AUDITED FINANCIAL STATEMENTS
OF
MATIARI SUGAR MILLS LIMITED
FOR THE YEAR ENDED
SEPTEMBER 30, 2018

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
KARACHI, LAHORE & ISLAMABAD

Russell Bedford
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CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the members of Matiari Sugar Mills Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Matiari Sugar Mills Limited** (the Company), which comprise the statement of financial position as at September 30, 2018, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information ('the financial statements'), 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 purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2018 and of the profit and total comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information obtained at the date of this auditor's report is information included in the director's report, but does not include the financial statements of the company and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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If based on the work we have performed, on other information obtained prior to the date of this auditor's report, we conclude 'that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) 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.

The engagement partner on the audit resulting in this independent auditor's report is **Mr. Muhammad Waseem.**

Rahman

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
Karachi

Date: 02 JAN 2019

MATIARI SUGAR MILLS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2018

	Note	2018	2017	2016
		Rupees		
ASSETS			Restated	Restated
Non-current assets				
Property, plant and equipment	4	**3,621,427,123**	2,530,927,246	2,314,287,899
Investment in subsidiaries	5	**788,600,421**	749,986,030	403,312,740
Long term deposits	6	**57,161,310**	55,166,811	24,934,090
		4,467,188,854	3,336,080,087	2,742,534,729
Current assets				
Stores, spares and loose tools	7	**49,541,553**	61,062,289	115,862,168
Stock in trade	8	**734,475,947**	409,985,827	47,110,578
Biological assets	9	**41,046,477**	27,175,386	21,241,471
Trade debts - unsecured, considered good		**72,988**	159,485,023	73,750
Loans, advances, prepayments and other receivables	10	**280,176,739**	616,919,055	466,271,404
Tax refunds due from government	11	**346,175,301**	335,216,004	268,996,928
Cash and bank balances	12	**41,940,740**	30,449,511	21,471,911
		1,493,429,745	1,640,293,095	941,028,210
Total assets		**5,960,618,599**	4,976,373,182	3,683,562,939
EQUITY AND LIABILITIES				
Share capital and reserves				
Authorised capital				
25,000,000 Ordinary shares of Rs. 10 each		**250,000,000**	250,000,000	250,000,000
Issued, subscribed and paid up capital	13	**248,384,300**	248,384,300	225,804,150
Revaluation surplus on property, plant and equipment	14	**1,581,140,688**	1,000,101,960	1,043,298,905
Unappropriated profit		**1,013,438,972**	1,034,550,757	836,145,446
		2,842,963,960	2,283,037,017	2,105,248,501
Non-current liabilities				
Long term finances - secured	15	**133,799,001**	214,870,429	311,970,149
Liabilities against assets subject to finance leases	16	**452,250,971**	390,352,605	121,414,612
Deferred liabilities	17	**572,326,009**	452,787,633	502,431,248
		1,158,375,981	1,058,010,667	935,816,009
Current liabilities				
Trade and other payables	18	**452,011,983**	171,139,123	190,293,479
Accrued mark up	19	**31,272,218**	49,566,630	19,003,466
Short term borrowings - secured	20	**1,259,529,517**	1,216,558,433	366,040,083
Current portion of long term liabilities	21	**199,152,230**	186,546,559	64,931,404
Unclaimed dividend		**17,312,710**	11,514,753	2,229,997
		1,959,278,658	1,635,325,498	642,498,429
Contingencies and commitments	22	-	-	
Total equity and liabilities		**5,960,618,599**	4,976,373,182	3,683,562,939

The annexed notes from 1 to 43 form an integral part of these financial statements

Chief Executive **Director**

MATIARI SUGAR MILLS LIMITED
STATEMENT OF PROFIT OR LOSS ACCOUNT
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Note	2018	2017
		Rupees	
Sales - net	23	**2,111,102,206**	2,241,468,665
Cost of sales	24	**(1,998,727,863)**	(2,262,912,508)
Gross profit / (loss)		**112,374,343**	(21,443,843)
Administrative expenses	25	**(120,269,321)**	(111,317,392)
Distribution costs	26	**(2,812,151)**	(1,757,438)
Other operating costs	27	**(2,912,364)**	-
		(125,993,836)	(113,074,830)
Operating loss		**(13,619,493)**	(134,518,673)
Other income	28	**191,021,751**	189,657,566
		177,402,258	55,138,893
Finance cost	29	**(138,106,439)**	(114,873,202)
Profit / (loss) before taxation		**39,295,819**	(59,734,309)
Taxation	30	**11,625,812**	3,751,610
Profit / (loss) after taxation		**50,921,631**	(55,982,699)
Earnings / (loss) per share - basic and diluted	32	2.05	(2.25)

The annexed notes from 1 to 43 form an integral part of these financial statements

Chief Executive

Director

MATIARI SUGAR MILLS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Note	2018	2017
		Rupees	
Profit / (loss) after taxation		50,921,631	(55,982,699)
Other comprehensive income for the year			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation increase recognised during the year		718,821,347	-
Deferred tax on above		(174,669,977)	-
Reversal of deferred tax liability on revaluation surplus due to change in tax rate		13,174,056	-
		557,325,426	-
Items that may be reclassified subsequently to profit or loss:			
Gain on remeasurement to fair value of investment in subsidiaries classified as available for sale	5	38,614,391	346,673,290
Total comprehensive income for the year		646,861,448	290,690,591

The annexed notes from 1 to 43 form an integral part of these financial statements

Chief Executive

Director

MATIARI SUGAR MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Issued, subscribed and paid up capital	Unappropriated profit	Revaluation surplus of property, plant and equipment - net	Total
	Rupees			
Balance as at September 30, 2016 - as previously reported	225,804,150	836,145,446	-	1,061,949,596
Effect of change in accounting policy (Note-4)			1,043,298,905	1,043,298,905
Balance as at September 30, 2016 - re-stated	225,804,150	836,145,446	1,043,298,905	2,105,248,501
Transfer of incremental depreciation from surplus on revaluation of property, plant and equipment - net of deferred tax	-	25,214,446	(25,214,446)	-
Surplus realized on disposal of Property, plant and equipments		17,982,499	(17,982,499)	-
Total comprehensive income for the year ended September 30, 2017:				
- Loss after taxation	-	(55,982,699)	-	(55,982,699)
- Other comprehensive income	-	346,673,290	-	346,673,290
	-	290,690,591	-	290,690,591
Transactions with owners				
10% bonus shares	22,580,150	(22,580,150)	-	-
Cash Dividend @ 50%		(112,902,075)	-	(112,902,075)
Balance as at September 30, 2017 - re-stated	248,384,300	1,034,550,757	1,000,101,960	2,283,037,017
Transfer of incremental depreciation from surplus on revaluation of property, plant and equipment - net of deferred tax	-	**(23,713,302)**	**23,713,302**	-
Total comprehensive income for the year ended September 30, 2018:				
- Profit after taxation	-	**50,921,631**	-	**50,921,631**
- Other comprehensive income	-	**38,614,391**	**557,325,426**	**595,939,817**
	-	**89,536,022**	**557,325,426**	**646,861,448**
Transactions with owners				
Cash Dividend @ 35%	-	**(86,934,505)**	-	**(86,934,505)**
Balance as at September 30, 2018	**248,384,300**	**1,013,438,972**	**1,581,140,688**	**2,842,963,960**

The annexed notes from 1 to 43 form an integral part of these financial statements

Chief Executive

Director

MATIARI SUGAR MILLS LIMITED
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Note	2018	2017
		Rupees	
Cash generated from / (used in) operations	36	**549,646,584**	(611,496,547)
Taxes paid		**(42,302,921)**	(112,293,940)
Finance cost paid		**(156,400,851)**	(84,310,038)
Long term deposits - net		**(1,994,499)**	(30,232,721)
Net cash generated from / (used in) operating activities		**348,948,313**	(838,333,246)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		**(240,531,001)**	(281,356,722)
Expenditure incurred on cultivation - Biological assets		**(39,878,603)**	(32,384,978)
Proceeds from disposal of property, plant and equipment		**1,989,829**	251,455,120
Proceeds from sale of biological assets - net		**34,015,512**	32,703,063
Interest on loan to growers received		**1,753,759**	910,488
Profit recevied on bank deposit		**2,037,494**	
Dividend received		**182,231,600**	36,182,900
Net cash (used in) / generated from investing activities		**(58,381,410)**	7,509,871
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance lease obligation paid		**(159,838,782)**	(55,861,906)
Long term finance obtained - net		**(81,071,428)**	148,761,850
Dividend paid		**(81,136,548)**	(103,617,319)
Short term borrowings obtained - net		**(53,358,340)**	896,358,340
Net cash (used in) / generated from financing activities		**(375,405,098)**	885,640,965
Net (decrease) / increase in cash and cash equivalents during the year		**(84,838,195)**	54,817,590
Cash and cash equivalents at the beginning of the year		**(22,750,582)**	(77,568,172)
Cash and cash equivalents at the end of the year		**(107,588,777)**	(22,750,582)
Cash and cash equivalents comprise the following:			
Cash and bank balances	12	**41,940,740**	30,449,511
Short term borrowings - running finance	20	**(149,529,517)**	(53,200,093)
		(107,588,777)	(22,750,582)

The annexed notes from 1 to 43 form an integral part of these financial statements

Chief Executive

Director

MATIARI SUGAR MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

1 THE COMPANY AND ITS OPERATIONS

1.1 Legal status and operations

The Company was incorporated in Pakistan as a public unlisted company on May 26, 1987 under the repealed Companies Ordinance, 1984. The principal business of the Company is the manufacture and sale of white sugar.

