



MACCA GROUP

Abdullah Shah Ghazi
Sugar Mills Limited

34th Annual Report 2017

34th Annual Report 2017



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CORPORATE INFORMATION

BOARD DIRECTORS

Muhammad Irshad Butt
(Director/Chief Executive)
Muhammad Nawaz
Muhammad Rashid Rana
Atif Butt
Muhammad Talib
Yasir Iqbal
Muhammad Dawood

AUDIT COMMITTEE

Muhammad Irshad Butt (Director)
Muhammad Talib (Member)
Muhammad Dawood (Member)

CHIEF FINANCIAL OFFICER

Sohail Azam Khan

COMPANY SECRETARY

Saleem Abbas

INTERNAL AUDITORS

Riaz Ahmad, Saqib, Gohar and Company
Chartered Accountants

AUDITORS

Kaleem & Company
Chartered Accountants

REGISTRAR

Central Depository. Company of Pakistan,
CDC HOUSE, 99-B, BLOCK-B, S.M.C.H.S.,
Main Shahrah-e- Faisal, Karachi, Pakistan.

REGISTERED OFFICE

7/10, A-2 Arkay Square
Shahrah-e-Liaqat, New Challi, Karachi

MILLS

Abdullah Shah Ghaziabad, Garho,
District Thatta, Sindh

Bankers

Bank Islami Pakistan Limited
Summit Bank Limited
Bank Al-Falah Limited
Silk Bank Limited
MCB Bank Limited
Meezan Bank Limited
Habib Metropolitan Bank Limited
United Bank Limited
Allied Bank Limited

Web Presence:

www.asgsml.co



Mission Statement

To be the premier sugar and allied product's manufacturer while providing our clients with flexibility, on-time delivery, and consistent quality and to achieve sustainable and equitable expansion and growth through efficient and cost effective resources and at the same time developing a Corporate business environment most suited to all the employees and people Concerned.

Vision Statement

To transform the Company into a market leader for the Quality Sugar Manufacturing, while keeping our focus on the growing customer base, be characterized by a high degree of professionalism and is accountable for the successful fulfillment of the company's mission, and to play a meaningful role in the economy of Pakistan.



NOTICE OF THIRTY FOURTH ANNUAL GENERAL MEETING:

NOTICE IS HEREBY GIVEN to all the Members of Abdullah Shah Ghazi Sugar Mills Limited (the 'Company') that 34th Annual General Meeting of the Company will be held at 09:00 am on Saturday, June 30, 2018 at Diamond Banquet, Plot No. C-36, 37 Extension, Gulshan-e-Hadeed, Phase-1, Karachi, to transact the following business:

1. To receive, consider and adopt the annual audited financial statements of the Company for the year ended September 30, 2017 together with the Directors' and Auditors' Reports thereon and Chairman's Review Report.
2. To appoint Company's Auditors and fix their remuneration. Audit Committee and the Board of Directors have recommended the appointment of the retiring auditors, M/s Kaleem & Co., Chartered Accountants, who being eligible have offered themselves for re-appointment.
3. To elect seven (7) Directors of the Company, as fixed by the Board under Section 159 (1) of the Companies Act, 2017, for a period of three (3) years commencing from July 01, 2018. Following are the names of retiring directors who are also eligible to offer themselves for re-election:

1. Mr. Muhammad Irshad Butt	5. Mr. Yasir Iqbal
2. Mr. Muhammad Rashid Rana	6. Mr. Muhammad Dawood
3. Mr. Atif Butt	7. Mr. Muhammad Nawaz
4. Mr. Muhammad Talib	

By Order of the Board

Saleem Abbas
Company Secretary

Statement under Section 166 (3) of the Companies Act, 2017 pertaining to election of Directors is annexed with the notice of meeting circulated to the members.

Lahore:

June 08, 2018

1. A member entitled to attend and vote at this meeting may appoint any other member as his/her proxy to attend and vote. The Instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarially attested copy of the power of attorney must be deposited at the registered office of the Company at least 48 hours before the time of the meeting.
2. Members, who have deposited their shares into Central Depository Company of Pakistan Limited, are being advised to bring their original National Identity Cards along with CDC Participant ID and account number at the meeting venue.
3. Members who have deposited their shares into Central Depository Company of Pakistan Limited ("CDC") will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan. A proxy form, both in English

and Urdu languages, is being separately sent to the members along with notice of meeting.

A. For Attending the Meeting

- a. In case of Individuals, the account holder and/or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall authenticate his/her identity by showing his/her original CNIC or, original Passport at the time of attending the Meeting.
- b. In case of corporate entity, the Board's resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For Appointing Proxies

- a. In case of individuals, the account holder and/or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per above requirements.
 - b. The proxy form shall be witnessed by two persons, whose names, addresses and CNIC numbers shall be mentioned on the form.
 - c. Attested copies of the CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.
 - d. The proxy shall produce his original CNIC or original passport at the time of the Meeting.
 - e. In case of corporate entity, the Board's resolution / power of attorney with specimen signature shall be furnished (unless it has been provided earlier) along with proxy form to the Company.
4. Members are requested to timely notify any change in their addresses.
5. Pursuant to the provisions of the Companies Act, 2017, the shareholders residing in a city and collectively holding at least 10% of the total paid up share capital may demand the Company to provide the facility of video-link for participating in the meeting. The demand for video-link facility shall be received by the Share Registrar at the address given hereinabove at least seven (7) days prior to the date of the meeting on the Standard Form which can be downloaded from the company's website: www.asgsml.co
6. The Company has placed the Audited Annual Financial Statements for the year ended September 30, 2017 along with Auditors and Directors Reports thereon and Chairman's review report on its website: www.asgsml.co

Book Closure:

The Register of Members of the Company will remain closed from 23 June 2018 to 30 June 2018 (both days inclusive). Transfers received in order at the office of the Company's Independent Share Registrar, M/s. Central Depository Company Limited, CDC house, 99-B, Block-B, SM.C.H.S, Main Shahrah-e-Faisal, Karachi by the close of business (5:00 PM) on Friday, 22 June 2018 will be considered in time to be eligible for the purpose of attending and voting at the Annual General Meeting.



STATEMENTS UNDER SECTION 166 (3) OF THE COMPANIES ACT, 2017 **IN RESPECT OF ELECTION OF DIRECTORS**

In terms of Section 159 (1) of the Companies Act, 2017 ("Act"), the directors have fixed the number of elected directors at seven (7) to be elected in the annual general meeting for a period of three years. The present Directors are interested to the extent that they are eligible for re-election as Directors of the Company.

Any person who seeks to contest election to the office of director shall, whether he is a retiring director or otherwise, file with the Company at its Registered Office, 7/10, A-2 arkay Square, Shahrah-e-Liaqat, new Challi, Karachi, not later than fourteen days before the day of the meeting, the following documents:

- i. Notice of his/her intention to offer himself/herself for election of directors in terms of Section 159(3) of the Act, together with the consent to act as a director in Form 28 prescribed under the Companies Act, 2017 ("Act");
- ii. A detailed profile along with office address as required under SECP's SRO 634 (I)/2014 dated 10 July 2014;
- iii. A director must be a member of the company at the time of filing of his/her consent for contesting election of directors except a person representing a member, which is not a natural person.
- iv. Declaration under Clause 3 of the Listed Companies (Code of Corporate Governance) Regulations, 2017 ("Regulations");
- v. Declaration by Independent Director under Clause 6(2) of the Regulations;
- vi. A declaration confirming that:
 - 1) He/she is aware of his/her duties and powers under the relevant laws, Memorandum & Articles of Association of Company and listing regulations of stock exchanges;
 - 2) He/she is not ineligible to become a director of a listed company under any provisions of the Act, the Listed Companies (Code of Corporate Governance) Regulations, 2017, any other applicable law, rules and regulations.

Independent Directors will be elected through the process of election of directors in terms of Section 159 of the Act and they shall meet the criteria laid down under Section 166 (2) of the Act.



DIRECTORS' REPORT

IN THE NAME OF ALLAH THE MOST GRACIOUS AND MOST MERCIFUL

Dear Members; Assalam-o-Alaikum;

On behalf of the board of directors, I welcome all of you to the 34th annual general meeting of the Company and present before you the annual report for the financial year ended September 30, 2017 along with financial statements and auditors' report thereon. The financial results of the year under review can be summarized as follows:

FINANCIAL RESULTS

Particulars	2017 Rupees	2016 Rupees
Net sales	298,565,682	430,564,355
Gross loss	(102,743,952)	(323,660,061)
Net Profit after tax	54,983,527	(384,250,365)
Key performance indicators		
- Gross loss as % to sales	(34.41 %)	(75.17 %)
- Net Profit % to sales	18.42 %	(89.24 %)
- Profit / earning per share	0.69	(4.85)

There remained a persistent shortage of sugar cane crop especially in mills' surrounding areas and generally in entire lower Sindh. This scarcity of crop resulted in to fewer crushing days that were restricted to 58 only and even during the operational period cane arrival remained far below than the normal arrival levels.

All these factors resulted in to above unhealthy financial numbers as outlined above.

OPERATING RESULTS:

Operations		2017	2016
Crushing days	Days	58	54
Cane crushed	Tons	16,940.81	102,698.318
Avg. crushing per day	Tons	292.083	1,901.820
Sugar produced	Tons	1,200.000	8,195.000
Average sugar recovery	% age	8.080 %	8.434 %
Molasses recovery	% age	4.800 %	5.353 %

FUTURE OUTLOOK:

Due to scarcity of sugar cane in surrounding areas of mills and current liquidity crunch resulting from persistent losses, future looks tough. However, management is striving hard to safely sail out Company out of current troubled situation and firmly believes that following factors will eventually pave way to deliver long term values to all stakeholders including our worthy shareholders:

- Unfavorable business conditions are temporary and cyclical in nature and would reverse in future.
- Arbitration efforts that have been undertaken to resolve dispute with TCP will be successful and the Company will be able to settle the subject amount in a convenient and sustainable manner.
- Negotiations with all the secured creditors and financial institutions to restructure the liabilities on long-term basis are underway and some financial institutions have restructured their facilities and management expects that the remaining will also turnout successful.
- There will be a persistent financial support from sponsors to enable Company to survive as a "going concern".
- Management is actively pursuing a plan to reduce cost and to increase the efficiency of mills.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK:

The Directors are pleased to confirm compliance with corporate and financial reporting framework of the Securities and Exchange Commission of Pakistan and the Code of Corporate Governance for the following:

CORPORATE GOVERNANCE COMPLIANCE:

The compliance with the best practices of Code of Corporate Governance provides comfort to the Board. Therefore, the management ensures that all requirements of the code of corporate governance are complied with. The statement of compliance with the best practices of Code of Corporate Governance is annexed.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK:

In compliance with the Code of Corporate Governance, we give below statements on Corporate and Financial Reporting Framework:

- The financial statements prepared by the management of the company present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- The Company has maintained proper books of accounts as per statutory requirements.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the company's ability to continue as a going concern.
- There has been no departure from the best practices of corporate governance, as detailed in the list in regulations.



