Annual Report 2012

سانگھڑ شوگر ملز لمیٹڈ

Sanghar Sugar Mills Limited

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Company Information

BOARD OF DIRECTORS

Haji Khuda Bux Rajar	(Chairman/Chief Executive)
Mr. Jam Mitha Khan	
Mr. Ghulam Dastagir Rajar	
Mr. Mohammad Aslam	
Mr. Gul Mohammad	
Mr. Qazi Shamsuddin	
Mr. Shahid Aziz	(Nominee of NIT)
Mr. Irshad Husain	(Nominee of NIT)

AUDIT COMMITTEE

Mr. Ghulam Dastagir Rajar	(Chairman)
Mr. Jam Mitha Khan	(Member)
Mr. Shahid Aziz	(Member)

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Ghulam Dastagir Rajar	(Chairman)
Mr. Jam Mitha Khan	(Member)
Mr. Shahid Aziz	(Member)

EXECUTIVE DIRECTOR & COMPANY SECRETARY

Mr. Abdul Ghafoor Ateeq

CHIEF FINANCIAL OFFICER

Mr. Muhammad Jawad Durrani

SHARE REGISTRAR

Hameed Majeed Associates (Pvt) Ltd.
Karachi Chambers,Hasrat Mohani Road, Karachi
Phone : 021 - 32424826
Fax : 021 - 32424835

STATUTORY AUDITORS

Hyder Bhimji & Co
Chartered Accountants
Member of Kreston International

COST AUDITORS

Siddiqi & Company
Cost & Management Accountants

REGISTERED OFFICE

101 – First Floor, Ocean Centre,
Talpur Road, Karachi
Phone : 021-32427171–72
Fax No : 021–32410700
E-mail : info@sangharsugarmills.com

FACTORY

13th Km, Sanghar – Sindhri Road,
Deh Kehore, District Sanghar, Sindh
Phone : (0345) 3737001 – 8222911
(0235) 542158

BANKERS

Allied Bank Limited
Askari Bank Limited
Al-Baraka Bank (Pakistan) Limited
Bank Al-Falah Limited
Habib Bank Limited
MCB Bank Limited
National Bank of Pakistan






Statement of Vision, Mission, Objectives, Corporate Strategy & Strategic Planning

VISION STATEMENT

To have eminent position in manufacturing and supplying quality white refined sugar and allied products and thereby play an important role in the economic and social development of the country.

MISSION STATEMENT

We the Management of Enterprise, have set forth our belief as to the purpose for which the Company is established and the principles under which it should operate. We pledge our entire efforts to the accomplishment of the purpose within the agreed principles. Sanghar Sugar Mills Limited is committed to:

- Manufacture to the highest quality standards. Pursuing the improvement in shareholders' value through team work and continuous improvement in the system in a competitive business environment.
- Be ethical in practice and fulfill social responsibilities.
- Ensure a fair return to stakeholders.
- Realize responsibility towards society and contribute to the environment as good corporate citizen.

CORPORATE OBJECTIVES

The over riding objective of the Company is to optimize over the time, the return to its shareholders. To achieve this objective, the Company shall endeavor to ensure long term viability of its business and to manage effectively its relationship with stakeholders. Sanghar Sugar Mills Limited shall:

- Recognize the need of working at the highest standard to achieve greater level of performance in order to meet the expectations of the stakeholders.
- Optimize over the time, the returns to shareholders of the Company.
- Strive for excellence and build on the Company's core competencies.
- Conduct Company's business with integrity and supply only quality and credible information.
- Respect confidentiality of the information acquired during the course of dealings with the interested parties and refrain from acting in any manner which might discredit the Company.
- Operate within the regulatory framework and be free of any vested interest which might be incompatible with Organization's integrity, objectivity and independence.

CORPORATE STRATEGY

Production of sugar and sugar by-products are the Company's main area of business. The Company, its Director and Management:-

- Believe in diversification through new manufacturing facilities and through equity participation.
- Recognize the value of technological improvement and acquire the benefits of current innovation and development in their business field.
- Believe in professional management and modern practices and use latest techniques available for growth and overall prosperity.
- Consider their human resource as the most important asset and help them in providing facilities with regard to training and updating their knowledge and skill and keep them highly motivated.
- Believe in integrity in business and the Company's integrity depends on integrity of each one of its employees.
- Consider the sugar cane growers as the most important part of the business.

STRATEGIC PLANNING

- Keep up with technological advancement and continuously update the company in the field of sugar technology.
- Maintain all relevant technical and professional standards to be compatible with the requirement of the trade.
- Gauge the market conditions and availability of substitute products and services and ensure quality with cost effectiveness.
- Inculcate efficient, ethical and time tested business practice in the Company's management.

Notice of Annual General Meeting

Notice is hereby given that Twenty Seventh Annual General Meeting of **Sanghar Sugar Mills Limited** will be held on Thursday January 31, 2013 at 11:00 a.m. at Beach Luxury, M. T. Khan Road, Karachi to transact the following business:

1. To confirm the minutes of Twenty Sixth Annual General Meeting of the Company held on January 31, 2012.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended September 30, 2012 together with Directors' and Auditors' Reports thereon.
3. To appoint Auditors for the year 2012-2013 and fix their remuneration. The present Auditors M/s Hyder Bhimji & Co. Chartered Accountants, retire and being eligible, have offered themselves for re-appointment.
4. To transact any other ordinary business with the permission of the Chair.

By Order of the Board

Karachi: January 05, 2013

Company Secretary

NOTES :

1. The Share Transfer Books of the Company will remain closed from January 22, 2013 to January 31, 2013 (both days inclusive).
2. A member entitled to attend and vote at this meeting may appoint another member as proxy to attend and vote on his/her behalf. The completed Proxy Form must be received at the Registered Office of the Company 101-First Floor, Ocean Centre, Talpur Road, Karachi, at least 48 hours before the time for holding this meeting.
3. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting must bring his/her original CNIC, CDC Account and Participant's ID number to prove his/her identity, and in case of Proxy, must enclose an attested copy of his/her CNIC. Representatives of corporate members should bring the usual documents required for such purpose.
4. Members are advised to notify to the Company's Share Registrar of any change in their registered addresses immediately.
5. Members holding physical shares of the Company are once again reminded, in their own interest, to send an attested copy of their valid Computerized National Identity Card (CNIC) mentioning their Folio No. thereon directly to the Company's Share Registrar, M/s. Hameed Majeed Associates (Pvt) Limited, Karachi Chambers, Hasrat Mohani Road, Karachi in order to comply with requirements of the Securities & Exchange Commission of Pakistan, since the Members were previously requested also through notice of AGM published in newspaper on January 07, 2011 and January 09, 2012 for submission of CNIC copy.

Directors' Report

Your Directors are pleased to welcome you at the twenty seventh Annual General Meeting of the Company and present Annual Report together with the Audited Financial Statements of the Company for the year ended September 30, 2012.

Review of the Performance of the Company

The crushing season for the year 2011-2012 started on November 25, 2011 and completed on March 12, 2012. The current season highlighted the long debated “mismatch” in the policy of the Government to fix the minimum price of sugarcane whereas adopts a free market policy with regard to price of sugar. This is evident from the fact that though the prices of sugar crashed, the Government increased the price of sugarcane by 21%. This policy together with the inflationary pressure on other inputs exposed the industry in general and your Company in particular under tremendous strain. Though, the impact of the above was contained somewhat by purchase of sugar by the Trading Corporation of Pakistan and belated permission to Export sugar in small quantities, but it nonetheless left an overall negative impact on the results of the Company. Under these tiring circumstances, the Company has made its best efforts to play its role with regard to its social and corporate responsibilities for economic well being and development of the Country along with uplift of the people living in the rural areas of the Country.

Operating Results

A brief summary of operating results of the Company for the year ended September 30, 2012 along with the comparatives for the corresponding year is given as under:

	2011-2012	2010-2011
Season started on	**25-11-2011**	22-11-2010
Season completed on	**12-03-2012**	18-03-2011
Duration of crushing days	**109**	117
Sugarcane Crushed (M.Tons)	**483,352**	491,205
Cane sugar produced (M.Tons)	**46,516**	47,008
Sucrose recovery (%)	**9.62**	9.57

Review of Operation

The Company operated at reasonable level during the season 2011-2012 and was able to manufacture reasonable quantity of sugar under the circumstances of availability of sugarcane at unviable procurement cost as compared with the previous year.

Financial Results

The key financial figures of the Company for the year ended September 30, 2012 along with the comparatives for the corresponding year are summarized as under:

	2012	2011
	(Rupees in '000)	
(Loss)/profit before taxation	**(424)**	64,344
Taxation	**6,130**	26,585
(Loss)/profit after taxation	**(6,554)**	37,759
Earning per share-basic and diluted (Rupees)	**(0.55)**	3.16

Review of Financial Results

As already reported above and in the previous reports, the Company was able to manufacture reasonable quantity of sugar, but significantly enhanced procurement cost of sugarcane together with increasing other overhead expenses, drastically fallen sale price of sugar as compared with the last year, carryover stock of sugar, and sugar contracted for sale not lifted, were the main factors that had directly affected the current year's financial results, to a great extent. Consequently, the Company has incurred loss after taxation of Rs.(6,554) thousand as compared with the profit after taxation of Rs.37,759 thousand during the last year ended September 30, 2011.

Future Prospects

As already reported above and in the previous reports of the Company, the sugar industry is functioning under the peculiar environment affected by the policies of federal and provincial Governments as well as the trend of the international and local markets. The rising trend of procurement cost of sugarcane along with increasing other overhead expenses, unmatching sale prices of sugar with its cost of production, expected surplus production of sugar in the country, and other unpredictable circumstances prevailing in the sugar industry might affect the profitability of the Company currently and in the future as well. Under the circumstances, certain remedial measures taken by the Government to reduce the surplus stock of sugar and stability and rationality in sugar prices in the local and international market will shape the future prospect of the sugar industry. In this connection, the Government should consider the proposal of Pakistan Sugar Mills Association to link the minimum price of sugarcane with selling price of sugar, because maintenance of reasonable price of sugar will help to tackle the situation and result in benefiting to all the stake holders and allow the sugar industry to continue its operation for providing various economic and financial opportunities to uplift the rural community of the Country.

Contribution to the Economy

The Company's contribution to the National Exchequer in the form of income tax, sales tax and other levies and charges, was Rs. 298,154 thousand during the year as compared to Rs 144,097 thousand during the last year. This does not include withholding tax that is deducted by the Company from payments made to employees, suppliers etc and deposited with Government Treasury.

Health, Safety and Environment

Your Company, its directors and management are conscious to follow the needs of the society concerning health, safety and environment for achieving the objective. The Company is responsive to make efforts to minimize the accidental risks, have necessary medical facilities and continuously shrine to improve greenery and maintain clean and safe environment around the factory, better housekeeping, safeguarding the health of employees and application of the principles of safety in its operations, the consumers and public at large by following the rules and regulations in this regards.