1.2 Geographical location and address of business units

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

- The registered office of the Company is situated at Matiari House C-48, K.D.A Scheme No 1, Karachi, Pakistan.

- The Company's mills is located at Nasarpur road, District Matiari, Sindh, Pakistan.

1.3 These are the separate financial statements of the Company in which investment in subsidiary is stated at cost less impairment, if any.

1.4 Summary of significant events and transactions in the current reporting period

The Company's financial position and performance was particularly affected by the following events and transactions during the reporting period:

- The Company has recorded revaluation surplus on property, plant and equipment amounting to Rs. 718.8 million.

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of such International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017 (the Act), and provisions of and directives issued under the Companies Act, 2017. Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis except as otherwise disclosed in relevant notes to the financial statements.

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 Significant accounting estimates and judgments

The preparation of financial statements is in conformity with approved accounting standards, as applicable in Pakistan, 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 ongoing 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.

Areas where various assumptions and estimates are significant to the company's financial statements or where judgments was exercised in application of accounting policy are as follows:

	Note
a) Residual values and useful lives of items of Property, plant and equipment	3.1
b) Provision for obsolete / slow moving stores and spares	3.3
c) Provision for obsolete / slow moving inventory	3.4
d) Provision for doubtful debts	3.6
e) Investment in subsidiaries	3.2.2
f) Provision for taxation	3.12

2.5 Amendments to approved accounting standards and interpretations which are effective during the year ended September 30, 2018

The third and fourth schedule to the Companies Act, 2017 became applicable to the Company for the first time for the preparation of these financial statements. The Companies Act, 2017 (including its third and fifth schedule) forms an integral part of the statutory financial reporting framework applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. Additional disclosures include but are not limited to, particulars of immovable assets of the Company, management assessment of sufficiency of tax provision in the financial statements ,change in threshold for identification of executives, additional disclosure requirements for related parties etc.

2.6 Amendments to approved accounting standards and interpretations which are effective during the year ended September 30, 2018

The third and fourth schedule to the Companies Act, 2017 became applicable to the Company for the first time for the preparation of these financial statements. The Companies Act, 2017 (including its third and fifth schedule) forms an integral part of the statutory financial reporting framework applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. Additional disclosures include, but are not limited to, particulars of immovable assets of the Company, management assessment of sufficiency of tax provision in the financial statements, change in salary threshold for identification of executives, additional disclosure requirements for related parties etc.

2.7 Amendments / interpretations to existing standards and forthcoming requirements

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after the dates specified below:

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on the Company's financial statements.

- Transfers of Investment Property (Amendments to IAS 40 'Investment Property'-effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on the Company's financial statements.

- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on the Company's financial statements.

- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The Company is currently in the process of analyzing the potential impact of changes on adoption of the standard.

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The Company is currently in the process of analyzing the potential impact of changes on adoption of the standard.

- IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer LoyaltyProgrammes'. The Company is currently in the process of analyzingthe potential impact of changes required in its revenue recognition policies on adoption of the standard.

- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected credit loss model on adoption of the standard.

- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Company is currently in the process of analyzing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard.

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on the Company's financial statements.

- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on the Company's financial statements.

Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 3 "Business Combinations" and IFRS 11 "Joint Arrangements" - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

- IAS 12 "Income Taxes" - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

- IAS 23 "Borrowing Costs" - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective for annual periods beginning on or after 1 January 2019 and are not likely to have an impact on the Company's financial statements.

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

These are stated at cost less accumulated depreciation, except for freehold land, building and plant & machinery which are stated at revalued amount less accumulated depreciation and accumulated impairment loss and capital work-in-progress which is stated at cost.

All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these assets are available for intended use.

Depreciation is charged, from the date when the asset is available for till the date of disposal, to profit and loss account applying the reducing balance method. The residual values, useful lives and depreciation methods are reviewed and changes, if any, are treated as change in accounting estimates, at each balance sheet date. Rates for depreciation are stated in note 4.1 to the financial statements.

Maintenance and repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

Gains and losses on disposal of assets are taken to profit and loss account as and when incurred.

Any surplus arising on revaluation is credited to the surplus on revaluation account. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of plant and machinery (net of deferred taxation) is transferred directly to retained earning / unappropriated profit.

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 note 4.2 to the financial statements.

3.2 Financial instruments

All financial assets and liabilities are recognised at the time when the Company becomes party to the contractual provisions of the instrument and are de-recognised in case of assets, when the contractual rights under the instrument are realised, expired or surrendered and in case of a liability, when the obligation is discharged, cancelled or expired. Any gain / (loss) on the recognition and de-recognition of the financial assets and liabilities is included in the profit / (loss) for the period in which it arises.

3.2.1 Classification of financial assets

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.

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) Held for trading

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.

3.2.2 Investment in subsidiaries

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

3.2.3 Off-setting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realize the assets and settle liabilities simultaneously. Incomes and expenses arising from such assets and liabilities are also offset accordingly.

3.3 Stores, spares and loose tools

These are valued at lower of weighted average cost and estimated net realizable value (NRV) except items-in-transit which are stated at invoice value plus other charges paid thereon upto the balance sheet date.

Provision / write-off, if required, is made in the financial statements for slow moving, obsolete and unusable items to bring their carrying value down to NRV.

3.4 Stock in trade

Stock in trade is valued at the lower of cost and net realisable value except for stock in transit which is valued at cost accumulated up to balance sheet date. Cost of finished goods 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:

Finished goods (sugar)	: at lower of average manufacturing cost and net realizable value
Imported goods in transit	: at actual incurred cost
Work in process	: at average raw material cost
Molasses	: at net realizable value

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

3.5 Biological assets

Biological assets comprise of crops in field. These are measured at fair value less costs to sell on initial recognition and at each balance sheet date. Gain or loss arising on initial recognition of a biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset at the balance sheet date is included in profit and loss account for the period in which it arises.

3.6 Trade debts and other receivables

Trade debts and other receivables are recognised at invoice value less provision for uncollectible amounts. Provision for doubtful debts is based on management's assessment of customer's credit worthiness. Bad debts are written-off when there is no realistic prospect of recovery.

3.7 Cash and cash equivalents

These are stated at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and bank balances and short term borrowings.

3.8 Impairment of assets

The carrying amount of all assets is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of such asset is estimated. Impairment loss is recognised in profit and loss account whenever carrying amount of an assets exceeds its recoverable amount.

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 other comprehensive income to profit and loss account. Such impairment losses are not subsequently reversed through the profit and loss account unless the investment is disposed off.

3.9 Employee benefits

3.9.1 *Compensated absences*

The Company accounts for the liability in respect of employees' compensated absences in the year in which these are earned. Provisions to cover the obligation are made using the current salary levels of the employees. No actuarial valuation of compensated absences is carried out as the management considers that the financial impact is not material.

3.9.2 *Defined contribution plan*

The Company operates an approved defined contributory provident fund scheme for all permanent employees who have completed the minimum qualifying period of service. Equal monthly contributions are made by the Company and the employees to the Fund at the rate of 10 percent of basic salary.

3.10 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 future for goods and services received, whether or not billed to the Company.

3.11 Mark-up bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

Loans and borrowings are subsequently stated at amortized cost with any difference between the proceeds (net of transaction cost) and the redemption value recognised in the profit and loss account over the period of the borrowing using the effective interest method.

