3,483,737,293	3,686,152,329	3,752,236,302
Current Assets				
Stores, spares and loose tools	19	55,684,867	44,319,828	23,704,046
Stock in trade	20	-	-	5,506,175
Advances, deposits, prepayments and other receivables	21	131,797,120	429,770,667	422,667,745
Cash and bank balances	22	2,103,307	2,657,869	7,917,418
		189,585,294	476,748,364	459,795,384
		3,673,322,587	4,162,900,693	4,212,031,686

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

CHIEF EXECUTIVE **DIRECTOR** **CHIEF FINANCIAL OFFICER**

HASEEB WAQAS SUGAR MILLS LIMITED

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Note	**2018**	2017
		Rupees	
Sales - Net	23	250,772,728	847,274,895
Cost of goods sold	24	(590,988,226)	(1,242,883,650)
Gross (loss)		(340,215,498)	(395,608,755)
Operating expenses:			
- Administrative and general expenses	25	(56,940,434)	(60,155,938)
- Other operating charges	26	(625,000)	(625,000)
- Other income	27	1,080,002	627,736
Loss from operation		(396,700,930)	(455,761,957)
Finance cost	28	(145,725,031)	(122,588,748)
Loss before taxation		(542,425,961)	(578,350,705)
Taxation	29	53,524,189	5,642,812
Loss after taxation		(488,901,772)	(572,707,893)
Earning per share - basic	30	(15.09)	(17.68)

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

CHIEF EXECUTIVE **DIRECTOR** **CHIEF FINANCIAL OFFICER**

HASEEB WAQAS SUGAR MILLS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Note	**2018**	2017
		Rupees	
(Loss) after taxation		(488,901,772)	(572,707,893)
Other comprehensive income			
Remeasurements of defined benefit obligation		5,273	21,327
Impact of deferred tax		(1,529)	(6,398)
		3,744	14,929
Total comprehensive income for the year		(488,898,028)	(572,692,964)

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

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CHIEF EXECUTIVE **DIRECTOR** **CHIEF FINANCIAL OFFICER**

HASEEB WAQAS SUGAR MILLS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	NOTE	2018	2017
		Rupees	
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss) before taxation		(542,425,961)	(578,350,705)
Adjustments for:			
- Depreciation		191,045,328	203,512,782
- Provision for employees retirement benefits		1,459,131	5,901,936
- Gain on disposal of property plant and equipment		(189,242)	(589,737)
- Finance cost		145,725,031	122,588,748
		338,040,248	331,413,729
Operating profit before working capital changes		(204,385,713)	(246,936,976)
(Increase) / decrease in current assets:			
- Stores, spares and loose tools		(11,365,039)	(20,615,782)
- Stock in trade		-	5,506,175
- Loans and advances		-	-
- Advances, deposits, prepayments and other receivables		299,497,636	2,097,892
Increase / (decrease) in current liabilities:			
- Trade and other payables		(170,096,522)	298,822,889
		118,036,075	285,811,174
Cash generated from operations		(86,349,638)	38,874,198
Income tax paid / deducted		(1,524,089)	(9,200,813)
Gratuity paid		(286,957)	(1,119,000)
Finance cost paid		(32,829,388)	(100,868,263)
Net cash generated from/used in operating activities		(120,990,072)	(72,313,878)
CASH FLOW FROM INVESTING ACTIVITIES			
Property, plant and equipment purchased		(161,050)	(138,707,127)
Proceed from sale of vehicle		220,000	586,435
Long term deposits		11,500,000	1,281,620
Net cash used in investing activities		11,558,950	(136,839,072)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds / (Repayment) from long term loans - Net		(11,500,000)	(223,125,000)
Proceeds / (Repayment) from directors'/ sponsor loan - Net		25,332,205	164,745,653
Proceeds / (Repayment) of related parties		95,044,355	262,272,748
Net cash used in financing activities		108,876,560	203,893,401
Net decrease in cash and cash equivalents		(554,562)	(5,259,549)
Cash and cash equivalents at the beginning of the year		2,657,869	7,917,418
Cash and cash equivalents at the end of the year	**22**	2,103,307	2,657,869

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

CHIEF EXECUTIVE **DIRECTOR** **CHIEF FINANCIAL OFFICER**

HASEEB WAQAS SUGAR MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Issued, subscribed and paid up capital	Loan from directors	Surplus on Revaluation of Propery, Plant & equipment	Accumulated (loss) / profit	Total
			Rupees		
Balance as at September 30, 2016 as previously reported	**324,000,000**	**615,211,264**	**-**	**(2,373,421,473)**	**(1,434,210,209)**
Impact of restatement- Note 4	-	-	1,683,536,288	-	1,683,536,288
Balance as at September 30, 2016- restated	**324,000,000**	**615,211,264**	**1,683,536,288**	**(2,373,421,473)**	**249,326,079**
Net (loss) for the year ended September 30, 2017	-	-	-	(572,707,893)	(572,707,893)
Other comprehensive income / (loss) for the year ended September 30, 2017	-	-	-	14,929	14,929
Total comprehensive income/(loss) for the year ended September 30, 2017	**-**	**-**	**-**	**(572,692,964)**	**(572,692,964)**
Transaction with owners:					
Increase in directors' loan during the year	-	189,103,603	-	-	189,103,603
Surplus on revaluation of fixed assets transferred to retained earnings in respect of incremental depreciation - net of tax	-	-	(80,496,838)	80,496,838	-
Balance as at September 30, 2017- restated	**324,000,000**	**804,314,867**	**1,603,039,450**	**(2,865,617,599)**	**(134,263,282)**
Net (loss) for the year ended September 30, 2018	-	-	-	(488,901,772)	(488,901,772)
Other comprehensive income / (loss) for the year ended September 30, 2018	-	-	-	3,744	3,744
Total comprehensive income/(loss) for the year ended September 30, 2018	-	-	-	(488,898,028)	(488,898,028)
Transaction with owners:					
Increase in sponsors and directors' loan during the year	-	25,332,205		-	25,332,205
Surplus on revaluation of fixed assets transferred to retained earnings in respect of incremental depreciation - net of tax	-	-	(76,015,081)	76,015,081	-
Balance as at September 30, 2018	**324,000,000**	**829,647,072**	**1,527,024,369**	**(3,278,500,546)**	**(597,829,105)**

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

CHIEF EXECUTIVE **DIRECTOR** **CHIEF FINANCIAL OFFICER**

1 Corporate and General Operation

1.1 Legal Status and operations

Haseeb Waqas Sugar Mills Limited ("the Company") was incorporated on 13 January 1992 as a Public Limited Company under the repealed Companies Ordinance, 1984 (now the Companies Act 2017). The Company's registered office is situated at 6-F Model Town, Lahore. The mill is situated at Tehsil Jattoi Distt. Muzafargarh. The Company is listed on Pakistan Stock Exchange. The principal activity of the Company is manufacture and sale of refined sugar and its by-products.

1.2 Summary of significant events and transactions in the current reporting period:

The Company's financial position and performance was particularly affected by the following events and transactions during the reporting period:

- The Supreme Court of Pakistan vide short order even dated September 13, 2018 dismissed the Company's appeal and prohibited the Company from conducting any business in relation to or functioning as a sugar mill after the periond of two months i.e. 12 November 2018. Further, the appellants are directed to remove within the said period from Muzaffar Garh (current factory location) to Nankana (pervious factory location).
  However, the Company has filled review petition dated 6th November 2018 to review the above order and accept the appeal filed by the petitioners; which is still pending on part of the Supreme Court.
  Principal parties for respondents are Govt. of the Punjab, JDW Sugar Mills Limited, Ashraf Sugar Mills Limited, Indus Sugar Mills Limited RYK Mills Limited etc.

