Annual Report 2014

COLONY

Colony Sugar Mills Limited

Contents

Corporate Information

Board of Directors	Mr. Naveed M. Sheikh	- Chairman
	Mr. Waqar Ibn Zahoor Bandey	- Director/CEO
	Mian Muhammad Ali	- Director
	Mr. Muhammad Asghar	- Director
	Mr. Ahmed Haji Mussa	- Director
	Mr. Asad Ali	- Director
	Mr. Abdul Sammee	- Director
Company Secretary	Mr. Mubashar Asif	
Audit Committee	Mr. Muhammad Asghar	- Chairman
	Mian Muhammad Ali	- Member
	Mr. Asad Ali	- Member
HR & Remuneration Committee	Mr. Muhammad Asghar	- Chairman
	Mr. Asad Ali	- Member
	Mr. Abdul Sammee	- Member
Financial Institutions	National Bank of Pakistan Faysal Bank Limited KASB Bank Limited The Bank of Punjab Al-Baraka Bank (Pakistan) Limited Pak Oman Investment Company Limited	
Auditors	Naveed Zafar Ashfaq Jaffery & Co. Chartered Accountants	
Legal Advisors	Ms. Aniqua Sheikh Advocate	
Registered Office	Ground Floor, Ismail Aiwan-e-Science Building, 205 Ferozepur Road Lahore-54600 Ph # +92 (42) 3575-8970 +92 (42) 3575-1308 Fax # +92 (42) 3576-3247	
Shares Registrar	**Hameed Majeed Associates (Pvt.) Limited** H.M. House, 7-Bank Square, Lahore Ph # +92 (42) 3723-5081-2 Fax # +92 (42) 3735-8817	
Production Facilities	**Phalia Project** Karmanwala, Tehsil Phalia Distt. Mandi Bahauddin Ph # +92 (546) 541-151/54 Fax # +92 (546) 541-162	**Mian Chanu Project** Chak # 84/15L, 15 KM Vehari Road Kacha Khoo Tehsil Mian Chanu Distt. Khanewal Ph # +92 (0652) 553-182 Fax # +92 (0652) 660-452

Vision Statement

To exploit our company's potential by diversifying into the entire range of industrial and consumer products that can be derived from Sugar Cane

Mission Statement

To exceed our customers' expectations in quality and delivery on one hand and maximize profit for the stakeholders of our company on the other hand by continuous cost reduction through identifying and deploying latest technologies in process and monitoring control systems

Colony Sugar Mills Limited

Notice of Annual General Meeting

NOTICE is hereby given that the 8th Annual General Meeting of the shareholders of **Colony Sugar Mills Limited** will be held on Saturday, January 31, 2015, at 10:00 a.m. at the Registered Office at Ismail Aiwan-e-Science Building, 205 Ferozepur Road, Lahore to transact the following business:

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended September 30, 2014 together with the Directors' and Auditors' Reports thereon.

2. To appoint Auditors for the year 2014-15 and to fix their remuneration.

3. Any other business with the permission of the Chair.

By Order of the Board

Company Secretary

Lahore
January 08, 2015

Notes:-

i. The Share Transfer Books of the Company will remain closed from January 24, 2015 to January 31, 2015 (both days inclusive).

ii. A member entitled to attend and vote in the meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. The proxy, in order to be effective, must be received at the registered office of the Company duly signed and stamped not later than 48 hours before the meeting.

iii. The shareholders are requested to bring their Folio / Account details (participant ID and sub-account) and original CNIC for identification purpose at the time of meeting. In case of corporate entity, the Board of Director's Resolution or Power of Attorney with specimen signatures of the nominee should be produced.

iv. Securities and Exchange Commission of Pakistan (SECP) vide its S.R.O. 787(I) / 2014 has facilitated the Companies to circulate Audited Financial Statements and Notices through e-mail. The members who intend to receive the Audited Accounts through email are therefore, requested to kindly send their written consent to company (specimen available at Company's website at www.colonysugar.com).

v. Government of Pakistan through Finance Act 2014 has prescribed different rates of Withholding Tax to be deducted from amounts of dividends paid by the companies as follows:
   a) For filers of income tax returns : 10%
   b) For non-filers of income tax returns: 15%

   Filers of Tax Returns are requested to send the information in this respect, ensuring that their respective names have been entered into the Active Tax Payers List available at website of Federal Board of Revenue to benefit the reduced Tax Rates.

vi. Shareholders are requested:
   a. to notify the change of address immediately, if any.
   b. to provide the copies of their valid CNIC's if not provided earlier.
   c. Shareholders desirous to avail the option of direct credit of entitlement(s) are requested to send duly filled in Dividend Mandate Form available at website of the company.

DIRECTORS' REPORT TO THE MEMBERS

On behalf of the Directors of the company, I am pleased to present Company's Annual Report for the year ended September 30, 2014 along with the Financial Statements and Auditors' Report thereon.

FINANCIAL PERFORMANCE

Turnover for the year under review reduced to Rupees 5,299 Million (2013: Rupees 7,235 Million) while the cost of sales stood at Rupees 5,049 Million (2013: Rupees 6,617 Million). The year under review posts gross profit of Rupees 250 Million (2013: Rupees 618 Million). Loss after taxation for the year is Rupees 126 Million against after tax profit of Rupees 262 Million during last year. Loss per share is Rupees 1.33 per share as compared with profit of Rupees 2.65 per share for the last year.

The major reason for loss is wide gap between sale price of sugar and cost of its production. Sugar sale price did not move favourably in the domestic as well as international market due to world over surplus sugar production/stock. Government's permission to export limited quantity of sugar also did not bring fruits. Distillery, however, contributed profits despite decrease in selling price as compared to last year.

The management of the Company saved financial cost by Rupees 66.155 Million, through timely repayments of its financial obligations and efficient fund management, despite financial constraints. Financial position of the Company is expected to further improve in subsequent period with elimination of majority of long term loans.

OPERATIONAL PERFORMANCE

The Company crushed 836,931 Tons of sugarcane during the year as compared to 1,057,447 Tons during previous crushing season. Distillery produced 21,260,418 litres as compared to production of 26,936,431 litres last year.

FUTURE OUTLOOK

Introduction of modern technology has been hallmark of the management of your company. Currently, the Company has implementing a major BMR plan to introduce most modern energy efficient technology at its both facilities. The BMR project is expected to start repaying return on investment during current crushing season.

In view of the current estimates of sugarcane crop, sugar production seems to be surplus during the current year, as well.

However, the Government has indicated its permission for export of surplus sugar stocks, along with certain incentives. Price of sugar is expected to adjust itself favourably on export of surplus sugar stocks.

DIVIDEND

No dividend was announced during the year due to the squeezed cash flows for the year ended September 30, 2014.

STATEMENT OF ETHICS AND BUSINESS PRACTICES

Honesty, integrity and strong commitment to high standards of ethical, moral and lawful conducts are among the most important traditions of Colony Sugar Mills Limited. This dedication is critical to meet our commitment to our shareholders, customers, suppliers and employees.

CORPORATE SOCIAL RESPONSIBILITY

We actively seek opportunities to contribute to the communities in which we do business, and to improve the environment that sustains us all. Our main CSR focuses are Education, health care and community building.

AUDIT COMMITTEE

The Board of Directors, in compliance with the Code of Corporate Governance, has established an Audit Committee. This step has ensured the strict compliance of internal controls so as to safeguard the interests of the company. The committee reviews the final and interim financial statements.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

As required under the Code of Corporate Governance, Directors are pleased to report that:

- The financial statements prepared by the management of the company present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- The company has maintained proper books of accounts as per statutory requirements.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
- The International Accounting/Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the company's ability to continue as a going concern.
- There has been no departure from the best practices of corporate governance, as detailed in the listing regulations.
- Key operating and financial data for past five years is annexed.
- Directors have not recommended dividend in view of current year's results and cash flows.
- Information about outstanding taxes and other government levies are given in related note(s) to the accounts.
- The company operates a gratuity fund scheme for all employees. The net value of investment in their respective accounts is given in related note(s) to the accounts.
- All material information, as described in clause (xx) of the Code is disseminated to the Stock Exchange and Securities and Exchange Commission of Pakistan in a timely fashion.
- The company has complied with requirements as stipulated in clause 35 (x) relating to related party transactions.
- The Directors are aware of their fiduciary responsibilities and in-house orientation courses were arranged for management.
- The directors, CEO, CFO, Company Secretary and their spouses and minor children have made no trading in the company's share during the year. The number of shares, if any, held by them is annexed.

BOARD MEETINGS

During the year under review five (05) meetings of the Board of Directors were held. Participation of Directors is as follows: -

Names of Directors	Attendance
Mr. Naveed M. Sheikh	3
Mr. Waqar Ibn Zahoor Bandey	5
Mr. Ahmed Haji Mussa	4
Mr. Muhammad Asghar	5
Mr. Asad Ali	5
Mian Muhammad Ali	5
Ms. Samina Gul	3*
Mr. Abdul Sammee	2*

*Meetings attended during the tenure

The Board granted leave of absence to the directors who could not attend the Meeting.

During the year under review four (04) meetings of the Audit Committee were held. Participation of Members is as follows: -

Names of Members	Attendance
Mr. Muhammad Asghar	4
Mian Muhammad Ali	4
Mr. Asad Ali	4

During the year under review two (02) meetings of the Human Resource & Remuneration Committee were held. Participation of Members is as follows: -

Names of Members	Attendance
Mr. Muhammad Asghar	2
Mr. Asad Ali	2
Ms. Samina Gul	1*
Mr. Abdul Sammee	1*

*Meetings attended during the tenure

EXTERNAL AUDITOR

The retiring auditors M/s Naveed Zafar Ashfaq Jaffery & Co Chartered Accountants, being eligible, offer themselves for re-appointment. The audit committee has recommended M/s Naveed Zafar Ashfaq Jaffery & Co, as auditors of the company for the ensuing financial year subject to fulfilment of CCG requirements.