3.12 Taxation

3.12.1 *Current*

Provision for taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any, or minimum tax on turnover or Alternate Corporate Tax whichever is higher and tax paid on final tax regime basis in accordance with the provisions of Income Tax Ordinance.

3.12.2 *Deferred*

Deferred tax is provided based on tax rates that have been enacted or substantively enacted using the balance sheet liability method on all temporary differences arising at the balance sheet date, between the tax bases of the assets and the liabilities and their carrying amounts. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which these can be utilized.

3.13 Revenue recognition

Revenue arising from the sale of goods is recognised when all of the following criteria have been satisfied:

- the Company has transferred to the customer the significant risks and rewards of ownership;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company and;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

All the above referred criteria for revenue recognition are deemed to be satisfied upon the lifting of sugar (in case of local sales) or when the goods are on-board the shipping vessel (in case of exports). Revenue is measured at the fair value of the consideration received or receivable.

Profit on bank accounts is recognised on effective interest method.

Dividend income is recognised when the right to receive such payment is established.

Other revenues are accounted for on accrual basis.

3.14 Foreign currency translation

Transactions in foreign currencies are converted into Rupees at the rate of exchange ruling on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Rupees at the rate of exchange ruling at the balance sheet date. All exchange differences arising on transaction are charged to profit and loss account in that period.

3.15 Provisions

Provisions are recognised when the Company has a present (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.16 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.17 Dividend and appropriation to reserve

Dividend distribution to the Company's shareholders and appropriation to reserves are recognized 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.

3.18 Liabilities against assets subject to finance lease

Liabilities against assets subject to finance lease are accounted for at net present value of minimum payments under the lease arrangements. Lease payments are apportioned between the finance charges and reduction of lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Financial costs are charged directly to the profit and loss account except those which are directly attributable to the acquisition and installation of a qualifying asset.

3.19 Ijara Transactions

Ijarah, ujrah payments are recognized as an expense in the income statement on a straight- line basis unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis.

4 CHANGE IN ACCOUNTING POLICY

The specific provision / section in the repealed Companies Ordinance, 1984 relating to the surplus on revaluation of fixed assets has not been carried forward in the Companies Act, 2017. Previously, section 235 of the repealed Companies Ordinance, 1984 specified the accounting treatment and presentation of the surplus on revaluation of fixed assets, which was not in accordance with the IFRS Standards requirements. Accordingly, in accordance with the requirements of International Accounting Standard (IAS) 16, 'Property, Plant and Equipment', surplus on revaluation of fixed assets would now be presented under equity.

Following the application of IAS 16, the Company's policy for surplus on revaluation of freehold and leasehold land stands amended as follows:

- Increases in the carrying amounts arising on revaluation of freehold and leasehold land are recognized in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognized in statement of profit or loss, the increase is first recognized in profit or loss. Decreases that reverse previous increases of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

The effect of change in accounting policy is summarized below:

	As at September 30, 2017			As at September 30, 2016		
Effect on statement of financial position	As previously reported	As re-stated	Re-statement	As previously reported	As re-stated	Re-statement
			Rupees			
Revaluation surplus on property, plant and equipment	1,000,101,960	-	(1,000,101,960)	1,043,298,905	-	(1,043,298,905)
Share capital and reserves	-	1,000,101,960	1,000,101,960	-	1,043,298,905	1,043,298,905
Effect on statement of changes in equity						
Change in equity	-	1,000,101,960	1,000,101,960	-	1,043,298,905	1,043,298,905

There was no cash flow impact as a result of the retrospective application of change in accounting policy.

	Note	2018	2017
		Rupees	

4 PROPERTY, PLANT AND EQUIPMENT

	Note	2018	2017
Operating assets - Owned assets	4.1	**2,535,660,019**	1,797,446,640
Operating assets - Leased assets	4.2	**892,604,153**	498,432,715
		3,428,264,172	2,295,879,355
Capital work in progress	4.7	**193,162,951**	235,047,891
		3,621,427,123	2,530,927,246

4.1 Operating assets - Owned assets

Description	Freehold land	Factory building on freehold land	Non-factory building on freehold land	Plant and machinery	Furniture, fixtures and office equipments	Electrical equipments and installations	Computers	Vehicles	Tools, fire fighting equipment, arms and ammunition	Total
	Rupees									
As at September 30, 2016										
Cost / revalued amount	670,000,000	252,954,043	57,981,314	1,926,819,980	13,750,480	22,269,037	7,893,986	73,338,093	3,808,556	3,028,815,489
Accumulated depreciation	-	(105,445,964)	(35,439,393)	(770,240,438)	(7,705,191)	(11,800,646)	(7,756,437)	(48,444,922)	(2,518,024)	(989,351,015)
Net book value	**670,000,000**	**147,508,079**	**22,541,921**	**1,156,579,542**	**6,045,289**	**10,468,391**	**137,549**	**24,893,171**	**1,290,532**	**2,039,464,474**
Year ended September 30, 2017										
Opening net book value	670,000,000	147,508,079	22,541,921	1,156,579,542	6,045,289	10,468,391	137,549	24,893,171	1,290,532	2,039,464,474
Additions / transfers during the year	-	1,165,000	-	880,000	170,400	2,088,968	55,000	312,067	101,346	4,772,781
Disposals during the year										
Cost / revalued amount	-	-		(227,149,388)				(7,578,550)		(234,727,938)
Accumulated depreciation	-	-		47,931,888				5,272,329		53,204,217
	-	-	-	(179,217,500)	-	-	-	(2,306,221)	-	(181,523,721)
Depreciation for the year	-	(7,410,514)	(1,127,096)	(50,181,980)	(616,398)	(1,188,865)	(48,452)	(4,557,267)	(136,322)	(65,266,894)
Closing net book value	**670,000,000**	**141,262,565**	**21,414,825**	**928,060,062**	**5,599,291**	**11,368,494**	**144,097**	**18,341,750**	**1,255,556**	**1,797,446,640**
As at September 30, 2017										
Cost / revalued amount	670,000,000	254,119,043	57,981,314	1,700,550,592	13,920,880	24,358,005	7,948,986	66,071,610	3,909,902	2,798,860,332
Accumulated depreciation	-	(112,856,478)	(36,566,489)	(772,490,530)	(8,321,589)	(12,989,511)	(7,804,889)	(47,729,860)	(2,654,346)	(1,001,413,692)
Net book value	**670,000,000**	**141,262,565**	**21,414,825**	**928,060,062**	**5,599,291**	**11,368,494**	**144,097**	**18,341,750**	**1,255,556**	**1,797,446,640**
Year ended September 30, 2018										
Opening net book value	670,000,000	141,262,565	21,414,825	928,060,062	5,599,291	11,368,494	144,097	18,341,750	1,255,556	1,797,446,640
Additions / transfers during the year	-	10,138,400	-	255,637,102	461,599	14,735,563	-	106,500	47,599	281,126,763
Revaluation surplus during the year	95,000,000	48,695,892	6,875,647	366,170,354	-	-	-	-	-	516,741,893
Disposals during the year										
Cost / revalued amount	-	-	-	-	-	-	-	(1,897,829)	-	(1,897,829)
Accumulated depreciation	-	-	-	-	-	-	-	1,643,480	-	1,643,480
	-	-	-	-	-	-	-	(254,349)	-	(254,349)
Depreciation for the year	-	(7,316,588)	(1,070,741)	(45,168,041)	(583,009)	(1,873,628)	(43,229)	(3,217,756)	(127,936)	(59,400,928)
Closing net book value	**765,000,000**	**192,780,269**	**27,219,731**	**1,504,699,477**	**5,477,881**	**24,230,429**	**100,868**	**14,976,145**	**1,175,219**	**2,535,660,019**
As at September 30, 2018										
Cost / revalued amount	765,000,000	312,953,335	64,856,961	2,322,358,048	14,382,479	39,093,568	7,948,986	64,280,281	3,957,501	3,594,831,159
Accumulated depreciation	-	(120,173,066)	(37,637,230)	(817,658,571)	(8,904,598)	(14,863,139)	(7,848,118)	(49,304,136)	(2,782,282)	(1,059,171,140)
Net book value	**765,000,000**	**192,780,269**	**27,219,731**	**1,504,699,477**	**5,477,881**	**24,230,429**	**100,868**	**14,976,145**	**1,175,219**	**2,535,660,019**

