Annual Report 2013

THE THAL INDUSTRIES CORPORATION LIMITED

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COMPANY INFORMATION

BOARD OF DIRECTORS	:	**CHAIRMAN/CHIEF EXECUTIVE** Mr. Muhammad Shamim Khan **MANAGING DIRECTOR** Mr. Nauman Ahmed Khan **DIRECTORS** Mrs. Qaiser Shamim Khan Mr. Adnan Ahmed Khan Ms. Farrah Khan Mr. Muhammad Khan Mrs. Sarah H. Khan	
AUDIT COMMITTEE	:	Mr. Adnan Ahmed Khan Mrs. Qaiser Shamim Khan Mr. Muhammad Khan	(Chairman) (Member) (Member)
HUMAN RESOURCE & REMUNERATION COMMITTEE	:	Ms. Farrah Khan Mr. Muhammad Shamim Khan Mr. Adnan Ahmed Khan	(Chairman) (Member) (Member)
CHIEF FINANCIAL OFFICER	:	Mr. Mumtaz Hussain Khosa	
COMPANY SECRETARY	:	Mr. Wasif Mahmood	
AUDITORS	:	M/s. Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants, Lahore	
LEGAL ADVISOR	:	Mr. Shehzad Ata Elahi, Advocate Ch. Altaf Hussain Advocate	
BANKERS	:	Albaraka Bank Pakistan Limited Allied Bank Limited Bank Al-Habib Limited Barclays Bank Limited Bank Alfalah Limited BankIslami Pakistan Limited Faysal Bank Limited Habib Bank Limited JS Bank Limited KASB Bank Limited MCB Bank Limited Meezan Bank Limited NIB Bank Limited Standard Chartered Bank (Pakistan) Limited The Bank of Punjab United Bank Limited	
SHARE REGISTRAR	:	M/s. CORPLINK (Pvt) Ltd Wings Arcade, 1-K- Commercial Model Town, Lahore Tel: 042-35839182, 35887262 Fax: 042-35869037	
REGISTERED OFFICE	:	23- Pir Khurshid Colony Gulgasht, Multan Tel: 061-6524621, 6524675 Fax: 061-6524675	
LAHORE OFFICE	:	2-D-1 Gulberg-III, Lahore – 54600 Tel: 042-35771066-71 Fax: 042-35771175	
FACTORY ADDRESSES	:	Unit 1: Layyah Sugar Mills, Layyah Tel: 0606-411981-4 Fax: 0606-411284 Unit 2: Safina Sugar Mills, Lalian District Chinniot. Tel: 047-6610011-6 Fax: 047-6610010	
WEBSITE:	:	info@thalindustries.com	

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 60th Annual General Meeting of the Shareholders of The Thal Industries Corporation Limited will be held on Saturday, the 25th January, 2014 at 3:00 p.m. at 2 D-1, Gulberg-III, Lahore to transact the following business:-

ORDINARY BUSINESS:

a) Confirmation of the minutes of the 59th Annual General Meeting of the Thal Industries Corporation Limited held on 26-01-2013.

b) To receive, consider and adopt Annual Audited Accounts alongwith Balance Sheet for the year ended 30th September 2013 together with Auditors' and Directors' reports thereon.

c) To consider and approve cash dividend @ of Rs. 1.50 per share i.e.15% for the year ended 30th September, 2013.

d) To appoint Auditors for the year ending 30th September, 2014 and to fix their remuneration. M/s. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants retire. They have offered their services for re-appointment for the year ending 30-09-2014.

e) To consider any other business with the permission of the Chair.

BY ORDER OF THE BOARD

WASIF MAHMOOD
Company Secretary

Lahore: 26th December 2013

Note:

1. Share Transfer Books of the Company will remain closed from 19-01-2014 to 25-01-2014 (both days inclusive). No transfer of shares will be accepted for registration during the closed period. However, transfer received at the office of the Company's Share Registrar Office at M/s. Corplink (Pvt.) Limited, Wings Arcade, 1-K, Commercial Model Town, Lahore by the close of business hours on 18th January 2014 will be treated in time for the entitlement of payout of dividend.

2. Members are requested to attend in person alongwith national identity card or appoint some other member as proxy and send their proxy duly witnessed so as to reach at 2D-1 Gulberg III, Lahore not later than 48 hours before the time of holding the meeting.

3. Copies of Memorandum and Articles of Association of the Company, Listing Regulations of the Stock Exchanges, Companies Ordinance 1984 and other relevant laws/record may be inspected during the business hours on any working day at 2D-1, Gulberg III, Lahore from the date of the publication of the notice till the conclusion of the general meeting. A Corporate member of the Company may by a resolution of its Board of Directors authorize a person to act as its representative at the meeting.

4. Shareholders are requested to promptly notify the change in their address, if any to the Company's Share Registrar M/s. Corplink (Pvt.) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore and also furnish attested photocopy of their computerized National Identity Card as per Listing Regulations, if not provided earlier.

5. CDC shareholders are requested to bring with them their CNICs, Participants' ID numbers and their account numbers duly verified by the CDC at the time of attending the Annual General Meeting in order to facilitate identification. In case of corporate entity, a certified copy of the resolution passed by the Board of Directors/ valid Power of Attorney with specimen signatures of the nominee be produced at the time of meeting.

DIRECTOR'S REPORT TO THE MEMBERS

The Directors of your Company are pleased to present 60th Annual Report together with Audited Accounts and Auditor's Report thereon for the Year Ended 30 September 2013.

INDUSTRY OVERVIEW

There was an overall increase in sugarcane crop in acreage and also slight increase in sugarcane recovery but there was lower per acre yield during the year under review as compared to last year.

The sugarcane minimum price fixed by the Government was increased from Rs. 150 to Rs. 170 per 40 kg for the crushing season 2012-13 despite the depressed sugar price over the previous year in the local market as well as in the international markets. The depressed market conditions, higher cane crop and low demand in international markets kept sugar mills away from price competition over the sugar cane purchase around the country.

PERFORMANCE OF THE COMPNAY

During the year under review Company was able to crush 1,661,939 m. tons sugarcane and produced 161,733.45 m. tons refined sugar at an average recovery of 9.731% as compared to last year sugarcane crushing of 1,668,548 m. tons and production of 159,530.25 m. tons refined sugar at an average recovery of 9.56% over the same period of last year. Due to carry over stocks from the previous period, sugar mills remained under selling pressure throughout the year to meet working capital requirements and to clear the grower's liabilities against sugarcane purchased, therefore, the sugar market remained depressed even after the crushing season ended.

FINANCIAL HIGHLIGHTS

During the year under review the Company earned pretax profit of Rs. 314.789 million and after tax profit of Rs. 204.788 million as compared to last year pretax profit of Rs. 164.322 million and after tax of Rs. 106.609 million.

The increase in profitability is mainly due to increased sugar recovery as compared to last year recovery and partly due to carry forward sugar stocks of last year resulted in increased quantity of sales and as well as materialization of last year's high sale price contracts during the first half of the financial year under review.

FINANCIAL RESULTS

	2013	2012
	(Rupees in Million)	
Pre- Tax Profit	314.789	164.322
Provision for Taxation:	(95.637)	(37.073)
- Current	(14.364)	(20.640)
- Deferred		
Profit after Taxation	204.788	106.609
Accumulated profit brought forward	603.875	527.312
	808.663	633.921
APPROPRIATIONS		
Dividend paid during the year @ 10% (2012-20%)	(15.024)	(30.046)
Accumulated profit carried forward	793.639	603.875
Earnings per share (Rs.)	13.63	7.10

EARNING PER SHARE:

The earning per share of the company for the year under review stood at Rs. 13.63 (2012: Rs. 7.10)

DIVIDEND

Your management has recommended 15% (2012: 10%) cash dividend for the financial year ended 30 September 2013.

RESEARCH AND DEVELOPMENT

Agricultural R&D is an integral part of the Company's policy which entails identification and multiplication of promising sugarcane varieties and subsequently their commercial sowing through reliable growers with best agricultural practices. This not only increases per acre yield of growers (thereby enhancing their earning and creating more enthusiasm for sowing sugarcane compared to competing crops) but also increases the sugarcane supply to the Company and boost overall sugar recovery, directly improving the bottom line of the sugar industry.

Like previous years, your management has provided new improved varieties of sugarcane seed with high yield/ recovery and disease/frost resistance along with fertilizers and pesticides to cane growers on mark up free credit basis, as well as free of cost timely services of biological laboratory at their door step so that sugarcane procurement for the next crushing season may not suffer.

FUTURE OUT LOOK

It is expected that sugarcane supply for the coming crushing season 2013-14 would be in excess as to sugarcane crushing for the year under review.

Keeping in view the current depressed sugar market prices, government has decided to keep the cane support price constant at Rs.170 per maund for 2013-14 as well.

Keeping in view a better cane crop in the crushing season 2013-14, there will be over supply situation over consumption in the country and as a result sugar prices could remain under pressure, which would ultimately affect the profitability of the sugar industry negatively.

Facing an unprecedented third straight year of excess domestic production, our challenges in the Pakistani sugar industry have substantially changed. Now the industry must hasten its adoption of modern sugar practices from around the world, whereby we adopt steam efficiency measures and achieve additional capability of power generation for export to the national grid. Fortunately your company has had this vision for some time and management is already making many of these required changes and investments to keep it well ahead of its peers.

BMR & E/CAPACITY ENHANCEMENT

As a result of the BMR, capacity enhancement programs undertaken in 2012 at our both units i.e Layyah & Safina. The per day cane crushing capacity has been increased from 15,300 m. tons to 17,800 m. tons. However installation of high pressure boiler at Layyah is in the final stage of commissioning and expected to be completed by mid of cane crushing season, its completion will result in increased steam efficiency and increased capacity of power generation which will ultimately increase power generation revenue of the Company.

RELATED PARTIES DISCLOSURE

The transactions between the related parties were carried out at arm's length prices determined in accordance with the comparable uncontrolled market prices method. The Company has fully complied with the best practices on transfer pricing.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

a) The Financial statements prepared by the company fairly present its state of affairs, the result of operations, cash flows and changes in equity;

b) Proper books of accounts of the company have been maintained.

c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

d) International Financial Reporting Standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 have been followed in preparation of financial statements and there has been no departure there from.

e) The system of internal control has been designed and effectively implemented according to the requirement of the industry and on modern managerial principles which are being continuously reviewed and monitored. The review will continue in future for the improvement in control.

f) The company has adopted the centeral depository system and the listing regulations of Karachi Stock Exchange. So for 132,397 shares of the company have been got transferred by the shareholders to the Centeral Depository company of Pakistan Karachi:

g) The company has appointed M/s CORPLINK (Pvt) Ltd, independent share Registerar in terms of section 204-A of the Companies Ordinance, 1984.

h) There is no doubt upon the Company's ability to continue as a going concern:

i) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations of Stock Exchanges:

j) The key operating and financial data of last six (06) years is annexed herewith:

k) There are no statutory payments against the company on account of Taxes, duties, levies and other charges except for those which are being paid in the normal course of business:

l) The Company maintains unfunded gratuity scheme for its permanent employees:

m) There have been four board meetings during the year and attendance of each Director in the board meeting is stated under:

n) The Pattern of shareholders including additional informaiton is annexed.

o) No Share transactions have been reported by the Directors, CFO, other Executives, Auditors, Company secretary or their spouses and minor childern during the year ended 30 September, 2013.