- Key operating and financial data of last six years is annexed in summarize form.
- Information about outstanding taxes and other government levies are given in related note(s) to the accounts.
- The Company operates an un-funded gratuity scheme for all employees. The net value of investment in the irrespective accounts is given in related note(s) to the accounts.
- All material information, as described in the Code is disseminated to the Stock Exchange and Securities and Exchange Commission of Pakistan in a timely fashion.
- The Directors are aware of their fiduciary responsibilities.
- The directors, CEO, CFO, Company Secretary and their spouses and minor children have made no trading in the company's share during the year. The number of shares, if any, held by them is annexed.

BOARD MEETINGS:

During the year under review four (04) meetings of the Board of Directors were held. Participation of Directors is as follows: -

<u>Directors' Names</u>	<u>Meetings Attended</u>	<u>Directors' Names</u>	<u>Meetings Attended</u>
Mr. Muhammad Irshad Butt	0	Mr. Yasir Iqbal	0
Mr. Muhammad Rashid Rana	4	Mr. Muhammad Dawood	4
Mr. Atif Butt	4	Mr. Muhammad Nawaz	4
Mr. Muhammad Talib	4		

AUDIT COMMITTEE:

The audit committee is performing its duties in line with its terms of reference framed by the Company's Board of Directors.

HUMAN RESOURCES AND REMUNERATION COMMITTEE:

The HR and Remuneration Committee comprises of three members. The Committee met once in a year.

PATTERN OF SHAREHOLDING:

Pattern of shareholding as at September 30, 2017 is annexed.

AUDITORS:

The auditors, M/s Kaleem & Co., Chartered Accountants, retire and offer themselves for re-appointment.

The Audit Committee has recommended to consider the re-appointment of M/s Kaleem & Co., Chartered Accountants as auditors of the Company for the next year ending September 30, 2018.

APPRECIATION:

The Board acknowledges the continued support and cooperation extended by the shareholders, bankers, sugarcane farmers and all other stakeholders. The Board also places on record its appreciation for employees of the Company for their devotion and hard work.

On behalf of Board of Directors

LAHORE: June 08, 2018

MUHAMMAD IRSHAD BUTT
(CHIEF EXECUTIVE)



6 YEARS OPERATING HIGHLIGHTS

(Figure in Thousand)

DESCRIPTION	2017	2016	2015	2014	2013	2012
Profit and loss:						
Turnover (Net Sales)/ Toll manufacturing income	298,566	430,564	1,763,890	1,057,295	1,277,459	581,462
Gross (Loss) / Profit	(102,744)	(323,660)	(486,470)	(99,988)	44,833	145,850
Operating (Loss) / Profit	(126,914)	(349,341)	(526,580)	(144,429)	(6,488)	118,808
(Loss) / Profit before Taxation	(175,177)	(409,656)	(563,636)	113,462	(95,508)	9,250
Profit/ (Loss) after Taxation	54,984	(384,250)	(515,795)	68,685	(98,400)	0.686
Balance Sheet:						
Shareholder Equity	792,617	792,617	792,617	792,617	792,617	792,617
Surplus on Revaluation of Fixed Assets	523,582	545,718	568,857	574,722	608,650	644,802
Accumulated Profit / (Loss)	(1,345,597)	(1,430,699)	(1,077,737)	(595,159)	(697,069)	(635,650)
Property, Plant & Equipment	2,605,873	2,638,978	2,714,146	1,900,958	1,811,671	1,828,255
Other Long Term Assets	1,826	1,326	1,326	5,357	5,376	5,316
Current Assets	251,157	410,012	464,544	1,678,716	1,348,260	1,405,252
Current Liabilities	2,753,897	2,758,443	2,440,283	2,338,501	1,648,374	1,570,257
Long Term Liabilities	134,358	384,237	455,997	474,351	812,735	822,629
Significant Results:						
Gross Profit / (Loss) Ratio %	(34.41)	(75.17)	(27.58)	(9.46)	3.51	25.08
Profit / (Loss) before Tax Ratio%	(53.52)	(95.14)	(31.95)	10.73	(70.48)	1.59
Current Ratio	0.090	0.149	0.190	0.718	0.818	0.895
Earning / (Loss) Per Share	0.694	(4.848)	(6.507)	0.867	(1.241)	0.010



PATTERN OF SHAREHOLDING

FORM "34" THE COMPANIES ORDINANCE 1984 (SECTION 236(1) & 464)

1	Incorporation Number	0011303
2	Name of the Company	ABDULLAH SHAH GHAZI SUGAR MILLS LTD
3	Pattern of holding of the shares held by the shareholders as at	30-09-2017

4	No. of Shareholders	From Shareholding	To	Total Shares Held
	721	1	100	57,937
	698	101	500	268,338
	243	501	1000	233,372
	405	1001	5000	1,247,213
	154	5001	10000	1,299,695
	56	10001	15000	729,500
	39	15001	20000	735,498
	24	20001	25000	568,417
	23	25001	30000	647,700
	9	30001	35000	306,000
	5	35001	40000	186,500
	7	40001	45000	304,500
	14	45001	50000	688,000
	2	50001	55000	105,555
	3	55001	60000	178,000
	1	60001	65000	63,000
	3	65001	70000	208,000
	1	75001	80000	79,500
	1	80001	85000	83,947
	3	85001	90000	264,075
	6	95001	100000	600,000
	1	100001	105000	101,400
	2	115001	120000	232,500
	1	120001	125000	123,100
	1	125001	130000	130,000
	1	170001	175000	175,000
	1	175001	180000	180,000
	1	190001	195000	192,000
	1	195001	200000	200,000
	1	225001	230000	229,000
	1	250001	255000	254,161
	1	320001	325000	323,000
	1	330001	335000	335,000
	1	395001	400000	395,500
	1	550001	555000	553,500
	1	4890001	4895000	4,890,249
	1	62090001	62095000	62,092,509
	2435			79,261,666



5	Categories of Shareholders	Shareholders	Shares Held	Percentage
5.1	Directors and their spouse(s) and minor children			
	MUHAMMAD IRSHAD BUTT	1	1,000	0.00
	MUHAMMAD TALIB	1	400	0.00
	ATIF BUTT	1	400	0.00
	MUHAMMAD RASHID RANA	1	400	0.00
	YASIR IQBAL	1	400	0.00
	MUHAMMED NAWAZ	1	100	0.00
	MUHAMMAD DAWOOD	1	400	0.00
5.2	Associated Companies, undertakings and related parties			
	HAQ BAHU SUGAR MILLS (PVT) LTD	2	62,215,609	78.49
5.3	Executives	-	-	-
5.4	Public Sector Companies and Corporations	3	47,300	0.06
5.5	Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	3	5,444,249	6.87
5.6	Mutual Funds	-	-	-
5.7	General Public			
	a. Local	2407	11,319,308	14.28
	b. Foreign	1	19,000	0.02
5.8	Others	12	213,100	0.27
	Totals	2435	79,261,666	100.00
Share holders holding 5% or more			Shares Held	Percentage
	HAQ BAHU SUGAR MILLS (PVT.) LIMITED		62,215,609	78.49
	AL BARAKA BANK (PAKISTAN) LIMITED		4,890,249	6.17

6 Signature of Company Secretary

7 Name of signatory

Saleem Abbas

8 Designation

Company Secretary

9 CNIC Number

32304-8810990-5

10 Date

30-09-2017



Pattern of Shareholding as at September 30, 2017

S.No.	Folio #	Name of shareholder	Number of shares	Per %	
Directors and their spouse(s) and minor children					
1	6781	MUHAMMAD IRSHAD BUTT	1,000	0.00	
2	6847	MUHAMMAD TALIB	400	0.00	
3	6848	ATIF BUTT	400	0.00	
4	6849	MUHAMMAD RASHID RANA	400	0.00	
5	6850	YASIR IQBAL	400	0.00	
6	6889	MUHAMMED NAWAZ	100	0.00	
7	6904	MUHAMMAD DAWOOD	400	0.00	
7			3,100	0.00	
Associated companies, undertakings and related parties					
1	6776	HAQ BAHU SUGAR MILLS (PVT) LTD	123,100	0.16	
2	03525-70701	HAQ BAHU SUGAR MILLS (PVT) LTD	62,092,509	78.34	
2			62,215,609	78.49	
Executive					
NIL			-	-	
Public sector companies and corporations					
1	9	M/S. NATIONAL BANK OF PAKISTAN TRUSTEE DEPARTMENT	100	0.00	
2	5077	M/S. PAKISTAN INDUSTRIAL CREDI. INVESTMENT CORPN. LTD.	27,200	0.03	
3	5145	INVESTMENT CORPN.OF PAKISTAN	20,000	0.03	
3			47,300	0.06	
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds					
1	5306	M/S. ADAMJEE INSURANCE CO. LTD	500	0.00	
2	09944-24	AL BARAKA BANK (PAKISTAN) LIMITED	4,890,249	6.17	
3	05132-26	ASKARI BANK LIMITED	553,500	0.70	
3			5,444,249	6.87	
Mutual Funds					
NIL			-	-	
General Public Foreign					
1	16238-1334	FARAZ AHMED YOUSFANI	19,000	0.02	
1			19,000	0.02	
Others					
1	5143	M/S. ASIF AGENCIES	3,400	0.00	
2	5144	M/S. KARACHI INVESTMENT COMPANY (PRIVATE) LTD.	1,000	0.00	
3	5259	M/S. PAK GREASE MFG. CO. (PVT)	700	0.00	
4	5268	M/S. THE PAKISTAN FUND	101,400	0.13	
5	5304	M/S. CENTRAL CHEMICAL LTD	1,000	0.00	
6	5428	M/S. VALIKA ART FABRICS LTD.	100	0.00	
7	06445-28	DARSON SECURITIES (PVT) LIMITED	500	0.00	
8	06684-29	MOHAMMAD MUNIR MOHAMMAD AHMED KHANANI SECURITIES (PVT.) LTD.	50,000	0.06	
9	14241-22	FIKREE'S (SMC-PVT) LTD.	2,500	0.00	
10	04952-28	SHERMAN SECURITIES (PRIVATE) LIMITED	15,000	0.02	
11	09472-22	M. J. MEMON SECURITIES (PVT) LIMITED.	35,000	0.04	
12	06452-17120	MUHAMMAD SHAFI TANNERIES (PVT) LTD	2,500	0.00	
12			213,100	0.27	
Total			2435	79,261,666	100.00
General Public Local			2407	11,319,308	14.28



Kaleem & Co.
Chartered Accountants

134-c Link A Street # 2,
Cavalry Ground, Lahore
Cannt, Pakistan.

