1 *LEGAL STATUS AND NATURE OF BUSINESS*

Khairpur Sugar Mills Limited (the Company) was incorporated in Pakistan on August 23, 1989 as a public limited company under the Companies Ordinance, 1984 (Now Companies Act, 2017). The Company is listed on Pakistan Stock Exchange Limited. The company is principally engaged in the manufacture and sale of sugar and by-products.

The geographical location and address of the Company's business units, including plant is as under:

- The registered office of the Company is situated at 3rd Floor, Plot No. 15-C, 9th Commercial Lane, Zamzama, D.H.A. Phase-V, Karachi.

- The manufacturing facilities of the company are situated at Naroo Dhoro, Tando Masti road, Taluka Kot Diji, Khairpur in the province of Sindh.

2 *SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE*

2.1 Due to the applicability of Companies Act, 2017 certain disclosures of the financial statements have been presented in accordance with the fourth schedule notified by the Securities and Exchange commission of Pakistan vide S.R.O 1169 dated November 7, 2017.

2.2 When compared with prior year performance, sales during the year increased by 44.46% due increase in export sales of Rs. 972.278 million.

2.3 Company has recorded subsidy against sugar export amounting to Rs. 463.644 million out of which Rs. 371.424 million are receivable from the federal government and government of sindh as on the reporting date.

3 *BASIS OF PREPARATION*

3.1 *Statement of Compliance*

The Financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for financial reporting. The accounting and reporting standards as applicable in Pakistan comprise of:

- International Financial reporting standards (IFRS standards) issued by international Accounting standards Board (IASB) as notified under Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ from IFRS standards, the provisions of and directives issued under the companies Act, 2017 have been followed

3.2 *Basis of Measurement*

These financial statements have been prepared under the historical cost convention, except as otherwise disclosed hereafter.

3.3 *Functional and presentation currency*

These financial statements are presented in Pakistani rupees which is the functional currency of the company. Figures are rounded off to the nearest thousand rupee.

3.4 *Significant accounting estimates and judgments*

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected.

In the process of applying the accounting polices, management has made the following estimates and judgments which are significant to the financial statements:

a) Determining the residual values and useful lives of property, plant and equipments (Note 4.1)
b) Impairment / adjustments of inventories and stores to their net realizable value (Note 4.3 & 4.4)
c) Accounting for staff retirement benefits (Note 4.8)
d) Recognition of taxation and deferred tax (Note 4.90) and
e) Impairment of assets (Note 4.16)

3.5 *Standards, interpretations and amendments to approved accounting standards*

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as follows :

3.5.1 *New standards*

The Company has adopted the following revised standards and amendments of IFRSs which became effective for the current year:

- IAS 7 - Statement of Cash Flows - Disclosure initiative - (Amendment)

- IAS 12 - Income taxes - Recognition of Deferred tax Assets for unrealized losses (Amendments)

The adoption of the above revised standards, amendments and improvements does not have any material effect on these financial statements.

3.5.2 *Standards, amendments and improvements to approved accounting standards that are not yet effective*

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

Standards or interpretations		*Effective date (annual periods beginning on or after)*
- IFRS 2	Share-based Payments - Classification and Measurement of Share-based Payments Transactions (Amendments)	January 1, 2018
- IFRS 10	Consolidated Financial Statements and 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
- IFRS 9	Financial instruments	January 1, 2018
- IFRS 9	Prepayment Features with Negative Compensation - (Amendments)	January 1, 2018
- IFRS 16	Leases	January 1, 2019
- IFRS 15	Revenue From Contracts With Customers	January 1, 2018
- IFRS 4	Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance contracts -	January 1, 2018
- IAS 40	Investment Property - Transfer of Investment Property (Amendments)	January 1, 2018
- IAS 19	Plan Amendment, Curtailment or Settlement (Amendmen	January 1, 2019
- IAS 28	Long term interests in Associates and Joint ventures (Amendments)	January 1, 2019
- IFRIC 22	Foreign Currency Transactions and Advance Considerati	January 1, 2018
- IFRIC 23	Uncertainty over Income Tax Treatment	January 1, 2019

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 1 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

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

3.5.3 Standard or Interpretation		*Effective date (annual periods beginning on or after)*
- IFRS 14	Regulatory Deferral Accounts	January 1, 2016
- IFRS 17	Insurance Contracts	January 1, 2021

3.6 *Change in accounting policy*

During the year, the Company changed its accounting policy for the surplus on revaluation of lease hold land, after enactment of the Companies Act, 2017, which has not carried forward the requirement of disclosing the surplus on revaluation of Non current assets as a separated item below the equity. Accordingly, in accordance with the requirement of International Accounting Standard (IAS) - 16, 'Property, plant and equipment', surplus on revaluation of operating fixed assets would now be presented within equity and accordingly, the incremental depreciation on revaluation surplus is transferred directly to retained earnings instead of other comprehensive income.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting policies, changes in accounting estimates and errors' and comparative figures have been restated.

The effect of change in accounting policy has been presented below:

	30 September 2017		
	As previously reported	*Increase / (Decrease)*	*As restated*
		Rupees	
Effect on Statement of Financial Position			
Shareholders' equity	(64,592)	264,583	199,991
Effect on Statement of Changes in equity			
Surplus on revaluation of property, plant and equipment - net	-	264,583	264,583

	30 September 2016		
	As previously reported	*Increase / (Decrease)*	*As restated*
		Rupees	
Effect on Statement of Financial Position			
Shareholders' equity	(97,532)	273,036	175,504
Effect on Statement of Changes in equity			
Surplus on revaluation of property, plant and equipment - net	-	273,036	273,036

4 SIGNIFICANT ACCOUNTING POLICIES

4.1 *Property, plant and equipment*

Operating fixed assets - Owned

These are stated at cost less accumulated depreciation and impairment losses, if any, except for freehold land, building and plant and machinery. Land is stated at revalued amount less impairment losses, if any. Building and plant & machinery are stated at revalued amount less accumulated depreciation and impairment losses, if any. Depreciation on fixed assets is charged to income by applying reducing balance method at the rates specified in the relevant note.