The external auditors have been given satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP). They have further confirmed that their firm is in compliance with International Federation of Accountants' (IFAC) guidelines on the Code of Ethics as adopted by the ICAP. The external auditors have not been appointed to provide other services except in accordance with the listing regulations and they have confirmed that they have observed IFAC guidelines in this respect.

PATTERN OF SHAREHOLDING

The pattern of shareholding under section 236 (d) and information under clause XVI (J) of the Code of Corporate Governance as on September 30, 2014 are annexed.

ACKNOWLEDGEMENT

The Board places on record its appreciation for the dedication and hard work of its all work force, as well as for the support of its all stakeholders.

For and on behalf of the Board

Waqar Ibn Zahoor Bandey
Director / CEO

Lahore
January 08, 2015

Statement of Compliance with the Code of Corporate Governance

For The Year Ended September 30, 2014

The statement is being presented to comply with the Code of Corporate Governance contained in the Regulation # 35 of the listing regulation of Karachi Stock Exchange Limited 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 Code in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors. At present, the Board includes:

   Non-Executive Director
   Mr. Naveed M. Sheikh - Chairman
   Mian Muhammad Ali
   Mr. Ahmed Haji Mussa
   Mr. Asad Ali

   Independent Director
   Mr. Muhammad Ashgar

   Executive Director
   Mr. Waqar Ibn Zahoor Bandey
   Mr. Abdul Sammee

The independent director meet the Criteria of Independence under Clause i (b) of the CCG.

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 tax payers 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. Casual vacancies occurred during the year and were filled within the stipulated time frame.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement. Overall corporate strategy and significant policies of the company have been developed and maintaining a complete record of particulars of significant policies.
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 the employment of the CEO and other directors have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In house orientation courses were arranged for the directors and key personnel during the year to equip and familiarize them with the changes in law to discharge their duties efficiently. The company is arranging Directors Training Program for its directors to get certified all the board members before deadline of Code.
10. The Board has approved the appointment of CFO, Company Secretary and Internal Auditor, including their remuneration and terms and conditions of the employment.

11. The directors' report for the year has been prepared in compliance with the requirements of the code and fully describes the salient matters required to be disclosed.

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

13. The directors, CEO and executives don't hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

14. The company has complied with the corporate and financial reporting requirements of the code.

15. The Board has formed an audit committee. It comprises of three members, two of them are non-executive Directors and the Chairman of the Committee is an independent Director.

16. The meetings of the audit committee were held, prior to the approval of interim and final results of the company as required by the code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has formed an HR & Remuneration Committee, It comprises of three members i.e. one Non-Executive Director, one Executive Director, and one Independent Director and the Chairman of the Committee is an independent Director.

18. The Board has set up an internal audit function and taking appropriate measures to make it effective.

19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of The Institute of Chartered Accountants of Pakistan, 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 the code of ethics as adopted by The Institute of Chartered Accountants of Pakistan.

20. 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.

21. The 'Closed Period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the company's securities, was determined and intimated to directors, employees and the stock exchange.

22. Material/Price sensitive information has been disseminated among all market participants at once through Stock Exchange.

23. The company has complied with requirements as stipulated in Code relating to related party transactions.

24. We confirm that all other material principles and enshrined contained in the code have been complied with.

For and on behalf of the Board

Waqar Ibn Zahoor Bandey
Chief Executive Officer
Lahore
January 08, 2015

Naveed Zafar Ashfaq Jaffery & Co.
Chartered Accountants

A member firm of
PrimeGlobal | An Association of Independent Accounting Firms

201-Regency Plaza, M.M. Alam Road,
Gulberg-II, Lahore, Pakistan
Ph: +92 42-35876891-4
Fax: +92 42-35764959
Email: lhr@nzaj.com.pk
Web: www.nzaj.com.pk

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 **COLONY SUGAR MILLS LIMITED** ("the Company") for the year ended September 30, 2014 to comply with the Listing Regulations of Karachi Stock Exchange Limited 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 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 Karachi Stock Exchange Limited requires 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 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 under taken at arm's length price or not.

Based on our review, 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 the Company for the year ended September 30, 2014.

Lahore:
January 08, 2015

NAVEED ZAFAR ASHFAQ JAFFERY & CO.
Chartered Accountants

Engagement Partner: Naveed Saeed

Other Offices | 1st Floor, Modern Motors House, Beaumont Road, Karachi, Pakistan - Ph: +92 21-35671909 Fax: +92 21-35210626 Email: khi@nzaj.com.pk
3-B, ATS Centre, 30-West, Fazal-Ul-Haq Road, Blue Area, Islamabad, Pakistan - Ph: +92 51-2878530-32 Fax: +92 51-2206283 Email: isl@nzaj.com.pk

Naveed Zafar Ashfaq Jaffery & Co.
Chartered Accountants

A member firm of
PrimeGlobal | An Association of Independent Accounting Firms

201-Regency Plaza, M.M. Alam Road,
Gulberg-II, Lahore, Pakistan
Ph: +92 42-35876891-4
Fax: +92 42-35764959
Email: lhr@nzaj.com.pk
Web: www.nzaj.com.pk

Auditors' Report to the Members

We have audited the annexed balance sheet of COLONY SUGAR MILLS LIMITED ("the Company") as at September 30, 2014 and the related profit and loss account and statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanation 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 Company's 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 and loss account and statement of comprehensive income 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; except for the change as stated in note 2.2 with which we concur;

  (ii) the expenditure incurred during the year was for the purpose of the Company's business; and

  (iii) the business conducted, investment 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 and loss account and statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at September 30, 2014 and of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended: and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII) of 1980).

Lahore:
January 08, 2015

NAVEED ZAFAR ASHFAQ JAFFERY & CO.
Chartered Accountants

Engagement Partner: Naveed Saeed

Other Offices | 1st Floor, Modern Motors House, Beaumont Road, Karachi, Pakistan - Ph: +92 21-35671909 Fax: +92 21-35210626 Email: khi@nzaj.com.pk
3-B, ATS Centre, 30-West, Fazal-Ul-Haq Road, Blue Area, Islamabad, Pakistan - Ph: +92 51-2878530-32 Fax: +92 51-2206283 Email: isl@nzaj.com.pk

Colony Sugar Mills Limited

Balance Sheet

As at September 30, 2014

	Note	2014	2013
		(Rupees in thousand)	
EQUITY AND LIABILITIES			(Restated)
SHARE CAPITAL AND RESERVES			
Authorized Capital			
100,000,000 (2013: 100,000,000) ordinary shares of Rupees 10/- each		**1,000,000**	1,000,000
Issued, subscribed and paid up capital	3	**990,200**	990,200
Unappropriated profit		**819,386**	951,376
Total equity		**1,809,586**	1,941,576
NON-CURRENT LIABILITIES			
Long term finances	4	**285,400**	387,583
Long term deposits	5	**80,000**	-
Liabilities against assets subject to diminishing musharaka finance	6	**1,870**	-
Deferred liabilities	7	**57,242**	38,115
		424,512	425,698
CURRENT LIABILITIES			
Trade and other payables	8	**1,255,395**	911,161
Accrued finance cost	9	**49,646**	50,191
Short term borrowings - secured	10	**885,963**	842,158
Current portion of long term liabilities	11	**58,624**	179,557
		2,249,628	1,983,067
Liabilities directly associated with non-current assets - held for sale	4	**143,750**	137,348
		2,393,378	2,120,415
CONTINGENCIES AND COMMITMENTS	12	**-**	-
		4,627,476	4,487,689

The annexed notes from 1 to 36 form an integral part of these financial statements.

Chief Executive Officer

Balance Sheet
As at September 30, 2014

	Note	2014	2013
		(Rupees in thousand)	
PROPERTY AND ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	13	**3,374,303**	3,111,713
CURRENT ASSETS			
Stores, spares and loose tools	14	**269,997**	201,637
Stocks in trade	15	**179,045**	572,728
Trade debts	16	**126,598**	-
Advances, deposits, prepayments and other receivables	17	**471,007**	441,487
Cash and bank balances	18	**54,702**	8,300
		1,101,349	1,224,152
Non-current assets - held for sale	19	**151,824**	151,824
		1,253,173	1,375,976
		4,627,476	4,487,689

Director

Profit and Loss Account and Statement of Comprehensive Income

For the year ended September 30, 2014

	Note	2014	2013
		(Rupees in thousand)	
Sales - net	20	**5,298,805**	7,234,928
Cost of sales	21	**5,048,675**	6,617,139
Gross profit		**250,130**	617,789
Administrative expenses	22	**146,134**	124,963
Distribution and marketing expenses	23	**49,554**	41,000
		195,688	165,963
Other operating income	24	**2,641**	41,460
Operating profit		**57,083**	493,286
Finance cost	25	**183,618**	249,773
Worker's profit participation fund		**-**	11,596
(Loss)/Profit before taxation		**(126,535)**	231,917
Provision for taxation	26	**(80)**	30,204
(Loss)/Profit after taxation		**(126,615)**	262,121
OTHER COMPREHENSIVE INCOME			
Other comprehensive income-net of tax		**(5,375)**	-
Total comprehensive (loss)/income for the year		**(131,990)**	262,121
		Rupees	Rupees
Earnings per share - basic & diluted	27	**(1.33)**	2.65

The annexed notes from 1 to 36 form an integral part of these financial statements.