4.2 Operating assets - Leased assets

	Plant and machinery	Vehicles	Total
	Rupees		
As at September 30, 2016			
Cost	111,096,076	23,092,500	134,188,576
Accumulated depreciation	(10,919,103)	(3,741,750)	(14,660,853)
Net book value	100,176,973	19,350,750	119,527,723
Year ended September 30, 2017			
Opening net book value	100,176,973	19,350,750	119,527,723
Additions / transfers during the year	366,599,006	32,415,950	399,014,956
Depreciation for the year	(12,539,645)	(7,570,319)	(20,109,964)
Closing net book value	(23,458,748)	(11,312,069)	498,432,715
As at September 30, 2017			
Cost	477,695,082	55,508,450	533,203,532
Accumulated depreciation	(23,458,748)	(11,312,069)	(34,770,817)
Net book value	454,236,334	44,196,381	498,432,715
Year ended September 30, 2018			
Opening net book value	454,236,334	44,196,381	498,432,715
Additions / transfers during the year	189,372,497	46,259,500	235,631,997
Revaluation surplus during the year	202,079,454	-	202,079,454
Depreciation for the year	(32,387,762)	(11,152,251)	(43,540,013)
Closing net book value	**813,300,523**	**79,303,630**	**892,604,153**
As at September 30, 2018			
Cost	869,147,033	101,767,950	970,914,983
Accumulated depreciation	(55,846,510)	(22,464,320)	(78,310,830)
Net book value	**813,300,523**	**79,303,630**	**892,604,153**
Annual rate of depreciation	**5%**	**20%**	

4.3 *Depreciation for the year has been allocated as follows:*

	Note	2018	2017
		Rupees	
Cost of sales	*24*	**91,162,452**	72,584,422
Administrative expenses	*25*	**11,778,489**	12,792,436
		102,940,941	85,376,858

4.4 *Details of disposal of property, plant and equipment during the year are as follows:*

Description of asset	Cost	Accumulated depreciation	Net Book Value	Sale proceed	Gain /(loss)	Mode of disposal	Particulars of buyer
Vehicles							
Suzuki Potohar	469,000	457,078	11,922	515,000	503,078	Negotiation	Mr. Juman
Suzuki Potohar	469,000	445,714	23,286	515,000	491,714	Negotiation	Mr. Juman
Suzuki Cultus	700,000	593,937	106,063	700,000	593,937	Company Policy	Mr. Atif
Various Motor bikes having book value less than 65,000	259,829	146,751	113,078	259,829	146,751	Company Policy	Various including employees
September 2018	**1,897,829**	**1,643,480**	**254,349**	**1,989,829**	**1,735,480**		
September 2017	234,727,938	53,204,217	181,523,721	251,455,120	69,931,399		

4.5

The latest revaluation of freehold land, building and plant and machinery was carried out by an independent valuer, Oceanic Surveyors (Private) Limited as at September 30, 2018.

Had this and all prior revaluations not been carried out, the carrying amount of freehold land, factory and non-factory buildings and plant and machinery would have been as follows:

	2018	2017
	Rupees	
Freehold land	**130,990,010**	130,990,010
Building	**136,766,922**	133,559,980
Plant and Machinery	**292,601,155**	292,493,039
	560,358,087	557,043,029

4.6 The forced sale value of the land, building, plant and machinery has been assessed at September 30, 2018 amounting to Rs. 2.93 billion.

4.7 **Capital work in progress**	2018	2017
	Rupees	
Civil works	**120,328,757**	20,139,538
Plant and Machinery	**72,834,194**	214,908,353
	193,162,951	235,047,891

4.7.1 This represents expenditure incurred on construction work in progress pertaining to mill house and other related items to increase the mill capacity.

5 INVESTMENT IN SUBSIDIARIES - Available for sale

2018	2017		Note	2018	2017
Number of shares				**Rupees**	
16,644,134	16,644,134	Matol (Private) Limited	*5.2*	**787,600,421**	748,986,030
100,000	100,000	Matiari Flour Mills (Private) Limited	*5.3*	**1,000,000**	1,000,000
16,744,134	16,744,134			**788,600,421**	749,986,030

5.1 Investment in associated company's have been made in accordance with the requirement under the Companies Act, 2017

5.2 **Investment in Matol (Private) Limited**		2018	2017
		Rupees	
Cost as at October 01		**144,731,600**	144,731,600
Cumulative fair value increase as at October 01 - net		**604,254,430**	257,581,140
		748,986,030	402,312,740
Gain on remeasurement to fair value during the year		**38,614,391**	346,673,290
	5.2.1	**787,600,421**	748,986,030

5.2.1 This represents the investment in 16,644,134 unquoted shares of M/s Matol (Private) limited. Management has carried out the valuation of the aforementioned investment during the year. In this connection, discounted free cash flow to equity model for business valuation was used to determine the fair value. Assumptions and inputs used in the valuation technique mainly includes risk free rate, equity risk premium, long term growth rate and projected rate of increase in revenues and expenses. Principal assumptions used in the valuation of above unquoted investment are as under:

Cost of equity	20.00%
Projection period	5 years
Long term growth rate	2.00%
Value per share (Rs.)	47.32

5.3 The Company's present shareholding in Matiari Flour Mills (Private) Limited (MFML) is 100,000 (2017: 100,000) shares of Rs.10 each i.e. 99.95% (2017: 99.95%). The shares of MFML are not quoted on Pakistan Stock Exchange. As at the reporting date, the fair value of the investment is not materially different from its original cost. The breakup value per share of MFML (including the impact of advance received against issue of ordinary shares treated as equity) as at September 30, 2018 is Rs. 1,217.24 (2017: Rs. 1,120).

		2018	2017
6	**LONG TERM DEPOSITS**	Rupees	
	Lease	**56,125,837**	54,121,338
	Utilities	**819,473**	819,473
	Others	**216,000**	226,000
		57,161,310	55,166,811
7	**STORES, SPARES AND LOOSE TOOLS**		
	Stores	**912,064**	1,973,586
	Spares	**59,851,327**	71,204,769
	Loose tools	**5,288,162**	4,393,934
		66,051,553	77,572,289
	Less: Provision for slow moving and obsolete items	**(16,510,000)**	(16,510,000)
		49,541,553	61,062,289
8	**STOCK IN TRADE**		
	Work in process	**164,028**	758,709
	Finished goods		
	- *Sugar*	**689,477,499**	409,227,118
	- *Molasses*	**44,834,420**	-
		734,311,919	409,227,118
		734,475,947	409,985,827
9	**BIOLOGICAL ASSETS**		
	Carrying value at the beginning of the year	**27,175,386**	21,241,471
	Additions due to cultivation	**39,878,603**	32,384,978
	Change in fair value less costs to sell	**8,008,000**	6,252,000
		75,061,989	59,878,449
	Deduction due to harvesting	**(34,015,512)**	(32,703,063)
	Carrying value at the end of the year	**41,046,477**	27,175,386

9.1 Operations and principal activities

The Company's principal activities in relation to above biological assets comprises of managing the biological transformation of assets such as sugar cane, seeds, wheat, onion, bio-composites and tricho cards and supply thereof to sugar cane growers and other parties.

		Note	2018	2017
10	**LOANS, ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES**		Rupees	
	Loans to growers - secured, considered good		**34,124,459**	121,224,768
	Advances - unsecured, considered good			
	Against equity	*10.1*	**195,957,425**	171,000,000
	Suppliers		**24,139,469**	313,139,759
	Expenses		**11,676,747**	4,666,481
	Others		**7,458,490**	3,410,213
			239,232,131	492,216,453
	Receivable from provident fund		**2,427,056**	-
	Prepaid insurance		**3,818,093**	2,902,834
	Accrued interest		**575,000**	575,000
			280,176,739	616,919,055

10.1 This represents advances given to following related parties in respect of purchase of further ordinary shares to be issued by the entities:

	2018	2017
	Rupees	
Matiari Flour Mills (Private) Limited	**147,000,000**	147,000,000
Matiari Health Services (Private) Limited	**49,957,425**	24,000,000
	196,957,425	171,000,000

10.1.1 The maximum aggregate amount outstanding at any time during the year was Rs. 147 million in respect of Matiari Flour Mills (Private) Limited and Rs. 49.96 million in respect of Matiari Health Services (Private) Limited

11 TAX REFUNDS DUE FROM GOVERNMENT

	2018	2017
	Rupees	
Advance tax	**587,026,708**	544,723,786
Less: Provision for taxation	**240,851,407**	209,507,782
	346,175,301	335,216,004

12 CASH AND BANK BALANCES

	Note	2018	2017
Cash in hand		**165,337**	85,931
Cash at banks			
Deposit accounts	12.1	**19,419,115**	14,565,339
Current accounts		**22,356,288**	15,798,241
		41,775,403	30,363,580
		41,940,740	30,449,511

12.1 These carry profit at the rate ranging from 3.75% to 5.5% (2017: 2.25% to 3.5%).

13 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2018	2017		2018	2017
Number of shares			Rupees	
6,525,000	6,525,000	Ordinary shares of Rs. 10 each fully paid in cash	**65,250,000**	65,250,000
18,313,430	18,313,430	Ordinary shares of Rs. 10 each as fully paid bonus shares	**183,134,300**	183,134,300
24,838,430	24,838,430		**248,384,300**	248,384,300

13.1 There is no agreement with shareholders for voting rights, board selection, rights of first refusal and block voting.