Monthly depreciation is charged on the assets acquired during the month, whereas, no depreciation is charged from the month of disposal.

Normal repairs and maintenance are charged to income as and when incurred. Major renewals and improvements are capitalized.

The carrying values of tangible fixed assets are reviewed for impairment when event or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

Gain/ loss on disposal of fixed assets are recognized in the profit and loss account.

Operating fixed assets - Leased

Leased asset held under finance lease are stated at the lower of cost or present value of minimum lease payments less accumulated depreciation at the rates and basis applied to the Company's owned assets. The outstanding obligations relating to assets subject to finance lease are accounted for at the net present value of liabilities.

Financial charges are calculated at the interest rate implicit in the lease and are charged to the profit and loss account, except for financial charges in respect of leased assets relating to capital work in progress, which are capitalized until the asset is transferred to fixed assets.

4.2 Capital work in progress

Capital work-in-progress is stated at cost accumulated upto the balance sheet date less impairment if any. Transfer are made to relevant property, plant and equipment category as and when assets are available for their intended use.

4.3 Stores and Spares

These are valued at lower of the moving average cost or net realizable value. Net realizable value comprise of estimated selling price in the ordinary course of the business less estimated cost necessary to make the sale. Provision is made for items considered obsolete and slow moving. Items in transit are valued at cost comprising invoice price and other charges paid thereon.

Major stores and spare parts qualify for recognition as property, plant and equipment when the Company expects to use these for more than one year. Transfer are made to relevant operating fixed assets category as and when such items are issued for use.

Major stores and spare parts are valued at cost less accumulated impairment, if any.

4.4 Stock in trade

These are valued at lower of weighted average cost and net realizable value. Cost is determined as follows:-

- Work in process	Prime cost plus proportionate allocation of manufacturing overheads based on stage of completion.
- Finished goods	Prime cost plus an appropriate allocation of manufacturing overheads.
- Stock of by product	Net realizable value.

Net realizable value comprises of estimated selling price in the ordinary course of the business less estimated cost necessary to make the sale.

4.5 *Trade debts*

Trade debts, if any, originated by the Company are carried at an amount, net of any allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as and when identified.

4.6 *Loans, advances, deposits and prepayments*

These are stated at their nominal values net of any allowance for uncollectable amounts (if any).

4.7 *Trade and other payables*

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

4.8 *Employee benefits*

a) *Defined contribution plan*

The Company operates a recognised provident fund for all its eligible employees. Equal contributions are made, both by the Company and the employees, to the fund at the rate of 8.33% of the basic salary. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due.

b) *Defined benefit plan*

The Company used to operate an unapproved gratuity scheme (defined benefit plan) for its employees. The Company has discontinued its present gratuity scheme.

4.9 *Taxation*

Current

Provision for current taxation is determined in accordance with provision of Income Tax Ordinance, 2001.

Deferred

Deferred tax is recognized using the balance sheet liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts appearing in the financial statements. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of all deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

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

4.10 *Provisions*

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

4.11 *Revenue recognition*

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, and is reduced for the allowances such as taxes, duties, commissions, sales returns and trade discounts. The following recognition criteria must be met before revenue is recognized:

- Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which coincides with dispatch of the goods to the customers.

- Return on bank deposits is recognized on a time proportion basis on the principal amount outstanding and the rate applicable while income from held to maturity investments is recorded using effective yield method.

- Miscellaneous income is recognized on occurrence of transactions.

4.12 *Cash and cash equivalents*

For the purpose of cash flow statement, these include cash in hand and balances at bank.

4.13 *Borrowing Cost*

These are incurred on short term borrowings and are charged to profit and loss account in the year in which it is incurred except to the extend of borrowing costs that are directly attributable to the acquisition, contribution and commissioning of a qualify asset which are capitalized.

4.14 *Financial Instruments*

4.14.1 *Financial assets*

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

4.14.2 *Financial liabilities*

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities, other than those at fair value through profit or loss, are measured at amortized cost using the effective yield method.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the profit and loss account.

4.14.3 *Offsetting of financial assets and financial liabilities*

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

4.15 *Translation of foreign*

Transaction in foreign currencies are recorded into rupees at the rates approximating those prevailing on the date of each transaction. Monetary assets and liabilities in foreign currencies are reported in rupees using the exchange rates approximating those prevailing on the balance sheet date. Exchange differences are included in income currently.

4.16 *Impairment*

Financial assets

A financial asset is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Any impairment loss arising on financial assets is recognized in profit and loss account.

Non-financial assets

The Company assesses at each balance sheet date whether there is any indication that assets, 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. The recoverable amount is the higher of an asset's 'fair value less costs to sell' and 'value in use'.

