

26th Annual Report
2012

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COMPANY'S INFORMATION

DIRECTORS

Syed Shafqat Ali Shah Managing Director & Chief Executive
Mr. Masood Ahmed
Pir Syed Noor Shah
Mr. Feroz F. Golwalla
Mr. Hameedullah Khan Paracha
Mrs. Shamim Noor Shah
Syed Muhammad Ali Shah
Syed Taimur Ali Shah
Syed Reza Ali Shah
Mr. Habib Hameed Paracha

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Mr. Iqbal-ur-Rahman

AUDITORS

Rahman, Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
Plot No. 180, Block-A, S.M.C.H.S.,
Karachi-74400.

COST AUDITORS

Siddiqi & Company
Cost & Management Accountants
Suit No. 147, First Floor, Haroon Shopping Emporium,
Sector 15-A/1, North Karachi - 75780.

HEAD OFFICE

Matiari House,
C-48, K.D.A. Scheme No. 1,
Karachi-75350.

FACTORY

Matiari/Nasarpur Road,
Matiari,
District Matiari.

NOTICE OF 26TH ANNUAL GENERAL MEETING

NOTICE is hereby given that 26th Annual General Meeting of the Company will be held on **Tuesday the 31st January, 2013** at 11.00 a.m. at the Registered Office of the Company to transact the following business :-

ORDINARY BUSINESS :

1. To confirm the minutes of Annual General Meeting held on 30th January, 2012.
2. To receive, consider and adopt the audited accounts for the year ended 30th September, 2012 together with the Directors and Auditors Report.
3. To approve 40% Cash dividend for the year ended 30th September, 2012 as recommended by Board of Directors.
4. To appoint Auditors of the Company for the year 2012-2013 and to fix their remuneration. M/s. Rahman Sarfaraz Rahim Iqbal Rafiq & Co. Chartered Accountants being eligible offer themselves for appointment.
5. To transact any other ordinary business with the permission of the Chair.

On behalf of the Board



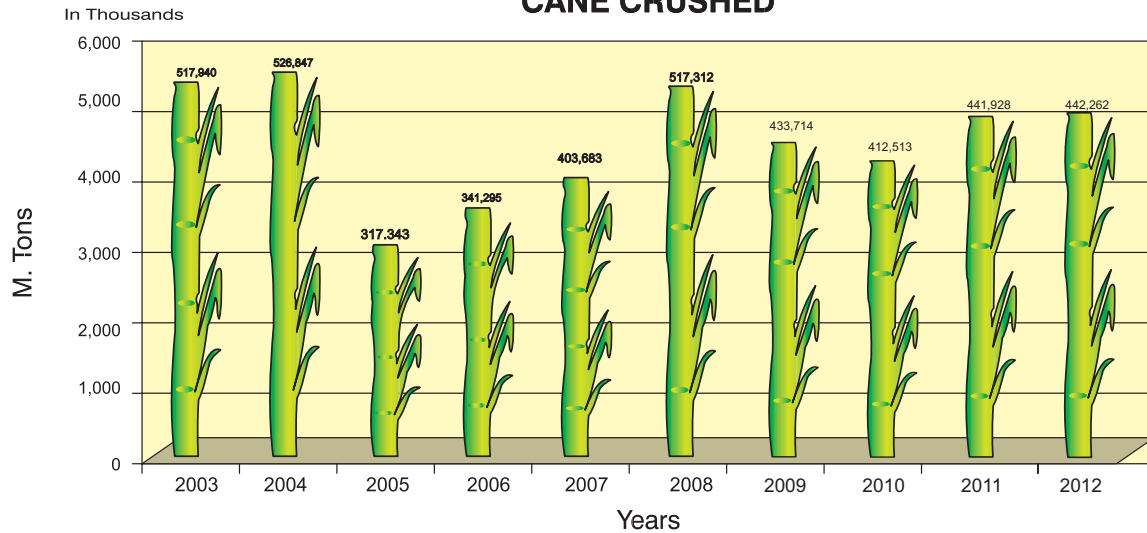
IQBAL-UR-RAHMAN
Company Secretary

Karachi
Dated: 29th December, 2012

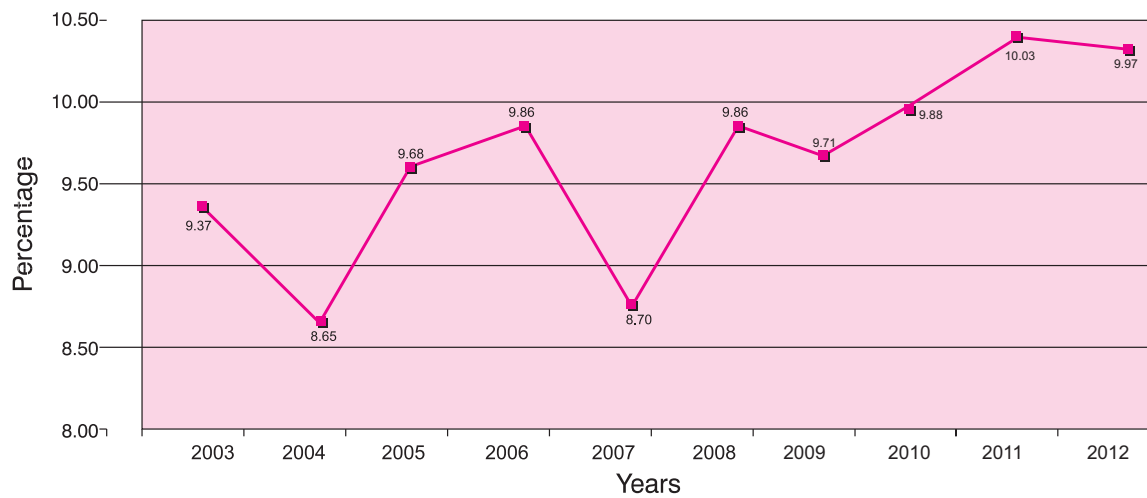
TEN YEARS' REVIEW

	1	2	3	4	5	6	7	8	9	10
PRODUCTION	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
No. of days of season	139	162	108	117	140	156	126	121	157	123
Cane crushed - Tons	517,939,887	526,847,272	317,343,447	341,295,000	403,683,000	517,312,000	433,713,659	412,513,000	441,928	442,262
Recovery%	9.37	8.65	9.68	9.86	8.70	9.86	9.71	9.88	10.03	9.97
Sugar made - Tons	48,518,000	45,579,000	30,720,000	33,633,000	35,612,000	51,005,000	42,107,500	40,759,500	44,445,000	44,098,500
Molasses - Tons	27,400,000	27,526,000	15,300,000	16,625,000	20,282,000	27,920,000	21,420,000	18,630,000	19,886,000	20,380,000
OPERATING RESULTS										
Sales	748,996,922	733,157,025	641,015,509	928,358,142	743,051,423	857,382,692	1,635,602,583	2,140,909,100	2,609,680,867	2,182,939,160
Cost of sales	673,654,538	668,495,718	566,060,232	731,447,714	731,160,966	709,077,998	1,334,255,372	1,787,284,598	2,146,913,095	1,970,202,855
Gross profit / (Loss)	75,342,384	64,661,307	74,955,277	196,910,427	11,890,457	148,304,694	301,347,211	353,624,502	462,767,772	212,736,305
Operating profit / (Loss)	47,877,805	39,446,971	50,854,146	169,218,753	(18,947,088)	104,159,207	264,481,757	289,726,667	389,413,751	125,732,936
Profit / (Loss) before taxation	(18,833,285)	4,259,253	25,513,026	115,872,638	(62,671,032)	67,757,171	186,518,901	245,960,351	328,850,457	158,217,785
Profit / (Loss) after taxation	(20,769,285)	593,468	21,343,026	109,269,638	(66,926,032)	62,733,739	144,382,049	157,214,201	198,751,961	127,646,220
Gross profit / (Loss) (percentage)	10.06	8.82	11.69	21.21	1.60	17.30	18.42	16.52	17.73	9.75
Operating profit / (Loss) (percentage)	6.39	5.38	7.93	18.23	(2.55)	12.15	16.17	13.53	14.92	5.76
Profit / (Loss) before tax (percentage)	(2.51)	0.58	3.98	12.48	(8.43)	7.90	11.40	11.49	12.60	7.25
Profit / (Loss) after tax (percentage)	(2.77)	0.08	3.33	11.77	(9.01)	7.32	8.83	7.34	7.62	5.85
Growth in net profit / (Loss) after tax (percentage)	(82.26)	(102.86)	3,496.32	411.97	(161.25)	206.68	56.55	8.16	20.90	(55.71)
Raw materials percent of sales	76.14	74.72	71.50	74.64	98.89	94.07	65.93	81.39	83.06	81.50
Labour percent of sales	6.07	5.84	6.28	4.91	7.48	7.59	4.91	3.91	3.95	4.78
Administrative expense percent of sales	3.45	3.27	3.64	2.87	4.05	2.15	2.15	2.14	1.84	2.58
Selling expenses percent of sales	0.21	0.17	0.12	0.12	0.10	0.30	0.10	0.04	0.06	0.06
Financial expenses percent of sales	8.58	4.92	5.11	4.76	4.22	6.84	4.22	3.20	3.54	3.54
Income tax percent of sale	0.50	0.50	0.65	1.03	0.57	0.19	2.58	4.15	4.99	1.40
Repayment of long term loans										
Principal - Rs.	46,750,000	18,750,000	156,277,118	32,409,117	13,937,154	59,101,257	112,011,168	53,211,461	65,175,997	61,692,308
Mark-up - Rs.	31,055,439	17,039,055	25,289,779	28,382,216	50,810,565	38,123,456	70,616,751	69,670,620	86,643,816	81,655,546
Payment to Employees										
Bonus - Rs.	11,433,524	10,060,942	4,474,173	5,574,391	7,244,149	7,613,510	7,535,426	8,016,394	9,014,385	9,091,925
W.P.P. & WWF Fund - Rs.	-	224,171	1,342,791	6,098,560	-	3,387,859	9,816,784	17,169,155	23,732,871	11,726,130
SHAREHOLDERS' EQUITY										
Paid up capital	65,250,000	65,250,000	65,250,000	65,250,000	65,250,000	65,250,000	65,250,000	65,250,000	65,250,000	65,250,000
Bonus shares	-	-	-	-	65,250,000	65,250,000	78,300,000	121,365,000	140,026,500	160,554,150
	(19,018,393)	(3,047,495)	28,708,002	151,713,459	35,553,346	113,502,209	223,203,530	245,887,142	379,195,366	657,747,862
Reserves and surplus	(2.89)	0.65	3.91	17.76	(4.80)	5.19	12.99	13.18	16.02	7.01
Earning / (Loss) per share (before tax)	(3.18)	0.09	3.27	16.75	(5.13)	4.81	10.06	8.42	9.68	5.65
Earning / (Loss) per share (after tax)	7.09	9.53	14.40	33.25	12.72	18.70	25.55	23.18	28.47	39.13
Book value per share	-	-	-	-	-	13,050,000	57,420,000	74,646,000	82,110,600	40%
Dividend										
Amount - Rs.	-	-	-	-	-	-	-	-	-	-
Percentage	-	-	-	-	-	10%	40%	40%	40%	40%
Bonus Shares										
Amount - Rs.	-	-	-	65,250,000	-	13,050,000	43,065,000	18,661,500	18,661,500	20,527,650
Percentage	-	-	-	100%	-	10%	30%	10%	10%	10%
FINANCIAL POSITION										
Current ratio	1:0.83	1:0.76	1:0.79	1:1.29	1:0.98	1:1	1:1.11	1:1.13	1:1.31	1:1.15
Acid test ratio	0.52:1	0.49:1	0.28:1	0.56:1	0.49:1	0.85:1	0.46:1	0.35:1	0.45:1	0.28:1
Number of times interest earned	(0.71)	1.12	1.78	3.62	(0.23)	2.78	3.70	4.59	4.56	3.05
Debt equity ratio	50:50	50:50	44:56	28:72	31:69	38:62	17:83	21:79	16:84	15:85