- Due to the above mentioned reason, the Company could not run on its installed capacity as mentioned in note # 31.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise of International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act 2017 and provisions of and directives issued under the Companies Act 2017. Where provisions of and directives issued under the Companies Act 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act 2017 have been followed.

2.2 Accounting convention

These accounts have been prepared under the historical cost convention except for certain financial instruments at fair value and certain items of property, plant and equipment that are stated at revalued amounts. In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

2.3 New standards, amendments to the accounting and reporting standards as applicable in Pakistan

2.3.1 The third and fourth schedule to the Companies Act, 2017 became applicable to the Company for the first time for the preparation of these financial statements. The Companies Act, 2017 (including its third and fourth schedule) forms an integral part of the statutory financial reporting framework applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. Additional disclosures include but are not limited to,
(a) particulars of immoveable assets of the Company, (b) disclosure of last three years comparison of tax provision and assessment, (c) change in threshold for identification of executive, (d) presentation of unclaimed dividend on face of balance sheet etc.
However, there was no change in the reported amounts of profit and other comprehensive income and the amounts presented in the Statement of Financial Position due to reclassification.

2.3.2 The other amendments to the accounting and reporting standards as applicable in Pakistan that were mandatory for the Company's financial year ended September 30, 2018 are; (a) Amendments to IAS 7: Disclosure Initiative, (b) Amendments to IAS 12: Recognition of Deferred tax assets for Unrealized losses, and (c) Amendments to IFRS 12: Annual Improvements to IFRS Standards 201-2016 Cycle.
These are considered not to be relevant or to have any significant effect on the Company's financial reporting.

2.3.3 New standards, amendments to the accounting and reporting standards as applicable in Pakistan that are effective for the Company's accounting period beginning on or after October 01, 2018

		Effective date (annual reporting periods beginning on or after)
IAS 19	Employee benefits (Amendments)	1-Jan-19

The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in comprehensive income.

IAS 28	Investment in Associates and Joint Ventures (Amendments)	1-Jan-19

The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied.

IAS 40	Investment property (Amendments)	1-Jan-18

The amendment clarifies that an entity shall transfer the property to, or from, investment property when, and only when there is a change in use. a change in use occurs when the property meets, or ceases to meet, the definition of investment property there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use.

IFRS 2	Share-based Payment (Amendments)	1-Jan-18

The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards.

IFRS 4	Insurance contracts (Amendments)	1-Jan-18
IFRS 9	Financial Instruments	1-Jul-18

IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The company is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.

IFRS 15	Revenue from Contracts with Customers	1-Jul-18

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'construction contracts' and IFRIC 13 'CUSTOMER Loyalty Programmes'. The company is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard.

IFRS 16	Leases	1-Jan-19

IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', SIC-15 'Operating Leases-Incentives' and SIC-27 ' Evaluating The Substance of Transactions Involving Legal Form of A Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessees recognizes a right of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low value-items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify lease as finance or operating leases.

IFRIC 22	Foreign Currency Transactions and Advance Consideration	1-Jan-18

The amendment clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is tanslated using the exchange rate on the date of advance foreign currency is received or paid and prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income(or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipt in advance the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The company is currently in the process of analyzing the potential impact of changes required on adoption of the standard.

IFRIC 23	Uncertainty Over Income Tax	1-Jan-19

The amendment clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deffered tax. The application of interpretation is not likely to have an impact on company's financial statements. The company is currently in the process of analyzing the potential impact of changes required on adoption of the standard.

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than the impact on presentation/disclosures. The management is in the process of assessing the impact of changes laid down by the IFRS 9, 15 and 16 on its financial statements.

Further, the following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP), for the purpose of their applicability in Pakistan:

IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 14	Regulatory Deferral Accounts
IFRS 17	Insurance Contracts

The following interpretations issued by the IASB have been waived of by SECP:

IFRIC 4 Determining whether an arrangement contains lease

IFRIC 12 Service concession arrangements

2.4 Going concern assumption

The financial statements of the Company indicate that the Company incurred gross loss amounting to Rs: 340,215,498 (2017: 395,608,755) and net loss from operations amounting to Rs. 396,700,929 (2017: 455,761,957) and accumulated losses Rs. 3,278,500,546 (2017: 2,865,617,599). Moreover, the current liabilities exceed current assets by Rs. 2,127,915,443 (2017: 1,957,436,411).

Further as stated in note # 16.3 to the financial statements, the Supreme Court dismissed the appeal of the Company regarding location of factory.

Operational measures

In view of above issues Company has already taken following mitigating steps:

Shifting of mill to Alipur Jatoi, Muzaffargarh has been completed where sugar cane availability and sugar recovery are better.

BMR has been done and we will see impact of this BMR in the financials of coming season.

The management foresees positive cash flow from future operations in expectation of better availability of sugar cane and sugar prices in coming season, since sugar dynamics are good and rising.

The projected financial statements prepared by the management to support its going concern assessment is based on following assumptions.

	Projected		
	2019	**2020**	**2021**
Sugar Cane Crushing M.T	780,000	800,000	800,000
Sugar cane rate	180	185	190
Sugar price per Kg	60	62	64

However, it is believed that considering the mitigating factors set out in the preceding paragraphs, the going concern assumption is appropriate and has, as such, prepared these financial statements on a going concern basis. However, all above depends upon fate of review appeal dated: 6th November 2018 filed with Honorable Supreme Court of Pakistan against the short orders of Supreme Court for dismantling of mill from Muzaffar Garh. Further, the management is fully committed to make the project going concern.

2.5 Judgment, estimates and assumptions

The preparation of financial statements in conformity with IASs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and related assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and related assumptions are reviewed on an ongoing basis. Accounting estimates are revised in the period in which such revisions are made and in any future periods affected.

Significant management estimates in these financial statements relate to the useful life of property, plant and equipment, provisions for doubtful receivables, slow moving inventory and taxation. However, the management believes that the change in outcome of estimates would not have a material effect on the amounts disclosed in the financial statements.

Judgment made by management in the application of accounting and reporting standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent year are as follows;

2.5.1 Depreciation method, rates and useful lives of property, plant and equipment

The management of the Company reassesses useful lives, depreciation method and rates for each item of property, plant and equipment annually by considering expected pattern of economic benefits that the Company expects to derive from that item.

2.5.2 Recoverable amount of assets/ cash generating units

The management of the Company reviews carrying amounts of its assets and cash generating units for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

2.5.3 Fair value of financial instruments having no active market

Fair value of financial instruments having no active market is determined using discount cash flow analysis after incorporating all factors that market participants would consider in setting a price and using inputs that reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

2.5.4 Taxation

The Company takes into account income tax law and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by tax department at the assessment stage and where the Company considers that its view of items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

2.5.5 Provisions

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Company would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

2.5.6 Revaluation of property, plant and equipment

Revaluation of property, plant and equipment is carried out by independent professional valuer. Revalued amounts of non-depreciable items are determined by reference to local market values and that of depreciable items are determined by reference to present depreciated replacement values.

