

27th Annual Report
2013

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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 27TH ANNUAL GENERAL MEETING

NOTICE is hereby given that 27th Annual General Meeting of the Company will be held on **Friday 31st January, 2014** at 11:00 a.m. at the registered office of the Company to transact the following business:

ORDINAR BUSINESS:

1. To confirm the minutes of Annual General Meeting held on 31st January, 2013.
2. To receive, consider and adopt the audited accounts for the year ended 30th September, 2013 together with the Directors' and Auditors' Report.
3. To approve 20% cash dividend for the year ended 30th September, 2013 as recommended by Board of Directors.
4. To appoint Auditors of the Company for the Year 2013-2014 and to fix their remuneration.
5. To transact any other ordinary business with the permission of the Chair.

SPECIAL BUSINESS:

6. To consider and approve equity investment up-to Rupees 150 Million in associated company namely Matiari Flour Mills (Pvt.) Limited over a period of 5 years in compliance with the section 208 of Companies Ordinance, 1984 and Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012 and to pass following Special Resolution with or without modification.

Resolved that Company be and is hereby authorized to make an equity investment up-to Rupees 150 Million in Matiari Flour Mills (Pvt.) Limited an associated company over a period of 5 years in compliance with the requirements of section 208 of Companies Ordinance, 1984 and Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012.

Resolved that Managing Director and Company Secretary be and are each hereby authorized singly to take all steps necessary with SECP and to do all such acts, deeds and things as may be required to give effect to aforesaid resolution including but not limited to negotiating and executing any necessary agreements/ documents and ancillary matters thereto.



IQBAL-UR-RAHMAN
Company Secretary

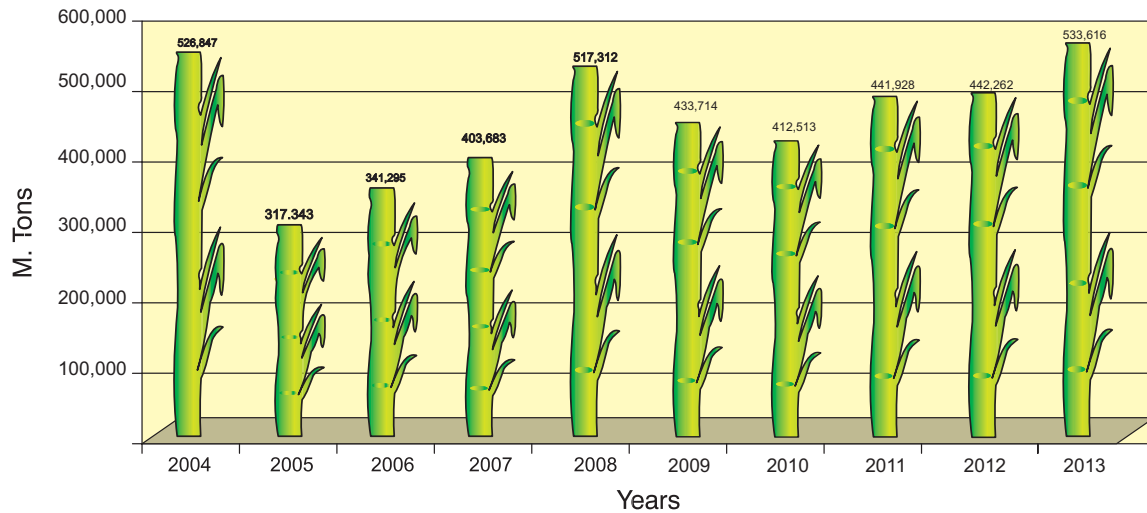
Karachi
Dated: 10th January, 2014

TEN YEARS' REVIEW

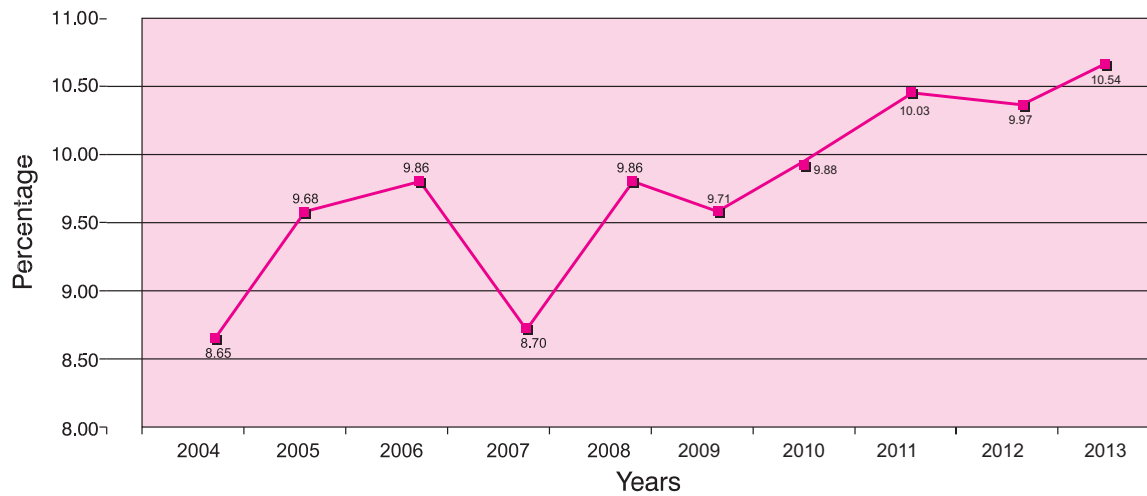
DESCRIPTION	1 2004	2 2005	3 2006	4 2007	5 2008	6 2009	7 2010	8 2011	9 2012	10 2013
PRODUCTION										
No. of days of season	162	108	117	140	156	126	121	157	123	153
Cane crushed - Tons	526,847,272	317,343,447	341,295,000	403,683,000	517,312,000	433,713,659	412,513,000	441,928	442,262	533,616
Recovery%	8.65	9.68	9.86	8.70	9.86	9.71	9.88	10.03	9.97	10.54
Sugar made - Tons	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	56,259,500
Molasses - Tons	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	24,530,000
OPERATING RESULTS										
Sales	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	2,702,863,375
Cost of sales	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	2,498,612,712
Gross profit / (Loss)	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	204,250,663
Operating profit / (Loss)	39,446,371	50,854,146	169,218,753	(18,947,088)	104,159,207	284,481,757	285,726,667	389,413,751	125,732,336	79,901,514
Profit / (Loss) before taxation	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	72,823,339
Profit / (Loss) after taxation	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	122,564,380
Gross profit / (Loss) (percentage)	8.82	11.69	21.21	1.60	17.30	18.42	16.52	17.73	9.75	7.56
Operating profit / (Loss) (percentage)	5.38	7.93	18.23	(2.55)	12.15	16.17	13.53	14.92	5.76	2.96
Profit / (Loss) before tax (percentage)	0.58	3.98	12.48	(8.43)	7.90	11.40	11.49	12.60	7.25	2.69
Profit / (Loss) after tax (percentage)	0.08	3.33	11.77	(9.01)	7.32	8.83	7.34	7.62	5.85	4.53
Growth in net profit / (Loss) after tax (percentage)	(102.86)	3,496.32	411.97	(161.25)	206.68	56.55	8.16	20.90	(55.71)	(4.15)
Raw materials percent of sales	74.72	71.50	74.64	98.89	94.07	65.93	81.39	83.06	81.50	89.92
Labour percent of sales	5.84	6.28	4.91	7.48	7.59	4.91	3.91	3.95	4.78	4.68
Administrative expense percent of sales	3.27	3.64	2.87	4.05	4.85	2.15	2.14	1.84	2.58	2.71
Selling expenses percent of sales	0.17	0.12	0.12	0.10	0.30	0.10	0.04	0.06	0.06	1.66
Financial expenses percent of sales	4.92	5.11	4.76	6.84	4.45	4.22	3.20	3.54	3.54	3.64
Income tax percent of sale	0.50	0.65	1.03	0.57	0.19	2.58	4.15	4.99	1.40	1.36
Repayment of long term loans										
Principal - Rs.	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	42,809,651
Mark-up - Rs.	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	95,685,134
Payment to Employees										
Bonus - Rs.	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	10,495,290
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	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	160,554,150
	65,250,000	65,250,000	65,250,000	130,500,000	130,500,000	143,550,000	186,615,000	205,276,500	225,804,150	225,804,150
Reserves and surplus	(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	727,522,505
Earning / (Loss) per share (before tax)	0.65	3.91	17.76	(4.80)	5.19	12.99	13.18	16.02	7.01	3.23
Earning / (Loss) per share (after tax)	0.09	3.27	16.75	(5.13)	4.81	10.06	8.42	9.68	5.65	5.43
Book value per share	9.53	14.40	33.25	12.72	18.70	25.55	23.18	28.47	39.13	42.22
Dividend										
Amount - Rs.	-	-	-	-	13,050,000	57,420,000	74,646,000	74,646,000	82,110,600	90,321,660
Percentage	-	-	-	-	10%	40%	40%	40%	40%	40%
Interim Dividend										
Amount - Rs.	-	-	-	-	-	-	-	-	-	-
Percentage	-	-	-	-	-	-	-	-	-	-
Bonus Shares										
Amount - Rs.	-	-	65,250,000	-	13,050,000	43,065,000	18,661,500	20,527,650	-	-
Percentage	-	-	100%	-	10%	30%	10%	10%	-	-
FINANCIAL POSITION										
Current ratio	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	1:0.84
Acid test ratio	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	0.44:1
Number of times interest earned	1.12	1.78	3.62	(0.23)	2.78	3.70	4.59	4.56	3.05	1.74
Debt equity ratio	50:50	44:56	28:72	31:69	38:62	17:83	21:79	16:84	15:85	11:89