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 *Earnings per share*

The Company presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit and loss attributable to ordinary share holders of the Company by the weighted average number of ordinary shares. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary share holders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

	Note	2018	2017
		------ Rupees in thousand ------	

PROPERTY, PLANT AND EQUIPMENT

	Note	2018	2017
Operating fixed assets - tangible	5.1	1,591,925	1,442,751
Capital work in progress	5.2	16,087	127,844
		1,608,012	1,570,595

5.1 *Operating fixed assets - tangible*

	Owned							Leased	
	Freehold land	Building on freehold land	Plant and machinery	Furniture & fittings	Office equipment	Factory equipment	Vehicles	Plant & Machinery	Total
	------------------------ Rupees in thousand ------------------------								
As at October 1, 2016									
Cost or revaluation	22,500	152,455	1,278,738	4,145	9,987	6,522	37,894	-	1,512,241
Accumulated depreciation	-	(5,082)	(42,769)	(3,599)	(6,073)	(5,335)	(17,646)	-	(80,504)
Net book values	22,500	147,373	1,235,969	546	3,914	1,187	20,248		1,431,737
For the year ended Sep 30, 2017									
Additions during the year	-	-	83,259	30	2,487	1,395	-	-	87,171
Depreciation for the year	-	(7,369)	(64,010)	(58)	(429)	(241)	(4,050)	-	(76,157)
Net book values	22,500	140,004	1,255,218	518	5,972	2,341	16,198	-	1,442,751
For the year ended Sep 30, 2018									
Additions during the year	-	19,858	182,809	146	-	64	64	25,430	228,371
Depreciation for the year		(7,514)	(66,267)	(67)	(597)	(237)	(3,243)	(1,272)	(79,197)
Net book values	22,500	152,348	1,371,760	597	5,375	2,168	13,019	24,158	1,591,925
As at September 30, 2017									
Cost or revaluation	22,500	152,455	1,361,997	4,175	12,474	7,917	37,894	-	1,599,412
Accumulated depreciation	-	(12,451)	(106,779)	(3,657)	(6,502)	(5,576)	(21,696)	-	(156,661)
Net book values	22,500	140,004	1,255,218	518	5,972	2,341	16,198	-	1,442,751
As at September 30, 2018									
Cost or revaluation	22,500	172,313	1,544,806	4,321	12,474	7,981	37,958	25,430	1,827,783
Accumulated depreciation	-	(19,965)	(173,046)	(3,724)	(7,099)	(5,813)	(24,939)	(1,272)	(235,858)
Net book values	22,500	152,348	1,371,760	597	5,375	2,168	13,019	24,158	1,591,925
	0%	5%	5%	10%	10%	10%	20%	5%	

	Note	2018	2017
		------ Rupees in thousand ------	

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

	Note	2018	2017
Cost of sales	24	**75,290**	71,620
Administration expense	25	**3,907**	4,537
		79,197	76,157

5.1.2 Had the Free hold land, Factory building on free hold land and plant and machinery not been revalued, the total carrying values as at September 30, would have been as follows;

	2018	2017
	------ Rupees in thousand ------	
Free hold land	**11,831**	11,831
Factory building on free hold land	**128,144**	114,526
Plant and machinery	**1,040,701**	906,735
	1,180,676	1,033,092

5.1.3 The forced sale value of free hold land, Factory building and plant & machinery is assessed at Rs.19.125, Rs.121.964 and Rs.1013.800 million respectively based on revaluation report.

	Note	2018	2017
		------ Rupees in thousand ------	
5.2 Capital work in progress			
Civil works		**3,627**	8,901
Plant and machinery		**12,460**	109,703
Building		-	9,240
		16,087	127,844

6 *INTANGIBLE ASSETS*

	Note	2018	2017
Software in process	6.1	**6,307**	-

6.1 Software in process

		2018	2017
Opening		-	-
Addition during the year		**6,307**	-
		6,307	-

7 *DEFERRED TAXATION*

	Note	2018	2017
Deferred tax asset	7.1	**5,321**	34,381

	Note	2018	2017
		------ Rupees in thousand ------	

7.1 *Deferred tax asset*

Deductible temporary differences:			
Tax losses		200,492	199,305
Minimum tax credit		89,590	112,783
Provision for gratuity		18,592	17,645
Provision for stores, loans and advances		5,471	5,660
		314,145	335,393
Taxable temporary differences:			
Accelerated depreciation		(206,548)	(189,731)
Surplus on revaluation		(102,276)	(111,281)
		(308,824)	(301,012)
Deferred tax asset		5,321	34,381

8 *STORES, SPARES AND LOOSE TOOLS*

Stores, spares and loose tools		131,521	119,778
Provision for slow moving and obsolete items	8.1	(10,779)	(10,779)
		120,742	108,999

8.1 *Movement in provision for slow moving items and obsolescence during the year is as follows*

Balance at beginning of the year		(10,779)	(10,779)
Provision made during the year		-	-
Balance at end of the year		(10,779)	(10,779)

8.2 Most items of the stores and spares are interchangeable nature and can be used as machine spares or consumed as stores.

	Note	2018	2017
		------ Rupees in thousand ------	

9 *STOCK IN TRADE*

Finished goods			
- Sugar		1,157,311	1,612,155
- Bagisse		15,906	5,282
	9.1	1,173,217	1,617,437
Work in process		926	1,226
		1,174,143	1,618,663

9.1 The finished goods having costs of Rs. 1,167.345 million are carried at NRV of Rs. 1,157.311 million. Inventory having carrying value of Rs. 1,082.463 (2017 : Rs. 1,603.501) million has been pledged against bank financing.