Phones: (92-42) 36672320-21
E-mail: kaleem.co@gmail.com

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **ABDULLAH SHAH GHAZI SUGAR MILLS LTD.** as at **September 30, 2017** and the related profit & loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of 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 accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - i) the balance sheet 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, except for the matter referred in paragraph 'a' above, the balance sheet, profit & loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at **September 30, 2017** and of the **profit**, comprehensive profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.
- (e) Without further qualifying our opinion, we draw attention to the following matters:
 - (i) Note 2.2 of the financial statements which indicates that the company has incurred a profit/(loss) after tax of Rs. 54,983,527 (2016: 384,250,365). As at balance sheet date, it has accumulated loss of Rs. 1,345,597,152 (2016: Rs. 1,430,699,304), shareholders' equity is negative by an amount of Rs. 552,980,492 and its current liabilities exceeded its current assets by Rs. 2,502,739,963 (2016: Rs. 2,348,431,435). This factor indicates a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in normal course of business.

Muhammad Kaleem Rathor
Lahore
Date: June 08, 2017

KALEEM AND COMPANY
CHARTERED ACCOUNTANTS

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30th SEPTEMBER, 2017

This statement is being presented to comply with the Code of Corporate Governance (Code) contained in Listing Regulation No. 5.19 Chapter 5 of the Pakistan Stock Exchange Limited for the purpose of establishing a frame work of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

Category	
Independent Directors	Mr. Atif Butt
Executive Directors	Mr. Muhammad Irshad Butt
	Mr. Yasir Iqbal
Non-Executive Directors	Mr. Muhammad Rashid Rana
	Mr. Muhammad Talib
	Mr. Mahummad Dawood
	Mr. Muhammad Nawaz

The independent director meet the criteria of independence under clause I(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.
7. The meetings of the board were presided over by the Chairman and, in his absence, by the Chief Executive Officer and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
8. Directors are well conversant with the fiduciary responsibilities and orientation courses were arranged in-house and however during the year under consideration at least one director was required to acquire the certification under the directors' training program which could not be acquired due to other commitments of directors.
9. There was no change in the position of CFO, Company Secretary and Head of Internal Audit during the year. The Directors' report has been prepared in compliance with the requirements of the CCG and it fully describes the salient matters required to be disclosed.



- 10 The director's report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
- 11 The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.
- 12 The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
- 13 The Company has complied with all the corporate and financial reporting requirements of the CCG.
- 14 The system of internal controls is sound in design and has been effectively implemented and is being consistently reviewed by the Internal Audit Department.
- 15 There has been no material departure from the best practices of Corporate Governance as detailed in listing regulations of Pakistan Stock Exchange.
- 16 The board has formed an Audit Committee. It comprises of three members, all of whom are non-executive directors and the chairman of the committee is an independent director.
- 17 The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
- 18 The board has formed an HR and Remuneration Committee. It comprises of three members, of whom one is an independent director, the other is an executive director and the Chairman of the committee is a non-executive director.
- 19 The board has outsourced the internal audit function to Riaz Ahmad, Saqib, Gohar and Company, Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
- 20 The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
- 21 The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 22 The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.
- 23 Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
- 24 We confirm that all other material principles contained in the CCG have been complied with.

For & on behalf of the Board

LAHORE:

DATE : June 08, 2018

CHIEF EXECUTIVE OFFICER



Kaleem & Co.

Chartered Accountants

134-c Link A Street # 2,
Cavalry Ground, Lahore
Cantt, Pakistan.

Phones: (92-42) 36672320-21
E-mail: kaleem.co@gmail.com

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors (the Board) of Abdullah Shah Ghazi Limited (the Company) for the year ended September 30, 2017 to comply with the requirements of Rule 5.19 of the Rule book of the Pakistan Stock Exchange where the Company is listed.

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

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

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval, its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, except for the matter described below, nothing has come to our attention, which causes us to believe that the Statement does not appropriately reflect the status of the Company's compliance, in all material respects, with the best practices contained in the Code, for the year ended 30 September 2017.

During the year under consideration a minimum of one director was required to acquire certification under directors training program, which has not been complied with. (Ref. 8 of the statement).

Muhammad Kaleem Rathor
Lahore
Date: June 08, 2017

KALEEM AND COMPANY
CHARTERED ACCOUNTANTS



BALANCE SHEET AS ON SEPTEMBER 30, 2017

	Notes	2017 RUPEES	2016 RUPEES
<u>EQUITY AND LIABILITIES</u>			
<u>SHARE CAPITAL AND RESERVES</u>			
Authorized share capital	5.1	1,000,000,000	1,000,000,000
Issued, subscribed and paid-up capital	5.2	792,616,660	792,616,660
Accumulated losses		(1,345,597,152)	(1,430,699,304)
		(552,980,492)	(638,082,644)
Surplus on revaluation of property, plant and equipments - net	6	523,581,629	545,718,063
<u>NON-CURRENT LIABILITIES</u>			
Long term loan from related party - unsecured	7	123,416,314	123,416,314
Long term loan from bank - secured	8	6,091,101	18,750,000
Retirement benefit obligations	9	4,850,576	4,338,633
Deferred taxation	10	-	237,732,442
		134,357,991	384,237,389
<u>CURRENT LIABILITIES</u>			
Trade and other payables	11	2,146,310,690	2,198,744,094
Finance cost payable	12	184,467,672	142,193,704
Short term borrowings - secured	13	74,720,546	361,255,635
Current portion of long term loan from bank	8	348,398,518	56,250,000
		2,753,897,426	2,758,443,433
<u>CONTINGENCIES AND COMMITMENTS</u>			
<u>ASSETS</u>			
<u>NON CURRENT ASSETS</u>			
Property, plant and equipments	15	2,605,872,926	2,638,978,078
Long term deposits	16	1,826,165	1,326,165
<u>CURRENT ASSETS</u>			
Stores and spares		41,740,839	41,879,406
Stock in trade	17	114,914,525	246,734,092
Trade debts - unsecured - considered good		-	2,279,739
Advances, deposits and prepayments	18	73,480,481	105,809,369
Taxes recoverable		11,024,020	10,494,977
Cash and bank balances	19	9,997,598	2,814,415
		251,157,463	410,011,998
		2,858,856,554	3,050,316,241
The annexed notes from an integral part of these financial statements.			
		2,858,856,554	3,050,316,241

CHIEF EXECUTIVE

DIRECTOR



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Notes</u>	<u>2017 RUPEES</u>	<u>2016 RUPEES</u>
Sales - net	20	298,565,682	430,564,355
Cost of sales	21	401,309,634	754,224,416
Gross loss		(102,743,952)	(323,660,061)
Administrative and general expenses	22	23,190,757	24,450,021
Distribution expenses	23	979,736	1,230,460
		24,170,493	25,680,481
Operating loss		(126,914,445)	(349,340,542)
Finance cost	24	48,262,380	60,317,263
Other income	25	-	2,300
Net loss before tax		(175,176,825)	(409,655,505)
Taxation	26	(230,160,352)	(25,405,140)
Net profit/(loss) after tax		54,983,527	(384,250,365)
Profit / (Loss) share - basic and diluted	27	0.69	(4.85)

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

CHIEF EXECUTIVE

DIRECTOR



STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Notes</u>	2017 <u>RUPEES</u>	2016 <u>RUPEES</u>
Profit /(loss) after taxation for the period		54,983,527	(384,250,365)
Other comprehensive income:			
Remeasurement of net defined benefit liability		410,102	906,634
Related deferred tax		(123,031)	(281,057)
		287,071	625,577
Total comprehensive profit / (loss) for the year		55,270,598	(383,624,788)

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

CHIEF EXECUTIVE

DIRECTOR



CASH FLOW STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

	2017 RUPEES	2016 RUPEES
Loss before taxation	(175,176,825)	(409,655,505)
Adjustments for non cash and other items:		
Depreciation	80,059,753	79,505,676
Financial charges	48,262,380	60,317,263
Workers' welfare fund	5,744,825	5,158,169
Prior year adjustment	-	(625,108)
Provision for gratuity	1,399,295	1,777,766
	<u>135,466,253</u>	<u>146,133,766</u>
<i>Cash flow before working capital changes</i>	<u>(39,710,572)</u>	<u>(263,521,739)</u>

Effect on cash flows due to working capital changes

(Increase) / Decrease in:

Stores and spares	138,567	(204,611)
Stock in trade	131,819,567	105,133,186
Trade debts	2,279,739	(2,279,739)
Advances, deposits and prepayments	32,328,888	(48,357,062)
	<u>166,566,761</u>	<u>54,291,774</u>

Increase / (Decrease) in:

Trade and other payables	(58,178,229)	267,524,689
	<u>(58,178,229)</u>	<u>267,524,689</u>