Chief Executive Officer **Director**

Cash Flow Statement

For the year ended September 30, 2014

	2014	2013
	(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	**(126,535)**	231,917
Adjustments for non-cash and other items:		
Finance cost	**183,618**	249,773
Depreciation of Property, plant and equipment	**142,754**	147,955
Provision for staff retirement benefits - gratuity	**19,043**	14,659
Provision for contribution to workers' profit participation fund	**-**	11,596
Forefeited securities	**-**	(31,218)
Foreign exchange loss/ (gain)	**1,608**	(3,758)
Gain on sale of operating fixed assets	**(2,584)**	-
	344,439	389,007
Cash generated from operating activities before working capital changes	**217,904**	620,924
Adjustments for working capital changes:		
(Increase)/decrease in current assets:		
Stores, spares and loose tools	**(68,360)**	(24,248)
Stocks-in-trade	**393,683**	653,562
Trade debts	**(126,598)**	207,732
Advances, deposits, prepayments and other receivables	**(5,642)**	(114,873)
Increase/ (decrease) in current liabilities:		
Trade and other payables	**354,222**	183,329
Net working capital changes	**547,305**	905,502
Finance cost paid	**(184,163)**	(300,977)
Staff retirement benefits - gratuity paid	**(5,291)**	(4,313)
Workers' profit participation fund paid	**(11,596)**	(6,676)
Income tax paid	**(23,956)**	(68,458)
	(225,006)	(380,424)
Net cash generated from operating activities	**540,203**	1,146,002
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	**(8,366)**	(19,794)
Capital work in progress	**(410,946)**	(10,799)
Sale proceeds from sale of property, plant and equipment	**16,550**	-
Net cash used in investing activities	**(402,762)**	(30,593)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term finances-net	**(217,213)**	(295,888)
Long term deposits	**80,000**	-
Liabilities against assets subject to diminishing musharaka finance	**2,369**	-
Short term borrowings	**43,805**	(822,994)
Net cash used in financing activities	**(91,039)**	(1,118,882)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**46,402**	(3,473)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**8,300**	11,773
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**54,702**	8,300

The annexed notes from 1 to 36 form an integral part of these financial statements.

Chief Executive Officer **Director**

Statement of Changes in Equity

For the year ended September 30, 2014

PARTICULARS	SHARE CAPITAL	UNAPPROPRIATED PROFIT	TOTAL EQUITY
	(Rupees in thousand)		
Balance as on September 30, 2012	990,200	694,490	1,684,690
Total comprehensive income for the year	-	262,121	262,121
Balance as on September 30, 2013	**990,200**	**956,611**	**1,946,811**
Effect of restatement of gratuity payable under IAS-19		(5,235)	(5,235)
Balance as on September 30, 2013-restated	**990,200**	**951,376**	**1,941,576**
Total comprehensive loss for the year	-	(131,990)	(131,990)
Balance as on September 30, 2014	**990,200**	**819,386**	**1,809,586**

The annexed notes from 1 to 36 form an integral part of these financial statements.

Chief Executive Officer **Director**

Notes to the Financial Statements

For the year ended September 30, 2014

1 LEGAL STATUS AND NATURE OF BUSINESS

1.1 Colony Sugar Mills Limited ("the Company") was incorporated in Pakistan on May 09, 2007 under the Companies Ordinance, 1984. The shares of the Company are quoted on Karachi Stock Exchange Limited. The Company's registered office is situated in Lahore and its manufacturing facilities are located at Tehsil Phalia, District Mandi Bahauddin and Tehsil Mian Channu, District Khanewal. The Company is engaged in manufacturing and sale of white refined sugar and ethanol and by products

1.2 Seasonality of operation

The Company is inter-alia, engaged in manufacturing of sugar for which the season begins in November and ends in April. Therefore, majority of expenses are incurred and production activities are undertaken in first half of the company's financial year.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out hereunder. These policies have been consistently applied to year presented, unless otherwise stated.

2.1 BASIS OF PREPARATION

a) STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance) and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Accounting Standards (IASs) / International Financial Reporting Standards (IFRSs) as notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or the directives issued by the SECP differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives take precedence.

b) Accounting convention

These financial statements have been prepared under the "historical cost convention" using, except for cash flow statement, accrual basis of accounting.

c) Critical accounting estimates and judgments

The preparation of financial statements in conformity with International Accounting Standards/ International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and 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 judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised.

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets, taxation, provision for doubtful receivables and slow moving inventory. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

d) Amendments to published approved standards that are effective in current year and are relevant to the Company

The following amendments to published approved standards are mandatory for the Company's accounting periods beginning on or after 01 October 2013:

IFRS 7 (Amendment) 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 January 2013). The International Accounting Standards Board (IASB) has amended the accounting requirements and disclosures related to offsetting of financial assets and financial liabilities by issuing amendments to IAS 32 'Financial Instruments: Presentation' and IFRS 7. These amendments are the result of IASB and US Financial Accounting Standard Board undertaking a joint project to address the differences in their respective accounting standards regarding offsetting of financial instruments. The application of the amendments does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

On 17 May 2012, IASB issued Annual Improvements to IFRS: 2009 – 2011 Cycle, incorporating amendments to five IFRS more specifically in IAS 1 'Presentation of Financial Statements' and IAS 32 'Financial instruments: Presentation' that are considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 October 2013. The application of the amendments does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

e) Standards, interpretation and amendments to published approved standards that are effective in current year but not relevant to the Company

There are other standards, new interpretation and amendments to published standards that are mandatory for accounting periods beginning on or after 01 October 2013 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

f) Standards, interpretation and amendments to published standards that are not yet effective but relevant to the Company

Following standards, interpretation and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 October 2014 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2018). A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 'Financial Instruments: Recognition and Measurement'. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. It introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IFRS 13 'Fair value Measurement' (effective for annual periods beginning on or after 01 January 2015). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. This standard is not expected to have a material impact on the Company's financial statements.

IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2017). IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are: identify the contract with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contracts; and recognize revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IAS 16 (Amendments) 'Property, Plant and Equipment' (effective for annual periods beginning on or after 01 January 2016). The amendments clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment; and add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits in bodied in the asset. However, the amendments are not expected to have a material impact on the company's financial statements.

IAS 32 (Amendments) 'Financial Instruments: Presentation' (effective for annual periods beginning on or after 01 January 2014). Amendments have been made to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas: the meaning of 'currently has a legally enforceable right of set-off'; the application of simultaneous realization and settlement; the offsetting of collateral amounts and the unit of account for applying the offsetting requirements. However, the amendments are not expected to have a material impact on the Company's financial statements.

IAS 36 (Amendments) 'Impairment of Assets' (effective for annual periods beginning on or after 01 January 2014). Amendments have been made in IAS 36 to reduce the circumstances in which the recoverable amount of assets or cash- generating units is required to be disclosed, clarify the disclosures required and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. However, the amendments are not expected to have a material impact on the Company's financial statements.

On 12 December 2013, IASB issued Annual Improvements to IFRSs: 2010 – 2012 Cycle, incorporating amendments to seven IFRSs more specifically in IFRS 8 'Operating Segments', IFRS 13 'Fair Value Measurement' and IAS 16 'Property, Plant and Equipment', which are considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 October 2014. These amendments are unlikely to have a significant impact on the Company's financial statements and have therefore not been analyzed in detail.

On 12 December 2013, IASB issued Annual Improvements to IFRSs: 2011 – 2013 Cycle, incorporating amendments to four IFRSs more specifically in IFRS 13 'Fair Value Measurement', that is considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 October 2014. These amendments are unlikely to have a significant impact on the Company's financial statements and have therefore not been analyzed in detail.

IFRIC 21 'Levies' (effective for annual periods beginning on or after 01 January 2014). The interpretation provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and those where the timing and amount of the levy is certain. The interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. However, the interpretation is not expected to have a material impact on the Company's financial statements.

g) Standards and amendments to published approved standards that are not yet effective and not considered relevant to the Company

There are other standards and amendments to published approved standards that are mandatory for accounting periods beginning on or after 01 October 2014 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

h) Functional and presentation currency

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

2.2 Staff retirement benefits

The Company operates an un-funded gratuity scheme for all employees with qualifying service period of two years. Provisions are made annually to cover the obligations under the scheme on the basis of an actuarial valuation. The most recent valuation was carried out as at 30th September 2014 using the "Projected unit credit method".

The amount recognized in balance sheet represents the present value of the defined benefit obligation as on 30th September, 2014 as adjusted for unrecognized actuarial gains and losses.

The company has applied IAS 19 (as revised in 2011) retrospectively in accordance with IAS 8 "Accounting policies, Changes in Estimates and Errors". The change has resulted in an increase in Staff retirement benefits and deferred tax asset by amounts mentioned below.

The amendments in IAS 19 require the recognition of changes in defined benefit obligation and fair value of plan asset when they occur thus eliminating 'Corridor Approach' permitted under previous version of IAS 19 thus accelerating recognition of past service cost. All actuarial gains and losses are recognized immediately through 'Other Comprehensive Income'.

	September 30, 2013
Staff retirement benefit payable as previously reported	32,880
Effect of change in accounting policy	5,235
Staff retirement benefit payable- restated (Note 7.2)	38,115

Net effect of change in accounting policy recognized in unappropriated profit is Rs.5.235 million. Further the change in accounting policy has resulted in recognition of experience adjustment in OCI of Rs.5.375 million.

The net deferred tax asset is increased by amount Rs.1.832 million however the Company does not recognize deferred tax asset as matter of prudence. (Note 7.1)

2.3 Taxation

Current

Provision for taxation is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply the profit for the year if enacted. The charge for the current tax also includes tax credits and tax rebates available, if any.

Deferred

Deferred tax liability is accounted for using the balance sheet liability method in respect of all taxable temporary differences at the balance sheet date arising from difference between the carrying amount of the assets and liabilities in the financial statements and corresponding tax bases used in the computation of taxable profit. Deferred tax assets are generally recognized for all deductible temporary differences, unused tax losses and tax credits to that extent it is probable that taxable profit will be available in future against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in other comprehensive income.