Corporate Social Responsibility

Your Company is socially responsible and committed to conduct its business ethically and with responsibility. The Company is conscious of the role to play as responsible corporate citizen in fulfilling the various needs of the society concerning health, safety, environment, employee relationship and social welfare of the society. The Company considers itself accountable to its stakeholders and has identified dimensions of performing the social responsibilities which are contribution to economy, environment and society. The Management pursues the strategy by following strategic guidelines to be a good corporate citizen:

i) Encouraging employment of work force living in the rural areas in order to yield significant gain and uplift their living standard.

ii) Continuously striving to improve greenery, maintain a clean environment around the factory and better housekeeping.

iii) Making arrangement for civic, health, education and accommodation facilities to employees.

iv) Support social causes.

On the corporate social responsibility front, the Company has already launched education program and accordingly providing education facilities at premises adjacent to employees colony at the factory in order to provide primary education facilities by qualified staff on concessional fees basis to the children of the factory employees and others living nearby in the rural areas in order to alleviate illiteracy and poverty. The Company has always supported other noble causes which help the members of the society.

In this regard, the shareholder will be pleased to know that the Pakistan Centre for Philanthropy ranked the Company as 21st out of 490 listed companies and selected the Company for the Corporate Philanthropy Award 2012 and awarded the Certificate of Recognition for the Company's philanthropic contribution to social development in Pakistan for the year 2011.

Sustainability of the Company, its employees and shareholders of the Company is the prime concern of your directors and various developments on this are under active consideration which will be reported in the ensuing periods.

Statement on Corporate and Financial Reporting Framework

In compliance with the Code of Corporate Governance, the Board of Directors hereby confirms that:

i. The financial statements for the year ended September 30, 2012, prepared by the Management, present its state of affairs fairly, the results of its operations, cash flows and changes in equity.

ii. Proper books of accounts of the Company have been maintained.

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

iv. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from has been adequately disclosed.

v. The system of internal control is sound in design and has been effectively implemented and monitored.

vi. There are no significant doubts upon the Company's ability to continue as going concern.

vii. There has been no material departure from the best practices of the Corporate Governance as detailed in the Listing Regulations.

viii. The key operation and financial data for last ten years in summarized form are annexed.

ix. Keeping in view the loss after taxation during the year and also factors stated under Review of the Performance of the Company, Review of Financial Results, Future Prospects mentioned above and the liquidity position as is evident from the annexed Financial Statements do not permit to recommend dividend for the year ended September 30, 2012.

x. There are no over dues and statutory payments due on account of taxes duties, levies and charges are being made in the normal course of business.

xi. An unfunded gratuity scheme is in operation for all permanent employees. Provision are made annually to cover the obligation on the basis of actuarial valuation and charge to income currently, related details of which are mentioned in the Notes to the Financial Statements.

xii. During the year, five Board Meetings of the Board of Directors were held. Leave of absence was granted to the Directors who could not attend the Board meetings. Attendance by each director was as follows:

Name of Directors	Board Meetings held on				
	21.10.11	05.01.12	28.01.12	26.05.12	28.07.12
Haji Khuda Bux Rajar	P	P	P	L	P
Mr. Jam Mitha Khan	P	P	P	P	P
Mr. Ghulam Dastagir Rajar	P	L	P	P	P
Mr. Mohammad Aslam	P	P	P	P	P
Mr. Gul Mohammad	P	P	L	P	L
Mr. Qazi Shamsuddin	P	L	L	P	L
Mr. Shahid Aziz (Nominee of N.I.T.)	P	P	P	P	P
Mr. Irshad Husain (Nominee of N.I.T.)	P	P	P	P	P

Name of Directors	Audit Committee Meetings held on				
	17.12.11	05.01.12	28.01.12	26.05.12	28.07.12
Mr. Ghulam Dastagir Rajar	P	L	P	L	P
Mr. Shahid Aziz	L	P	P	P	P
Mr. Gul Mohammad	P	P	L	P	N/A
Mr. Jam Mitha Khan	N/A	N/A	N/A	N/A	P

P=Present L=Leave of absence N/A= Not Applicable

The Board accepted resignation of Mr. Gul Mohammad as member of the Audit Committee and in his place appointed Mr. Jam Mitha Khan as member of the Audit Committee w.e.f. July 28, 2012, keeping in view the proviso of clause (vi) of the Code of Corporate Governance.

Human Resource & Remuneration (HR&R) Committee

In compliance with the Code of Corporate Governance, the Directors have established a HR&R Committee comprising the following non-executive directors, keeping in view the proviso of clause (vi) of the Code of Corporate Governance.

Mr. Ghulam Dastagir Rajar	Chairman
Mr. Shahid Aziz	Member
Mr. Jam Mitha Khan	Member

xiii. The Pattern of Shareholding as on September 30, 2012 is annexed

xiv. To the best of our knowledge, the Directors, Executives and their spouse and their minor children have not undertaken any trading of Company's shares during the year 2011-2012.

xv. A Statement of Compliance with the Code of Corporate Governance for the year ended September 30, 2012 is annexed with the Report.

Board of Directors

During the year, there was no change in the Board of Directors of the Company. The Present Directors were elected in the Extra Ordinary General Meeting held on October 21, 2011 for the period of three years commencing from November 04, 2011

Threshold for determining Executive

Pursuant to the requirement of sub-clause (I) of clause (xvi) of the Code of Corporate Governance, the Board has set out as threshold for determining an 'Executive' whose annual basic salary exceeds one million rupees in the financial year ended September 30, 2012.

Auditors

The present auditors M/s. Hyder Bhimji & Co. Chartered Accountants retire at the conclusion of forthcoming Annual General Meeting and being eligible, have offered themselves for re-appointment. As suggested by the Audit Committee in terms of the Code of Corporate Governance, the Board of Directors has recommended their appointment as Auditors of the Company for the year ending September 30, 2013.

Acknowledgement

Your Directors place on record their appreciation for devotion of duty, loyalty and hard work of the executives, officers, staff members and workers for smooth running of the Company's affair and hope that they will continue for enhancement of productivity with great zeal and spirit under the blessings of Almighty Allah.

The Directors would like to thank all the government functionaries, banking and non-banking financial institutions, suppliers and shareholders for their continued support and cooperation for the betterment and prosperity of the Company.

For and on behalf of the Board of Directors

Chief Executive

Karachi: January 05, 2013

Key Operating & Financial Data of Last Ten Years

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
OPERATIONAL DATA										
Duration of Season (Days)	**109**	117	114	132	182	146	126	103	159	118
Cane crushed (Tons)	**483,352**	491,205	484,452	597,111	853,592	526,439	419,498	330,744	532,824	447,676
Sucrose Recovery (%)	**9.62**	9.57	9.60	9.58	9.50	8.68	9.42	9.15	8.90	8.94
Sugar Made (Tons)	**46,516**	47,008	46,547	57,308	87,026	45,602	39,837	30,024	47,274	40,026
Molasses (Tons)	**26,503**	24,004	23,785	30,279	49,360	26,200	19,773	17,351	35,142	25,473
										All figures in Rs in '000
TRADING RESULTS										
Turnover (NET)	**3,005,261**	1,498,297	2,679,922	1,679,489	1,861,248	1,065,461	1,052,760	568,370	680,996	582,531
Gross profit	**195,512**	245,956	377,383	225,504	233,621	71,575	178,720	541,191	82,824	3,688
Operating profit/ (loss)	**95,814**	159,342	308,572	162,815	171,328	28,489	134,932	(9,341)	38,886	(35,371)
(Loss)/ profit before taxation	**(424)**	64,345	213,047	115,257	134,232	(12,373)	94,186	(30,701)	18,915	(76,761)
(Loss)/ profit after taxation	**(6,554)**	37,759	134,431	66,912	98,603	(19,755)	55,461	(62,052)	4,215	(50,860)
ASSETS EMPLOYED										
Operating Assets	**747,116**	754,005	477,508	494,031	516,797	524,078	539,306	555,559	545,510	570,322
Long Term Deposits	**36,369**	36,396	2,223	2,223	2,223	2,223	2,385	913	1,013	3,074
Current Assets	**935,108**	1,471,518	240,366	277,084	119,007	125,784	125,371	102,118	120,499	83,337
Total Assets Employed	**1,718,593**	**2,261,919**	**720,097**	**773,338**	**638,027**	**652,085**	**667,062**	**658,590**	**667,022**	**656,733**
FINANCED BY										
Shareholders equity	**330,698**	328,449	305,462	179,574	106,967	2,757	28,566	(30,370)	24,007	10,921
Surplus on Revaluation of Land, Building and Plant & Machinery	**160,241**	169,043	46,213	49,624	55,319	103,695	109,587	115,910	101,387	107,153
Long Term Liabilities	**64,908**	85,089	23,159	75,812	210,646	250,621	240,218	242,647	258,985	166,997
Deferred Liabilities	**216,974**	216,247	145,489	150,054	145,697	128,348	125,374	86,444	48,375	38,556
Current Liabilities	**945,772**	1,463,091	199,774	318,274	119,398	166,664	163,317	243,959	234,268	333,106
Total Fund Invested	**1,718,593**	**2,261,919**	**720,097**	**773,338**	**638,027**	**652,085**	**667,062**	**658,590**	**667,022**	**656,733**

Stakeholders Information

Stock Exchange Listing

Sanghar Sugar Mills Limited is a listed Company and its shares are traded on Karachi and Lahore Stock Exchanges. The Company's shares are quoted in leading newspapers under Sugar Sector.

Communication with Users of Financial Statements

Communication with users of financial statements is given high priority. Annual, half yearly and quarterly reports are distributed to the shareholders and provided to other users within the time specified in the Companies Ordinance, 1984. There is also an opportunity for individual shareholder to participate at the annual general meetings to ensure high level of accountability.

Shareholders Information

Enquiries concerning verification of transfer deeds, transfer of share certificates, change of address etc., should be directed to the Shares Registrar, Hameed Majeed Associates (Pvt) Ltd. Karachi Chambers, Hasrat Mohani Road, Karachi Phone No: 021- 32424826, Fax No: 021-32424835.

Public Information

Financial analysts, stock brokers, interested investors and financial media desiring information about Sanghar Sugar Mills Limited and its products should contact the Executive Director/Chief Financial Officer at Registered Office, Karachi Phone: 021–32427171–72 Fax: 021–32410700.