Cash generated from operations

Income tax paid	529,043	7,118,075
Finance cost paid	5,988,412	5,783,934
Gratuity paid	477,250	1,858,242
	<u>(6,994,705)</u>	<u>(14,760,251)</u>
<i>Net cash generated from operating activities</i>	<u>61,683,254</u>	<u>43,534,473</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Fixed capital expenditures	(46,954,601)	(4,337,421)
Long term deposit	(500,000)	-
<i>Net cash used in investing activities</i>	<u>(47,454,601)</u>	<u>(4,337,421)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Long term loan from bank	279,489,619	-
Short term borrowings - net	(286,535,089)	(46,555,566)
<i>Net cash (used in) financing activities</i>	<u>(7,045,470)</u>	<u>(46,555,566)</u>
Net (decrease) / increase in cash and cash equivalent	<u>7,183,183</u>	<u>(7,358,514)</u>
Cash and bank balances at the beginning of the year	<u>2,814,415</u>	<u>10,172,929</u>
Cash and bank balances at the end of the year	<u>9,997,598</u>	<u>2,814,415</u>

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

CHIEF EXECUTIVE

DIRECTOR

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Share Capital RUPEES	Accumulated Profit / (Loss) RUPEES	Total RUPEES
Balance as at October 01, 2015	792,616,660	(1,077,736,628)	(285,119,968)
Transfer from surplus on revaluation of fixed assets	-	31,287,220	31,287,220
Net loss for the year ended September 30, 2016	-	(383,624,788)	(383,624,788)
Prior year adjustment	-	(625,108)	(625,108)
Balance as at September 30, 2016	792,616,660	(1,430,699,304)	(638,082,644)
Balance as at October 01, 2016	792,616,660	(1,430,699,304)	(638,082,644)
Transfer from surplus on revaluation of fixed assets	-	29,831,554	29,831,554
Net profit for the year ended September 30, 2017	-	55,270,598	55,270,598
Balance as at September 30, 2017	792,616,660	(1,345,597,152)	(552,980,492)

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

CHIEF EXECUTIVE

DIRECTOR



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2017

1 STATUS AND NATURE OF BUSINESS

The Company was incorporated in Pakistan on February 25, 1984 as a Private Limited Company and was subsequently converted into a Public Limited Company on February 11, 1990. The Company is listed in Pakistan Stock Exchange. The principal business of the Company is manufacturing and selling of refined sugar and by products. The Mill is located at Garho, Sindh. Name of parent company is M/s. Haq Bahu Sugar Mills (Private) Limited and registered office of the company is situated at 7/10, A-2 Arkay Square Shahra - e - Liaquat, New Challi, Karachi.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

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

During the year on 30 May 2017, the Companies Act, 2017 (the Act) was enacted which replaced and repealed the Companies Ordinance, 1984 (the repealed Ordinance). However, the Securities and Exchange Commission of Pakistan (SECP) through its Circular No.23 of 2017 dated 04 October 2017 has advised the Companies whose financial year closes on or before 31 December 2017 to prepare their financial statements in accordance with the provisions of the repealed Ordinance.

2.2 Basis of Measurement

These financial statements have been prepared under the "going concern convention" except of certain classes of property, plant and equipment which are stated at revalued amount and employee retirement benefits which are stated at fair value.

The financial statements of the company for the year ended September 30, 2017 reflect that company has sustained a net profit after taxation of Rs. 54.983 million and as of that date it has accumulated losses of Rs. 1,345.597 million (2016: Rs. 1,430.699 million) resulted in negative equity of Rs. 552.980 million and its current liabilities exceeded its current assets by Rs. 2,502.739 million (2016: Rs. 2,348.431 million). These conditions indicate the existence of material uncertainty which may cast significant doubt about the company's ability to continue as going concern and therefore the company may not be able to realize its assets and discharge its liabilities in the normal course of business. However management has taken the following significant measures to improve the operational performance and liquidity of the company:

- a) Unfavorable business conditions are temporary and cyclical in nature and would reverse in future;
- b) Arbitration efforts that have been undertaken to resolve dispute with TCP will be successful and the Company will be able to settle the subject amount in a convenient and sustainable manner;
- c) Negotiations with all the secured creditors and financial institutions to restructure the liabilities on long-term basis are underway and some financial institutions have restructured their facilities and management expects that the remaining will also turnout successful;
- d) There will be a persistent financial support from sponsors to enable Company to survive as a 'going concern'.
- e) Further, the management is actively pursuing a plan to reduce cost and to increase the efficiency of mills.

Finally, the management is very much convinced that the above measures would result in improving the financial position and operational performance of the company.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupee, which is the Company's functional and presentation currency. All financial information presented in Pak Rupee has been rounded off to the nearest Rupee unless stated otherwise.

2.4 Accounting policies

The accounting policies adopted for the preparation of these financial statements are consistent with those applied in the preparation of the preceding annual financial statements of the company for the year ended September 30, 2016.

2.5 Standards and interpretations that became effective

The following standards (revised or amended) and interpretations became effective for the current financial year but either they are not relevant or do not have any material effect on the financial statements of the Company:

IFRS 10	Consolidated Financial Statements (Amendments)
IFRS 12	Disclosure of Interests in Other Entities (Amendments)
IAS 27	Separate Financial Statements - Investment Entities (Amendments)
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of Disposal (Amendments)
IFRS 7	Financial Instruments: Disclosures - Servicing contracts
IFRS 7	Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed
IAS 19	Employee Benefits - Discount rate: regional market issue
IAS 34	Interim Financial Reporting

2.6 Standards and interpretations issued but not yet effective for the current financial year

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

Standard or interpretation		Effective date (Annual periods beginning on or after)
IFRS 2	Share-based Payments - Classification and Measurement of Share-based Payments Transactions (Amendments)	January 01, 2018
IFRS 10	Consolidated Financial Statements	Not yet finalized
IAS 28	Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IAS 7	Financial Instruments: Disclosures - Disclosure Initiative - (Amendment)	January 01, 2017
IAS 12	Income Taxes - Recognition of Deferred Tax Assets for Unrealized losses (Amendments)	January 01, 2017
IFRS 4	Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - (Amendments)	January 01, 2018
IAS 40	Investment Property: Transfers of Investment Property (Amendments)	January 01, 2018
IFRS 9	Financial Instruments: Classification and Measurement	July 01, 2018
IFRS 15	Revenue from Contracts with Customers	July 01, 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 01, 2018
IFRIC 23	Uncertainty over Income Tax Treatments	January 01, 2019

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

2.7 Standards issued by IASB but not yet notified by SECP

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

Standard or interpretation		IASB effective date (Annual periods beginning on or after)
IFRS 1	First-Time Adoption of International Financial Reporting Standards	January 01, 2009
IFRS 14	Regulatory Deferral Accounts	January 01, 2016
IFRS 16	Leases	January 01, 2019
IFRS 17	Insurance Contracts	January 01, 2021

3 USE OF ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which from the basis of making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.



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

Judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment in the future period are as follows:

- (i) Useful life and residual value of property, plant and equipment
- (ii) Provision for doubtful debts
- (iii) Provision for obsolete stores and spares and stock in trade
- (iv) Provision for taxation
- (v) Staff retirement gratuity
- (vi) Contingencies

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Issued, subscribed and paid-up capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

4.2 Borrowings

Loans and borrowings are recorded at their fair value being the proceeds received. Financial charges are accounted for by applying effective interest rate method and included in accrued expenses.

4.3 Staff Retirement Benefits

The Company operates an un-funded gratuity scheme covering all employees eligible to the benefit. Provisions are made on the basis of actuarial recommendations. The actuarial valuations are carried out as at 30th September 2017 using the Projected Unit Credit Method, as required by International Accounting Standards (IAS-19).

The amount recognized in balance sheet represents the present value of the defined benefit obligation as on 30th September, 2017 as adjusted for unrecognized actuarial gains and losses.

The amendments in IAS 19 require the recognition of changes in defined benefit obligation and fair value of plan asset when they occur thus eliminating 'Corridor Approach' permitted under previous version of IAS 19 thus accelerating recognition of past service cost. All actuarial gains and losses are recognized immediately through 'Other Comprehensive Income'.

4.4 Taxation

(a) Current income tax

Provision for current tax is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for tax on income is calculated at the current rates of taxation as applicable after taking into account tax credit and tax rebates available, if any. Income tax expense is recognized in profit and loss account except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

(b) Deferred tax

Deferred tax is recognized using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes.

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

Deferred tax asset and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to comprehensive income or equity, in which case it is included in comprehensive income or equity.



(c) **Sales tax / excise duty**

- Revenues, expenses and assets are recognized net of the amount of sales tax / FED except:
- Where the sales tax / FED incurred on purchase of assets or services is not recoverable from the taxation authority.
- Receivables and payables balances that are stated with the amount of sales tax / FED included.

The net amount of sales tax / FED recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

4.5 **Trade and other payables**

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

4.6 **Provisions**

Provisions are recognized when the company has a present legal or constructive obligation as a result of a past event and is probable that an outflow of resources embodying economic benefits will be required to settle the obligation of which reliable estimate can be made. The expense related to provision is presented in profit and loss net of any reimbursements. The provision is recognized at its present value, accounting for time value of money, except where the impact for discounting is considered to be immaterial. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.7 **Property, plant and equipment**

(a) **Operating fixed assets**

- Fixed assets including additions are stated at cost less accumulated depreciation, except that certain assets which are stated at revalued amount less accumulated depreciation
- Depreciation on fixed assets is provided on the reducing balance method over its useful life at the rates specified in the fixed assets schedule.
- Depreciation on additions to property, plant and equipment is charged for the month in which an asset is acquired or capitalized while no depreciation is charged for the month in which the asset is disposed off.
- Subsequent costs are included in the asset's carrying amounts 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.
- Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major repairs and improvements are capitalized
- Gain or loss on scrapping or disposal of assets, if any, is charged to profit and loss account.
- The incremental depreciation charged on revalued assets during the year has been transferred to retained earnings/accumulated profit to record realization of surplus to the extent of incremental depreciation.