2.4 Property, plant and equipment

Property, plant and equipment except freehold land are stated at cost less accumulated depreciation and impairment loss, if any. Freehold land is stated at cost.

Depreciation is charged by applying the reduçing balance method over its estimated useful life at the rates specified in note 13.

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

The assets residual value and useful lives 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 the assets. Appropriate adjustments are made if the impact of depreciation is significant.

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

Gains and losses on disposal of fixed assets are taken to profit and loss account.

2.5 Capital work in progress

Capital work in progress is stated at cost less any identified impairment loss. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work in progress. These are transferred to specific assets as and when these assets are available for use.

2.6 Stores, spares and loose tools

These are valued at lower of cost and net realizable value. Cost is calculated using moving average method except for items in transit which are valued at cost comprising invoice value plus other charges paid thereon till the balance sheet date. Provision is made against obsolete items and slow moving stores and spares based on management's estimate.

2.7 Stocks-in-trade

Stock of raw materials, work-in-process and finished goods, except for those in transit, are valued principally at the lower of weighted average cost and net realizable value. Cost of work-in-process and finished goods comprises cost of direct materials, labour and appropriate manufacturing overheads. Cost of own produced molasses, a by product, is determined on the basis of monthly average cost of molasses purchased from third parties.

Stock of raw material and finished goods purchased for sale/process are valued at weighted average cost. Materials in transit are stated at cost comprising invoice values plus other charges paid thereon.

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make a sale. Provision is made in the financial statements for obsolete and slow moving stock in trade based on management's estimate.

2.8 Financial Instruments

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instruments and are remeasured at fair value. Any gain/loss on de-recognition and on remeasurement of such financial instruments other than investments available for sale, is included in the profit/loss for the period in which it arises.

a) Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful debt balances based on review of all outstanding amounts at the year end. Bad debts are written off when identified.

b) Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amount of cash and which are subject to insignificant risk of changes in values.

c) Borrowings

Loans and borrowings are recorded at the proceeds received. Financial cost is accounted for on the accrual basis and is reported under accrued finance cost to the extent of unpaid. 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 charged to income in the period in which these are incurred.

d) Trade and other payables

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

e) Provisions

Provisions are recognized when the Company has a legal and constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle these obligations and a reliable estimate of the amounts can be made.

2.9 Impairment

a) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risks characteristics.

b) Non-Financial assets

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the assets in prior years. Such reversal is recognized in profit and loss account.

2.10 Off Setting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet, when there is a legally enforceable right to set off the recognized amounts and the Company intends to either settle on net basis or to realize the asset and settle the liability simultaneously. Corresponding income on assets and charge on liability is also offset.

2.11 Revenue recognition

Revenue from sales is recognized when significant risks and rewards of ownership have been transferred to the customer such as dispatch/delivery of goods at fair consideration received or receivable.

Return on deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

2.12 Related party transactions

Transactions between the Company and a related party are measured at arm's length rates determined in accordance with the Comparable Uncontrolled Price Method.

2.13 Foreign currency translations

Transactions in foreign currency are accounted for in Pak rupees at the rates of exchange prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated at rates of exchange prevailing at the balance sheet date and in case of forward exchange contracts at the committed rates. Gains or losses on exchange are charged to income.

2.14 Segment reporting

Segment reporting is based on the operating (business) segments of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relates to the transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are directly attributable to a segment as well as those that can be allocated on a reasonable basis. Those income, expenses, assets, liabilities and other balances which can not be allocated to a particular segment on a reasonable basis are reported as unallocated.

The Company has two reportable business segments. Sugar (white refine sugar), ethanol and its by products.

Transaction among the business segments are recorded at arm's length prices using admissible valuation methods. Inter segment sales and purchases are eliminated from the total figures.

2.15 Contingencies

The Company has disclosed contingent liabilities for the pending litigation and claims against the company based on its judgment and the advice of the legal advisors for the estimated financial outcome. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the balance sheet date. However, based on the best judgment of the Company and its legal advisors, the likely outcome of these litigations and claims is remote and there is no need to recognize any liability at the balance sheet date.

2.16 Allocation of segment expenses

All identifiable expenses are directly attributed to the respective segments. The jointly incurred expenses of sugar and allied segments are allocated on the basis of segment revenues.

2.17 Dividends and other appropriations

Dividend distribution to the Company's shareholders is recognized in the company's financial statements in the period in which the dividends are declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

		Note	2014	2013
			(Rupees in thousand)	
3	**ISSUED, SUBSCRIBED AND PAID UP CAPITAL**			
	64,020,000 (2013: 64,020,000) Ordinary shares of Rupees 10 each fully paid in cash		**640,200**	640,200
	35,000,000 (2013: 35,000,000) Ordinary shares of Rupees 10 each issued as fully paid for consideration other than cash		**350,000**	350,000
			990,200	990,200
4	**LONG TERM FINANCES**			
	Long term finance from commercial banks - secured			
	The Bank of Punjab	4.1	**143,750**	191,667
	Faysal Bank Limited	4.2	**-**	37,500
	KASB Bank Limited - DF II	4.3	**39,375**	91,875
	Pak Oman Investment Company Limited	4.4	**18,750**	43,750
	The Bank of Punjab	4.5	**-**	86,696
			201,875	451,488
	Loan from related parties			
	Sponsors' loan-Unsecured	4.6	**285,400**	253,000
			487,275	704,488
	Less:			
	Current portion shown under current liabilities	11	**(58,125)**	(179,557)
	Liabilities directly associated with non-current assets - held for sale	4.7	**(143,750)**	(137,348)
			(201,875)	(316,905)
			285,400	387,583

4.1 This represents term finance facility obtained from the Bank of Punjab, as of 30 September 2014 only three semi annual installments remained outstanding. It carries mark up at the rate of average 3 month KIBOR plus 195 bps (2013: 3 month KIBOR plus 195 bps) per annum, with 11% floor and no cap. It is secured by way of 1st exclusive charge over present and future current and fixed assets of the Company (Phalia project) with 25% margin and personal guarantee of a sponsor director.

4.2 This represents term finance facility of Rupees 250 Million obtained from Faysal Bank Limited. As of 30 September 2014 the loan has been fully repaid . It was carrying mark up at the rate of 6 month KIBOR plus 300 bps (2013: 6 month KIBOR plus 300 bps) per annum. It was secured by way of 1st pari passu charge on all present and future fixed assets of the Company and personal guarantee of a sponsor director.

4.3 This represents demand finance facility (DF-II) of Rupees 210 million obtained from KASB Bank Limited, as of 30 September 2014 only three quarterly installments remained outstanding. It carries mark up at the rate of 6 month KIBOR plus 2.5% (2013: 6 month Kibor plus 2.5%) per annum. It is secured by way of ranking charge over fixed assets of the Company with other senior creditors and personal guarantee of a sponsor director.

4.4 This represents term finance facility of Rupees 100 Million obtained from PAK Oman Investment Company Limited, as of 30 September 2014 only three quarterly installments remained outstanding. It carries mark up at the rate of 3 months KIBOR plus 3.25% (2013: 3 month KIBOR plus 3.25%) per annum. It is secured by way of personal guarantee and property located at Mouza Theter, Lahore of a sponsor director.

4.5 This represents the last installment of loan of Rupees 247 million extended by Bank of Punjab which has been fully repaid during the year. It was carrying mark up at the rate of average 3 month KIBOR plus 300 bps (2013: 3 month Kibor plus 300 bps) per annum. It was secured against existing charges as stated in note 4.1.

4.6 This represents a loan extended by a commercial bank to sponsors of Rupees 175 million (2013: Rs.145 million) and the loan amount was re-lent to the Company at same mark up rate of 3 month Kibor plus 1.5 % (2013: 3 month Kibor plus 1.5%) per annum charged by the lending bank. The same loan has been transferred in the name of the Company in the period subsequent to current balance sheet date and carries profit at 1.5% per annum above respective KIBOR.The loan is scheduled to be repaid on December 31, 2015 and secured by ranking charge on current assets of the Company and personal guarantee of a director. The amount includes a second loan extended by sponsor of Rs. 110.4 million (2013: Rs. 108 million). This loan is interest free and its repayment is not due in foreseeable future.

4.7 This represents proportionate finances associated with assets held for sale/disposal acquired at the time of purchase of those assets.

	Note	2014	2013
		(Rupees in thousand)	

5 LONG TERM DEPOSITS - INTEREST FREE AND UNSECURED

This represents dealership advance and is to be adjusted at the time of cancellation/surrendering of dealership.

6 LIABILITIES AGAINST ASSETS SUBJECT TO DIMINISHING MUSHARAKA FINANCE

	Note	2014	2013
Balance as at October 01		-	-
Obtained during the year		2,494	-
Repayment during the year		(125)	-
		2,369	-
Payable within one year shown under current liabilities	11	(499)	-
		1,870	-

Reconciliation of minimum payments under diminishing musharaka and their present value is given blow:

	2014			2013		
	Present value of minimum diminishing musharaka finance payments	**diminishing musharaka finance Charges allocated to future periods**	**Minimum diminishing musharaka finance payments**	Present value of minimum diminishing musharaka finance payments	diminishing musharaka finance Charges allocated to future periods	Minimum diminishing musharaka finance payments
	-----------------------(Rupees in thousand)-----------------------					
Not later than one year	499	156	655	-	-	-
Later than one year but not later than five years	1,870	109	1,979	-	-	-
	2,369	265	2,634	-	-	-

This represents diminishing musharaka finance agreement with First Habib Modaraba for a term of three years. As at September 30, 2014 thirty three monthly installments remained outstanding. Mark up will be charged at 6 month Kibor plus 3.5 percent per annum. These are secured against diminishing musharaka finance assets and personal guarantee of a director. The Company has option to purchase the asset after expiry of diminishing musharaka finance period.