PERFORMANCE REPORT

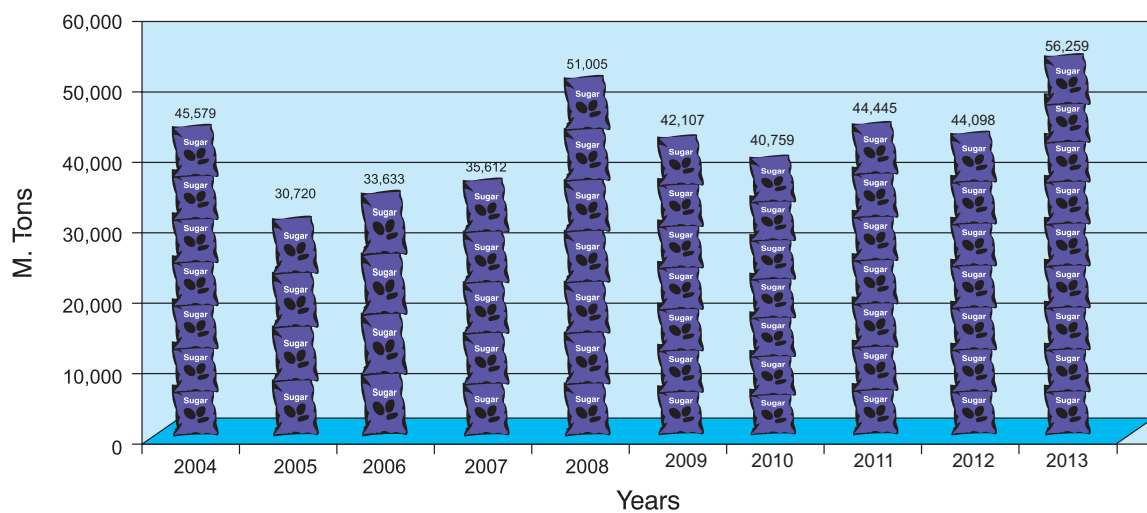
CANE CRUSHED



SUCROSE RECOVERY

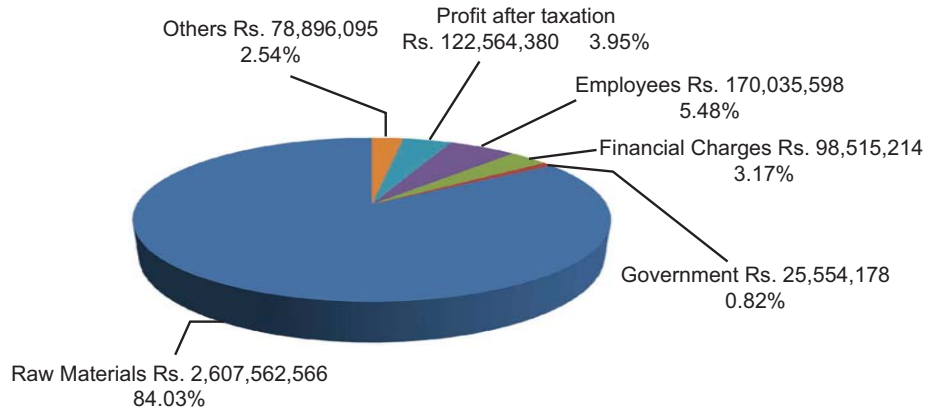


SUGAR PRODUCTION



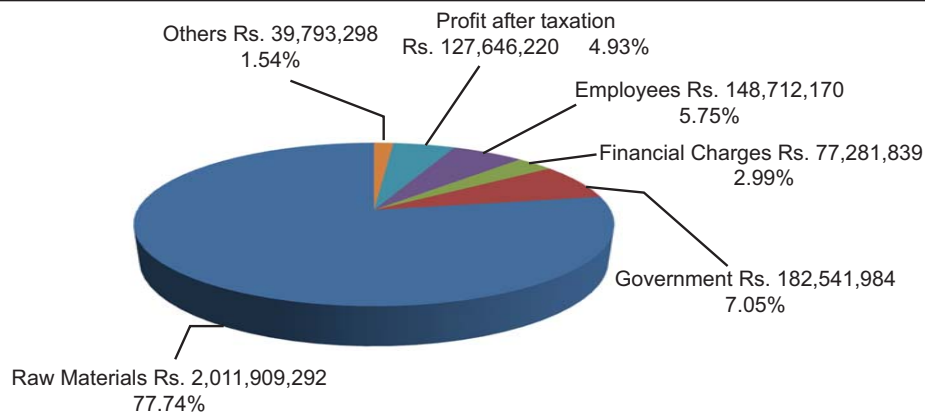
APPLICATION OF REVENUE

2013



Total Revenue Rs. 3,103,128,032

2012



Total Revenue Rs. 2,587,884,803

Revenue Distribution

	2013		2012	
	%	Amount	%	Amount
Raw Materials	84.03	2,607,562,566	77.74	2,011,909,292
Government	0.82	25,554,178	7.05	182,541,984
Financial charges	3.17	98,515,214	2.99	77,281,839
Employees	5.48	170,035,598	5.75	148,712,170
others	2.54	78,896,095	1.54	39,793,298
Profit/(Loss) after taxation	3.95	122,564,380	4.93	127,646,220
Total	100.00	3,103,128,032	100.00	2,587,884,803

DIRECTORS' REPORT

Your Directors are pleased to present the 27th Annual Report together with audited accounts for the year ended 30th September 2013.