10 LOANS AND ADVANCES

	Note	2018	2017
		------ Rupees in thousand ------	
Advances			
- to growers	10.1	**118,410**	114,800
- to suppliers	10.2	**167,384**	133,486
- for expenses - considered good		**16,046**	20,750
- to staff	10.3	**7,612**	7,247
		309,452	276,283

10.1 Advances to growers

	2018	2017
Considered good	**118,410**	114,800
Considered bad	**1,428**	1,428
	119,838	116,228
Provision for doubtful advances	**(1,428)**	(1,428)
	118,410	114,800

10.2 Advances to suppliers

	2018	2017
Considered good	**167,384**	133,486
Considered bad	**6,294**	6,294
	173,678	139,780
Provision for doubtful advances	**(6,294)**	(6,294)
	167,384	133,486

10.3 Advances to staff

	2018	2017
Considered good	**7,612**	7,247
Considered bad	**367**	367
	7,979	7,614
Provision for doubtful advances	**(367)**	(367)
	7,612	7,247

11 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2018	2017
Deposits	11.1	**7,691**	5,841
Prepayments		**3,744**	8,303
Other Receivables	11.2	**466,944**	-
		478,379	14,144

11.1 In the year ended September 30, 2008, the company has paid Rs.5.220 million as performance money in relation to its agreement with Trading Corporation of Pakistan (TCP) for the purchase of 5,000 M. Tons sugar the season 2007-2008 at a price of Rs. 20,880 per metric ton. Due to non-performance of obligation by Trading Corporation of Pakistan, the company has withdrawn from the agreement but performance money is not refunded by TCP. The case has been decided in favour of TCP during the year and company has filed review appeal in the Honorable Sindh high court.

11.2 This includes Rs. 463.644 million receivable against the cash freight subsidy related to sugar exports made during the current year from federal government and the government of sindh.

	Note	2018	2017
		------ Rupees in thousand ------	
12 TAX REFUND DUE FROM GOVERNMENT			
Income tax refundable	21	**6,288**	-
13 CASH AND BANK BALANCES			
Cash in hand		**151**	171
Cash at banks - in current account		**23,757**	36,877
		23,908	37,048

14 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2018	2017		Note	2018	2017
Number of Shares					
16,017,500	16,017,500	Ordinary shares of Rs.10 each fully paid in cash	14.1	**160,175**	160,175

14.1 This include 11.097 (2017 : 11.097) million ordinary shares of Rs. 10 each held by the directors and related parties.

	2018	2017
	------ Rupees in thousand ------	
15 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET		
Revaluation surplus		
Balance as at October 01	**375,864**	393,492
Less : Transferred to unappropriated profit in respect of incremental depreciation charged during the year	**(18,259)**	(17,628)
	357,605	375,864
Related deferred tax		
Balance as at October 01	**(111,281)**	(120,456)
Effect of rate changed	**3,709**	3,886
Deferred tax on incremental depreciation charged during the year	**5,296**	5,289
	(102,276)	(111,281)
	255,329	264,583

15.1 The Company has carried out revaluation of freehold land, factory building and plant & machinery by independent valuer M/s. Amir Evaluations & Consultants and M/s. Consultancy Support & Services (Management Consultants) as at January 25, 2016 and March 29, 2013, December 11, 2007, which resulted in revaluation (deficit) / surplus amounting to Rs. (44.962) million, Rs.125.753 million and Rs.201.386 million respectively. The basis of valuation is assessed / evaluated at market value.

16 LONG TERM FINANCING

	Note	2018	2017
		------ Rupees in thousand ------	
From related parties			
- Directors			
Original value of loan		**1,140,657**	1,140,657
Less: Present value adjustment	16.1	**(393,842)**	(393,842)
Add: Interest charged to profit and loss account to date		**259,423**	198,276
		1,006,238	945,091

16.1 These loans have been obtained from directors and is unsecured. In accordance with International Accounting Standard 39, Financial Instruments: Recognition and Measurement, these loans have been measured at amortized cost calculated at one year kibor rate.

17 DEFERRED LIABILITIES

	Note	2018	2017
		------- Rupees in thousand -----	
Staff retirement gratuity	17.1	**64,111**	58,817
Market Committee Fee	17.2	**26,129**	30,149
Less: Current portion		**(4,020)**	(4,020)
		22,109	26,129
		86,220	84,946

17.1 Staff retirement benefits

	Note	2018	2017
Movement in defined obligation Present value of defined benefit obligation			
At beginning of the year		**58,817**	81,202
Charge for the year	17.1.1	**5,294**	7,511
Actuarial gain on PVDBO		**-**	(29,896)
At the end of year		**64,111**	58,817

17.1.1 Charge for the year

	2018	2017
Interest cost	**5,294**	7,511

17.1.2 The latest actuarial valuation for gratuity fund was carried out as at September 30, 2017, using the Projected Unit Credit Method (PUCM). The principal actuarial assumptions used for the purpose of the valuation are stated below. During the year, the company has updated the assumptions related to interest rates due to change in circumtances.

	2018	2017
Discount rate used for interest cost in P&L charge	**9.00%**	8.00%
Discount rate for year end obligation	**9.00%**	8.00%
Expected rate of increase in salary	**N/A**	N/A
Mortality rates	**N/A**	SLIC 2001-2005
Retirement Assumption	**Age 60**	Age 60

	2018	
	Discount Rate	
	+100 bps	-100 bps
	------ Rupees in thousand ------	
17.1.3 Sensitivity analysis		
(+/- 100 bps) on present value of defined benefit obligation		
Present value of defined benefit obligation	64,699	63,522

17.2 Market committee fee payable

In the year ended 30 September 2015, the Company has settled the petition filed before the Honorable High Court of Sindh against Market Committee, Kotdegi for payment of Market Committee fee for pending years from 2003-2004 to 2014-2015. As per agreed terms, the Company is liable to pay Rs. 40.199 million in 20 installments.