Investors Information for Ten Years

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Gross Profit Ratio (%)	**6.51**	16.42	14.08	13.43	12.55	6.72	16.97	4.78	12.16	0.63
(Loss)/ profit before Tax Ratio (%)	**(0.22)**	2.52	5.02	6.86	7.21	(1.16)	8.94	(5.40)	2.78	(13.18)
Inventory Turnover Ratio	**3.08**	1.96	17.51	11.72	26.36	18.41	16.28	9.03	10.69	12.30
Fixed Assets Turnover Ratio (%)	**403.72**	200.02	561.23	339.96	360.15	203.30	195.21	102.31	124.84	102.11
Price Earning Ratio	**(44.91)**	3.39	1.23	2.81	2.96	(5.14)	1.93	(0.96)	21.71	(0.82)
Return on Capital Employed (%)	**42.22**	47.47	85.86	77.37	41.48	19.49	24.92	6.58	10.03	(10.37)
Market Value per Share	**24.70**	10.71	13.84	15.75	24.45	8.50	8.50	5.00	7.60	3.50
Book Value per Share	**27.68**	27.49	25.57	15.03	8.95	0.23	2.39	(2.54)	2.01	0.91
Earning per Share	**(0.55)**	3.16	11.25	5.60	8.25	(1.65)	4.40	(5.19)	0.35	(4.26)
Debt Equity Ratio	**2.50**	3.55	1.05	1.97	2.30	1.60	1.24	1.82	2.07	1.41
Current Ratio	**0.99**	1.01	1.203	0.871	0.997	0.75	0.77	0.42	0.51	0.25
Interest Cover Ratio	**1.00**	1.68	4.11	4.14	6.30	0.67	3.77	(0.44)	1.83	(0.83)

Statement of Value Addition and Its Distribution

Value Addition:	2012 (Rs. '000)	%	2011 (Rs. '000)	%
Turnover Gross	**3,222,158**		1,596,539	
Other Income	**3,698**		7,423	
	3,225,856		1,603,962	
Sugarcane Procurement Expenses	**1,929,052**		2,521,074	
Direct Costs & Services	**742,574**		(1,364,321)	
	2,671,626		1,156,753	
	554,230		447,209	
Value Distribution:				
Distributed as follows				
To Employees as:				
– Remuneration	**126,462**	**22.82**	118,513	26.50
– Worker's profit participation fund	—	—	3,456	0.77
	126,462		121,969	
To Government:				
– Sales Tax, FED & SED	**216,897**	**39.13**	98,242	21.97
– Income Tax	**83,773**	**15.12**	38,738	8.66
– Deferred Tax	**(10,369)**	**(1.87)**	668	0.15
– Cess & Fees	**7,853**	**1.42**	6,449	1.44
	298,154		144,097	
To Providers of Capital as:				
– Finance Cost	**93,952**	**16.95**	94,682	21.17
– Dividend	—	—	17,919	3.20
	93,952		112,601	
Retained in the Business as:				
– Depreciation	**42,216**	**7.62**	30,783	6.88
– (Loss)/profit for the year	**(6,554)**	**(1.18)**	37,759	8.44
	35,662		68,542	
	554,230	**100.00**	447,209	100.00

Statement of Compliance with the Code of Corporate Governance

Name of company: **SANGHAR SUGAR MILLS LIMITED**

Year ended: **September 30, 2012**

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

Category	Name
(i) Independent Directors	1. Mr. Shahid Aziz 2. Mr. Irshad Husain
(ii) Executive Directors	1. Haji Khuda Bux Rajar 2. Mr. Mohammad Aslam 3. Mr. Gul Mohammad
(iii) Non-Executive Directors	1. Mr. Jam Mitha Khan 2. Mr. Ghulam Dastagir Rajar 3. Mr. Qazi Shamsuddin

The independent directors meet the criteria of independence under clause (i) (b) of the CCG. The condition of Clause (i) (b) of the CCG will be applicable after election of next Board of Directors of the Company due in November 2014, as provided under proviso of the clause (vi) 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 taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the Board during the year.
5. The Company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the Company 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. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive and non-executive 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. The Board has been provided information and relevant details to acquaint them with the Code, and other applicable laws. They are aware of their duties, responsibilities and regulations as they are on the Board since last many years. One Director is exempted from the requirement of directors’ training program as provided in the CCG.
10. The Board has already ratified appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Directors’ Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The Financial Statements of the Company were duly endorsed by Chief Executive Officer and CFO before approval of the Board.
13. The Directors, Chief Executive Officer and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has already formed the Audit Committee and now reconstituted it keeping in view the requirement of the CCG. It comprises 03 members, of whom 02 are non-executive directors and one is independent director and the condition of independent director as the Chairman of the Committee under clause 1(b) of the CCG will be applicable after election of next Board of Directors of the Company as provided under proviso of clause (vi) of the CCG.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed a Human Resource & Remuneration Committee. It comprises 03 members, of whom 01 is independent director and 02 are non-executive directors including the Chairman of the HR & R Committee.
18. The Board has set up an effective internal audit function.
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 (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
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 Company's securities, was determined and intimated to directors, employees and Karachi & Lahore Stock Exchanges.
22. Material/price sensitive information has been disseminated among all market participants at once through Karachi and Lahore Stock Exchanges.
23. We confirm that all other material principles enshrined in the CCG have been complied with.

For and On Behalf of Board of Directors

Karachi: January 05, 2013

Chief Executive Officer

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 for the year ended September 30, 2012 prepared by the Board of Directors of Sanghar Sugar Mills Limited ("the Company") to comply with the Listing Regulations of the Karachi and Lahore Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company's 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub – Regulation (x) of Listing Regulation no. 35 of 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 to check the approval of the related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out procedures to determine whether the related party transactions were undertaken 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, 2012.

Hyder Bhimji & Co.
Chartered Accountants

Karachi:January 05, 2013

Engagement Partner: Mohammad Hanif Razzak

Auditor’s Report to the Members

We have audited the annexed Balance Sheet of **SANGHAR SUGAR MILLS LIMITED** (“the Company”) as at September 30, 2012 and the related Profit and Loss Account, Statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

   i) the Balance Sheet and Profit and Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account, Statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at September 30, 2012 and of the loss, total comprehensive income, 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.

Hyder Bhimji & Co.
Chartered Accountants

Karachi:January 05, 2013

Engagement Partner: Mohammad Hanif Razzak

Balance Sheet

As at September 30, 2012

	Note	Sep 30 2012	Sep 30 2011
ASSETS		**(Rupees in '000)**	
NON-CURRENT ASSETS			
Property, plant and equipment	6	747,116	754,005
Long term deposits	7	36,369	36,396
		783,485	790,401
CURRENT ASSETS			
Stores, spare parts and loose tools	8	50,204	45,906
Stock-in-trade	9	499,923	1,355,937
Trade debts	10	317,421	12,425
Loans and advances	11	39,097	42,060
Short term prepayments	12	994	1,552
Income tax refundable- Payments less provision		22,128	—
Cash and bank balances	13	5,341	13,638
		935,108	1,471,518
TOTAL ASSETS		1,718,593	2,261,919
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
20,000,000 shares of Rs.10 each		200,000	200,000
Issued, subscribed and paid up capital	14	119,460	119,460
Unappropriated profit		211,238	208,989
		330,698	328,449
SURPLUS ON REVALUATION OF FIXED ASSETS	15	160,241	169,043
NON CURRENT LIABILITIES			
Long term financing	16	—	—
Liabilities against asset subject to finance lease	17	64,908	85,089
Deferred liabilities	18	216,974	216,247
		281,882	301,336
CURRENT LIABILITIES			
Trade and other payables	19	475,558	1,004,548
Accrued mark-up	20	20,176	19,595
Short term borrowings	21	428,420	355,274
Current portion of long term financing & liabilities against asset subject to finance lease	22	21,618	38,527
Provision for taxation - Provision less payments		—	45,147
		945,772	1,463,091
CONTINGENCIES AND COMMITMENTS	23		
TOTAL EQUITY AND LIABILITIES		1,718,593	2,261,919

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

Chief Executive **Director**

Profit and Loss Account

For the year ended September 30, 2012

	Note	Sep 30 2012	Sep 30 2011
		(Rupees in '000)	
Sales	24	3,005,261	1,498,297
Cost of sales	25	2,809,749	1,252,341
Gross profit		195,512	245,956
Distribution cost	26	9,578	2,213
Administrative expenses	27	90,120	84,401
		99,698	86,614
Other operating expenses	28	5,984	7,739
Finance cost	29	93,952	94,682
		99,936	102,421
		(4,122)	56,921
Other operating income	30	3,698	7,423
(Loss)/ profit before taxation		(424)	64,344
Taxation	31	6,130	26,585
(Loss)/ profit after taxation		(6,554)	37,759
Earning per share - Basic and diluted (Rupees)	32	(0.55)	3.16

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

Chief Executive **Director**

Statement of Comprehensive Income

For the year ended September 30, 2012

	Sep 30 2012	Sep 30 2011
	(Rupees in '000)	
(Loss)/profit after taxation	**(6,554)**	37,759
Other Comprehensive Income		
Incremental depreciation charged on surplus on revaluation of fixed assets net of deferred tax	**8,803**	3,147
Total Other Comprehensive Income	**8,803**	3,147
Total Comprehensive Income	**2,249**	40,906

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

Chief Executive **Director**

Cash Flow Statement

For the year ended September 30, 2012

	Note	Sep 30 2012	Sep 30 2011
		(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from Operations	33	**169,316**	(69,641)
Employees benefits paid		**(2,266)**	(1,392)
Finance cost paid		**(93,371)**	(86,008)
Taxes paid		**(83,773)**	(38,738)
Net cash outflow from operating activities		**(10,094)**	(195,779)
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(35,624)**	(141,068)
Proceeds from disposal of fixed assets		**1,365**	728
Net cash outflow from investing activities		**(34,259)**	(140,340)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from sale and lease back transaction		**—**	72,500
Decrease of Long term deposits		**—**	1,649
Repayment of liabilities against assets subject to finance lease		**(13,931)**	(7,202)
Dividend Paid		**—**	(17,919)
Repayment of long term financing		**(23,159)**	(21,623)
Net cash (out flow)/inflow from financing activities		**(37,090)**	27,405
Net decrease in cash and cash equivalents		**(81,443)**	(308,714)
Cash and cash equivalents at beginning of the year		**(341,636)**	(32,922)
Cash and cash equivalents at end of the year	**34**	**(423,079)**	(341,636)

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

Chief Executive **Director**

Statement of Changes in Equity

For the year ended September 30, 2012

Particulars	Share Capital	Unappropriated profit	Total
	....	(Rs in '000)	....
Balance as at October 01, 2010	119,460	186,002	305,462
Total Comprehensive Income for the year			
Net profit after tax for the year ended September 30, 2011	—	37,759	37,759
Incremental depreciation charged on surplus on revaluation of fixed assets net of deferred tax	—	3,147	3,147
	—	40,906	40,906
Transaction with owners			
Final Dividend for the year ended September 30, 2010	—	(17,919)	(17,919)
Balance as at September 30, 2011	**119,460**	**208,989**	**328,449**
Total Comprehensive Income for the year			
Loss after tax for the year ended September 30, 2012	**—**	**(6,554)**	**(6,554)**
Incremental depreciation charged on surplus on revaluation of fixed assets net of deferred tax	**—**	**8,803**	**8,803**
	—	**2,249**	**2,249**
Balance as at September 30, 2012	**119,460**	**211,238**	**330,698**

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

Chief Executive **Director**

Notes to the Financial Statements

For the year ended September 30, 2012

1 COMPANY AND ITS OPERATIONS

The Company is a public limited Company incorporated in 1986 in Pakistan under the Companies Ordinance, 1984. Its shares are quoted on Karachi and Lahore Stock Exchanges. The Company is principally engaged in the manufacture and sale of sugar and its by-products i.e. molasses and bagasse. The registered office of the Company is situated at 101, 1st Floor, Ocean Centre, Talpur Road, Karachi and its manufacturing facilities are located in district Sanghar, Sindh.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Accounting Convention

These financial statements have been prepared under the historical cost convention without any adjustments for the effect of inflation or current values, except for, certain employees retirement benefits that are based on actuarial valuation and items of property, plant and equipment which are carried at revalued amounts.