FINANCIAL RESULTS

By the grace of Almighty Allah, your Company earned an after tax profit of Rs.122,564,380 during the year 2012-2013 and following are Financial results for the year :

	<u>Rupees</u>	<u>Rupees</u>
PROFIT BEFORE TAXATION		72,823,339
Provision for Taxation		
Current	36,661,262	
Prior	(21,279,854)	
Deferred	<u>(65,122,449)</u>	49,741,041
Profit After Taxation		122,564,380
Accumulated profit brought forward		567,426,202
Add: Transfer from surplus on Revaluation of property, plant & equipment-Net of deferred tax.		21,466,510
Gain on re-measurement of Investment (Matol Private Limited)		<u>61,226,243</u>
		772,683,335
Less: 20% Interim Dividend Paid:	45,160,830	
Proposed : Final Dividend 20%	<u>45,160,830</u>	<u>90,321,660</u>
		<u>682,361,675</u>
Earnings per share - Basic & Diluted:	5.43	

For the year 2013 Government has fixed support price of sugar cane at Rs.172/- per 40 Kgs. against Rs.154/- per 40 Kgs. of the last year, showing an increase of 11.69%. In view of advantages with early start-up, management decided to start crushing from 18th October 2013. This resulted in cane crushing of 533,616 M.Tons and produced 56,259.50 M.Tons sugar which is the highest ever in the Company's history.

This year, there was a bumper sugar cane crop in the Country resulting in high sugar production, coupled with last year's carry over stock, thus exceeding the domestic sugar requirements. The sugar prices in the local market remained under pressure and depressed. This created an imbalance in the sugar cane price and cost of production. The Government of Pakistan intervened and allowed export of sugar, rebate on transportation and payment of excise duty on reduced rate on local sugar sale equivalent to quantity of sugar exported, compensating the higher production cost. We exported 20,410.200 M.Tons sugar during the year. Government had also decided to purchase sugar through TCP and we sold 4,920 M.Tons sugars which also helped us in timely payment to growers against their cane supply.

MSM's investment in Matol (Pvt.) Limited generated a profit of Rs.72,370,800/-, on the basis of 50% dividend declared by the Company.

For expansion in self cultivation of Sugar Cane, elimination of pests hazardous to sugarcane and other crops and to reduce the use of fertilizer, Matiari Agricultural Services is continuously providing biological cards, Bio-compost to the growers and acquiring land for cultivation of sugar. Company earned profit of Rs.3,737,370/- through agricultural related activities for the year.

OPERATIONAL RESULTS:

Brief summary of the operational results is as under:

	<u>2013</u>	<u>2012</u>
Cane Crushing - M.Tons	533,616	442,262
Period of operation number of days	153	123
Recovery percentage	10.538	9.970
Sugar produced - M.Tons	56,259.5	44,098.5
Capacity utilization percentage	92.64	76.78

During the year under review the Company spent Rs.34 Million for construction of new sugar godown for storage of 10,000 M.Tons more sugar. Consequently the Company will save recurring yearly expenses on purchase of Tarpaulin, bricks etc. for storing sugar in open area.

FUTURE PROSPECTS:

In the year 2013-14 again we are faced with a bumper sugar cane crop in the country and foresee 10 - 15% higher sugar production compared to last year. Notification for fixation of minimum support price of sugar cane has not yet been issued by the Government of Sindh. In case cane price remains at Rs.172 per 40 Kgs. as per last year and trend of low sugar prices in the local market continuous, then it would be difficult to achieve favorable results.

The government has allowed export of 500,000 M.Tons sugars however depressed international market this year, does not allow getting any benefit even after allowing transport subsidy and payment of FED @ 0.5% on sale of sugar locally equal to the quantity of sugar exported. Early release of transport rebate by the Federal Government, will give relief to the industry for payment to sugar cane growers against their cane supply.

The Company started crushing from 25th October 2013 and crushed 293,739 M.Tons sugarcane producing 27,781 M.Tons sugar at an average of 9.46% upto 10th January 2014.

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 2013-2014.

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

On behalf of the Board



MANAGING DIRECTOR

10th January 2014
Karachi

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Matiari Sugar Mills Limited ("the Company") as at September 30, 2013 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, 2013** 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 Rafiq Dosani**

Karachi
10th January, 2014

Balance Sheet
As At 30 September 2013

ASSETS	Note	2013 (Rupees)	2012
Non-current assets			
Property, plant and equipment	4	2,205,107,373	2,231,896,433
Investment in subsidiary	5	373,481,569	312,255,326
Long term investment - held to maturity	6	5,000,000	-
Long term deposits	7	20,862,304	18,645,704
		2,604,451,246	2,562,797,463
Current assets			
Stores, spares and loose tools	8	51,919,550	27,809,902
Stock in trade	9	78,911,943	49,102,688
Trade debts - unsecured- considered good		8,874,911	62,808,072
Due from subsidiary	10	7,463,630	135,606,228
Loans, advances, prepayments and other receivables	11	155,731,497	184,232,299
Short term investment - held to maturity	12	13,000,000	32,024,950
Taxation - net		55,937,262	-
Cash and bank balances	13	25,180,747	10,960,498
		397,019,540	502,544,637
		3,001,470,786	3,065,342,100
SHARE CAPITAL AND RESERVES			
Authorised capital		250,000,000	250,000,000
25,000,000 (2012: 25,000,000) ordinary shares of Rs. 10 each			
Issued, subscribed and paid up capital	14	225,804,150	225,804,150
Unappropriated profit		727,522,505	657,747,862
		953,326,655	883,552,012
Surplus on revaluation of property, plant and equipment	15	899,390,040	913,557,936
LIABILITIES			
Non-current liabilities			
Long term finances - secured	16	35,000,000	75,769,234
Liabilities against assets subject to finance lease	17	80,578,544	122,499,098
Deferred liabilities	18	558,977,979	631,080,688
		674,556,523	829,349,020
Current liabilities			
Trade and other payables	19	84,844,318	116,413,610
Accrued mark up	20	13,878,963	11,283,930
Short term borrowings - secured	21	254,146,817	182,056,743
Current portion of long term liabilities	22	118,806,324	121,398,154
Unclaimed dividend		2,521,147	2,266,101
Taxation - net		-	5,464,594
		474,197,569	438,883,132
Contingencies and commitments	23	3,001,470,786	3,065,342,100

The annexed notes 1 to 41 form an integral part of these financial statements.