2.6 Functional currency

These financial statements are prepared in Pak Rupees which is the Company's functional and presentation currency.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

3.1 Ordinary share capital

Ordinary share capital is recognized as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as deduction from equity.

3.2 Surplus / deficit arising on revaluation of property, plant and equipment

Surplus arising on revaluation of property, plant and equipment is recognized, in other comprehensive income and accumulated in reserves in shareholders' equity and is shown in equity. Revaluation is carried out with sufficient regularity to ensure that the carrying amounts of the assets does not differ materially from the fair value. Accumulated depreciation at the date of revaluation is eliminated against the cost of the asset and net amount is restated to the revalued amount of the asset.
The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related property, plant and equipment during the year is part of statement of changes in equity.

3.3 Employee benefits

Short-term employee benefits
The Company recognizes the undiscounted amount of short term employee benefits to be paid in exchange for services rendered by employees as a liability after deducting amount already paid and as an expense in profit or loss unless it is included in the cost of inventories or property, plant and equipment as permitted or required by the approved accounting standards. If the amount paid exceeds the discounted amount of benefits, the excess is recognized as an asset to the extent that the prepayment would lead to a reduction in future payments or cash refund.

The Company provides for compensated absences of its employees on unavailed balance of leaves in the period in which the leaves are earned.

Defined benefit plan

The Company operates an unfunded gratuity scheme covering its permanent employees. Employees are eligible for benefits under this scheme after the completion of a prescribed qualifying period of service. The latest actuarial valuation was carried out as at September 30, 2018. Charge for the current year is based on estimates provided by the actuary as at September 30, 2018. The following significant assumptions were used in the latest actuarial valuation:

	2018	2017
Discount rate	7.75%	9.25%
Expected rate of salary increase in future years	6.75%	8.25%
Average expected remaining working life time of employees	9 years	11 years
Actuarial valuation method	Projected unit credit method	

3.4 Borrowings

These are recognized initially at fair value less attributable transaction cost. Subsequent to initial recognition, these are stated at amortized cost with any difference between cost and redemption value being recognized in the profit and loss over the period of the borrowings on an effective interest basis.

3.5 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

3.6 Taxation

Income tax expense comprises current tax and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current

Current tax is the amount of tax payable on taxable income for the year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on the taxable income at current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

Deferred

Deferred tax is accounted for 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 tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the requirement of "Technical Release - 27" of the Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is not recognized for timing differences that are not expected to reverse and for the temporary differences arising from the initial recognition of goodwill and initial recognition of assets and liabilities in a transaction that is not a business combination and that at the time of transaction affects neither the accounting nor the taxable profit.

3.7 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, whether or not billed to the Company.

3.8 Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost less impairment loss, if any.

3.9 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation except freehold land that is stated at revalued amount. Buildings, plant and machinery and grid station and generators are stated at revalued amounts less accumulated depreciation. Cost of property, plant and equipment consists of historical cost, revalued amount, borrowing costs pertaining to the erection / construction period and other directly attributable costs incurred to bring the assets to their working condition.

The management reviews the market value of revalued assets at each balance sheet date to ascertain whether the fair value of revalued assets have differed materially from the carrying value of such assets, thus necessitating further revaluation.

Depreciation on property, plant and equipment has been provided for using the reducing balance method at the rates specified in respective note. Depreciation on additions is charged from the month in which the asset was available for use up to the month in which the asset was disposed off.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized. Gain or loss on disposal of property, plant and equipment, if any, is shown in the profit and loss account.

3.10 Impairment

Carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and impairment loss is recognized in the profit and loss account.

3.11 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and cash with banks in current and saving accounts.

3.12 Stores, spares and loose tools

These are generally held for internal use and are valued at lower of cost and net realizable value. Cost is determined on the basis of moving average except for items in transit, which are valued at invoice price plus related expenses incurred up to the reporting date. For items identified as slow moving, a provision is made for excess of carrying amount over estimated net realizable value which signifies the estimated selling price in the ordinary course of business less estimated costs of completion and estimated cost necessary to make the sale.

3.13 Stock in trade

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

Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost
By-products	Net realizable value, where costs are not ascertainable.

Average manufacturing cost in relation to work in process and finished goods consists of direct material, labor and a proportion of appropriate manufacturing 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.

3.14 Financial instruments

Financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. It ceases to recognize financial assets when it loses control of contractual rights and in case of financial liability when the liability is extinguished. Any gain or loss on subsequent remeasurement / derecognition is charged to income.

A financial asset and financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.15 Related party transactions

All transactions with related parties are carried out by the company at arms' length price with the exception of loan taken from related parties which is interest / mark up free. Prices for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller.

Components purchased by the Company from related party are priced at cost plus margin.

3.16 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of returns allowances, trade discounts and rebates, and represents amounts received or receivable for goods and services provided and other operating income earned in the normal course of business. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company, and the amount of revenue and the associated costs incurred or to be incurred can be measured reliably.

Revenue from different sources is recognized as follows:

Revenue from sale of goods is recognized when risk and rewards incidental to the ownership of goods are transferred.

Interest on saving accounts is recognized as and when accrued on time proportion basis.

3.17 Borrowing costs

Borrowing costs are charged to income as and when incurred except to the extent of costs directly attributable to the acquisition, construction or production of qualifying assets that are capitalized as part of the cost of asset.

3.18 Dividends

Dividend is recognized as a liability in the period in which it is declared.

3.19 Finance Leases

Leases where the company has substantially all the risks and rewards of ownership are classified as finance leases. Asset subject to finance lease are initially recognized at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. Subsequently these assets are stated at cost less accumulated depreciation and any identified impairment loss.

The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease. The liabilities are classified as current and long term depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit over the lease term.

Assets acquired under a finance lease are depreciated over the useful life of the asset on a reducing balance method at the rates given respective note. Depreciation of leased assets is charged to income statement.

When a sale and lease transaction results in a finance lease, any excess of sales proceeds over the carrying amount are not be immediately recognized as income in the profit and loss account, instead it is recognized as deferred income and amortized over the lease term.

3.20 Earning per share (EPS)

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

4 Change in Accounting Policy

The specific provision / section in the repealed Companies Ordinance, 1984 relating to the surplus on revaluation of fixed assets has not been carried forward in the Companies Act, 2017. Previously, section 235 of the repealed Companies Ordinance, 1984 specified the accounting treatment and presentation of the surplus on revaluation of fixed assets, which was not in accordance with the IFRS requirements. Accordingly, in accordance with the requirements of International Accounting Standard (IAS) 16, Property, Plant and Equipment, surplus on revaluation of fixed assets would now be presented under equity.

Following the application of IAS 16, the Company's accounting policy for surplus on revaluation of fixed assets stands amended as follows:

Increases in the carrying amounts arising on revaluation of fixed assets are recognised, in other comprehensive income and accumulated in revaluation surplus in shareholders' equity. To the extent that increase reverses a decrease previously recognised in the statement of profit or loss, the increase is first recognised in the statement of profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset. All other decreases are charged to the statement of profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of profit or loss and depreciation based on the asset's original cost, is reclassified from revaluation surplus on property, plant and equipment to unappropriated profit.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

The effect of change in accounting policy is summarized below:

	As at 30 September 2017			As at 30 September 2016		
	As Previously reported	Adjustment increase/ (decrease)	**As re-stated**	As Previously reported	Adjustment increase/ (decrease)	As re-stated
	Rupees in Thousand					
Effect on Statement of Financial Position						
Revaluation surplus on property, plant & equipment (below equity)	1,603,039	-	(1,603,039)	1,683,536	-	(1,683,536)
Revaluation surplus on property, plant & equipment (within equity)	-	1,603,039	1,603,039	-	1,683,536	1,683,536
Effect on statement of changes in equity						
Revaluation surplus on property, plant & equipment (Capital reserve)	-	1,603,039	1,603,039	-	1,683,536	1,683,536

		2018	2017
		Rupees	
5	**ISSUED, SUBSCRIBED AND PAID UP CAPITAL**		
	Ordinary shares of Rs. 10 each:		
	27,000,000 (2017: 27,000,000) shares issued for cash.	270,000,000	270,000,000
	5,400,000 (2017: 5,400,000) shares issued as fully paid bonus shares.	54,000,000	54,000,000
		324,000,000	324,000,000

All ordinary shareholders have same rights regarding voting, board selection, right of first refusal and block voting.

