Annual Report 2011

سانگھڑ شوگر ملز لمیٹیڈ

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. Gul Mohammad	
Mr. Mohammad Aslam	
Mr. Qazi Shamsuddin	
Mr. Shahid Aziz	(Nominee of NIT)
Mr. Irshad Husain	(Nominee of NIT)

AUDIT COMMITTEE

Mr. Ghulam Dastagir Rajar	(Chairman)
Mr. Gul Mohammad	(Member)
Mr. Shahid Aziz	(Member)

COMPANY SECRETARY

Mr. Abdul Ghafoor Ateeq

CHIEF FINANCIAL OFFICER

Mr. Muhammad Jawad Durrani

SHARES REGISTRAR

Hameed Majeed Associates (Pvt) Ltd.
5th Floor, Karachi Chambers,
Hasrat Mohani Road, Karachi
Phone : 021 - 32412754 - 32411474
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 : ssml@cyber.net.pk

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.


PAKISTAN WHITE SUGAR
CROP YEAR 2010-2011
EXPIRY DATE DEC. 2012
GROSS WEIGHT 50.100 KG.
NET WEIGHT 50.000 KG.
SR. NO.

Statement of Ethics & Business Practices

The entire Organization of Sanghar Sugar Mills Limited will be guided by the following principles in its pursuit of excellence in all activities for the attainment of the Company's Objectives.

THE COMPANY

- Fulfills all statutory requirements of the government and follows all applicable laws of the country together with compliance with accepted accounting principles, rules and procedures required.
- Activities and involvement of directors and employees of the Company in no way conflict with the interest of the Company. All acts and decision of the management are motivated by the interest of the Company rather their own.
- Uses all means to protect the environment and ensures health and safety of the employees.
- Meets the expectations of the spectrum of society and government agencies by implementing an effective and fair system of financial reporting and internal controls.
- Deals with all stakeholders in objective and transparent manner so as to meet the expectations of those who rely on the Company.
- Ensure efficient and effective utilization of its resources.

AS DIRECTORS

- Promote and develop conducive environment through responsive policies and guidelines to facilitate viable and timely decisions.
- Support and adherence to compliance of legal and industry requirements.
- Maintain organizational effectiveness for the achievement of the Company goals.
- Promote a culture that supports enterprise and innovation, with appropriate short-term and long-term performance related rewards that are fair and achievable in motivating management and employees effectively and productively.
- Ensure protection and safeguard the interest and assets of the Company and meet obligations of the Company.

AS EXECUTIVES AND MANAGERS

- Ensure cost effectiveness and profitability of operations.
- Provide direction and leadership for the organization and take viable and timely decisions.
- Promote and develop culture of excellence, conservation and continual improvement.
- Develop and cultivate work ethics and harmony among colleagues and associates.
- Encourage initiatives and self realization in employees through meaningful empowerment.
- Provide pleasant work atmosphere and ensure an equitable way of working and rewarding system.
- Institute commitment to environmental, health and safety performance.

AS EMPLOYEES AND WORKERS

- Observe Company policies, regulations and code of best business practices.
- Devote productive time and continued efforts to strengthen the Company.
- Make concerted struggle for excellence and quality.
- Exercise prudence in effective, efficient and economical utilization of resources of the Company.
- Protect and safeguard the interest of the Company and avoid conflict of interest.
- Maintain financial integrity and must avoid making personal gain at the Company's expense by participating in or assisting activities which compete with the Company.

Notice of Annual General Meeting

Notice is hereby given that Twenty Sixth Annual General Meeting of Sanghar Sugar Mills Limited will be held on Tuesday January 31, 2012 at 10.00 a.m. at Beach Luxury, M. T. Khan Road, Karachi to transact the following business:

1. To confirm the minutes of Extra Ordinary General Meeting held on October 21, 2011.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended September 30, 2011 together with Directors' and Auditors' Reports thereon.
3. To appoint Auditors for the year 2011-2012 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, 2012

Company Secretary

NOTES :

1. The Share Transfer Books of the Company will remain closed from January 20, 2012 to January 31, 2012 (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 requested to notify any changes in their registered address immediately.
5. Members holding physical shares of the Company must send attested copy of their CNIC having validity, if not yet submitted to the Shares Registrar of the Company, in order to comply with the requirements of SECP and FBR.

