MATIARI
SUGAR
MILLS LTD.

DIRECTORS' REPORT

Your Directors are pleased to present the 28th Annual Report together with audited financial statements for the year ended 30th September 2014. It is our pleasure to mention that this year; highest sugar production was achieved in the Company's history.

FINANCIAL RESULTS

By the grace of Almighty Allah, your Company earned profit before tax of Rs.133,300,141 during the year 2013-2014 and following are the financial results for the year :

	Rupees	Rupees
PROFIT BEFORE TAXATION		133,300,141
Provision for taxation		
Current	36,835,255	
Prior	(388,911)	
Deferred	5,905,216	(42,351,560)
Profit after taxation		90,948,581
Accumulated profit brought forward		682,361,675
Add: Transfer from surplus on revaluation of property, plant & equipment - net of deferred tax.		20,393,184
Gain on re-measurement of Investment (Matol Private Limited)		53,612,320
		756,367,179
Less: Interim/final dividend - 40%		(90,321,660)
		666,045,519
Earnings per share – Basic & Diluted:	4.03	

For the season 2013-14 the minimum support price of sugar cane remained unchanged at Rs.172/- per 40 kgs. as announced by the Government of Sindh. The cane crushing was started from 25th October 2013 and crushing reached to 588,138 M.Tons making production of 59,969.50 M.Tons sugar at an average sucrose recovery of 10.20%.

Fortunately, this year again bumper sugar cane crop in the country resulted in high sugar production coupled with last year's carry over stock thus exceeding the domestic sugar demand.

Head office: Matiari House, C-48, K.D.A. Scheme No. 1, Karachi-75350 Phones: 021-34536614, 34521382, 34529698, Fax: 92-21-34541734
Factory: Deh Pannu Nasarpur Road Matiari Distt. Matiari-70150, Phones: 022-3043921-2, 022-3018866-7 Fax: 022-3018851
E-mail: msm@matiarisugar.com

The sugar prices in domestic and international markets continuously remained under pressure and depressed. This situation created an imbalance in the sugar cane price and cost of production.

The Government allowed export of 500,000 M.Tons sugar in order to manage the surplus stock in September 2013 and allowed incentive of freight subsidy and payment of Federal Excise Duty @ 5% on sale of sugar locally equal to the quantity of sugar exported. The company exported 3,442 M.Tons sugar to avail the benefit of both the subsidies.

In March 2014, the Government further allowed export of 250,000 M.Tons sugar but withdrew the incentive of freight and FED. The withdrawal of incentive, depressed international market and depreciation of Pak rupee made sugar export unviable, hence this facility was not availed by the company in the subsequent period.

The claims of freight subsidy on sugar export are still pending for payment with TDAP since last year. Early release of these claims by the Federal Government will give relief to the industry and timely payment to sugar cane growers against their cane supply.

The Government had also decided to purchase sugar through Trading Corporation of Pakistan (TCP) and we sold 5,406 M.Tons sugar to TCP which helped us to reduce the financial cost and timely payment to sugar cane growers against their cane supply.

This year also we earned profit of Rs.72,365,800 on the investment in Matol (Private) Limited on the basis of 50% dividend declared by the subsidiary.

The Matiari Agricultural Services is continuously providing biological cards, Bio-compost to the growers and cultivation of sugar cane on Company's land. The Company earned profit of Rs.12,168,621 through agricultural related activities for the year.

OPERATIONAL RESULTS:

Brief summary of the operational results is as under:

	2014	**2013**
Cane Crushing – M.Tons	588,138	533,616
Period of operation number of days	161	153
Recovery percentage	10.20	10.538
Sugar produced – M.Tons	59,969.5	56,259.5
Capacity utilization percentage	93.67	92.64

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CONTRIBUTION TO THE ECONOMY

The Company's contribution to the National Exchequer stands at Rs.219.663 Million (2013 - Rs.113.185 Million) in respect of payments towards Federal Excise Duty, Income tax and other statutory levies. This does not include withholding tax deducted by the Company from payments made to employees, suppliers, dividend to shareholders etc. and deposited with Government Treasury. We have also exported 3,442 M.Tons sugar and contributed US$1.543 Million (2013 – US$ 10.386 Million) foreign exchange to the national economy.

FUTURE PROSPECTUS

The crushing season 2014-15 looks difficult and uncertain. The Government of Sindh notified minimum support price of sugar cane at Rs.182 per kgs. as compared to Rs.172 per 40 kgs. for the previous crushing season. The cane price fixed by the Sindh government without considering the prevailing selling price of sugar both in domestic and international market and is considered totally unreasonable. Keeping in view these facts the company alongwith other members of the sugar industry filed a constitutional petition before the Honourable High Court of Sindh praying that the sugar price be fixed in relation to the minimum sugar cane prices. The Honourable High Court of Sindh directed the Federal/Provincial government to fix the sugar cane price accordingly. However, till date federal and provincial governments have not been able to fix the sugar prices in accordance with the directives of the Honourable High Court of Sindh.

Pakistan Sugar Mills Association requested to Sindh government to reconsider the minimum support price of sugar cane considering domestic and international sugar price. Sindh government realized the difficulties of the Millers and revised the sugar cane price for interim period and reduced from Rs.182 to Rs.155 per 40 kgs. But the Government of Sindh subsequently withdrew the notification of reduced cane price on 9th December, 2014 and restored the support price of Rs.182 per 40 kgs. The restoration of support price of Rs.182 was challenged in the Sindh High Court by the members of the sugar industry. However, the Honourable High Court of Sindh in their judgment dated 30th December, 2014 confirmed the notification of Sindh government of 9th December, 2014.

Now the members of sugar industry have filed Civil Petition for leave to appeal with Honourable Supreme Court against the judgment of 30th December, 2014 of Honourable Sindh High Court and the judgment of this civil petition is awaited.