		2018	2017
6	**LOAN FROM DIRECTORS AND SPONSORS**		
	Loan from directors	829,647,072	804,314,867
		829,647,072	**804,314,867**

These loan has been obtained from Sponsors and Members of the Company, and is interest free. There is no fixed tenor or schedule for repayment of this loan. According to the loan agreement, the lenders shall not demand repayment and the same is entirely at the Company's option. Further, directors' loan is subordinated to National Bank of Pakistan, The Bank of Punjab, Sindh Bank Limited and Silk Bank Ltd.

These loans are accounted for under Technical Release - 32 “Accounting Directors’ Loan” issued by the Institute of Chartered Accountants of Pakistan effective for the financial statements for the period beginning on or after January 01, 2016 with earlier application permitted.

		2018	2017
		Rupees	
7	**SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT**		
	As at beginning of the year	1,603,039,450	1,683,536,288
	Revaluation surplus transferred to unappropriated profit on account of incremental depreciation (net of tax)	(76,015,081)	(80,496,838)
		1,527,024,369	1,603,039,450

7.1 The revaluation surplus on property, plant and equipment is a capital reserve, and is not available for distribution to the shareholders in accordance with section 241 of the Companies Act, 2017.

7.2 The revaluation surplus on property, plant and equipment is restated and now presented as a separate capital reserve in the financial statements (note # 4).

		Note	2018	2017
			Rupees	
8	**LONG TERM FINANCING**			
	Loan from Banking Companies - secured	8.1	549,373,562	1,050,739,048
8.1	**Loan from banking companies and other financial institutions - secured**			
	National Bank of Pakistan			
	- Demand Finance I	8.1.1	220,000,000	220,000,000
	- Demand Finance II	8.1.2	160,000,000	160,000,000
	The Bank of Punjab			
	- Demand Finance	8.1.3	285,000,000	285,000,000
	Sindh Bank Limited			
	- Demand Finance	8.1.4	500,000,000	500,000,000
	PAIR			
	Demand Finance	8.1.5	70,000,000	70,000,000
	Silk Bank Ltd	8.1.6	390,000,000	390,000,000
			1,625,000,000	1,625,000,000
	Less: current portion shown under current liabilities			
	- NBP - Demand Finance - I		(180,000,000)	(110,000,000)
	- NBP - Demand Finance - II		(160,000,000)	(160,000,000)
	- BOP - Demand Finance		(171,000,000)	(114,000,000)
	- Sindh Bank - Demand		(377,626,438)	(120,260,952)
	Demand Finance - PAIR		(70,000,000)	(70,000,000)
	- Demand Finance - Silk Bank Ltd		(117,000,000)	-
			(1,075,626,438)	(574,260,952)
			549,373,562	1,050,739,048

8.1.1 The finance is secured by 1st PP charge of Rs. 293.334 million on fixed assets of the Company and personal guarantees of sponsoring directors of the Company. It carries markup 3 months KIBOR + 2.5% per annum. This loan is payable in ten bi-annual instalments ending on 21 March 2020, within a period of 5 years excluding 1 year grace period.

8.1.2 The finance is secured by 1st PP charge of Rs. 213.334 million on fixed assets of the Company and personal guarantees of sponsoring directors of the Company. It carries markup @ 3 months KIBOR + 2.5% per annum. This loan is payable in twelve equal quarterly instalments ending on 30 September 2018, within a period of 3 years excluding 1 year grace period.

8.1.3 This finance has been obtained from The Bank of Punjab through restructuring of existing cash finance facility. The finance is secured by ranking charge over all present and future fixed assets of the Company and personal guarantees of directors of the Company. It carries markup 3 months KIBOR +1.25% per annum. This loan is payable in twenty eight quarterly instalments ending on 30 September 2021.

8.1.4 This finance has been obtained from Sindh Bank Limited under demand finance arrangement. The finance is secured by ranking charge over all present and future fixed assets of the Company and personal guarantees of directors of the Company. It carries markup 3 months KIBOR + 5% per annum. This loan is payable in twelve quarterly instalments ending on 09 June 2020.

8.1.5 This finance has been obtained from PAIR Investment Company Limited. The finance is secured by parri passsu charges over the present and future fixed assets of the Company, with a margin of 33% above the financing amount. Parri passu charge by way of creation of mortgage over the land and building of the Company and personal guarantees of directors of the Company. It carries markup 3 months KIBOR +350 bps per annum. This loan is rescheduled and payable in eighteen monthly installments.

8.1.6 This finance has been obtained from Silk Bank Limited under demand finance arrangement. The finance is secured by Pari passu charge over all present and future fixed assets of the Company and corporate guarantee of Abdullah Sugar Mills Ltd. and personal guarantees of directors of the Company. It carries markup 6 months KIBOR + 2% per annum. This loan is payable in twelve quarterly instalments ending on 21 February 2023.

9 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2018	2017
	Rupees	
Opening balance	38,687,642	38,687,642
Less: Payment made / security deposits adjusted during the year	(11,500,000)	-
	27,187,642	38,687,642
Current portion shown under current liabilities	(27,187,642)	(38,687,642)
	-	-

The Company has entered into sale and lease back agreement with First National Bank Modaraba for plant and machinery. It carries markup at the rate of six months average KIBOR + 4% .

	2018	2017
Gross minimum lease payments		
Not later than one year	32,449,440	43,949,440
Later than one year but not later than five years	-	-
	32,449,440	43,949,440
Less: financial charges allocated to future period	(5,261,798)	(5,261,798)
	27,187,642	38,687,642
Less: current maturity shown under current liabilities	(27,187,642)	(38,687,642)
	-	-
Present value of minimum lease payments		
Not later than one year	27,187,642	38,687,642
Later than one year but not later than five years	-	-
	27,187,642	38,687,642

10 DEFERRED LIABILITIES

Employee retirement benefits	10.01	17,343,374	39,158,944

10.01 EMPLOYEES RETIREMENT BENEFITS

The amounts recognized in the the Statement of Financial Position are as follows		
Present value of defined benefit obligation	17,343,374	39,158,944
the Statement of Financial Position liability		
Opening balance	39,158,944	34,397,335
Amount recognized during the year	1,459,131	5,901,936
Remeasurements	(5,273)	(21,327)
	40,612,802	40,277,944
Payable to outgoing employees	(22,982,471)	-
Benefits paid during the year	(286,957)	(1,119,000)
Closing balance	17,343,374	39,158,944
Charge for the defined benefit plan		
Service cost	966,312	3,905,061
Interest cost	492,819	1,996,875
	1,459,131	5,901,936

10.02 The scheme provides for terminal benefits for all its permanent employees who attain the minimum qualifying period at varying percentages of last drawn basic salary. The percentage depends on the number of service years with the Company. Annual charge is based on actuarial valuation carried out as at September 30, 2018, using Project Unit Credit Method.