Chief Executive


Director

Profit and Loss Account For The Year Ended 30 September 2013

	Note	2013	2012
		(Rupees)	
Sales - net	24	2,702,863,375	2,182,939,160
Cost of sales	25	(2,498,612,712)	(1,970,202,855)
Gross Profit		204,250,663	212,736,305
Administrative expenses	26	(73,298,401)	(56,416,002)
Distribution cost	27	(44,999,846)	(18,861,237)
Other operating charges	28	(6,050,902)	(11,726,130)
		(124,349,149)	(87,003,369)
Operating profit		79,901,514	125,732,936
Other income	29	91,437,039	109,766,689
		171,338,553	235,499,625
Finance cost	30	(98,515,214)	(77,281,840)
Profit before taxation		72,823,339	158,217,785
Taxation	31	49,741,041	(30,571,565)
Profit after taxation		122,564,380	127,646,220
Earnings per share - basic and diluted	36	5.43	5.65

The annexed notes 1 to 41 form an integral part of these financial statements.


Chief Executive


Director

Statement of Comprehensive Income For The Year Ended 30 September 2013

	2013	2012
	(Rupees)	
Profit after taxation	122,564,380	127,646,220
Other comprehensive income for the year		
- Gain on remeasurement of investment - AFS	61,226,243	223,425,746
Total comprehensive income for the year	<u><u>183,790,623</u></u>	<u><u>351,071,966</u></u>

The annexed notes 1 to 41 form an integral part of these financial statements.


Chief Executive


Director

**Statement of Cash Flows
For The Year Ended 30 September 2013**

	Note	2013 (Rupees)	2012
Cash generated from operations	34	392,422,013	500,770,725
Taxes paid		(76,783,265)	(160,454,850)
Finance cost paid		(95,665,134)	(81,655,546)
Net cash generated from operating activities		219,973,614	258,660,329

CASH FLOWS FROM INVESTING ACTIVITIES

Capital expenditure	(71,615,494)	(291,592,995)
Short term investment	19,024,950	(17,000,000)
Investment in subsidiary	-	15,800,000
Proceeds from disposal of property, plant and equipment	2,409,460	1,775,000
Long term investment - held to maturity	(5,000,000)	-
Long term deposits	(2,216,600)	3,346,211
Net cash used in investing activities	(57,397,684)	(287,671,784)

CASH FLOWS FROM FINANCING ACTIVITIES

Liabilities against assets subject to finance lease - net	(42,471,967)	92,669,358
Long term finances	(42,809,651)	8,425,039
Dividend paid	(135,482,490)	(81,317,846)
Deferred liabilities	318,353	247,252
Short term borrowings - net	59,555,000	12,000,000
Net cash generated from / (used in) financing activities	(160,890,755)	32,023,803

Net increase / (decrease) in cash and cash equivalents during the year	1,685,175	3,012,348
Cash and cash equivalents at the beginning of the year	(39,096,245)	(42,108,593)

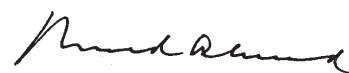
Cash and cash equivalents at the end of the year	(37,411,070)	(39,096,245)
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Cash and cash equivalents comprise the following:

Cash and bank balances	13	25,180,747	10,960,498
Short term borrowings - running finance	21	(62,591,817)	(50,056,743)
		(37,411,070)	(39,096,245)

The annexed notes 1 to 41 form an integral part of these financial statements.


Chief Executive


Director

**Statement of Changes in Equity
For The Year Ended 30 September 2013**

	Share capital	Unappropriated profit	Total
	-----	(Rupees) -----	-----
Balance as at 30 September 2011	205,276,500	379,195,366	584,471,866
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	-	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
Transaction with owners			
Annual dividend paid @ 40%	-	(90,321,660)	(90,321,660)
Interim dividend paid @ 20%	-	(45,160,830)	(45,160,830)
Transferred from surplus on revaluation of property, plant and equipment	-	21,466,510	21,466,510
Total comprehensive income for the year ended 30 September 2013	-	183,790,623	183,790,623
Balance as at 30 September 2013	225,804,150	727,522,505	953,326,655

The annexed notes 1 to 41 form an integral part of these financial statements.


Chief Executive


Director

Notes to the Financial Statements For the Year Ended 30 September 2013

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

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)
- | Employee benefits (Note 3.10)
- | Taxation (Note 3.12)

2.5 Initial application of standards, amendments or interpretations to existing standards

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

- IAS 1 (amendments) - 'Presentation of Items of Other Comprehensive Income' effective from July 1, 2012. The amendment requires entities to separate items presented in OCI into two groups, based on whether or not they may be recycled to profit or loss in future.
- 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.

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.

IAS 16 (amendments) - 'Property, Plant and Equipment' effective from January 1, 2013. These amendments clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories. These changes will not have any impact on the Company's financial statements.

IAS 19 (amendments) - effective from January 1, 2013. It prescribes the accounting and disclosure by employers for employee benefits.

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

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2012 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 analyzed in detail.

- 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.

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 July 1, 2013 and have not been early adopted by the Company:

- 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 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.
- There are a number of minor amendments in other IFRS and IAS which are part of annual improvement project published in May and June 2013 (not addressed above). These amendments are unlikely to have any impact on the Company's financial statements and therefore have not been analyzed 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 their 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 Transactions 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.

	Note	2013	2012
		Rupees	
4 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets			
Owned assets	4.1	1,937,211,169	1,969,015,172
Leased assets	4.2	267,896,204	262,881,261
		<u>2,205,107,373</u>	<u>2,231,896,433</u>

4.1 Owned assets

Description	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
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	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
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	-	-	-	-	-	81,899,961
Disposals / transfers	-	-	-	-	-	-	-	-	-	648,007,691
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	440,775,000	189,594,679	57,964,778	1,256,003,349	2,846,844	8,308,510	572,889	12,416,301	532,822	1,969,015,172
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	440,775,000	189,594,679	57,964,778	1,256,003,349	2,846,844	8,308,510	572,889	12,416,301	532,822	1,969,015,172
Year ended September 30, 2013										
Opening net book value	440,775,000	189,594,679	57,964,778	1,256,003,349	2,846,844	8,308,510	572,889	12,416,301	532,822	1,969,015,172
Additions / transfers during the year	-	33,096,722	-	400,000	768,969	633,700	-	185,833	540,270	35,625,494
Disposals / transfers	-	-	-	10,650,000	-	-	-	3,759,833	540,270	49,449,494
Cost	-	-	-	-	-	-	-	(2,496,960)	-	(2,496,960)
Accumulated depreciation	-	-	-	-	-	-	-	1,412,103	-	1,412,103
Net book value	-	-	-	-	-	-	-	(1,084,857)	-	(1,084,857)
Depreciation for the year	-	(9,479,736)	(2,898,240)	(61,835,206)	(291,096)	(645,048)	(171,864)	(1,726,957)	(93,816)	(3,184,527)
Closing net book value	440,775,000	213,211,665	55,066,538	1,203,360,573	3,324,717	8,297,162	401,025	11,795,213	979,276	1,937,211,169
As at September 30, 2013										
Cost	440,775,000	289,985,382	83,950,528	1,754,871,435	9,717,529	17,176,779	7,893,986	37,326,685	3,053,031	2,644,750,355
Accumulated depreciation	-	(76,773,717)	(28,883,990)	(551,510,862)	(6,392,812)	(8,879,617)	(7,492,961)	(25,531,472)	(2,073,755)	(707,539,186)
Net book value	440,775,000	213,211,665	55,066,538	1,203,360,573	3,324,717	8,297,162	401,025	11,795,213	979,276	1,937,211,169
Annual rates of depreciation	-	5%	5%	5%	10%	10%	30%	20%	10%	-