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The sugar Mills also suspended the crushing from 6th January 2015 and took up the matters through Pakistan Sugar Mills Association with higher authorities for the interest and survival of sugar industry of Pakistan. However, the position is not yet cleared.

The government has allowed export of 500,000 M.Tons sugar for the season 2014-15. The continuous slump of sugar prices in international market, it is difficult to avail export opportunity even after gaining advantage of incentives allowed by the government for export.

In view of the above and continuous decline of sugar prices in domestic market, it would be difficult to achieve favourable results.

The crushing season commenced on 30th October, 2015 and crushed 255,860 M.Tons sugar cane and produced 24,792 M.Tons sugar at an average sucrose recovery of 9.69% upto 10th January, 2015.

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 2014-2015.

PATTERN OF SHAREHOLDING

The pattern of shareholding and categories of shareholders of the Company as on 30th September, 2014 are annexed to this Annual Report.

On behalf of the Board

10th January, 2015

MANAGING DIRECTOR

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AUDITED FINANCIAL STATEMENTS
OF
MATIARI SUGAR MILLS LIMITED

FOR THE YEAR ENDED
SEPTEMBER 30, 2014

Russell Bedford

Rahman Sarfaraz Rahim Iqbal Rafiq

CHARTERED ACCOUNTANTS

Plot No. 180, Block-A, S.M.C.H.S.,
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Tel No. : (021) 34549345-9
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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of **MATIARI SUGAR MILLS LIMITED** ("the Company") as at September 30, 2014, the related profit & loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the 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 included 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 & loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at September 30, 2014, 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 deductable 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.

Karachi.
Dated: 10 JAN 2015

Rahman Sarfaraz Rahim Iqbal Rafiq
Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
Engagement Partner: **Muhammad Waseem**

MATIARI SUGAR MILLS LIMITED
BALANCE SHEET
AS AT 30 SEPTEMBER 2014

	Note	2014	2013
		(Rupees)	
ASSETS			
Non-current assets			
Property, plant and equipment	4	2,163,140,473	2,205,107,373
Investment in subsidiary	5	427,083,889	373,481,569
Long term investment - held to maturity	6	5,000,000	5,000,000
Long term deposits	7	16,913,473	20,862,304
		2,612,137,835	2,604,451,246
Current assets			
Stores, spares and loose tools	8	43,668,345	51,919,550
Stock in trade	9	70,048,768	78,911,943
Trade debts - unsecured- considered good		11,656,597	8,874,911
Loans, advances, prepayments and other receivables	10	388,819,990	163,195,127
Short term investment - held to maturity	11	13,656,300	13,000,000
Taxation - net		115,482,224	55,937,262
Cash and bank balances	12	31,158,506	25,180,747
		674,490,730	397,019,540
		3,286,628,565	3,001,470,786
SHARE CAPITAL AND RESERVES			
Authorised capital		250,000,000	250,000,000
25,000,000 (2013: 25,000,000) ordinary shares of Rs. 10 each			
Issued, subscribed and paid up capital	13	225,804,150	225,804,150
Unappropriated profit		847,315,760	727,522,505
		1,073,119,910	953,326,655
Surplus on revaluation of property, plant and equipment	14	886,134,470	899,390,040
LIABILITIES			
Non-current liabilities			
Long term finances - secured	15	15,000,000	35,000,000
Liabilities against assets subject to finance leases	16	81,913,214	80,578,544
Deferred liabilities	17	558,850,247	558,977,979
		655,763,461	674,556,523
Current liabilities			
Trade and other payables	18	184,022,942	84,844,318
Accrued mark up	19	13,189,025	13,878,963
Short term borrowings - secured	20	372,067,997	254,146,817
Current portion of long term liabilities	21	100,258,877	118,806,324
Unclaimed dividend		2,071,883	2,521,147
		671,610,724	474,197,569
Contingencies and commitments	22		
		3,286,628,565	3,001,470,786

The annexed notes 1 to 39 form an integral part of these financial statements.

Chief Executive

Director

MATIARI SUGAR MILLS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2014

	Note	2014	2013
		------------- (Rupees) -------------	
Sales - net	23	**2,784,391,542**	2,702,863,375
Cost of sales	24	**(2,583,078,598)**	(2,498,612,712)
Gross Profit		**201,312,944**	204,250,663
Administrative expenses	25	**(75,467,679)**	(73,298,401)
Distribution costs	26	**(10,774,207)**	(44,999,846)
Other operating costs	27	**(9,879,387)**	(6,050,902)
		(96,121,273)	(124,349,149)
Operating profit		**105,191,671**	79,901,514
Other income	28	**96,660,619**	91,437,039
		201,852,290	171,338,553
Finance cost	29	**(68,552,149)**	(98,515,214)
Profit before taxation		**133,300,141**	72,823,339
Taxation	30	**(42,351,560)**	49,741,041
Profit after taxation		**90,948,581**	122,564,380
Earnings per share - basic and diluted	35	**4.03**	5.43

The annexed notes 1 to 39 form an integral part of these financial statements.

Chief Executive	**Director**

MATIARI SUGAR MILLS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2014

	Note	2014	2013
		(Rupees)	
Profit after taxation		**90,948,581**	122,564,38
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss:			
		-	-
Items that will or may be reclassified to profit or loss:			
- Gain on remeasurement of investment in subsidiary - available for sale	5	**53,612,320**	61,226,24
Total comprehensive income for the year		**144,560,901**	183,790,62

The annexed notes 1 to 39 form an integral part of these financial statements.