Directors' Report

Your Directors are pleased to welcome you at the twenty sixth Annual General Meeting and present Annual Report together with the Company's audited Financial Statements for the year ended September 30, 2011.

Review of the Performance of the Company

The crushing season for the year 2010-2011 commenced on November 22, 2010 and closed on March 18, 2011. The Company operated under extra ordinary environment due to limited availability of sugarcane crop which significantly enhanced procurement cost of sugar cane by around 61% over and above the price of sugarcane fixed by the Government of Sindh for the current season at Rs. 127 per 40 Kg which was already higher by around 25% from the price fixed at Rs. 102 per 40 Kg for the last season 2009-2010. Thus, the increased procurement cost of sugarcane together with ever increasing inflationary pressure on other input items had a direct impact on the earnings of the Company. However, the Company has made its best efforts to play its role with regard to its social responsibilities for the economic well-being alongwith uplift of the rural areas of the Country.

Operating Results

A brief summary of operating results of the Company for the year ended September 30, 2011 along with the comparatives for the corresponding year is given as under.

		2010-2011	2009-2010
Season started on		**22-11-2010**	12-11-2009
Season completed on		**18-03-2011**	05-03-2010
Duration of crushing days		**117**	114
Sugarcane Crushed	(M.Tons)	**491,205**	484,452
Cane sugar produced	(M.Tons)	**47,008**	46,449
Sugar processed		**—**	98
Sucrose recovery	(%)	**9.57**	9.60

Review of Operation

The Company operated at reasonable level during the season 2010-2011 and was able to manufacture reasonable quantity of sugar under the circumstances of availability of sugarcane at higher procurement cost besides lesser sucrose recovery as compared with the previous year.

Financial Results

The key financial figures of the Company for the year ended September 30, 2011 along with the comparatives for the corresponding year are summarized as under:

	2011	2010
	(Rupees in '000)	
Net profit before taxation	**64,344**	213,047
Taxation	**26,585**	78,616
Net profit after taxation	**37,759**	134,431
Earning per share-basic and diluted (Rupees)	**3.16**	11.25

Review of Financial Results

As reported earlier, the Company was able to manufacture reasonable quantity of sugar, but significantly enhanced procurement cost of sugarcane with lower sucrose recovery together with increasing other overhead expenses, volatile sale price of sugar and sugar contracted for sale not lifted by the parties as compared with the last year were the main factors that had directly affected the financial results, to a great extent. Thus, the Company made net sales of Rs. 1,498,297 thousand as compared with sales of Rs. 2,679,922 thousand in the last year and gross profit of Rs. 245,956 thousand as compared with gross profit of Rs 377,383 thousand in the last year. This resulted in the lesser net profit after taxation of Rs. 37,759 thousand as compared with the net profit after taxation of Rs 134,431 thousand during the last year ended September 30, 2010.

Future Prospects

The sugar industry has entered into a surplus phase which is in line with the global trend. However, policy of fixation of "Minimum Support Price" of sugarcane leaves little room for the Industry to adjust itself to market trends. The sugar prices have fallen drastically both internationally as well in the domestic market putting the industry under extreme stress. In the "Minimum Support Price" regime, the Government will have to make arrangements for the disposal of excess quantities of sugar in the shape of self purchase through Trading Corporation of Pakistan and/or allowing exports. Stabilizing the sugar market is of utmost importance as it will enable the sugar industry to remain viable and continue to support the rural economy by keeping the growers viable as well.

Contribution of the Company to National Exchequer

The Company's contribution to the National Exchequer in the form of income tax, sales tax and other levies and charges, was Rs. 144,097 thousands during the year as compared to Rs. 203,054 thousands 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 of 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 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 peruses 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.

Board of Directors

During the year, the Board accepted resignation of Mr. Muhammad Tariq nominee director representing N.I.T. and in his place appointed Mr. Irshad Husain as nominee director representing N.I.T. on September 22, 2011.

The Shareholders of the Company elected in the Extraordinary General Meeting held on October 21, 2011, the following directors of the Company for a period of three years commencing from November 04, 2011.