4.2 Leased assets

	Plant and machinery	Vehicles	Total
	Rupees		
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>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	130,000,000	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	(6,531,199)	(2,651,916)	(9,183,115)
Closing net book value	<u>221,592,786</u>	<u>41,288,475</u>	<u>262,881,261</u>
As at September 30, 2012			
Cost	233,994,251	45,047,816	279,042,067
Accumulated depreciation	(12,401,465)	(3,759,341)	(16,160,806)
Net book value	<u>221,592,786</u>	<u>41,288,475</u>	<u>262,881,261</u>
Year ended September 30, 2013			
Opening net book value	221,592,786	41,288,475	262,881,261
Additions / transfers during the year	35,000,000	990,000	35,990,000
Disposals / transfers			
Cost	10,250,000	3,574,000	13,824,000
Accumulated depreciation	(1,457,570)	(1,726,957)	(3,184,527)
Net book value	8,792,430	1,847,043	10,639,473
Depreciation for the year	(11,879,892)	(8,455,692)	(20,335,584)
Closing net book value	<u>235,920,464</u>	<u>31,975,740</u>	<u>267,896,204</u>
As at September 30, 2013			
Cost	258,744,251	42,463,816	301,208,067
Accumulated depreciation	(22,823,787)	(10,488,076)	(33,311,863)
Net book value	<u>235,920,464</u>	<u>31,975,740</u>	<u>267,896,204</u>
Annual rates of depreciation	<u>5%</u>	<u>20%</u>	

	Note	2013	2012
		Rupees	
4.3 Depreciation for the year has been allocated as follows:			
Cost of sales		88,401,045	62,050,160
Administrative expenses		8,918,652	3,172,668
		<u>97,319,697</u>	<u>65,222,828</u>

5 INVESTMENT IN SUBSIDIARY

Matol (Pvt) Limited

(Number of shares)

<u>14,474,160</u>	<u>14,474,160</u>	5.1	<u>373,481,569</u>	<u>312,255,326</u>
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5.1 Movement of investment in subsidiary

Opening balance - cost		<u>144,741,600</u>	<u>160,541,600</u>
Shares sold during the year		-	(15,800,000)
		<u>144,741,600</u>	<u>144,741,600</u>
Gain on remeasurement	5.1.1	<u>228,739,969</u>	<u>167,513,726</u>
Closing balance		<u>373,481,569</u>	<u>312,255,326</u>

- 5.1.1** The Company's present shareholding is 2013:14,474,160 (2012: 14,474,160) shares of Rs.10 each i.e. 66.22% (2012: 66.22 %) 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. 25.80/- (2012: Rs. 21.57/-) per share as per the audited financial statements of the company for the year ended June 30, 2013.

	2013	2012
	Rupees	
6 LONG TERM INVESTMENT		
<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 11.5% (2012: 12.5%) per annum deposited with the First Credit Investment Bank Limited (FCIBL) under lien against guarantees issued in favor of Sui Southern Gas Company Limited on behalf of Matol (Pvt) Limited having maturity of three years. This investment have a maturity date of 04 April 2016.		
	2013	2012
	Rupees	
7 LONG TERM DEPOSITS		
Lease	19,873,631	17,657,031
Utilities	782,673	782,673
Others	206,000	206,000
	20,862,304	18,645,704
8 STORES, SPARES AND LOOSE TOOLS		
Stores	25,157,926	4,129,776
Spares	41,707,168	38,706,375
Loose tools	1,564,456	1,483,751
	68,429,550	44,319,902
Less: Provision for slow moving and obsolete items	(16,510,000)	(16,510,000)
	51,919,550	27,809,902
9 STOCK IN TRADE		
Work in process	652,353	844,331
Finished goods	78,259,590	48,258,357
	78,911,943	49,102,688
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	125,070,599	97,517,828
Advances - Unsecured - considered good		
Suppliers	9,264,770	3,354,158
Expenses	3,364,973	1,569,430
Others	4,042,388	1,926,534
	16,672,131	6,850,122
Receivable from provident fund	922,314	2,324,413
Prepaid insurance	1,717,457	1,566,522
Sales tax receivable	9,227,080	-
Dividend receivable	-	74,870,800
Accrued interest	2,121,916	1,102,614
	155,731,497	184,232,299

	Note	2013	2012
		Rupees	
12 SHORT TERM INVESTMENT - Held to maturity			
Term deposit certificate	12.1	13,000,000	27,024,950
Current maturity of long term investment		-	5,000,000
		13,000,000	32,024,950
12.1	This represents term deposit receipts placed with MCB Bank Limited. It carries profit rate of 8.25% and maturity date of 21 January 2014 .		
13 CASH AND BANK BALANCES		2013	2012
		Rupees	
Cash in hand		67,983	237,017
Cash at banks			
Savings accounts		4,597,522	558,841
Current accounts		20,515,242	10,164,640
		25,112,764	10,723,481
		25,180,747	10,960,498
14 ISSUED, SUBSCRIBED AND PAID UP CAPITAL			
2013	2012	2013	2012
(Number of shares)		Rupees	
6,525,000	6,525,000	Ordinary shares of Rs. 10/- each fully paid in cash	65,250,000
16,055,415	16,055,415	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	160,554,150
22,580,415	22,580,415	225,804,150	225,804,150
15 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
Opening balance		913,557,936	542,344,443
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		(14,167,896)	(19,577,207)
		899,390,040	913,557,936
Revaluation of land, buildings and plant and machinery was carried out by M/s. Sadruddin Associates (Pvt.) Ltd. on the basis of present market value on 30 September 2012.			
16 LONG TERM FINANCES	Note	2013	2012
		Rupees	
<i>Secured</i>			
Pair Investment Company Limited - I	16.1	20,769,234	48,578,885
Pair Investment Company Limited - II	16.2	55,000,000	70,000,000
		75,769,234	118,578,885
Less: Current maturity			
Pair Investment Company Limited - I		(20,769,234)	(27,809,651)
Pair Investment Company Limited - II		(20,000,000)	(15,000,000)
	22	(40,769,234)	(42,809,651)
		35,000,000	75,769,234

- 16.1** This represents term finance facilities of Rs.90 million (2012 : 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.
- 16.2** 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 3.25% per annum. The loan is secured by first pari passu charge on all present and future fixed assets to the extent of Rs 87.5 million, exclusive charge on molasses storage tank and personal guarantees of directors.

17 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

	Note	2013	2012
		Rupees	
Balance as at 01 October		201,087,601	108,418,243
Assets acquired during the year		35,990,000	158,852,281
		237,077,601	267,270,524
Less: Installments paid during the year		(78,461,967)	(66,182,923)
		158,615,634	201,087,601
Less: Current maturity	22	(78,037,090)	(78,588,503)
Balance as at 30 September		80,578,544	122,499,098

- 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	
2013		
Principal	78,037,090	80,578,544
Finance charges allocated to future years	19,263,805	9,145,055
Total lease rentals	97,300,895	89,723,599
2012		
Principal	78,588,503	122,499,098
Finance charges allocated to future years	22,895,693	23,990,278
Total lease rentals	101,484,196	146,489,376

- 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. 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.