Chief Executive

Director

MATIARI SUGAR MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2014

	Share capital	Unappropriated profit	Total
	-----------------------	(Rupees)	-----------------------
Balance as at 30 September 2012	225,804,150	657,747,862	883,552,012
Interim dividend paid @ 20%	-	(45,160,830)	(45,160,830)
Annual dividend paid @ 40%	-	(90,321,660)	(90,321,660)
Transferred of incremental depreciation 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
Transaction with owners			
Interim dividend paid @ 20%	-	(45,160,830)	(45,160,830)
Transferred of incremental depreciation from surplus on revaluation of property, plant and equipment	-	20,393,184	20,393,184
Total comprehensive income for the year ended 30 September 2014	-	144,560,901	144,560,901
Balance as at 30 September 2014	**225,804,150**	**847,315,760**	**1,073,119,910**

Chief Executive

Director

MATIARI SUGAR MILLS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2014

	Note	2014	2013
		(Rupees)	
Cash generated from operations	34	**180,934,744**	392,422,013
Taxes paid		**(95,991,306)**	(76,783,265)
Finance cost paid		**(69,242,087)**	(95,665,134)
Net cash generated from operating activities		**15,701,351**	219,973,614
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(53,479,099)**	(71,615,494)
Short term investment - held to maturity		**(656,300)**	19,024,950
Proceeds from disposal of property, plant and equipment		**4,250,000**	2,409,460
Proceeds from disposal of shares in subsidiary		**10,000**	-
Long term investment - held to maturity		**-**	(5,000,000)
Long term deposits		**3,948,832**	(2,216,600)
Net cash used in investing activities		**(45,926,567)**	(57,397,684)
CASH FLOWS FROM FINANCING ACTIVITIES			
Liabilities against assets subject to finance leases - net		**3,556,456**	(42,471,967)
Long term finances - secured		**(40,769,234)**	(42,809,651)
Dividend paid		**(45,610,094)**	(135,482,490)
Deferred liabilities		**1,104,667**	318,353
Short term borrowings - secured		**105,600,000**	59,555,000
Net cash generated from / (used in) financing activities		**23,881,795**	(160,890,755)
Net (decrease) / increase in cash and cash equivalents during the year		**(6,343,421)**	1,685,175
Cash and cash equivalents at the beginning of the year		**(37,411,070)**	(39,096,245)
Cash and cash equivalents at the end of the year		**(43,754,491)**	(37,411,070)
Cash and cash equivalents comprise the following:			
Cash and bank balances	13	**31,158,506**	25,180,747
Short term borrowings - running finance	21	**(74,912,997)**	(62,591,817)
		(43,754,491)	(37,411,070)

The annexed notes 1 to 39 form an integral part of these financial statements.

Chief Executive

Director

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

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:

- Taxation (Note 3.12)
- 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 (Note 3.6)

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

a) Standards, amendments to published standards and interpretations effective in 2013 and relevant:

The following standard and amendment to published standard are mandatory for the financial year beginning on October 1, 2013:

- IAS 1– (Amendment) 'Financial statement presentation.' The main change from these amendments is a requirement for entities to group items presented in 'Other comprehensive income' (OCI) on the basis of whether they are potentially re-classifiable to profit or loss subsequently (reclassification adjustments). The amendment does not address which items are presented in OCI. The amendment only affects the disclosures in the company's financial statements.

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

- IAS 1, 'Financial statement presentation' regarding other comprehensive income, emphasises on the requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially re-classifiable to profit or loss subsequently (reclassification adjustments). The application of the amendment has not affected the results or net assets of the Company as it is only concerned with presentation and disclosures.

- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. Applicable to annual periods beginning on or after January 1, 2013.

  IAS 32 Financial Instruments: Presentation - Applicable to annual periods beginning on or after 1 January 2013 ,is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction.

- IAS 34 Interim Financial Reporting is amended, Applicable to annual periods beginning on or after 1 January 2013, to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments.

- IAS 28 "Investments in Associates and Joint Ventures", applicable to annual reporting periods beginning on or after January 1, 2013.

- IFRS 12, 'Disclosure of interests in other entities', effective for annual periods beginning on or after January 1, 2013.

- IFRS 13, 'Fair value measurement', effective for annual periods beginning on or after January 1, 2013.

- IAS 19 (revised) 'Employee Benefits' has eliminated the corridor approach and requires to calculate finance cost on net funding bases. The Company has applied this change in accounting policy retrospectively in

c) New / revised accounting standards, amendments to published accounting standards, and interpretations that are not yet effective:

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The interpretation is not likely to have an impact on Company's financial statements.

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- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. The amendments are not likely to have an impact on Company's financial statements.

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.

- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" Continuing hedge accounting after derivative novation (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.

- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.

- Amendments to IAS 27 'Separate Financial Statements' (effective for annual period beginning on or after 1 January 2016). The amendments to IAS 27 allow entities to use equity method to account for its investment in subsidiaries, joint ventures and associates in the Separate Financial Statements. Management is currently evaluating the implication of the amendment.

Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:

- IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.

- IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.

- IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.

- Amendments to IAS 16'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

- IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. These are not expected to have any impact other than increased disclosures.

- Securities and Exchange Commission of Pakistan (SECP) vide SRO 633(1)/2014 dated 10th July 2014 has approved the below IFRSs:

  - IFRS 10 'Consolidated Financial Statements'
  - IFRS 11 'Joint Arrangements'
  - IFRS 12 'Disclosure of interests in other entities'
  - IFRS 13 'Fair Value Measurement'

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.

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.

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.