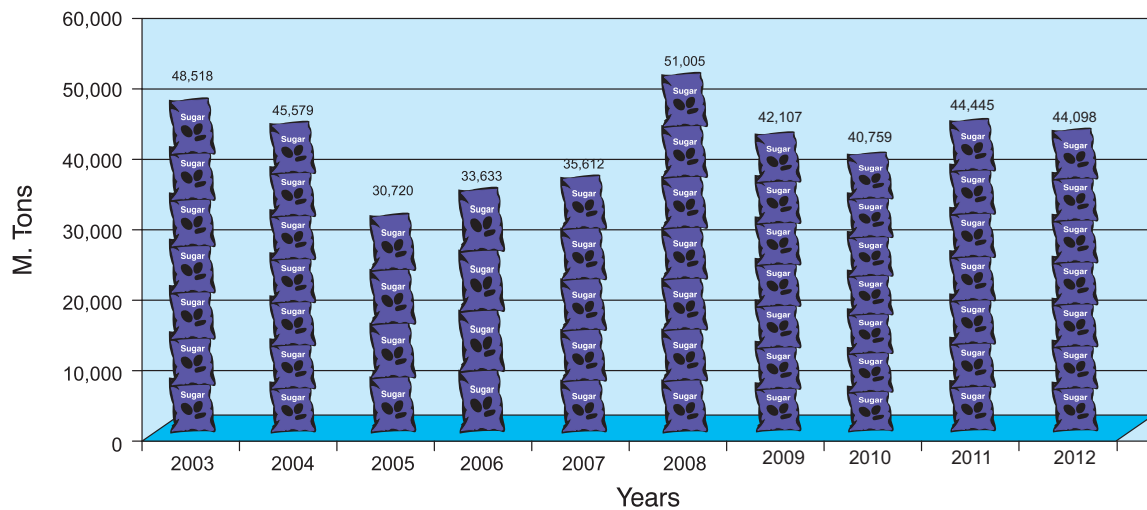
CANE CRUSHED



SUCROSE RECOVERY



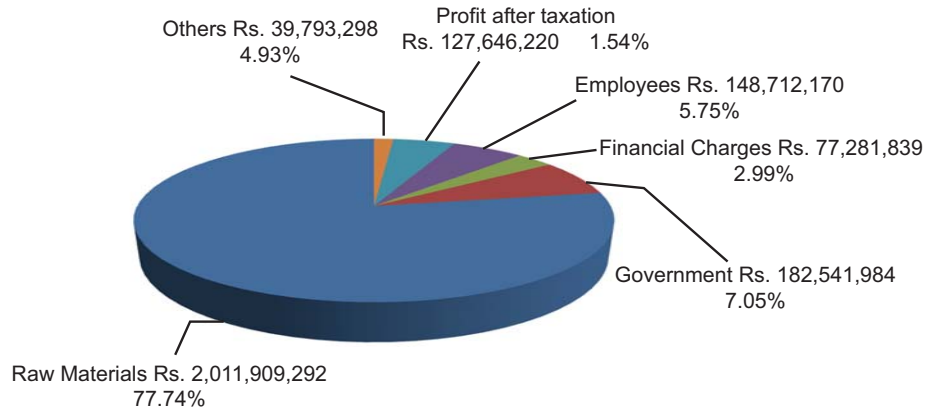
SUGAR PRODUCTION



APPLICATION OF REVENUE

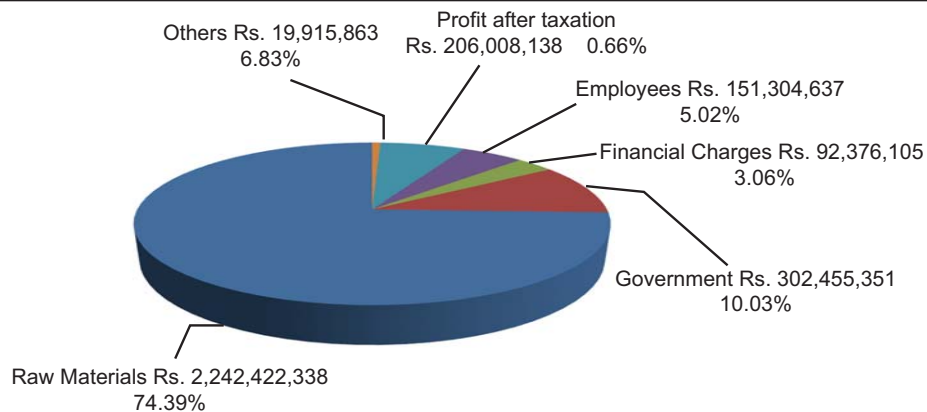
Rupees in Million

2012



Total Revenue Rs. 2,587,884,803

2011



Total Revenue Rs. 3,014,482,432

Revenue Distribution

	2012		2011	
	%	Amount	%	Amount
Raw Materials	77.74	2,011,909,292	74.39	2,242,422,338
Government	7.05	182,541,984	10.03	302,455,351
Financial charges	2.99	77,281,839	3.06	92,376,105
Employees	5.75	148,712,170	5.02	151,304,637
others	4.93	39,793,298	6.83	19,915,863
Profit/(Loss) after taxation	1.54	127,646,220	0.66	206,008,138
Total	100.00	2,587,884,803	100.00	3,014,482,432

DIRECTORS' REPORT

Your Directors are pleased to present 26th Annual Report together with audited accounts for the year ended 30th September, 2012.

FINANCIAL RESULTS

By the grace of Almighty Allah, your Company earned a pre-tax profit of Rs.158.218 million during the year 2011-2012 which includes the dividend income of Rs.74,870,800/- from its subsidiary Matol Private Limited. Financial results for the year are as under :-

PROFIT BEFORE TAXATION

Provision for Taxation	Rs.	158,217,785
Current	:	30,805,391
Deferred	:	<u>(233,826)</u>
Profit After Taxation	:	127,646,220
Accumulated profit brought forward	:	276,557,116
Add: Transfer from surplus on Revaluation of property, Plant & equipment-Net of deferred tax	:	30,118,780
Gain on re-measurement of Investment (Matol Private Limited)	:	<u>223,425,746</u>
		657,747,862
Proposed: Final Dividend	:	<u>(90,321,660)</u>
		<u>567,426,202</u>
Earning per share – Basic & Diluted	:	5.65

For the season 2011-2012, the Government fixed support price of sugarcane at Rs.154/- per 40 Kgs. as against Rs.127/- per 40 Kgs. of last year's cane price, an increase of 21.25% over last year. Crushing season commenced on 18th November, 2011 due to devastating flood in the province which had badly affected the people and standing crops. Flood water standing in the fields made the harvesting of sugarcane impossible by the growers resulted in late commencement of season. Moreover, shortage of cane crop in Sindh, growers were also reluctant to supply cane at the beginning of the season in expectation of getting higher sugarcane prices.

This year Punjab province harvested a bumper crop with high recovery leading to record sugar production. Early start of Sugar Mills in Punjab and sufficient carry over stock of sugar in the country considerably decreased the sugar sale price as compared with last year's prices.

However, the beneficial effects of our better procurement policy and cordial relation with the growers as well as timely/committed payments to the growers enabled us to retain our average cane prices reasonably lower than our competitors.

In view of excessive production of sugar in the country this year, Government allowed export of sugar under the supervision of State Bank of Pakistan and your Company exported 7,650 M.Tons sugar. Government also decided to purchase sugar through Trading Corporation of Pakistan (TCP) from the Millers and we sold 13,610 M.Tons sugar to TCP. As a result of such decisions of the Government, average sugar selling price gradually improved.

For elimination of pests hazardous to sugarcane and other crops and to reduce the use of fertilizer, company is continuously providing biological cards and Bio-compost to the growers. Functional Tissue Culture Laboratory is also providing necessary services to the growers of the area. Company earned profit of Rs. 24,216,526/- through agricultural related activities for the year.

OPERATIONAL RESULTS:

Brief summary of the operational results is as under :-

	2012	2011
Cane Crushing – M.Tons	442,262	441,928
Period of operation number of days	123	157
Recovery percentage	9.970	10.03
Sugar produced – M.Tons	44,098.5	44,445
Capacity utilization percentage	76.78	76.72

The new Shinko Turbo Generator of 5,500 KW arrived in the month of January, 2012 which was installed and made functional during the month of February, 2012 and continued functioning till the end of season 2011-2012. During the period of its running, the plant was operated efficiently and an increase in bagasse saving was achieved.

CURRENT SEASON

For the season 2012-2013, government fixed the support price of sugarcane at Rs.172/- per 40 Kgs. against Rs.154/- per 40 Kgs. of the last year showing an increase of 11.69%.

The Company started crushing from 18th October, 2012 and crushed 232,971.615 M.Tons sugarcane producing 21,906.500 M.Tons sugar at an average recovery of 9.49% upto 29.12.2012. Recovery percentage during this season is higher as compared to the previous season.