	Note	2013	2012
18 DEFERRED LIABILITIES		Rupees	
Deferred taxation - net	18.1	484,175,199	556,596,261
Sales tax	18.2	48,518,096	48,518,096
Market committee fee	18.3	23,868,214	23,868,214
Accumulated leave absences		2,416,470	2,098,117
		558,977,979	631,080,688
18.1 Deferred taxation - net			
Deferred tax liability arising in respect of:			
Accelerated tax depreciation		80,256,749	68,812,094
Surplus on revaluation of property, plant and equipment		402,200,593	491,915,825
Assets acquired on finance lease		37,155,394	21,627,781
		519,612,737	582,355,700
Deferred tax asset arising in respect of:			
Provision for deferred liabilities		(821,600)	(734,341)
Provision for slow moving and obsolete items		(5,613,400)	(5,778,500)
		(6,435,000)	(6,512,841)
Excess of minimum tax carried forward		(29,002,538)	(19,246,598)
		484,175,199	556,596,261
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 favor of the Company. However, the Department has filed reference application against the decision of the Appellate Tribunal before Honorable 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 and had filed the suit against such decision which is still pending in Civil Court in Hyderabad.		
19 TRADE AND OTHER PAYABLES	Note	2013	2012
		Rupees	
Cane growers		3,313,375	2,348,965
Suppliers			
- Stores		19,863,622	14,198,527
Accrued liabilities		11,003,489	14,037,472
Workers' profit participation fund	19.1	3,943,712	8,497,196
Workers' welfare fund		12,850,719	10,743,529
Advances from customers		-	96,399
Inland letters of credits - Fertilizer		32,037,537	32,437,541
Sales tax payable		-	31,266,136
Advances deducted from staff against vehicles		1,809,914	2,778,945
Income tax deducted at source		21,950	8,900
		84,844,318	116,413,610

	Note	2013	2012
		Rupees	
19.1 Workers' profit participation fund			
Opening balance		8,497,196	17,991,975
Amount allocated during the year	28	3,943,712	8,497,196
		12,440,908	26,489,171
Amount paid during the year		(8,497,196)	(17,991,975)
		3,943,712	8,497,196
20 ACCRUED MARK UP			
Long term finances		1,515,418	2,109,146
Short term borrowings		12,363,545	9,174,784
		13,878,963	11,283,930
21 SHORT TERM BORROWINGS - SECURED			
MCB Bank Limited	21.1		
Agricultural finance		45,000,000	30,000,000
Running finance		62,591,817	50,056,743
Cash finance		143,000,000	102,000,000
		250,591,817	182,056,743
Habib Bank Limited	21.2		
Agricultural finance		3,555,000	-
		254,146,817	182,056,743
The limits of facilities are as follows:			
21.1 MCB Bank Limited			
Agricultural finance		45 million	30 million
Running finance		65 million	60 million
Cash finance		700 million	600 million
These borrowings carry markup at the rate of 3 months KIBOR plus 1.75% (2012: 3 months KIBOR plus 2%) and are secured by way of pledge of white refined sugar packed in bags against cash finance, first exclusive charge of Rs. 900 million over fixed assets i.e. plant and machinery installed at factory premises and personal guarantees of all directors.			
		2013	2012
		Rupees	
21.2 Habib Bank Limited			
Agricultural finance		16.5 million	-
This facility has a limit of Rs 16.5 million (2012: NIL) carrying mark up at the rate of 1 year KIBOR (2012: NIL). Facility is secured by way of corporate guarantee of Company.			
	Note	2013	2012
22 CURRENT PORTION OF LONG TERM LIABILITIES		Rupees	
Long term finances			
Pair Investment Company Limited (Formerly Pak Iran Joint Investment Co. Limited)	16	40,769,234	42,809,651
Liabilities against assets subject to finance lease	17	78,037,090	78,588,503
		118,806,324	121,398,154

		2013	2012
		Rupees	
23	CONTINGENCIES AND COMMITMENTS		
	Contingencies		
	No contingencies exist at balance sheet date.		
	Commitments		
	Outstanding letters of credit	-	-
24	SALES - NET		
	Local sales	1,768,500,455	1,922,054,883
	Export sales	1,004,494,239	407,171,298
		2,772,994,694	2,329,226,181
	Less: Sales tax and special excise duty	(69,852,816)	(145,977,330)
	Brokerage expense	(278,503)	(309,691)
		(70,131,319)	(146,287,021)
		2,702,863,375	2,182,939,160
25	COST OF SALES		
	Opening stock of finished goods	48,258,357	121,751,793
	Add: cost of goods manufactured	25.1 2,767,310,244	2,045,601,354
		2,815,568,601	2,167,353,147
	Less: Closing stock of finished goods	(78,259,590)	(48,258,357)
	Sale of by-products	(238,696,299)	(148,891,935)
		2,498,612,712	1,970,202,855
25.1	Cost of goods manufactured		
	Raw material consumed	2,430,507,758	1,778,993,257
	Chemicals and packing material consumed	35,312,696	25,624,513
	Fuel and power	10,723,989	10,352,814
	Salaries, wages and benefits	25.1.1 126,411,231	104,421,343
	Stores, spares and maintenance	58,503,358	49,840,376
	Vehicles maintenance	7,530,270	6,371,391
	Insurance	4,155,501	3,750,150
	Others	5,572,418	4,018,813
	Depreciation	4.1.1 88,401,045	62,050,160
		2,767,118,266	2,045,422,817
	Opening work in process	844,331	1,022,868
	Closing work in process	(652,353)	(844,331)
		191,978	178,537
	Cost of goods manufactured	2,767,310,244	2,045,601,354

25.1.1 This includes Rs. 2,341,759/- (2012: Rs.1,417,186/-) in respect of staff retirement benefits.

		Note	2013	2012
26	ADMINISTRATIVE EXPENSES		Rupees	
	Directors' remuneration	32	9,801,465	9,307,100
	Salaries, wages and benefits	26.1	29,879,190	26,486,531
	Rent, rates and taxes		517,300	279,136
	Insurance		2,135,233	1,588,525
	Water, gas and electricity		2,585,470	3,203,825
	Printing and stationery		1,343,009	1,238,483
	Postage and telephone		1,425,605	1,106,881
	Vehicles maintenance		2,260,295	2,656,853
	Repairs and maintenance		6,393,982	2,926,532
	Travelling and conveyance		1,214,227	833,329
	Subscription, books and periodicals		902,994	601,810
	Legal and professional charges		4,169,563	1,168,640
	Entertainment		1,126,813	946,059
	Advertisement		-	25,250
	Auditors' remuneration	26.2	463,200	405,900
	Cost auditors' remuneration		65,000	65,000
	Donation	26.3	23,000	327,985
	Miscellaneous expenses		73,403	75,495
	Depreciation	4.1.1	8,918,652	3,172,668
			73,298,401	56,416,002
26.1	This include Rs. 941,334/- (2012: Rs.1,105,237/-) in respect of staff retirement benefits.			
26.2	Auditors' remuneration		2013	2012
			Rupees	
	Audit fee		400,000	350,000
	Audit of funds and other services		20,000	-
	Out of pocket expenses		43,200	55,900
			463,200	405,900
26.3	None of the directors and their spouses had any interest in these donations.			
27	DISTRIBUTION COST	Note	2013	2012
			Rupees	
	Loading and unloading charges		1,612,210	1,418,658
	Other expenses		3,123,033	416,480
	Export expenses		40,264,603	17,026,099
			44,999,846	18,861,237
28	OTHER OPERATING CHARGES			
	Workers' profit participation fund		3,943,712	8,497,196
	Workers' welfare fund		2,107,190	3,228,934
			6,050,902	11,726,130
29	OTHER INCOME			
	Profit on short term deposits		5,715,008	2,726,808
	Gain on sale of property, plant and equipment		1,324,603	1,192,772
	Rebate on export		-	-
	Scrap sales		580,000	-
	Interest income on loans to growers		7,709,258	6,759,783
	Dividend income		72,370,800	74,870,800
	Agriculture income - net	29.1	3,737,370	24,216,526
			91,437,039	109,766,689