4 PROPERTY, PLANT AND EQUIPMENT

	Note	**2014**	2013
		Rupees	
Operating fixed assets			
Owned assets	4.1	**1,911,164,009**	1,937,211,169
Leased assets	4.2	**251,976,464**	267,896,204
		2,163,140,473	2,205,107,373

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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 ammunations	Total
As at October 1, 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
	-	-	-	10,250,000	-	-	-	3,574,000	-	13,824,000
Revaluation	-	33,096,722	-	10,650,000	768,969	633,700	-	3,759,833	540,270	49,449,494
Disposals / transfers										
Cost	-	-	-	-	-	-	-	(2,496,960)	-	(2,496,960)
Accumulated depreciation	-	-	-	-	-	-	-	1,412,103	-	1,412,103
Net book value	-	-	-	-	-	-	-	(1,084,857)	-	(1,084,857)
Accumulate Depreciation of transferred				(1,457,570)				(1,726,957)		(3,184,527)
Depreciation for the year	-	(9,479,736)	(2,898,240)	(61,835,206)	(291,096)	(645,048)	(171,864)	(1,569,107)	(93,816)	(76,984,113)
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**
Year ended September 30, 2014										
Opening 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
Additions / transfers during the year	-	1,587,525	-	2,957,000	36,600	673,800	-	3,998,675	585,200	9,838,800
				103,140,686						103,140,686
	-	1,587,525	-	106,097,686	36,600	673,800	-	3,998,675	585,200	112,979,486
Disposals / transfers										
Cost	-	-	-	(47,009,701)	-	-	-	(5,009,000)	-	(52,018,701)
Accumulated depreciation	-	-	-	2,329,894		-	-	3,449,718	-	5,779,612
Net book value	-	-	-	(44,679,807)	-	-	-	(1,559,282)	-	(46,239,089)
Accumulate Depreciation of transferred	-	-	-	(13,745,964)	-	-	-	-	-	(13,745,964)
Depreciation for the year	-	(10,703,900)	(2,753,325)	(61,434,197)	(333,387)	(873,826)	(120,314)	(2,671,836)	(150,808)	(79,041,593)
Closing net book value	**440,775,000**	**204,095,290**	**52,313,213**	**1,189,598,291**	**3,027,930**	**8,097,136**	**280,711**	**11,562,770**	**1,413,668**	**1,911,164,009**
As at September 30, 2014										
Cost	440,775,000	291,572,907	83,950,528	1,813,959,420	9,754,129	17,850,579	7,893,986	36,316,360	3,638,231	2,705,711,140
Accumulated depreciation	-	(87,477,617)	(31,637,315)	(624,361,129)	(6,726,199)	(9,753,443)	(7,613,275)	(24,753,590)	(2,224,563)	(794,547,131)
Net book value	**440,775,000**	**204,095,290**	**52,313,213**	**1,189,598,291**	**3,027,930**	**8,097,136**	**280,711**	**11,562,770**	**1,413,668**	**1,911,164,009**
Annual rates of depreciation	-	5%	5%	5%	10%	10%	30%	20%	10%	

4.1.1 Had there been no revaluation, the carrying value of the following assets would have been:

	Note	2014	2013
		Rupees	
Land - freehold		**36,888,210**	36,888,210
Building		**154,459,935**	160,963,925
Plant and Machinery		**385,276,238**	359,167,206
		576,624,383	557,019,341

4.2 Leased assets

	Plant and machinery	Vehicles	Total
		Rupees	
As at October 1, 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	**221,592,786**	**41,288,475**	**262,881,261**
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	**235,920,464**	**31,975,740**	**267,896,204**
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	**235,920,464**	**31,975,740**	**267,896,204**
Year ended September 30, 2014			
Opening net book value	235,920,464	31,975,740	267,896,204
Additions / transfers during the year	90,650,000	-	90,650,000
Disposals / transfers			
Cost	(103,140,686)		(103,140,686)
Accumulated depreciation	13,745,964		13,745,964
Net book value	(89,394,722)	-	(89,394,722)
Accumulate Depreciation of transferred	(2,329,894)	-	(2,329,894)
Depreciation for the year	(8,449,976)	(6,395,148)	(14,845,124)
Closing net book value	**226,395,872**	**25,580,592**	**251,976,464**
As at September 30, 2014			
Cost	246,253,565	42,463,816	288,717,381
Accumulated depreciation	(19,857,693)	(16,883,224)	(36,740,917)
Net book value	**226,395,872**	**25,580,592**	**251,976,464**
Annual rates of depreciation	**5%**	**20%**	

4.3 Depreciation for the year has been allocated as follows:

	2014	2013
	Rupees	
Cost of sales	**87,037,868**	62,050,160
Administrative expenses	**6,848,849**	3,172,668
	93,886,717	65,222,828

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5 INVESTMENT IN SUBSIDIARY

			Note	2014	2013
				Rupees	
Matol (Pvt.) Limited					
	(Number of shares)				
	14,473,160	14,474,160	5.1	**427,083,889**	373,481,569

5.1 Movement of investment in subsidiary

	Note	2014	2013
Opening balance - cost		373,481,569	144,741,600
Shares sold during the year		(10,000)	-
		373,471,569	144,741,600
Gain on remeasurement	5.1.1	53,612,320	228,739,969
Closing balance		427,083,889	373,481,569

5.1.1 The Company's present shareholding is 14,473,160 (2013: 14,474,160) shares of Rs.10 each i.e. 66.21% (2013: 66.22 %) thus Matol (Pvt.) Limited continues to be its subsidiary company. The shares of subsidiary are not quoted at the Stock Exchanges ,therefore, these are reflected at fair value determined on the basis of breakup value of Rs. 24.53/- (2013: Rs. 25.80/-) per share as per the audited financial statements of the company for the year ended June 30, 2014.

6 LONG TERM INVESTMENT

	Note	2014	2013
		Rupees	
Held to maturity			
Term deposit certificate		**5,000,000**	5,000,000
		5,000,000	5,000,000

6.1 Term deposit certificate carrying mark up of 11.5% (2013: 11.5%) 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.