BOARD MEETINGS

During the year under review, five board meetings were held and attendance of each Directors in board meeting was as under:

SR. NO.	NAME OF THE DIRECTORS	NO. OF MEETINGS ATTENDED
1	Mr. Muhammad Shamim Khan	4
2	Mrs. Qaiser Shamim Khan	4
3	Mr. Adnan Ahmad Khan	3
4	Mr. Nauman Ahmad Khan	3
5	Ms. Farrah Khan	4
6	Mr. Muhammad Khan	4
7	Mrs. Sarah H. Khan	4

Leave of absence was granted to Director, who could not attend the meeting due to preoccupied activities.

PATTERN OF SHARE HOLDING

The statement of pattern of shareholding alongwith categories of shareholding of the company as at September 30, 2013 required under section 236 of the Companies Ordinance, 1984 and Code of Corporate Governance is annexed with this report.

AUDITORS

The present Auditors M/S Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants retire and being eligible, offer their services for re-appointment. The Audit Committee has recommended M/S Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants for reappointment as Auditors for the year ending 30 September, 2014.

OTHER STATEMENTS AND REPORTS

Statement of Ethics and Business Practices, Six years summary of financial highlights, Pattern of Shareholding, Statement of compliance with the Code of Corporate Governance and Auditors' Reoprt in this regard are also presented.

ACKNOWLEDGEMENT

The directors would like to record their appreciation for the efforts and devotion of all the Company's employees and hope that they will continue their contributions towards the enhancement of productivity and well being of the Company in future as well.

For and on behalf of Board of Directors,
The Thal Industries Corporation Ltd.

Muhammad Shamim Khan
Chairman/Chief Executive

Lahore: 26th December, 2013

VISION STATEMENT

We shall build on our core competencies and achieve excellence in performance to become a leading producer of best quality sugar. In doing so we aim to meet or accede the expectations of all our stakeholders.

Our goal is not only to attain technological advancements in the field of sugar but also to inculcate the most efficient, ethical and time tested business practices in our management.

Furthermore, we shall strive to innovate the ways for the improvement and increase in per acre yield of sugarcane and introduce improved varieties of sugarcane having better yield characters, high sucrose contents, disease and drought resistant and better ratooning crop in the region. We shall introduce the mechanized sugarcane cultivation mehtod to the growers and to educate regarding latest developments of agriculture technology and free consultancy of professionals.

MISSION STATEMENT

We aim to be a leading producer and supplier of quality sugar by adopting the most technological advancement. We intend to play a pivotal role in the economic development of Pakistan.

CORPORATE STRATEGY

Our corporate strategy and objectives for the future are to find new and improved means of cost reduction, fuel economy and to acquire advanced manufacturing capabilities to support our product development efforts and product line expansion and stand ready to leverage our debt and be responsive to the changing economic scenario. We believe in harnessing the inherent strengths of available human resource and materials to the utmost and a commitment for building a solid foundation poised for sustainable growth for the long-term benefit of our shareholders and employees.

CORE VALUES

- Strive for excellence and build on our core competencies.
- Keep up with technological advancements in our biological control laboratory and extend the Research & Development Programme to control sugarcane crop diseases.
- Inculcate efficient, ethical and time tested business practices in our management.
- Work as a team and support each other.
- Put the interest of the company before that of the individuals.

STATEMENT OF ETHICS & BUSINESS PRACTICES

After taking over of The Thal Industries Corporation Limited in 1998 the aim of the new management is to produce quality product for its customers. We ensure transparency and professionalism at every step of our dealings, and look after the interests of stakeholders.

The statement of the company is based on the following principles.

Quality of Product:

- We would strive to produce the best quality / refined sugar for consumers.
- We would continuously update ourselves with technological advancements in sugar industry and strive to implement these changes in our company.
- We would maintain all relevant technical and professional standards to be compatible with requirements of the industry.

Dealing with Employees:

- We recognize and appreciate employees for their performance.
- We measure the performance of our employees by their ability to meet their objectives, their conduct at work, and their dealings with others both within and outside the organization, their contribution towards training peoples and successful planning, and innovation at their work place.
- We provide congenial work atmosphere where all employees are treated with respect and dignity and work as a team to achieve common objective.
- Unless specifically mentioned, all rules and regulations prevailing in the company apply to all levels of employees of the company.

Responsibility to Society / Interested Sectors:

We have an important role towards our society, shareholders, creditors and particularly to the sugarcane growers and the Government. Our dealings are transparent with all our customers / suppliers so as to meet the expectations of the people who deal with us.

We meet all our obligations and ensure timely compliance.

Financial Reporting & Internal Controls:

Our policies with reference to accounting, finance and corporate matters are governed by relevant corporate regulations, Companies Ordinance 1984, and the Code of Corporate Governance. It is our responsibility to comply with International Financial Reporting Standards (IFRSs) as applicable in Pakistan for the preparation of financial statements with any departure therefrom being adequately disclosed.

We are in the process of establishing an efficient internal Audit department to enhance the scope of Internal control and data generated by the Company. It also helps in building the confidence of our creditors, financial institutions and other interested organizations.

Purchase of Goods & Timely Payment:

To ensure cost effectiveness, we only purchase goods and services that meet our specifications and are competitively priced. To gauge the market conditions and availability of substitute products or services, we obtain quotations from various sources before finalizing our decision, so as not to hurt the confidence, reliability and trust of our suppliers. We ensure timely payments after deducting applicable taxes.

Conflict of Interest:

Activities and involvements of the directors and employees of the company in no way conflict with the interest of the company. All acts and decisions of the management are based keeping in view of the interest of the company.

Observance to Laws of the Country:

The company fulfils all statutory requirements of the Government and follows all applicable laws of the country.

Objectives of the Company:

We at The Thal Industries Corporation Limited, recognize the need of working at the highest standards to attain greater levels of performance. We endeavor to meet the expectations of all our stakeholders.

We conduct the business of the company with integrity and believe in quality.

We produce and supply goods and information with great care and competence to ensure that customers and creditors receive service that they deserve.

We respect that confidentiality of the information acquired during the course of our dealings with the interested parties and refrain from acting in any manner which discredit the company.

SIX YEARS SUMMARY OF FINANCIAL HIGHLIGHTS

OPERATING PERFORMANCE:

	2013	2012	2011	2010	2009	2008
Quantitative Data (M. Tons)						
Cane Crushed	1,661,939	1,668,548	1,380,805	1,154,967	1,142,669	1,022,696
Sugar Produced	161,733	159,530	121,024	99,829	105,601	92,703
Raw Sugar Processed	-	-	2,096	-	-	-
Sugar Produced from Raw Sugar	-	-	1,986	-	-	-
Profitability (Rs in 000)						
Gross Sales	10,319,973	7,948,675	8,019,513	6,791,240	2,448,836	2,434,136
Sales (Net)	9,543,137	7,374,484	7,378,520	6,535,895	3,804,992	2,190,647
Gross Profit	986,893	674,490	950,816	686,998	659,994	289,780
Profit before Taxation	314,789	164,323	290,741	229,991	307,071	133,605
Profit after Taxation	204,788	106,609	183,697	119,191	195,874	104,520
Financial Position (Rs in 000)						
Tangible Fixed Assets	2,454,555	1,812,174	1,653,701	1,698,563	1,720,743	1,086,852
Other Non Current Assets	3,153	3,153	3,325	7,987	7,052	6,896
	2,457,708	1,815,327	1,657,026	1,706,550	1,727,795	1,093,748
Current Assets	2,318,453	3,081,126	2,368,028	1,305,885	1,245,821	1,021,768
Current Liabilities	2,308,188	2,700,540	2,120,560	1,207,049	1,199,468	877,616
Net Working Capital Employed	10,265	380,586	247,468	98,836	46,353	144,152
Capital Employed	2,467,973	2,195,913	1,904,494	1,805,386	1,774,148	1,237,900
Long Term Loan & Other Liabilities	1,430,301	1,348,006	1,133,150	1,195,204	1,253,111	890,203
Shareholder's Equity	1,037,672	847,907	771,344	610,182	521,037	347,697
Represented By:						
Share Capital	150,232	150,232	150,232	150,232	150,232	150,232
Reserve & Unappropriated						
Profit/ (Loss) Carried Forward	887,439	697,675	621,112	459,950	370,805	197,466
	1,037,672	847,907	771,344	610,182	521,037	347,698
Ratios						
Gross Profit Ratio (%age)	10.34	9.15	12.89	10.51	17.35	13.23
Net Profit Before Tax Ratio (%age)	3.30	2.23	3.94	3.52	8.07	6.10
Debt to Equity Ratio (Excluding Directors Loan)	11:89	11:89	32:68	41:59	42:58	5:95
Current Ratio	1.00	1.14	1.12	1.08	1.04	1.16
Break up Value per Share (Rs.)	69.07	56.44	51.34	40.62	34.68	23.14
Earning per Share (Rs.)	13.63	7.10	12.23	7.93	13.04	6.96
Dividend (%age)	15.00	10.00	15.00	20.00	15.00	7.50
Dividend Paid (Rs in 000)	22,535	15,023	22,535	30,046	22,535	11,267

FORM-34
THE COMPANIES ORDINANCE 1984

(Section 236(1) and 464)
PATTERN OF HOLDING OF SHARES

1. Incorporation Number **0000619**

2. Name of the Company **THE THAL INDUSTRIES CORP. LIMITED**

3. Pattern of holding of the shares held by the shareholders as at 30/09/2013

4. Number of Shareholders	Shareholdings		Total Shares Held
	From	To	
491	1	100	21,876
241	101	500	64,298
119	501	1,000	89,167
100	1,001	5,000	238,388
15	5,001	10,000	104,084
3	10,001	15,000	30,320
2	15,001	20,000	38,570
2	30,001	35,000	61,244
8	45,001	50,000	394,708
1	50,001	55,000	55,000
2	55,001	60,000	115,500
2	60,001	65,000	124,000
1	65,001	70,000	68,000
2	75,001	80,000	156,000
2	80,001	85,000	163,500
4	90,001	95,000	377,753
5	95,001	100,000	498,550
4	100,001	105,000	411,500
6	105,001	110,000	654,000
3	115,001	120,000	359,000
1	120,001	125,000	125,000
1	130,001	135,000	135,000
1	145,001	150,000	150,000
1	150,001	155,000	150,013
2	175,001	180,000	358,000
1	180,001	185,000	182,500
1	190,001	195,000	191,807
2	195,001	200,000	398,500
1	200,001	205,000	201,069
1	205,001	210,000	209,878
2	225,001	230,000	455,500
1	240,001	245,000	242,000
2	250,001	255,000	507,463
1	255,001	260,000	256,694
1	265,001	270,000	267,960
1	305,001	310,000	308,000
1	785,001	790,000	786,480
1	1,215,001	1,220,000	1,216,060
1	4,855,001	4,860,000	4,855,850
1036			**15,023,232**

5.	Categories of shareholders	Shares Held	Percentage
5.1	Directors, Chief Executive Officers, and their spouse and minor childern	7,346,350	48.8999%
5.2	Associated Companies, undertakings and related parties.	0	0.0000%
5.3	NIT and ICP	25	0.0002%
5.4	Banks Development Financial Institutions, Non Banking Financial Institutions.	0	0.0000%
5.5	Insurance Companies	170	0.0011%
5.6	Modarabas and Mutual Funds	0	0.0000%
*5.7	Share holders holding 10%		
5.8	General Public		
	a. Local	7,662,898	51.0070%
	b. Foreign	0	0.0000%
5.9	Others (to be specified)		
	Joint Stock Companies	12,980	0.0864%
	Abandoned Properties	809	0.0054%
		15,023,232	100%

*** Note:**

This being a part of item No. 5.1 therefore, it is not counted again in doing grand total.