1.	Haji Khuda Bux Rajar	2.	Mr. Jam Mitha Khan
3	Mr. Ghulam Dastagir Rajar	4	Mr. Gul Mohammad
5	Mr. Mohammad Aslam	6	Mr. Qazi Shamsuddin
7	Mr. Shahid Aziz (N.I.T. Nominee)	8	Mr. Irshad Husain (N.I.T. Nominee)

Revaluation of Property, Plant and Equipment

The Directors are pleased to report that the Company's free hold land, building, plant and machinery were revalued on September 30, 2011 by the independent professional valuers M/s. Akbani & Javed Associates in order to be current with prevailing fair market value and accordingly the carrying value of such assets has been adjusted. The details of which are fully disclosed in the annexed Notes to the Financial Statements.

Corporate and Financial Reporting Framework

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

i. The financial statements of the Company, prepared by the management, present fairly its state of affairs, the results of its operation, cash flows and changes in equity.

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

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 departure, if any, 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 of Karachi and Lahore Stock Exchanges.

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

ix. Keeping in view, the review of the Financial Results and also factors stated under 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, 2011.

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, six meetings of the Board of Directors were held. Leaves of absence were 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					
	11.10.10	03.01.11	28.01.11	27.05.11	25.07.11	22.09.11
Haji Khuda Bux Rajar	P	P	P	P	P	P
Mr. Jam Mitha Khan	P	L	P	P	P	L
Mr. Ghulam Dastagir Rajar	L	L	P	P	P	P
Mr. Gul Mohammad	P	P	P	P	L	P
Mr. Mohammad Aslam	P	P	P	P	P	P
Mr. Qazi Shamsuddin	P	L	P	P	L	P
Mr. Shahid Aziz (Nominee of N.I.T.)	L	P	P	P	L	L
Mr. Muhammad Tariq (Nominee of N.I.T.)	P	P	P	P	P	N/A

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

xiii. The Pattern of Shareholding as on September 30, 2011 is annexed

xiv. To the best of our knowledge, the Directors, Chief Executive, CFO, Company Secretary, their spouse and their minor children have not undertaken any trading of Company's shares during the year 2010-2011.

Statement of Compliance with Code of Corporate Governance

The requirements of the Code set out by Karachi and Lahore Stock Exchanges in their Listing Regulations, relevant for the year ended September 30, 2011 have been complied with. A statement of compliance to this effect is annexed with the Report.

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, 2012.

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, 2012

Key Operating & Financial Data of Last Ten Years

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
OPERATIONAL DATA										
Duration of Season (Days)	**117**	114	132	182	146	126	103	159	118	98
Cane crushed (Tons)	**491,205**	484,452	597,111	853,592	526,439	419,498	330,744	532,824	447,676	259,114
Sucrose Recovery (%)	**9.57**	9.60	9.58	9.50	8.68	9.42	9.15	8.90	8.94	8.78
Sugar Made (Tons)	**47,008**	46,547	57,308	87,026	45,602	39,837	30,024	47,274	40,026	22,758
Molasses (Tons)	**24,004**	23,785	30,279	49,360	26,200	19,773	17,351	35,142	25,473	13,035
										All figures in Rs in '000
TRADING RESULTS										
Turnover (NET)	**1,498,297**	2,679,922	1,679,489	1,861,248	1,065,461	1,052,760	568,370	680,996	582,531	346,068
Gross profit/(loss)	**245,956**	377,383	225,504	233,621	71,575	178,720	541,191	82,824	3,688	(67,192)
Operating profit/(loss)	**159,342**	308,572	162,815	171,328	28,489	134,932	(9,341)	38,886	(35,371)	(100,003)
Profit/ (loss) before taxation	**64,345**	213,047	115,257	134,232	(12,373)	94,186	(30,701)	18,915	(76,761)	(119,238)
Profit/(loss) after taxation	**37,759**	134,431	66,912	98,603	(19,755)	55,461	(62,052)	4,215	(50,860)	(118,492)
ASSETS EMPLOYED										
Operating Assets	**754,005**	477,508	494,031	516,797	524,078	539,306	555,559	545,510	570,322	603,271
Long Term Deposits	**36,396**	2,223	2,223	2,223	2,223	2,385	913	1,013	3,074	3,050
Current Assets	**1,471,518**	240,366	277,084	119,007	125,784	125,371	102,118	120,499	83,337	86,238
Total Assets Employed	**2,261,919**	**720,097**	**773,338**	**638,027**	**652,085**	**667,062**	**658,590**	**667,022**	**656,733**	**692,559**
FINANCED BY										
Shareholders equity	**328,449**	305,462	179,574	106,967	2,757	28,566	(30,370)	24,007	10,921	52,271
Surplus on Revaluation of Land, Building and Plant & Machinery	**169,043**	46,213	49,624	55,319	103,695	109,587	115,910	101,387	107,153	169,537
Long Term Liabilities	**85,089**	23,159	75,812	210,646	250,621	240,218	242,647	258,985	166,997	169,092
Deferred Liabilities	**216,247**	145,489	150,054	145,697	128,348	125,374	86,444	48,375	38,556	14,096
Current Liabilities	**1,463,091**	199,774	318,274	119,398	166,664	163,317	243,959	234,268	333,106	287,563
Total Fund Invested	**2,261,919**	**720,097**	**773,338**	**638,027**	**652,085**	**667,062**	**658,590**	**667,022**	**656,733**	**692,559**

