

## AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

### Introduction

We have reviewed the accompanying condensed interim balance sheet of Abdullah Shah Ghazi Sugar Mills Limited as at March 31, 2016 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and the notes forming part thereof for the half year then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended March 31, 2015 and 2016 have not been reviewed, as we are required to review only the cumulative figures for the half year ended March 31, 2016.

### Scope of Review


We conducted our review in accordance with International Standards on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for half year ended March 31, 2016 is not prepared, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting.

### Emphasis of Matter

Without qualifying our conclusion we draw attention of the members to note 4 to the interim condensed financial information which indicates that the company incurred net loss after taxation of Rs. 17.526 million during the half year ended March 31, 2016 and as of that date it has accumulated losses of Rs. 1,079.846 million which resulted in negative equity of Rs. 287.229 million and its current liabilities exceeded its current assets by Rs. 1,975.739 million. These conditions, along with matters as set forth in note 4, indicate the existence of material uncertainty which may cast significant doubt about company's ability to continue as going concern.

  
Muhammad Kaleem Rathor  
Lahore  
September 15, 2016



**KALEEM & COMPANY**  
CHARTERED ACCOUNTANTS



**ABDULLAH SHAH GHAZI SUGAR MILLS LIMITED**  
**CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)**  
**AS AT MARCH 31, 2016**

	Note	Unaudited 31-Mar-16 Rupees	Audited 30-Sep-15 Rupees
<b><u>EQUITY AND LIABILITIES</u></b>			
<b><u>SHARE CAPITAL AND RESERVES</u></b>			
Issued, subscribed and paid-up capital		792,616,660	792,616,660
Accumulated loss		(1,079,845,703)	(1,077,736,628)
		(287,229,043)	(285,119,968)
Surplus in revaluation of property, plant and equipment		553,439,873	568,856,725
<b><u>NON-CURRENT LIABILITIES</u></b>			
Long term loans from related party - unsecured	7	123,416,314	123,416,314
Long term loan from bank - secured	8	37,500,000	56,250,000
Retirement benefit obligations		3,652,401	5,325,743
Deferred taxation	9	79,849,207	271,005,082
		244,417,922	455,997,139
<b><u>CURRENT LIABILITIES</u></b>			
Trade and other payables	10	2,272,047,640	1,926,061,236
Finance cost payable		108,830,250	87,660,375
Short term borrowings - secured	11	407,821,342	407,811,201
Current portion of long term loan from bank		37,500,000	18,750,000
		2,826,199,232	2,440,282,812
<b><u>CONTINGENCIES AND COMMITMENTS</u></b>			
	12	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,336,827,984</b>	<b>3,180,016,708</b>
<b><u>ASSETS</u></b>			
<b><u>NON-CURRENT ASSETS</u></b>			
Property, plant and equipment	13	2,678,748,634	2,714,146,332
Long term deposits		1,326,165	1,326,165
<b><u>CURRENT ASSETS</u></b>			
Stores and spares		48,453,442	41,674,795
Stock in trade	14	544,901,926	351,867,278
Advances, deposits and prepayments	15	45,133,754	57,452,307
Advance income tax - net		10,081,673	3,376,902
Cash and bank balances	16	8,182,390	10,172,929
		656,753,185	464,544,211
<b>TOTAL ASSETS</b>		<b>3,336,827,984</b>	<b>3,180,016,708</b>

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



CHIEF EXECUTIVE



DIRECTOR



**ABDULLAH SHAH GHAZI SUGAR MILLS LIMITED**  
**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)**  
**FOR THE HALF YEAR AND QUARTER ENDED MARCH 31, 2016**

Note	Half Year Ended		Quarter Ended	
	31-Mar-16 Rupees	31-Mar-15 Rupees	31-Mar-16 Rupees	31-Mar-15 Rupees
Sales - net	155,621,288	1,122,771,343	106,102,769	861,826,899
Cost of sales	326,404,233	1,281,569,451	149,250,542	971,958,883
Gross loss	(170,782,945)	(158,798,108)	(43,147,773)	(110,131,984)
Administrative and general expenses	15,454,726	16,513,198	7,759,217	9,081,570
Distribution expenses	930,460	1,499,873	625,050	1,071,538
	16,385,186	18,013,071	8,384,267	10,153,108
Operating loss	(187,168,131)	(176,811,179)	(51,532,040)	(120,285,092)
Other income	1,700	754,808	675	-
Finance cost	21,515,371	41,173,087	10,820,704	17,260,661
Loss before tax	(208,681,802)	(217,229,458)	(62,352,069)	(137,545,753)
Tax on	(191,155,875)	(50,666,875)	(19,952,662)	(45,259,362)
Net loss after tax	(17,525,927)	(166,562,583)	(42,399,407)	(92,286,391)
Loss per share	(0.22)	(2.10)	(0.53)	(1.16)