During this year, sugar prices have dropped to a level where it is no longer sustainable to produce sugar at the prevailing price of sugarcane. Declining in sugar prices and uncertainty about the future sale price has created a massive imbalance between the sugarcane prices and the cost of production making it difficult for the management to cope with the challenges. Achievement of profitable results seems to be difficult despite our efforts to keep the sugarcane price at a minimum, strict control on production losses and cost of production. However, decision of the Government of Pakistan for allowing export of sugar and purchase of sugar by TCP would provide relief to the sugar industry as well as timely payments to the cane growers.

SOCIAL ACTIVITIES

The Company actively participates in various social work initiatives and contributes generously to various social and charitable causes.

In accordance with the Company's policies to share the benefits with the workers and employees of the Company, management has paid bonuses equal to five month's basic salary to all employees of the company and has also paid the allocated amount of WPPF to all the workers.

Your Directors are pleased to report cordial relations between workers and management and appreciate the hard work put in by officers and workers for achieving positive results.

Retiring Auditors M/s. Rahman Sarfraz, Rahim Iqbal Rafiq, Chartered Accountants offer themselves for appointment for the year 2012-2013.

Pattern of share holding on date is annexed to these Accounts.

On behalf of the Board



MANAGING DIRECTOR

29th December, 2012
Karachi

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Matiari Sugar Mills Limited ("the Company") as at September 30, 2012 and the related profit and loss account, statement of comprehensive income, statement of cash flows and statement of charges 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 purpose of our audit.

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

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

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion;
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, statement of cash flows 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, 2012** and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.



RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
CHARTERED ACCOUNTANTS
Engagement Partner: **Muhammad Waseem**

Karachi
29th December, 2012

Balance Sheet As at 30th September, 2012

	Note	2012 Rupees	2011 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	4	2,231,896,433	1,358,292,875
Investment in subsidiary	5	312,255,326	74,523,108
Long term investment - held to maturity	6	-	5,000,000
Long term deposits	7	18,645,704	21,991,915
		2,562,797,463	1,459,807,898
Current assets			
Stores, spares and loose tools	8	27,809,902	32,419,925
Stock in trade	9	49,102,688	122,774,661
Trade debts - unsecured, considered good		62,808,072	245,194
Due from subsidiary	10	135,606,228	377,584,231
Loans, advances, prepayments and other receivables	11	184,232,299	66,889,399
Short term investment - held to maturity	12	32,024,950	10,024,950
Cash and bank balances	13	10,960,498	7,342,692
		502,544,637	617,281,052
		3,065,342,100	2,077,088,950
SHARE CAPITAL AND RESERVES			
Authorised capital		250,000,000	250,000,000
25,000,000 (2011: 25,000,000) ordinary shares of Rs. 10 each			
Issued, subscribed and paid up capital	14	225,804,150	205,276,500
Unappropriated profit		657,747,862	379,195,366
		883,552,012	584,471,866
Surplus on revaluation of property, plant and equipment	15	913,557,936	542,344,443
LIABILITIES			
Non-current liabilities			
Long term finances - secured	16	75,769,234	48,461,538
Liabilities against assets subject to finance leases	17	122,499,098	57,100,888
Deferred liabilities	18	631,080,688	373,531,970
		829,349,020	479,094,396
Current liabilities			
Trade and other payables	19	116,413,610	55,526,787
Accrued mark up	20	11,283,930	15,615,882
Short term borrowings - secured	21	182,056,743	169,451,285
Current portion of long term liabilities	22	121,398,154	113,009,663
Unclaimed dividend		2,266,101	1,473,347
Taxation - net		5,464,594	116,101,281
		438,883,132	471,178,245
Contingencies and commitments	23		
		3,065,342,100	2,077,088,950

The annexed notes 1 to 42 form an integral part of these financial statements.


Chief Executive


Director

Profit and Loss Account For the Year ended 30th September, 2012

	Note	2012 Rupees	Restated 2011 Rupees
Sales - net	24	2,182,939,160	2,609,680,867
Cost of sales	25	(1,970,202,855)	(2,146,913,094)
Gross Profit		<u>212,736,305</u>	<u>462,767,773</u>
Administrative expenses	26	(56,416,002)	(48,082,080)
Distribution cost	27	(18,861,237)	(1,539,069)
Other operating charges	28	(11,726,130)	(23,732,871)
		<u>(87,003,369)</u>	<u>(73,354,020)</u>
Operating profit		<u>125,732,936</u>	<u>389,413,753</u>
Other income	29	109,766,689	31,812,809
		<u>235,499,625</u>	<u>421,226,562</u>
Finance cost	30	(77,281,840)	(92,376,105)
Profit before taxation		<u>158,217,785</u>	<u>328,850,457</u>
Taxation	31	(30,571,565)	(130,098,496)
Profit after taxation		<u><u>127,646,220</u></u>	<u><u>198,751,961</u></u>
Earnings per share - basic and diluted	36	<u><u>5.65</u></u>	<u><u>9.68</u></u>

The annexed notes 1 to 42 form an integral part of these financial statements.


Chief Executive


Director

Statement of Comprehensive Income For the Year ended 30th September, 2012

	2012 Rupees	Restated 2011 Rupees
Profit after taxation	127,646,220	198,751,961
Other comprehensive income for the year		
- Gain on remeasurement of investment - AFS	223,425,746	7,256,178
Total comprehensive income for the year	351,071,966	206,008,139

The annexed notes 1 to 42 form an integral part of these financial statements.


Chief Executive


Director

Statement of Cash Flows

For the Year ended 30th September, 2012

	Note	2012 Rupees	2011 Rupees
Cash generated from operations	34	500,770,725	294,402,958
Taxes paid		(160,454,850)	(85,459,973)
Finance cost paid		(81,655,546)	(86,643,816)
Net cash generated from operating activities		258,660,329	122,299,169
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(291,592,995)	(80,022,158)
Short term investment		(17,000,000)	(10,024,950)
Investment in subsidiary		15,800,000	-
Proceeds from disposal of property, plant and equipment		1,775,000	3,767,157
Long term deposits		3,346,211	(4,798,509)
Net cash used in investing activities		(287,671,784)	(91,078,460)
CASH FLOWS FROM FINANCING ACTIVITIES			
Liabilities against assets subject to finance leases - net		92,669,358	20,803,012
Long term finances		8,425,039	(65,175,997)
Dividend paid		(81,317,846)	(74,258,486)
Deferred liabilities		247,252	(174,721)
Short term borrowings - net		12,000,000	52,460,000
Net cash generated from / (used in) financing activities		32,023,803	(66,346,192)
Net increase / (decrease) in cash and cash equivalents during the year		3,012,348	(35,125,483)
Cash and cash equivalents at the beginning of the year		(42,108,593)	(6,983,110)
Cash and cash equivalents at the end of the year	35	(39,096,245)	(42,108,593)
Cash and cash equivalents comprise the following:			
Cash and bank balances	13	10,960,498	7,342,692
Short term borrowings - running finance	21	(50,056,743)	(49,451,285)
		(39,096,245)	(42,108,593)

The annexed notes 1 to 42 form an integral part of these financial statements.



Chief Executive



Director

**Statement of Changes In Equity
For the Year ended 30th September, 2012**

	Share capital	Unappropriated profit	Total
	----- (Rupees) -----		
Balance as at 30 September 2010	186,615,000	245,887,142	432,502,142
Issuance of bonus shares @ 10 %	18,661,500	(18,661,500)	-
Dividend paid @ 40%	-	(74,646,000)	(74,646,000)
Transferred from surplus on revaluation of property, plant and equipment - net of deferred tax	-	20,607,585	20,607,585
Total comprehensive income for the year ended 30 September 2011 - Restated	-	206,008,139	206,008,139
Balance as at 30 September 2011	205,276,500	379,195,366	584,471,866
Transaction with owners			
Issuance of bonus shares @ 10 %	20,527,650	(20,527,650)	-
Dividend paid @ 40%	-	(82,110,600)	(82,110,600)
Transferred from surplus on revaluation of property, plant and equipment - net of deferred tax	-	30,118,780	30,118,780
Total comprehensive income for the year ended 30 September 2012	-	351,071,966	351,071,966
Balance as at 30 September 2012	225,804,150	657,747,862	883,552,012

The annexed notes 1 to 42 form an integral part of these financial statements.


Chief Executive


Director

Notes to the Accounts For the Year ended 30th September, 2012

1 THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Karachi as a public limited liability Company on 26 May 1987. The principal business of the Company is the manufacture and sale of white sugar. The mill is located at Matiari, Sindh. The registered office of the Company is situated at Matiari House C-48, K.D.A Scheme No 1, Karachi, Pakistan.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards, as applicable in Pakistan. Approved accounting standards comprise of Accounting and Financial Reporting Standard for Medium-sized Entities (MSEs) issued by the Institute of Chartered Accountants of Pakistan and provisions of and directives issued under the Companies Ordinance, 1984. These accounting standards are notified by the Securities and Exchange Commission of Pakistan. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for land, buildings and plant and machinery which are stated at revalued amounts and certain investments which are measured at fair value.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency.