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. 5th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi Phone No: 021- 32412754 - 32411474. 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

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Gross Profit Ratio (%)	**16.42**	14.08	13.43	12.55	6.72	16.97	4.78	12.16	0.63	(19.42)
Profit/ (loss) before Tax Ratio (%)	**2.52**	5.02	6.86	7.21	(1.16)	8.94	(5.40)	2.78	(13.18)	(34.46)
Inventory Turnover Ratio	**1.96**	17.51	11.72	26.36	18.41	16.28	9.03	10.69	12.30	7.68
Fixed Assets Turnover Ratio (%)	**200.02**	561.23	339.96	360.15	203.30	195.21	102.31	124.84	102.11	57.37
Price Earning Ratio	**3.39**	1.23	2.81	2.96	(5.14)	1.93	(0.96)	21.71	(0.82)	(0.34)
Return on Capital Employed (%)	**47.47**	85.86	77.37	41.48	19.49	24.92	6.58	10.03	(10.37)	27.83
Market Value per Share	**10.71**	13.84	15.75	24.45	8.50	8.50	5.00	7.60	3.50	3.40
Book Value per Share	**27.49**	25.57	15.03	8.95	0.23	2.39	(2.54)	2.01	0.91	4.38
Earning per Share	**3.16**	11.25	5.60	8.25	(1.65)	4.40	(5.19)	0.35	(4.26)	(9.92)
Debt Equity Ratio	**3.55**	1.05	1.97	2.30	1.60	1.24	1.82	2.07	1.41	0.76
Current Ratio	**1.01**	1.203	0.871	0.997	0.75	0.77	0.42	0.51	0.25	0.30
Interest Cover Ratio	**1.68**	4.11	4.14	6.30	0.67	3.77	(0.44)	1.83	(0.83)	(2.22)

Statement of Value Addition and Its Distribution

Value Addition:	**2011 (Rs. '000)**	**%**	**2010 (Rs. '000)**	**%**
Turnover Gross	**1,596,539**		2,817,145	
Other Income	**7,423**		947	
	1,603,962		2,818,092	
Sugarcane Procurement Expenses	**2,521,074**		2,272,673	
Direct Costs & Services	**(1,364,321)**		(13,975)	
	1,156,753		2,258,698	
	447,209		559,394	
Value Distribution:				
To Employees as:				
– Remuneration	**118,513**	**26.50**	102,437	18.31
– Worker's profit participation fund	**3,456**	**0.77**	11,442	2.05
	121,969		113,879	
To Government:				
– Sales Tax, FED & SED	**98,242**	**21.97**	137,223	24.53
– Income Tax	**38,738**	**8.66**	69,794	12.48
– Deferred Tax	**668**	**0.15**	(9,413)	(1.68)
– Cess & Fees	**6,449**	**1.44**	5,450	0.97
	144,097		203,054	
To Providers of Capital as:				
– Finance Cost	**94,682**	**21.17**	68,479	12.24
– Dividend	**17,919**	**3.20**	11,946	2.41
	112,601		80,425	
Retained in the Business as:				
– Depreciation	**30,783**	**6.88**	27,605	4.93
– Profit for the Year	**37,759**	**8.44**	134,431	24.03
	68,542		162,036	
	447,209	**100.00**	559,394	100.00