(b) **Capital work in progress**

Capital work in progress is stated at cost less identified impairment losses, if any. All expenditure including applicable borrowing costs, if any, connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these are available for use.

4.8 **Stores, spares and loose tools**

Stores, spares and loose tools are valued at lower of cost, which is calculated according to moving average cost, and net realizable value. The cost is determined using weighted average method.

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make the sale. Stores in transit are valued at invoice values including other charges, if any, incurred thereon.

4.9 **Stock-in-trade**

These are valued at lower of cost and net realizable value. The cost is determined as follows:

Raw materials:	Weighted average cost
Goods in transit:	Cost comprising invoice value plus other charges incurred thereon.
Work in process:	Weighted average manufacturing cost
Finished goods:	Average manufacturing cost
Molasses:	Contracted price / net realizable value

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



4.10 Trade debts

Trade debts are recognized and carried at original invoice amount less an allowance for doubtful debts. Provision for doubtful debts is based on the management's assessment of customer's outstanding balances and credit worthiness. Trade debts are written off when identified and considered irrecoverable.

4.11 Loans, advances, deposits, prepayments and other receivables

Loans, advances, deposits, prepayments and other receivables are carried at cost less provision made for doubtful receivables based on review of all outstanding amounts at the year end. Loans, advances, deposits, prepayments and other receivables considered irrecoverable are written off.

4.12 Cash and cash equivalent

Cash and cash equivalents are carried in the balance sheet at nominal amounts. For the purpose of the cash flow statement, cash and cash equivalents comprises cash in hand and balance with banks in current and pls accounts.

4.13 Revenue recognition

Revenue from sale of goods is measured at fair value of the consideration received or receivable, net of discounts and applicable taxes. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing involvement of management when the goods and the amount of revenue can be measured reliably.

- Sale of goods is recorded when significant risks and rewards of ownership are transferred to the customer;
- Interest and rental income are recognized on accrual basis;
- Dividend income is recognized when the company's right to receive the dividend is established; and
- Sale of scrap is recognized on actual realization basis.

4.14 Borrowing costs

Borrowing cost incurred on finance obtained for the construction of qualifying assets are capitalized up to the date the respective assets are available for the intended use. All other mark up interest and other related charges are taken to profit and loss account.

4.15 Ijarah

Ijarah payments under an Ijarah are recognized as an expense in the profit and loss account on a straight-line basis over the Ijarah term.

4.16 Impairment

(a) Financial assets

The Company assesses at each balance date whether there is any objective evidence that a financial asset or a group of financial asset is impaired. A financial asset is deemed to be impaired if and only if there is an objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Any impairment loss on financial assets, including the financial assets carried at amortized cost, is recognized in profit and loss account.

(b) Non-financial assets

The Company continually assesses at each balance sheet date whether there is any indication that an asset 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 profit and loss account for the year. The recoverable amount is the higher of an assets' fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the assets' revised carrying amount over its estimated useful life.

When impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized. Reversal of impairment loss is recognized as income.

4.17 Financial instruments

All the financial assets and liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset or a portion of a financial asset when, and only when, the enterprise loses control of the contractual rights that comprise the financial asset or portion of the financial asset. While a financial liability or part of a financial liability is derecognized from the balance sheet, when, and only when it is extinguished, i.e. when the obligation specified in the contract is discharged cancelled or expires.

(a) Financial assets

Financial assets are investment in associates, long term loans and advances, long term deposits, trade debts, short term loans and advances, other receivable and cash and bank balances. These are initially recognized at its cost which represent fair value of consideration given for it and subsequent to initial recognition financial assets are carried at cost, if fair value is not materially different at the balance sheet date.

(b) Financial liabilities

Financial liabilities are classified according to the substance of the contractual agreements entered into. Significant financial liabilities are long term loans, short term finances, obligations under finance lease, trade and other payables. All financial liabilities are initially recognized at cost, which represents fair value of the consideration received at initial recognition. After initial recognition financial liabilities held for trading are carried at fair value and all other financial liabilities are measure at amortized cost.

4.18 Off setting of financial instruments

A financial asset and a financial liability are 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.

4.19 Foreign currency translation and transactions

Assets and liabilities in foreign currencies are translated into rupees at the rate of exchange prevailing at the balance sheet date except for the liabilities covered under forward exchange contracts which are translated at the contracted rates. Transaction in foreign currencies are converted into rupees at the rate of ruling on the date of transactions. Profit or loss arising on translation is recognized in the profit and loss account currently.

4.20 Related party transactions

Transactions with related parties are priced at an arm's length basis. Prices for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods sold or services rendered in an economically comparable market to a buyer unrelated to the seller.

4.21 Dividends

Dividend distribution to the company's shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved.

4.22 Earnings per share

The Company presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing the profit and loss attributable to ordinary shareholders' of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by using profit and loss attributable to ordinary shareholders' and the weighted average number of ordinary shares outstanding, adjusted for the effect of all dilutive potential ordinary shares.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2017

Notes

2017
RUPEES

2016
RUPEES

5 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

5.1 Authorized Share Capital

2017	2016			
Number of Shares				
100,000,000	100,000,000	Ordinary shares of Rs. 10/- each	1,000,000,000	1,000,000,000

5.2 Issued, Subscribed and Paid-up Capital

2017	2016			
Number of Shares				
79,261,666	79,261,666	Ordinary shares of Rs. 10/- each fully paid in cash	792,616,660	792,616,660

65,482,609 (2016:65,482,609) ordinary shares are held by Haq Bahu Sugar Mills (Private) Limited (holding company) representing 82.62% (2016:82.62%) shareholding in the company.

6 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENTS - Net

Opening Balance		784,266,786	829,610,583
Less: Transferred to equity in respect of:			
Incremental depreciation on revalued Asset		(29,831,554)	(31,287,220)
Related deferred tax liability		(12,784,952)	(14,056,577)
		(42,616,506)	(45,343,797)
Closing Balance - Gross		741,650,280	784,266,786
Less: Related Deferred tax liability			
Related deferred tax liability on revaluation surplus		238,548,723	260,753,858
Effect of change in tax rate		(7,695,120)	(8,148,558)
Amount realized during the year on account of incremental depreciation		(12,784,952)	(14,056,577)
		218,068,651	238,548,723
Closing Balance - net		523,581,629	545,718,063

The company has complied with the requirements of SRO 45(I) 2003 for the effect of incremental depreciation. The incremental depreciation charged on revalued assets during the years and in prior year has been transferred to unappropriated losses to record realization of surplus to the extent of incremental depreciation to comply with the amendment in section 235 of Companies Ordinance, 1984 and further notification of Securities and Exchange Commission of Pakistan to clarify the treatment of surplus arising on revaluation of fixed assets.

7 LONG TERM LOAN FROM RELATED PARTY - UNSECURED

Subordinated loan from Holding Company		123,416,314	123,416,314
--	--	-------------	-------------

The loan has been advanced by M/s. Haq Bahu Sugar Mills (Pvt.) Ltd which carries markup @ 6 months KIBOR plus 1% (2016: @ 3 months KIBOR plus 1%) payable half yearly. Since the loan will not be repayable within next twelve months therefore the same has been classified as long term liability. The loan is subordinated to certain short term finance facility obtained by the company.

8 LONG TERM LOAN FROM BANK - SECURED

Markup based borrowing from conventional banks (Secured):			
Term Finance			
Summit Bank	8.1	75,000,000	75,000,000
Silk Bank	8.2	7,091,101	-
		82,091,101	75,000,000
Islamic Mode of Financing (Secured):			
Bank Islami	8.3	272,398,518	-
		272,398,518	-
		354,489,619	75,000,000
Less: Current Portion of Long term Loans		(348,398,518)	(56,250,000)
		6,091,101	18,750,000



- 8.1 The facility has been obtained from Summit Bank Limited and amounting to Rs. 75 million. The facility carries markup @ 3 months KIBOR plus 1% per annum payable quarterly in arrears. The facility is secured against first pari passu charge over present and future fixed assets of the company amounting to Rs. 66.70 million and personal guarantees of all sponsoring directors.
- 8.2 The facility has been obtained from Silk Bank Limited amounting to Rs. 100 million. The facility carries no markup. The facility is secured against pledge of refined sugar with 10% margin.
- 8.3 The facility has been obtained from Bank Islami Limited amounting to Rs. 275 million. The facility carries markup @ 3 months KIBOR with a floor of 5% and cap of 12% per annum payable quarterly in arrears. The facility is secured against ranking charge over current assets of the Company with 25% margin.

9 RETIREMENT BENEFIT OBLIGATIONS

	Notes	2017 RUPEES	2016 RUPEES
Balance sheet liability		4,338,633	5,325,743
Expenses chargeable to profit and loss account	9.1	1,399,295	1,777,766
Re-measurements chargeable in other comprehensive income	9.2	(410,102)	(906,634)
Benefits paid		(477,250)	(1,858,242)
		<u>4,850,576</u>	<u>4,338,633</u>

9.1 Amount charged to profit and loss account

Current service cost	1,188,974	1,404,634
Interest cost on defined benefit obligation	210,321	373,132
Total amount chargeable to profit and loss account	<u>1,399,295</u>	<u>1,777,766</u>

9.2 Re-measurements chargeable in other comprehensive income

Remeasurement of plan obligation:		
Actuarial (gains)/losses from changes in financial assumptions	4,886	(22,361)
Experience assumptions	(414,988)	(884,273)
Total re-measurements chargeable in other comprehensive income	<u>(410,102)</u>	<u>(906,634)</u>

a) Changes in Present Value of Defined benefit Obligations

Present value of defined benefit obligation	3,613,103	5,325,743
Current service cost	1,188,974	1,404,634
Interest cost on defined benefit obligation	210,321	373,132
Benefits due but not paid (payables)	(1,123,745)	(725,530)
Benefits paid	(300,500)	(1,858,242)
Remeasurements:		
Actuarial (gains)/losses from changes in financial assumptions	4,886	(22,361)
Experience assumptions	(414,988)	(884,273)
Present value of defined benefit obligation	<u>3,178,051</u>	<u>3,613,103</u>

9.3 Significant actuarial assumptions

Discount rate used for interest cost in profit and loss account charge	7.25%	9.25%
Discount rate used for year end obligation	8.00%	7.25%
Salary increase used for year end obligation	N/A	N/A
Net salary is increased at	1-Jan-18	1-Jan-17
Mortality rates	2005	2005
Withdrawal rates	Age-Based	Age-Based
Retirement assumption	Age 60	Age 60

9.4 Allocation

Total retirement benefits costs are included in salaries and benefits and allocated as follows:		
Cost of sales	811,591	1,031,104
Administrative and general expenses	587,704	746,662
	<u>1,399,295</u>	<u>1,777,766</u>

9.5 Year end sensitivity analysis (\pm 100 bps) on defined benefit obligation

Discount rate + 100 BPS	3,031,445	3,339,515
Discount rate - 100 BPS	3,348,393	3,935,803
Salary Increase + 100 BPS	3,353,654	3,944,725
Salary Increase - 100 BPS	3,024,071	3,326,676

The average duration of the defined benefit obligation is 5 years.