3 STANDARDS, AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARD AND INTERPRETATIONS

3.1 New and amended standards and interpretations became effective

During the year, the following amendments, interpretations and improvements to the accounting standards became effective, but these are either irrelevant or do not have any significant effect on the company's operations and financial statements except for additional disclosures, incorporated in these financial statements:

IFRS 7 Financial Instruments: Disclosures - Amendments enhancing disclosures about transfer of financial assets.

This amendment aims to promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial assets.

IAS 24 Related Party Disclosures (Revised)

The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Company complies with the requirements of revised IAS.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)

The limit on a defined benefit asset, minimum funding requirements and their interaction. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this.

3.2 Accounting and Financial Reporting Standards and Interpretations and Amendments to published approved accounting standards issued but not yet effective for the current financial year

The following revised standards, amendments and interpretations with respect to approved accounting standards as applicable in Pakistan and would be effective from the dates mentioned below against the respective standards or interpretations:

	Standard, interpretation or amendment	Effective dates (accounting period beginning on or after)
IAS-12	**Income Tax (Amendment)- Deferred Taxes: Recovery of underlying Assets** The amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property.	**January 1, 2012**
IAS-1	**Presentation of Financial Statement- Amendments to Presentation of items of comprehensive income** The main change resulting from these amendment is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).	**July 1, 2012**
IFRS-7	**Financial Instruments: Disclosures- Disclosures about offsetting of financial assets and liabilities** The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.	**January 1, 2013**
IAS-19	**Employee Benefits- Amended** The amended IAS-19 require the actuarial gains and losses to be recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognized all changes in the defined benefit obligation and in plan assets in profit or loss, which currently allows under IAS 19; and that the expected return on plan assets recognized in profit or loss is calculated based on the rate use to discount the defined benefit obligation.	**January 1, 2013**
IFRIC -20	**Stripping Costs in the Production Phase of a Surface Mine** The costs of stripping activity to be accounted for in accordance with the principles of IAS 2 Inventories to the extent that the benefit from the stripping activity is realized in the form of inventory produced.	**January 1, 2013**
IAS-32	**Financial Instruments - Presentation- Offsetting Financial Assets and Financial Liabilities - (Amendments)** This amendment clarifies some of requirements for offsetting financial assets and financial liabilities on the balance sheet.	**January 1, 2014**

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not have material affect on the Company's financial statements in the period of the initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan for the purpose of applicability in Pakistan.

	Standard or Interpretation	IASB Effective dates (annual period beginning on or after)
IFRS-9	**Financial Instruments** This standard is the first step in the process to replace IAS 39, Financial instruments: recognition and measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Company's accounting for its financial assets.	**January 1, 2015**
IFRS-10	**Consolidated Financial Statements** This standard outlines the requirements for the preparation and presentation of consolidated financial statements, requiring entities to consolidate entities it controls. Control requires exposure or rights to variable returns and the ability to affect those returns through power over an investee.	**January 1, 2013**
IFRS-11	**Joint Arrangements** This standard outlines the accounting by entities that jointly control an arrangement. Joint control involves the contractual agreed sharing of control and arrangements subject to joint control are classified as either a joint venture (representing a share of net assets and equity accounted) or a joint operation (representing rights to assets and obligations for liabilities, accounted for accordingly).	**January 1, 2013**
IFRS-12	**Disclosure of Interest in Other Entities** This standard includes the disclosure requirement for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.	**January 1, 2013**
IFRS-13	**Fair Value Measurement** This standard applies to IFRSs that require or permit fair value measurements or disclosures and provide a single IFRS frame work for measuring fair value and requires disclosures about fair value measurement. The standard defines fair value on the basis of an 'exit price' notion and uses 'a fair value hierarchy', which results in market-based, rather than entity-specific measurement.	**January 1, 2013**

4 Critical accounting estimates, judgments and assumptions

The preparation of these financial statements in conformity with the approved accounting standards requires management to make judgments, estimates and assumptions that affects 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 that circumstances, the results of which form the basis of making judgment about carrying value of assets and liabilities that are not readily apparent from other sources. However, uncertainty about these assumptions and estimates could result in outcome that require material adjustment to the carrying amount of the asset or liability affected in future periods.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and any future period affected.

Judgments made by the management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

In the process of applying the accounting policies, management has made the following estimates, judgments and assumptions which are significant to the financial statements:

— Taxation :

In making the estimate for income tax payable by the Company, the Company takes into account the applicable tax laws and decision by the appellate authorities on certain issues in past.

Deferred tax assets are recognized for all unused tax losses and credits to the extent that it is probable that the taxable profit will be available against such losses and credits can be utilized. Significant management judgment is required to determine the amount of deferred tax asset that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

— Defined Benefit Plan

Certain actuarial assumptions have been adopted as disclosed in these financial statements for valuation of present value of defined benefit obligation and fair value of plan assets. Any changes in these assumptions in future years might effect gains and losses in those years. The actuarial valuation involves making assumptions about discount rates, expected rate of return on assets, future salary increases and mortality rates.

— Property, Plant and Equipment

The Company's management determines the estimated useful lives and related depreciation charge for its property, plant and equipment. The Company reviews the value of assets for possible impairment on financial year end. Any change in the estimate in the future years might effect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on the depreciation charge and impairment.

— Stock in trade

Stock in trade is carried at lower of the cost and net realizable value. The net realizable value is assessed by the Company having regard to the budgeted cost of completion , estimated selling price and knowledge of recent comparable transactions.

— Contingencies

Nature of contingencies is evaluated based on the element of issue involved, opinion of the legal counsel and conclusion is accordingly reflected in the financial statements.

— Provision against trade debts, advances and other receivables

The Company reviews the recoverability of its trade debts, advances and other receivables to assess amount of bad debts and provision required there against on annual basis.

— Slow Moving and Stores Obscelence

In making estimates of quantum of slow moving and obsolescence, the aging analysis, current condition of various items component of realization and expected use in future are considered.

5 SIGNIFICANT ACCOUNTING POILICIES

5.1 Taxation

5.1.1 Current

Provision for current taxation is based on taxable income at the current rates of taxation after considering tax credits and rebates, if any, and minimum tax based on turnover of the Company whichever is higher. The Company falls under the final tax regime under section 154 and 169 of the Income Tax Ordinance, 2001 to the extent of direct export sales.

5.1.2 Deferred

Deferred tax is recognized using the balance sheet liability method in respect of all temporary differences arising between the carrying amount of assets and liabilities in the financial statements and their tax base and is recognized on the basis of the expected manner of the realization or settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantially enacted at the balance sheet date. Deferred tax asset is recognized to the extent that it is probable that the future taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax asset is reduced to the extent that is no longer probable that the related tax benefit will be realized. In this regard, the effects on deferred taxation of the portion of income expected to be subject to final tax regime is adjusted in accordance with the requirement of Accounting Technical Release - 27 of the Institute of Chartered Accountants of Pakistan (ICAP), if considered material.

5.1.3 Sales tax and Federal Excise Duty (FED)

Revenues, expenses and assets are recognized net off amount of sales tax/FED except:

— Where amount incurred on a purchase of asset or service is not recoverable from the taxation authorities, in which case the tax / duty is recognized as part of the cost of the acquisition of the assets or as part of the expense item as applicable; and

— Receivables or payables that are stated with the amount of Sales tax / FED included.

The net amount of sales tax and FED recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

5.2 Retirement benefits:

5.2.1 Defined benefit plan

After termination of provident fund scheme on June 30, 2003, an unfunded gratuity scheme is in operation for all employees eligible to the scheme with qualifying service period. Provision is made annually to cover the obligation on the basis of actuarial valuation carried out using Projected Unit Credit Method, and is charged to profit and loss account, related details of which are given in the respective note to the accounts. Actuarial gains and losses are amortized over the expected average remaining working lives of employees except when the net cumulative gains or losses do not exceed the corridor of 10% of the present value of the defined benefit obligation as stated in IAS -19 in which case the gain or loss is charged to profit and loss account.

5.3 Property, plant and equipment

5.3.1 Owned assets

These are stated at cost less accumulated depreciation except for free hold land, buildings and plant and machinery which are stated at revalued amounts.

Depreciation is charged, on a systematic basis over the economic useful life of the asset, on reducing balance method, which reflects the pattern in which the assets economic benefits are consumed by the Company, at the rates specified in respective note. Depreciation on additions is charged from the month in which the assets are put to use while no depreciation is charged in the month in which the assets are disposed off.

In compliance with the revised International Accounting Standard No. 16, " Property, Plant and Equipment" the Company adopted revaluation model for its property, plant and equipment and the revalued figures treated as deemed costs. The Surplus on revaluation of these assets, however, is recognized in accordance with section 235 of the Companies Ordinance, 1984. The surplus on revaluation of fixed assets to the extent of incremental depreciation net of deferred tax thereon charged on the related assets is transferred by the Company to statement of changes in equity under unappropriated profit. In case of disposal of revalued asset, any revaluation surplus is directly transferred to retained earning. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

Profit or loss on disposal of property, plant and equipment, if any, is taken to profit and loss account.

5.3.2 Assets subject to finance lease

Assets held under finance lease are stated at cost less accumulated depreciation and accumulated impairment losses, if any. These are accounted for by recording the assets at the lower of present value of minimum lease payments under the lease agreements and the fair value of assets acquired. The related obligation under the lease is accounted for as liability. Financial charges are allocated to the accounted period in a manner so as to provide a constant periodic rate of change on the net standing liability.

Depreciation is charged to the profit and loss account using the same basis as for owned assets.

5.3.3 Capital work-in-progress

Capital work-in-progress is stated at cost accumulated up to the balance sheet date less impairment if any and represents expenditure incurred on property, plant and equipment in the course of construction. These expenditures are transferred to relevant category of property, plant and equipment as and when the assets becomes available for use.

5.4 Stores, spare parts and loose tools

These are valued at cost calculated on weighted average basis less provision for obsolescence, and slow moving items, except for the items in transit, which are valued at cost accumulated upto the balance sheet date.

5.5 Stock in trade

These are valued at lower of the weighted average cost and estimated net realizable value.

Cost in relation to work in process and finished goods consists of material cost, proportionate manufacturing overheads.

Net realizable value signifies the budgeted selling price in the ordinary course of business less the estimated costs of completion and the estimated cost necessary to be incurred to make the sale.

5.6 Trade debts

Trade debts are carried at original invoice amount less provision if any. Provision for doubtful debts is based on management's assessment of customers and their credit worthiness. Bad debts are written off when there is no realistic prospect of recovery.

5.7 Trade and other payables

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

5.8 Revenue recognition

Revenue is recognized to the extent that it is probable that the future economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and government levies.

Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods to customers.

5.9 Functional and presentation currency

These financial statements are presented in Pakistan Rupee which is the Company's functional and presentation currency.

5.10 Foreign currency transaction and translation

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates ruling on the balance sheet date or as fixed under contractual arrangements.

Exchange gains and losses resulting from the settlement and from the translation, at the balance sheet date, of such transactions are recognized in the profit and loss account.

5.11 Provisions

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

5.12 Borrowing cost

Mark-up, interest and other charges on loans are capitalized upto the date of commissioning of the respective qualifying assets. All other mark-up, interest, profit and other charges are charged to income.

5.13 Financial Instruments

Financial assets and liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and derecognized when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liability when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account currently.

5.14 Offsetting of financial assets and liabilities

All financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the Company has a legal enforceable right to set off the recognized amounts and intends either to settle on net basis or to realize the assets and settle the liabilities simultaneously.

5.15 Cash and cash equivalents

Cash and cash equivalents are carried at cost.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand and bank balances net of short term borrowings.

5.16 Dividend and appropriation to reserves

Dividend and appropriation to reserve are recognized in the financial statements in the period in which these are approved.

5.17 Impairment

The carrying amount of the Company's assets are reviewed for any indication of impairment at each financial year end. If such indication exists, the asset recoverable amount is estimated, in order to determine the extent of impairment loss, which is taken to profit and loss account.

5.18 Employee compensated absences

The Company provides for compensated absences for all eligible employees in the period in which these are earned in accordance with the terms of employment.

			Sep. 30 2012	Sep. 30 2011
6	**PROPERTY, PLANT AND EQUIPMENT**		**(Rupees in '000)**	
	These are comprised as under:			
	Operating fixed assets	**Note- 6.1**	**744,394**	749,087
	Capital work-in-progress	**Note- 6.2**	**2,722**	4,918
			747,116	754,005

6.1 Operating Fixed Assets

Net carrying value as at Sep 30, 2012	Free hold land	Factory Building on free hold land	Non-Factory Building on free hold land	Plant and Machinery	Furniture and Fittings	Vehicles	Computer Equipment & Appliances	Total
	....	....	....	Rupees in'000	....	....	....	....
Owned Assets								
Opening Net Book Value (NBV)	25,600	44,779	10,741	550,878	1,916	7,834	2,628	**644,376**
Addition (at Cost)	—	—	—	31,470	471	5,608	271	**37,820**
Disposal/Adjustment (at NBV)	—	—	—	—	—	(297)	—	**(297)**
Depreciation	—	(4,478)	(1,074)	(28,597)	(203)	(2,264)	(365)	**(36,981)**
Closing Net Book Value	**25,600**	**40,301**	**9,667**	**553,751**	**2,184**	**10,881**	**2,534**	**644,918**
Leased Assets								
Opening Net Book Value (NBV)	—	—	—	104,711	—	—	—	**104,711**
Depreciation	—	—	—	(5,235)	—	—	—	**(5,235)**
Closing Net Book Value	**—**	**—**	**—**	**99,476**	**—**	**—**	**—**	**99,476**
Total Net Book Value	**25,600**	**40,301**	**9,667**	**653,227**	**2,184**	**10,881**	**2,534**	**744,394**
Gross carrying value as at September 30, 2012								
Owned and Leased Assets								
Cost/Revaluation	25,600	80,479	23,257	899,918	6,398	17,511	10,279	**1,063,442**
Accumulated Depreciation	—	(40,178)	(13,590)	(246,691)	(4,214)	(6,630)	(7,745)	**(319,048)**
Total Net Book Value	**25,600**	**40,301**	**9,667**	**653,227**	**2,184**	**10,881**	**2,534**	**744,394**

Net carrying value as at Sep 30, 2011	Free hold land	Factory Building on free hold land	Non-Factory Building on free hold land	Plant and Machinery	Furniture and Fittings	Vehicles	Computer Equipment & Appliances	Total
	....	....	....	Rupees in'000	....	....	....	....
Owned Assets								
Opening Net Book Value (NBV)	25,600	33,717	11,262	395,763	1,198	7,046	2,922	477,508
Addition (at Cost)	–	–	–	24,284	890	2,636	82	27,892
Revaluation during the year	–	14,433	605	151,437	–	–	–	166,475
Disposal/Adjustment (at NBV)	–	–	–	–	–	(327)	–	(327)
Depreciation	–	(3,371)	(1,126)	(20,606)	(172)	(1,521)	(376)	(27,172)
Closing Net Book Value	25,600	44,779	10,741	550,878	1,916	7,834	2,628	644,376
Leased Assets								
Opening Net Book Value (NBV)	–	–	–	–	–	–	–	–
Additions (at Cost)	–	–	–	108,322	–	–	–	108,322
Disposal/Adjustment (at NBV)	–	–	–	–	–	–	–	–
Depreciation	–	–	–	(3,611)	–	–	–	(3,611)
Closing Net Book Value	–	–	–	104,711	–	–	–	104,711
Total Net Book Value	25,600	44,779	10,741	655,589	1,916	7,834	2,628	749,087
Gross carrying value as at September 30, 2011								
Owned and Leased Assets								
Cost/Revaluation	25,600	80,479	23,257	868,448	5,927	13,272	10,008	1,026,991
Accumulated Depreciation	–	(35,700)	(12,516)	(212,859)	(4,011)	(5,438)	(7,380)	(277,904)
Total Net Book Value	25,600	44,779	10,741	655,589	1,916	7,834	2,628	749,087
Depreciation rate % per annum	–	**10**	**10**	**5**	**10**	**20**	**10 & 20**	

			Sep. 30 2012	Sep. 30 2011
6.1.1	Depreciation charge for the year has been allocated as under :		**(Rupees in '000)**	
	Cost of Sales	**Note - 25**	**38,310**	27,588
	Administrative Expenses	**Note - 27**	**3,906**	3,195
			42,216	30,783

6.1.2 The following Property, plant and equipments were disposed through tender during the year.

Particulars	Cost	Written Down Value	Sale Proceeds	Gain	Particulars of Purchaser
	...........................Rupees in '000...........................				
Vehicles:					
Toyota Corolla - 2006	969	281	1,015	734	Muhammad Umer - Sanghar
Tractor - 1997	400	16	350	334	Muhammad Hashim - Sanghar
Sep. 30, 2012	**1,369**	**297**	**1,365**	**1,068**	
Sep. 30, 2011	795	263	728	465	

6.2 Capital work-in-progress

	Cost at October 01	Capital expenditure incurred during the year	Transferred to operating fixed assets	Cost at September 30
	.... Rupees in '000			
Plant and Machinery - under erection	4,918	24,351	26,547	2,722
As at September 30, 2012	**4,918**	**24,351**	**26,547**	**2,722**
As at September 30, 2011	—	134,960	130,042	4,918

6.3 The Company's freehold land, building and plant and machinery were revalued on September 30, 2011 by independent professional valuers M/s Akbani & Javed Associates at market value. The resultant revaluation on surplus is adjusted to the surplus on revaluation of property, plant and equipment, the details of which are given below:

Reconciliation of opening and closing Net Book Value

	Cost / Revaluation	Accumulated Depreciation	NBV	Revaluation/ cost of addition during the year	NBV of disposal during the year	Depreciation for the year	NBV as at September 30, 2012
	...........September 30, 2011...........						
Freehold Land - Cost	7,043	—	7,043	—	—	—	7,043
– Revaluation	18,557	—	18,557	—	—	—	18,557
	25,600	—	25,600	—	—	—	25,600
Factory Building - Cost	23,692	(12,410)	11,282	—	—	(1,128)	10,154
– Revaluation	56,787	(23,290)	33,497	—	—	(3,350)	30,147
	80,479	(35,700)	44,779	—	—	(4,478)	40,301
Non Factory Building - Cost	11,589	(6,773)	4,816	—	—	(482)	4,335
– Revaluation	11,668	(5,743)	5,925	—	—	(593)	5,333
	23,257	(12,516)	10,741	—	—	(1,074)	9,667
Plant and Machinery - Cost	524,278	(165,495)	358,783	31,470	—	(18,992)	371,261
– Revaluation	235,848	(43,753)	192,095	—	—	(9,605)	182,490
	760,126	(209,248)	550,878	31,470	—	(28,597)	553,751
Furniture and Fittings	5,927	(4,011)	1,916	471	—	(203)	2,184
Vehicles	13,272	(5,438)	7,834	5,608	(297)	(2,264)	10,881
Computer Equipment and Appliances	10,008	(7,380)	2,628	271	—	(365)	2,534
Sub total - Cost	595,809	(201,507)	394,302	37,820	(297)	(23,434)	408,392
- Revaluation	322,860	(72,786)	250,074	—	—	(13,547)	236,526
Total	**918,669**	**(274,293)**	**644,376**	**37,820**	**(297)**	**(36,981)**	**644,918**

		Sep 30 2012	Sep 30 2011
		(Rupees in '000)	

7 LONG TERM DEPOSITS

Lease key money		**35,822**	35,822
Others - security deposits		**547**	574
		36,369	36,396

8 STORES, SPARE PARTS AND LOOSE TOOLS

Stores		**30,177**	25,111
Spare parts		**30,992**	28,690
Loose tools		**576**	457
		61,745	54,258
Provision for slow moving items and obsolescence	Note 8.1	**11,541**	8,352
		50,204	45,906

8.1 Movement of provision for slow moving and obsolete items

Balance as on October 01	**8,352**	8,352
Charge for the year	**3,189**	—
Balance as on September 30	**11,541**	8,352

9 STOCK-IN-TRADE

Sugar	– Finished	Note 9.1	**497,147**	1,349,729
	– In process		**1,156**	3,859
			498,302	1,353,588
Molasses			**175**	326
Baggasse			**1,445**	2,023
			499,923	1,355,937

9.1 The closing stock of sugar bags having carrying value of Rs. 494,111 thousands (2011: Rs. 427,188 thousands) has been pledged against cash finance obtained from the Banking Companies.

10 TRADE DEBTS

– Unsecured Considered good		
– Local	**219,560**	12,425
– Foreign	**97,861**	—
	317,421	12,425

	Sep 30 2012	Sep 30 2011
	(Rupees in '000)	

11 LOANS AND ADVANCES - Interest free

	2012	2011
Loans to		
– Secured		
– Employees - Other than CEO, directors and executives	**1,166**	1,304
Advances to		
– Un secured		
– Contractors and suppliers	**10,402**	10,273
– Employees against salaries	**172**	364
– Growers – Considered good Note 11.1	**27,357**	30,119
– Considered doubtful	**6,925**	6,925
– Provision against doubtful growers loan	**(6,925)**	(6,925)
	27,357	30,119
	39,097	42,060

11.1 During the year, advance to growers comprises of payments and provision for fertilizer and seeds which is adjustable against the supplies of sugarcane during the ensuing season.