7 LONG TERM DEPOSITS

	Note	2014	2013
		Rupees	
Lease		**15,888,000**	19,873,631
Utilities		**819,473**	782,673
Others		**206,000**	206,000
		16,913,473	20,862,304

8 STORES, SPARES AND LOOSE TOOLS

	Note	2014	2013
Stores		**9,971,294**	25,157,926
Spares		**48,458,701**	41,707,168
Loose tools		**1,748,350**	1,564,456
		60,178,345	68,429,550
Less: Provision for slow moving and obsolete items		**(16,510,000)**	(16,510,000)
		43,668,345	51,919,550

9 STOCK IN TRADE

	Note	2014	2013
Work in process		**1,530,912**	652,353
Finished goods	9.1	**68,517,856**	78,259,590
		70,048,768	78,911,943

9.1 The cost of inventories recognised as expense due to lower of market value of finished stock and is included in 'cost of sales' amounted to Rs. 2.58 million (2013: Rs. Nil).

10	LOANS, ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES	Note	2014	2013
			Rupees	
	Loans to growers - secured, considered good		118,514,409	125,070,599
	Advances - unsecured, considered good			
	Suppliers		7,105,561	9,264,770
	Expenses		2,066,756	3,364,973
	Advance against purchase of land		42,000,000	-
	Others		4,919,587	4,042,388
			56,091,904	16,672,131
	Receivable from provident fund		3,756,527	922,314
	Prepaid insurance		1,685,368	1,717,457
	Sales tax receivable		-	9,227,080
	Deposits		7,497,205	-
	Other receivable	10.1	200,037,095	7,463,630
	Accrued interest		1,237,482	2,121,916
			388,819,990	163,195,127

10.1 This includes receivable from related parties as per following detail:

	2014	2013
Matol (Private) Limited		
Dividend	72,365,800	-
Sale of molasses	-	7,463,630
	72,365,800	7,463,630
Matiari Flour Mills (Private) Limited		
Advance for purchase of shares	120,000,000	-
Advance against expenses	7,671,296	-
	127,671,296	-

11	SHORT TERM INVESTMENT - Held to maturity	Note	2014	2013
	Term deposit certificate	11.1	13,656,300	13,000,000
			13,656,300	13,000,000

11.1 These represent term deposit receipts placed with MCB Bank Limited. They carry profit rate of 8.65% and maturity date of 4 Feburary 2015 and 10 April 2015.

12	CASH AND BANK BALANCES	Note	2014	2013
			Rupees	
	Cash in hand		94,392	67,983
	Cash at banks			
	Savings accounts		1,916,867	4,597,522
	Current accounts		29,147,247	20,515,242
			31,064,114	25,112,764
			31,158,506	25,180,747

13 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2014	2013		2014	2013
(Number of shares)			Rupees	
6,525,000	6,525,000	Ordinary shares of Rs. 10/- each	65,250,000	65,250,000
16,055,415	16,055,415	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	160,554,150	160,554,150
22,580,415	22,580,415		225,804,150	225,804,150

	Note	2014	2013
		Rupees	

14 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

Opening balance		**899,390,040**	913,557,936
Surplus on revaluation during the year - net of deferred tax		-	-
Surplus relating to incremental depreciation charged during the year - net of deferred taxation		**(13,255,570)**	(14,167,896)
		886,134,470	899,390,040

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.

15 LONG TERM FINANCES

	Note	2014	2013
		Rupees	
Secured			
Pak Iran Investment Company Limited - I		-	20,769,234
Pak Iran Investment Company Limited - II	15.1	**35,000,000**	55,000,000
		35,000,000	75,769,234
Less: Current maturity			
Pak Iran Investment Company Limited - I		-	(20,769,234)
Pak Iran Investment Company Limited - II		**(20,000,000)**	(20,000,000)
	21	**(20,000,000)**	(40,769,234)
		15,000,000	35,000,000

15.1 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 25 April 2016 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 100 million, exclusive charge on molasses storage tank and personal guarantees of directors.

16 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

	Note	2014	2013
		Rupees	
Balance as at 01 October		**158,615,634**	201,087,601
Assets acquired during the year		**90,650,000**	35,990,000
		249,265,634	237,077,601
Less: Installments paid during the year		**(87,093,543)**	(78,461,967)
		162,172,091	158,615,634
Less: Current maturity	21	**(80,258,877)**	(78,037,090)
Balance as at 30 September		**81,913,214**	80,578,544

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16.1 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	
2014		
Principal	**80,258,877**	**81,913,214**
Finance charges allocated to future years	**17,705,121**	**9,174,495**
Total lease rentals	**97,963,998**	**91,087,709**
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

16.2 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	2014	2013
		Rupees	
17 DEFERRED LIABILITIES			
Deferred taxation - net	17.1	**482,942,800**	484,175,199
Sales tax	17.2	**48,518,096**	48,518,096
Market committee fee	17.3	**23,868,214**	23,868,214
Accumulated leave absences		**1,653,458**	2,416,470
Deferred income		**1,867,679**	-
		558,850,247	558,977,979

17.1 Deferred taxation - net

	2014	2013
Deferred tax liability arising in respect of:		
- Accelerated tax depreciation	**64,238,319**	80,256,749
- Surplus on revaluation of property, plant and equipment	**395,062,979**	402,200,594
- Assets acquired on finance lease	**29,635,443**	37,155,394
	488,936,741	519,612,737
Deferred tax asset arising in respect of:		
- Provision for deferred liabilities	**(545,641)**	(821,600)
- Provision for slow moving and obsolete items	**(5,448,300)**	(5,613,400)
	(5,993,941)	(6,435,000)
Excess of minimum tax carried forward	-	(29,002,538)
	482,942,800	484,175,199

17.2 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.