CATEGORIES OF SHARE HOLDERS
AS REQUIRED UNDER C.C.G.
AS ON 30TH SEPTEMBER 2013

S. No.	NAME	HOLDING	%AGE
	DIRECTORS, CEO THEIR SPOUSES & MINOR CHILDREN		
1	Mr. Muhammad Shamim Khan	4,855,850	32.3223%
2	Mrs. Qaiser Shamim Khan	786,480	5.2351%
3	Mr. Adnan Ahmed Khan	267,960	1.7836%
4	Mr. Nauman Ahmed Khan	1,216,060	8.0945%
5	Ms. Farrah Khan	55,000	0.3661%
6	Mr. Muhammad Khan	5,000	0.0333%
7	Mrs. Sarah Hajra Khan	50,000	0.3328%
8	Mrs. Aamra Khan w/o Adnan Ahmed Khan	50,000	0.3328%
9	Mrs. Aniqa Khan w/o Nauman Ahmed Khan	50,000	0.3328%
10	Rania Khan (Minor) Through Gardian Mr. Adnan Ahmed Khan	10,000	0.0666%
		7,346,350	48.8999%
	ASSOCIATED COMPANIES	0	0.0000%
	NIT & ICP		
1	Investment Corporation of Pakistan	25	0.0002%
	BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON BANKING FINANCE INSTITUTIONS	**0**	**0.0000%**
	INSURANCE COMPANIES		
1	Adamjee Insurance Company Limited	170	0.0011%
	MODARABA & MUTUAL FUND	0	0.0000%
	JOINT STOCK COMPANIES		
1	Ghulam Rasool & Sons	295	0.0020%
2	Sh. Mohammad Ibrahim and Sons	295	0.0020%
3	Manzoor Ahmad and Sons	63	0.0004%
4	M/S Rajput Metal Works Ltd.	7,509	0.0500%
5	Salim Sozer Securities (Private) Ltd. (CDC)	2,000	0.0133%
6	Sarfaraz Mahmood (Pvt) Ltd. (CDC)	3	0.0000%
7	Treet Corporation Limited (CDC)	68	0.0005%
8	Treet Corporation Ltd. (CDC)	247	0.0016%
9	Yasir Mahmood Securities (Pvt) Ltd. (CDC)	2,500	0.0166%
		12,980	0.0864%
	ABANDONED PROPERTIES		
1	Deputy Administrator Abandoned Properties Organization (CDC)	809	0.0054%
	SHARES HELD BY THE GENERAL PUBLIC	7,662,898	51.0070%
	TOTAL:	15,023,232	100.0000%

S. No.	NAME	HOLDING	%AGE
SHAREHOLDERS HOLDING 10% OR MORE OF TOTAL CAPITAL			
1	Mr. Muhammad Shamim Khan	4,855,850	32.3223%
SHAREHOLDERS HOLDING 5% OR MORE OF TOTAL CAPITAL			
1	Mr. Muhammad Shamim Khan	4,855,850	32.3223%
2	Mr. Nauman Ahmed Khan	1,216,060	8.0945%
3	Mrs. Qaiser Shamim Khan	786,480	5.2351%
		6,858,390	45.6519%

During the financial year the trading in shares of the company by the Directors, CEO, CFO, Company Secretary and their spouses and minor children is as follows:

S. No.	NAME	SALE	PURCHASE

NIL

STATEMENT OF COMPLIANCE WITH THE CODE OF
CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 SEPTEMBER 2013

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35 of listing regulations of Karachi Stock Exchange and Lahore Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Independent Directors	None
Executive Directors	Mr Muhammad Shamim Khan Mr Nauman Ahmad Khan Mr Muhammad Khan
Non-Executive Directors	Mr Adnan Ahmad Khan Ms Farrah Khan Mrs Qaiser Shamim Khan Mrs Sarah H. Khan

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.

3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy was occurred on the board during the year.

5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company alongwith its supporting policies and procedures.

6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies alongwith the dates on which they were approved or amended has been maintained.

7. All the powers of the board have been duly exercised and decisions on material transactions including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors have been taken by the board.

8. The meetings of the board were presided over by the Chairman and the board met at least once in every quarter. Written notices of the board meetings, alongwith agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The company arranged orientation course for all its seven Directors, who are fully aware of their duties and responsibilities. However, another fresh course for the Directors will be arranged very shortly and no training programme has been arranged during the year. It is also planned that some of the directors would attend mandatory courses for certification from SECP approved Institutions.

10. The directors' report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.

11. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.

12. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of share holding.

13. The company has complied with all the corporate and financial reporting requirements of the CCG.

14. The board has formed an Audit Committee. It comprises of three members of whom two are non executive directors and one is executive director. The Chairman of the committee is not an independent director.

15. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

16. The Board has formed a Human Resource and Remuneration (HR&R) Committee as required under CCG. It comprises three members, of whom one is executive director and the Chairman of the committee is a non executive director. Majority of members of the Committee are non executive directors.

17. The board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the company.

18. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges.

21. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.

22. We confirm that all other material principles enshrined in the CCG have been complied with except for the matters stated in paragraphs 1, 9, 14 & 16 towards which reasonable progress is being made by the company to seek compliance by the end of next accounting year.

For and on behalf of Board of Directors,
The Thal Industries Corporation Ltd.

Shamim Khan

Muhammad Shamim Khan
Chairman/Chief Executive

Lahore: 26th December, 2013

REVIEW REPORT TO THE MEMBERS

ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **The Thal Industries Corporation Limited** to comply with the listing regulation No. 35 of the Lahore and also of Karachi Stock Exchanges where the company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to the inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the company's corporate governance procedures and risks.

Further, listing regulations of the Lahore and Karachi Stock Exchanges require the company to place before the Board of Directors for their consideration and approval related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured the compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, we draw attention to the following paragraphs of statement of compliance with Code of Corporate Governance viz para 1 [Independent Directors], 9 [Training programme for directors], 14 [Audit Committee matters] and 16 [Members of HR & R Committee] except for these matters nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to company for the year ended 30 September 2013.

Rahman Sarfaraz Rahim Iqbal Rafiq

Rahman Sarfaraz Rahim Iqbal Rafiq
CHARTERED ACCOUNTANTS
Engagement Partner: Zubair Irfan Malik

LAHORE: DECEMBER 26, 2013

AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **THE THAL INDUSTRIES CORPORATION LIMITED** as at 30 September 2013 and the related profit & loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

b) in our opinion –

   i) the balance sheet and profit & loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
   ii) the expenditure incurred during the year was for the purpose of the company's business; and
   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit & loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 September 2013 and of the profit, its cash flows & changes in equity for the year then ended; and

d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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Rahman Sarfaraz Rahim Iqbal Rafiq

Rahman Sarfaraz Rahim Iqbal Rafiq
CHARTERED ACCOUNTANTS
Engagement Partner: Zubair Irfan Malik

LAHORE: DECEMBER 26, 2013

BALANCE SHEET
As at 30 September 2013

	Note	2013 Rupees	2012 Rupees
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Share capital	3	150,232,320	150,232,320
Revenue reserves	4	93,800,000	93,800,000
Accumulated profit		793,639,334	603,874,884
		1,037,671,654	847,907,204
Non Current Liabilities			
Long term finance	5	599,692,500	544,077,500
Liabilities against assets subject to finance lease	6	7,414,411	-
Loans from directors	7	574,800,000	574,800,000
Deferred liabilities	8	248,394,521	229,128,226
		1,430,301,432	1,348,005,726
Current Liabilities			
Trade and other payables	9	525,966,194	1,469,500,137
Finance cost payable	10	41,422,832	50,690,760
Short term borrowings-secured	11	1,164,557,276	878,699,011
Advances from directors	12	126,000,000	28,500,000
Current portion of long term liabilities	13	327,903,134	209,385,000
Provision for taxation		122,338,245	63,765,143
		2,308,187,681	2,700,540,051
Contingencies and Commitments	14		
		4,776,160,767	4,896,452,981

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

CHIEF EXECUTIVE

	Note	2013 Rupees	2012 Rupees
PROPERTY AND ASSETS			
Non Current Assets			
Property, plant & equipment	15	2,454,555,298	1,812,174,230
Long term deposits	16	3,152,900	3,152,900
		2,457,708,198	1,815,327,130
Current Assets			
Stores, spare parts and loose tools	17	300,255,813	414,186,509
Stock-in-trade	18	1,259,899,938	1,854,084,976
Trade debts	19	194,787,548	49,370,747
Loans and advances	20	256,132,452	473,023,292
Trade deposits, prepayments and other receivables	21	23,619,659	29,104,903
Taxes recoverable / adjustable	22	266,134,470	241,683,866
Cash and bank balances	23	17,622,689	19,671,558
		2,318,452,569	3,081,125,851
		4,776,160,767	4,896,452,981

DIRECTOR

PROFIT AND LOSS ACCOUNT
For the year ended 30 September 2013

	Note	2013 Rupees	2012 Rupees
Sales - net	24	9,543,136,975	7,374,483,890
Cost of sales	25	(8,556,244,420)	(6,699,993,880)
Gross profit		986,892,555	674,490,010
Operating expenses			
Distribution and selling expenses	26	(104,728,948)	(73,138,944)
Administrative expenses	27	(200,193,350)	(153,202,352)
		(304,922,298)	(226,341,296)
Operating profit		681,970,257	448,148,714
Other income	28	22,861,558	35,440,888
		704,831,815	483,589,602
Finance cost	29	(369,957,603)	(308,869,659)
Other expenses	30	(20,084,811)	(10,397,346)
		(390,042,414)	(319,267,005)
Profit before taxation		314,789,401	164,322,597
Taxation	31	(110,001,719)	(57,713,372)
Profit after taxation		204,787,682	106,609,225
Other Comprehensive Income:			
Other comprehensive income for the year - net of tax		-	-
Total Comprehensive Income for the year		204,787,682	106,609,225
Earnings Per Share - Basic and diluted	32	13.63	7.10

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

CHIEF EXECUTIVE **DIRECTOR**

CASH FLOW STATEMENT

For the year ended 30 September 2013

	Note	2013 Rupees	2012 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		314,789,401	164,322,597
Adjustment for:-			
Depreciation		184,016,050	153,620,928
Provision for gratuity		9,818,565	8,419,307
Finance cost		369,957,603	308,869,659
Workers' Profit participation fund		16,743,711	8,735,997
Workers Welfare fund		3,398,955	1,658,248
		583,934,884	481,304,139
Operating cash flows before changes in working capital		898,724,285	645,626,736
Changes in working capital	33	(199,902,898)	331,176,984
Cash generated from operations		698,821,387	976,803,720
Gratuity paid		(4,916,509)	(3,279,931)
Finance cost paid		(379,225,531)	(324,436,178)
Workers' profit participation fund paid		(8,319,063)	(15,604,122)
Workers Welfare fund paid		(1,658,248)	(5,736,840)
Income tax paid		(37,064,378)	(100,460,959)
Net cash flow from / (used in) operating activities		**267,637,658**	**527,285,690**
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(813,487,118)	(312,137,339)
Long term deposits		-	171,963
Proceeds from sale of Fixed Assets		-	43,010
Net cash used in investing activities		**(813,487,118)**	**(311,922,366)**
CASH FLOW FROM FINANCING ACTIVITIES			
Long term finance		170,615,000	228,462,500
Lease and security deposit payments		(1,977,455)	-
Short term borrowings - net		285,858,265	(362,799,701)
Advances from directors		97,500,000	(104,500,000)
Dividend paid		(8,195,219)	(29,774,730)
Net cash flow from/ (used in) financing activities		**543,800,591**	**(268,611,931)**
Net increase / (decrease) in cash and cash equivalents		(2,048,869)	(53,248,607)
Cash and cash equivalents at the beginning of the year		19,671,558	72,920,165
Cash and cash equivalents at the end of the year	23	**17,622,689**	**19,671,558**