2.4 Use of estimates and judgments

The preparation of financial statements is in conformity with approved accounting standards, as applicable in Pakistan, which requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, 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 form the basis of making judgments about carrying values 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 on going basis. Revision to an accounting estimate 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 adjustment in the future periods are as follows:

- Useful lives and residual values of property, plant and equipment (Note 3.1)
- Investment (Note 3.3)
- Provision for obsolete / slow moving stores and spares and stock in trade (Notes 3.6 and 3.7)
- Estimation for impairment in respect of trade debts (Note 3.8)
- Employee benefits (Note 3.10)
- Taxation (Note 3.12)

2.5 Initial application of standards, amendments or an interpretation to existing standards

a) Standards, amendments to published standards and interpretations that are effective in 2012 and are relevant to the Company:

- **Prepayments of a minimum funding requirement (amendments to IFRIC 14), effective from January 1, 2011.** The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. The Company's does not have any defined benefit plan, hence, these amendments will have no impact on the Company's financial statements.
- **IAS 24 (revised), 'Related Party Disclosures', effective from January 1, 2011.** The revised standard supersedes IAS 24, 'Related party disclosures', issued in 2003. Application of the revised standard will only impact the format and extent of disclosures presented in the Company's financial statements.

b) Standards, amendments to published standards and interpretations that are effective in 2011 but not relevant to the Company

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after October 1, 2011 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations and therefore have not been analysed in detail.

c) Standards, amendments to published standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

Following new standards, amendments and interpretation to existing standards have been issued but are not effective for the financial year beginning on October 1, 2011 and have not been early adopted by the Company:

- **ISA 1 (amendments) - 'Presentation of Items of Other Comprehensive Income' effective from July 1, 2012.** The amendment requires entities to separate items presented in Other Comprehensive Income into two groups, based on whether or not they may be recycled to profit or loss in future.
- **IAS 19 (amendments) - effective from January 1, 2013.** It prescribes the accounting and disclosure by employers for employee benefits.
- **IAS 32 (amendments) - 'Offsetting Financial Assets and Financial Liabilities' effective from January 1, 2014.** The amendments clarify (a) the meaning of 'currently has a legally enforceable right of set-off'; and (b) that some gross settlement systems would be considered equivalent to net settlement if they eliminate or result in insignificant credit and liquidity risk and process receivables and payables in a single settlement process or cycle.
- **IFRS 7 (amendments) - 'Disclosures - Offsetting Financial Assets and Financial Liabilities' effective from January 1, 2013.** These amendments require entities to disclose information so that users of its financial statements are able to evaluate the effect or potential effect of netting arrangements and similar agreements on the entity's financial position.
- **IFRS 9, 'Financial Instruments', effective for periods beginning on or after January 1, 2015.** IFRS 9 addresses the classification and measurement of financial assets. The Company is yet to assess the full impact of IFRS 9.
- **IFRS 10, 'Consolidation financial statements', effective for periods beginning on or after January 1, 2013.** This standard replaces all of the guidance on control and consolidation in IAS 27, 'Consolidated and separate financial statements' and SIC 12, 'Consolidation - separate purpose entities'. This standard is not expected to have any impact on the Company's financial statements.
- **IFRS 11, 'Joint arrangements', effective for periods beginning on or after January 1, 2013.** This standard brings in changes in definition of joint arrangements and reduces the 'types' of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. This standard is not expected to have any impact on the Company's financial statements.
- **IFRS 12, 'Disclosure of interests in other entities', effective for periods beginning on or after January 1, 2013.** This standard set out the required disclosures for entities reporting under the two new standards, IFRS 10 and IFRS 11; it replaces the disclosure requirements currently found in IAS 28, 'Investments in associates'; and requires entities to disclose information that helps users to evaluate the nature, risks and financial effects associated with the entity's interest in subsidiaries, associates, joint arrangements and unconsolidated structured entities. This standard is not expected to have any impact on the Company's financial statements.

- **IFRS 13, 'Fair value measurement', effective for periods beginning on or after January 1, 2013.** This standard explains how to measure fair value and aims to enhance fair value disclosures; it does not say when to measure fair value or require additional fair value measurements. This standard is not expected to have any impact on the Company's financial statements.
- There are a number of minor amendments in other IFRS and IAS which are part of annual improvement project published in May and June 2012 (not addressed above). These amendments are unlikely to have any impact on the Company's financial statements and therefore have not been analysed in detail.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Property, plant and equipment

Owned

Operating fixed assets are stated at cost / revalued amount less accumulated depreciation and any identified impairment losses (if any), except for capital work - in - progress which is stated at cost less accumulated impairment losses (if any). Cost includes expenditure that are directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and its cost can be measured reliably. Cost incurred to replace a component of an item of property and equipment is capitalized, the asset so replaced is retired from use and its carrying amount is derecognized. Normal repairs and maintenance are charged to profit and loss account during the period in which they are incurred.

Depreciation on additions is charged for the quarter in which an asset is put to use and no depreciation is charged in the quarter in which assets are disposed. Depreciation on all property, plant and equipment is charged to profit and loss account using the reducing balance method over the asset's useful life at the rates stated in note 4.1.

Disposal of an item of property and equipment is recognized when significant risks and rewards incidental to ownership have been transferred to buyers. Gains and losses on disposal of fixed assets are included in income currently.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss account in the year in which the asset is derecognized.

The assets' residual values, useful lives are reviewed, and adjusted if appropriate, at each financial year end. The Company's estimate of residual value of property and equipment as at 30 September 2012 did not require any adjustment as its impact is considered insignificant.

Capital work in progress is stated at cost and consists of expenditure incurred and advances made in respect of property, plant and equipment in the course of their construction and installation. Transfers are made to relevant asset's category as and when assets are available for intended use.

Leased

Assets subject to finance lease are initially recorded at the lower of the present value of minimum lease payments under the lease agreements and the fair value of the leased assets each determined at the inception of lease. Subsequent to initial recognition, the asset is stated at the amount determined at initial recognition less accumulated depreciation and impairment losses, if any.

Leased assets are depreciated on reducing balance method at the same rates as Company's owned assets as disclosed in the fixed asset schedule to the financial statements.

3.2 Financial instruments

Financial assets and financial liabilities are recognized at fair value or amortized cost when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual right to the cash flow from the financial assets expire or is transferred. Financial liabilities are derecognised when they are extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires. Financial instruments carried on the balance sheet include long term investments, investment in subsidiary, trade debts, loans, advances and other receivables, due from subsidiary, cash and bank balances, long term finance, trade and other payables and short term finance. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

3.3 Financial assets

Company's financial assets includes investments, loans, advances, deposits, trade debts, other receivables and cash and bank balances. These are initially recognised 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.

3.3.1 Classification :

The Company classifies its financial assets in the following categories: at fair value through profit or loss, held to maturity, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The Company classifies its investments in the following categories:

a) Available for sale

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. These are primarily those investments that are intended to be held for an undefined period of time or may be sold in response to the need for liquidity. They are included in non-current assets unless the investment matures or management intends to dispose off it within 12 months of the end of the reporting date.

b) Fair value through profit and loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

c) Held to maturity

Investments with a fixed maturity where the Company has the intent and ability to hold to maturity are classified as held to maturity investments. Held-to-maturity investments are carried at amortised cost using the effective interest rate method, less any impairment losses.

d) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'trade debts', 'proceed receivable', 'short term loans', 'trade deposits and other receivables' and 'cash and cash equivalents' in the balance sheet.

3.3.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss account within income / expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit and loss account as part of operating income when the Company's right to receive payments is established.

Changes in fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit and loss account as part of other income. Dividends on available for sale equity instruments are recognised in the profit and loss account as part of other income when the Company's right to receive payments is established.

3.3.3 Investment in subsidiary

The Company considers its subsidiary to be such in which the Company have ownership of not less than fifty percent of the voting power and / or has control through common directorship.

The Company accounts for its investment in subsidiary initially at cost, being the fair value of consideration given includes acquisition charges associated with such investments. Subsequently, the investment is carried at fair value. The fair value of the quoted equity instruments is determined by using market value the at each reporting date and for unquoted equity instruments by using the alternative techniques for the valuation of unquoted equity instruments.

3.4 Financial liabilities

Financial liabilities are classified according to the substance of the contractual agreements entered into. 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 measured at amortised cost.

3.5 Off-setting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet, if the Company has a legally enforceable right to setoff the recognised amounts and the Company intends to settle either on a net basis or realise the asset and settle the liability simultaneously.

3.6 Stores, spares and loose tools

Stores, spares and loose tools excluding items in transit are valued at lower of average cost and net realizable value. Provision is made for slow moving and obsolete items.

Items in transit are valued at cost comprising invoice values plus other charges incurred thereon accumulated to the balance sheet date.

Net realizable value signifies the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

Provisions are made in the financial statements for obsolete and slow moving inventory based on management's best estimate regarding there future usability.

3.7 Stock in trade

Stock in trade are valued at the lower of cost and net realisable value except for stock in transit which is valued at invoice price and related expenses incurred up to the balance sheet date. Cost includes cost of direct materials, labour and appropriate portion of manufacturing overheads. Items in transit are stated at cost comprising invoice value and other incidental charges paid thereon.

Net realisable value is determined on the basis of estimated selling price of the product in the ordinary course of business less costs necessary to be incurred for its sale.

Cost is determined as follows:

Work in process : at average raw material cost

Finished goods : at lower of average manufacturing cost and net realisable value

Molasses : at net realisable value

3.8 Trade debts and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

These are carried at original invoice amount / cost, which is the fair value of the consideration to be received, less an estimate made for doubtful receivables which is determined based on management review of outstanding amounts and previous repayment pattern. Balance considered bad and irrevocable are written off.

3.9 Impairment of Assets

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.

In case of investment in equity securities classified as available for sale and measured at fair value, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists, the cumulative loss measured as a difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised is transferred from equity and recognised in the profit and loss account. Such impairment losses are not subsequently reversed through the profit and loss account.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in profit and loss account.

Non - financial assets

The carrying amount of the Company's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss, if any. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment losses are recognised in profit and loss account.

3.10 Employee benefits

a) Compensated absences

The Company accounts for all accumulated compensated absences when employees render services that increase their entitlement to future compensated absences.

b) Staff retirement benefits - Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contribution and will have no legal or constructive obligation to pay further amounts. Obligations for the defined contributions plans are recognised as an employee benefit expense in profit or loss when they are due.

The Company is operating a recognised provident fund scheme, with effect from 01 October 1991. The Scheme is applicable to all permanent employees of the Company. Equal monthly contributions are made by the Company and employees respectively @ 10% per annum of the basic salary. Company's contributions are charged to profit and loss account.

3.11 Trade and other payables

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

3.12 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current

Current tax is the amount of tax payable on taxable income for the year, using tax rate enacted by or subsequent to the reporting date, and any adjustment to the tax payable in respect of previous year. Provision for current tax is based on higher of the taxable income at current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any or minimum tax as per section 113. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences at the balance sheet date between the tax base and carrying amount of assets and liabilities for financial reporting purposes.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences and carry forward of unused tax losses, and tax available credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carry forward of unused tax losses can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The amount of deferred tax provided is based on the expected manner of realization of the carrying amount of assets and liabilities, using the rates that are expected to apply to the period when the difference reverse based on tax rates that have been enacted at the balance sheet date.

3.13 Revenue recognition

Revenue is recognised 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, excluding discounts, rebates and government levies. The revenue is recognised on following basis:

- Revenue from sale of goods is recognised when the significant risk and rewards of ownership of the goods have been passed to the buyer, usually on dispatch of the goods to customers.
- The profit earned on deposits is accounted for on receipt basis.
- Return on long and short term investment is recognised on a time proportion basis on the principal amount outstanding and the rate applicable.
- Mark up on grower loan is accounted for in line with the recovery of the respective loan due to exigencies involved in such matters.
- Dividend income is recognised when the right to receive the dividend is established on date of book closure by the investee company declaring the dividend.