17.3 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.

18 TRADE AND OTHER PAYABLES

	Note	2014	2013
		Rupees	
Cane growers		**29,212,606**	3,313,375
Suppliers			
- Stores		**21,543,967**	19,863,622
Accrued liabilities		**11,578,903**	11,003,489
Workers' profit participation fund	18.1	**7,158,976**	3,943,712
Workers' welfare fund		**15,571,130**	12,850,719
Advances from customers	18.2	**38,744,922**	-
Inland letters of credits against fertilizer		**44,709,191**	32,037,537
Sales tax payable		**12,052,728**	-
Advances deducted from staff against vehicles		**3,032,779**	1,809,914
Income tax deducted at source		**417,740**	21,950
		184,022,942	84,844,318

18.1 Workers' profit participation fund

	Note	2014	2013
Opening balance		**3,943,712**	8,497,196
Amount allocated during the year	28	**7,158,976**	3,943,712
		11,102,688	12,440,908
Amount paid during the year		**(3,943,712)**	(8,497,196)
		7,158,976	3,943,712

18.2 This includes amount of Rs 29.76 million (2013: Nil) from Matol (Private) Limited for molasses.

19 ACCRUED MARK UP

	2014	2013
Long term finances	**1,984,148**	1,515,418
Short term borrowings	**11,204,877**	12,363,545
	13,189,025	13,878,963

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	Note	2014	2013
		Rupees	

20 SHORT TERM BORROWINGS - SECURED

	Note	2014	2013
MCB Bank Limited	20.1		
Agricultural finance		**50,000,000**	45,000,000
Running finance		**74,912,997**	62;591,817
Cash finance		**227,000,000**	143,000,000
		351,912,997	250,591,817
Habib Bank Limited	20.2		
Agricultural finance		**20,155,000**	3,555,000
		372,067,997	254,146,817

The limits of facilities are as follows:

20.1 MCB Bank Limited

	2014	2013
Agricultural finance	**50 million**	45 million
Running finance	**75 million**	65 million
Cash finance	**750 million**	700 million

These borrowings carry markup at the rate of 3 months KIBOR plus 1.75% (2013: 3 months KIBOR plus 1.75%) 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 plant and machinery installed at factory premises and personal guarantees of all directors.

20.2 Habib Bank Limited

	Note	2014	2013
		Rupees	
Agricultural finance		**23 million**	16.5 million

This facility has a limit of Rs 23 million (2013: 16.5 million) carrying mark up at the rate of 1 year KIBOR (2013: 1 year KIBOR). Facility is secured by way of corporate guarantee of the Company.

21 CURRENT PORTION OF LONG TERM LIABILITIES

	Note	2014	2013
		Rupees	
Long term finances			
PAIR Investment Company Limited (Formerly Pak Iran Joint Investment Co. Limited)	15	**20,000,000**	40,769,234
Lease			
Liabilities against assets subject to finance leases	16	**80,258,877**	78,037,090
		100,258,877	118,806,324

22 CONTINGENCIES AND COMMITMENTS

Contingencies and Commitments

There were no contingencies and commitments known to exist at the balance sheet date except those disclosed in Note 6 and 32 to the financial statements (2013: Nil)

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		Note	2014	2013
			Rupees	

23 SALES - NET

	Note	2014	2013
Local sales		2,800,195,931	1,768,500,455
Export sales		160,258,843	1,004,494,239
		2,960,454,774	2,772,994,694
Less: Sales tax and special excise duty		(175,475,968)	(69,852,816)
Brokerage expense		(587,264)	(278,503)
		(176,063,232)	(70,131,319)
		2,784,391,542	2,702,863,375

24 COST OF SALES

	Note	2014	2013
Opening stock of finished goods		78,259,590	48,258,357
Add: cost of goods manufactured	24.1	2,869,237,667	2,767,310,244
		2,947,497,257	2,815,568,601
Less: Closing stock of finished goods	9.1	(68,517,856)	(78,259,590)
Sale of by-products		(295,900,803)	(238,696,299)
		2,583,078,598	2,498,612,712

24.1 Cost of goods manufactured

	Note	2014	2013
Raw material consumed		2,552,919,707	2,430,507,758
Chemicals and packing material consumed		39,193,661	35,312,696
Fuel and power		3,266,369	10,723,989
Salaries, wages and benefits	25.1.1	131,714,234	126,411,231
Stores, spares and maintenance		39,369,686	58,503,358
Vehicles maintenance		6,758,896	7,530,270
Insurance		4,323,020	4,155,501
Others		5,532,785	5,572,418
Depreciation	4.1.1	87,037,868	88,401,045
		2,870,116,226	2,767,118,266
Opening work in process		652,353	844,331
Closing work in process		(1,530,912)	(652,353)
		(878,559)	191,978
Cost of goods manufactured		2,869,237,667	2,767,310,244

25.1.1 This includes Rs. 2,014,598 (2013: Rs.2,341,759/-) in respect of staff retirement benefits.

25 ADMINISTRATIVE EXPENSES

	Note	2014	2013
		Rupees	
Directors' remuneration	31	**11,022,618**	9,801,465
Salaries, wages and benefits	25.1	**34,911,721**	29,879,190
Rent, rates and taxes		**165,101**	517,300
Insurance		**2,045,940**	2,135,233
Water, gas and electricity		**2,765,148**	2,585,470
Printing and stationery		**1,623,973**	1,343,009
Postage and telephone		**1,180,685**	1,425,605
Vehicles maintenance		**2,338,892**	2,260,295
Repairs and maintenance		**4,326,158**	6,393,982
Travelling and conveyance		**1,684,302**	1,214,227
Subscription, books and periodicals		**269,839**	902,994
Legal and professional charges		**4,271,654**	4,169,563
Entertainment		**1,218,249**	1,126,813
Auditors' remuneration	25.2	**628,900**	463,200
Cost auditors' remuneration		**65,000**	65,000
Donation	25.3	**5,000**	23,000
Miscellaneous expenses		**95,650**	73,403
Depreciation	4.1.1	**6,848,849**	8,918,652
		75,467,679	73,298,401