18 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

During the year, the Company had entered into lease agreement with leasing company to acquire plant and machinery. The purchase option is available to the Company after payment of the last installment and on surrender of deposit at the end of the lease period. Taxes, repairs and maintenance, insurance and other costs relating to the leased assets are to be borne by the Company. The implicit rate of return on lease finance is 10.58% per annum.

The amount of future lease payments and the period in which they fall due are as follows: -

	Note	2018	2017
		------- Rupees in thousand -----	
Minimum lease payment			
Upto one year		6,343	-
More than one year but less than five years		14,272	-
		20,615	-
Financial charges			
Upto one year		1,634	-
More than one year but less than five years		1,908	-
		3,542	-
Present value of minimum lease payments			
Upto one year		4,709	-
More than one year but less than five years		12,364	-
		17,073	-
Current maturity shown under current liabilities		(4,709)	
		12,364	-

19 SHORT TERM BORROWINGS

	Note	2018	2017
- From Banking Companies			
Secured			
Cash finance	19.1	875,200	1,257,041
- From Related parties			
Unsecured			
from directors	19.2	18,907	49,007
		894,107	1,306,048

19.1 This represents roll over secured cash financing facilities from banking companies. These facilities carries markup at 3 Month KIBOR + 2.5% to 5% (2017 : 3 Month KIBOR + 2.5% to 5%) per annum respectively. The facilities are secured against pledge of sugar stock of the Company, first equitable mortgage over land and property of associated company and personal guarantees of all directors of the Company and subordination.

Nature of Facility	*Available Limits*		*Unavailed Limits*	
	2018	*2017*	*2018*	*2017*
	---------- *Rupees in million* ----------			
Running Finance	**2000.000**	1800.000	**1124.800**	542.959
Fleet Finance	**25.000**	-	**8.350**	-
LC at sight	**62.000**	50.000	**43.545**	50.000

19.2 This represents loan from directors which is unsecured and interest free and payable on demand.

20 TRADE AND OTHER PAYABLES

	Note	*2018*	*2017*
		------ *Rupees in thousand* ------	
Creditors		**477,615**	255,217
Accrued liabilities		**11,315**	42,561
Market committee fee payable	17.2	**18,197**	15,245
Advance from customers		**927,998**	609,067
Unclaimed Gratuity		**14,341**	14,341
Sales tax payables		**12,225**	30,936
Workers' Profit Participation Fund	20.1	**6,266**	51,610
Workers' Welfare Fund		**10,185**	9,038
Payable to provident fund		**-**	868
Income tax payable		**1,673**	383
Other payables - Related Party	20.2	**-**	42,903
		1,479,815	1,072,169

20.1 *Workers' Profit Participation Fund*

	2018	2017
Balance at 01 October	**51,610**	46,537
Interest on funds utilized in the Company's business	**1,686**	5,073
Charge for the year	**5,036**	-
Paid during the year	**(52,066)**	-
	6,266	51,610

The Company retains the allocation to this fund for its business operations till the amounts are paid together with interest at prescribed rate under the Act.

20.2 *Other payables - Related Party*

This represents unsecured and interest free loan obtained from close friends and relatives of the directors and payable on demand.

	2018	2017
	------ Rupees in thousand ------	

21 PROVISION FOR TAXATION

Opening payable	**25,781**	36,362
Provision for the year	**36,891**	28,339
	62,672	64,701
Income tax paid / deducted during the year	**(68,960)**	(38,920)
Tax (refundable) / payable	**(6,288)**	25,781

22 CONTINGENCIES AND COMMITMENTS

22.1 Contingencies

22.1.1 The case in respect of shareholding of 2,669,600 shares of the Company pending in High Court of Sindh in respect of rescheduled loan of Bankers Equity Limited. The Bankers Equity Limited has a claim on these shares and matter is pending in the court.

22.1.2 The Company has filed three petitions against the impugned contribution amount of totaling Rs.8.37 million against Social Security, Sukkur Directorate and Sindh Employees Social Security Institution, Karachi. If these cases are allowed against the company, then the company has to pay a sum of Rs.8.37 million.

The Company expects favorable outcome of these cases, hence no provision has been made in these financial statements.

22.1.3 A show cause notice has been served by the Collectorate of Customs, Sales Tax and Central Excise regarding non-payment / charging of further tax to unregistered persons on sales made in the month of December 2000, January 2001 and May 2001 amounting to Rs.2.318 million and order against the company has been obtained by the Collectorate. The company has challenged that Order dated December 25, 2008 in the High Court of Sindh. In current year, The Hon'ble High Court of Sindh has decided the case in favor of company, the department has filed the appeal in the Hon'ble Supreme Court of Pakistan.

22.1.4 During the year 2009-10, the Company along with other sugar mills filed a Constitutional petition before the Honorable High Court of Sindh against Pakistan Standards and Quality Controls Authority - PSQCA challenging the notification issued in respect of registration of the standard mark for refined sugar manufactured and sold by the Company and levy of marking fee at the rate of 0.1 % of ex-factory price of sugar sold with effect from January 01, 2009.

The Honorable High Court of Sindh decided the case in favor of Company. Against the said order, PSQCA filed an appeal before the Honorable Supreme Court of Pakistan. The Honorable Supreme Court of Pakistan passed the interim order against PSQCA restraining from demanding any marks or licensing fee from the sugar mills till further order.

The Company is of the view that the demand raised is without any lawful authority and is in violation of the Constitution; hence , no provision is made in this regard.