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



CHIEF EXECUTIVE



DIRECTOR

**ABDULLAH SHAH GHAZI SUGAR MILLS LIMITED**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED MARCH 31, 2016**

	Issued, subscribed and paid-up capital	Accumulated Profit/(Loss)	Total Equity
	<b>Rupees</b>		
Balance as at October 1, 2014 Audited	792,616,660	(595,159,449)	197,457,211
Total comprehensive loss for the period	-	(166,562,583)	(166,562,583)
Transfer from surplus on revaluation of fixed assets	-	15,928,482	15,928,482
Balance as at March 31, 2015 Un-Audited	<u>792,616,660</u>	<u>(745,793,550)</u>	<u>46,823,110</u>
Balance as at October 1, 2015 Audited	792,616,660	(1,077,736,628)	(285,119,968)
Total comprehensive loss for the period	-	(17,525,927)	(17,525,927)
Transfer from surplus on revaluation of fixed assets	-	15,416,852	15,416,852
Balance as at March 31, 2016 Un-Audited	<u>792,616,660</u>	<u>(1,079,845,703)</u>	<u>(287,229,043)</u>

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



CHIEF EXECUTIVE



DIRECTOR



**ABDULLAH SHAH CHAZI SUGAR MILLS LIMITED**  
**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED MARCH 31, 2016**

	31-Mar-2016 Rupees	31-Mar-2015 Rupees
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Loss before taxation	(208,681,802)	(217,229,458)
Adjustments for non-cash and other items:		
Depreciation	39,735,120	42,123,526
Provision for gratuity	-	41,173,087
Finance cost	21,515,371	1,178,313
	61,250,491	84,474,926
<i>Profit before working capital changes</i>	(147,431,311)	(132,754,532)
Working capital changes		
(Increase)/Decrease in:		
Stores and spares	(6,778,647)	(264,898,340)
Stock in trade	(193,034,648)	50,914,587
Advances, deposits and prepayments	12,318,553	(21,824,087)
	(187,494,742)	(235,807,840)
(Increase)/Decrease in:		
Trade and other payables	345,986,404	815,085,869
	345,986,404	815,085,869
<i>Cash generated from operations</i>	11,060,351	446,523,497
Income tax paid	(6,704,771)	(3,571,055)
Finance cost paid	(345,496)	(22,493,169)
Gratuity paid	(1,673,342)	(473,664)
	(8,723,609)	(26,537,888)
<i>Net cash generated from operating activities</i>	2,336,742	419,985,609
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Fixed assets acquired	(1,054,000)	(4,985,019)
Capital work in progress	(3,283,422)	(113,517,281)
<i>Net cash used in investing activities</i>	(4,337,422)	(118,502,300)
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Short term borrowings	10,141	(288,296,589)
<i>Net cash from/(used in) financing activities</i>	10,141	(288,296,589)
Net (decrease)/increase in cash and cash equivalents	(1,990,539)	13,186,720
Cash & cash equivalents at the beginning of the year	10,172,929	11,388,322
Cash & cash equivalents at the end of the year	8,182,390	24,575,042



CHIEF EXECUTIVE



DIRECTOR



**ABDULLAH SHAH GHAZI SUGAR MILLS LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED MARCH 31, 2016**

**1 LEGAL STATUS AND NATURE OF BUSINESS**

The Company as 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 on Pakistan Stock Exchange. The principal business of the Company is manufacturing and selling of refined sugar and by products. The Mill is located at Ghara, 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 Akray Square Shahr-e-Liaquat, New Chahli, Karachi.

**2 STATEMENT OF COMPLIANCE**

This condensed interim financial information of the Company for the six month period ended 31 March 2016 has been prepared in accordance with the requirements of the International Accounting Standard 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

**3 BASIS OF PREPARATION AND MEASUREMENT**

This condensed interim financial information is un-audited but subject to limited scope review by the auditors. Three month period ended 31 March 2016 were not subject to limited scope review by the auditors as the scope of the review covered only the cumulative figures for the six month period ended 31 March 2016.

This condensed interim financial information is presented in PKR which is also the company's functional currency.

This condensed interim financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with financial statements of the Company for the year ended 30 September 2015.