25.1 This include Rs. 1,102,819 (2013: Rs.941,334/-) in respect of staff retirement benefits.

25.2 Auditors' remuneration

	Note	2014	2013
		Rupees	
Audit fee		**570,000**	400,000
Audit of funds and other services		**20,000**	20,000
Out of pocket expenses		**38,900**	43,200
		628,900	463,200

25.3 None of the directors and their spouses had any interest in these donations.

26 DISTRIBUTION COST

	2014	2013
Loading and unloading charges	**722,445**	1,612,210
Other expenses	**2,843,751**	3,123,033
Export expenses	**7,208,011**	40,264,603
	10,774,207	44,999,846

27 OTHER OPERATING CHARGES

	2014	2013
Workers' profit participation fund	**7,158,976**	3,943,712
Workers' welfare fund	**2,720,411**	2,107,190
	9,879,387	6,050,902

28 OTHER INCOME

	Note	2014	2013
Profit on short term deposits		**2,395,279**	5,715,008
Gain on sale of property, plant and equipment		**2,690,718**	1,324,603
Deferred income - amortisation		**933,840**	-
Scrap sales		-	580,000
Interest income on loans to growers		**6,106,361**	7,709,258
Dividend income		**72,365,800**	72,370,800
Agriculture income - net	28.1	**12,168,621**	3,737,370
		96,660,619	91,437,039

	Note	2014	2013
		Rupees	

28.1 Agriculture income - net

Income from farms		**48,061,620**	25,795,910
Expenses of farms		**(35,892,999)**	(22,058,540)
		12,168,621	3,737,370

29 FINANCE COST

Mark up on long term finances		**7,904,189**	13,208,483
Mark up on short term borrowings		**37,780,827**	54,704,412
Financial charges on leased assets		**21,058,694**	24,537,201
Bank charges		**1,808,439**	6,065,118
		68,552,149	98,515,214

30 TAXATION

Current	30.1	**36,835,255**	36,661,262
Prior		**(388,911)**	(21,279,854)
Deferred		**5,905,216**	(65,122,449)
		42,351,560	(49,741,041)

30.1

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 is required for the current year.

30.2 Income tax assessments of the Company deemed finalised as per tax return file upto tax year 2014. Tax returns are subject to further assessment under provisions of the Income Tax Ordinance, 2001 ("the Ordinance") unless selected for an audit by the taxation authorities. The Commissioner of Income Tax may, at any time during a period of five years from date of filing of return, select the deemed assessment order for audit.

31 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	2014				2013			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
				(Rupees)				
Meeting fees	-	25,000	-	25,000	-	45,000	-	45,000
Managerial remuneration	10,997,618	-	31,073,519	42,071,137	9,756,465	-	28,292,349	38,048,814
Other benefits	-	-	1,196,643	1,196,643	-	-	1,527,967	1,527,967
Retirement benefits	-	-	750,784	750,784	-	-	699,625	699,625
Total	10,997,618	25,000	33,020,946	44,043,564	9,756,465	45,000	30,519,941	40,321,406
No. of Persons	1	9	15	25	1	9	15	25

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

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32 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:

Transactions during the period:	**Nature of Relationship**	**2014**	2013
		Rupees	
Security services hired	Associate	**17,475,864**	15,531,585
Advance for expenses	Associate	**39,571,552**	18,522,000
Advance for purchase of shares	Associate	**120,000,000**	-
Dividend Income	Subsidiary	**72,365,800**	72,370,800
Sale of molasses	Subsidiary	**268,413,846**	221,907,435
Provident fund contribution	Staff	**3,117,417**	3,283,093

Transactions with key management personnel are disclosed in Note 31 to the financial statements.

Outstanding balances:			
Receivable	Subsidiary	**42,607,086**	7,463,630
Receivable	Associate	**127,671,296**	-
Receivable	Trust	**3,756,527**	922,314

The company has provided bank guarantee of Rs 300 million (2013: 300 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 (2013: 160 million) to MCB Bank Limited on behalf of Matiari Flour Mills (Pvt.) Ltd for import of brand new machinery.

33.1 NUMBER OF EMPLOYEES

	2014	2013
	Number	
Total employees during the year	363	381
Average number of employees during the year	373	374

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33.2 DISCLOSURES RELATING TO PROVIDENT FUND

		2014	2013
		Rupees	
(i)	Size of the fund	**60,304,578**	58,086,343
(ii)	Cost of investment made	**33,750,000**	42,650,000
(iii)	Percentage of investments made	**55.97%**	73.43%
(iv)	Fair value of investments	**70,108,167**	70,785,511

Breakup of Investment-Amount

	2014	2013
- Defence Saving Certificates	**22,090,000**	30,990,000
- Orix Leasing Pakistan Limited	**11,660,000**	11,660,000
	33,750,000	42,650,000

Breakup of Investment-Percentage

	2014	2013
- Defence Saving Certificates	**36.63%**	53.35%
- Orix Leasing Pakistan Limited	**19.34%**	20.07%
	55.97%	73.43%

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

33 CASH GENERATED FROM OPERATIONS

	Note	2014	2013
		Rupees	
Profit before taxation		**133,300,141**	72,823,339
Adjustments for:			
Depreciation		**93,886,717**	97,319,697
Finance cost		**68,552,149**	98,515,214
Gain on sale of property, plant and equipment		**(2,690,718)**	(1,324,603)
Provision for workers' profit participation fund	27	**7,158,976**	3,943,712
Provision for workers welfare fund	27	**2,720,411**	2,107,190
Working capital changes	33.1	**(121,992,932)**	119,037,464
		47,634,603	319,598,674
		180,934,744	392,422,013