12 SHORT TERM PREPAYMENTS

	2012	2011
Prepaid Insurance	**918**	1,341
Others	**76**	211
	994	1,552

13 CASH AND BANK BALANCES

	2012	2011
Cash in hand	**192**	167
Cash with banks in current accounts	**5,149**	13,471
	5,341	13,638

14 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2012	2011			
10,860,000	10,860,000	Ordinary shares of Rs.10 each allotted for consideration fully paid in cash	**108,600**	108,600
1,086,000	1,086,000	Ordinary shares of Rs.10 each allotted as bonus shares	**10,860**	10,860
11,946,000	11,946,000		**119,460**	119,460

14.1 National Bank of Pakistan -Trustee Department NI(U)T Fund and National Investment Trust Limited holds 1,063,616 and 27,390 shares respectively in the Company. (2011: National Bank of Pakistan - Trustee Department NI(U)T Fund and National Investment Trust Limited holds 1,063,616 and 27,390 shares respectively).

15 SURPLUS ON REVALUATION OF FIXED ASSETS

	2012	2011
Gross opening balance	**250,074**	88,440
Revaluation Surplus for the year	—	166,475
Incremental depreciation - net of deferred tax	**(8,803)**	(3,147)
Effect of Deferred Tax on Incremental Depreciation	**(4,740)**	(1,694)
	(13,543)	(4,841)
	236,531	250,074
Relevant deferred tax	**(76,290)**	(81,031)
Revaluation surplus net of deferred tax	**160,241**	169,043

			Sep 30 2012	Sep 30 2011
			(Rupees in '000)	

16 LONG TERM FINANCING - SECURED

Long term finance utilized under mark-up arrangement			
From Banking Company	Note 16.1	—	23,159
Less: Current portion shown under current liabilities	Note 22	—	23,159
		—	—

16.1 The above facility was secured by 1st equitable mortgage over specified items of property, plant & equipment and personal guarantee of directors of the Company. The facility carried a floating markup based on 6 months KIBOR as base rate plus 5% per annum (with no floor or cap) chargeable and payable bi-annually. The tenure of finance was 8 years and expired in March 2012. The outstanding balance was repaid during the year.

17 LIABILITIES AGAINST ASSET SUBJECT TO FINANCE LEASE

Present Value of Minimum Lease Payments	**86,526**	100,457
Less: Current Portion shown under current liabilities	**21,618**	15,368
	64,908	85,089

The amounts of future payments for the lease and the period of maturity is as follows:

	Minimum Lease Payments (MLP)	Finance Charges	Present Value of MLP
Lease Rentals due within one year	30,782	9,164	21,618
Lease Rentals due after one year but within three years	68,723	3,815	64,908
	99,505	**12,979**	**86,526**

17.1 The Company has entered into combined lease agreement, for the amount of Rs. 108,322 thousands with Orix Leasing Company (Rs. 62,264 thousands) and National Bank of Pakistan Leasing (NBP Leasing)(Rs. 46,058 thousands) to acquire Generator and Steam Turbine for enhancing Company's power generation capacity by 6 MW. The Company has option to purchase the assets upon expiry of the lease term by making payment of residual value/ adjustment of security deposit. Minimum lease payments have been discounted using interest rates linked with KIBOR i-e 6 months KIBOR+5.5% (2011: 17.67 to 21.02%). Lease rentals are payable in 48 months on quarterly basis starting from March 2011.

18 DEFERRED LIABILITIES

Deferred taxation	Note 18.1	**156,611**	166,981
Market committee fee	Note 23.1.1	**28,816**	23,982
Staff retirement benefits			
— Defined benefits plan	Note 18.2	**31,547**	25,284
		216,974	216,247

	Sep 30 2012	Sep 30 2011
	(Rupees in '000)	
18.1 Deferred taxation:		
Deferred tax credit arising due to:		
– surplus on revaluation	**76,290**	81,031
– accelerated depreciation	**144,576**	143,931
	220,866	224,962
Deferred tax debit arising due to:		
– provisions and losses	**(50,688)**	(57,981)
– Minimum tax	**(13,567)**	—
	(64,255)	(57,981)
	156,611	166,981

18.2 Staff retirement benefits:

The Company operates an unfunded gratuity scheme for its employees eligible to the benefit effective from July 01, 2003 and provision is made as per actuarial valuation of the scheme conducted for the year ended September 30, 2011 & 2012 vide report dated December 09, 2011 under the "Projected Unit Credit" method. The principal assumptions used for actuarial valuation for the gratuity scheme are as follows:

Discount rate	**12.50 % p.a**	
Expected rate of future salary increase	**11.50 % p.a**	
Average expected remaining working life time of employees	**9 years**	
18.2.1 Movement in the present value of the obligation		
Present value of obligation as at October 01	**26,464**	19,674
Expense for the year	**8,529**	7,002
Benefit paid to employees	**(2,266)**	(1,392)
Actuarial loss on present value of defined benefit obligation	**—**	1,180
Present value of obligation as at September 30	**32,727**	26,464
18.2.2 Reconciliation of balance sheet liability		
Present value of defined benefit obligations	**32,727**	26,464
Actuarial loss to be recognized in later period	**(1,180)**	(1,180)
	31,547	25,284
18.2.3 Expense for the year		
Current service cost	**5,221**	4,641
Interest cost	**3,308**	2,361
	8,529	7,002
18.2.4 Charge for the year has been allocated as under:		
Cost of Sales — Note 25	**6,397**	5,252
Administrative Expenses — Note 27	**2,132**	1,750
	8,529	7,002

		Sep 30 2012	Sep 30 2011
		(Rupees in '000)	
19 TRADE AND OTHER PAYABLES			
Creditors		**7,211**	14,166
Accrued liabilities		**14,474**	7,586
Road cess and surcharge		—	372
Advances from customers		**405,445**	965,980
Sales tax / FED payable		**44,846**	1,416
Unclaimed dividend		**1,639**	3,108
Other liabilities	Note 19.1	**1,943**	11,920
		475,558	1,004,548
19.1 Other liabilities			
Sales tax withhold/ Income tax deducted at source		**796**	514
Worker's profit participation fund	Note 19.1.1	—	3,456
Worker's welfare fund	Note 19.1.2	—	5,662
Others		**1,147**	2,288
		1,943	11,920
19.1.1 Worker's Profit Participation Fund			
Balance as on October 01		**3,456**	11,442
Interest on funds utilized by the Company		**201**	756
		3,657	12,198
Less: Payments made during the year		**3,657**	12,198
		—	—
Add: Contribution for the year		—	3,456
Balance as on September 30		—	3,456

19.1.2 In view of loss for the year and taxable loss, no provision for WWF arises for the year.

		Sep 30 2012	Sep 30 2011
20 ACCRUED MARK-UP			
Mark-up on			
– Long term financing		—	2,174
– Liabilities against asset subject to finance lease		**2,295**	267
– Short term borrowings		**17,881**	17,154
		20,176	19,595
21 SHORT TERM BORROWINGS -Secured			
Availed from Banking Companies under markup arrangements			
Cash Finance	Note 21.1	**428,420**	355,274

21.1 The aggregate financing facilities available amounting to Rs. 800,000 thousands (2011: 800,000 thousands), are secured by pledge of sugar stocks under the supervision of approved muccadum and hypothecation over current assets of the Company totaling to Rs. 666,000 thousands and 1st hypothecation charge of Rs. 40,000 thousands on Company's movables and second charge upto Rs. 150,000 thousands over fixed assets of the Company. The financing facilities are collaterally secured by the personal guarantees of all the sponsor directors. The facilities carries markup at 3 months KIBOR as base rate plus 2.25% & 3% per annum (2011: 3% to 2.5%) chargeable and payable quarterly. The facilities are renewable annually at the time of maturity.

		Sep 30 2012	Sep 30 2011
		(Rupees in '000)	

22 CURRENT PORTION OF LONG TERM FINANCING AND LIABILITIES AGAINST ASSET SUBJECT TO FINANCE LEASE - Secured			
Current portion of long term financing	Note 16	—	23,159
Current portion of liabilities against asset subject to finance lease	Note 17	**21,618**	15,368
		21,618	38,527

23 CONTINGENCIES AND COMMITMENTS

23.1 Contingencies:

23.1.1 The Company has filed a case in the Honourable High Court of Sindh against the levy of market committee fee by the Government of Sindh on sugarcane purchases at the factory. The Sindh High Court has granted status quo. Full provision of Rs. 28,816 thousands (2011: 23,982 thousands) has been made as a matter of prudence, which includes Rs. 4,833 thousands for the current crushing season 2011-2012.

23.1.2 The Competition Commission of Pakistan has issued show cause notice to the Company alleging cartelization by industry. The Company has challenged this show cause notice in Sindh High Court in Karachi challenging the jurisdiction of Competition Commission of Pakistan. The Honourable High Court has stayed the show cause notice and case hearings are in progress in Sindh High Court Karachi. There is no financial implications related to this matter at the moment.

23.2 Commitments:

23.2.1 Commitments in respect of plant & machinery amount to Rs. 31,222 thousands (2011: Rs. 20,400 thousands).

23.2.2 Outstanding letter of credit amounts to Rs. Nil in respect of plant and machinery. (2011: Rs. 20,506 thousands)

24 SALES

	Sep 30 2012	Sep 30 2011
Export sales	**291,846**	—
Local sales	**2,930,312**	1,596,539
Federal excise duty / Sales tax	**(216,897)**	(81,238)
Special excise duty	**—**	(17,004)
	2,713,415	1,498,297
	3,005,261	1,498,297

		Sep 30 2012 (Rupees in '000)	Sep 30 2011
25 COST OF SALES			
Sugar cane consumed (including procurement expenses)		**1,929,052**	2,521,074
Market committee fee		**4,833**	3,379
Road cess		**3,020**	3,070
Salaries, wages and staff benefits	Note 25.1	**73,865**	69,453
Stores and spares consumed		**65,242**	65,767
Fuel and power		**7,734**	14,380
Insurance		**8,071**	8,222
Repairs and maintenance		**8,312**	10,763
Packing materials consumed		**17,304**	18,935
Vehicle running expenses		**5,213**	4,619
Depreciation		**38,310**	27,588
Other expenses		**2,421**	2,578
		2,163,377	2,749,828
Sugar -in-process			
– Opening		**3,859**	3,457
– Closing		**(1,156)**	(3,859)
		2,703	(402)
		2,166,080	2,749,426
Sale of Molasses	Note 25.2	**192,443**	219,791
Inventory adjustment		**(151)**	(6)
		192,292	219,785
Sale of Bagasse	Note 25.2	**17,199**	9,956
Inventory adjustment		**(578)**	578
		16,621	10,534
Cost of goods manufactured		**1,957,167**	2,519,107
Finished sugar			
– Opening stock		**1,349,729**	82,963
– Closing stock		**(497,147)**	(1,349,729)
		852,582	(1,266,766)
		2,809,749	1,252,341

25.1 Salaries, wages and benefits include Rs. 6,397 thousands (2011: 5,252 thousands) in respect of defined benefit plan.

25.2 These figures are net off sales tax and special excise duty of Rs. 246 thousands (2011:7 thousands) in respect of molasses and Rs. 2,752 thousands (2011: Rs. 1,792 thousands) in respect of bagasse.