10.03 Comparison for five years

	2018	**2017**
	Rupees	
YEAR	**Present Value**	**Experience Adjustment**
2014	22,792,246	3,323,925
2015	30,035,431	113,427
2016	34,397,335	163,979
2017	39,158,944	21,327
2018	17,343,374	5,273

11 DEFERRED TAXATION

	2018	**2017**
	Rupees	
Deferred tax liability on taxable temporary differences		
Accelerated tax depreciation	146,349,917	163,944,459
Surplus on revaluation of property, plant and equipment	711,791,999	751,500,050
	858,141,916	915,444,509
Deferred tax asset on deductible temporary differences		
Employees retirement benefits	(11,696,024)	(11,754,081)
Finance lease	(7,884,416)	(11,606,293)
Unused tax losses	(119,002,928)	(119,002,927)
	(138,583,368)	(142,363,301)
	719,558,548	773,081,208

Deferred tax assets of Rs. 722 million (2017: 1,097 million) on taxable losses have not been recognized due to unpredictability of adjustable in future periods.

12 TRADE AND OTHER PAYABLES

Trade creditors		196,191,331	249,342,789
Advances from Customers -Unsecured		262,253,957	433,809,426
Accrued liabilities		70,784,103	33,736,264
Sales tax payable		209,381,949	175,845,081
Other payables	12.1	75,861,293	68,853,123
		814,472,632	961,586,683

12.1 Other payables include an amount of Rs. 30,564,611 of penalty imposed by Trading Corporation of Pakistan (TCP). The Company is defending a suit filed by TCP for recovery before Honorable Sindh High Courts, and the case still pending.

13 MARKUP ON LOANS AND OTHER PAYABLES

Long term financing		360,735,863	247,840,220
Finance lease		954,816	954,816
Short term borrowings		15,012,500	15,012,500
Others	13.01	19,862,810	19,862,810
		396,565,989	283,670,346

13.01 This represents markup accrued penalty as disclosed in note 11.1

	2018	2017
	Rupees	

14 SHORT TERM BORROWINGS

	2018	2017
Loan from related parties		
Abdullah Sugar Mills Limited	667,375,471	572,331,116
Haseeb Waqas Trading (Private) Limited	2,204,064	2,204,064
	669,579,535	574,535,180

These are unsecured, interest free and payable on demand of the related parties and for the purpose of working capital of the Company; and be adjusted against sale of goods etc.

15 CURRENT PORTION OF NON CURRENT LIABILITIES

Long term financing	1,075,626,438	574,260,952
Finance lease	27,187,642	38,687,642
	1,102,814,080	612,948,594

16 CONTINGENCIES AND COMMITMENTS

16.1 The collector of Sales Tax And Central Excise (Adjudication) Lahore has issued a show cause notice to the Company for the further tax amounting to Rs. 47 million upto the tax period September 2002 on the grounds that it charged sales tax at the rate of 15 % on its sales to persons liable to be registered.

16.2 The Federal Board of Revenue has blacklisted the Sales Tax status of the Company on 8th March 2018 due to non compliance of the Sales Tax Act, 1990 and the rules made thereunder including not discharging of sales tax liability as outstanding in note # 12. However, the Company will further proceed to restate the sales tax status after starting of crushing season with permission of Superme Court.

16.3 Company has made defaults in repayment of installment of long term loans form financial institutions and bank. As a result, company's name has been included in CIB report of State Bank of Pakistan. The detail of the cases are as:

Sr. #	Name of the Court	Date Instituted	Principal parties	Description of the factual basis of the proceedings	Relief sought
1	Lahore High Court	03-May-17	Sindh Bank Limited	Default in repayment of principal amount of long term loans along with markup	rescheduling of loan
2	Lahore High Court	29-Jan-16	The Bank of Punjab	Default in repayment of principal amount of long term loans along with markup	rescheduling of loan
3	Lahore High Court	22-Sep-16	National Bank of Pakistan	Default in repayment of principal amount of long term loans along with markup	rescheduling of loan
4	Banking Courts	31-Mar-17	First National Bank Modarba	Default in repayment of principal amount of long term loans along with markup	rescheduling of loan

16.4 The Division Bench of Honorable Lahore High Court Lahore in its judgment dated September 11, 2017 has ordered the relocation of Haseeb Waqas Sugar Mills Limited from Nankana to Muzaffar Garh. Furthermore, Lahore High Court directed the mills to restore and restitute the position by dismantling & removing the said mills from the present location. The Supreme Court of Pakistan vide short order even dated September 13, 2018 dismissed the Company's appeal and prohibited the Company from conducting any business in relation to or functioning as a sugar mill after the periond of two months i.e. 12 November 2018. Further, the appellants are directed to remove within the said period from Muzaffar Garh (current factory location) to Nankana (pervious factory location).

However, the Company has filled review petition dated 6th November 2018 to review the above order and accept the appeal filed by the petitioners; which is still pending on part of the Supreme Court.

Principal parties for respondents are Govt. of the Punjab, JDW Sugar Mills Limited, Ashraf Sugar Mills Limited, Indus Sugar Mills Limited RYK Mills Limited etc.

Commitments

No major commitments were outstanding as at 30 September 2018.

18 LONG TERM DEPOSITS

These mainly comprise of security deposits with Central Depository Company and Sui Northern Gas Pipeline Limited and other security receivables at factory location.

		2018	2017
		Rupees	

19 STORES, SPARES AND LOOSE TOOLS

		2018	2017
Stores		55,521,470	44,220,554
Spares		163,397	99,274
		55,684,867	44,319,828

19.1 No identifiable store and spare are held for specific capitalization.

20 STOCK IN TRADE

		2018	2017
Work in process			
Sugar		-	-
Molasses		-	-
		-	-
Finished goods			
Sugar		-	-
		-	-

21 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES - considered good

		2018	2017
Advances to employees:			
- against purchases		785,818	729,416
- against salaries - secured	21.01	992,334	630,445
Advances to growers - unsecured	21.02	85,863,715	385,779,642
Advance income tax		35,442,532	33,918,443
Deposits	21.03	8,712,721	8,712,721
		131,797,120	429,770,667

21.01 These are interest free amounts advanced to staff against future salaries and retirement benefits and are in accordance with the Company policy.

21.02 These represent interest free unsecured advances given to sugarcane growers against future procurement of sugarcane and are in consonance with other sugar manufacturers securing future supplies of sugarcane.

21.03 These represent interest free unsecured deposit with TCP and will likely be set off against the libility as mentioned in note # 12.1.