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

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2013

PARTICULARS	SHARE CAPITAL	GENERAL RESERVES	ACCUMULATED PROFIT	TOTAL
	RUPEES			
Balance as on 01 October 2011	150,232,320	93,800,000	527,312,123	771,344,443
Cash dividend declared during the year @ 20% i.e. Rs. 2 per share for the year ended 30 September 2011	-	-	(30,046,464)	(30,046,464)
Profit for the year / Total Comprehensive Income for the year	-	-	106,609,225	106,609,225
Balance as on 30 September 2012	**150,232,320**	**93,800,000**	**603,874,884**	**847,907,204**
Cash dividend declared during the year @ 10% i.e. Re. 1 per share for the year ended 30 September 2012	-	-	(15,023,232)	(15,023,232)
Profit for the year / Total Comprehensive Income for the year	-	-	204,787,682	204,787,682
Balance as on 30 September 2013	**150,232,320**	**93,800,000**	**793,639,334**	**1,037,671,654**

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

CHIEF EXECUTIVE **DIRECTOR**

1. STATUS AND ACTIVITIES

The Thal Industries Corporation Limited (Company) is a public limited company incorporated in Pakistan on 07th September 1953 under the Companies Act, 1913 (now Companies Ordinance, 1984) and is listed on Lahore and Karachi Stock Exchanges of Pakistan. Its registered office is situated at 23-Pir Khurshid Colony, Gulgasht, Multan. The Company is principally engaged in production and sale of refined sugar and its by-products.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standard Board as are notified under the provisions of the Companies Ordinance, 1984 and provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of or directives under the Companies Ordinance, 1984 shall prevail.

2.2 Initial Application of a Standard, Amendment or an Interpretation to an Existing Standard and Forthcoming Requirements

a) Standards and interpretations to existing standards that are effective in current year:

During the current period, the Company has adopted the following amendments to IFRS which became effective for the current period:

- IAS 1 "Financial statements presentation" (amendments applicable for annual periods beginning on or after 1 July 2012). Amendments requires entities to group items presented in "other comprehensive income" (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified for which requirements of other IFRSs would apply in this regard.

- IAS 12 "Income taxes" (amendments applicable for annual periods beginning on or after 1 January 2012). The amendments provide an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset.

The adoption of the above amendments do not have material impact on these financial statements.

b) Forthcoming requirements not effective in current year and not considered relevant:

The following standards (revised or amended) and interpretations of approved accounting standards are only effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than increased disclosures in certain cases:

- IFRS 1 - "First time adoption of IFRSs" (amendments applicable for annual periods beginning on or after January 01, 2013).
- IFRS 7 - "Financial Instruments: Disclosures" (amendments applicable for annual periods beginning on or after January 01, 2015).
- IFRS 9 - "Financial Instruments: Classification and Measurement" (applicable for annual periods beginning on or after January 01, 2015).
- IFRS 10 - "Consolidated Financial Statements" - (amendments applicable for annual periods beginning on or after January 01, 2014).
- IFRS 11 - "Joint Arrangements" - (amendments applicable for annual periods beginning on or after January 01, 2013).
- IFRS 12 - "Disclosure of Interests in Other Entities" - (amendments applicable for annual periods beginning on or after January 01, 2014).
- IFRS 13 - "Fair Value Measurement" - (applicable for annual periods beginning on or after January 01, 2013).
- IAS 1 - "Presentation of Financial Statements" (amendments applicable for annual periods beginning on or after January 01, 2013).
- IAS 16 - "Property, Plant and Equipment" (amendments applicable for annual periods beginning on or after January 01, 2013).
- IAS 19 "Employee Benefits" (amendments applicable for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The Company's policy was to account for actuarial gains and losses using the corridor method. Management anticipates that the amendments will be adopted in Company's financial statements for annual period beginning on or after 1 January 2013 and application of amendments may have impact on amounts represented in respect of defined benefit plan - gratuity. The potential impact of the said changes on the financial position and performance for the year ended 30 September 2013 is estimated as under:

	(Rupees)
Net decrease in comprehensive income	10,429,648
Increase in deferred liabilities - staff gratuity	10,429,648

- IAS 27 - "Separate financial statements" (amendments applicable for annual periods beginning on or after January 01, 2014).
- IAS 28 - "Investments in Associates" (amendments applicable for annual periods beginning on or after 1 January 2013).

- IAS 32 - "Financial Instruments: Presentation" (amendments applicable for annual periods beginning on or after January 01, 2014).

- IAS 34 - "Interim Financial Reporting" (amendments applicable for annual periods beginning on or after January 01, 2013).

- IAS 36 - "Impairment of Assets" (amendments applicable for annual periods beginning on or after January 01, 2014).

- IAS 39 - "Financial Instruments: Recognition and Measurement" (amendments applicable for annual periods beginning on or after January 01, 2014).

- IFRIC 20- "Stripping Costs in the Production phases of a Surface Mine" (applicable for annual periods beginning on or after 1 January 2013).

- IFRIC 21- "Levies" (applicable for annual periods beginning on or after 1 January 2014).

Fourth Schedule to the Companies Ordinance, 1984

The Securities and Exchange Commission of Pakistan through S.R.O. 183(I)/2013 has notified certain amendments in the Fourth Schedule to the Companies Ordinance, 1984. These amendments have principally clarified certain matters, changed some of the presentation and classification requirements and incorporated additional disclosure requirements. The Company has adopted these changes which has resulted in additional disclosures made in the financial statements. However, no change in accounting policy was required and accordingly there was no impact on the amounts reported in these financial statements.

2.3 Accounting convention

The financial statements have been prepared under the "Historical Cost Convention" except for recognition of staff retirement benefits which is based on actuarial values and financial instruments which are stated at fair value. The financial statements, except for cash flow information, have been prepared under the accrual basis of accounting.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and reported amount 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 results of which form the basis of making the judgments about the 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. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The areas where various assumptions and estimates are significant to Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

- Useful life of depreciable assets (note 15.1)
- Contingencies (note 14)
- Provisions (note 2.6)
- Staff retirement benefits (note 8.1)
- Deferred taxation (note 8.2)

2.5 Staff retirement benefits

The Company operates an unfunded gratuity scheme (defined benefit plan) covering all permanent employees of the Company who have completed minimum qualifying period. Provisions are made annually to cover the obligation and charged to income currently, based on actuarial valuation by using the projected unit credit method. Actuarial gains and losses that exceed 10 percent of the greater of the present value of the company's defined benefit obligation and the fair value of assets (if any) are amortized over the expected remaining working lives of the participating employees. Past service cost is recognized immediately to the extent that the benefits are already vested and otherwise is amortized on a straight line basis over the average period until the benefits become vested.

2.6 Provisions

Provisions are recognized in the balance sheet when the Company has legal or constructive obligation as a result of past event, and it is probable that outflow of economic benefits will be required to settle the obligation. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

2.7 Taxation

<u>Current</u>

Provision for current taxation is based on taxable income at the current tax rates after taking into account tax rebates and tax credits available, if any.

<u>Deferred</u>

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the current rate of taxation. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the assets can be utilized. Deferred tax is charged and credited to income except in the case of items credited or charged to equity in which case it is included in equity.

2.8 Foreign currency transactions

Assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date, except those covered under forward exchange contracts which are stated at contracted rate. Foreign currency transactions are translated into Pak Rupees at the rates prevailing at the date of transaction except for those covered by forward contracts, which are translated at contracted rates. All exchange differences are included in profit and loss account currently.

2.9 Property, plant & equipment and depreciation

Operating fixed assets except freehold land are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land is stated at cost.

Depreciation is charged by applying the reducing balance method over its estimated useful life at the rates specified in note 15.1.

Depreciation is charged on additions during the year from the month in which property, plant and equipment become available for use while no depreciation is charged from the month of deletion / disposal.

The useful life and depreciation method are reviewed to ensure that the methods and period of depreciation charged during the year are consistent with the expected pattern of economic benefits from items of operating fixed assets. Appropriate adjustments are made if the impact of depreciation is significant.

Normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and assets so replaced, if any, are retired.

Gains and losses on disposal of property, plant and equipment are taken to profit and loss account.

2.10 Capital work in progress

Capital work in progress is stated at cost and represents expenditure incurred on fixed assets during the construction and installation. Costs may also include borrowing costs as stated in accounting policy for borrowing costs. Transfers are made to relevant property, plant and equipment category as and when assets are available for use.

2.11 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized as an expense in the period in which these are incurred.

2.12 Accounting for finance lease

Assets subject to finance lease are initially recorded at lower of the present value of minimum lease payments under the lease agreement and the fair value of leased assets. The related obligation under the finance lease less finance cost allocable to future period are shown as liability. Finance cost is allocated to accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged at the rates as charged to owned assets to write off the assets over the estimated useful life in view of the certainty of the ownership of the assets at the end of the lease period.

2.13 Ijarah

Ujrah payments under Ijarah agreements are recognized as an expense in the income statement on straight-line basis over the Ijarah term.

2.14 Stores, spares and loose tools

These are valued at moving average cost except stores in transit which are stated at cost comprising invoice value plus other charges paid thereon up to the balance sheet date. Adequate provision is made against items considered obsolete / slow moving.

2.15 Stock-in-trade

These are valued applying the following basis:

Work in process	At lower of cost and net realizable value
Finished goods	At lower of cost and net realizable value
Molasses	At net realizable value

Average cost in relation to work in process and finished goods means production cost including all production overheads. Net realizable value signifies the estimated selling price in ordinary course of business less cost necessary to be incurred in order to make the sale.

2.16 Revenue recognition

Sales are recorded on dispatch of goods to the customers.
Income from bank deposits and loans and advances is recognized on accrual basis.

2.17 Dividend

Dividend distribution to the company's shareholders is recognized as a liability in the company's financial statements in the period in which the dividend is approved.

2.18 Financial Instruments

Initial Recognition

Financial assets and financial liabilities are recognized when entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognised on a trade date basis.

Initial Measurement

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Company's financial assets are classified into following categories:

- Financial assets at fair value through profit or loss ("FVTPL").
- Loans and receivables.

- Held-to-maturity investments.
- Available-for-sale financial assets.

Company's financial statements include long term deposits, trade debts, loans & advances, trade deposits & other receivables and cash and bank balances.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets at FVTPL are subcategorized as:

- Financial assets held for trading.
- Financial assets designated as at FVTPL on initial recognition.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables

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

At each balance sheet date subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Company's management has the positive intention and ability to hold to maturity.