22.1.5 Under the sugar Factories Act, 1950 (SFC Act), every sugar mill in Sindh is required to pay quality premium to cane growers at the rate of 50 paisas per 40 kg cane for each 0.1 percent of excess sucrose recovery above the benchmark of 8.7 percent. The sugar mills had challanged the levy of quality before the Sindh High Court (SHC) under section 16 (V) of the Act, however, the matter was decided against the sugar mills via a judgement of SHC dated 27 march 2003. Thereafter, sugar mills filed an appeal with the Honorable Supreme Court of Pakistan (SCP) which initially granted the stay to the sugar mills, while admitting the appeal against the impugned judgement of SHC. Based on the verdict by the SCP dated 05 March 2018 and advice from the legal advisor of the company, the company has not made provision in respect of quality premium amounting to Rs.391.874 million for previous years from 2014 till 2018. The legal advisor is of the view that since no valid notification for quality premium under section 16 (v) could have been issued by the provincial government, no liability for quality premium has arisen till the date of judgement.

	Note	*2018*	*2017*
		------ *Rupees in thousand* ------	
22.2 *Commitments*			
Outstanding letter of credits		**18,455**	-
Commitments against fleet finance		**16,650**	-

23 *SALES - NET*

	Note	2018	2017
Sugar - local		**3,412,914**	3,024,870
Sugar - export		**972,278**	-
		4,385,192	3,024,870
Sale of by-products		**251,214**	224,642
		4,636,406	3,249,512
Sales tax		**(399,089)**	(316,332)
		4,237,317	2,933,180

24 *COST OF SALES*

	Note	2018	2017
Raw material consumed		**3,355,520**	3,886,067
Stores and spares consumed		**36,667**	28,366
Packing material consumed		**40,181**	31,598
Salaries and wages	24.1	**137,507**	134,536
Power and fuel		**28,860**	43,106
Freight and handling		**3,999**	5,051
Wastage removing and cane feeding		**9,277**	8,358
Repair and maintenance		**46,415**	37,890
Printing and stationery		**3,746**	1,287
Vehicle running expenses		**7,095**	5,691
Insurance		**6,382**	6,391
Depreciation	5.1.1	**75,290**	71,620
Manufacturing expenses		**3,750,939**	4,259,961
Opening stock of work in process		**1,226**	914
Closing stock of work in process		**(926)**	(1,226)
		300	(312)
Cost of goods manufactured		**3,751,239**	4,259,649
Opening stock of finished goods		**1,617,437**	97,062
Closing stock of finished goods		**(1,173,217)**	(1,617,437)
		444,220	(1,520,375)
		4,195,459	2,739,274

24.1 These include an amount of Rs. 3.6 (2017 : Rs. 1.873) million in respect of staff retirement benefits.

	Note	2018	2017
		------ Rupees in thousand ------	

25 ADMINISTRATIVE EXPENSES

	Note	2018	2017
Directors' remuneration		20,250	16,800
Salaries and other benefit	25.1	92,432	67,920
Communication expenses		3,182	2,668
Repair and maintenance		10,446	5,466
Traveling and conveyance		6,674	2,978
Electricity and gas		6,969	7,000
Legal and professional charges		9,200	5,722
Fees and subscription		2,831	1,924
Rent, rates and taxes		5,299	217
Printing and stationery		1,463	1,321
Entertainment		9,686	5,396
Insurance		4,255	4,260
Auditors' remuneration	25.2	897	854
Security expenses		6,533	2,411
General expenses		1,138	611
Depreciation	5.1.1	3,907	4,537
		185,162	130,085

25.1 These include an amount of Rs. 1.694 (2017 : Rs. 1.330) million in respect of staff retirement benefits.

25.2 Auditors' remuneration

	2018	2017
	------ Rupees in thousand ------	
Statutory audit	653	594
Half yearly review	119	100
Review report on code of corporate governance	61	55
Other certifications	17	15
Out of pocket expenses	47	90
	897	854

26 DISTRIBUTION COST

	2018	2017
Export expenses	60,178	-
Loading and unloading	16,011	14,212
Advertisement and publicity	320	1,280
Miscellaneous	1,205	1,464
	77,714	16,956

	Note	2018	2017
		------ Rupees in thousand ------	

27 OTHER INCOMES

	Note	2018	2017
Income from non-financial assets			
Insurance claim		3,934	13
Exchange gain		35,018	-
Subsidy income	11.2	463,644	-
Liabilities no longer payable written back		-	11,919
		502,596	11,932

28 OTHER OPERATING EXPENSES

	Note	2018	2017
Workers' Profit Participation Fund		5,036	-
Workers' Welfare Fund		3,716	-
Charity and donation	28.1	1,515	300
		10,267	300

28.1 No donation was paid to any person or institution in which director or his spouse is interested.

	2018	2017
	------ Rupees in thousand ------	

29 FINANCE COST

	2018	2017
Amortization of long term loan from directors	61,147	57,432
Markup on cash finance	110,412	105,730
Lease finance charges	1,354	-
Interest on Workers' Profit Participation Fund	1,686	5,073
Bank charges	4,752	1,002
	179,351	169,237

30 TAXATION

	2018	2017
Current		
- for the year	36,891	28,339
Deferred		
- for the year	32,769	(45,587)
	69,660	(17,248)

30.1 The income tax assessments of the Company have been finalised up to and including the tax year 2017. Tax returns which are submitted with Federal Board of Revenue are deemed to be assessed under provisions of the Income Tax Ordinance, 2001 ("the Ordinance") unless selected for an audit by the taxation authorities. The Commissioner of Income Tax may, at any time during a period of five years from date of filing of return, select the deemed assessment order for audit.