	2013	2012
	Rupees	
29.1 Agriculture income - net		
Income from farms and others	25,795,910	26,776,793
Expenses of farms and others	(22,058,540)	(2,560,267)
	<u>3,737,370</u>	<u>24,216,526</u>

30 FINANCE COST

Mark up on long term finances	13,208,483	18,116,039
Mark up on short term borrowings	54,704,412	37,275,332
Financial charges on leased assets	24,537,201	21,092,089
Bank charges	6,065,118	798,380
	<u>98,515,214</u>	<u>77,281,840</u>

31 TAXATION

Current	36,661,262	30,805,391
Prior	(21,279,854)	-
Deferred	(65,122,449)	(233,826)
	<u>(49,741,041)</u>	<u>30,571,565</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.

32 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	2013				2012			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
(Rupees)								
Meeting fees	-	45,000	-	45,000	-	85,000	-	85,000
Managerial remuneration	9,756,465	-	28,292,349	38,048,814	9,222,100	-	23,857,316	33,079,416
Other benefits	-	-	1,527,967	1,527,967	-	-	1,020,821	1,020,821
Retirement benefits	-	-	699,625	699,625	-	-	890,327	890,327
Total	9,756,465	45,000	30,519,941	40,321,406	9,222,100	85,000	25,768,464	35,075,564
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:

	2013	2012
	Rupees	
Associated companies		
Security services hired	15,531,585	13,610,532
Advance for expenses	129,357,886	101,411,671
Due from subsidiary	7,463,630	135,606,228
Sale of molasses	221,907,435	139,419,075
Other related parties		
Remuneration to key management personnel	9,801,465	9,307,100
Contribution to provident fund	3,283,093	3,704,233
Donation	23,000	827,985

The related party status of outstanding balance as at 30 September 2013 is the amount representing due from subsidiary.

The company has provided bank guarantee of Rs 300 million (2012: 100 million) to MCB bank limited on behalf of Matol (Pvt) Ltd against export refinance arrangement. Further, company has provided Corporate guarantee of Rs. 160 million (2012: Nil) to MCB Bank Limited on behalf of Matiari Flour Mills (Pvt) Ltd for import of brand new machinery.

	2013	2012
	Number	
33.1 NUMBER OF EMPLOYEES		
Total employees during the year	381	375
Average number of employees during the year	374	370

33.2 DISCLOSURES RELATING TO PROVIDENT FUND

(i)	Size of the fund	58,086,343	59,141,284
(ii)	Cost of investment made	42,650,000	49,790,000
(iii)	Percentage of investments made	121.9%	113.5%
(iv)	Fair value of investments	70,785,511	67,141,988

Breakup Of Investment - At Fair Value

- Defense Saving Certificates	30,990,000	38,130,000
- Orix Leasing Pakistan Limited	11,660,000	11,660,000
	42,650,000	49,790,000

Investments are made out of the fund are in accordance with section 227 of the Companies Ordinance, 1984 and Employees' Provident Fund Rules, 1996.

	Note	2013	2012
		Rupees	
34 CASH GENERATED FROM OPERATIONS			
Profit before taxation		72,823,339	158,217,785
Adjustments for:			
Depreciation		97,319,697	65,222,828
Finance cost		98,515,214	77,281,840
Gain on sale of property, plant and equipment		(1,324,603)	(1,192,772)
Provision for workers' profit participation fund		3,943,712	8,497,196
Provision for workers welfare fund		2,107,190	3,228,934
Working capital changes	34.1	119,037,464	217,543,290
		319,598,674	370,581,316
		392,422,013	528,799,101

34.1 Working capital changes	2013	2012
	Rupees	
Increase in current assets		
Stores, spares and loose tools	(24,109,648)	44,319,902
Stock in trade	(29,809,255)	844,331
Trade debts	53,933,161	(62,562,878)
Due from subsidiary	128,142,598	241,978,003
Loans, advances, prepayments and other receivables	28,500,802	109,361,499
	<u>156,657,658</u>	<u>333,940,857</u>
Decrease in current liabilities		
Trade and other payables	(37,620,194)	(116,397,568)
	<u>119,037,464</u>	<u>217,543,290</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>533,616</u>	<u>442,262</u>
	(Percentage)	
Percentage of capacity attained	<u>92.64%</u>	<u>76.78%</u>
The short capacity utilisation was due to shortage of sugar cane.		
36 EARNINGS PER SHARE - BASIC AND DILUTED	2013	2012
	Rupees	
Profit after taxation	<u>122,564,380</u>	<u>127,646,220</u>
	(Number)	
Weighted average number of ordinary shares	<u>22,580,415</u>	<u>22,580,415</u>
	Rupees	
Earnings per share - basic and diluted	<u>5.43</u>	<u>5.65</u>

37 FINANCIAL RISK MANAGEMENT

37.1 Financial risk factors

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

Risk management is carried out by the Company's Finance Department under policies approved by the Board.

a) **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. Market risk comprises of currency risk, interest rate risk and other price risk. The Company is exposed to currency risk and interest rate risk only.

i) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest rate risk arises from long term and short term financing. These are benchmarked to variable rates which expose the Company to cash flow interest rate risk.

The Company analyses its interest rate exposure on a regular basis by monitoring interest rate trends to determine whether they should enter into hedging alternatives.

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

	Carrying amount	
	2013	2012
	— Rupees —	
Variable rate instruments		
Long term finances - secured	75,769,234	118,578,885
Liabilities against assets subject to finance leases	158,615,634	201,087,601
Short term borrowings - secured	254,146,817	182,056,743
	488,531,685	501,723,229

All borrowings bear variable interest rate and are indexed to KIBOR. Borrowing is generally determined on the basis of business needs.

Cash flow sensitivity analysis for variable rate instruments

As at June 30, 2013, if interest rate on Company's borrowings had been 1% higher / lower with all other variables held constant, post tax profit for the year would have been lower / higher by Rs.3.2M (2012:3.3 M), mainly as a result of interest exposure on variable rate borrowings.