At each balance sheet date subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. In addition to equity investments, the Company has also designated certain debt securities as available-for-sale financial assets.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition.

Financial liabilities

Financial liabilities and equity instruments issued by Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Company's financial liabilities include loans from directors', long term finance, trade and other payables, finance cost payable, short term borrowings and advances from directors.

The Company's financial liabilities are generally classified into:

- financial liabilities at FVTPL and
- other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL has two subcategories:

- financial liabilities held for trading and
- those designated as at FVTPL on initial recognition.

At each balance sheet date subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company's after deducting all of its liabilities.

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and Company has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

If Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL, of which interest income is included in net gains or losses.

The effective interest method applied to financial liability is of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis other than those financial liabilities designated as at FVTPL, of which the interest expense is included in net gains or losses.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial asset, such as trade debts, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Off setting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when the company has a legally enforceable right to set off the recognized asset and liability or intend either to settle on net basis or to realize the assets and settle the liabilities simultaneously.

2.19 Cash and cash equivalents

Cash and cash equivalents include cash, cheques in hand and balances with banks on current and deposit accounts.

2.20 Related parties transactions

Transactions with related parties are carried out at arm's length and priced at comparable uncontrolled market price.

2.21 Impairment

The carrying amounts of the assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If any such indication exists, the recoverable amount of that asset or group of assets is estimated and impairment losses are recognized in the profit and loss account.

2.22 Figures

The corresponding figures are rearranged wherever necessary for the purpose of comparison and are rounded off to nearest rupee. Appropriate disclosure is given in relevant note in case of material rearrangements.

3. SHARE CAPITAL

2013 (Number of shares)	2012 (Number of shares)		Note	2013 Rupees	2012 Rupees
Authorized Capital:					
20,000,000	20,000,000	Ordinary shares of Rs. 10/- each		200,000,000	200,000,000
Issued, subscribed and paid up capital:					
8,368,846	8,368,846	Ordinary shares of Rs. 10/- each fully paid in cash		83,688,460	83,688,460
142,770	142,770	Ordinary shares of Rs. 10/- each issued as fully paid for consideration otherwise than cash		1,427,700	1,427,700
6,511,616	6,511,616	Ordinary shares of Rs. 10/- each issued as bonus shares		65,116,160	65,116,160
15,023,232	15,023,232			150,232,320	150,232,320

4. REVENUE RESERVES

General reserves	93,800,000	93,800,000

It represents distributable profits transferred and utilizable at the discretion of the board of directors.

5. LONG TERM FINANCE

	Note	2013 Rupees	2012 Rupees
Opening balance		753,462,500	525,000,000
Obtained during the year		380,000,000	398,462,500
		1,133,462,500	923,462,500
Paid during the year		(209,385,000)	(170,000,000)
	5.1	924,077,500	753,462,500
Less: Current portion		(324,385,000)	(209,385,000)
		599,692,500	544,077,500

5.1 Demand finance facilities of Rs. 850 million (2012: Rs. 825 million) and term finance facilities of Rs. 400 million (2012: 385 million) have been obtained from various banking companies. These loans are secured against first pari passu / hypothecation charge of Rs. 934 million over all present and future fixed assets of the company, hypothecation charge over fixed assets of the company and personal guarantees of directors of the company. The facilities of MCB Bank Limited are collaterally secured against 1st pari passu / ranking charge of Rs. 600 million over present and future current assets of the company. These facilities will be repaid in quarterly/biannually instalments beginning from July 2010 and ending on September 2018. These carry mark up @ 3 to 6 month KIBOR + 1.25% to 2.50% (2012: 3 to 6 month KIBOR + 1.25% to 2.50%) p.a.

	Note	2013 Rupees	2012 Rupees

6. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Note	2013 Rupees	2012 Rupees
Opening balance		-	-
Obtained during the year		12,675,500	-
Payments/adjustments during the year		(475,405)	-
		12,200,095	-
Less: Security deposits adjustable on expiry of lease term		(1,267,550)	-
		10,932,545	-
Less: Current portion grouped under current liabilities		(3,518,134)	-
		7,414,411	-

6.1 Reconciliation between minimum lease payments and present value of minimum lease payments is as follows:

	2013 Rupees	2012 Rupees
Not later than one year	4,486,608	-
Later than one year but not later than five years	8,334,685	-
Gross Minimum lease payments	12,821,293	-
Less: Finance cost allocable to future periods	(1,888,748)	-
Present value of minimum lease payments	10,932,545	-
Less: Current Portion of liabilities against assets subject to finance lease	(3,518,134)	-
	7,414,411	-

6.2 The company has a finance lease agreement of Rs. 25 million for vehicles with Bank Al-Habib Limited. Rentals are payable in 12 quarterly instalments beginning from 13 September 2013 and ending on 13 September 2016. The mark up rate implicit in the lease is 3 months KIBOR + 1.25% p.a.(2012: NIL) p.a. The lease is secured by way vehicle registered in the name of Bank Al-Habib Limited alongwith security deposit.

6.3 The company intends to exercise its option to purchase the leased assets upon the maturity of lease term. Taxes, repairs and insurance cost are to be borne by the company. In case of termination of the agreement, the company has to pay the entire rentals for the unexpired period for the lease agreement.

7. LOANS FROM DIRECTORS - UNSECURED

	Note	2013 Rupees	2012 Rupees
	7.1	574,800,000	574,800,000

7.1 These loans have been obtained from directors of the company and are unsecured and interest free loans. These will be paid as and when convenient to the company. There is no fixed schedule and tenure for repayment of these loans. These loans are subordinated to bank loans to the extent of Rs. 574.8 million. Owing to the uncertainties regarding remaining tenure of these loans, the amortised cost cannot be ascertained and accordingly these loans have been carried at historical cost.

8. DEFERRED LIABILITIES

	Note	2013 Rupees	2012 Rupees
Staff gratuity (As determined in Actuarial valuation)	8.1	28,917,942	24,015,886
Deferred taxation	8.2	219,476,579	205,112,340
		248,394,521	229,128,226

		2013 Rupees	2012 Rupees
8.1	**Staff gratuity**		
	Movement in net liability recognized in the balance sheet		
	Opening balance of provision for gratuity	24,015,886	18,876,510
	Charge to profit and loss account	9,818,565	8,419,307
	Benefits paid during the year	(4,916,509)	(3,279,931)
	Closing balance of provision for gratuity	28,917,942	24,015,886
	Reconciliation of the liability recognized in the balance sheet		
	Present value of defined benefit obligation (PVDBO)	38,852,914	27,923,507
	Add: Gratuity benefits due but not paid	494,676	553,058
	Add / (less) : Unrecognised Actuarial gain / (loss) to be recognized in later periods	(10,429,648)	(4,460,679)
	Liability recognised in balance sheet	28,917,942	24,015,886
	Changes in present value of defined vbenefit obligations		
	Present value of defined benefit obligations as at 01 October	27,923,507	20,938,521
	Current service cost for the year	6,475,704	5,764,921
	Interest cost for the year	3,211,204	2,617,315
	Benefits payments for the year	(4,858,127)	(3,320,660)
	Actuarial (Gain)/loss on PVDBO	6,100,626	1,923,410
	Present value of defined benefit obligations as at 30 September	38,852,914	27,923,507
	Amount recognized during the year		
	Current service cost	6,475,704	5,764,921
	Interest cost	3,211,204	2,617,315
	Actuarial (Gains) / Losses recognized during the year	131,657	37,071
	Expense recognised in profit and loss account	9,818,565	8,419,307
	Changes in unrecognized actuarial gains / (losses)		
	Opening balance of unrecognized actuarial gains/(losses) as at 01 October	(4,460,679)	(2,574,340)
	Actuarial losses arising during the year	(6,100,626)	(1,923,410)
	Actuarial (Gains) / Losses recognised in profit and loss account during the year	131,657	37,071
	Closing balance of unrecognized actuarial gains/(losses) as at 30 September	(10,429,648)	(4,460,679)

The present value of defined benefit obligations is as follows:

	2013	2012	2011	2010	2009
As at September 30		..........................Rupees..........................			
Present value of defined benefit obligations	38,852,914	27,923,507	20,938,521	15,869,954	11,003,569
Experience adjustment on plan liabilities	6,100,626	1,923,410	690,117	429,521	526,644

The figures have been taken from actuarial valuation carried out as at 30 September 2013 using the projected unit credit method.

Principal actuarial assumptions for the reporting period are as follows:

	2013	2012
Discount rate	11.5%	11.5%
Expected rate of increase in salaries	10.5%	10.5%
Average expected remaining working life time of employees	12-15 years	12-14 years

Expected mortality is based on EFU (61-66) mortality table.

	Note	2013 Rupees	2012 Rupees
Expense is recognised in the following line item of profit and loss account:			
Cost of sales		6,897,715	6,088,357
Administrative Expenses		2,920,850	2,330,950
		9,818,565	8,419,307

8.2 Deferred Taxation

	2013 Rupees	2012 Rupees
<u>Taxable temporary differences:</u>		
Deferred tax liability arising in respect of depreciation of owned assets	273,467,525	221,508,298
Deferred tax liability arising in respect of assets subject to finance lease	616,801	-
	274,084,326	221,508,298
<u>Deductible temporary differences:</u>		
Deferred tax assets arising in respect of employees benefits	(10,121,280)	(8,405,560)
Excess tax adjustable against future tax liability U/S 113 (Deferred tax assets)	(44,486,467)	(7,990,398)
	(54,607,747)	(16,395,958)
Deferred Tax liability as on 30 September	219,476,579	205,112,340

9. TRADE AND OTHER PAYABLES

	Note	2013 Rupees	2012 Rupees
Creditors		190,912,327	119,993,533
Due to associated undertakings	9.1	-	62,983,352
Accrued liabilities		33,855,827	22,225,747
Advances from customers		209,280,449	1,241,753,378
Income tax deducted at source		1,991,833	654,418
Sales tax payable		55,488,803	4,446,122
Unpresented dividend warrants		13,705,698	6,877,685
Workers' profit participation fund	9.2	17,332,302	8,907,654
Workers welfare fund payable		3,398,955	1,658,248
		525,966,194	1,469,500,137

9.1 Due to associated undertakings for sale of refined sugar are as follows:

	2013 Rupees	2012 Rupees
Naubahar Bottling Co. (Pvt) Ltd	-	61,178,401

The maximum aggregate balance due to above company at the end of any month during the year was Rs. (105,957,865/-) and in the last year maximum aggregate balance due from above company at the end of any month was Rs. 76,436,999/-.

	2013 Rupees	2012 Rupees
9.2 Workers' profit participation fund		
Opening balance	8,907,654	15,775,779
Interest for the year	175,108	1,228,825
	9,082,762	17,004,604
Less : Payments Made:		
To Workers	8,492,633	16,831,740
To Government	1,538	1,207
	8,494,171	16,832,947
	588,591	171,657
Share of the Company's profit for the year	16,743,711	8,735,997
	17,332,302	8,907,654

9.2.1 The Company retains the workers' profit participation fund for the business operations till the date of allocation to the workers. Interest is being paid at the rate of 13.28% (2012: 15.75%) p.a. as prescribed under the Act on fund utilized by the Company till the date of allocation to the workers.