3.14 Foreign currency translation

Foreign currencies are translated into reporting currency at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into reporting currency equivalents using year-end spot foreign exchange rates. Non-monetary assets are translated using exchange rates that existed when the values were determined. Exchange differences on foreign currency translations are included in income currently.

3.15 Provisions

Provision is recognized when, as a result of past event, the company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Subsequently, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.16 Borrowing cost

Borrowing costs are recognised as an expense in the year in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of the relevant asset.

3.17 Mark up and financial charges under lease arrangements

Mark up and financial charges under lease arrangements are allocated to the deferred payment period so as to produce constant periodic rate of financial cost on the remaining balance of principal liability for each period.

3.18 Dividend and appropriation to reserve

Dividend distribution to the Company's shareholders and appropriation to reserves are recognised as a liability in the financial statements in the period in which these are approved. Transfer between reserves made subsequent to the balance sheet date is considered as a non adjusting event and is recognized in the financial statements in the period in which such transfers are made.

3.19 Transaction with related parties

All transactions involving related parties arising in the normal course of business are conducted at normal commercial rates on the same terms and conditions as third party transactions using valuation modes, as admissible, except in extremely rare circumstances where, subject to the approval of the Board of Directors, it is in the interest of the Company to do so.

3.20 Cash and cash equivalents

Cash in hand and at banks, short term bank deposits and short term running finances, if any, are carried at cost. For the purpose of cash flow statement, cash and cash equivalents consists of cash in hand and deposits in bank, net of short term running finances (if any) that are highly liquid in nature, readily convertible into known amounts of cash and subject to insignificant risks of changes in value.

		2012	2011
4	PROPERTY, PLANT AND EQUIPMENT	(Rupees)	
	Operating fixed assets		
	Owned assets	4.1 1,969,015,172	1,181,957,487
	Leased assets	4.2 262,881,261	165,325,150
		<u>2,231,896,433</u>	<u>1,347,282,637</u>
	Capital work in progress	-	11,010,238
		<u>2,231,896,433</u>	<u>1,358,292,875</u>

4.1 Owned assets

	Freehold Land	Building - Factory	Freehold Building - Non Factory	Plant and machinery	Furniture, fixtures and office equipments	Electrical equipments and installations	Computers	Vehicles	Tools, Fire fighting equipments and arms and ammunitions	Total
Rupees										
As at October 1, 2010										
Cost	222,097,500	152,249,634	59,260,820	1,183,112,844	8,261,222	13,689,692	7,516,786	21,151,652	2,512,761	1,669,852,911
Accumulated depreciation	-	(55,706,967)	(22,390,936)	(389,763,097)	(5,495,331)	(6,419,169)	(6,886,481)	(14,515,821)	(1,854,955)	(503,032,757)
Net book value	<u>222,097,500</u>	<u>96,542,667</u>	<u>36,869,884</u>	<u>793,349,747</u>	<u>2,765,891</u>	<u>7,270,523</u>	<u>630,305</u>	<u>6,635,831</u>	<u>657,806</u>	<u>1,166,820,154</u>
Year ended September 30, 2011										
Opening net book value	222,097,500	96,542,667	36,869,884	793,349,747	2,765,891	7,270,523	630,305	6,635,831	657,806	1,166,820,154
Additions / transfers during the year	-	13,290,243	-	43,138,065	307,338	2,639,487	-	21,489,400	-	80,864,533
Disposals / transfers										
Cost	-	-	-	-	-	-	-	4,246,890	-	4,246,890
Accumulated depreciation	-	-	-	-	-	-	-	(3,006,229)	-	(3,006,229)
Net book value	-	-	-	-	-	-	-	1,240,661	-	1,240,661
Transfers/Adjustments Depr	-	(5,272,182)	(1,843,494)	(3,574,552)	(300,625)	(910,056)	(189,092)	(7,464,785)	(65,782)	(11,039,337)
Depreciation for the year	-	(5,272,182)	(1,843,494)	(41,248,529)	(300,625)	(910,056)	(189,092)	(3,617,442)	(65,782)	(53,447,202)
Closing net book value	<u>222,097,500</u>	<u>104,560,728</u>	<u>35,026,390</u>	<u>791,664,731</u>	<u>2,772,604</u>	<u>8,999,954</u>	<u>441,213</u>	<u>15,802,343</u>	<u>592,024</u>	<u>1,181,957,487</u>
As at October 1, 2011										
Cost	222,097,500	165,539,877	59,260,820	1,226,250,909	8,568,560	16,329,179	7,516,786	38,394,162	2,512,761	1,746,470,554
Accumulated depreciation	-	(60,979,149)	(24,234,430)	(434,586,178)	(5,795,956)	(7,329,225)	(7,075,573)	(22,591,819)	(1,920,737)	(564,513,067)
Net book value	<u>222,097,500</u>	<u>104,560,728</u>	<u>35,026,390</u>	<u>791,664,731</u>	<u>2,772,604</u>	<u>8,999,954</u>	<u>441,213</u>	<u>15,802,343</u>	<u>592,024</u>	<u>1,181,957,487</u>
Year ended September 30, 2012										
Opening net book value	222,097,500	104,560,728	35,026,390	791,664,731	2,772,604	8,999,954	441,213	15,802,343	592,024	1,181,957,487
Additions / transfers during the year	-	83,043,569	-	39,735,296	380,000	213,900	377,200	266,900	-	124,016,865
Revaluation	218,677,500	8,305,214	24,689,708	396,335,269	-	-	-	-	-	648,007,691
Disposals / transfers										
Cost	-	-	-	-	-	-	-	2,597,250	-	2,597,250
Accumulated depreciation	-	-	-	-	-	-	-	(2,015,022)	-	(2,015,022)
Net book value	-	-	-	-	-	-	-	582,228	-	582,228
Depreciation for the year	-	(6,314,832)	(1,751,320)	(10,244,891)	(305,760)	(905,344)	(245,524)	(3,070,714)	(59,202)	(10,244,891)
Closing net book value	<u>440,775,000</u>	<u>189,594,679</u>	<u>57,964,778</u>	<u>1,256,003,349</u>	<u>2,846,844</u>	<u>8,308,510</u>	<u>572,889</u>	<u>12,416,301</u>	<u>532,822</u>	<u>1,969,015,172</u>
As at September 30, 2012										
Cost	440,775,000	256,888,660	83,950,528	1,744,221,435	8,948,560	16,543,079	7,893,986	36,063,812	2,512,761	2,597,797,821
Accumulated depreciation	-	(67,293,981)	(25,985,750)	(488,218,086)	(6,101,716)	(8,234,569)	(7,321,097)	(23,647,511)	(1,979,939)	(628,782,649)
Net book value	<u>440,775,000</u>	<u>189,594,679</u>	<u>57,964,778</u>	<u>1,256,003,349</u>	<u>2,846,844</u>	<u>8,308,510</u>	<u>572,889</u>	<u>12,416,301</u>	<u>532,822</u>	<u>1,969,015,172</u>
Annual rates of depreciation	-	5%	5%	5%	10%	10%	30%	20%	10%	

4.2 Leased assets

	Factory building	Plant and machinery	Vehicles	Total
Rupees				
As at October 1, 2010				
Cost	-	142,586,155	22,244,155	164,830,310
Accumulated depreciation	-	(12,794,157)	(7,738,352)	(20,532,509)
Net book value	<u>-</u>	<u>129,791,998</u>	<u>14,505,803</u>	<u>144,297,801</u>
Year ended September 30, 2011				
Opening net book value	-	129,791,998	14,505,803	144,297,801
Additions / transfers during the year	-	35,957,322	-	35,957,322
Disposals / transfers				
Cost	-	-	18,239,900	18,239,900
Accumulated depreciation	-	-	(7,464,785)	(7,464,785)
Net book value	-	-	10,775,115	10,775,115
Transfers/Adjustments Depr	-	3,574,552	-	3,574,552
Depreciation for the year	-	(6,895,552)	(833,858)	(7,729,410)
Closing net book value	<u>-</u>	<u>162,428,320</u>	<u>2,896,830</u>	<u>165,325,150</u>
As at October 1, 2011				
Cost	-	178,543,477	4,004,255	182,547,732
Accumulated depreciation	-	(16,115,157)	(1,107,425)	(17,222,582)
Net book value	<u>-</u>	<u>162,428,320</u>	<u>2,896,830</u>	<u>165,325,150</u>
Year ended September 30, 2012				
Opening net book value	-	162,428,320	2,896,830	165,325,150
Additions / transfers during the year	30,000,000	100,000,000	41,043,561	171,043,561
Disposals / transfers				
Cost	-	74,549,226	-	74,549,226
Accumulated depreciation	-	(10,244,891)	-	(10,244,891)
Net book value	-	64,304,335	-	64,304,335
Depreciation for the year	(375,000)	(6,156,199)	(2,651,916)	(9,183,115)
Closing net book value	<u>29,625,000</u>	<u>191,967,786</u>	<u>41,288,475</u>	<u>262,881,261</u>
As at September 30, 2012				
Cost	30,000,000	203,994,251	45,047,816	279,042,067
Accumulated depreciation	(375,000)	(12,026,465)	(3,759,341)	(16,160,806)
Net book value	<u>29,625,000</u>	<u>191,967,786</u>	<u>41,288,475</u>	<u>262,881,261</u>
Annual rates of depreciation	5%	5%	20%	

4.3 Depreciation for the year has been allocated as follows:

	2012	2011
	(Rupees)	
Cost of sales	62,050,160	59,853,037
Administrative expenses	3,172,668	1,323,575
	65,222,828	61,176,612

5 INVESTMENT IN SUBSIDIARY

Matol (Pvt) Limited

(Number of shares)

14,474,160	16,054,160	5.1	312,255,326	74,523,108
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5.1 Movement of investment in subsidiary

Opening balance - cost	160,541,600	160,541,600
Shares sold during the year	(15,800,000)	-
	144,741,600	160,541,600
Gain / (loss) on remeasurement	167,513,726	(86,018,492)
Closing balance	312,255,326	74,523,108

5.1.1 The Company's present shares holding is 14,474,160 (2011: 16,054,160) shares of Rs.10 each i.e. 66.22 % (2011: 73.45 %) thus Matol (Pvt) Limited continues to be its subsidiary company. The shares of Matol (Pvt) Limited are not quoted at the Stock Exchanges therefore, these are reflected at fair value determined on the basis of breakup value of Rs. 21.57/- (2011: Rs. 4.64/-) per share as per the audited financial statements of the company for the year ended June 30, 2012.