10 DEFERRED TAXATION

Notes	2017 RUPEES	2016 RUPEES
The Liability of Deferred Tax comprises of Temporary differences relating to:		
Taxable Temporary Differences		
Accelerated Tax Depreciation	251,157,142	121,954,711
Revaluation Surplus	218,068,651	238,548,723
	469,225,793	360,503,434
Deductible Temporary Differences		
Retirement Benefit Obligation	(1,455,173)	(1,344,976)
Unused Tax Losses	(510,087,826)	(343,712,866)
	(511,542,499)	(345,057,842)
Asset not recognized	(42,317,206)	(222,286,850)
	-	237,732,442

10.1 Being prudent the Company has not recognised deferred tax assets of Rs. 42,317,206 million (2016: Nil) in respect of unused tax depreciation losses.

11 TRADE AND OTHER PAYABLES

Creditors for goods and services		1,074,411,442	1,188,211,031
Advance from customers			
- Trading Corporation of Pakistan	11.1	521,162,495	521,162,495
- Others		469,428,513	395,973,002
Accrued liabilities		16,817,866	20,702,767
Deposits		39,076	39,076
Road cess		2,448,207	2,448,207
Income tax payable		3,832,820	3,448,846
Workers' profit participation fund	11.2	52,036,724	46,291,899
Workers' welfare fund	11.3	4,616,856	4,616,856
Sales tax payable		285,633	15,491,308
Other liabilities		1,231,058	358,607
		2,146,310,690	2,198,744,094

11.1 The company is in dispute with Trading Corporation of Pakistan. For details refer to note 14.1(b).

11.2 Workers' profit participation fund

Opening balance	46,291,899	41,133,730
Interest provided for the year	5,744,825	5,158,169
	52,036,724	46,291,899

11.2 (a) Mark-up @ 12.41% (2016: 12.54%) per annum is provided on unpaid balance of the fund in accordance with the rules of the fund.

11.3 Workers' welfare fund

Opening balance	4,616,856	4,616,856
Provision for the year	-	-
	4,616,856	4,616,856

12 FINANCE COST PAYABLE

Markup on Borrowing from Conventional Banks:			
Long Term Financing		16,054,698	17,528,061
Short Term Borrowings		21,234,901	7,187,798
		37,289,599	24,715,859
Islamic Mode of Financing:			
Long Term Financing		8,482,744	-
Short term		51,706,758	39,240,365
		60,189,502	39,240,365
Other			
Long Term Financing	12.1	86,988,571	78,237,480
		86,988,571	78,237,480
		184,467,672	142,193,704

12.1 The markup is payable to Haq Bahu Sugar Mills (Pvt.) Limited, parent of the Company, calculated @ 6 month KIBOR +1%.



13 SHORT TERM BORROWINGS

	Notes	2017 RUPEES	2016 RUPEES
Markup Based Borrowing from Conventional Banks (Secured):			
Cash Finance		-	11,536,571
Running Finance	13.1	47,080,879	47,080,879
Short Term Finance	13.2	8,666,667	8,666,667
		55,747,546	67,284,117
Islamic Mode of Financing (Secured):			
Istisna		-	249,999,200
Murabaha		-	24,999,318
		-	274,998,518
Other Financing (Unsecured):	13.3	18,973,000	18,973,000
		<u>74,720,546</u>	<u>361,255,635</u>

- 13.1 The facility has been obtained from Summit Bank Limited amounting to Rs. 47.24 million. The facility carries markup @ 3 months KIBOR plus 2.5% per annum payable quarterly in arrears. The facility is secured against first hypothecation charge over company stock amounting to Rs. 93.33 million, first pari passu charge over present and future fixed assets of the company amounting to Rs. 34 million and personal guarantees of directors.
- 13.2 The facility has been obtained from Summit Bank Limited amounting to Rs. 13 million. The facility carries markup @ 3 months KIBOR plus 3% per annum payable quarterly in arrears. The facility is secured against first pari passu charge over all present and future fixed assets of the company amounting to Rs. 96.67 million, post dated cheques as per repayment schedule and personal guarantees of directors.
- 13.3 This loan is interest free and unsecured and is payable with the mutual consent.

14 CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

- a) The Company received advances from Trading Corporation of Pakistan (TCP) under four different sugar supply agreements. The Company has disputed the supply of sugar under the said agreements contending that TCP made numerous breaches of the agreements causing enormous losses to the Company and has filed a civil suit in court of Honorable Civil Judge, Lahore praying to refer the dispute for arbitration under the terms of the agreements. The Court has initiated ex parte proceedings against TCP and matter is a pending adjudication.
- b) During the year under consideration TCP filed a complaint with National Accountability Bureau (NAB), Sindh for recovery of the amount advanced by it as referred in preceding paragraph. Total amount claimed by TCP is Rs. 1,311.528 million being principal amount of Rs. 570.913 million plus Rs. 740.615 million being penalty, markup and other incidental charges. The matter is pending with NAB for disposal and the management expects that outcome will be in its favor and penalty, markup and other incidental charges of Rs. 740.615 million would not be payable, hence no provision there against has been made in these financial statements. During the year TCP has encashed Margin on Guarantee deposited by the company with the banks and therefore the principal amount claimed has been reduced to Rs. 521.165 million.
- c) Due to financial crunch faced by the Company the long term loan from Summit Bank (refer note 9) could not be serviced in a timely manner. Summit Bank Limited has filed lawsuit for recovery of this finance facility in Lahore High Court which is a pending adjudication.
- d) The Company had deposited an amount of Rs. 20.832 million of excise duty in 1991-92 under protest with collector of custom and central excise, Hyderabad on account of rebate of excise duty earlier claimed as per the incentive given by the government. The Honorable High Court of Sindh has decided the case in favor of Collector of Customs. The company has filed an appeal in Supreme Court of Pakistan which is pending for hearing. The management of the company expects favorable outcome. However, as a matter of prudence company has made provision there against in these financial statements.

14.2 Commitments

- a) The Company has entered into Ijarah agreements for Rs. 4.409 million (2016: Rs. 4.409 million) with Bank Alfalah Limited to acquire vehicles. The rentals under these agreements are payable monthly up to October 2017 carrying profit rates ranging from three and six month KIBOR plus 1.23% to 1.41% per annum (2016: 1.23% to 1.41% per annum). The total of future Ijarah payments are as under:

Less than one year	13,850	1,034,740
Within one to five years	-	13,850

15 PROPERTY, PLANT AND EQUIPMENTS

Operating Fixed Assets	15.1	2,558,955,225	1,387,534,905
Capital Work in Progress - At Cost	15.2	46,917,701	1,251,443,173
		<u>2,605,872,926</u>	<u>2,638,978,078</u>

15.1 Operating Fixed Assets

Particulars	----- 2017 -----				RUPEES			WDV as at September 30, 2017
	Cost / Revaluation		Rate	Depreciation		As at September 30, 2017		
	As at October 01, 2016	Additions		As at October 01, 2016	For the year			
							RUPEES	
<i>Owned</i>								
Land free hold	8,278,125	--	--	--	--	--	--	8,278,125
Experimental land	10,500,000	--	--	--	--	--	--	10,500,000
Building on free hold land:								
- Factory	206,614,715	16,190,548	222,805,263	10	128,789,248	136,706,716		86,098,547
- Non factory	90,849,466	--	90,849,466	10	60,743,531	63,754,125		27,095,341
Plant and machinery	1,884,123,500	1,235,252,625	3,119,376,125	5	636,514,427	704,041,767		2,415,334,358
Electric installations	12,529,128	--	12,529,128	10	11,696,730	11,779,970		749,158
Tools and equipment	3,526,377	--	3,526,377	10	2,740,570	2,819,151		707,226
Telephone installation	1,030,151	--	1,030,151	10	916,220	927,613		102,538
Electric equipment	7,186,303	36,900	7,223,203	10	5,418,351	5,598,422		1,624,781
Furniture and fixture	7,581,644	--	7,581,644	10	6,247,293	6,380,728		1,200,916
Office equipment	4,439,008	--	4,439,008	10	1,959,693	2,207,625		2,231,383
Arms and ammunitions	453,677	--	453,677	10	360,273	369,613		84,064
Tents and tarpaulins	3,210,660	--	3,210,660	10	1,315,366	1,504,895		1,705,765
Computers	3,244,163	--	3,244,163	10	2,130,774	2,242,113		1,002,050
Vehicles	11,986,565	--	11,986,565	20	9,192,126	9,751,014		2,235,551
Scales and weighbridges	14,000	--	14,000	10	7,975	8,578		5,422
TOTAL	2,255,567,482	1,251,480,073	3,507,047,555		868,032,577	948,092,330		2,558,955,225

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

	2017 RUPEES	2016 RUPEES
Cost of goods manufactured	75,796,761	74,696,814
Administration expenses	4,262,992	4,808,862
	80,059,753	79,505,676

15.1.2 Had there been no revaluation the carrying amount of revalued assets would have been as follows :

Land free hold	2,877,388	2,877,388
Experimental land	1,145,920	1,145,920
Building on free hold land:		
- Factory	33,630,050	19,527,137
- Non Factory	5,027,541	5,586,157
Plant and Machinery	1,762,975,152	560,915,172
	1,805,656,051	590,051,774