14	SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	Note	2018 Rupees	2017 Rupees
	On freehold land			
	Gross surplus			
	Balance as at 01 October		**539,009,990**	539,009,990
	Revaluation increase recognized during the year		**95,000,000**	-
			634,009,990	539,009,990
	On building / plant and machinery			
	Gross surplus			
	Balance as at 01 October		**658,702,814**	720,412,736
	Revaluation increase recognized during the year		**623,821,347**	-
	Surplus realized on disposal of property, plant and equipment		**-**	(25,689,285)
	Incremental depreciation transferred to retained earnings		**32,935,141**	(36,020,637)
			1,315,459,302	658,702,814
	Related deferred tax charge			
	Balance as at 01 October		**(197,610,844)**	(216,123,821)
	Deferred tax on surplus arise during the year		**(174,669,977)**	
	Deferred tax relating to disposal of property, plant and equipment		**-**	7,706,786
	Effect of change in tax rate		**13,174,056**	-
	Incremental depreciation transferred to retained earnings		**(9,221,839)**	10,806,191
			(368,328,604)	(197,610,844)
			1,581,140,688	1,000,101,960

15	LONG TERM FINANCES - Secured	Note	2018	2017
	Pair Investment Company Limited -*Conventional bank*	*15.1*	**57,142,858**	85,714,286
	MCB Islamic Bank Limited -*Islamic bank*	*15.2*	**157,803,427**	210,303,427
	Less: current maturity shown under current liabilities		**(81,147,284)**	(81,147,284)
			133,799,001	214,870,429

15.1 This represents term finance facility of Rs.100 million obtained for maintenance and expansion of existing plant and machinery. The loan is repayable in 14 equal quarterly installments commenced from April 20, 2017 and carries mark up at the rate of 3 months KIBOR plus 2.5% per annum. The loan is secured by way of 1st Pari passu charge over fixed assets of the Company i.e. plant and machinery of Rs.120 million and land and building of Rs. 40 million and personal guarantees of sponsoring directors.

15.2 This represents Diminishing Musharika facility of Rs.210 million obtained for the purchase of machinery items for mill house ('diminishing musharika assets').The facility carries profit at the rate of 3 months KIBOR plus 1.6% with floor of 5% and cap of 25%. The loan is secured by 1st exclusive charge over specific diminishing musharika assets of 210 million

16	LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES	Note	2018 Rupees	2017 Rupees
	Balance as at October 01		**495,751,880**	172,060,302
	Assets acquired during the year		**234,342,819**	200,553,484
	Transfer from Long term finance upon conversion to LF		**-**	179,000,000
			730,094,699	551,613,786
	Less: Installments paid during the year		**(159,838,782)**	(55,861,906)
		16.1	**570,255,917**	495,751,880
	Less: Current maturity shown under current liabilities		**(118,004,946)**	(105,399,275)
	Balance as at September 30		**452,250,971**	390,352,605

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
At September 30, 2018	Rupees	
Principal	**118,004,946**	452,250,971
Finance charges allocated to future years	**48,339,373**	60,347,833
Total lease rentals	**166,344,319**	512,598,804
At September 30, 2017		
Principal	**105,399,275**	390,352,605
Finance charges allocated to future years	**40,443,687**	51,386,777
Total lease rentals	**145,842,962**	441,739,382

16.2 This represents lease arrangements for assets leased from Orix Leasing Pakistan Limited, NBP (Aitemaad) Islamic Banking, MCB Bank Limited, JS Bank Limited, Sindh Leasing Limited and Sindh Modaraba. 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 exclusive charge of 100 million over musharika asset, 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.

17 DEFERRED LIABILITIES

	Note	2018	2017
		Rupees	
Deferred taxation - net	*17.1*	**349,518,020**	230,991,535
Sugar cane grower's payable	*17.2*	**146,363,591**	146,363,591
Sales tax	*17.3*	**48,518,096**	48,518,096
Market committee fee	*17.4*	**23,868,214**	23,868,214
Accumulated leave absences		**4,058,088**	3,046,197
		572,326,009	452,787,633

17.1 Deferred taxation - net

	2018	2017
Deferred tax liability arising in respect of:		
- Accelerated tax depreciation	**250,673,264**	204,654,944
- Surplus on revaluation of property, plant and equipment	**368,328,604**	197,610,844
	619,001,868	402,265,788
Deferred tax asset arising in respect of:		
- Finance Lease liability	**(159,671,657)**	(148,725,564)
- Provision for deferred liabilities	**(1,136,265)**	(913,859)
- Provision for slow moving and obsolete items	**(4,622,800)**	(4,953,000)
- Minimum tax carried forward	**-**	-
- Unused tax losses	**(104,053,126)**	(16,681,830)
	(269,483,848)	(171,274,253)
	349,518,020	230,991,535

17.2 This represents provision recorded in respect of a case pending before the Honourable High Court of Sindh against the sugarcane purchase price of Rs. 182 per 40 kgs as fixed for the season 2013-2014. The Honourable Court disposed of the case upon settlement with the consent of all the stake holders whereby it was settled that Sugar Mills shall purchase the sugarcane from growers at Rs. 160 per 40 kgs for crushing season 2014-15 whereas Rs. 12 per 40 kgs will be paid by the Government of Sindh. The Honourable Court has subjected this interim arrangement to the decision of Civil appeal No 48 of 2015 pending before the Honourable Supreme Court of Pakistan and also have ordered that the fate of remaining Rs. 10 i.e., difference of Rs. 182 and 172 will also be dependent on upon the decision of Honourable Supreme Court of Pakistan. The Company as a matter of prudence has accounted for the said difference of Rs. 10 per 40 kgs in the financial statements.

17.3 This represents the amount of liability against further tax chargeable u/s 3(1A) of the Sales Tax Act, 1990 relating to the period from December 2000 to June 2004. The matter is currently pending for adjudication in Honorable High Court of Sindh, Karachi against appeal filed by the tax authorities, against the order passed by the Appellate Tribunal in favor of the Company.

17.4 This represents a provision recognized by the Company on the basis of demand for fee raised by Market Committee, Hala (MC) by filing a suit for recovery with the Senior Civil Judge Hyderabad, Sindh in 2001. The MC could not justify its claim by providing any conclusive evidence as to how much sugar cane was brought and sold in the territory of the MC and was, thus, dismissed by the Senior Civil Judge Hyderabad, Sindh vide his judgment dated February 01, 2011. The MC then preferred an appeal against the said order with the Court of Learned District and Session Judge, Matiari which was also dismissed on December 19, 2012 since when MC has not preferred any appeal with the higher authorities. However, the Company has decided to retain the provision in anticipation of any further appeal that may be filed by MC in future.