22 CASH AND BANK BALANCES

		2018	2017
Cash in hand		338,382	79,734
Cash with banks - in current accounts		1,764,925	2,578,135
		2,103,307	2,657,869

23 SALES - NET

		2018	2017
- Sugar - Local		266,173,800	875,158,015
- Molasses		22,428,900	63,314,846
- Mud		817,444	2,351,435
		289,420,144	940,824,296
Less: Sales tax and federal excise duty		(38,647,416)	(93,549,401)
		250,772,728	847,274,895

24 COST OF GOODS SOLD

		2018	2017
Raw materials consumed		304,047,313	850,352,098
Stores and spares consumed		21,318,053	30,092,241
Salaries, wages and other benefits	24.01	55,780,651	100,126,239
Insurance		-	3,789,279
Repair and maintenance		25,512,928	56,048,939
Depreciation	17.3	184,106,977	196,069,289
Others		222,304	899,390
		590,988,226	1,237,377,475
Opening work in process		-	5,506,175
Closing work in process		-	-
		-	5,506,175
Cost of goods manufactured		590,988,226	1,242,883,650
Opening finished goods		-	-
Closing finished goods		-	-
		-	-
		590,988,226	1,242,883,650

24.01 Salaries and benefits include Rs. 2.013 million (2017: Rs.2.228 million) on account of employee retirement benefits.

			2018	2017
25	**ADMINISTRATIVE AND GENERAL EXPENSES**		**Rupees**	
	Director's remuneration		7,200,000	4,200,000
	Salaries, wages and other benefits	25.01	17,595,713	20,497,292
	Utilities		733,806	880,180
	Traveling and conveyance		971,320	1,180,894
	Rent, rates and taxes		2,400,000	2,400,000
	Repairs and maintenance		5,560,727	1,994,581
	Fees and subscription		2,207,382	614,929
	Vehicle running and maintenance		4,109,336	6,245,783
	Printing and stationery		432,398	283,529
	Telephone and postage		1,163,361	954,394
	Advertisement		2,175	176,375
	Entertainment		1,093,274	768,106
	Legal and professional charges		3,761,745	8,554,845
	Depreciation	17.3	6,938,351	7,443,492
	Miscellaneous		2,770,845	3,961,538
			56,940,434	60,155,938

25.01 Salaries and benefits include Rs. 1.781 million (2017: Rs. 3.674 million) on account of employees retirement benefits.

26	**OTHER OPERATING CHARGES**		
	Auditors' remuneration		
	- Statutory audit	500,000	500,000
	- Half year review	60,000	60,000
	- Review and certifications	40,000	40,000
	- Out of pocket	25,000	25,000
		625,000	625,000
27	**OTHER OPERATING INCOME**		
	Income from financial assets		
	Return on bank deposit	890,760	38,000
	Income from non-financial assets		
	Gain on sale of fixed assets	189,242	589,736
		1,080,002	627,736
28	**FINANCE COST**		
	Interest / mark up on:		
	Long term financing	145,675,065	122,391,580
	Bank charges and commission	49,966	197,167
		145,725,031	122,588,747

		2018	2017
		Rupees	
29	**TAXATION**		
	Current tax	-	-
	Deferred tax	(53,524,189)	(5,642,813)
		(53,524,189)	(5,642,813)

29.01 No tax reconciliation between applicable tax rate and average tax rate is shown because the company is not liable to tax under normal tax regime.

29.02 Major components of current tax are as follows:

Minimum turnover tax	3,134,659	10,590,936
Tax credits availed	(3,134,659)	(10,590,936)

29.03 The comparison of tax provision as per the financial statements viz-a-viz tax assessment for last three years is as follows:

Year	**Provision as per financial statements**	**Tax assessment**
2015	-	-
2016	-	-
2017	-	-

30 EARNING PER SHARE - Basic

(Loss) after taxation for the year	**Rupees**	(488,901,772)	(572,707,893)
Outstanding weighted average ordinary shares	**No. of shares**	32,400,000	32,400,000
Earnings per share - Basic and diluted	**Rupees**	(15.09)	(17.68)

30.1 Diluted earnings per share

There is no dilution effect on the basic earnings per share of the Company as the Company has no such commitments.

31 PLANT CAPACITY AND PRODUCTION

Processed cane		
Installed capacity (tones)	576,000	576,000
Installed capacity (days)	72	72
Actual crushing (tones)	76,820	177,186
Actual crushing (days)	38	72
Actual production (percentage of actual capacity in tones)	13.34%	30.76%
Sugar		
Installed capacity (tones)	48,987	49,536
Installed capacity (days)	38	72
Actual production (tones)	5,808	15,243
Actual production (days)	38	72
Actual production (percentage of actual capacity in tones)	11.86%	30.77%
Cane sugar recovery	8.50%	8.60%

The reason for shortfall in actual production is disclosed in note # 16.4 to the financial statements.

32 FINANCIAL INSTRUMENTS BY CATEGORY
-As at Statement of Financial Position at amortized cost:

	2018	2017
	Rupees	
Financial assets		
Long term deposits	490,000	11,990,000
Advances, deposits and other receivables	131,797,120	429,770,667
Cash and bank balances	2,103,307	2,657,869
	134,390,427	444,418,536
Financial liabilities		
Trade and other payables	814,472,632	961,586,683
Accrued interest/mark-up	396,565,989	283,670,346
Short term borrowings	669,579,535	574,535,180
	1,880,618,156	1,819,792,209

32.01 Fair values of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

33 FINANCIAL INSTRUMENTS

33.01 Fair value and risk management

Fair value is the amount that would be received on sale of an asset or paid on transfer of a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of assets amd liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Company is current bid price. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchnage, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occuring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the Company to clasiify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- inputs for the asset or liability that are not based on observable market data (that is, unobservabe inputs) (Level 3)

33.02 The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. However, fair values are not disclosed as carrying values are reasonable appproximation of their net fair value.

On-balance sheet financial instruments	Carrying amount				Fair Value			
	Fair Value through Profit or Loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
30 September, 2018								
Financial Assets not measured at fair value								
Advances, deposits, prepayments and other receivables	-	96,354,588	-	96,354,588	-	-	-	-
Long Term Deposits	-	490,000	-	490,000	-	-	-	-
Cash and bank balances	-	2,103,307	-	2,103,307	-	-	-	-
	-	98,947,895	-	98,947,895	-	-	-	-
Financial Liabilities not measured at fair value								
Loan from banking companies	-	-	1,625,000,000	1,625,000,000	-	-	-	-
Trade and other payables	-	-	196,191,331	196,191,331	-	-	-	-
Accrued Markup	-	-	396,565,989	396,565,989	-	-	-	-
Unclaimed Dividend	-	-	1,443,972	1,443,972	-	-	-	-
Loan from related parties	-	-	669,579,535	669,579,535	-	-	-	-
	-	-	2,888,780,827	2,888,780,827	-	-	-	-
30 September, 2017								
Financial Assets not measured at fair value								
Advances, deposits, prepayments	-	395,852,224	-	395,852,224	-	-	-	-
Long Term Deposits	-	11,990,000	-	11,990,000	-	-	-	-
Cash and bank balances	-	2,657,869	-	2,657,869	-	-	-	-
	-	410,500,093	-	410,500,093	-	-	-	-
Financial Liabilities not measured at fair value								
Loan from banking companies	-	-	1,625,000,000	1,625,000,000	-	-	-	-
Trade and other payables	-	-	249,342,789	249,342,789	-	-	-	-
Accrued Markup	-	-	283,670,346	283,670,346	-	-	-	-
Unclaimed Dividend	-	-	1,443,972	1,443,972	-	-	-	-
Loan from related parties	-	-	574,535,180	574,535,180	-	-	-	-
	-	-	2,733,992,287	2,733,992,287	-	-	-	-

33.03 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. There were no changes to Company's approach to capital management during the year. The Company is not subject to any externally imposed Capital requirements.

The Company manages its capital structure and makes adjustment to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may issue right shares or negotiate with banks for new financing or restructure exuisting financing.