15.1.3 Operating Fixed Assets

----- 2016 -----								
Particulars	Cost/ Revaluation			Rate	Depreciation			WDV as at September 30, 2016
	As at October 01, 2015	Additions	As at September 30, 2016		For the year	As at September 30, 2016		
RUPEES						RUPEES		
<i>Owned</i>								
Land free hold	8,278,125	--	8,278,125		--	--	--	8,278,125
Experimental land	10,500,000	--	10,500,000		--	--	--	10,500,000
Building on free hold land:								
- Factory	206,614,715	--	206,614,715	10	120,141,974	8,647,274	128,789,248	77,825,467
- Non factory	90,849,466	--	90,849,466	10	57,398,427	3,345,104	60,743,531	30,105,935
Plant and machinery	1,883,133,500	990,000	1,884,123,500	5	570,855,775	65,658,652	636,514,427	1,247,609,073
Electric installations	12,529,128	--	12,529,128	10	11,604,241	92,489	11,696,730	832,398
Tools and equipment	3,514,377	12,000	3,526,377	10	2,653,429	87,141	2,740,570	785,807
Telephone installation	1,030,151	--	1,030,151	10	903,561	12,659	916,220	113,931
Electric equipment	7,186,303	--	7,186,303	10	5,221,912	196,439	5,418,351	1,767,952
Furniture and fixture	7,567,144	14,500	7,581,644	10	6,099,547	147,746	6,247,293	1,334,351
Office equipment	4,401,508	37,500	4,439,008	10	1,685,477	274,216	1,959,693	2,479,315
Arms and ammunitions	453,677	--	453,677	10	349,895	10,378	360,273	93,404
Tents and tarpaulins	3,210,660	--	3,210,660	10	1,104,778	210,588	1,315,366	1,895,294
Computers	3,244,163	--	3,244,163	10	2,007,064	123,710	2,130,774	1,113,389
Vehicles	11,986,565	--	11,986,565	20	8,493,516	698,610	9,192,126	2,794,439
Scales and weighbridges	14,000	--	14,000	10	7,305	670	7,975	6,025
TOTAL	2,254,513,482	1,054,000	2,255,567,482		788,526,901	79,505,676	868,032,577	1,387,534,905

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

	2016	2015
	RUPEES	RUPEES
Cost of goods manufactured	74,696,814	78,956,753
Administration expenses	4,808,862	5,377,347
	<u>79,505,676</u>	<u>84,334,100</u>

15.1.5 Had there been no revaluation the carrying amount of revalued assets would have been as follows :

	2016	2015
	RUPEES	RUPEES
Land free hold	2,877,388	2,877,388
Experimental land	1,145,920	1,145,920
Building on free hold land:		
- Factory	19,527,137	21,696,819
- Non Factory	5,586,157	6,206,841
Plant and Machinery	560,915,172	589,442,040
	<u>590,051,774</u>	<u>621,369,008</u>



	Notes	2017 RUPEES	2016 RUPEES
15.2 Capital work in progress - At cost			
Opening balance		1,251,443,173	1,248,159,751
Add: Additions during the year	15.2.2	46,917,701	3,283,422
Less: Transfer to property, plant and Equipments		(1,251,443,173)	-
	15.2.1	<u>46,917,701</u>	<u>1,251,443,173</u>
15.2.1 Breakup is as follows			
Plant and machinery		46,917,701	1,235,252,625
Civil works		-	16,190,548
		<u>46,917,701</u>	<u>1,251,443,173</u>

15.2.2 Additions to capital work in progress includes amount of Rs. Nil (2016: Rs. Nil) borrowing cost capitalized during the year using average borrowing rate of Nil (2016: Nil) per annum.

16 LONG TERM DEPOSITS

Long Term Deposits	16.1	<u>1,826,165</u>	<u>1,326,165</u>
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16.1 These are security deposits against various ijarah facilities and utilities. These will be adjusted at the time of maturity of facilities.

17 STOCK IN TRADE

Work in process		114,914,525	30,518,092
Finished goods	17.1	-	216,216,000
		<u>114,914,525</u>	<u>246,734,092</u>

17.1 Finished goods stock valuing Rs. Nil million (2016: Rs. 3.445 million) were pledged as security for the finances obtained from commercial banks.

17.2 Finished goods stock has been written down to net realizable value by Rs. Nil million (2016: Rs. 39.924 million).

18 ADVANCES, DEPOSITS AND PREPAYMENTS

Advances - Unsecured, considered good

Growers		40,218,446	74,583,315
Contractors		860,036	2,086,775
Suppliers		11,473,912	8,792,250
Employees		988,008	626,009
For expenses		4,125,079	3,906,020
Export rebate receivable	18.1	<u>15,815,000</u>	<u>15,815,000</u>
		<u>73,480,481</u>	<u>105,809,369</u>

Deposits:

Excise duty		20,831,910	20,831,910
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Provision against excise duty deposit

	94,312,391	126,641,279
	<u>(20,831,910)</u>	<u>(20,831,910)</u>
	<u>73,480,481</u>	<u>105,809,369</u>

18.1 It includes advances to executives amounting to Rs. 2.467 million (2016: Rs. 2.467) and maximum amount due at the end of any month was Rs. 2.467 million (2016: Rs. 2.467).

19 CASH AND BANK BALANCES

Cash in Hand		6,807,521	7,580
Cash at Banks			
-Current Accounts		3,089,006	2,705,765
-Saving Accounts		101,071	101,070
		<u>9,997,598</u>	<u>2,814,415</u>

20 SALES - Net

Gross local sales		317,037,600	425,740,992
Sugar		10,349,682	36,359,739
Molasses		327,387,282	462,100,731
Total gross sales		<u>(28,821,600)</u>	<u>(31,536,376)</u>
Less Sales tax		298,565,682	430,564,355
Sales - Net		<u>298,565,682</u>	<u>430,564,355</u>



21 COST OF SALES

	Notes	2017 RUPEES	2016 RUPEES
Cost of sugar cane		89,844,005	465,589,170
Stores and spares consumed		8,236,223	12,782,973
Oil and lubricants consumed		2,865,659	2,414,782
Packing material consumed		469,711	3,045,617
Chemical consumed		2,975,976	6,486,597
Salaries, wages and benefits	21.1	59,818,279	64,845,118
Water, fuel and power		16,358,307	8,996,730
Vehicle running and maintenance		-	2,569,243
Freight, handling and octroi		636,379	867,310
Insurance		-	202,022
Depreciation	15.1.1	75,796,761	74,696,814
Others		12,488,767	6,594,854
Add: Opening WIP		269,490,067	649,091,230
Less: Closing WIP		30,518,092	1,320,898
Cost of Goods Manufactured		(114,914,525)	(30,518,092)
Add: Opening Finished Goods		185,093,634	619,894,036
Less: Closing Finished Goods	21.2	216,216,000	350,546,380
		-	(216,216,000)
		401,309,634	754,224,416

21.1 Its includes an amount of Rs. 0.8115 million (2016: Rs. 1.031 million) in respect of staff retirement benefit.

21.2 Cost of goods sold includes cost of sugar stock loss amounting to Rs. Nil million (2016: Rs. 222.396 million) due to moisture and dampening.

22 ADMINISTRATIVE AND GENERAL EXPENSES

Salaries, bonus and allowances	22.1	2,675,933	2,694,039
Fees, subscription and renewals		4,317,660	6,810,827
Vehicle running and maintenance		2,702,355	1,049,410
Legal and professional charges		700	615,950
Printing and stationery		193,677	69,543
Travelling, conveyance and entertainment		2,718,308	1,332,348
Rent, rates and taxes		881,267	2,890,520
Repairs and maintenance		50,000	49,920
Telephone and telex		-	36,640
Electricity		-	196,717
Auditors remuneration	22.2	1,200,000	866,400
Depreciation	15.1.1	4,262,992	4,808,862
Others		2,501,955	2,285,441
Ijarah rentals		1,666,910	595,870
Entertainment		19,000	147,534
		23,190,757	24,450,021

22.1 Its includes an amount of Rs. 0.587 million (2016: Rs. 0.746) in respect of staff retirement benefit.

22.2 Auditors' remuneration

Annual audit fee	1,000,000	600,000
Review of code of corporate governance	100,000	100,000
Half year review	100,000	100,000
Cost audit fee	-	66,400
	1,200,000	866,400

23 DISTRIBUTION EXPENSES

Loading and unloading charges	945,150	505,060
Stacking and re-stacking charges	34,586	425,400
Carriage and freight	-	300,000
	979,736	1,230,460



24 FINANCE COST

Mark up on subordinated sponsors' loan
Markup on long term loan
Mark up on short term borrowings
Markup on WPPF
Bank charges and commission

2017 RUPEES	2016 RUPEES
8,751,095	9,405,672
15,823,112	7,795,302
17,699,765	37,332,355
5,744,825	5,158,169
243,583	625,765
<u>48,262,380</u>	<u>60,317,263</u>

25 OTHER INCOME

Profit on deposit account

-	2,300
<u>-</u>	<u>2,300</u>

26 TAXATION

Current Year Provision

Deferred Taxation

Relating to Origination and Reversal of Temporary Differences
Relating to Rate Change

(230,186,684)	(25,084,789)
26,332	(320,351)
<u>(230,160,352)</u>	<u>(25,405,140)</u>
<u>(230,160,352)</u>	<u>(25,405,140)</u>

26.1 Relationship between tax expense and accounting profit

Accounting profit for the year

Applicable tax rate

Tax on accounting profit

Tax effect of expenses that are not deductible
in determining taxable profit

Tax effect of expenses that are deductible
in determining taxable profit

Tax effect loss related to presumptive tax regime

Adjustment of brought forward losses

Tax refundable under normal rules

Tax payable under normal rules

Minimum tax liability U/s. 113 (2015: U/s 113 - C)

(175,176,825)	(409,655,505)
30%	31%
(52,553,048)	(126,993,207)
24,437,714	25,197,867
(144,512,603)	(11,330,161)
172,627,937	113,125,501
-	-
<u>NIL</u>	<u>NIL</u>
<u>-</u>	<u>-</u>

27 PROFIT / (LOSS) PER SHARE - Basic and diluted

Profit / (Loss) after taxation for the year attributable to ordinary shareholders

Weighted average number of ordinary shares outstanding during the year

Profit / (Loss) Per share

54,983,527	(384,250,365)
NUMBER OF SHARES	
79,261,666	79,261,666
0.69	(4.85)

27.1 Diluted Earning per Share

There is no dilution effect on the basic earning per share as the company has no such commitments.