10. FINANCE COST PAYABLE

	2013 Rupees	2012 Rupees
- Short term borrowings - Secured	19,443,333	39,908,794
- Long term borrowings- Secured	21,979,499	10,781,966
	41,422,832	50,690,760

11. SHORT TERM BORROWINGS - SECURED

FROM BANKING COMPANIES

	Sanctioned Limits (Rs. in millions) 2013	2012	Note	2013 Rupees	2012 Rupees
Running Finance	670	970	11.1	428,423,253	447,813,661
Cash Finance	6,800	5,460	11.2	736,134,023	430,885,350
				1,164,557,276	878,699,011

11.1 These loans have been obtained from various banks to meet the working capital requirements and are secured against first pari passu hypothecation/registered ranking charge over current assets of the company and personal guarantees of directors. These are subject to mark up @ 1 month to 3 month KIBOR + 1.00% to 1.50% (2012: 1 month to 3 month KIBOR + 0.50% to 1.75%) p.a. The limits will expire on various dates by 30 April 2014 but are renewable.

11.2 These loans have been obtained from various banks and are secured against pledge over sugar bags of equivalent value with 10% to 25% margin and personal guarantees of directors. The facilities of MCB Bank Limited are collaterally secured against pari passu/ranking charge over current assets of the company. These are subject to mark up @ 1 to 3 months KIBOR plus 0.75% to 1.50% (2012: 1 to 3 months KIBOR plus 1.00% to 1.50%) p.a. The limits will expire on various dates by 04 August 2014 but are renewable.

	Note	2013 Rupees	2012 Rupees
12. ADVANCES FROM DIRECTORS		126,000,000	28,500,000

Advances from directors are unsecured and are interest free.

13. CURRENT PORTION OF LONG TERM LIABILITIES

	Note	2013 Rupees	2012 Rupees
Long term finance	5	324,385,000	209,385,000
Liabilities against assets subject to finance lease	6	3,518,134	-
		327,903,134	209,385,000

14. CONTINGENCIES AND COMMITMENTS

	Note	2013 Rupees	2012 Rupees
Contingencies			
Various claims against the company not acknowledged as debt which are pending in the court for decision		1,568,000	1,568,000
Sales tax on molasses	14.1	1,217,508	1,217,508
Income tax cases	14.2	11,955,520	11,955,520
Additional tax u/s 87 of Income Tax Ordinance, 1979	14.3	4,500,353	4,500,353
Bank guarantees	14.4	551,395,753	569,218,653
		570,637,134	588,460,034
Commitments			
Contracts for capital expenditure		8,948,856	271,848,759
Letters of credit for capital expenditure		-	32,551,655
Letters of credit for other than capital expenditure		56,663,664	5,225,815
Ijarah rentals	14.5	5,741,272	16,207,853
		71,353,792	325,834,082

14.1 This represents Sales tax claimed by Collector of Sales tax on Molasses. The Company has filed an appeal with the Appellate Tribunal Lahore. The case is still pending.

14.2 The Company is contingently liable for income tax demands in respect of various assessment years. Out of this amount Rs. 5,933,493/- pertains to the period prior to the privatization and management believes that the liability would be borne by Thal Development Authority (Defunct).

The Company has gone into appeals at higher appellate forum and the management is confident that outcome of the appeals would be ultimately in favour of the Company.

14.3 This represents additional tax of Rs. 2,279,633/- and Rs. 2,220,720/- claimed by the Deputy Commissioner of Income Tax u/s 87 of the Income tax Ordinance, 1979 for the assessment years 1992-93 and 1993-94 respectively. The company has filed appeals against imposition of this tax and in any case the management is of the view that Thal Development Authority (Defunct) is liable for taxes for the said amount.

14.4 Four bank guarantees of Rs. 550.554 million were issued by various banks for advance payments received from customers against sales of Sugar. These guarantees will be expired on various dates upto 15 August 2014.

Four bank guarantees were issued by Bank Al-Habib Ltd main branch Lahore amounting to Rs. 7,019,485/- in favour of Collector of Sales Tax, Collectorate Sales Tax Multan, liabilities against these guarantees were fully discharged by the Company. The Company requested the Sales Tax Collectorate for release of captioned Bank Guarantees. Out of these four guarantees one guarantee amounting to Rs. 841,653/- was detained by the department the decision of which is still pending with the Appellate Tribunal at Lahore and one guarantee for Rs. 639,165/- was released. So for as the release of remaining two guarantees amounting to Rs.5,171,000/- & Rs. 367,667/- is concerned, the Additional Commissioner Inland Revenue Enforcement & Collection Rage-I-Zone-II, Multan vide letter no. Addl-CIR E&C -1-RTO MN/310 dated 19 August 2011, directed the Bank Al-Habib Ltd. "These two guarantees are not traceable in our office as such, we authorize you to cancel / redeem the above said bank guarantees in your books. No claim of any sort what so ever shall be lodged by us in future on above mentioned bank guarantees".

	Note	2013 Rupees	2012 Rupees
14.5 Ijarah rentals to be paid in future:			
Not later than one year		5,542,261	10,354,335
Later than one year and not later than five year		199,011	5,853,518
		5,741,272	16,207,853

The company has entered into Ijarah agreements with Al Baraka Islamic Bank to acquire plant & machinery and vehicle. The Ujrah payments are payable on quarterly basis and carry profit @ 1 year KIBOR plus 1.50% to 2.00% (2012: 1 year KIBOR plus 1.50% to 2.00%) p.a.

15. PROPERTY, PLANT AND EQUIPMENT

	Note	2013 Rupees	2012 Rupees
Operating fixed assets	15.1	2,211,730,050	1,727,368,922
Capital work in progress	15.2	242,825,248	84,805,308
		2,454,555,298	1,812,174,230

15.1 Operating fixed assets

	Freehold land	Buildings on freehold land	Plant and machinery	Tools, implements and other factory equipments	Computer and other office equipments	Electric installation	Vehicles	Total
	RUPEES							
OWNED ASSETS								
COST								
Balance as at 01 October 2011	259,099,903	452,493,078	1,832,666,481	68,786,617	20,719,910	23,332,341	40,788,746	2,697,887,076
Additions during the year	-	59,253,731	175,886,633	10,491,851	5,712,578	8,210,318	6,181,707	265,736,818
Disposals	-	-	(2,542,994)	-	-	-	-	(2,542,994)
Balance as at 30 September 2012	259,099,903	511,746,809	2,006,010,120	79,278,468	26,432,488	31,542,659	46,970,453	2,961,080,900
Additions during the year	40,445,380	57,542,261	517,067,184	5,885,213	5,159,170	16,603,281	12,764,689	655,467,178
Disposals	-	-	-	-	-	-	-	-
Balance as at 30 September 2013	299,545,283	569,289,070	2,523,077,304	85,163,681	31,591,658	48,145,940	59,735,142	3,616,548,078
DEPRECIATION								
Balance as at 01 October 2011	-	135,876,228	874,980,285	26,774,939	9,825,269	10,252,392	24,881,921	1,082,591,034
Charge for the year	-	34,709,737	105,625,517	5,213,932	2,089,312	1,904,297	4,078,133	153,620,928
Depreciation on disposals	-	-	(2,499,984)	-	-	-	-	(2,499,984)
Balance as at 30 September 2012	-	170,585,965	978,105,818	31,988,871	11,914,581	12,156,689	28,960,054	1,233,711,978
Charge for the year	-	34,658,325	132,840,538	5,683,839	2,600,163	2,796,988	5,221,030	183,800,883
Depreciation on disposals	-	-	-	-	-	-	-	-
Balance as at 30 September 2013	-	205,244,290	1,110,946,356	37,672,710	14,514,744	14,953,677	34,181,084	1,417,512,861
LEASED ASSETS								
COST								
Balance as at 01 October 2011	-	-	-	-	-	-	-	-
Additions during the year	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Balance as at 30 September 2012	-	-	-	-	-	-	-	-
Additions during the year	-	-	-	-	-	-	12,910,000	12,910,000
Disposals	-	-	-	-	-	-	-	-
Balance as at 30 September 2013	-	-	-	-	-	-	12,910,000	12,910,000
DEPRECIATION								
Balance as at 01 October 2011	-	-	-	-	-	-	-	-
Charge for the year	-	-	-	-	-	-	-	-
Depreciation on disposals	-	-	-	-	-	-	-	-
Balance as at 30 September 2012	-	-	-	-	-	-	-	-
Charge for the year	-	-	-	-	-	-	215,167	215,167
Depreciation on disposals	-	-	-	-	-	-	-	-
Balance as at 30 September 2013	-	-	-	-	-	-	215,167	215,167
Written down value as at 30 September 2012	**259,099,903**	**341,160,844**	**1,027,904,302**	**47,289,597**	**14,517,907**	**19,385,970**	**18,010,399**	**1,727,368,922**
Written down value as at 30 September 2013	**299,545,283**	**364,044,780**	**1,412,130,948**	**47,490,971**	**17,076,914**	**33,192,263**	**38,248,891**	**2,211,730,050**
Rate of depreciation in %	-	10	10	10-15	10-20	10	20	

	2013 Rupees	2012 Rupees
Depreciation charged has been allocated as follows:		
Cost of goods manufactured	177,406,677	148,882,463
Administrative expenses	6,609,373	4,738,465
Total	184,016,050	153,620,928

Addition to land includes addition of 6 Kanal and 5 Marla land costing Rs. 2.030 million, which is stated to be in process of transfer of title in the name of the Company.

15.1.1 Detail of disposal of operating fixed assets

There are no disposal in the current year. The comparative information is as below:

2012						
Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Sold to	Mode of Disposal
	----------------Rupees------------------					
Plant & Machinery						
Turbine	2,542,994	2,499,984	43,010	43,010	M/s Fiaz Syndicate (Pvt) Ltd.	Negotiation
	2,542,994	2,499,984	43,010	43,010		

* Proceeds on disposal are taken net of sales tax.

15.2 Capital work in progress

	2013 Rupees	2012 Rupees
Plant and machinery	242,123,000	70,483,083
Factory buildings	-	6,139,814
Other buildings	702,248	8,182,411
	242,825,248	84,805,308

16. LONG TERM DEPOSITS

	2013 Rupees	2012 Rupees
Ijarah key money	2,713,400	2,713,400
Other security deposits	439,500	439,500
	3,152,900	3,152,900

17. STORES, SPARE PARTS AND LOOSE TOOLS

	2013 Rupees	2012 Rupees
Stores	188,982,716	327,180,179
Spare parts	107,906,354	84,567,712
Loose tools	3,366,743	2,438,618
	300,255,813	414,186,509

17.1 There are no spare parts held exclusively for capitalization as at the reporting date.

		Note	2013 Rupees	2012 Rupees
18.	**STOCK IN TRADE**			
	Work in process		4,840,446	5,749,974
	Finished goods:			
	- Sugar	18.1	1,214,890,192	1,830,039,890
	- molasses		40,169,300	18,295,112
			1,255,059,492	1,848,335,002
			1,259,899,938	1,854,084,976

18.1 It includes pledged stocks of Rs. 926,622,971/- (2012: 480,867,090/-) against borrowings from various financial institutions.

		Note	2013 Rupees	2012 Rupees
19.	**TRADE DEBTS**			
	Unsecured and considered good by the management		194,787,548	49,370,747
20.	**LOANS AND ADVANCES - unsecured, interest free and considered good**			
	Advances to:			
	- Contractors		642,506	18,988,574
	- Growers	20.1	167,760,747	147,412,828
	- Suppliers	20.2	86,877,479	304,874,546
	- Employees	20.3	851,720	1,747,344
			256,132,452	473,023,292

20.1 Advances to sugar cane growers represent in kind advances in the form of sugar cane seeds, fertilizers, pesticides and insecticides. These loans are interest free and recoverable against future supply of sugar cane to the company.