30.2 Due to the brought forward tax losses, provision for current income tax is based on section 113 of the Income Tax Ordinance, 2001. Accordingly tax expense reconciliation with the accounting profit is not reported.

30.3 The provision for current year tax represents tax on annual turnover at the rate of 1.25% (2017: 1%). The computes current tax expense based on the generally accepted interpretation of tax laws to ensure that the sufficient provision for the purpose of taxation is available. According to management, the tax provision made in the financial statement is sufficient. A comparision of last three years of income tax provision with tax assessed is presented below:

	2017	2016	2015
	------- Rupees in thousand -------		
Income tax provision for the year	28,339	38,719	26,526
Income tax as per tax assessment	28,306	38,719	26,526

31 EARNING / (LOSS) PER SHARE - BASIC AND DILUTED

	2018	2017
Profit / (loss) after tax	**22,300**	(93,492)
Weighted average number of ordinary shares	**16,017,500**	16,017,500
Earnings / (Loss) per share - basic and diluted	**1.39**	(5.84)

32 CASH GENERATED FROM / (USED IN) OPERATIONS

32.1 Working capital changes

	2018	2017
	------ Rupees in thousand ------	
(Increase) / decrease in current assets		
- Stores and spares	**(11,743)**	(11,547)
- Stock-in-trade	**444,520**	(1,520,687)
- Loans and advances	**(46,328)**	(57,675)
- Trade deposits and short term prepayments	**(464,235)**	(3,862)
- Trade and other payables	**450,960**	512,765
	373,174	(1,081,006)

33 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the accounts for remuneration, including certain benefits to Directors, Chief Executive and executives of the company as follows:

	2018			
	Chief Executive	Directors	Executive	Total
	---------- Rupees in Thousand ----------			
Managerial remuneration	7,200	2,925	9,900	20,025
Utilities	1,440	585	4,951	6,976
Perquisites and other benefits	5,760	2,340	4,951	13,051
	14,400	5,850	19,802	40,052
Number of Persons	1	1	11	-

	Chief Executive	Directors	Executive	Total
	2017			
	---------- Rupees in Thousand ----------			
Managerial remuneration	6,000	2,400	13,494	21,894
Utilities	1,200	480	6,748	8,428
Perquisites and other benefits	4,800	1,920	6,748	13,468
	12,000	4,800	26,990	43,790
Number of Persons	1	1	20	-

33.1 The Chief executive and executive directors are also entitled for company maintained vehicles in accordance with Company's policy.

33.2 No remmuneration or benefits have been paid to non-executive directors.

34 *PROVIDENT FUND*

The investment out of provident fund have been made in accordance with the provision of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

35 *NUMBER OF EMPLOYEES*

	2018		2017	
	Head Office	Factory	Head Office	Factory
Number of employees including contractual employees at the end of year	79	679	82	672
Average number of employees including contractual employees during the year	79	837	78	852

36 *TRANSACTIONS WITH RELATED PARTIES*

Parties are considered to be related if one party has the ability to control the other pprty and exercise significant influence over other party in making financial and operating decisions.

The related parties comprise of major shareholders, directors of the company and key management personnel and staff / workers funds. Remuneration and benefits to executives of the company are in accordance with the terms of the employment while contribution to the provident fund and gratuity are in accordance with staff service rules. Details of transactions with related parties other than disclosed elsewhere in financial statements are as follows:

Name of Related party	Relationship	Percentage of Shareholding	Transaction during the year	2018	2017
				--- Rupees in thousands ---	
Qamar Mubeen Jumani	Director	6.50%	Receipts of loan	-	31,500
			Repayment of loan	**15,000**	
Faraz Mubeen Jumani	Director	2.81%	Receipts of loan	-	10,000
			Repayment of loan	**15,100**	10,000
Shoukat Hussain	Close family member	0.00%	Repayment of loan	**42,903**	-

37 PRODUCTION CAPACITY

	2018		2017	
Crushing capacity	**7,000**	**M. Tons per day**	7,000	M. Tons per day
Duration of season	**148**	**days**	140	days
Crushing capacity based on actual days	**1,036,000**	**M. Tons**	980,000	M. Tons
Actual cane crushed	**828,101**	**M. Tons**	852,226	M. Tons
Sucrose recovery	**10.34%**		9.80%	
Production - sugar	**85,625**	**M. Tons**	83,579	M. Tons

37.1 Cane crushed is less than installed capacity due to the seasonal availability of sugarcane.

38 FINANCIAL INSTRUMENTS

38.1 Financial assets and liabilities

	2018	2017
	------ Rupees in thousand ------	
Financial assets		
Loans and advances	**7,612**	7,247
Trade deposits and other receivables	**476,192**	6,103
Cash and bank balances	**23,908**	37,048
	507,712	50,398
Financial liabilities		
Long term financing	**1,006,238**	945,091
Market committee fee payable	**22,109**	26,129
Short term borrowings	**894,107**	1,306,048
Trade and other payables	**535,803**	447,510
Accrued markup	**24,656**	26,349
	2,482,913	2,751,127

38.2 *Financial risk management objectives and policies*

The Company has exposures to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall, risks arising from the Company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risk without any material change from previous period in the manner described in notes below.

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. All treasury related transactions are carried out within the parameters of these policies.

38.2.1 *Credit risk*

Credit risk is the risk which assess with a possibility that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Exposure to credit risk
Credit risk arises when changes in economic or industry factors similarly affects Company's of counter parties whose aggregate credit exposure is significant in relation the Company's total credit exposure. Out of the total financial assets of Rs. 507.712 million (2017 : Rs. 50.398 million), the financial assets which are subject to credit risk amounted to Rs. 507.561 million (2017 : Rs. 50.227 million).