The gearing ratios were as follows:

		2018	2017
Long term financing	Rupees	1,652,187,642	1,663,687,642
Short term financing	Rupees	669,579,535	574,535,180
Total debt	Rupees	2,321,769,195	2,238,224,839
Total Equity	Rupees	(597,829,105)	(134,263,282)
Capital employed	Rupees	1,723,940,090	2,103,961,557
Gearing ratio		-35%	-6%

33.04 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on having cost effective funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors.

(a) Market risk

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Company has no significant interest-bearing assets, the Company's income and resultantly operating cash flows are substantially independent of changes in market interest rates.

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

Financial liabilities

	2018	2017	2018	2017
	Percentage		Rupees	
Long term financing	7.40 to 11.93	7.40 to 11.15	1,625,000,000	1,625,000,000
Total yield / markup rate risk sensitivity gap			1,625,000,000	1,625,000,000

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 and loss. Therefore, a change in interest rates at the reporting date would not affect profit and loss account.

Cash flow sensitivity analysis for variable rate instruments:

	Effect on Profit and Loss 1% rate	
	Increase	Decrease
As at September 30, 2018		
Cash flow sensitivity - variable rate financial liabilities	16,250,000	(16,250,000)
As at September 30, 2017		
Cash flow sensitivity - variable rate financial liabilities	16,250,000	(16,250,000)

(ii) Other price risk

Other price risk is 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 currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to equity securities price risk as there is no investment in listed securities.

(iii) Foreign currency risk

The Company does not have any commitment or balance in foreign currency as at financial position date which result in foreign currency risk.

(b) Credit risk

Credit risk represents the risk of financial loss being caused if counter parties fail to discharge an obligation.

Credit risk arises from deposits with banks, trade debts, loans and advances, deposits and other receivables. The company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. Where considered necessary, advance payments are obtained from certain parties. The maximum exposure to credit risk is equal to the carrying amount of financial assets. Out of the total financial assets of Rs. 134,390,429 (2017: Rs. 444,418,539) the financial assets exposed to credit risk amount to Rs. 98,609,515 (2017: Rs.410,420,358).

The Company monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings. The carrying values of financial assets which have not impaired are as under:

	2018	2017
	Rupees	
Long term deposits	490,000	11,990,000
Advances, deposits, prepayments and other receivables	131,797,120	429,770,667
Cash and bank balances	2,103,307	2,657,869
	134,390,427	444,418,536

The credit quality of receivables can be assessed with reference to their historical performance with no or some defaults in recent history, however, no losses. The credit quality of Company's bank balances can be assessed with reference to external credit.

Bank	Rating agency	Short Term Borrowings	Long Term Loans
United Bank Limited	JCR-VIS	A-1+	AAA
The Bank of Punjab	PACRA	A1+	AA
Sindh Bank Limited	JCR-VIS	A-1+	AA
MCB Bank Limited	PACRA	A1+	AAA
National Bank of Pakistan	JCR-VIS	A-1+	AAA

Geographically, there is no concentration of credit risk.

(c) Liquidity risk

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate committed credit facilities and directors and sponsor of the Company.

The table shows analyses how management monitors net liquidity based on details of the remaining contractual maturities of financial assets and liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

	2018			
	Carrying Amount	Contractual cash flows	Upto twelve months	Two to five years
Financial Liabilities				
Loan from banking companies	1,625,000,000	1,625,000,000	1,075,626,438	549,373,562
Trade and other payables	196,191,331	196,191,331	196,191,331	-
Accrued Markup	396,565,989	396,565,989	396,565,989	-
Unclaimed Dividend	1,443,972	1,443,972	-	1,443,972
Loan from related parties	669,579,535	669,579,535	669,579,535	-
	2,888,780,827	2,888,780,827	2,337,963,293	550,817,534
Financial Assets				
Advances, deposits, prepayments and other receivables	96,354,588	96,354,588	96,354,588	-
Long Term Deposits	490,000	490,000	-	490,000
Cash and bank balances	2,103,307	2,103,307	2,103,307	-
	98,947,895	98,947,895	98,457,895	490,000
	(2,789,832,932)	(2,789,832,932)	(2,239,505,398)	(550,327,534)

	2017			
	Carrying Amount	Contractual cash flows	Upto twelve months	Two to five years
Financial Liabilities				
Loan from banking companies	1,625,000,000	1,625,000,000	574,260,952	1,050,739,048
Trade and other payables	249,342,789	249,342,789	249,342,789	-
Accrued Markup	283,670,346	283,670,346	283,670,346	-
Unclaimed Dividend	1,443,972	1,443,972	-	1,443,972
Loan from related parties	574,535,180	574,535,180	574,535,180	-
	2,733,992,287	2,733,992,287	1,681,809,267	1,052,183,020
Financial Assets				
Advances, deposits, prepayments and other receivables	395,852,224	395,852,224	395,852,224	-
Long Term Deposits	11,990,000	11,990,000	-	11,990,000
Cash and bank balances	2,657,869	2,657,869	2,657,869	-
	410,500,093	410,500,093	398,510,093	11,990,000
	(2,323,492,194)	(2,323,492,194)	(1,283,299,174)	(1,040,193,020)

34 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprise holding company, subsidiaries and associated undertakings, other related group companies, key management personnel including Chief executive, Directors and Executives and Post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Details of related party transactions and balances are as follows:

The Company during the year entered into transactions with the following related parties:

Name of Related Party	**Nature of relationship**	**% of Shareholding**
Abdullah Sugar Mills Limited	Associate (common management/directorship)	8.952
Haseeb Waqas Trading (Private) Limited	Associate (common management/directorship)	0
Mian Waqas Riaz	Director	2.37
Mrs. Shehzadi Ilyas	Director	7.42
Mrs. Zainab Waqas	Director	1.029
Mian Haseeb Ilyas	Chief Executive / Director	6.832
Mian Abdullah Ilyas	Director	9.218
Key Management Personnel	Employer - Employee	

34.1 Details of related party transactions other than those with key management personnel

The Company during the year entered into following transactions with related parties other than key management personnel:

		2018	**2017**
34.1.1	**Transactions with related parties**	**Rupees**	
	Sale of molasses		
	Abdullah Sugar Mills Limited	22,428,900	63,314,846
	(Repayment) / Obtain loan (to) / from - net:		
	Abdullah Sugar Mills Limited	117,473,255	325,587,594
	Mrs. Shehzadi Ilyas	21,243,981	185,691,318
	Mian Abdullah Ilyas	4,088,224	-
	Mian Haseeb Ilyas	-	2,808,785
	Mian Abdullah Ilyas	-	603,500

34.1.2 Payments against balances due to related parties were made partially in cash and partially by paying for expenses on behalf of related parties and vice versa.