20.2 This includes advances of Rs. Nil (2012: Rs. 19,483,751) for purchase of land.

20.3 These advances are given to employees against their salaries and do not include any advance to Chief Executive, Directors and Executives of the Company.

		Note	2013 Rupees	2012 Rupees
21.	**TRADE DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**			
	Margin against bank guarantees		84,216	638,083
	Letters of credit		6,675,300	18,937,215
	Prepayments		2,861,650	2,357,725
	Other receivables	21.1	13,998,493	7,171,880
			23,619,659	29,104,903

21.1 This includes an amount of Rs. 130,175/- (2012: Rs. Nil/-) receivable from Almoiz Industries Limited, an associated company.

The maximum aggregate balance due to above company at the end of any month during the year was Rs. (17,002,297) and in the last year maximum aggregate balance due from above company at the end of any month was Rs. 28,007,531/-.

	2013 Rupees	2012 Rupees
22. TAXES RECOVERABLE / ADJUSTABLE		
Advance income tax	239,424,321	227,835,792
Sales tax - input	7,815,486	6,374,758
Sales tax adjustable	1,576,237	1,575,926
Sales Tax Withheld	11,421,036	-
Flood surcharge	5,897,390	5,897,390
	266,134,470	241,683,866
23. CASH AND BANK BALANCES		
Cash in hand	1,178,516	1,126,708
Cash with banks:		
- current accounts	12,079,201	9,166,281
- deposit accounts	4,364,972	9,378,569
	16,444,173	18,544,850
	17,622,689	19,671,558
24. SALES - NET		
Local Sales:		
Sugar	9,282,150,632	7,321,771,105
By Products:		
Molasses	732,703,747	603,969,843
Press Mud	1,538,715	1,088,800
Bagasse	46,082,450	8,159,998
Electricity	19,334,155	8,295,697
	10,081,809,699	7,943,285,443
Export Sales:		
Sugar	238,163,077	5,389,350
	10,319,972,776	7,948,674,793
Less: Sales Tax/Special Excise Duty		
Sugar	(687,649,539)	(542,399,168)
Molasses	(79,940,932)	(29,371,911)
Press Mud	(222,354)	(150,080)
Bagasse	(6,356,196)	(1,125,510)
Electricity	(2,666,780)	(1,144,234)
	(776,835,801)	(574,190,903)
	9,543,136,975	7,374,483,890

	Note	2013 Rupees	2012 Rupees
25. COST OF SALES			
Finished goods - opening		1,848,335,002	1,375,550,434
Add: Cost of goods manufactured	25.1	7,962,968,910	7,172,778,448
		9,811,303,912	8,548,328,882
Finished goods - closing		(1,255,059,492)	(1,848,335,002)
		8,556,244,420	6,699,993,880

25.1 Cost of goods manufactured:

	Note	2013 Rupees	2012 Rupees
Work in process - opening		5,749,974	8,039,081
Raw material consumed	25.1.1	7,121,136,931	6,456,687,744
Salaries, wages and other benefits	25.1.2	194,555,519	152,893,884
Fuel and power		48,824,333	41,816,247
Stores, spares and loose tools		147,091,529	144,505,597
Repairs and maintenance		262,397,754	215,927,962
Insurance		2,050,911	1,419,937
Depreciation	15.1	177,406,677	148,882,463
Vehicles running		6,411,993	6,402,824
Miscellaneous		2,183,735	1,952,683
		7,967,809,356	7,178,528,422
Work in process - closing		(4,840,446)	(5,749,974)
		7,962,968,910	7,172,778,448

25.1.1 Raw material consumed

	2013 Rupees	2012 Rupees
Sugar cane purchases	7,040,542,494	6,390,009,353
Cane procurement and other expenses	80,594,437	66,678,391
	7,121,136,931	6,456,687,744

25.1.2 Salaries, wages and other benefits include Rs. 6,897,715/- (2012: Rs. 6,088,357/-) in respect of gratuity.

26. DISTRIBUTION AND SELLING EXPENSES

	2013 Rupees	2012 Rupees
Salaries, wages and other benefits	5,015,728	3,503,969
Godown expenses	93,886,259	63,500,191
Insurance	2,066,912	2,407,415
Commission on sale of sugar	3,760,049	3,727,369
	104,728,948	73,138,944

	Note	2013 Rupees	2012 Rupees
27. ADMINISTRATIVE EXPENSES			
Directors' remuneration		6,120,000	6,120,000
Salaries and other benefits	27.1	122,272,319	91,023,997
Rent, rates and taxes		3,440,605	2,869,365
Travelling and conveyance	27.2	927,976	1,050,871
Foreign travelling		4,772,713	1,230,937
Fees and subscriptions		2,983,279	1,960,116
Repair and maintenance		5,178,181	5,872,163
Vehicles running		12,407,961	10,691,091
Postage and telephone		2,486,566	2,505,893
Printing and stationery		1,773,108	1,876,722
Legal and professional		2,019,523	2,418,596
Auditors' remuneration	27.3	919,050	835,500
Ijarah rentals		10,878,978	9,575,998
Depreciation	15.1	6,609,373	4,738,465
Miscellaneous	27.4	17,403,718	10,432,638
		200,193,350	153,202,352

27.1 Salaries and other benefits include Rs. 2,920,850/- (2012: Rs. 2,330,950/-) in respect of gratuity.

27.2 Auditors' travelling expenses amounting to Rs. 25,000/- (2012: Rs. 20,000/-) included in travelling expenses.

27.3 Auditors' Remuneration:

	2013 Rupees	2012 Rupees
Audit fees	715,000	650,000
Income Tax consultation services	204,050	185,500
	919,050	835,500

27.4 This includes donations of Rs. 502,485/- (2012: Rs. 451,834/-). No Director or his spouse has any interest in the donees.

28. OTHER INCOME

	2013 Rupees	2012 Rupees
Financial Assets		
Profit on deposit accounts	753,282	2,235,538
Foreign exchange gain	28,723	-
Others		
Gain on sale of stores	1,246,030	3,954,701
Sale of scrap	5,669,904	21,775,776
Sale of Bio culture	2,973,400	150,212
Gain on agriculture inputs to growers	11,308,273	5,338,555
Rental Income	453,749	200,000
Stale Parties balances written back	89,980	3,056
Miscellaneous	338,217	1,783,050
	22,861,558	35,440,888

	Note	2013 Rupees	2012 Rupees
29. FINANCE COST			
Interest / mark-up on secured:			
- short term borrowings		189,784,279	174,526,811
- lease finance		163,126	-
- long term finance		174,586,061	124,706,055
		364,533,466	299,232,866
Interest on workers' profit participation fund		175,108	1,228,825
Bank charges and commission		5,249,029	8,407,968
		369,957,603	308,869,659

	Note	2013 Rupees	2012 Rupees
30. OTHER EXPENSES			
Workers' profit participation fund	9.2	16,743,711	8,735,997
Workers' welfare fund - current	9	3,398,955	1,658,248
- prior		(57,855)	3,101
		20,084,811	10,397,346

	Note	2013 Rupees	2012 Rupees
31. TAXATION			
Current	31.1	95,646,728	37,073,626
Prior year		(9,248)	-
Deferred	31.2	14,364,239	20,639,746
		110,001,719	57,713,372

31.1 Provision for the current year has been made at the current tax rate after taking into account tax rebates and tax credits available. The income tax assessments of the Company have been finalized up to tax year 2013 except for assessment year 1992-93, 1993-94, 2001-02, 2002-03 and 2003-04 which are under appeal (Refer note 14.2 for detail).

31.2 Deferred

Deferred tax is accounted for according to Company's policy as given in Note No. 2.7

	Note	2013	2012
Closing deferred tax liability	8.2	219,476,579	205,112,340
Opening deferred tax liability	8.2	(205,112,340)	(184,472,594)
Deferred Tax Expense		14,364,239	20,639,746

31.3 Tax charge reconciliation for the current and previous year is not prepared as the company is charged to minimum tax.

32. EARNINGS PER SHARE - BASIC AND DILUTED

Earnings per share is calculated by dividing the profit after tax for the year by the weighted average number of shares outstanding during the year as follows:

	2013 Rupees	2012 Rupees
Profit after tax	204,787,682	106,609,225
Weighted average number of ordinary shares in issue during the period	15,023,232	15,023,232
Earnings per share	13.63	7.10

No figure for diluted earnings per share has been presented as the Company has not issued any instruments carrying options which would have an impact on earnings per share when exercised.

33. CHANGES IN WORKING CAPITAL

	2013 Rupees	2012 Rupees
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	113,930,696	(152,718,229)
Stock-in-trade	594,185,038	(470,495,461)
Trade debts	(145,416,801)	104,440,283
Loans and advances	216,890,840	(272,293,811)
Trade deposits, prepayments and other receivables	5,485,244	(2,333,708)
Taxes recoverable/adjustable	(24,450,604)	27,054,366
Increase / (decrease) in current liabilities:		
Trade and other payables	(960,527,311)	1,097,523,544
	(199,902,898)	331,176,984

34. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the accounts for the year for remuneration including certain benefits to Chief Executive, Directors and Executives of the Company are as follows:

	2013				2012			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
	RUPEES							
Managerial remuneration	2,040,000	4,080,000	28,952,512	35,072,512	2,040,000	4,080,000	22,002,908	28,122,908
Utilities	-	-	546,972	546,972	-	-	453,829	453,829
Bonus	-	-	1,673,660	1,673,660	-	-	1,085,637	1,085,637
Total	2,040,000	4,080,000	31,173,144	37,293,144	2,040,000	4,080,000	23,542,374	29,662,374
Number of Persons	1	2	27	30	1	2	25	28

34.1 The executives have been provided free unfurnished accommodation with maintained car for company's affairs only.

34.2 No meeting fee has been paid to Directors during the year.

34.3 Chief Executive, Directors and Executives are not entitled for any benefit other than disclosed as above.

35. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Amounts due from and due to related parties are shown in note 7, 9, 12 & 21 and remuneration of the key management personnel is disclosed in note 34. Other significant transactions with associated undertakings are as follows:

Relationship	Transaction	2013 Rupees	2012 Rupees
Associated undertakings	- Sale of goods	2,018,619,006	1,682,621,437
	- Expenses paid of associate	41,200	2,489,040
	- Purchase of goods	31,203,224	29,637,457

The company continues to have a policy whereby all transactions with related parties and associated undertakings are priced at comparable uncontrolled market price.

Key management personnel:

	2013	2012
Advances received from/(returned to) directors during the year	97,500,000	(104,500,000)

36. FINANCIAL INSTRUMENTS

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

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the company's risk management policies.

36.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties fail completely to perform as contracted and arises principally from trade receivables. Out of the total financial assets of Rs. 398,258,313/- (2012: Rs. 229,165,340/-), the financial assets which are subject to credit risk amounted to Rs. 397,079,797/- (2012: Rs. 228,038,632/-).

To manage exposure to credit risk in respect of trade receivables management performs credit reviews taking into account the customer's financial position, past experience and other factors. Where considered necessary, advance payments are obtained from certain parties. The management has set a maximum credit period of 30 days in respect of sales to certain institutions to reduce the credit risk.