18 TRADE AND OTHER PAYABLES

	Note	2018 Rupees	2017 Rupees
Cane growers		**2,973,840**	5,594,410
Suppliers - Stores		**61,162,280**	58,029,200
Accrued liabilities		**5,050,667**	5,046,381
Workers' profit participation fund	*18.1*	**2,110,409**	-
Workers' welfare fund		**12,827,887**	12,025,932
Payable to Provident Fund		**-**	1,669,255
Advances from customers	*18.2*	**348,072,518**	74,075,711
Sales tax payable		**6,881,575**	5,416,562
Advances deducted from staff against vehicles		**12,930,026**	9,281,006
Income tax deducted at source		**2,781**	666
		452,011,983	171,139,123

18.1 Workers' profit participation fund

	Note	2018	2017
Opening balance		**-**	2,937,842
Amount allocated during the year	*27*	**2,110,409**	-
		2,110,409	2,937,842
Amount paid during the year		**-**	(2,937,842)
		2,110,409	-

18.2 This includes advance received from Matol (Private) Limited of Rs 116.79 million (2017: 12.39 million).

19 ACCRUED MARK UP

	Note	2018 Rupees	2017 Rupees
Long term finances		**1,503,771**	19,553,442
Short term borrowings		**29,768,447**	30,013,188
		31,272,218	49,566,630

20 SHORT TERM BORROWINGS - SECURED

	Note	2018 Rupees	2017 Rupees
Conventional banks			
MCB Bank Limited - Agricultural finance		**60,000,000**	60,000,000
MCB Bank Limited - Running finance		**149,529,517**	53,200,093
MCB Bank Limited - Cash finance		**800,000,000**	607,915,000
Bank Alfalah Limited - Agriculture Finance		**-**	78,720,000
	20.1	**1,009,529,517**	799,835,093
Islamic banks			
Dubai Islamic Bank Pakistan	**20.2**	**250,000,000**	250,000,000
Meezan Bank Limited	**20.3**	**-**	166,723,340
		250,000,000	416,723,340
		1,259,529,517	1,216,558,433

20.1 These facilities were obtained to meet working capital requirements having aggregate limit amounting to Rs. 1,210 million (2017: 1,110 million). These facilities are secured against pledge of refined sugar, first exclusive registered hypothecation charge of 900 million over all present and future current assets, second ranking charge of Rs.315 million over fixed assets and personal guarantee of all sponsoring directors and continuing guarantee of the Company (for grower finance) along with charge over its current assets. Rate of markup for cash finance and running finance is 3MK + 1.25% and for agriculture finance is 12MK + 1.25%.

20.2 This represents Tijarah finance facility carrying markup at the rate of relevant KIBOR + 2%. This facility is secured against ranking charge over Plant and Machinery, stock and receivable with 25% margin.

20.3 This represents Tijarah finance facility carrying markup at the rate of relevant KIBOR + 1.25%. The limit of this facility is Rs. 500 million.

21 CURRENT PORTION OF LONG TERM LIABILITIES

	Note	2018 Rupees	2017 Rupees
Long term financing	*15*	**81,147,284**	81,147,284
Liabilities against assets subject to finance leases	*16*	**118,004,946**	105,399,275
		199,152,230	186,546,559

22 CONTINGENCIES AND COMMITMENTS

22.1 Contingencies

22.1.1 During the year ended September 30, 2018, the following development took place with respect to the contingent liability related to quality premium payable to growers as reported in Note 22.1 to audited financial statements of the Company for the year ended September 30, 2017:

In March 2018, the Honourable Supreme Court of Pakistan announced its final verdict on the Civil Appeals No. 334 to 344 of 2004 which were filed against the earlier judgment passed by the Honourable High Court of Sindh, in March 2003, with respect to the various constitutional petitions filed, by sugar mills, challenging the legality of the notification of quality premium payable issued by the Government of Sindh under clause (v) of section 16 of the Sugar Factories Control Act, 1950 in relation to the crushing season 1998-99 ('the impugned notification'). The Honourable Supreme Court of Pakistan, in its aforesaid verdict, upheld the said judgement of the Honourable High Court of Sindh and declared the impugned notification being valid and legally enforceable.

However, since, in relation to the crushing seasons subsequent to 1998-99, the Honourable Supreme Court of Pakistan ruled that no valid notification of quality premium payable could have been issued by the Government of Sindh (in view of a restraint order granted to the sugar mills, during the pendency of the aforesaid constitutional petitions, against the Government of Sindh from notifying quality premium), the Company's legal counsel expressed its opinion that no liability for payment of quality premium has arisen in respect of the period between the crushing season 1998-99 and date of the aforesaid verdict of the Honourable Supreme Court of Pakistan.

Keeping in consideration the above developments, the management is of the view that the question of recognition of a liability, or disclosure of a contingent liability, relating to quality premium no longer arises in relation to all the quality premium notifications issued before the date of the aforesaid decision of the Honourable Supreme Court of Pakistan.

22.1.2 The Government of Sindh, Agriculture, Supply and Prices Department, in exercise of the power conferred to it under Section 16 of the Sugar Factories Control Act, 1950, fixed the minimum price of sugarcane at the rate of Rs. 182 per 40 kg for crushing season 2017-18 vide its notification no. 8(142)/S.O(Ext)2017-18 dated December 05, 2017. Subsequently, in January 2018, the Honourable High Court of Sindh passed an interim order in relation to the Constitutional Petition No.D-8666 of 2017 wherein the sugar mills were directed to purchase the sugarcane at the rate of Rs. 160 per 40 kg from the growers for the crushing season 2017-18. As far as the payment of the rate differential of Rs. 22 per 40 Kg (i.e. R. 182 per 40 Kg less Rs. 160 per 40 Kg) is concerned, the matter is, currently, pending for adjudication before the Honourable High Court of Sindh having been adjourned sine die and to be revived for hearing after decision by the Honourable Supreme Court of Pakistan in Civil Appeal No. 48/ 2013 along with other connected petitions.

The Company's legal council is of the opinion that, currently, the matter is subjudice and, based on merit of the case, it is expected that the ultimate outcome of the case will be in favour of the sugar mill owners. Hence, in view of the above, no provision for the sugar cane rate differential amounthas been recognized in these financial statements.

22.2 Commitments

22.2.1 Corporate guarantees issued by the Company to MCB Bank Limited in favor of Matol (Private) Limited against Export Refinance Arrangement amount to Rs. 300 million (2017: Rs. 300 million).

22.2.2 Corporate guarantees issued by the Company to MCB Bank Limited in favor of Matiari Flour Mills (Private) Limited against Leasing facility amount to Rs. 222 million (2017: Rs. 222 million).

22.2.3 Corporate guarantees issued by the Company to Dubai Islamic Bank Pakistan in favor of Matiari Health Services (Private) Limited against Diminishing Musharaka Facility amount to Rs. 210 million.

22.2.4 Capital commitments related to various suppliers amount to Rs. 24,321,661 (2017: 47,877,381).

		Note	2018	2017
			Rupees	
23	**SALES - NET**			
	Local sales		**2,343,160,235**	2,445,831,181
	Less: Sales tax and special excise duty		**(231,570,885)**	(203,928,451)
	Brokerage expense		**(487,144)**	(434,065)
			(232,058,029)	(204,362,516)
			2,111,102,206	2,241,468,665
24	**COST OF SALES**			
	Opening stock of finished goods		**409,227,118**	46,474,853
	Add: cost of goods manufactured	*24.1*	**2,323,812,664**	2,625,664,773
			2,733,039,782	2,672,139,626
	Less: closing stock of finished goods		**(734,311,919)**	(409,227,118)
			1,998,727,863	2,262,912,508

24.1 Cost of goods manufactured

	Note	2018	2017
		Rupees	
Raw material consumed		2,061,223,452	2,489,060,607
Chemicals and packing material consumed		42,349,317	33,684,929
Fuel and power		13,494,767	7,430,346
Salaries, wages and benefits	24.1.1	206,999,341	190,355,526
Stores, spares and maintenance		44,923,058	36,669,978
Vehicles maintenance		6,286,705	4,866,892
Insurance		8,248,196	5,896,925
Others		6,453,315	5,174,604
Depreciation	4.3	91,162,452	72,584,422
		2,481,140,603	2,845,724,229
Sale of by-products		(157,922,620)	(219,936,472)
Opening work in process		758,709	635,725
Closing work in process		(164,028)	(758,709)
		594,681	(122,984)
Cost of goods manufactured		2,323,812,664	2,625,664,773

24.1.1 This includes Rs. 2,694,072 (2017: Rs.2,471,624/-) in respect of staff retirement benefits.

25 ADMINISTRATIVE EXPENSES

	Note	2018	2017
		Rupees	
Directors' remuneration	31	15,695,430	14,648,200
Salaries, wages and benefits	25.1	62,749,270	55,518,062
Rent, rates and taxes		155,900	226,028
Insurance		1,923,840	2,195,980
Water, gas and electricity		3,235,249	3,491,495
Printing and stationery		1,567,888	1,796,386
Postage and telephone		1,819,271	2,046,761
Vehicles maintenance		2,900,328	2,448,021
Repairs and maintenance		4,270,817	4,569,958
Travelling and conveyance		1,194,118	1,286,681
Subscription, books and periodicals		697,151	2,318,039
Legal and professional charges		8,889,642	5,192,680
Entertainment		1,551,378	1,661,410
Auditors' remuneration / Audit fee		688,176	637,200
Cost auditors' remuneration		-	140,400
Miscellaneous expenses		1,152,374	347,655
Depreciation	4.3	11,778,489	12,792,436
		120,269,321	111,317,392