	2012	2011
	(Rupees)	
<i>Held to maturity</i>		
Term deposit certificate	5,000,000	5,000,000
Less: current maturity	(5,000,000)	-
	-	5,000,000

6.1 Term deposit certificate carrying mark up of 12.5% (2011: 12.5%) per annum deposited with the First Credit Investment Bank Limited (FCIBL) under lien against guarantees issued in favour of Sui Southern Gas Company Limited on behalf of Matol (Pvt) Limited having maturity up to three years. This investment have a maturity date of 07 April 2013.

	2012	2011
	(Rupees)	
7 LONG TERM DEPOSITS		
Lease	17,657,031	21,109,560
Utilities	782,673	706,355
Others	206,000	176,000
	18,645,704	21,991,915

8 STORES, SPARES AND LOOSE TOOLS

Stores	4,129,776	9,270,129
Spares	38,706,375	37,829,979
Loose tools	1,483,751	1,829,817
	44,319,902	48,929,925
Less: Provision for slow moving and obsolete items	(16,510,000)	(16,510,000)
	27,809,902	32,419,925

		2012	2011
		(Rupees)	
9 STOCK IN TRADE			
Work in process		844,331	1,022,868
Finished goods		48,258,357	121,751,793
		<u>49,102,688</u>	<u>122,774,661</u>
10 DUE FROM SUBSIDIARY			
This represents amount receivables in respect of the sales of molasses and advance for expenses.			
11 LOANS, ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES			
Loans to growers - Secured - considered good		97,517,828	50,929,931
Advances - Unsecured - considered good			
Suppliers		3,354,158	4,690,037
Expenses		1,569,430	280,479
Others	11.1	1,926,534	5,307,789
		6,850,122	10,278,305
Receivable from provident fund		2,324,413	3,506,223
Prepaid insurance		1,566,522	748,696
Dividend receivable		74,870,800	-
Accrued interest		1,102,614	1,426,244
		<u>184,232,299</u>	<u>66,889,399</u>
11.1	This includes margin against letter of credit amounting to Rs. Nil (2011: Rs.1.472 million) in respect of import of machinery.		
12 SHORT TERM INVESTMENT - Held to maturity			
Term deposit certificate	12.1	27,024,950	10,024,950
Current maturity of long term investment		5,000,000	-
		<u>32,024,950</u>	<u>10,024,950</u>
12.1	This represents term deposit receipts of Rs 25,024,950/- and 2,000,000/- placed with MCB Bank Limited. It carries profit rate of 11.05% and 10.70% per annum respectively and maturity date of 21 February and 20 June 2013 respectively. This investment is under lien to provide performance guarantee of contract made with Trading Corporation of Pakistan for sale of sugar.		
13 CASH AND BANK BALANCES			
Cash in hand		237,017	198,652
Cash at banks			
Savings accounts		558,841	2,173,534
Current accounts		10,164,640	4,970,506
		10,723,481	7,144,040
		<u>10,960,498</u>	<u>7,342,692</u>

14 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2012 (Number of shares)	2011	2012 (Rupees)	2011
Ordinary shares of Rs. 10/- each fully paid in cash			
6,525,000	6,525,000	65,250,000	65,250,000
Ordinary shares of Rs. 10/- each issued as fully paid bonus shares			
16,055,415	14,002,650	160,554,150	140,026,500
22,580,415	20,527,650	225,804,150	205,276,500

15 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	2012 (Rupees)	2011
Opening balance	542,344,443	562,952,028
Surplus on revaluation during the year - net of deferred tax	390,790,700	-
Surplus relating to incremental depreciation charged during the year - net of deferred taxation	(19,577,207)	(20,607,585)
	913,557,936	542,344,443

Revaluation of land, buildings and plant and machinery was carried out by M/s. Sadruddin Associates (Pvt.) Limited on the basis of present market value on 30 September 2012.

16 LONG TERM FINANCES
Secured

KASB Bank Limited

Pair Investment Company Limited (Formerly Pak

Iran Joint Investment Co. Limited)

	2012 (Rupees)	2011
	-	34,000,000
16.1	118,578,885	76,153,846
	118,578,885	110,153,846
22	(42,809,651)	(61,692,308)
	75,769,234	48,461,538

Less: Current maturity

- 16.1** This represents term finance facilities of Rs.90 million and 70 million (2011:90 million). The facility of Rs 90 million is obtained for meeting working capital requirements. The loan is repayable in 39 monthly installments after a grace period of 09 months commencing from 01 April 2011 till 28 June 2014 and carries mark up at the rate of 3 months KIBOR plus 4%. The loan is secured by first pari passu charge on all present and future fixed assets (by way of hypothecation) to the extent of Rs 120 million and personal guarantees of directors.

This term finance facility of Rs.70 million is obtained for construction of molasses tank to increase the storage capacity. The loan is repayable in quarterly installments after a grace period of 06 months commencing from 01 January 2012 till 31 December 2015 and carries mark up at the rate of 3 months KIBOR plus 3.5%. The loan is secured by first pari passu charge on all present and future fixed assets (by way of hypothecation) to the extent of Rs 87.5 million, charge on molasses storage tank and personal guarantees of directors.

17 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

	2012 (Rupees)	2011
Balance as at 01 October	108,418,243	87,615,231
Assets acquired during the year	158,852,281	71,776,080
	267,270,524	159,391,311
Less: installments paid during the year	(66,182,923)	(50,973,068)
	201,087,601	108,418,243
Less: Current maturity	(78,588,503)	(51,317,355)
Balance as at 30 September	122,499,098	57,100,888

17.1 The future minimum lease payments to which the Company is committed are as follows:

	Not later than one year	Later than one year but not later than five years
	(Rupees)	
2012		
Principal	79,144,311	121,517,509
Finance charges allocated to future years	22,895,693	23,990,278
Total lease rentals	102,040,004	145,507,787
2011		
Principal	51,317,355	57,100,888
Finance charges allocated to future years	12,248,894	14,224,110
Total lease rentals	63,566,249	71,324,998

17.2 This represents lease arrangements for assets leased from Orix Leasing Pakistan Limited, NBP Leasing Limited MCB Bank Limited and Standard Chartered Leasing Limited. Financing @ 6 months KIBOR plus 2.5-5% per annum have been used as discounting factor. The lease rentals are payable in equal monthly / quarterly installments. Cost of operating and maintaining the leased assets is borne by the Company. The payments of lease rentals are secured by way of demand promissory notes and personal guarantees of directors of the Company. These assets are under the restrictions of transfer, sublease and assignment of rights to third party.

18 DEFERRED LIABILITIES

Deferred taxation - net	18.1	556,596,261	299,294,795
Sales tax	18.2	48,518,096	48,518,096
Market committee fee	18.3	23,868,214	23,868,214
Accumulated leave absences		2,098,117	1,850,865
		631,080,688	373,531,970

18.1 Deferred taxation - net

Deferred tax liability arising in respect of:

Accelerated tax depreciation	68,812,094	70,669,746
Surplus on revaluation of property, plant and equipment	491,915,825	245,240,407
Assets acquired on finance lease	21,627,781	19,917,417
	582,355,700	335,827,570

Deferred tax asset arising in respect of:

Provision for deferred liabilities	(734,341)	(647,803)
Provision for slow moving and obsolete items	(5,778,500)	(5,778,500)
Loss on remeasurement of investment in subsidiary	-	(30,106,472)
	(6,512,841)	(36,532,775)

Excess of minimum tax carried forward

(19,246,598)	-
556,596,261	299,294,795

18.2 This represents further tax levied by the Government under section 3 (1-A) of the Sales Tax Act, 1990. In the light of Supreme Court of Pakistan decision the Company filed application and challenged the levy which has been heard by different forums of Additional Collector, Collector Appeals, and Custom, Sales Tax & Federal Excise Appellate Tribunal. The Tribunal decided the cases in the favour of the Company. However, the Department has filed reference application against the decision of the Appellate Tribunal before Honourable High Court of Sindh which is under proceedings.

- 18.3** The Company challenged the levy of market committee fee before Sindh High Court on different grounds. High Court and Supreme Court decided the case against the Company. The Company has provided the amount claimed.

		2012	2011
19	TRADE AND OTHER PAYABLES	(Rupees)	
	Cane growers	2,348,965	1,492,516
	Suppliers		
	- Stores	14,198,527	9,461,297
	- Other	-	533,009
		14,198,527	9,994,306
	Accrued liabilities	14,037,472	10,679,885
	Workers' profit participation fund	19.1 8,497,196	17,991,975
	Workers' welfare fund	10,743,529	7,514,595
	Advances from customers	96,399	-
	Inland letters of credits - Fertilizer	32,437,541	-
	Sales tax payable	31,266,136	5,990,693
	Advances deducted from staff against vehicles	2,778,945	1,847,953
	Income tax deducted at source	8,900	14,864
		116,413,610	55,526,787
19.1	Workers' profit participation fund		
	Opening balance	17,991,975	13,156,475
	Amount allocated during the year	28 8,497,196	17,991,975
		26,489,171	31,148,450
	Amount paid during the year	(17,991,975)	(13,156,475)
		8,497,196	17,991,975
20	ACCRUED MARK UP		
	Long term finances	2,109,146	1,775,301
	Short term borrowings	9,174,784	13,840,581
		11,283,930	15,615,882
21	SHORT TERM BORROWINGS - SECURED		
	MCB Bank Limited		
	Agricultural finance	30,000,000	20,000,000
	Running finance	50,056,743	49,451,285
	Cash finance	102,000,000	100,000,000
		182,056,743	169,451,285

The limits of facilities are as follows:

Agricultural finance	30 million	20 million
Running finance	60 million	50 million
Cash finance	600 million	525 million

These borrowings carry mark up at the rate of 3 months KIBOR plus 2% (2011: 3 months KIBOR plus 2%) with a floor rate of 15 % per annum and are secured by way of pledge of white refined sugar packed in bags against cash finance, first pari passu hypothecation charge of Rs.845 million (2011: 845 million) with HBL, ranking charge of Rs.75 million over fixed assets (plant and machinery) and personal guarantees of all directors. The facility of agricultural finance expires on 30 June 2013 and of cash and running finance on 30 November 2012.