**4 GOING CONCERN ASSUMPTION**

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 interim condensed financial statements of the company for the half year ended March 31, 2016 reflect that company has sustained a net loss after taxation of Rs. 17,526 million and as of that date it has accumulated losses of Rs. 1,079,846 million (Sep 2015: Rs. 1,077,737 million) resulted in negative equity of Rs. 287,229 million (Sep 2015: Rs. 285,120 million) and its current liabilities exceeded its current assets by Rs. 1,975,739 million (Sep 2015: Rs. 2,169,446 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 turn out 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.

**5 ACCOUNTING POLICIES**

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the preceding audited annual financial statements of the company for the year ended September 30, 2015, except for the changes resulting from the initial recognition of standards, amendments or interpretations to existing standards. However, amendments/improvements and new interpretations of approved accounting standards effective during the period, if any, were not relevant to the company's operations and do not have any material impact on the accounting policies of the company.

**6 ESTIMATES**

The preparation of this condensed interim financial information in conformity with approved accounting standard requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgements made by the management in applying the company's accounting policies and key sources of estimation of uncertainty are the same as those were applied to the annual audited financial statements for the year ended September 30, 2015.



**ABDULLAH SHAH GHAZI SUGAR MILLS LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-Audited)**  
**FOR THE HALF YEAR ENDED MARCH 31, 2016**

**7 LONG TERM LOAN FROM RELATED PARTY - UNSECURED**

Subordinated loan from holding company

Un-Audited 31-Mar-2016 Rupees	Audited 30-Sep-2015 Rupees
123,416,314	123,416,314

The loan has been advanced by M/s. Haq Bahu Sugar Mills (Pvt.) Ltd which carries markup @ six months KIBOR plus 1% (Sep 2015: @ six 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**

Loan from Summit Bank  
Transfer to Current Portion

Un-Audited 31-Mar-2016 Rupees	Audited 30-Sep-2015 Rupees
56,250,000	75,000,000
(18,750,000)	(18,750,000)
37,500,000	56,250,000

The facility has been obtained from Summit Bank Limited and is repayable in eight equal quarterly installments of Rs.9.375 million with a grace period of six month. 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, post dated cheques as per repayment schedule and personal guarantees of all sponsoring directors.

**9 DEFERRED TAXATION**

*Deferred tax liability arising due to*  
accelerated tax depreciation  
revaluation - net of related depreciation  
*Deferred tax assets arising due to*  
staff gratuity  
available tax losses and credits

Un-Audited 31-Mar-2016 Rupees	Audited 30-Sep-2015 Rupees
123,034,310	125,719,522
253,498,850	260,753,858
(1,168,768)	(1,704,238)
(295,515,185)	(238,141,758)
79,849,207	146,627,384
-	(124,377,698)
79,849,207	22,249,686

Asset not recognized

**10 TRADE AND OTHER PAYABLES**

Creditors for Goods and Services  
Advance from TCP  
Advance from Customers  
Accrued Liabilities  
Deposits  
Road Cess  
Income Tax Payable  
Workers' Profit Participation Fund  
Workers' Welfare Fund  
Sales Tax Payable  
Other Liabilities

1,258,884,812	1,118,245,569
521,162,495	521,162,495
421,229,678	221,522,548
18,996,253	13,230,040
39,076	39,076
1,684,593	2,448,207
2,988,446	2,775,635
40,508,623	41,133,730
4,616,856	4,616,856
789,036	617,366
1,147,772	269,714
2,988,446	2,775,635

**11 SHORT TERM BORROWINGS**

*Running Finance*

Bank Islami  
Summit Bank

249,999,200	249,999,200
47,080,878	47,070,737
297,080,078	297,069,937

*Cash Finance*

Silk Bank

58,102,279	58,102,279
58,102,279	58,102,279

*Short Term Finance*

Bank Islami  
Summit Bank

24,999,318	24,999,318
8,666,667	8,666,667
33,665,985	33,665,985

*Loan from Others - Unsecured Interest Free*

Azhar Qadeer Butt

18,973,000	18,973,000
18,973,000	18,973,000

11.1 During the year the company has obtained various short term borrowings facilities from various banks for working capital requirements against the available limit of Rs. 685.240 million (Sep 2015: Rs. 685.240 million). These facilities carries markup @ ranging from three to six months KIBOR plus 2.5% to 4% (Sep 2015: @ ranging from three to six months KIBOR plus 2.25% to 4%) payable quarterly in arrears. These facilities are secured on all present & future fixed assets of the company, pledge of refined sugar stock and personal guarantees of directors.