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 abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

Some of the major customer accounts for Rs. 161,688,622/- of the trade receivables carrying amount at 30 September 2013 (2012 : Rs. 30,861,299/-) that have a good track record with the Company.

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

	2013 Rupees	2012 Rupees
Long term deposits	3,152,900	3,152,900
Trade debts	194,787,548	49,370,747
Loan & advances	168,612,467	149,160,172
Trade deposits and other receivables	14,082,709	7,809,963
Bank balances	16,444,173	18,544,850
	397,079,797	228,038,632

All the trade debtors at the balance sheet date represent domestic parties.

	2013 Rupees	2012 Rupees
The aging of trade receivable at the reporting date is:		
Not past due	124,664,030	31,597,278
Past due 1-30 days	38,957,508	9,874,149
Past due 30-150 days	31,166,010	7,899,320
Past due 150 days	-	-
	194,787,548	49,370,747

In the opinion of the management no provision is necessary for past due trade debts as these are considered good based on payment history.

36.2 Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to manage liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. The company is not materially exposed to liquidity risk as substantially all obligations / commitments of the company are short term in nature and are restricted to the extent of available liquidity. In addition, the company has obtained running finance facilities from various commercial banks to meet any deficit, if required to meet the short term liquidity commitments.

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

	2013					
	Carrying amount	Contractual Cash flows	Six Months or less	Six to twelve months	One to two years	Two to five years
	Rupees					
Financial Liabilities:						
Loans from directors-unsecured	574,800,000	574,800,000	-	-	-	574,800,000
Long term finances	924,077,500	1,235,496,446	247,100,849	209,239,674	260,282,477	518,873,446
Liabilities against assets subject to finance lease	10,932,545	12,821,293	2,243,304	2,243,304	4,486,608	3,848,077
Trade and other payables	238,473,852	238,473,852	-	238,473,852	-	-
Finance cost payable	41,422,832	41,422,832	41,422,832	-	-	-
Short term borrowings	1,164,557,276	1,164,557,276	-	1,164,557,276	-	-
Advances from directors	126,000,000	126,000,000	-	126,000,000	-	-
	3,080,264,005	3,393,571,699	290,766,985	1,740,514,106	264,769,085	1,097,521,523

	2012					
	Carrying amount	Contractual Cash flows	Six Months or less	Six to twelve months	One to two years	Two to five years
	Rupees					
Financial Liabilities:						
Loans from directors-unsecured	574,800,000	574,800,000	-	-	-	574,800,000
Long term finances	753,462,500	983,165,380	151,188,263	145,307,560	321,926,187	364,743,370
Liabilities against assets subject to finance lease	-	-	-	-	-	-
Trade and other payables	149,096,965	149,096,965	-	149,096,965	-	-
Finance cost payable	50,690,760	50,690,760	50,690,760	-	-	-
Short term borrowings	878,699,011	878,699,011	-	878,699,011	-	-
Advances from directors	28,500,000	28,500,000	-	28,500,000	-	-
	2,435,249,236	**2,664,952,116**	**201,879,023**	**1,201,603,536**	**321,926,187**	**939,543,370**

36.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments.

36.3.1 Currency risk

Currency risk is the risk that fair value or future cash flows of a financial instrument, will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist due to foreign currency transaction. The company is exposed to currency risk on debtors denominated in foreign currency The company is not significantly exposed to currency risk. The total foreign currency risk exposure on reporting date amounted to Rs. Nil (2012: 5,389,350/-). Had the Pak Rupee been weakened /- strengthened by 5% against the US Dollar at the reporting date, with all other variables held constant, profit for the year and equity would have been lower / higher respectively by Rs. Nil (2012: 269,467/-).

36.3.2 Interest rate risk

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

	2013	2012	2013	2012
	Effective rate (in Percent)		Carrying amount (Rupees)	
Financial liabilities				
Fixed rate instruments	-	-	-	-
Variable rate instruments				
Long term finances	10.74 to17.08	11.76 to19.48	924,077,500	753,462,500
Liabilities against assets subject to finance lease	10.65 to10.84	-	10,932,545	-
Short term borrowings	10.17 to 16.09	10.88 to 18.40	1,164,557,276	878,699,011

Fair value sensitivity analysis for fixed rate instruments

The company is not exposed to interest rate risk for fixed rate instruments as it does not hold any such fixed rate financial instruments.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit for the year by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on same basis for 2012.

	Increase/ decrease in %	Effect on profit before tax (Rupees)
As at 30 September 2013		
Cash flow sensitivity-Variable rate financial liabilities	1%	20,995,673
As at 30 September 2012		
Cash flow sensitivity-Variable rate financial liabilities	1%	16,321,615

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

36.3.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The company is not exposed to other price risks.

36.4 Fair value of financial instruments

The carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The company measures fair values 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 for an identical instrument.

- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3: Valuation techniques using significant unobservable inputs.

As at 30 September 2013 the net fair value of all financial instruments has been based on the valuation methodology outlined below:

Long term deposits

Long term deposits do not carry any rate of return. The fair value of these has been taken at book value as it is not considered materially different and readily exchangeable.

Non current liabilities

For all non-current liabilities the fair values have been taken at book values as these are not considered materially different based on the current market rates of return and re-pricing profiles of similar non-current liabilities.

Other financial instruments

The fair values of all other financial instruments are considered to approximate their book values as they are short term in nature.

36.5 Financial instrument by categories

Financial Assets	Loans & receivables	
	2013	2012
	Rupees	
Long term deposits	3,152,900	3,152,900
Trade debts	194,787,548	49,370,747
Loan & advances	168,612,467	149,160,172
Trade deposits and other receivables	14,082,709	7,809,963
Cash and Bank balances	17,622,689	19,671,558
	398,258,313	229,165,340

Financial Liabilities

	Financial liabilities at amortised cost	
	2013	2012
	Rupees	
Loans from directors	574,800,000	574,800,000
Long term finance	924,077,500	753,462,500
Liabilities against assets subject to finance lease	10,932,545	-
Trade and other payables	238,473,852	149,096,965
Finance cost payable	41,422,832	50,690,760
Short term borrowings	1,164,557,276	878,699,011
Advances from directors	126,000,000	28,500,000
	3,080,264,005	2,435,249,236

37. Operating segments

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

a) Revenue from sale of sugar and its by-products represents 100% (2012: 100%) of the sale of the company.

b) 98% (2012: 100%) of the sale for the year of the company is made to customers located in Pakistan and 2% (2012: Nil) of the sale for the year is made to customers located outside Pakistan.

c) All non-current assets of the company as at 30 September 2013 are located in Pakistan.

d) Sale to the following customers accounts for more than 10 % of the sales of the company:

	2013		2012	
	Rs.	Percentage	Rs.	Percentage
Naubahar Bottling Co. (Pvt) Ltd	2,018,619,006	21%	1,630,822,980	22%

38. CAPITAL RISK MANAGEMENT

The company's objectives for managing capital are:

i) to safeguard the entity's ability to continue as a going concern; and

ii) to provide an adequate return to shareholders by pricing products commensurately with the level of risk.

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business.

The company sets the amount of capital in proportion to risk. The company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may issue new shares, or sell assets to reduce debts.

Consistently with others in the industry, the company monitors capital on the basis of the net debt-to-equity ratio. This ratio is calculated as net debt ÷ equity. Net debt is calculated as total debt (as shown in the balance sheet) less cash and cash equivalents. Equity comprises of share capital, reserves and retained earnings.

During 2013, the company's strategy, which was unchanged from 2012, was to maintain the net debt-to-equity ratio in the range 2.50 to 3.50 times, in order to secure access to finance at a reasonable cost.

	2013 Rupees	2012 Rupees
The net debt-to-equity ratios at 30 September 2013 and at 30 September 2012 are as follows:		
Total debts	2,800,367,321	2,235,461,511
Less: cash and cash equivalents	(17,622,689)	(19,671,558)
Net debt	2,782,744,632	2,215,789,953
Total equity	1,037,671,654	847,907,204
Net debt-to-equity (Times)	2.68	2.61

The increase in the debt-to-equity ratio during 2013 resulted from increase in borrowings level.

39. PLANT CAPACITY AND ACTUAL PRODUCTION

			2013	2012
Designed crushing capacity:				
- Layyah Sugar Mills	Old Plant	Metric Tons/day	3,300	3,300
- Layyah Sugar Mills	New Plant	Metric Tons/day	6,700	6,000
- Safina Sugar Mills	Old Plant	Metric Tons/day	6,000	6,000
Capacity on the basis of operating days		Metric Tons	1,826,000	1,863,900
Actual crushing		Metric Tons	1,661,939	1,668,548
Percentage of capacity attained		%	91.02	89.52
Sugar production from cane		Metric Tons	161,733.45	159,530.25
Recovery of sugar cane		%	9.73	9.56

39.1 The under utilization of the capacity is mainly due to non availability of sugarcane. The utilized capacity has increased in the current year mainly due to Balancing, Modernization & Reconstruction (BMR) conducted during the year.

40. NUMBER OF EMPLOYEES

Number of employees as at 30 September 2013 were 552 (2012: 551).

Average number of employees during the year were 557 (2012: 546).

41. NON-CASH FINANCING ACTIVITIES

During the year, the Company acquired property, plant and equipment amounting to Rs. 12,910,000/- (2012: Nil) by means of finance lease.

42. RECOVERABLE AMOUNTS AND IMPAIRMENT

As at the reporting date, recoverable amounts of all assets / cash generating units are equal to or exceed their carrying amounts, unless stated otherwise in these financial statements.

43. DIVIDEND

The board of directors have proposed cash dividend for the year ended 30 September 2013 of Rs. 1.50/- (2012: Rs.1.0) per share i.e. 15% (2012: 10%) amounting to Rs. 22,534,848/- (2012: Rs. 15,023,232/-) at their meeting held on 26 December 2013 for approval of the members at Annual General Meeting to be held on 25 January 2014.

44. DATE OF AUTHORIZATION OF ISSUE

These financial statements were authorized for issue on 26 December 2013 by the Board of Directors of the company.

CHIEF EXECUTIVE **DIRECTOR**

PROXY FORM

No. of Shares | Folio No.

I/We ____

of____

Being member of THE THAL INDUSTRIES CORPORATION LIMITED hereby appoint

Mr./Miss/Mrs.____

of failing him/her ____

being a member of the company a my/our proxy to attend, act and vote for me/us and on my/us and on my/or behalf, at the 60th Annual General Meeting of the company to be held at 2-D-1, Gulberg-III, Lahore on 25th January 2014 at 3:00 p.m. and every adjournment thereof:

As witness my hand this ______________________ day of ___________________________________ 2014

Signed by the said _______________________________ of ______________________________________

Witness's Signature

Member's Signature

Revenue Stamp of Rs. 5/-

Date _____________________

Place ____________________

Notes: ___________________

1. This form of proxy, in order to be effected must be deposited duly completed in the Lahore office 2-D-1, Gulberg III, Lahore, not less than 48 hours before the time for holding the meeting.

2. A Proxy must be a member of the company.

3. Signature should agree with the specimen registered with the specimen registered with the company.

If undelivered, please return to:

THE THAL INDUSTRIES CORPORATION LIMITED

Registered Office: 23-Pir Khurshid Colony Gulgasht Multan.
Ph: 061-6524621 - 6524675
Fax: 061-6524675

Lahore Office: 2-D-1 Gulberg-III, Lahore – 54600
Tel: 042-35771066-71
Fax: 042-35771175