	Note	2014	2013
		(Rupees in thousand)	
7 DEFERRED LIABILITIES			(Restated)
Deferred income tax	7.1	-	-
Staff retirement benefits-Gratuity	7.2	57,242	38,115
		57,242	38,115

	Note	2014	2013
		(Rupees in thousand)	

7.1 DEFERRED INCOME TAX

Deferred income tax comprises of the following temporary differences:

		2014	2013
Deferred tax liability on taxable temporary difference in respect of:			
Accelerated tax depreciation		299,954	385,322
Deferred tax on deductible temporary difference in respect of:			
Available tax losses		(1,200,993)	(971,284)
Provision for staff retirement benefits - gratuity		(13,670)	(10,049)
		(1,214,663)	(981,333)
		(914,709)	(596,011)
Less:			
Deferred tax asset not recognized		914,709	596,011
		-	-

Deferred tax asset has not been recognized as a matter of prudence as its recoverability is not expected in near future with reasonable certainty

7.2 STAFF RETIREMENT BENEFITS - Gratuity

	Note	2014	2013
Staff gratuity payable	7.2.1	57,242	38,115
		57,242	38,115

7.2.1 Reconciliation of payable to defined benefit plan:

The amounts recognized in the balance sheet are as follows:

	Note	2014	2013
Present value of defined benefit obligation (PVDBO)	7.2.2	57,242	38,115

7.2.2 Movement in Present value of defined benefit obligation:

		2014	2013
Opening balance of PVDBO as at October 01		38,115	28,738
Add:			
Service cost recognized during the year		14,660	10,385
Interest cost for the year		4,383	3,305
Experience adjustments		5,375	-
		62,533	42,428
Less:			
Benefits paid during the year		(5,291)	(4,313)
Closing balance of PVDBO as at September 30		57,242	38,115

7.2.3 The principal assumption used in the actuarial valuation are as follows:

	2014	2013
Discount rate per annum for charge of interest cost in profit and loss account	11.5%	11.5%
Discount rate per annum for year end obligation	13.5%	11.5%
Expected rate of eligible salary increase per annum	12.5%	10.5%
Expected average remaining working life of employees	9 Years	11 Years

7.2.4 Charge to Profit & Loss Account for the year is as follows:

	2014	2013
Current service cost	14,660	10,385
Interest cost	4,383	3,305
Actuarial loss	-	155
Liability charged due to amortization of transitional liability	-	814
	19,043	14,659

	Note	2014	2013
		(Rupees in thousand)	
7.2.5 Total remeasurement chargeable in Other Comprehensive Income is as follows:			
Experience adjustments		5,375	-
		5,375	-
8 TRADE AND OTHER PAYABLES			
Creditors		864,750	671,099
Advances from customers		317,458	183,854
Accrued liabilities		29,639	32,439
Income tax payable		24,672	7,847
Sales tax payable		1,605	2,151
Security deposits		372	526
Workers' profit participation fund	8.1	-	11,596
Other payables		16,899	1,649
		1,255,395	911,161
8.1 Workers' profit participation fund (WPPF)			
Balance as on October 01		11,596	6,676
Add: Allocation for the year		-	11,596
		11,596	18,272
Less: Amount paid during the year		(11,596)	(6,676)
Balance as on September 30		-	11,596
9 ACCRUED FINANCE COST			
Accrued finance cost on:			
- Long term finances		15,851	19,539
- Short term borrowings		33,795	30,652
		49,646	50,191
10 SHORT TERM BORROWINGS - SECURED			
From commercial banks		885,963	842,158

10.1 These represent cash finance, running finance, export refinance, bai-salam obtained from various banking companies and are subject to mark up ranging from 7.5 % to 14.18 % per annum (2013: 9.20 % to 13.53 % per annum). These are secured against pledge/hypothecation of stock-in-trade, charge on current assets, demand promisory note, Company's performance guarantee and personal guarantee of a sponsor director.

10.2 The aggregated amount of unavailed credit limits as at September 30, 2014 is Rupees 939.037 million (2013: Rupees 932.842 million).

		2014	2013
11 CURRENT PORTION OF LONG TERM LIABILITIES			
Long term finances		58,125	179,557
Liabilities against assets subject to diminishing musharaka finance		499	-
		58,624	179,557

12 CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

Guarantees given to Sui Northern Gas Pipelines Limited by bank on behalf of the Company is outstanding as at September 30, 2014 were for Rupees 46.4 million (2013: Rupees 46.4 million) and Sindh Excise Duty on imports issued to Director Excise and Taxation, Karachi were for Rupees 1.8 million (2013: Rupees 1.8 million)

12.2 Commitments

		2014	2013
Under letter of credit partially secured against charge on fixed assets of the Company		-	125,126

	Note	2014	2013
		(Rupees in thousand)	
13 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	13.1	2,952,558	3,100,914
Capital work in progress	13.2	421,745	10,799
		3,374,303	3,111,713

13.1 Operating fixed assets

Particulars	Freehold land	Building on freehold land	Plant and machinery	Furniture, fixture and equipment	Vehicles		Total operating assets
					Owned	Musharaka	
	----------(Rupees in thousand)----------						
At October 01, 2012							
Cost	337,226	1,468,466	2,270,219	34,042	38,416	-	4,148,369
Accumulated depreciation	-	323,864	411,377	11,301	20,929	-	767,471
Net book value	337,226	1,144,602	1,858,842	22,741	17,487		3,380,898
Year ended September 30, 2013							
Opening net book value	337,226	1,144,602	1,858,842	22,741	17,487	-	3,380,898
Additions	-	-	-	547	19,247	-	19,794
Disposals/adjustment:							
Cost	-	-	196,211	-	-	-	196,211
Accumulated depreciation	-	-	(44,387)	-	-	-	(44,387)
	-	-	151,824	-	-	-	151,824
Depreciation charge	-	57,230	83,132	2,286	5,307	-	147,955
Closing net book value	337,226	1,087,372	1,623,886	21,002	31,428	-	3,100,914
At September 30, 2013							
Cost	337,226	1,468,466	2,074,008	34,589	57,663	-	3,971,952
Accumulated depreciation	-	381,094	450,122	13,587	26,235	-	871,038
Net book value	**337,226**	**1,087,372**	**1,623,886**	**21,002**	**31,428**	-	**3,100,914**
Year ended September 30, 2014							
Opening net book value	337,226	1,087,372	1,623,886	21,002	31,428	-	3,100,914
Additions	-	93	568	3,262	1,796	2,647	8,366
Disposals/adjustment:							
Cost	-	-	-	-	18,303	-	18,303
Accumulated depreciation	-	-	-	-	(4,337)	-	(4,337)
	-	-	-	-	13,966	-	13,966
Depreciation charge	-	54,369	81,206	2,198	4,893	88	142,754
Closing net book value	337,226	1,033,096	1,543,248	22,066	14,365	2,559	2,952,560
At September 30, 2014							
Cost	337,226	1,468,559	2,074,576	37,850	41,155	2,647	3,962,013
Accumulated depreciation	-	435,463	531,328	15,785	26,791	88	1,009,455
Net book value	**337,226**	**1,033,096**	**1,543,248**	**22,065**	**14,364**	**2,559**	**2,952,558**
Annual rate of depreciation (%)	**-**	**5**	**5**	**10**	**20**	**20**	

	Note	2014	2013
		(Rupees in thousand)	
13.1.1 The depreciation charge for the year has been allocated as follows:			
Cost of sales		**135,575**	140,362
Administrative expenses		**7,179**	7,593
		142,754	147,955

13.2 Capital work in progress

	2014			2013		
	Civil Work	Plant and machinery	Total	Civil Work	Plant and machinery	Total
	(Rupees in thousand)					
Opening as at October 01	-	10,799	10,799	-	-	-
Additions during the year	3,902	407,044	410,946	-	10,799	10,799
Transferred to operating assets	-	-	-	-	-	-
Closing balance	**3,902**	**417,843**	**421,745**	-	**10,799**	**10,799**

13.3 Detail of disposal of properties, plant and equipment

Particulars	Cost	Accumulated depreciation	Written Down Value	Sale proceeds	Mode of disposal	Purchaser
	(Rupees in thousands)					
Land cruiser (YW-414)	16,147	3,552	12,595	14,801	Negtiation	Ch.Muhammad Saleem (Canal Bank Road, Faisalabad)
Honda Civic (LEA-12-4114)	2,156	785	1,371	1,750	Negtiation	Honda City Sales (Kalima Chowk, Lahore)
2014	**18,303**	**4,337**	**13,966**	**16,551**		
2013	-	-	-	-		

	Note	2014	2013
		(Rupees in thousand)	
14 STORE, SPARES AND LOOSE TOOLS			
Stores		**158,513**	117,519
Spares		**98,684**	69,735
Loose tools		**12,800**	14,383
		269,997	201,637

14.1 The Company does not hold any stores for specific capitalization.

14.2 There are no stores, spares and loose tools in transit as at September 30, 2014 (2013: Nil).

15 STOCKS IN TRADE

	2014	2013
Raw materials - molasses	-	35,707
Work in process		
-Sugar	**2,184**	1,803
-Molasses	**152**	16,700
	2,336	18,503
Finished goods		
-Sugar	**112,397**	339,568
-Ethanol	**28,405**	178,950
	140,802	518,518
By-products	**35,907**	-
	179,045	572,728

15.1 Stocks amounting to Rupees 179.045 million (2013: Rupees 572.728 million) are pledged with lenders as security against short term borrowings as referred to in note 9.