34.2 Details of related party balances are as follows:

		2018	**2017**
34.2.1	**Balances payable to related parties**	***Rupees***	
	Haseeb Waqas Trading (Private) Limited	2,204,064	2,204,064
	Abdullah Sugar Mills Limited	667,375,471	572,331,116
	Mian Waqas Riaz	15,597,680	15,597,680
	Mrs. Shehzadi Ilyas	400,109,199	378,865,218
	Mrs. Zainab Waqas	117,500,100	117,500,100
	Mian Haseeb Ilyas	252,231,650	252,231,650
	Mian Abdullah Ilyas	44,208,443	40,120,219

34.3 Compensation of directors, chief executive and executives

	Year ended 30 September 2018		
	Chief Executive	**Directors**	**Executives**
Short-term employee benefits			
Remuneration	2,700,000	4,500,000	3,248,000
Post employment benefits			
Retirement benefits paid	-	-	-
	2,700,000	4,500,000	3,248,000
No. of persons	1	2	2

	Year ended 30 September 2017		
	Chief Executive	Directors	Executives
Short-term employee benefits			
Remuneration	2,700,000	1,500,000	8,220,000
Post employment benefits			
Retirement benefits paid	-	-	-
	2,700,000	1,500,000	8,220,000
No. of persons	1	2	3

The Chief Executive and the Directors of the Company have waived their right to receive meeting fee. Additionally, Chief Executive and one Director are provided with free use of cellular phones and Company maintained cars.

35 ENTITY WIDE INFORMATION

The Company constitutes of a single reportable segment, the principal product is refined white sugar.

Information about geographical areas

The Company does not hold non-current assets in any foreign country. Revenues from customers attributed to foreign countries is nil during the current year.

Information about major customers

The Company does not have transactions with any external customer which amount to 10 percent or more of its revenues.

36 NUMBER OF EMPLOYEES

	Number of employees	
Total		
Average number of employees during the year	229	292
Number of employees as at September 30	136	179
Plant		
Average number of employees during the year	199	224
Number of employees as at September 30	99	121

37 AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements have been authorized for issue by the Board of Directors of the Company on January 02, 2019.

38 GENERAL

- Figures have been rounded off to the nearest of Pakistani Rupees,
- Comparative figures have been rearranged / reclassified, wherever necessary, to facilitate comparison. However, during major reclassification made (other than disclosed in note # 4) due to application of 4th Schedule to the Companies Act, 2017 are:

From	**To**	**Rupees**
Trade and other payables Note # 12	Unclaimed dividend On face of Statement of Financial Position	1,443,972

CHIEF EXECUTIVE **DIRECTOR** **CHIEF FINANCIA DIRECTOR**

17 PROPERTY, PLANT AND EQUIPMENT - Tangible

R U P E E S

Particulars	Cost / Revalued Amount				Depreciation					Book Value
	As at October 01, 2017	Additions/ (Deletions)	Revaluations	As at September 30, 2018	Rate %	As at October 01, 2017	Adjustment	For the Year	As at September 30, 2018	as at September 30, 2018
Owned										
Land - freehold	261,152,009	161,050	-	261,313,059	-	-	-	-	-	261,313,059
Buildings on freehold land										
- Factory	375,575,435	-	-	375,575,435	10%	83,210,676	-	29,236,476	112,447,152	263,128,283
- Non-factory	115,367,554	-	-	115,367,554	5%	13,517,263	-	5,092,515	18,609,778	96,757,776
Plant and machinery	3,360,693,365	-	-	3,360,693,365	5%	455,739,226	-	145,247,707	600,986,933	2,759,706,432
Electric equipment	624,971	-	-	624,971	10%	71,474	-	55,350	126,824	498,147
Furniture and fixtures	57,469,483	-	-	57,469,483	10%	41,316,472	-	1,615,301	42,931,773	14,537,710
Vehicles	26,522,921	(345,000)	-	26,177,921	20%	25,616,234	(314,242)	175,186	25,477,178	700,743
	4,197,405,738	(183,950)	-	4,197,221,788		619,471,346	(314,242)	181,422,534	800,579,638	3,396,642,150
Leased										
Plant and machinery	139,500,000	-	-	139,500,000	10%	43,272,063	-	9,622,794	52,894,857	86,605,143
	139,500,000	-	-	139,500,000		43,272,063	-	9,622,794	52,894,857	86,605,143
Total 2018	4,336,905,738	(183,950)	-	4,336,721,788		662,743,409	(314,242)	191,045,328	853,474,495	3,483,247,293

R U P E E S

Particulars	Cost / Revalued Amount				Depreciation					Book Value
	As at October 01, 2016	Additions/ (Deletions)	Revaluations	As at September 30, 2017	Rate %	As at October 01, 2016	Adjustment	For the Year	As at September 30, 2017	as at September 30, 2017
Owned										
Land - freehold	257,479,964	3,672,045	-	261,152,009	0%	-	-	-	-	261,152,009
Buildings on freehold land				-						
- Factory	375,575,435	-	-	375,575,435	10%	50,725,703	-	32,484,973	83,210,676	292,364,759
- Non-factory	115,367,554	-	-	115,367,554	5%	8,156,721	-	5,360,542	13,517,263	101,850,291
Plant and machinery	3,234,839,054	125,854,311	-	3,360,693,365	5%	302,846,904	-	152,892,323	455,739,227	2,904,954,138
Electric equipment	624,971	-	-	624,971	10%	9,974	-	61,500	71,474	553,497
Furniture and fixtures	48,288,712	9,180,771	-	57,469,483	10%	39,521,693	-	1,794,779	41,316,472	16,153,011
Vehicles	27,811,435	(1,288,514)	-	26,522,921	20%	26,677,877	(1,288,315)	226,672	25,616,234	906,687
	4,059,987,125	137,418,613	-	4,197,405,738		427,938,873	(1,288,315)	192,820,789	619,471,346	3,577,934,392
Leased										
Plant and machinery	139,500,000	-	-	139,500,000	10%	32,580,070	-	10,691,993	43,272,063	96,227,937
	139,500,000	-	-	139,500,000		32,580,070	-	10,691,993	43,272,063	96,227,937
Total 2017	4,199,487,125	137,418,613	-	4,336,905,738		460,518,943	(1,288,315)	203,512,782	662,743,409	3,674,162,329

17.1 The aggregate written down value of assets disposed off during the year is less than Rs. 500,000.

17.2 Particulars of immovable property (i.e. land and building on land) are as follows:

Location / address	Usage of immovable property	Total area (Acres)	Approx. covered area (Acres)
Moza Jagmal, Ali Pur Jottoi Road, Tehsil Jattoi, Distt. Muzagargarh	Curent Production Unit	72.05	55%
4 km, Nankana Boucheki Road, Nankana Sahib	Land Area	72.81	0%

17.3 The depreciation charged for the year has been allocated as under:

	Note	2018 Rupees	2017 Rupees
Cost of sales	24	184,106,977	196,069,290
Administrative expenses	25	6,938,351	7,443,492
		191,045,328	203,512,782

17.4 Revalued land, building and plant and machinery:

On September 30, 2014, the Company elected to measure land, buildings and plant and machinery using the revaluation model.

The fair value of the Company's land, buildings and plant and machinery are determined by an independent professionally qualified valuer M/s Empire Enterprises. The valuation is based on an open market value.

The activity in the property markets in which these assets are located provides observable market data on which reliable fair value estimates can be derived. In determining the valuation, the valuer refers to current market conditions and recent sales transactions of similar properties for land; class and type of construction, quality of material used, standard of workmanship and finish for building; and contacted to supplier and different sugar plan manufacturing consultants in the Country or abroad for plant and machinery. In estimating the fair value of the property, the highest and best use of the property is their current use.

The carrying values of the land, buildings and plant and machinery would have been Rs. 96 million, Rs. 201 million and Rs. 845 million under the cost model.

The forced sale value of the revalued of land, buildings and plant and machinery was assessed at the discount of 20 % of the value of revaluation at the date of revaluation.

The market value of the revalued assets as at September 30, 2018 does not materially different from the carrying amount of the revalued assets.