25.1 This includes Rs. 1,897,176 (2016: Rs.1,402,963) in respect of staff retirement benefits.

26 DISTRIBUTION COST

	Note	2018	2017
		Rupees	
Loading and unloading charges		665,194	549,948
Other expenses		2,146,957	1,207,490
		2,812,151	1,757,438

27 OTHER OPERATING COST

	Note	2018	2017
		Rupees	
Workers' profit participation fund		**2,110,409**	-
Workers' welfare fund		**801,955**	-
		2,912,364	-

28 OTHER INCOME

	2018	2017
Income from financial assets:		
Profit on bank deposit	**2,037,494**	1,629,720
Interest income on loans to growers	**1,753,759**	910,488
Dividend income	**166,441,340**	97,693,830
Income from other than financial assets:		
Realised farming income	**11,045,678**	13,140,129
Change in fair value less costs to sell of biological assets	**8,008,000**	6,252,000
Gain on sale of property, plant and equipment	**1,735,480**	69,931,399
Miscellaneous	**-**	100,000
	191,021,751	189,657,566

29 FINANCE COST

	2018	2017
Mark up on long term finances	**6,775,605**	8,301,487
Mark up on short term borrowings	**86,077,938**	87,878,349
Financial charges on leased assets	**43,948,383**	15,921,639
Bank charges	**1,304,513**	2,771,727
	138,106,439	114,873,202

30 TAXATION

	2018	2017
Current	**30,345,247**	46,074,864
Prior	**998,377**	-
Deferred		
- due to origination and reversal of temporary differences	**(40,744,057)**	(49,826,474)
- due to change in tax rate	**(2,225,379)**	-
	(42,969,436)	(49,826,474)
	(11,625,812)	(3,751,610)

30.1 Income tax assessments of the Company are deemed to be finalized as per tax returns file up to tax year 2018. 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 a deemed assessment order for audit.

30.2 The numerical reconciliation between the tax expense and accounting profit has not been presented for the current year and comparative year in these financial statements as the total income of the Company for the current year and comparative year attracted minimum tax under Section 113 of the Income Tax Ordinance, 2001.

30.3 According to management, the tax provision made in the financial statements is sufficient. A comparison of last three years of income tax provision with tax assessed is presented below:

Provision for taxation	Tax Year	Provision for	Tax assessed
		Rupees	
September 30, 2017	2018	46,074,864	47,073,241
September 30, 2016	2017	34,191,796	34,330,480
September 30, 2015	2016	58,821,179	58,821,179

31 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

31.1 The aggregate amounts charged in these financial statements in respect of remuneration including benefits to chief executive officer, directors and other executives of the Company are given below:

Particulars	2018				2017			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
	Rupees							
Managerial remuneration	15,695,430	-	18,789,819	34,485,249	14,648,200	-	17,057,643	31,705,843
Retirement benefits	-	-	1,461,116	1,461,116	-	-	1,335,065	1,335,065
Other benefits	-	-	18,263,134	18,263,134	-	-	17,691,289	17,691,289
Meeting fees	-	45,000	-	45,000	-	95,000	-	95,000
	15,695,430	45,000	38,514,069	54,254,499	14,648,200	95,000	36,083,997	50,827,197
No. of Persons	1	8	18	27	1	8	19	28

31.2 In addition, Chief Executive, Directors and all the Executives of the Company have been provided with free use of Company owned and maintained cars and other benefits in accordance with their terms of employment / services.

	2018	2017
32 EARNINGS PER SHARE - BASIC AND DILUTED	Rupees	
Profit after taxation	**50,921,631**	(55,982,699)
	Number	
Weighted average number of ordinary shares outstanding	**24,838,430**	24,838,430
	Rupees	
Earnings per share - basic and diluted	**2.05**	(2.25)

32.1 There is no dilutive effect on basic earnings / loss per share of the Company, there are no convertible instruments in issue as at September 30, 2018 and September 30, 2017.

33 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties include subsidiary companies, the companies where directors also hold directorship, directors and key management personnel of the Company and their close family members and staff retirement funds. There are no transactions with the key management personnel other than under their terms of employment / entitlement. Contributions to the employees retirement benefits are made in accordance with terms of employees retirement benefits schemes.

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

Name of the related party	Relationship and percentage shareholding	Transactions during the year and year end balances	2018	2017
			Rupees	
Condor Security Services (Private) Limited	Associated company by virtue of common directorship	Security services hired	21,736,674	21,852,149
Matiari Health Services (Private) Limited	Associated company by virtue of common directorship	Payment against purcahse of share	25,957,425	21,470,406
		Balance outstanding at year end		
		Advance against purchase of share	49,957,425	24,000,000
Matol (Private) Limited	Parent Company holds 66.21% share capital	Dividend income	166,441,340	36,182,900
		Sale of molasses	136,559,990	194,513,840
		Balance outstanding at year end		
		Advance against sale of molasses	162,506,324	12,386,544
		Dividend receivable	45,720,670	61,510,930
Matiari Flour Mills (Private) Limited	Parent Company holds 99.5% share capital	*Balance outstanding at year end*		
		Advance for purchase of shares	147,000,000	147,000,000
Staff retirement benefit plan-Provident fund	Other related party	Contributions by the Company	4,591,248	4,185,591
		Balance outstanding at year end	2,427,056	1,669,255

34 NUMBER OF EMPLOYEES

	2018	2017
	Number	
Total employees at year end	476	478
Average number of employees during the year	455	420
Employees working in the Company's factory at the year end	435	428
Average employees working in Company's factory during the year	396	381

35 PROVIDENT FUND DISCLOSURES

The Company operates an approved funded contributory provident fund for both its management and non-management employees. Details of net assets and investments of the fund as per its unaudited financial statements for the year ended as at June 30, 2018 are as follows:

	June 2018	June 2017
	Rupees	
	Un-audited	Audited
(i) Size of the fund	91,610,556	85,755,705
(ii) Cost of investment made	49,220,000	33,250,000
(iii) Percentage of investments made	53.73%	38.77%
(iv) Fair value of investments	94,391,387	84,596,418

35.1 Breakup of cost of investment is as under:

- Defence Saving Certificates	44,220,000	21,590,000
- Orix Leasing Pakistan Limited	5,000,000	11,660,000
	49,220,000	33,250,000

35.2 Breakup of investment - Percentage:

	June 2018	June 2017
- Defence Saving Certificates	**89.84%**	64.93%
- Orix Leasing Pakistan Limited	**10.16%**	35.07%

35.3 The contributions and investments out of the fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules / regulations formulated for the purpose.

36 CASH GENERATED FROM OPERATIONS

	2018	2017
	Rupees	
Profit / (loss) before taxation	**39,295,819**	(59,734,309)
Adjustments for non cash and other items:		
Depreciation	**102,940,941**	85,376,858
Finance cost	**138,106,439**	114,873,202
Gain on sale of property, plant and equipment	**(1,735,480)**	(69,931,399)
Change in fair value less costs to sell of biological assets	**(8,008,000)**	(6,252,000)
Dividend income	**(166,441,340)**	(97,693,830)
Provision for workers' profit participation fund	**2,110,409**	-
Provision for workers' welfare fund	**801,955**	-
Profit on bank deposit	**(2,037,494)**	(1,629,720)
Interest on loan to growers	**(1,753,759)**	(910,488)
Provision for accumulated leave absence	**1,011,891**	182,859
	64,995,562	24,015,482
Operating (loss) / profit before working capital changes	**104,291,381**	(35,718,827)
Working capital changes		
(Increase) / decrease in current assets		
Stores, spares and loose tools	**11,520,736**	54,799,879
Stock in trade	**(324,490,120)**	(362,875,249)
Trade debts	**159,412,035**	(159,411,273)
Loans, advances, prepayments and other receivables	**336,742,316**	(89,136,721)
	183,184,967	(556,623,364)
Increase in current liabilities		
Trade and other payables	**262,170,236**	(19,154,356)
	445,355,203	(575,777,720)
	549,646,584	(611,496,547)

37 PRODUCTION CAPACITY

	2018	2017
	M.tons	
Sugarcane Crushing capacity per day	**4,200**	4,200
Sugarcane Crushing capacity based on operational days	**613,200**	588,000
Actual Sugarcane crushed	**513,006**	500,203
Sugar Production	**55,741**	51,657
Capacity utilization	**84%**	85%

37.1 The estimated production capacity is based on 150 days of crushing. However, the actual crushing days were only 146 days (2017: 140 days).