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to the credit risk at the reporting date is:

	2018	2017
	------ Rupees in thousand ------	
Loans and advances	**7,612**	7,247
Trade deposits and other receivables	**476,192**	6,103
Bank balances	**23,757**	36,877
	507,561	50,227

Quality of financial assets
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or the historical information about counter party default rates as shown below:

	2018	2017
Bank Balances	------ Rupees in thousand ------	
AAA	**17,577**	21,769
AA+	**2,441**	1,930
A+	-	410
AA	**609**	638
AA-	**3,130**	12,130

38.2.2 *Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company ensures that it has sufficient cash on demand to meet expected working capital requirements. The company's exposure to liquidity risk along with expected maturities is as follows:

	2018				
	Carrying amount	*Contractual cash flows*	*Six months or less*	*Six months to twelve months*	*More than twelve months*
	---------- (Rupees in thousand) ----------				
Non-derivative financial liabilities					
Liabilities against assets subject to finance lease	17,073	(20,615)	(3,172)	(3,172)	(14,272)
Long term loan	1,006,238	(1,140,657)	-	-	(1,140,657)
Short term finance	894,107	(894,107)	(894,107)	-	-
Trade and other payables	535,803	(535,803)	(535,803)	-	-
Accrued mark up	24,656	(24,656)	(24,656)	-	-
	2,477,877	(2,615,838)	(1,457,738)	(3,172)	(1,154,929)

	2017				
	Carrying amount	*Contractual cash flows*	*Six months or less*	*Six months to twelve months*	*More than twelve months*
	---------- (Rupees in thousand) ----------				
Non-derivative financial liabilities					
Long term loan	945,091	(1,140,657)	-	-	(1,140,657)
Short term finance	1,306,048	(1,306,048)	(1,306,048)	-	-
Trade and other payables	447,510	(447,510)	(447,510)	-	-
Accrued mark up	26,349	(26,349)	(26,349)	-	-
	2,724,998	(2,920,564)	(1,779,907)	-	(1,140,657)

38.2.3 *Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

a) *Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. At year end, the Company is exposed to the following foreign exchange currency risk.

	2018	2017
	------- Rupees in thousand ----	
Outstanding letters of credits		
- in GBP	(3,985)	-
- in EURO	(11,786)	-
- in USD	(2,684)	-
Balance sheet exposure	(18,455)	-
Following Spot rates are applied at reporting date		
GBP to PKR	162.228	-
EURO to PKR	144.175	
USD to PKR	124.246	-

Sensitivity analysis

At reporting date, if the PKR had weakened by 10% against the foreign currency with all other variables held constant, pre-tax profit for the year have been lower by the amount shown below:

	2018	2017
	------ Rupees in thousand ------	
Effect on profit or loss		
GBP	(399)	-
EURO	(1,179)	
USD	(268)	-
	(1,846)	-

The strengthing of the PKR against foreign currency would have had an equal but opposite impact on the pre tax profit.

b) *Interest rate risk*

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

At the balance sheet date the interest rate profile of the Company's interest-bearing financial instruments was as follows:

	2018	2017
	Effective Interest Rate (In Percent)	
Variable Rate Instruments		
Financial liabilities		
- Short term borrowings	11.65%	9.90%

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 and equity for the year by the amounts shown below. The analysis assumes that all other variables remain constant.

	2018	2017
	------ Rupees in thousand ------	
Cash flow Sensitivity - Variable Rate Instruments		
- Increase	**8,941**	13,060
- Decrease	**(8,941)**	(13,060)

The sensitivity analysis prepared is not necessarily indicative of the effects on loss/profit for the year and assets of the Company.

c) *Price risk*

Price risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments.

Sensitivity analysis

At reporting date, the company is not exposed to sensitivity analysis as the company has no investment and interest bearing financial instruments.

38.3 *Capital risk management*

The Company's objective when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The company finances its operations through equity and by managing working capital.

Consistent with others in the industry, the company monitors capital on the basis of the its gearing ratio. This is calculated as net debt divided by total capital which is equal to net debt and share holders' equity. Net debt is calculated as total borrowings from financial institutions, if any, and directors less cash and bank balances. Total capital is calculated as equity as shown in the balance sheet plus sponsors' loan, if any, subordinate to equity and net debt.

	2018	2017
	------ Rupees in thousand ------	
Long term borrowings	**1,006,238**	945,091
Short term finance	**894,107**	1,306,048
Total debt	**1,900,345**	2,251,139
Less: Cash and bank balances	**23,908**	37,048
Net Debt	**1,876,437**	2,214,091
Share capital	**160,175**	160,175
Net Debt and share capital	**2,036,612**	2,374,266
Gearing ratio (%)	**92.14%**	93.25%

39 *FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES*

The carrying amounts of the financial assets and financial liabilities as at the balance sheet date approximate their fair values.

40 OPERATING SEGMENT

40.1 These financial statements have been prepared on the basis of a single reportable segment.

40.2 Revenue from sale of sugar represents 95% (2017 : 93%) of the gross sales of the Company.

40.3 79% (2017 : 100%) of the gross sales of the Company are made to customers located in Pakistan.

40.4 All non-current assets of the Company at September 30, 2018 are located in Pakistan.

41 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 26 DEC 2018 by the Board of Directors of the Company.

42 GENERAL

Figures have been rounded off to the nearest thousand rupees except as stated otherwise.

Chief Executive	*Chief Financial Officer*	*Managing Director*