28 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the accounts for remuneration, including all benefits, to the Chief Executive, Directors and Executives of the Company was as follows:

	Chief Executive		Directors		Executives	
	2017	2016	2017	2016	2017	2016
Management Remuneration	-	-	300,000	300,000	7,590,400	849,000
Perquisites	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>300,000</u>	<u>300,000</u>	<u>7,590,400</u>	<u>849,000</u>
Number of Persons	-	-	1	1	9	1



29 TRANSACTION WITH RELATED PARTIES

Related parties comprise of holding company, subsidiary, associated undertakings, directors of the Company, key employees and staff retirement fund. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables. Parent, subsidiary and associated undertakings also have some common directorship.

Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

Relationship with the Company	Nature of Transactions	2107 RUPEES	2016 RUPEES
29.1 Parent company	Long term loan	123,416,314	123,416,314
	Markup payable	86,988,571	78,237,480
	Markup on Long Term Loan	8,751,095	9,405,672

30 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The Company's activities are exposed to a variety of financial risks. The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's overall risk management strategy seeks to minimize adverse effects from the unpredictability of financial markets on the Company's financial performance. The Company sets policies, strategies and mechanisms, which aim at effective management of these risks within its unique operating environment. The key financial risks include credit risk, liquidity risk and interest rate risk.

Risk management is carried out in accordance with established policies and guidelines approved by the Board of Directors. The management continually monitors the Company's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management objectives and policies are reviewed regularly to reflect changes in market conditions and the Company's activities.

a) Credit Risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter-parties failed completely to perform as contracted. To reduce exposure to credit risk the Company has developed a formal approval process whereby credit limits are applied to its customers. The management also continuously monitors credit exposure towards the customers and makes provision against those balances considered doubtful of recovery. Credit risk of the Company arises principally from the trade debts, loans and advances, trade deposits and other receivables. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

Financial Assets	2017 RUPEES	2016 RUPEES
Long term deposits	1,826,165	1,326,165
Trade debts - unsecured - considered good	-	2,279,739
Advances, deposits and prepayments	52,552,394	85,462,340
Bank Balances	3,190,077	2,806,835
	57,568,636	91,875,079

Bank balances are held only with reputable banks. The credit rating of banks holding balances is given below:

Name of Bank	Rating Agency	Short Term	Long Term
MCB Bank Limited	PACRA	A1+	AAA
Bank Alfalah Limited	PACRA	A1+	AA+
National Bank of Pakistan	PACRA	A1+	AAA
Allied Bank Limited	PACRA	A1+	AA+
Sonari Bank Limited	PACRA	A1+	AA-
Meezan Bank Limited	JCR-VIS	A-1+	AA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
Silk Bank Limited	JCR-VIS	A-2	A-
United Bank Limited	JCR-VIS	A-1+	AAA
Bank Islami Pakistan Limited	PACRA	A1	A+
Summit Bank Limited	JCR-VIS	A-1+	A-
Askari Bank Limited	PACRA	A1+	AA+
Sindh Bank Limited	JCR-VIS	A-1+	AA
Habib Bank Limited	JCR-VIS	A-1+	AAA
JS Bank Limited	PACRA	A1+	AA-
Al Baraka Bank Limited	PACRA	A1	A
Bank Al Habib Limited	PACRA	A1+	AA+

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non performance by these counterparties on their obligations to the Company. Accordingly the credit risk is minimal.



b) Liquidity Risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate actions for new requirements. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

	2017			
	Carrying Amount	Contractual Cash Flows	One Year or Less	One Year to Two Years Two Years to Five Years
Non Derivative Financial Liabilities				
Long term loan from related party - unsecured	123,416,314	149,913,289	8,824,266	8,824,266 132,264,757
Long term loan from bank - secured	354,489,619	420,895,235	22,115,009	22,115,009 376,665,217
Short term borrowings - secured	74,720,546	4,865,496	4,865,496	- -
Finance cost payable	184,467,672	184,467,672	184,467,672	- -
Trade and other payables	1,155,719,682	1,155,719,682	1,155,719,682	- -
	1,892,813,833	1,915,861,374	1,375,992,125	30,939,275 508,929,974

	2016			
	Carrying Amount	Contractual Cash Flows	One Year or Less	One Year to Two Years Two Years to Five Years
Non Derivative Financial Liabilities				
Long term loan from related party - unsecured	123,416,314	149,481,840	8,688,509	8,688,509 132,104,823
Long term loan from bank - secured	75,000,000	90,840,000	5,280,000	5,280,000 80,280,000
Short term borrowings - secured	361,255,635	376,139,649	376,139,649	- -
Finance cost payable	142,193,704	142,193,704	142,193,704	- -
Trade and other payables	1,281,608,597	1,281,608,597	1,281,608,597	- -
	1,983,474,250	2,040,263,789	1,813,910,458	13,968,509 212,384,823

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rate effective as at 30 September. Rates of interest / mark - up and their maturities are given in the respective notes.

c) Market Risk

(i) Interest Rate Risk

Interest rate risk is the risk that the value of financial instrument will fluctuate due to changes in market interest rates. The company's exposure to the risk of changes in interest rates relates primarily to the following:

Variable rate instruments at carrying amounts:

Financial liabilities

Long term loan from related party - unsecured
Long term loan from bank - secured
Short term borrowings - secured

	2017 RUPEES	2016 RUPEES
Long term loan from related party - unsecured	123,416,314	123,416,314
Long term loan from bank - secured	354,489,619	75,000,000
Short term borrowings - secured	74,720,546	361,255,635
	552,626,479	559,671,949
Interest bearing financial assets:		
Bank Balances In Deposit / Saving Accounts	101,071	101,070
	101,071	101,070

Fair value sensitivity analysis for fixed rate instruments:

The company does not account for any fixed rate financial assets at fair value through profit or loss, therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments:

A change of 100 basis points in interest rates at the reporting date would have increased / decreased loss / profit for the year by the amounts shown below:

Effect on loss / profit due to change of 100 BPs
Increase

1,998,738	4,038,550
1,998,738	4,038,550

Decrease

(ii) Equity Price Risk

Equity price risk is the risk of volatility in share prices resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. As of the balance sheet date, the Company is not exposed to any such risk.

(iii) Foreign Currency Risk

Foreign currency risk is the risk that the value of a financial asset or a financial liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist as a result of transactions with foreign undertakings. As of the balance sheet date, the Company is not exposed to any such risk.



d) Fair Value of Financial Assets and Liabilities

Fair value is the amount for which an asset could be exchanged, or a liability can be settled, between knowledgeable willing parties in an arm's length transaction. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

The Company uses the following hierarchy for disclosure of the fair value of financial instruments by valuation techniques:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities,

Level 2: Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: Those whose inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 CAPITAL MANAGEMENT

The primary objective of the Company's management is to ensure that it maintains a strong credit rating and healthy capital ratios while continue as going concern in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholder, issue new shares or sell assets to reduce debts or raise debts, if required.

As of the balance sheet date, the management considers that the capital of the Company is sufficient to meet the requirements of the business. The Company monitors capital on the basis of the gearing ratio. The ratio is calculated as under:

	2017 RUPEES	2016 RUPEES
Long term loan from related party - unsecured	123,416,314	123,416,314
Long term loan from bank - secured	354,489,619	75,000,000
Short Term Borrowings	74,720,546	361,255,635
Less: Cash and Cash Equivalents	9,997,598	2,814,415
Net Debt	542,628,881	556,857,534
Total Equity	(552,980,492)	(638,082,644)
Gearing Ratio	-98%	-87%

32 NUMBER OF EMPLOYEES

The total average number of employees during the year and as at September 30, 2017 and 2016 respectively are as follows:

Average number of employees during the year
Number of employees as at year end

2017	2016
<u>Number of Employees</u>	
349	352
231	226

33 CAPACITY AND PRODUCTION

Year	No. of Days Mill Operated	Crushing Capacity (M.Tons)	Total Crushing Capacity (M.Tons)	Sugar Production (M.Tons)	Actual Crushing (M.Tons)
2017	58	5,500	319,000	1,200	16,940
2016	54	5,500	297,000	8,195	102,698

Reason for shortfall:

Under utilization of production capacity is due to scarcity of sugarcane in Sindh.

34 CORRESPONDING FIGURES

The corresponding figures have been rearranged and reclassified for the purpose of comparison and better presentation however there has been no significant reclassification.

35 AUTHORIZATION DATE

These financial statements were authorized for issue on June 08, 2018 by the Board of Directors of the Company.

CHIEF EXECUTIVE

DIRECTOR



Abdullah Shah Ghazi Sugar Mills Limited

FORM OF PROXY

IMPORTANT

This form of Proxy duly completed must be deposited at the Company's Shares office Central Depository Company of Pakistan, CDC House, 99-B, Block-B, S.M.C.H.S., Main Shahrah-e-Faisal, Karachi, Pakistan.

A Proxy should also be a member of the Company.

I/we _____

of _____

being a member (s) of ABDULLAH SHAH GHAZI SUGAR MILLS LIMITED and holder of _____

herby appoint _____

of _____

or failing him _____

who is also member of ABDULLAH SHAH GHAZI SUGAR MILLS LIMITED vide Registered Folio No./CDC Participant's

ID and Account No. _____ as my/our proxy to vote for me/u and on my/our behalf at the 34th Annual General Meeting of the Company to be held on Saturday, June 30, at 09:00am and any adjournment there of

Signed this _____ day of _____ 2018

Affix
Revenue
Stamp
Rs. 5/-

Signature _____

Witness: _____

Witness: _____

SIGNATURE

Name : _____

Address : _____

SIGNATURE

Name : _____

Address : _____