22 CURRENT PORTION OF LONG TERM LIABILITIES

2012 2011
(Rupees)

Long term finances

KASB Bank Limited

Pair Investment Company Limited (Formerly Pak

Iran Joint Investment Co. Limited)

16

-	34,000,000
42,809,651	27,692,308
42,809,651	61,692,308

Liabilities against assets subject to finance leases

17

78,588,503	51,317,355
121,398,154	113,009,663

23 CONTINGENCIES AND COMMITMENTS
Contingencies

No contingencies exist at balance sheet date.

Commitments

Outstanding letters of credit

-	121,834,727
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24 SALES - NET

Local sales

Export sales

1,922,054,883	2,773,964,879
407,171,298	-
2,329,226,181	2,773,964,879

Less: Sales tax and special excise duty

Brokerage expense

(145,977,330)	(163,853,847)
(309,691)	(430,165)
(146,287,021)	(164,284,012)

2,182,939,160	2,609,680,867
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25 COST OF SALES

Opening stock of finished goods

Add: cost of goods manufactured

25.1

121,751,793	43,268,099
2,045,601,354	2,426,845,355
2,167,353,147	2,470,113,454

Less: Closing stock of finished goods

Sale of by-products

(48,258,357)	(121,751,793)
(148,891,935)	(201,448,567)
1,970,202,855	2,146,913,094

25.1 Cost of goods manufactured

Raw material consumed

Chemicals and packing material consumed

Fuel and power

Salaries, wages and benefits

Stores, spares and maintenance

Vehicles maintenance

Insurance

Others

Depreciation

25.1.1

4.1.1

1,778,993,257	2,167,699,991
25,624,513	24,090,301
10,352,814	11,877,608
104,421,343	103,177,211
49,840,376	47,419,155
6,371,391	4,876,525
3,750,150	3,780,176
4,018,813	4,164,216
62,050,160	59,853,037
2,045,422,817	2,426,938,220

Opening work in process

Closing work in process

1,022,868	930,003
(844,331)	(1,022,868)
178,537	(92,865)

Cost of goods manufactured

2,045,601,354	2,426,845,355
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25.1.1 This includes Rs. 1,485,162/- (2011: Rs.1,422,287/-) in respect of staff retirement benefits.

		2012	2011
		(Rupees)	
26	ADMINISTRATIVE EXPENSES		
Directors' remuneration	32	9,307,100	6,434,638
Salaries, wages and benefits	26.1	26,486,531	23,700,813
Rent, rates and taxes		279,136	152,381
Insurance		1,588,525	1,261,059
Water, gas and electricity		3,203,825	1,275,529
Printing and stationery		1,238,483	1,405,575
Postage and telephone		1,106,881	1,099,548
Vehicles maintenance		2,656,853	1,668,246
Repairs and maintenance		2,926,532	3,619,632
Travelling and conveyance		833,329	1,213,878
Subscription, books and periodicals		601,810	614,465
Legal and professional charges		1,168,640	2,286,177
Entertainment		946,059	950,519
Advertisement		25,250	-
Auditors' remuneration	26.2	405,900	459,100
Cost auditors' remuneration		65,000	65,000
Donation	26.3	327,985	500,000
Miscellaneous expenses		75,495	51,945
Depreciation	4.1.1	3,172,668	1,323,575
		56,416,002	48,082,080
26.1	This include Rs. 1,284,513/- (2011: Rs.1,011,408/-) in respect of staff retirement benefits.		
26.2	Auditors' remuneration		
Audit fee		350,000	350,000
Audit of funds and other services		-	80,000
Out of pocket expenses		55,900	29,100
		405,900	459,100
26.3	None of the directors and their spouses had any interest in these donations.		
27	DISTRIBUTION COST		
Loading and unloading charges		1,418,658	904,840
Other expenses		416,480	634,229
Export expenses		17,026,099	-
		18,861,237	1,539,069
28	OTHER OPERATING CHARGES		
Workers' profit participation fund		8,497,196	17,991,975
Workers' welfare fund		3,228,934	5,740,896
		11,726,130	23,732,871

	2012	2011
	(Rupees)	
29 OTHER INCOME		
Profit on short term deposits	2,726,808	1,810,088
Profit on investments	-	1,124,874
Gain on sale of property, plant and equipment	1,192,772	2,526,496
Interest income on loans to growers	6,759,783	6,074,521
Dividend income	74,870,800	-
Agriculture income - net	29.1 24,216,526	20,276,830
	<u>109,766,689</u>	<u>31,812,809</u>
29.1 Agriculture income - net		
Income from farms and others	26,776,793	23,395,469
Expenses of farms and others	(2,560,267)	(3,118,639)
	<u>24,216,526</u>	<u>20,276,830</u>
Farms operations is a distinguishable business segment as per the criteria specified in International Financial Reporting Standards - 8 "Operating Segments", but substantially below the threshold mentioned for reportable segment under IFRS - 8, therefore, farm operation is not classified as reportable segment.		
30 FINANCE COST		
Mark up on long term finances	18,116,039	25,009,996
Mark up on short term borrowings	37,275,332	54,307,638
Financial charges on leased assets	21,092,089	11,506,653
Bank charges	798,380	1,551,818
	<u>77,281,840</u>	<u>92,376,105</u>
31 TAXATION		
Current	30,805,391	100,465,677
Prior	-	1,539,780
Deferred	(233,826)	28,093,039
	<u>30,571,565</u>	<u>130,098,496</u>
The Company has accounted for tax expense as minimum tax under section 113 of Income Tax Ordinance, 2001 and therefore no reconciliation between tax expense and accounting profit has been presented for the current year.		
31.1 Reconciliation between tax expense and accounting profit		
Accounting profit before taxation	-	336,106,635
Tax on accounting profit @ 35% (2011: 35%)	-	117,637,322
Income exempted from tax	-	(7,096,891)
Prior year charge	-	1,539,780
Others	-	18,018,285
	<u>-</u>	<u>130,098,496</u>

31.2 The income tax assessments of the Company have been finalised up to and including tax year 2011 (accounting year ended 30 September 2010).

32 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	2 0 1 2				2 0 1 1			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
(Rupees)								
Meeting fees	-	85,000	-	85,000	-	121,000	-	121,000
Managerial remuneration	9,222,100	-	23,857,316	33,079,416	6,313,638	-	20,829,139	27,142,777
Other benefits	-	-	1,020,821	1,020,821	-	188,311	781,228	969,539
Retirement benefits	-	-	890,327	890,327	-	-	765,514	765,514
Total	9,222,100	85,000	25,768,464	35,075,564	6,313,638	309,311	22,375,881	28,998,830
No. of Persons	1	9	15	25	1	9	15	25

32.1 The Chief Executive is also provided with the Company's maintained car.

33 TRANSACTIONS WITH RELATED PARTIES

Related parties include associated companies, directors of the Company, companies where directors also hold directorship, related group companies, key management personnel and staff retirement funds. All transactions involving related parties arising in the normal course of business are conducted at commercial terms and conditions, and at prices agreed, based on inter company prices using admissible valuation modes, i.e. comparable uncontrolled price method except service charges received / paid on cost plus method. There are no transactions with the key management personnel other than under their terms of employment / entitlements. Contributions to the employees retirement benefits are made in accordance with terms of employees retirement benefits schemes. Particulars of transactions with employee retirement benefit plans are disclosed in notes 25 and 26 to these financial statements.

Transactions with related parties and associated undertakings, other than those disclosed elsewhere in these financial statements, are as follows:

	2012	2011
(Rupees)		
Associated companies		
Security services hired	<u>5,735,803</u>	<u>12,278,692</u>
Advance for expenses	<u>101,411,671</u>	<u>110,311,884</u>
Due from subsidiary	<u>135,606,228</u>	<u>377,584,231</u>
Sale of molasses	<u>139,419,075</u>	<u>188,923,080</u>
Other related parties		
Remuneration to key management personnel	<u>9,307,100</u>	<u>6,434,638</u>
Contribution to provident fund	<u>3,704,233</u>	<u>2,433,895</u>
Donation	<u>327,985</u>	<u>500,000</u>

The related party status of outstanding balance as at 30 September 2012 is the amount representing due from subsidiary.

Further, the Company has provided from time to time one or more financial guarantees and non financial obligations and liabilities to Matol (Pvt) Limited up to an aggregated amount of Rs. 182.506 million (2011: Rs. 265.509 million) and one or more loans up to an aggregate principal sum at any one time up to Rs. 150 (2011: Rs. 150 million). The Company also provided bank guarantees to National Bank of Pakistan of Rs. 276.179 million (2011: Rs 276.179 million) and Habib Bank Limited of Rs. 150 million behalf of Matol (Pvt) Limited. Further, the company has provide bank guarantee of Rs 100 million to MCB bank limited against export refinance arrangement.

	2012	2011
	(Rupees)	
34 CASH GENERATED FROM OPERATIONS		
Profit before taxation	158,217,785	328,850,457
Adjustments for:		
Depreciation	65,222,828	61,176,612
Finance cost	77,281,840	92,376,105
Gain on sale of property, plant and equipment	(1,192,772)	(2,526,496)
Provision for workers' profit participation fund	8,497,196	17,991,975
Provision for workers welfare fund	3,228,934	5,740,896
Working capital changes	189,514,914	(209,206,591)
	342,552,940	(34,447,499)
	<u>500,770,725</u>	<u>294,402,958</u>
34.1 Working capital changes		
Increase in current assets		
Stores, spares and loose tools	4,610,023	(7,693,408)
Stock in trade	73,671,973	(78,576,559)
Trade debts	(62,562,878)	6,354,658
Due from subsidiary	241,978,003	(125,895,609)
Loans, advances, prepayments and other receivables	(117,342,900)	36,191,282
	<u>140,354,221</u>	<u>(169,619,636)</u>
Decrease in current liabilities		
Trade and other payables	49,160,693	(39,586,955)
	<u>189,514,914</u>	<u>(209,206,591)</u>
35 PRODUCTION CAPACITY		
Mode of calculation		
	(Tons)	
Standard capacity - TCD	<u>4,000</u>	<u>4,000</u>
	(Tons)	
Normal capacity - TCD (90% of standard capacity)	<u>3,600</u>	<u>3,600</u>
	(Days)	
Standard days of production - days	<u>160</u>	<u>160</u>
	(Tons)	
Cane crushed - Tons	<u>442,262</u>	<u>441,928</u>
	(Percentage)	
Percentage of capacity attained	<u>76.78%</u>	<u>76.72%</u>
The short capacity utilisation was due to shortage of sugar cane.		