38 FINANCIAL INSTRUMENTS DISCLOSURES

38.1 Financial risk management

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (interest/mark-up rate risk). The Company's overall risk management program focuses on the unpredictability of markets and seeks to minimize potential adverse effects on the financial performance. The Company consistently manages its exposure to financial risk without any material change from previous periods in the manner described in notes below.

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

a) Credit risk

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

Exposure to credit risk

Credit risk of the Company arises from long term loans, long term deposits, trade debts, short term loans, trade deposits, other receivables and bank balances. The management continuously monitors the credit exposure towards the clients and makes provision against those balances considered doubtful of recovery.

The Company's management, as part of risk management policies and guidelines, reviews clients' financial position, considers past experience. Further, credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings.

The carrying amount of financial assets represent the maximum credit exposure at the reporting date, which are detailed as follows:

	2018	2017
	Rupees	
Long term deposits	**57,161,310**	55,166,811
Trade debts - unsecured	**72,988**	159,485,023
Short term loans	**34,124,459**	121,224,768
Other receivables	**575,000**	575,000
Bank balances	**41,775,403**	30,363,580

The aging analysis of the trade debts as at the reporting date is as follows:

	2018		2017	
	Gross Value	Impairment	Gross Value	Impairment
	Rupees			
Not past due	**72,988**	-	159,485,023	-
Past due 1 to 180 days	-	-	-	-
More than 180 days	-	-	-	-
	72,988	-	159,485,023	-

Based on past experience, consideration of financial position, past track records and recoveries, the Company believes that trade debtors considered good do not require any impairment except for which has already been provided. None of the other financial assets are either past due or impaired.

The credit quality of the Company's bank balances can be assessed with reference to external credit ratings as

Short term rating	2018	2017
	Rupees	
A-1+	**41,763,549**	29,703,864
A-1	**11,854**	-
A+	-	152,382
AA-	-	507,334
	41,775,403	30,363,580

Due to the Company's long standing business relationships with the counter parties and after giving due consideration to their strong financial standing, management does not expect non-performance by the counter parties on their obligations to the Company. Accordingly, the credit risk is minimal.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of adequate funds through committed credit facilities and the ability to close out market positions due to dynamic nature of the business. The Company finances its operations through equity, borrowings and working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. The management aims to maintain flexibility in funding by keeping regular committed credit lines.

The following are the contractual maturities of financial liabilities:

Non-derivative financial liabilities	**September 30,2018**			
	Carrying amount	**Contractual cash flows**	**Up to one year**	**More than one year**
		(Rupees)		
Long term finances - secured	**214,946,285**	**243,849,559**	**96,271,375**	**147,578,184**
Liabilities against assets subject to financ	**570,255,917**	**633,155,145**	**131,020,892**	**502,134,253**
Trade and other payables	**452,011,983**	**452,011,983**	**452,011,983**	-
Accrued mark up	**31,272,218**	**31,272,218**	**31,272,218**	-
Short term borrowings - secured	**1,259,529,517**	**1,259,529,517**	**1,259,529,517**	-
	2,528,015,920	**2,619,818,422**	**1,970,105,985**	**649,712,437**

Non-derivative financial liabilities	September 30,2017			
	Carrying amount	Contractual cash flows	Up to one year	More than one year
		(Rupees)		
Long term finances - secured	296,017,713	320,157,957	87,764,845	232,393,112
Liabilities against assets subject to financ	495,751,880	544,013,326	115,659,894	428,353,432
Trade and other payables	171,139,123	171,139,123	171,139,123	-
Accrued mark up	49,566,630	49,566,630	49,566,630	-
Short term borrowings - secured	1,216,558,433	1,216,558,433	1,216,558,433	
	2,229,033,779	2,301,435,469	1,640,688,925	660,746,544

c) **Market risk**

Market risk means that the future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates and interest rates. The objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company's market risk comprises of three types of risks: foreign currency risk, interest rate risk and other price risk. The market risks associated with the Company's business activities are discussed as under:

i) **Foreign currency risk**

Foreign currency risk arises mainly where receivables and payables exist due to transaction in foreign currency. Currently, the Company is not exposed to currency risk as there are no foreign currency denominated receivables / payables as of the reporting date.

ii) **Interest rate risk**

Interest / mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest / mark-up rates. Sensitivity to interest / mark up rate risk arises from mismatches of financial assets and liabilities that mature or re-price in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The short term borrowing arrangements has variable rate pricing that is dependent on the Karachi Inter Bank Offered Rate (KIBOR) as indicated in respective notes.

At the reporting date, the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	2018	2017	2018	2017
	Effective interest rate (%)		Carrying amount (Rs.)	
Financial liabilities				
Long term financing	8.74% - 9.76%	7.65% - 8.66%	214,946,285	296,017,713
Liabilities against assets subject to finance leases	10.41% - 11.66%	9.16% - 10.31%	570,255,917	495,751,880
Short term borrowings	9.01%	7.65%	1,259,529,517	1,216,558,433
Financial Assets				
Cash at bank (deposit accounts)	4% - 5%	3.5% - 3.75%	41,775,403	30,363,580

Fair value sensitivity analysis for fixed rate instruments

As at reporting date, the Company does not hold any fixed rate interest based financial assets or liabilities carried at fair value.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rate at the reporting date would have affected profit or loss for the year by Rs. 20.45 million (2017: Rs. 20.06 million). This analysis assumes that all other variables remain constant. This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings

iii) **Other price risk**

Other price risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate because of changes in market prices such as equity price risk. As of the reporting date, the Company is not exposed to any price risk.

38.2 Fair value estimates

The Company measures the fair value of its financial and non-financial assets using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1 : Quoted market price (unadjusted) in an active market.

Level 2 : Valuation techniques based on observable inputs.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data.

Fair values of assets that are traded in active markets are based on quoted market prices. For all other assets the Company determines fair values using valuation techniques.

The table below analyses equity instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized:

	Level 1	Level 2	Level 3
September 30, 2018		Rupees	
Financial assets measured at fair value			
Investment in subsidiaries	-	788,600,421	-
Other assets measured at fair value			
Property, plant and equipment		2,489,699,477	
Biological assets	-	41,046,477	-
	-	3,319,346,375	-

	Level 1	Level 2	Level 3
September 30, 2017		Rupees	
Financial assets measured at fair value			
Investment in subsidiaries	-	749,986,030	-
Other assets measured at fair value			
Property, plant and equipment	-	1,760,737,452	-
Biological assets	-	27,175,386	-
	-	2,537,898,868	-

38.3 Financial instruments by categories

	2018	2017
	Rupees	
Financial assets - loans and receivables		
Long term deposits	**57,161,310**	55,166,811
Trade debts	**72,988**	159,485,023
Loans and other receivables	**34,699,459**	121,799,768
Cash and bank balances	**41,940,740**	30,449,511
	133,874,497	366,901,113
Financial assets - available for sale		
Investment in subsidiaries	**788,600,421**	749,986,030
Financial liabilities - at amortized cost:		
Long term finances - secured	**214,946,285**	296,017,713
Liabilities against assets subject to finance leases	**570,255,917**	495,751,880
Deferred liabilities	**150,421,679**	149,409,788
Trade and other payables	**82,116,813**	79,620,252
Accrued markup	**31,272,218**	49,566,630
Short term borrowings - secured	**1,259,529,517**	1,216,558,433
	2,308,542,429	2,286,924,696

39 CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, or issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectation of the shareholders. Debt is calculated as total borrowings ('long term loan', 'obligation under finance lease' and 'short term borrowings' as shown in the balance sheet). Following is the quantitative analysis of capital managed by the Company.

	2018	2017
	Rupees	
Total borrowings	**2,044,731,719**	2,008,328,026
Total equity	**2,842,963,960**	2,283,037,017
Total capital	**4,887,695,679**	4,291,365,043

40 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in their meeting held on 02 January 2019 has proposed cash dividend at the rate of 35% for the year ended September 30, 2018 (2017: 35% cash dividend). These appropriations will be placed before shareholders for approval in the forthcoming Annual General Meeting and the effect thereof will be accounted for in the financial statements for the year ending September 30, 2019.

41 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purposes of comparison and better presentation.

42 DATE OF AUTHORISATION FOR ISSUE

Theses financial statements were authorised for issue on 02 JAN 2019 by the Board of Directors of the Company.

43 GENERAL

Figures have been rounded off to the nearest rupee.

Chief Executive

Director