11.2 This loan is interest free and unsecured and is payable with the mutual consent.



## 12 CONTINGENCIES AND COMMITMENTS

### 12.1 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 exparte 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 principle amount of Rs.570.913 million plus Rs.740.615 million being penalty, markup and other incident 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 thereagainst has been made in these financial statements. During the year TCP has encashed Margin on Gaurantee deposited by the company with the banks and therefore the pinciple amount claimed has been reduced to 521.165 million.

### 12.2 Commitments

The Company has entered into Ijarah agreements for Rs.4.409 million (Sep 2015: 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 kibar plus 1.23% to 1.41% per annum (Sep 2015: 1.23% to 1.41% per annum). The total of future Ijarah payments are as under:

Less than one year	1,034,740	1,274,556
Within one to five years	13,850	1,104,384

## 13 PROPERTY, PLANT AND EQUIPMENT

Operating assets	13.1	1,427,305,461	1,465,986,581
Capital work in progress	13.2	1,251,443,173	1,248,159,751
		<b>2,678,748,634</b>	<b>2,714,146,332</b>

### 13.1 Operating Assets

Net book value at beginning of the period	1,465,986,581	1,545,335,662
Addition during the period	1,054,000	4,985,019
Adjustments during the period	-	-
Depreciation charged during the period	(39,735,120)	(84,334,100)
	<b>1,427,305,461</b>	<b>1,465,986,581</b>

### 13.2 Capital work in progress

Plant and machinery	1,235,252,625	1,231,937,408
Civil works	16,190,548	16,222,343
	<b>1,251,443,173</b>	<b>1,248,159,751</b>

## 14 STOCK IN TRADE

Work in Process	1,341,531	1,320,898
Finished Goods	543,560,395	350,546,380
	<b>544,901,926</b>	<b>351,867,278</b>

## 15 ADVANCES, DEPOSITS AND PREPAYMENTS

Advances - Unsecured, considered good		
Growers	22,518,207	25,410,240
Contractors	1,900,189	1,408,233
Suppliers	-	7,688,033
Employees	392,517	833,595
For expenses	4,136,755	4,085,190
Other receivable	-	1,609,204
Export rebate receivable	15,815,000	15,815,000
	<b>44,762,668</b>	<b>56,849,495</b>
Excise duty deposit	20,831,910	20,831,910
Prepayments	202,023	202,023
Sales tax receivable	169,063	400,789
	<b>65,965,664</b>	<b>78,284,217</b>
Provision against excise duty deposit	(20,831,910)	(20,831,910)
	<b>45,133,754</b>	<b>57,452,307</b>

## 16 CASH AND BANK BALANCES

Cash at Banks	5,682,539	8,121,319
Cash in Hand	2,499,851	2,051,610
	<b>8,182,390</b>	<b>10,172,929</b>



- 17 **SALES - NET**  
**Gross Local Sales**  
    Sugar  
    Molasses  
Total Gross Sales  
Less: Sales tax

Un-Audited Half Year Ended		Un-Audited Quarter Ended	
31-Mar-16 Rupees	31-Mar-15 Rupees	31-Mar-16 Rupees	31-Mar-15 Rupees
145,066,990	1,136,513,802	91,586,990	854,693,802
21,300,000	71,963,675	21,300,000	71,963,675
166,366,990	1,208,477,477	112,886,990	926,657,477
(10,745,702)	(85,706,134)	(6,784,221)	(64,830,578)
155,621,288	1,122,771,343	106,102,769	861,826,899

18 **TRANSACTIONS WITH RELATED PARTIES**

The related parties and associated undertakings comprise related group companies, local associates, staff retirement funds, directors and key management personnel. Transactions and balances with related parties and associated undertakings are as follows:

Relationship	Nature of Transaction	Un-Audited Half Year Ended	
		31-Mar-16 Rupees	31-Mar-15 Rupees
Parent company	Markup expense	4,656,266	9,933,901

Relationship	Nature of Transaction	Un-Audited 31-Mar-2016 Rupees	Audited 30-Sep-2015 Rupees
Period/year end balances			
Parent company	Long term loan	123,416,314	123,416,314
	Markup payable	73,488,266	68,832,000

19 **DATE OF AUTHORIZATION**

This condensed interim financial information was authorized for issue by the Board of Directors on September 15, 2016.

20 **GENERAL**

Figures in this condensed interim financial information has been rounded off to the nearest Rupee unless otherwise stated.



CHIEF EXECUTIVE



DIRECTOR