	Note	2014	2013
		(Rupees in thousand)	
16 TRADE DEBTS ***comprise of the followings:***			
Unsecured			
Local- Considered good		**13,110**	-
Secured			
Foreign-letter of credits		**113,488**	-
		126,598	-
17 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances - considered good	17.1	**253,914**	274,613
Advance income tax	17.2	**102,877**	79,001
Security deposits		**25,611**	4,810
Guarantee/LC margin deposits		**13,090**	8,553
Other receivables	17.3	**75,515**	74,510
		471,007	441,487

17.1 It includes advances given to sugarcane growers of Rupees 29.677million (2013: Rupees 12.810 million) which are recoverable from growers against supplies to be made in the subsequent period and to suppliers and contractors of Rupees 34.056 million (2013: Rupees 31.734 million). It also includes Rupees 100 million paid for purchase of property after obtaining court's consent decree which is presently under execution with the same court. The property shall be disposed off after it is taken over.

These also include L/C margin deposited with banks against letter of credit for import of machinery and spare parts of Rupees 82.245 million (2013: Rupees 122.909 million).

17.2 Advance Income Tax is made up as follows:

	2014	2013
Opening balance	**79,001**	47,889
Add: Tax deducted during the year	**23,956**	68,458
Add: Prior year adjustment - excess provision reversed	**14,561**	-
	117,518	116,347
Less: Transferred to profit and loss account	**(14,641)**	(37,346)
	102,877	79,001

17.3 These include income tax rebate receivable of Rs. 67.550 million available under the Income Tax Ordinance, 2001 for companies acquiring new plant and machinery.

18 CASH AND BANK BALANCES

	2014	2013
Cash with banks:		
- current accounts	**46,315**	8,283
- saving accounts	**8,387**	17
	54,702	8,300

18.1 It includes foreign currency accounts with balances of US Dollars 866.75 equivalent to Pak Rupees 88,971.89 (2013: US Dollars 866.75)

19 NON-CURRENT ASSETS - HELD FOR SALE

	Note	2014	2013
Assets at written down value	13.1	**151,824**	151,824

This represents assets held for sale/disposal. These assets are being replaced by more advanced energy efficient technology. The assets are carried at lower of their carrying amount and fair value less cost to sell. realizable value of held for sale assets is higher than their carrying value.

20 SALES-net

	Note	For the year ended September 30, 2014 Sugar	Ethanol	Total	For the year ended September 30, 2013 Sugar	Ethanol	Total
		(Rupees in thousand)			(Rupees in thousand)		
Gross Sales							
Local		4,054,754	100,375	4,155,129	5,304,801	301,757	5,606,558
Export		-	1,464,107	1,464,107	-	2,069,524	2,069,524
Inter-segment		424,154	-	-	639,280	-	-
		4,478,908	1,564,482	5,619,236	5,944,081	2,371,281	7,676,082
Less: Sales tax and federal excise duty		300,559	14,643	315,202	393,172	42,241	435,413
Commission to selling agents		5,229	-	5,229	5,590	151	5,741
		305,788	14,643	320,431	398,762	42,392	441,154
Net Sales		4,173,120	1,549,839	5,298,805	5,545,319	2,328,889	7,234,928

20.1 Intersegment sales have been eliminated from the total figures.

21 COST OF SALES

	Note	Sugar	Ethanol	Total	Sugar	Ethanol	Total
Raw Material consumed	21.1	3,456,801	507,320	3,964,121	4,518,126	643,720	5,161,846
Inter-segment transfers		-	424,154	-	-	639,280	-
		3,456,801	931,474	3,964,121	4,518,126	1,283,000	5,161,846
Salaries, wages and other benefits	21.2	139,825	33,397	173,222	138,784	28,865	167,649
Fuel and power		25,921	91,068	116,989	16,830	128,038	144,868
Chemicals consumed		23,117	29,625	52,742	24,487	50,659	75,146
Packing material consumed		37,572	-	37,572	40,004	-	40,004
Oil and lubricants		11,329	14,930	26,259	17,773	1,418	19,191
Stores and spares consumed		87,269	57,191	144,460	106,428	52,775	159,203
Repair and maintenance		9,053	5,255	14,308	6,992	1,628	8,620
Insurance		14,286	3,604	17,890	6,139	1,489	7,628
Vehicles running and maintenance		5,816	1,117	6,933	5,446	2,331	7,777
Other manufacturing expenses		628	-	628	673	-	673
Depreciation	13.1.1	81,345	54,230	135,575	97,237	43,125	140,362
		3,892,962	1,221,891	4,690,699	4,978,919	1,593,328	5,932,967
Work In Process							
Opening Stock		1,803	16,700	18,503	1,957	-	1,957
Closing Stock		(2,336)	-	(2,336)	(1,803)	(16,700)	(18,503)
		(533)	16,700	16,167	154	(16,700)	(16,546)
Cost of goods produced		3,892,429	1,238,591	4,706,866	4,979,073	1,576,628	5,916,421
Finished Goods							
Opening Stock		339,568	178,950	518,518	641,667	577,569	1,219,236
Closing stock		(148,304)	(28,405)	(176,709)	(339,568)	(178,950)	(518,518)
		191,264	150,545	341,809	302,099	398,619	700,718
		4,083,693	1,389,136	5,048,675	5,281,172	1,975,247	6,617,139

21.1 Raw material consumed

	For the year ended September 30, 2014			For the year ended September 30, 2013		
	Sugar	Ethanol	Total	Sugar	Ethanol	Total
	(Rupees in thousand)			(Rupees in thousand)		
Opening stock	-	35,707	35,707	-	5,097	5,097
Purchases (Including procurement and other costs)	3,456,801	471,613	3,928,414	4,518,126	674,330	5,192,456
Less: Closing stock	-	-	-	-	(35,707)	(35,707)
	3,456,801	507,320	3,964,121	4,518,126	643,720	5,161,846

21.1.1 Inter-segment purchases have been eliminated from the total figures.

21.2 These include Rupees 13.330 million (2013: Rupees 10.261 million) in respect of staff retirement benefits - gratuity.

	Note	2014	2013
22 ADMINISTRATIVE EXPENSES		(Rupees in thousand)	
Salaries, wages and other benefits	22.1	97,498	83,729
Fee and subscription		2,293	2,095
Vehicles running and maintenance		11,063	10,530
Legal and professional		4,704	2,367
Rent, rates and taxes		2,367	2,725
Travelling and conveyance		4,478	4,184
Postage, telephone and telegrams		3,552	3,117
Utilities expenses		2,624	2,214
Entertainment		3,832	2,209
Insurance		1,542	774
Repair and maintenance		3,147	1,586
Printing and stationery		391	741
Charity and donations		34	31
Newspapers and periodicals		10	8
Advertisement and publicity		134	38
Auditors' remuneration	22.2	500	400
Other expenses		786	622
Depreciation	13.1.1	7,179	7,593
		146,134	124,963

22.1 These include Rupees 5.713 million (2013: Rupees 4.398 million) in respect of staff retirement benefits - gratuity.

	2014	2013
22.2 Auditors' remuneration		
Statutory audit	350	275
Half yearly review	125	100
Out of pocket expenses	25	25
	500	400
23 DISTRIBUTION AND MARKETING EXPENSES		
Salaries, wages and other benefits	4,873	3,576
Stock handling charges	41,646	35,449
Insurance	1,682	880
Other expenses	1,353	1,095
	49,554	41,000
24 OTHER OPERATING INCOME		
Gain on sale of operating fixed assets	2,584	-
Forefeited securities	-	31,218
Foreign exchange (loss)/ gain	(1,608)	3,758
Freight income	723	3,893
Profit on bank deposit	751	2,425
Miscellaneous income	191	166
	2,641	41,460

	Note	2014	2013
		(Rupees in thousand)	
25 FINANCE COST			
Financial charges on:			
- Long term finances		**54,457**	97,534
- Diminishing musharaka finance		**50**	-
- Short term borrowings		**126,378**	151,022
Bank charges, commission and excise duty		**2,733**	1,217
		183,618	249,773
26 PROVISION FOR TAXATION			
Provision for taxation comprises of:			
Current tax:			
- Current year	26.1	**(14,641)**	(37,346)
- Prior year - excess provision reversed	17.2	**14,561**	-
		(80)	(37,346)
Deferred tax:			
- Current year	7.1	-	-
Income tax rebate		-	67,550
		(80)	30,204

26.1 Current year's provision of Income tax has been made under section 154 of the income tax ordinance 2001 on export sales.

26.2 No numeric tax rate reconciliation is given in these financial statements as provisions made during the current and preceding years represent final tax on export sales under section 154 of the Income Tax Ordinance, 2001.

27 EARNINGS PER SHARE

27.1 Basic earnings per share

		2014	2013
(Loss) / Profit after taxation	**Rupees**	**(131,990)**	262,121
Weighted average number of ordinary shares	**Numbers**	**99,020**	99,020
Earning per share - Basic	**Rupees**	**(1.33)**	2.65

27.2 Diluted earnings per share

There is no dilution effect on the basic earnings per share as the Company has no such commitments.

28 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

Particulars	For the year ended September 30, 2014				For the year ended September 30, 2013			
	Chief Executive Officer	**Director**	**Executives**	**Total**	Chief Executive Officer	Director	Executives	Total
	-----(Rupees in thousand)-----							
Managerial remuneration	2,182	955	13,717	16,854	1,789	712	6,850	9,351
Rent and utilities	-	334	5,936	6,270	-	285	3,492	3,777
Medical	218	143	1,525	1,886	179	71	685	935
	2,400	**1,432**	**21,178**	**25,010**	1,968	1,068	11,027	14,063
Number of Persons	**1**	**1**	**18**	**20**	1	1	10	12

28.1 In addition to the above, certain executives are also provided with Company maintained cars in accordance with their entitlements.