		Sep 30 2012	Sep 30 2011
		(Rupees in '000)	

26 DISTRIBUTION COST

Handling, stacking and others		**9,578**	2,213
		9,578	2,213

27 ADMINISTRATIVE EXPENSES

Salaries, wages and staff benefits	Note 27.1	**52,597**	49,060
Rent, rates and taxes		**1,182**	1,460
Communication		**1,307**	946
Repairs and maintenance		**4,492**	4,042
Utilities		**2,311**	2,240
Entertainment		**1,618**	2,242
Subscription		**1,021**	575
Cartage		**4,299**	3,220
Printing and stationery		**1,358**	1,018
Insurance		**2,691**	2,654
Conveyance and traveling		**7,363**	7,099
Depreciation		**3,906**	3,195
Legal and professional charges		**2,908**	2,441
Mess Expenses		**1,049**	1,348
Other expenses		**2,018**	2,861
		90,120	84,401

27.1 Salaries, wages and benefits include Rs. 2,132 thousands (2011: 1,750 thousands) in respect of defined benefit plan.

28 OTHER OPERATING EXPENSES

Auditors' remuneration	Note 28.1	**630**	630
Corporate social responsibility	Note 28.2	**2,165**	2,340
Workers Profit Participation Fund		**—**	3,456
Workers Welfare Fund		**—**	1,313
Provision for slow moving and obsolete items		**3,189**	—
		5,984	7,739

28.1 Auditors' remuneration

Statutory Auditors		
Hyder Bhimji and Co.		
Audit fee	**500**	500
Half yearly review fee	**25**	25
Review of code of corporate governance	**15**	15
Out of pocket expenses	**8**	10
	548	550
Cost Auditors		
Siddiqi and Co.		
Audit fee	**70**	70
Out of pocket expenses	**12**	10
	82	80
	630	630

28.2 Corporate social responsibility costs do not include any amount paid to any person or organization in which any director or their spouse had any interest.

		Sep 30 2012	Sep 30 2011
		(Rupees in '000)	
29	**FINANCE COST**		
	Mark-up on – Long term financing	**2,433**	6,142
	– Short-term borrowings	**79,850**	75,803
	Finance charge on finance lease	**10,282**	10,364
	Bank charges	**1,186**	1,617
	Interest on Worker's Profit Participation Fund	**201**	756
		93,952	94,682
30	**OTHER OPERATING INCOME**		
	Income from non financial assets:		
	Scrap Sales	**1,262**	5,822
	Gain on sale of property, plant and equipment	**1,068**	465
	Liabilities written back	**814**	723
	Foreign exchange translation gain	**286**	—
	Others	**268**	413
		3,698	7,423
31	**TAXATION**		
	Current	**16,499**	25,917
	Deferred	**(10,369)**	668
		6,130	26,585

31.1 In view of accounting and tax losses, the provision for current taxation represents the final tax on exports and minimum tax being the turnover tax under section 113 of Income Tax Ordinance, 2001, hence tax reconciliation of tax expense with accounting profit is not presented for the current year.

32 EARNING PER SHARE - Basic and Diluted

There is no dilutive effect on the basic earnings per share of the Company, which is based on.

	2012	2011
(Loss)/ profit after taxation (Rupees '000)	**(6,554)**	37,759
Number of ordinary shares	**11,946,000**	11,946,000
Earning per share - (Rupees)	**(0.55)**	3.16

		Sep 30 2012	Sep 30 2011
		(Rupees in '000)	
33	**CASH GENERATED FROM OPERATIONS**		
	(Loss)/ profit before taxation	**(424)**	64,345
	Adjustment for non cash charges and other items:		
	Depreciation	**42,216**	30,783
	Gain on sale of fixed assets	**(1,068)**	(465)
	Provision for Market Committee Fee	**4,833**	3,379
	Provision for employees benefits	**8,529**	7,002
	Provisions made during the year	**3,216**	—
	Finance cost	**93,952**	94,682
	Working capital changes Note 33.1	**18,062**	(269,367)
		169,740	(133,986)
		169,316	(69,641)
33.1	**Working capital changes**		
	Decrease / (Increase) in current assets		
	Stores, spare parts and loose tools	**(7,487)**	(5,694)
	Stock - in - trade	**856,014**	(1,267,740)
	Trade debts	**(304,996)**	37,094
	Loans and advances	**2,963**	13,583
	Short term prepayments	**558**	(905)
		547,052	(1,223,662)
	(Decrease)/Increase in current liabilities		
	Trade and other payables	**(528,990)**	954,296
		18,062	(269,367)
34	**CASH AND CASH EQUIVALENTS**		
	Cash and cash equivalents comprise of the following items		
	Cash and bank balances	**5,341**	13,638
	Less: Short term borrowings	**(428,420)**	(355,274)
		(423,079)	(341,636)

35 FINANCIAL INSTRUMENTS

35.1 FINANCIAL ASSETS AND LIABILITIES

Table below summarizes the maturity profile of the Company's financial assets and liabilities at the following reporting periods.

FINANCIAL ASSETS AND LIABILITIES

2012

	Interest / markup rate	Interest / Mark-up bearing			Non Interest / Mark-up bearing			
		Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year	Maturity after one year	Sub Total	Total 2012
		(Rupees in '000)						
Financial Assets								
Long term deposits		—	—	—	—	36,369	36,369	**36,369**
Trade debts		—	—	—	317,421	—	317,421	**317,421**
Cash and bank balances		—	—	—	5,341	—	5,341	**5,341**
T O T A L 2012		—	—	—	**322,762**	**36,369**	**359,131**	**359,131**
Financial Liabilities								
Long term financing	6M KIBOR + 5%	—	—	—	—	—	—	—
Liabilities against asset subject to finance lease	6M KIBOR + 5.5 %	21,618	64,908	86,526	—	—	—	**86,526**
Trade & other payables		—	—	—	430,712	—	430,712	**430,712**
Accrued mark-up		—	—	—	20,176	—	20,176	**20,176**
Short term borrowings	3 M KIBOR + 2.25 % to 3%	428,420	—	428,420	—	—	—	**428,420**
T O T A L 2012		**450,038**	**64,908**	**514,946**	**450,888**	—	**450,888**	**965,834**

2011

	Interest / markup rate	Interest / Mark-up bearing			Non Interest / Mark-up bearing			
		Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year	Maturity after one year	Sub Total	Total 2011
		(Rupees in '000)						
Financial Assets								
Long term deposits		—	—	—	—	36,396	36,396	**36,396**
Trade debts		—	—	—	12,425	—	12,425	**12,425**
Cash and bank balances		—	—	—	13,638	—	13,638	**13,638**
T O T A L 2011		—	—	—	**26,063**	**36,396**	**62,459**	**62,459**
Financial Liabilities								
Long term financing	6M KIBOR + 5%	23,159	—	23,159	—	—	—	**23,159**
Liabilities against asset subject to finance lease	17.67% to 21.02%	15,368	85,089	100,457	—	—	—	**100,457**
Short term borrowings	3M KIBOR + 2.5% to 3%	355,274	—	355,274	—	—	—	**355,274**
Trade & other payables		—	—	—	1,003,132	—	1,003,132	**1,003,132**
Accrued mark-up		—	—	—	19,595	—	19,595	**19,595**
T O T A L 2011		**393,801**	**85,089**	**478,890**	**1,022,727**	—	**1,022,727**	**1,501,617**

36 FINANCIAL RISKS MANAGEMENT

36.1 Financial Risk Management Objectives, Policies and Responsibilities

The Company's overall risk management programs focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial statements. The Company's risk management policies are established to identify and analyze the risk faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The Board of Directors has overall responsibility for the establishment and oversight of Company’s risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company's senior management provides policies for overall risk management, as well as policies covering specific areas such as foreign exchange risks, interest rate risks, credit risks, financial instruments and investment of excess liquidity. It is the Company's policy that no trading in derivatives for speculative purpose shall be undertaken.

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

– Market risk

– Credit risk

– Liquidity risk

36.1.1 Market Risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer of the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Company is subject to following market risks:

36.1.1.1 Foreign Exchange Risk

Foreign exchange risk represents the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises mainly from future economic transaction or receivables or payables that exist due to transactions in foreign exchange. The Company is exposed to currency risk on Trade Debts, Advances from Customers and import of machinery mainly denominated in United States Dollar and Euro. The Company's exposure to foreign currency risk is as follows:

	Sep 30 2012	Sep 30 2011
	(In ‘000)	
Balance Sheet Exposure		
Trade Debts	**$1,034**	—
Advances from Customers	**$98**	—
Net Exposure	**$936**	—

The following exchange rate has been applied:

	Average rate		Reporting date rate	
	2012	2011	**2012**	2011
US$ to PKR	**94.36**	—	**94.70 / 95.00**	—

Sensitivity analysis

At reporting date, if the PKR would strengthen by 10% against the foreign currency with all other variables held constant , effect of increase / decrease on the equity and profit and loss account will be as shown below:

	Sep 30 2012	Sep 30 2011
	(Rupees in '000)	
Effect on profit and loss		
Effects in Pak Rupees of US $ Exposure	**8,864**	—

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

The Company is not exposed to any material foreign exchange risk other than disclosed above.

36.1.1.2 Interest rate risk

Interest rate risk is the risk that the value or future cash flows of the financial instruments will fluctuate because of changes in market interest rate. The Company has liabilities against asset subject to finance lease and short term borrowings which are based at varying rates.

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

	2012	2011	**2012**	2011
	Effective interest rate (in percent)		**Carrying amount (Rupees in '000)**	
Financial liabilities				
Fixed rate instruments				
- Finance lease	—	17.67 to 21.02	—	100,457
Variable rate instruments				
- Long term financing	**6M KIBOR + 5%**	6M KIBOR + 5%	—	23,159
- Finance lease	**6M KIBOR + 5.5%**	—	**86,526**	—
- Short term borrowings	**3M KIBOR + 2.5% & 3%**	3M KIBOR + 2% & 3%	**428,420**	355,274
			514,946	378,433

Sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit/loss for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2011.

	Profit and loss 100 bp	
	increase	**decrease**
Financial liabilities	**(Rupees in '000)**	
As at September 30, 2012		
Cash flow sensitivity	**—**	—
As at September 30, 2011		
Cash flow sensitivity	**1,005**	(1,005)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit/loss for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2011.

	Profit and loss 100 bp	
	increase	**decrease**
Financial liabilities	**(Rupees in '000)**	
As at September 30, 2012		
Cash flow sensitivity	**(5,149)**	5,149
As at September 30, 2011		
Cash flow sensitivity	**(3,784)**	3,784

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

36.1.1.3 Other Price Risk

Other price risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to 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 instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company does not have financial instruments dependent on market prices.

36.1.2 Credit Risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed to perform as contracted. The Company manages credit risk interalia by setting out credit limits in relation to individual customers and / or by obtaining advance against sales and / or through letter of credits and / or by providing for doubtful debts.