	2012	2011
36 EARNINGS PER SHARE - BASIC AND DILUTED	(Rupees)	
Profit after taxation	<u>127,646,220</u>	<u>198,751,961</u>
	(Number)	
Weighted average number of ordinary shares	<u>22,580,415</u>	<u>20,527,650</u>
	(Rupees)	
Earnings per share - basic and diluted	<u>5.65</u>	<u>9.68</u>

37 FINANCIAL INSTRUMENTS

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 programme focuses on the uncertain financial market condition and seeks to minimize effects on the financial performance. Overall risks arising out of the Company's financial assets and liabilities are very limited. The Company has managed its exposure to financial risks without material change as compared to the previous periods 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. The Board is also responsible for developing and monitoring the Company's risk management policies. . All treasury related transactions are carried out within the parameters of these policies.

Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence, sustain future development of the business, safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Board of Directors monitors the return on capital, which the Company defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders. There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

The companies finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance.

37.1 Credit risk

Credit risk is the risk 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 financial instruments or contracts are entered into with the same party, or when counter parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by change in economics, political or other conditions. Concentration of credit risk indicates that relative sensitivity of the Company's performance to development affecting a particular industry.

Credit risk arises from deposits with banks and financial institutions, trade debts, loans, advances, bank guarantees and other receivables. The Company attempts to control credit risk by monitoring credit exposures and continually assessing the creditworthiness of counterparties. Company receives advances from customers against sales of goods and therefore its exposure to credit risk is limited. The Company monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings.

The carrying amount of financial assets represents the maximum credit exposure. To manage exposure to credit risk, the Company applies credit limits to their customers. Cash is held only with banks with high quality credit worthiness.

	2012	2011
The maximum exposure to credit risk at the reporting date is:	(Rupees)	
Investment in subsidiary	312,255,326	74,523,108
Long term investment	-	5,000,000
Long term deposits	18,645,704	21,991,915
Trade debts 37.1.1	62,808,072	245,194
Due from subsidiary	135,606,228	377,584,231
Loans, advances, prepayments and other receivables	184,232,299	66,889,399
Short term investment	10,024,950	10,024,950
Bank balances	10,723,481	7,144,040
	734,296,060	563,402,837

37.1.1 In addition, the Company is exposed to credit risk in respect of corporate guarantee disclosed in note 33. The credit quality of Company's liquid funds is high since the counter parties are banks with reasonable external credit ratings.

The maximum exposure to credit risk at the balance sheet date by geographic region is as follows:

Local	405,410	245,194
Exports	26,229,226	-
	26,634,636	245,194

Impairment losses

The aging of trade debts at the balance sheet date was:

	2012		2011	
	Gross	Impairment	Gross	Impairment
	Rupees			
Not past due	26,634,636	-	245,194	-
Past due 1 to 180	-	-	-	-
More than 180 days	-	-	-	-
	26,634,636	-	245,194	-

37.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. 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 following are the contractual maturities of financial liabilities (including interest payments):

The following are the contractual maturities of financial liabilities, including interest payments:

	2012			
	Carrying Amount	Contractual cash flows	Twelve months or less	Two to five years
	------(Rupees)-----			
Non-derivative				
Financial liabilities				
Long term finances	118,578,885	(118,578,885)	42,809,651	75,769,234
Liabilities against assets subject to finance leases	122,499,098	(122,499,098)	78,588,503	43,910,595
Deferred liabilities	734,341	(734,341)	-	734,341
Trade and other payables	116,413,610	(116,413,610)	116,413,610	-
Accrued mark up	11,283,930	(11,283,930)	11,283,930	-
Short term borrowings	182,056,743	(182,056,743)	182,056,743	-
Unclaimed dividend	2,266,101	(2,266,101)	2,266,101	-
	553,832,708	(553,832,708)	433,418,538	120,414,170
	2011			
	Carrying Amount	Contractual cash flows	Twelve months or less	Two to five years
	------(Rupees)-----			
Non-derivative				
Financial liabilities				
Long term finances	110,153,846	(110,153,846)	61,692,308	48,461,538
Liabilities against assets subject to finance leases	108,418,243	(108,418,243)	79,144,311	121,517,509
Deferred liabilities	74,237,175	(74,237,175)	-	74,237,175
Trade and other payables	24,014,660	(24,014,660)	24,014,660	-
Accrued mark up	15,615,882	(15,615,882)	15,615,882	-
Short term borrowings	169,451,285	(169,451,285)	169,451,285	-
Unclaimed dividend	1,473,347	(1,473,347)	1,473,347	-
	503,364,438	(503,364,438)	351,391,793	244,216,222

37.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Company is exposed to currency risk, interest rate risk and equity price risk.

37.3.1 Currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to a change in a foreign exchange rate. It arises mainly where receivables and payables exist due to transactions in foreign currency.

The Company is exposed to currency risk on letters of credits on imports, trade debts and sales that are denominated in a currency other than the respective functional currency of the Company. These transactions are denominated in US Dollars and Japanese Yen. The Company's exposure to foreign currency risk is as follows:

	2012		
	Rupees	USD	JPY
Trade debtors	26,229,226	275,000	-
Outstanding letters of credit	<u>-</u>	<u>-</u>	<u>-</u>
	2011		
	Rupees	USD	JPY
Outstanding letters of credit	<u>121,834,727</u>	<u>169,200</u>	<u>975,000,000</u>

The following significant exchange rates have been applied:

	Average rate		Reporting date rate	
	2012	2011	2012	2011
	(Rupees)		(Rupees)	
USD to PKR - Exports	92.76	-	94.50	-
USD to PKR - Imports	91.04	84.78	-	87.01
JPY to PKR	1.09	1.06	-	1.14

A 10 per cent strengthening of the Rupee against US Dollar at 30 September would have increased / (decreased) profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2011.

	Profit and Loss Rupees
As at 30 September 2012	272,250
As at 30 September 2011	-

A 10 per cent weakening of the Rupees against the above currency at 30 September would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

37.3.2 Interest rate risk

Interest/mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest/mark-up rates. Sensitivity to interest/mark up rate risk arises from mismatches of financial liabilities that mature or re-price in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The long-term financing and short term borrowing arrangements have variable rate pricing that is dependent on the Karachi Inter Bank Offer Rate (KIBOR) as indicated in respective notes. At the balance sheet date, the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	Effective interest rates %		Carrying amount	
	2012	2011	2012	2011
			(Rupees)	
Financial asset				
<i>Fixed rate instruments</i>				
Long term investment	12.50%	12.50%	<u>-</u>	<u>5,000,000</u>
Short term investment	11.05 & 10.7%	11.05%	<u>32,024,950</u>	<u>10,024,950</u>
Financial liabilities				
<i>Variable rate instruments</i>				
Long term finances			118,578,885	110,153,846
Short term borrowings			182,056,743	169,451,285
Liabilities against assets subject to finance leases			201,087,601	108,418,243
			<u>501,723,229</u>	<u>388,023,374</u>

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) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2011.

	Effect on profit and loss	
	100 bp increase	100 bp decrease
	(Rupees)	
As at 30 September 2012		
Cash flow sensitivity-Variable rate instruments	<u>3,261,201</u>	<u>(3,261,201)</u>
As at 30 September 2011		
Cash flow sensitivity-Variable rate instruments	<u>2,522,152</u>	<u>(2,522,152)</u>

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

c) Price risk

Price risk represents the risk that fair value of a financial instrument will fluctuate because of changes in the 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 or similar financial instruments traded in the market. Company is exposed to equity price risk since it has investments in unquoted equity securities amounting to Rs 144.74 million (2011: Rs. 160.54 million) at the balance sheet date having net book value of Rs. 312.25/- million (2011: 74.523/- million) on the basis of audited accounts for the year ended June 30, 2012.

The carrying value of investments subject to equity price risk are based net book value. Market prices are subject to fluctuation and consequently the amount realised in the subsequent sale of an investment may significantly differ from the reported book value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions. Furthermore, amount realised in the sale of a particular security may be affected by the relative quantity of the security being sold.

38 PRIOR YEAR ADJUSTMENTS

During the year ended September 30, 2011, gain on remeasurement of investment in subsidiary amounting to Rs. 7.256 million was charged to profit and loss account in the financial statements for the year then ended instead of charging it to the other comprehensive income. It has been accordingly rectified with retrospective effects by re-statement of comparative financial statements. The effects of re-statement of the comparative year's financial statements are as follows:

Effect on Other Comprehensive Income

Note

As at September 30, 2011

	As previously reported	As restated	Difference Increase/ (decrease)
Gain on remeasurement of investment	-	7,256,178	7,256,178

Effect on Profit and loss

For the year ended September 30, 2011

	As previously reported	As restated	Difference Increase/ (decrease)
Reversal of impairment on investment in subsidiary	7,256,178	-	(7,256,178)
Profit for the year	206,008,139	198,751,961	(7,256,178)

39 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in their board meeting held on 29th December, 2012 has proposed cash dividend @ 40% (2011: 40%) and bonus shares @Nil (2011:10%). The approval of the members for the proposed dividends will be obtained at the Annual General Meeting of the Company to be held on **31st January** 2013. The financial statements for the year ended 30 September 2012 do not include the effect of these dividends which will be accounted for in the financial statement for the year ending 30 September 2013.

40 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 29th December, 2012 by the Board of Directors of the Company.

41 GENERAL

- Figures have been rounded off to the nearest rupee.

- Figures, including comparatives, have been re-arranged and reclassified wherever necessary.



Chief Executive



Director

PATTERN OF SHARE HOLDING

NO. OF SHARE HOLDERS	SHARE HOLDING				TOTAL SHARE HELD
4	From	1	to	1,000 Shares	2,076
1	From	1,001	to	2,000 Shares	1,730
2	From	2,001	to	10,000 Shares	6,922
4	From	10,001	to	20,000 Shares	69,212
<u>41</u> 52 ==	From	20,001 and above			<u>22,500,475</u> 22,580,415 =====

<u>CATEGORIES OF SHARE HOLDERS</u>	<u>NUMBER</u>	<u>SHARE HELD</u>	<u>PERCENTAGE</u>
Individual (Pakistan)	50	21,680,299	96.02
Individual (Foreign)	-	-	-
Investment Companies	-	-	-
Joint Stock Companies	01	865,510	3.83
Financial Institutions	-	-	-
Private Companies and Institutions	01	34,606	0.15
	<u>52</u>	<u>22,580,415</u>	<u>100</u>
	=====		