29 TRANSACTIONS WITH RELATED PARTIES

The Company in the normal course of business carries out transactions with related parties which comprise of directors and key management personnel. Remuneration of Chief Executive Officer is disclosed in Note No. 28. Other significant transactions with related parties is as follows:

		2014	2013
		(Rupees in thousand)	
PARTICULARS	**NATURE OF TRANSACTION**		
Loan from Sponsors	Loan repaid	**35,600**	5,000
	Loan received	**68,000**	108,000
	Outstanding balance	**285,400**	253,000

30 BUSINESS SEGMENT INFORMATION

		For the year ended September 30, 2014			For the year ended September 30, 2013		
	Note	**Sugar**	**Ethanol**	**Total**	Sugar	Ethanol	Total
		(Rupees in thousand)			(Rupees in thousand)		
Revenue							
Local and export	17	**3,748,966**	**1,549,839**	**5,298,805**	4,906,039	2,328,889	7,234,928
Inter-segment	17	**424,154**	**-**	**-**	639,280	-	-
		4,173,120	**1,549,839**	**5,298,805**	5,545,319	2,328,889	7,234,928
Segment expenses							
Cost of sales - Intersegment	18	**-**	**424,154**	**-**	-	639,280	-
- External	18	**4,083,693**	**964,982**	**5,048,675**	5,281,172	1,335,967	6,617,139
		4,083,693	**1,389,136**	**5,048,675**	5,281,172	1,975,247	6,617,139
Gross profit		**89,427**	**160,703**	**250,130**	264,147	353,642	617,789
Administrative expenses	19	**(131,521)**	**(14,613)**	**(146,134)**	(113,360)	(11,603)	(124,963)
Distribution and marketing expenses	20	**(44,599)**	**(4,955)**	**(49,554)**	(12,529)	(28,471)	(41,000)
Other operating income		**3,526**	**(885)**	**2,641**	2,591	38,869	41,460
Operating profit		**(83,167)**	**140,250**	**57,083**	140,849	352,437	493,286

30.1 Inter-segment sales and purchases

Inter-segment sales and purchases have been eliminated from total figures.

30.2 Reconciliation of reportable segment assets and liabilities

	September 30, 2014			September 30, 2013		
	Sugar	**Ethanol**	**Total**	Sugar	Ethanol	Total
	(Rupees in thousand)			(Rupees in thousand)		
Segment assets	**3,239,233**	**1,388,243**	**4,627,476**	3,487,700	999,989	4,487,689
Segment liabilities	**1,972,523**	**845,367**	**2,817,890**	1,964,041	576,837	2,540,878
Capital expenditures	**8,366**	**-**	**8,366**	19,794	-	19,794
Capital work in progress	**402,863**	**18,882**	**421,745**	10,799	-	10,799
Depreciation on property, plant and equipment	**86,292**	**56,463**	**142,755**	102,537	45,418	147,955

31 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

31.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk Management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk credit risk and liquidity risk.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD). The Company's foreign exchange risk exposure is restricted to the amounts receivable/payable from/to foreign entities. However, there is no exposure to currency risk at the year end.

(ii) Other price risk

Other price risk represents the risk that the fair value of 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), whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to commodity price risk.

(iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant long-term interest bearing assets. The Company's interest rate risk arises from long term finances and short term borrowings. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk. Borrowings obtained at fixed rate expose the Company to fair value interest rate risk. The Company has no fixed interest rate borrowings.

At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was:

	2014	2013
	(Rupees in thousand)	
Fixed rate instruments		
Financial assets		
Bank balances-saving accounts	**8,387**	17

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial liabilities at fair value through profit or loss. Financial assets represent saving accounts as detailed above. A change in interest rate at the balance sheet date would not materially affect profit or loss of the Company.

Floating rate instruments		
Financial liabilities		
Long term finances	**489,644**	704,488
Short term borrowings	**885,963**	842,158

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

Trade debts	**126,598**	-
Advances, deposits, prepayments and other receivables	**217,093**	168,739
Bank balances	**54,702**	8,300

Sensitivity analysis

The trade debtors of the Company comprise of local debtors of white refine sugar and allied products and foreign debtors of ethanol. The majority of the sales to customers are made on advance receipt mechanism i.e. value of goods is received in advance. Credit sales are only made to trusted parties/dealers and credit risk for each customer is established based on past experience with the customer. Exports sales are secured through letter of credits.

(c) **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer.

The Company manages liquidity risk by maintaining adequate reserves and borrowing facilities, by continously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Company has at its disposal unavailed credit facilities of Rs. 939.037 million (2013: Rs. 932.842 million) and cash and cash equivalents of Rs. 54.702 million (2013: Rs. 8.300 million) to further reduce its liquidity risk.

Contractual maturities of financial liabilities as at 30th September, 2014

	Carrying Amount	**Contractual Values**	**Less than One Year**	**One to Five Years**	**More than Five Years**
	(Rupees in thousand)				
Non derivate financial liabilities					
Long term finances	**489,644**	**535,332**	**227,388**	**307,944**	-
Long term deposits	**80,000**	**80,000**	-	**80,000**	-
Short term borrowings	**885,963**	**998,693**	**998,693**	-	-
Trade and other payables	**937,937**	**937,937**	**937,937**	-	-
Accrued finance cost	**49,646**	**49,646**	**49,646**	-	-
	2,363,190	**2,601,608**	**2,213,664**	**387,944**	-

Contractual maturities of financial liabilities as at 30th September, 2013

	Carrying Amount	Contractual Values	Less than One Year	One to Five Years	More than Five Years
	(Rupees in thousand)				
Non derivate financial liabilities					
Long term finances	704,488	840,388	354,966	485,422	-
Short term borrowings	842,158	1,069,785	1,069,785	-	-
Trade and other payables	727,307	727,307	727,307	-	-
Accrued finance cost	50,191	50,191	50,191	-	-
	2,324,144	2,687,671	2,202,249	485,422	-

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates/mark up rates effective as at 30th September. The rates of interest /markup have been disclosed in Note 4, 7 and 9 to these financial statements.

31.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

	Loans and Advances	
	2014	2013
	(Rupees in thousand)	
31.3 Financial instruments by categories		
As at September 30		
Assets as per balance sheet		
Trade debts	126,598	-
Advances, deposits, prepayments and other receivables	217,093	168,739
Cash and bank balances	54,702	8,300
	Financial liabilities at amortized cost	
Liabilities as per balance sheet		
Long term finances	489,644	704,488
Long term deposits	80,000	-
Liabilities against assets subject to diminishing musharaka finance	2,369	-
Deferred liabilities	57,242	38,115
Short term borrowings	885,963	842,158
Trade and other payables	937,937	727,307
Accrued finance cost	49,646	50,191

31.4 Capital risk management

The Company is not subject to any externally imposed capital requirements.

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

Consistently with others in industry and the requirements of the lenders, the Company monitors the capital structure on the basis of debt to adjusted capital ratio. The ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debt (as shown in the balance sheet) less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e share capital and reserves) plus net debt.

The debt to adjusted capital ratio as at year ended 30th September 2014 and 30th September 2013 is as follows:

	2014	2013
	(Rupees in thousand)	
Borrowings	1,375,607	1,546,646
Less: Cash and cash equivalents	54,702	8,300
Net debt	1,320,905	1,538,346
Total equity	1,809,586	1,941,576
Adjusted capital	3,130,491	3,479,922
Debt-to-adjusted capital ratio	42%	44%

32 CAPACITY AND PRODUCTION

		2014	2013
Sugar			
Plant capacity on the basis of operating days Phalia 735,000 M.Tons (2013: 825,000 M.Tons) and Mian Channu 562,500 M.Tons (2013: 589,500 M.Tons)	**M. Tons**	**1,297,500**	1,414,500
Actual Crushing	**M. Tons**	**836,931**	1,057,447
Actual Production	**M. Tons**	**78,273**	101,063
Ethanol			
Rated capacity on the basis of operating working days (E.N.A., E.N.A. Anhydrous & B-Grade)	**Liters**	**31,000,000**	33,875,000
Actual production (E.N.A., E.N.A. Anhydrous & B-Grade)	**Liters**	**21,260,418**	26,936,431

The low production was due to limited availability of raw material and routine plant maintenance.

33 NUMBER OF EMPLOYEES

Number of employees at year end	**983**	821
Average number of employees during the year	**902**	870

34 DATE OF AUTHORIZATION OF ISSUE

These financial statements were authorized for issue on January 08, 2015 by the Board of Directors of the Company.

35 GENERAL

Figures have been rounded off to the nearest thousand unless otherwise stated.

36 CORRESPONDING FIGURES

Previous year's figures have been rearranged, wherever necessary for the purpose of comparison. However, no significant re-arrangement has been made in these financial statements.