33.1 Working capital changes

	2014	2013
(Increase)/decrease in current assets		
Stores, spares and loose tools	**8,251,205**	(24,109,648)
Stock in trade	**8,863,175**	(29,809,255)
Trade debts	**(2,781,686)**	53,933,161
Loans, advances, prepayments and other receivables	**(225,624,863)**	156,643,400
	(211,292,169)	156,657,658
Increase/(decrease) in current liabilities		
Trade and other payables	**89,299,237**	(37,620,194)
	(121,992,932)	119,037,464

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34 PRODUCTION CAPACITY

	2014	2013
No. of days mill operated	**161**	153
Crushing capacity per day (M.tons)	**4,200**	4,000
Total crushing capacity based on operational days (M.tons)	**676,200**	612,000
Actual crushing (M.tons)	**588,138**	533,616
Sugar production (M.tons)	**59,970**	56,260

The sugar production is based upon plant's crushing capacity and certain factors which include sucrose recovery percentage.

35 EARNINGS PER SHARE - BASIC AND DILUTED

	2014	2013
	Rupees	
Profit after taxation	**90,948,581**	122,564,380
	(Number)	
Weighted average number of ordinary shares	**22,580,415**	22,580,415
	Rupees	
Earnings per share - basic and diluted	**4.03**	5.43

36 FINANCIAL RISK MANAGEMENT

36.1 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.

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

Variable rate instruments	Carrying amount 2014	2013
	Rupees	
Long term finances - secured	**35,000,000**	75,769,234
Liabilities against assets subject to finance leases	**162,172,091**	158,615,634
Short term borrowings - secured	**372,067,997**	254,146,817
	569,240,088	488,531,685

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 September 30, 2014, 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.3.80 million (2013: 3.20 million), mainly as a result of interest exposure on variable rate borrowings.

Financial Instruments by categories	2014	2013
	Rupees	
Financial assets :		
Long term investment - held to maturity	**5,000,000**	5,000,000
Long term deposits	**16,913,473**	20,862,304
Trade debts - unsecured- considered good	**11,656,597**	8,874,911
Loans, advances, prepayments and other receivables	**388,819,990**	163,195,127
Short term investment - held to maturity	**13,656,300**	13,000,000
Cash and bank balances	**31,158,506**	25,180,747
	445,291,393	210,250,785
Financial liabilities - at amortized cost :		
Long term finances - secured	**15,000,000**	35,000,000
Liabilities against assets subject to finance leases	**81,913,214**	80,578,544
Deferred liabilities	**1,653,458**	2,416,470
Trade and other payables	**184,022,942**	84,844,318
Accrued mark up	**13,189,025**	13,878,963
Short term borrowings - secured	**372,067,997**	254,146,817
Current portion of long term liabilities	**100,258,877**	118,806,324
Unclaimed dividend	**2,071,883**	2,521,147
	295,778,639	216,718,295

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.

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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. 401.80 million (2013: Rs. 201.02 million), the financial assets which are subject to credit risk amounted to Rs.401.80 million (2013: Rs 201.02 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+	AAA
JS Bank Limited	PACRA	A1	A+
MCB Bank Limited	PACRA	A1+	AAA
NIB Bank Limited	PACRA	A1+	AA-
Soneri Bank Limited	PACRA	A1+	AA-
Allied 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.

2014 (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
FINANCIAL ASSETS					
Investment in subsidiary	-	-	-	427,083,889	**427,083,889**
Long term Investment	-	5,000,000	-	-	**5,000,000**
Trade debts	-	-	11,656,597	-	**11,656,597**
Other receivables	-	-	388,819,990	-	**388,819,990**
Short term investment	13,656,300	-	-	-	**13,656,300**
Cash and bank balances	1,916,867	-	29,147,247	-	**31,064,114**
	15,573,167	5,000,000	429,623,834	427,083,889	**877,280,890**
FINANCIAL LIABILITIES					
At Amortized Cost					
Long term loans	20,000,000	15,000,000	-	-	**35,000,000**
Finance lease liabilites	80,258,877	81,913,214	-	-	**162,172,091**
Trade and other payables	-	-	184,022,942	-	**184,022,942**
Mark up accured on loans	-	-	13,189,025	-	**13,189,025**
Short term borrowing	372,067,997	-	-	-	**372,067,997**
Unclaimed dividend	2,071,883	-	-	-	**2,071,883**
	474,398,757	96,913,214	197,211,967	-	**768,523,938**

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
FINANCIAL ASSETS					
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**
Other receivables	-	-	163,195,127	-	**163,195,127**
Short term investment	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**
FINANCIAL LIABILITIES					
At Amortized Cost					
Long term loans	40,769,234	35,000,000	-	-	**75,769,234**
Finance lease liabilites	78,037,090	80,578,544	-	-	**158,615,634**
Trade and other payables	-	-	84,844,318	-	**84,844,318**
Mark up accured 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**
	372,953,141	115,578,544	101,244,428	-	**589,776,113**

36.2 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.

36.3 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..

37 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in their board meeting held on 10. 1. 2015 has proposed cash dividend @ 40% (2013: 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. 1. 2015 . The financial statements for the year ended 30 September 2014 do not include the effect of these dividends which will be accounted for in the financial statement for the year ending 30 September 2014.

38 DATE OF AUTHORISATION FOR ISSUE

Theses financial statements were authorised for issue on 10 JAN 2015 by the Board of Directors of the Company.

39 GENERAL

- Figures have been rounded off to the nearest rupee.

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

Chief Executive **Director**