To manage exposure to credit risk in respect of trade receivables, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Sales contracts and credit terms are approved by the Chief Executive Officer and Executive Directors. Where considered necessary, advance payments are obtained from certain parties. The management has set a maximum credit period of 90 days in respect of all sales to reduce the credit risk.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

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

	Sep 30 2012	Sep 30 2011
	(Rupees in '000)	
Long term deposits	**36,369**	36,396
Trade debts	**317,421**	12,425
Bank balances	**5,149**	13,471
	358,939	62,292

a) **Long term deposits**

Long term deposits are due from leasing companies and others. Major amount of the deposits are from leasing companies which have good credit ratings from the rating agencies. These are secured against the leased asset. The Company believes that it is not exposed to major concentration of any risk.

b) **Trade debts**

Trade debts are essentially due from local individuals and foreign entities. In view of the credit worthiness of the parties as discussed above, the Company does not expect that these debtors will fail to meet their obligations.

The aging of trade debts at the reporting date is:

Past due 30-90 days	**317,421**	12,425

c) **Balances with Bank**

The Company limits its exposure to credit risk by maintaining bank balances only with counter-parties that have stable credit rating. Management actively monitors credit ratings of the counter parties and given their high credit ratings, management does not expect that the counter party will fail to meet their obligations.

The bank balances along with the credit ratings are tabulated below:

A1+	**4,610**	13,311
A1	**538**	159
A2	**1**	1
	5,149	13,471

36.1.2.1 Financial assets that are either past due or impaired

The credit quality of financial assets that are either past due or impaired can be assessed by reference to historical information and external ratings or to historical information about counter party default rates as disclosed in respective notes.

Management believes that there are no financial assets that are either past due or impaired.

36.1.3 Liquidity Risk

Liquidity risk represent the risk where the Company will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and ensuring the fund availability through adequate credit facilities. As at September 30, 2012, the Company has available sanctioned borrowing facilities of Rs. 800,000 thousands (2011: 800,000 thousands) from various commercial banks. Unutilized borrowing facilities Rs. 371,580 thousands (2011: Rs. 444,726 thousands) and also has deposit of Rs. 5,149 thousands (2011: 13,741 thousands) at banks. Based on the above, the management believes that the Company is not significantly exposed to the liquidity risk.

The maturity profile of the Company's financial assets and liabilities as at the balance seet date with respect to period lags is given in Note 35.1.

36.2 Fair Value of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

The carrying value of all the financial assets and liabilities reflected in the financial statements approximates their fair values. The method used in determining fair values of each class of financial assets and liabilities are disclosed in the respective policy notes.

36.3 CAPITAL RISK MANAGEMENT

The Company’s objective when managing capital is to safeguard the Company’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares and take other measures commensuration to the circumstances. The Company finances its expansions projects through equity, borrowings and management of its working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

The Company monitors capital using a gearing ratio, which is net debt divided by total shareholders equity plus net debt. Net debt is calculated as total loans and borrowings less cash and bank balances. The Company's strategy was to maintain leveraged gearing. The gearing ratios as at the balance sheet are as follows:

	Sep 30 2012	Sep 30 2011
	(Rupees in '000)	
Total financing and borrowings including finance lease	**509,605**	364,795
Less: Cash and bank balances	**(5,341)**	(13,638)
Net debt	**504,264**	351,157
Total Equity	**330,698**	328,449
Total Capital employed	**834,962**	679,606
Gearing Ratio	**60.39%**	51.67%

37 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Chief Executive		Directors		Executives		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	(Rupees in '000)							
Non Executive Directors' fee - 5 Directors	**—**	—	**135**	140	**—**	—	**135**	140
Managerial remuneration	**4,775**	3,714	**1,204**	846	**5,320**	4,884	**11,299**	9,444
Housing	**1,470**	1,129	**541**	381	**1,646**	1,510	**3,657**	3,020
Medical and others	**326**	501	**240**	175	**731**	671	**1,297**	1,347
	6,571	5,344	**1,985**	1,402	**7,697**	7,065	**16,253**	13,811
Number of persons	**1**	1	**2**	2	**3**	3	**6**	6

The Chief Executive, two Executive Directors and Executives as stated above are provided with the Company maintained cars for the business and personal use and the Chief Executive and two Executive Directors are also provided with telephone facilities for the business and personal use.

38 RELATED PARTY TRANSACTIONS

The Company in the normal course of business carried out transactions with related parties as detailed below:

Relationship with Company	Nature of Transaction	Sep. 30, 2012 (Rupees in '000)
Key Management Personnel and their relatives	Purchase of sugarcane	29,940

Transactions, as applicable in relation to Directors of the Company and Key Management Personnel (KMP) have been disclosed in note # 37 & 38. Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly.

39 CAPACITY AND PRODUCTION

	2012		2011	
	Quantity M. Tons	**No. of days**	Quantity M. Tons	No. of days
Crushing capacity	**6,000**	**Per day**	6,000	Per day
Capacity based on actual working days	**654,000**	**109**	702,000	117
Actual Crushing	**483,352**	**109**	491,295	117
Sucrose recovery (in %)	**9.62**	**—**	9.57	—
Sugar production from cane	**46,516**	**—**	47,008	—

39.1 Main reason for under utilization of production capacity is non availability of sugarcane during the season.

40 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on January 05, 2013 by the Board of Directors of the Company.

41 GENERAL

Figures have been rounded off to nearest thousand of rupees.

Chief Executive **Director**

Pattern of Share Holding

As at September 30, 2012

Number of Shareholders	Share Holding From	To	Total Shares Held
636	1	100	23,540
113	101	500	31,883
89	501	1000	56,586
94	1001	5000	219,755
44	5001	10000	277,405
5	10001	15000	58,680
3	15001	20000	53,000
4	20001	25000	95,850
4	25001	30000	107,330
1	35001	40000	36,795
2	40001	45000	89,650
2	60001	65000	125,400
1	75001	80000	75,175
1	85001	90000	87,840
1	90001	95000	95,000
3	95001	100000	289,490
1	100001	105000	101,250
2	105001	110000	216,075
2	110001	115000	224,114
1	120001	125000	120,361
2	125001	130000	251,615
1	130001	135000	131,752
1	170001	175000	170,005
1	240001	245000	241,487
1	325001	330000	329,527
1	360001	365000	360,179
1	400001	405000	403,100
1	410001	415000	410,740
1	495001	500000	497,715
1	520001	525000	522,600
1	655001	660000	659,250
1	670001	675000	674,750
1	855001	860000	858,000
1	910001	915000	913,000
1	975001	980000	979,000
1	1060001	1065000	1,063,616
1	1090001	1095000	1,094,485
1,027			**11,946,000**

* There is no shareholding in the slab not mentioned

	Shareholder's Category	Number of Shares Held	Percentage %
01	Directors, Chief Executive Officer and their spouse and minor children	1,649,137	13.8049
02	Associated Companies, undertakings and related parties.	–	–
03	Executives	25,300	0.2118
04	NIT & ICP	1,091,406	9.1361
05	Banks, DFIS, NBFIS, Mudaraba	211,665	1.7718
06	Mutual Funds	618,076	5.1739
07	Insurance Companies	418,040	3.4994
08	Shareholders holding 5% or more	3,844,485	32.1821
09	Limited Companies	267,638	2.2404
10	General Public - Local	3,820,253	31.9791
	TOTAL	**11,946,000**	**100.0000**

Detail of Pattern of Share Holding

As per Requirement of Code of Corporate Governance

As at September 30, 2012

	Category Name	Number of shares held	Percentage %	Category wise Number of shareholders	Category wise shares held	Percentage %
	Directors, Chief Executive and their spouse and minor children			7	1,649,137	13.8049
	Haji Khuda Bux Rajar	241,487	2.0215			
*	Mr. Ghulam Dastagir Rajar	659,250	5.5186			
	Mr. Jam Mitha Khan	62,700	0.5249			
	Mr. Mohammad Aslam	3,300	0.0276			
	Mr. Qazi Shamsuddin	4,900	0.0410			
*	Mr. Gul Mohammad	674,750	5.6483			
	Mrs. Khanzady W/o Haji Khuda Bux Rajar	2,750	0.0230			
	Associated Companies, Undertaking and related parties			—	—	—
	Executives			2	25,300.00	0.2118
	NIT & ICP			3	1,091,406	9.1361
	National Investment Trust Limited	27,390	0.2293			
*	NBP Trustee - NI(U)T (LOC) Fund	1,063,616	8.9035			
	Investment Corporation of Pakistan	400	0.0033			
	Banks, DFIS, NBFIS, Mudaraba			4	211,665	1.7718
	Mutual Funds			2	618,076	5.1739
	CDC-Trustee AKD Opportunity Fund	120,361	1.0075			
	Golden Arrow Selected Stocks Fund Ltd	497,715	4.1664			
	Insurance Companies			3	418,040	3.4994
*	**Shareholders holding 5% or more**			4	3,844,485	32.1821
	Limited Companies			9	267,638	2.2404
	General Public - Local			993	3,820,253	31.9791
				1,027	**11,946,000**	**100.000**

* Shareholders having 5% or more shares marked as(*) are shown in their relevant categories. The name wise details of the remaining shareholders having 5% or more given below

Name of Shareholders	Number of shares held	Percentage %
Ali Ghulam	858,000	7.1823
Khuda Bux	913,000	7.6427
Abdul Jabbar	979,000	8.1952
Pir Baksh	1,094,485	9.1618
	3,844,485	**32.1821**

Information under clause (xvi) (I) of the Code of Corporate Governance

The Directors, Executives and their spouse and their minor children have not undertaken any trading of Company's shares during the year 2011-2012.

FORM OF PROXY

Sanghar Sugar Mills Limited

The Company Secretary
Sanghar Sugar Mills Limited
101, First Floor, Ocean Centre,
Talpur Road,
Karachi.

I/We ....(Full name)

of .... being a member of **SANGHAR SUGAR MILLS LIMITED**

and holding .... ordinary shares, as per Folio No. .... / CDC Participant's

I.D.No. .... and Account/Sub Account No. .... hereby appoint

.... (Full name) of ....

having Folio/CDC Account No. …………………….. being member of the Company as my/our proxy in my/our absence to attend and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Thursday, January 31, 2013 at 11:00 a.m. and at any adjournment thereof.

As witness my/our hand this .... day of
January, 2013 signed in the presence of:

Signature on **Five Rupees Revenue Stamp**

Witness 1

Signature : ....

Name : ....

CNIC No.: ....

Address : ....

....

Witness 2

Signature : ....

Name : ....

CNIC No.: ....

Address : ....

....

NOTES:

1) A member entitled to attend and vote at this meeting may appoint another member as proxy to attend and vote for him/her behalf. The form of proxy, duly completed and signed must be deposited at the Company's Registered Office not less than 48 hours before the time for holding the meeting.

2) Any individual beneficial owner of CDC, entitled to attend and vote at this meeting, must bring his/her Original CNIC, CDC Account and Participant's ID Numbers to prove his/her identity, and in case of proxy, must enclose attested copy of his/her CNIC, CDC Participant's ID and Account Number. Representatives of corporate members should bring the usual documents as required for such purpose.

3) Signature must agree with the specimen signature registered with the Company.

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