Chief Executive Officer **Director**

Financial Highlights

	2014	2013	2012	2011	2010	2009
				(Rupees in Thousand)		
Share capital	**990,200**	990,200	990,200	990,200	990,200	990,200
Unappropriated profit	**819,386**	951,376	694,490	534,743	469,032	350,981
Non current liabilities	**424,512**	425,698	752,148	1,115,471	1,225,243	1,510,347
Current liabilities	**2,393,378**	2,120,415	2,795,196	2,446,480	2,050,349	1,983,804
Non current assets	**3,374,303**	3,111,713	3,380,898	3,515,925	3,343,051	3,344,118
Current assets	**1,253,173**	1,375,976	1,851,136	1,570,969	1,391,773	1,491,214
Turnover	**5,298,805**	7,234,928	5,940,236	5,483,297	4,749,066	4,009,320
Gross profit	**250,130**	617,789	638,638	661,232	653,905	1,086,249
Operating profit	**57,083**	493,286	503,260	528,268	547,011	945,159
(Loss) / Profit before taxation	**(126,535)**	231,917	126,848	120,312	132,172	353,575
(Loss) / Profit after taxation	**(126,615)**	262,121	159,747	65,711	118,051	309,105
Production Data						
Cane crushed (M.Tons)	**836,931**	1,057,447	1,073,317	732,910	640,547	688,030
Sugar Produced (M.Tons)	**78,273**	101,063	101,147	63,873	55,269	64,736
Ethanol produced (Litres)	**21,260,418**	26,936,431	35,739,986	25,356,131	23,646,464	13,522,468

Colony Sugar Mills Limited

Pattern of Shareholding
As at September 30, 2014

Number of Shareholders	Shareholdings From	To	Total Shares held
388	1	100	15,059
568	101	500	153,292
257	501	1000	202,499
399	1001	5000	981,346
97	5001	10000	792,639
28	10001	15000	351,369
26	15001	20000	474,273
16	20001	25000	382,721
7	25001	30000	194,501
8	30001	35000	259,514
5	35001	40000	186,175
4	40001	45000	179,324
4	45001	50000	200,000
5	50001	55000	265,642
1	55001	60000	57,500
2	60001	65000	127,585
3	65001	70000	199,361
1	70001	75000	75,000
1	80001	85000	83,000
1	90001	95000	93,000
2	95001	100000	200,000
1	100001	105000	101,000
1	105001	110000	109,500
1	120001	125000	125,000
1	135001	140000	138,176
1	180001	185000	181,491
2	185001	190000	375,989
1	200001	205000	201,500
1	255001	260000	257,912
1	270001	275000	271,203
1	295001	300000	300,000
1	345001	350000	350,000
1	375001	380000	378,000
1	420001	425000	423,550
1	475001	480000	477,654
1	1435001	1440000	1,436,148
2	1850001	1855000	3,707,704
1	2370001	2375000	2,374,265
1	3010001	3015000	3,010,413
1	3805001	3810000	3,810,000
1	1810001	3815000	3,810,051
1	4830001	4835000	4,830,363
1	4895001	4900000	4,900,000
2	4900001	4905000	9,801,640
1	7910001	7915000	7,911,439
1	9215001	9220000	9,219,617
1	9710001	9715000	9,714,076
1	9890001	9895000	9,890,098
1	15435001	15440000	15,439,411
1,854			**99,020,000**

Categorial Pattern of Shareholding

As at September 30, 2014

Categories of Shareholders	Number of Shareholders	Number of Shares Held	Percentage
INDIVIDUALS	1,791	79,757,859	80.55
FINANCIAL INSTITUTIONS / MODARABAS / PENSION FUNDS ETC.	18	305,900	0.31
INSURANCE COMPANIES	6	86,526	0.09
JOINT STOCK COMPANIES	32	18,486,880	18.67
MUTUAL FUNDS	1	378,000	0.38
INVESTMENT COMPANIES	1	196	0.00
OTHERS	5	4,639	0.00
TOTAL	**1,854**	**99,020,000**	**100.00**

Pattern of Shareholding (Additional Information)

Under Code of Corporate Governance as at September 30, 2014

	Shareholding	Percentage
Directors, CEO, and their spouses and minor children:		
Mr. Naveed M. Sheikh	65,861	0.07
Mr. Waqar Ibn Zahoor Bandey	10,252	0.01
Ms. Samina Gul	1,000	0.00
Mr. Muhammad Asghar	1,000	0.00
Mian Muhamamd Ali	1,000	0.00
Mr. Ahmed Haji Mussa	1,000	0.00
Mr. Asad Ali	1,000	0.00
Mrs. Aasiya Naveed Sheikh	3,810,413	3.85
Ibrahim Naveed Sheikh	3,010,413	3.04
Executives	9,714,076	9.81
Associated Compaines, Undertakings & related parties	-	-
Mutual Funds	378,000	0.38
Public Sector Companies & Corporation	-	-
Joint Stock Companies	18,486,880	18.67
Banks, Finance Institutions, Insurance Companies, Modarabas and Pension Funds etc.	392,622	0.40
Others	4,639	0.00
Public	63,141,844	63,77
Total:	**99,020,000**	**100.00**

Shareholding 5% and More

M/s. Colony Mills Limited	15,862,961	16.02
Mr. Mashal Kamran Khan	9,219,617	9.31
Ms. Eesha Naveed Sheikh	9,714,076	9.81
Ms. Noreen M. Sheikh	9,890,098	9.99
Ms. Izza Naveed Sheikh	7,911,439	7.99

There has been no trading of shares by CEO, Directors, CFO and Company Secretary, their spouse and minor children.

Colony Sugar Mills Limited

FORM OF PROXY

I/We ____ of ____ being member of **COLONY SUGAR MILLS LIMITED** and holder of ____________________ Ordinary shares as per Registered Folio / CDC Participant I.D. No. ____________________ hereby appoint Mr. / Mrs. / Miss. ______________________________ of ______________________________ or failing him / her Mr. / Mrs. / Miss. ____________________ of ____________________ who is also a member of the COLONY SUGAR MILLS LIMITED vide Registered Folio / CDC Participant I.D. No. ____________________ as my proxy to vote for me and on my behalf at the 8th Annual General Meeting of the Company to be held on Saturday, January 31, 2015 at 10.00 a.m. and any adjournment thereof.

Signed this ____________ day of January 2015

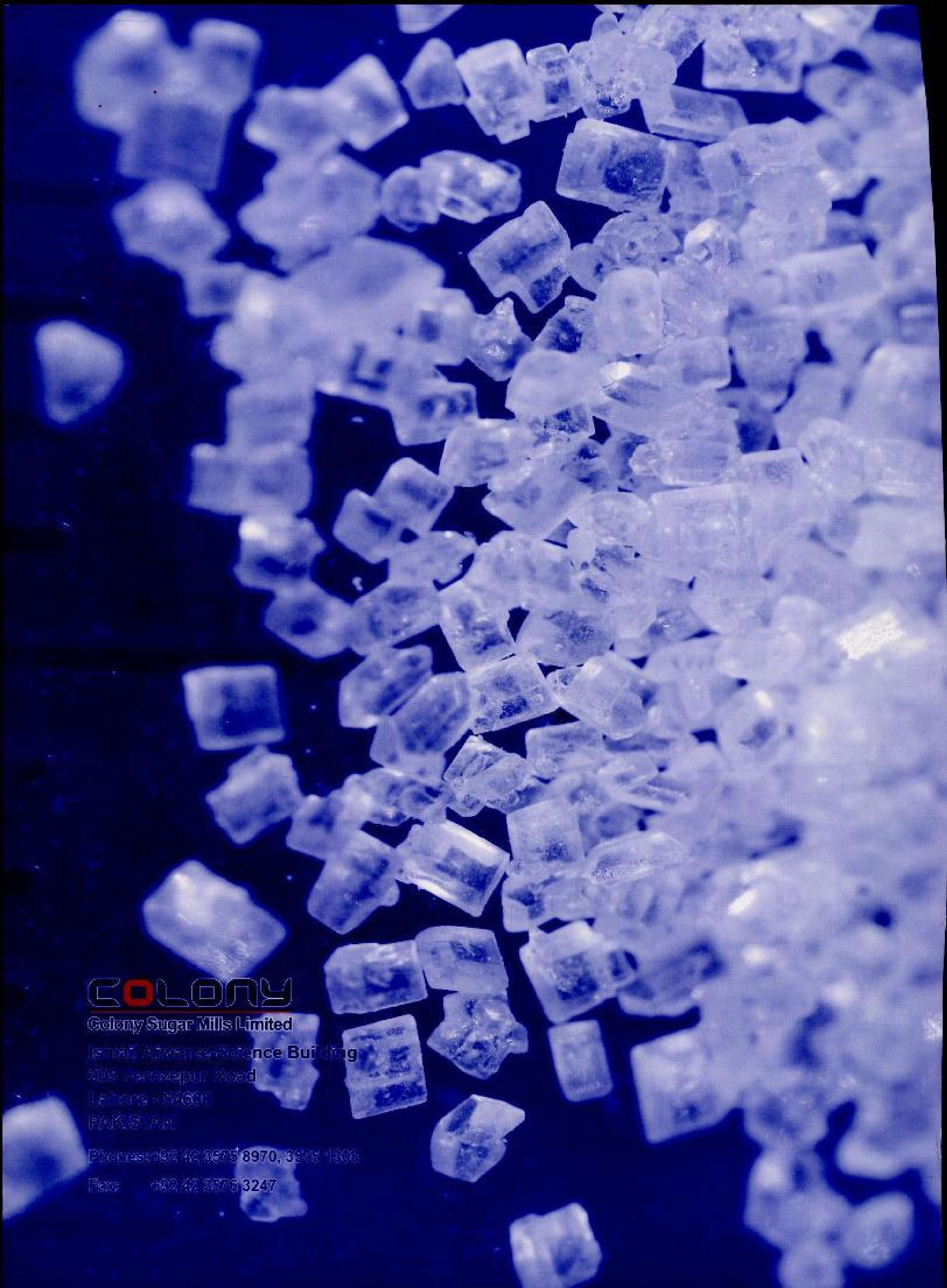
Revenue Stamp(s) of Rupees five

Signature
(As registered with the company)

Witness: 1		Witness: 2	
Signature	____________________	Signature	____________________
Name	____________________	Name	____________________
Address	____________________	Address	____________________
	____________________		____________________
CNIC or Passport #	____________________	CNIC or Passport #	____________________

NOTES:-

- This proxy form, duly completed and signed, must be received at the Registered Office of the company not less than 48 hours before the time of holding the Meeting.
- No person shall act as Proxy unless he/she himself / herself is a Shareholder of the Company except that a company may appoint a person as its representative who is not a shareholder.


COLONY
Colony Sugar Mills Limited
Ismail Aiwan-e-Science Building
205 Ferozepur Road
Lahore - 54600
PAKISTAN
Phones: +92 42 3575 8970, 3576 1308
Fax: +92 42 3576 3247