Financial Instruments by categories

	2013	2012
	— Rupees —	
Financial Assets		
Long term investment - held to maturity	5,000,000	-
Long term deposits	20,862,304	18,645,704
Trade debts - unsecured- considered good	8,874,911	62,808,072
Due from subsidiary	7,463,630	135,606,228
Loans, advances, prepayments and other receivables	146,504,417	184,232,299
Short term investment - held to maturity	13,000,000	32,024,950
Cash and bank balances	25,180,747	10,960,498
	201,023,705	425,632,047

Financial liabilities at amortized cost

Long term finances - secured	35,000,000	75,769,234
Liabilities against assets subject to finance leases	80,578,544	122,499,098
Deferred liabilities	2,416,470	2,098,117
Trade and other payables	84,844,318	116,413,610
Accrued mark up	13,878,963	11,283,930
Short term borrowings - secured	254,146,817	182,056,743
Current portion of long term liabilities	118,806,324	121,398,154
Unclaimed dividend	2,521,147	2,266,101
	216,718,295	328,063,989

Fair value sensitivity analysis for fixed rate instruments

The company does not account for any fixed rate financial assets/liability at fair value through profit or loss.

iii) **Other price risk**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors effecting all similar financial instruments traded in the market. The Company is not exposed to price risk.

b) **Credit risk**

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

Credit risk arises from deposits with banks and financial institutions, due from customer, loans, advances, deposits and bank guarantees. Out of the total financial assets of Rs. 201.02 million (2012: Rs. 425.60 million), the financial assets which are subject to credit risk amounted to Rs.201.02 million (2012: Rs 425.60 million). The credit risk to liquid funds is limited because the counter parties are the banks with a reasonably high credit rating. The Company maintains an internal policy to place funds with commercial banks having a minimum short term credit rating of A.

The Company monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings. The carrying values of financial assets which are neither past due nor impaired are as under.

The Company is not exposed to major concentration of credit risk and manage its exposure to credit risk by making export sales against letters of credits at site and making appropriate provisions for doubtful receivables, where it considers necessary.

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

Banks	Rating Agency	Rating	
		Short term	Long term
Bank Alfalah Limited	PACRA	A1+	AA
Habib Bank Limited	JCR-VIS	A1+	AA+
JS Bank Limited	PACRA	A1	A+
MCB Bank Limited	PACRA	A1+	AA+
National Bank of Pakistan	JCR-VIS	A1+	AAA
NIB Bank Limited	PACRA	A1+	AA-
Soneri Bank Limited	PACRA	A1+	AA-

c) **Liquidity risk**

Liquidity risk is the risk that a Company will not be able to meet its financial obligations as they fall due.

The Company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. The Company is not exposed to liquidity risk as substantially all obligations / commitments of the Company are short term in nature, however are restricted to the extent of available suppliers credits.

The table below analysis the Company's financial liabilities into relevant maturity grouping based on the remaining period at the balance sheet date to contractual maturity dates.

	2013				(Amount in rupees)
	Interest Bearing		Non-interest Bearing		
	Maturity upto one year	Maturity after one year	Maturity upto one year	Maturity after one year	Total
<u>FINANCIAL ASSETS</u>					
Investment in subsidiary	-	-	-	373,481,569	373,481,569
Long term Investment	-	5,000,000	-	-	5,000,000
Trade debts	-	-	8,874,911	-	8,874,911
Due from subsidiary	-	-	7,463,630	-	7,463,630
Other receivables	-	-	155,731,497	-	155,731,497
Short term investment	13,000,000	-	-	-	13,000,000
Cash and bank balances	4,597,522	-	20,515,242	-	25,112,764
	17,597,522	5,000,000	192,585,280	373,481,569	588,664,371
<u>FINANCIAL LIABILITIES</u>					
At Amortized Cost					
Long term loans	40,769,234	35,000,000	-	-	75,769,234
Liabilities against asset subject to finance lease	78,037,090	80,578,544	-	-	158,615,634
Trade and other payables	-	-	84,844,318	-	84,844,318
Mark up accrued on loans	-	-	13,878,963	-	13,878,963
Short term borrowing	254,146,817	-	-	-	254,146,817
Unclaimed dividend	2,521,147	-	-	-	2,521,147
	375,474,288	115,578,544	98,723,281	-	589,776,113
	2012				(Amount in rupees)
	Interest Bearing		Non-interest Bearing		
	Maturity upto one year	Maturity after one year	Maturity upto one year	Maturity after one year	Total
<u>FINANCIAL ASSETS</u>					
Investment in subsidiary	-	-	-	312,255,326	312,255,326
Long term Investment	-	-	-	-	-
Trade debts	-	-	62,808,072	-	62,808,072
Due from subsidiary	-	-	135,606,228	-	135,606,228
Other receivables	-	-	184,232,299	-	184,232,299
Short term investment	32,024,950	-	-	-	32,024,950
Cash and bank balances	558,841	-	10,164,640	-	10,723,481
	32,583,791	-	392,811,239	312,255,326	737,650,356
<u>FINANCIAL LIABILITIES</u>					
At Amortized Cost					
Long term loans	42,809,651	75,769,234	-	-	118,578,885
Liabilities against asset subject to finance lease	78,588,503	122,499,098	-	-	201,087,601
Trade and other payables	-	-	116,413,610	-	116,413,610
Mark up accrued on loans	-	-	11,283,930	-	11,283,930
Short term borrowing	182,056,743	-	-	-	182,056,743
Unclaimed dividend	-	-	2,266,101	-	2,266,101
	303,454,897	198,268,332	129,963,641	-	631,686,870

37.2 Capital risk management

The Company's objectives, while managing capital, are to safeguard the ability to continue as a going concern in order to provide benefits to the share and stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company manages capital structure and makes adjustments to it, in the light of changes in the economic conditions. To maintain or change the capital structure, the Company may declare higher dividends or issue new shares.

The management seeks to maintain a balance between higher returns and possible levels to manage borrowings.

37.3 Fair value of financial Assets and Liabilities

The carrying value of all financial assets and liabilities approximate their fair value. Fair values are the amount for which an asset could be exchanged, or liabilities settled, between knowledgeable willing parties at an arm's length transactions..

38 RECLASSIFICATION OF FIGURES

Previous year figures has been rearranged or/ and reclassification, where necessary, for the purpose of comparison in the financial statements. For better presentation reclassification made in the financial statements were as follows:

Reclassification from component	Reclassification to component	Amount
Lease factory building	Lease plant and machinery	28,143,750

39 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in their board meeting held on 10-01-2014 has proposed final cash dividend @ 20% (2012: 40%) . The approval of the members for the proposed dividends will be obtained at the Annual General Meeting of the Company to be held on 31-01-2014 . The financial statements for the year ended 30 September 2013 do not include the effect of these dividends which will be accounted for in the financial statement for the year ending 30 September 2014.

40 DATE OF AUTHORISATION FOR ISSUE

Theses financial statements were authorised for issue on 10 January 2014 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	SHAREHOLDING				TOTAL SHARES HELD
4	From	1	to	2,000 Shares	2,076
2	From	2,001	to	10,000 Shares	6,922
4	From	10,001	to	20,000 Shares	69,212
44	From	20,001	and	above	22,502,205
<u>54</u>					<u>22,580,415</u>

<u>CATEGORIES OF SHARE HOLDERS</u>	<u>NUMBER</u>	<u>SHARES HELD</u>	<u>PERCENTAGE</u>
Individual (Pakistan)	52	21,680,299	96.01
Individual (Foreign)	-	-	-
Investment Companies	-	-	-
Join Stock Companies	1	865,510	3.83
Financial Institutions	-	-	-
Private Companies and Institutions	1	34,606	0.15
	<u>54</u>	<u>22,580,415</u>	<u>100</u>