Statement of Compliance with the Best Practices of Code of Corporate Governance

For the year ended September 30, 2011

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulation of Karachi and Lahore Stock Exchanges for the purpose of establishing a frame work of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance:

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors. At present, the Board includes five independent non-executive directors including two directors representing National Investment Trust Ltd.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI. None of the directors is a member of a stock exchange.
4. During the year, one vacancy occurred in the Board which was duly filled up by the directors.
5. The Company has prepared Statement of Ethics and Business Practices, which has been signed by all the directors and employees of the Company.
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 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 transaction including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, 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. An orientation course was arranged for directors during the year to apprise them of their duties and responsibilities.
10. The Board has approved appointment of Company Secretary, CFO and Head of Internal Audit including their remuneration, terms and conditions of employment, as determined by the Chief Executive.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by Chief Executive and CFO before approval of the Board.
13. The Directors, Chief Executive 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 requirement of the Code.
15. The Board has already formed the Audit Committee. It comprises three members, of whom two are non-executive directors including the Chairman of the Committee.
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 Code. The terms of reference of the Committee have been formed and already advised to the Committee for compliance.
17. The Board has set-up an effective internal audit function.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.

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

20. The related party transactions, if any, have first been placed before the Audit Committee and approved by the Board of Directors to comply with the requirements of listing regulation of the Karachi and Lahore Stock Exchanges.

21. We confirm that all other material principles contained in the Code have been complied with.

For and On Behalf of Board of Directors

Karachi: January 05, 2012

Chief Executive

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, 2011 prepared by the Board of Directors of **Sanghar Sugar Mills Limited** ("the Company") to comply with the Listing Regulations of the respective 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 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 (xiii a) of Listing Regulations 35 notified by the Karachi and Lahore Stock Exchanges requires the Company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were 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, 2011.

Hyder Bhimji & Co.
Chartered Accountants

Karachi: January 05, 2012

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, 2011 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, 2011 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and

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

Hyder Bhimji & Co.
Chartered Accountants

Karachi: January 05, 2012

Engagement Partner: Mohammad Hanif Razzak

Balance Sheet
As at September 30, 2011

	Note	Sep 30 2011	Sep 30 2010
		(Rupees in '000)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	754,005	477,508
Long Term Deposits	7	36,396	2,223
		790,401	479,731
CURRENT ASSETS			
Stores, spare parts and loose tools	8	45,906	40,212
Stock-in-trade	9	1,355,937	88,197
Trade debts	10	12,425	49,519
Loans and advances	11	42,060	55,643
Short term prepayments	12	1,552	647
Cash and bank balances	13	13,638	6,148
		1,471,518	240,366
TOTAL ASSETS		2,261,919	720,097
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		208,989	186,002
		328,449	305,462
SURPLUS ON REVALUATION OF FIXED ASSETS	15	169,043	46,213
NON CURRENT LIABILITIES			
Long term financing	16	—	23,159
Liabilities against asset subject to finance lease	17	85,089	—
Deferred liabilities	18	216,247	166,092
		301,336	189,251
CURRENT LIABILITIES			
Trade and other payables	19	1,004,548	50,252
Accrued mark-up	20	19,595	10,258
Short term borrowings	21	355,274	39,070
Current portion of non current liabilities	22	38,527	21,623
Taxation- net		45,147	57,968
		1,463,091	179,171
CONTINGENCIES AND COMMITMENTS	23		
TOTAL EQUITY AND LIABILITIES		2,261,919	720,097

The annexed notes 1 to 42 form an integral part of these financial statements.

Chief Executive **Director**

Profit and Loss Account

For the year ended September 30, 2011

	Note	Sep 30 2011	Sep 30 2010
		(Rupees in '000)	
Sales	24	1,498,297	2,679,922
Cost of sales	25	1,252,341	2,302,539
Gross profit		245,956	377,383
Distribution cost	26	2,213	1,726
Administrative expenses	27	84,401	68,032
		86,614	69,758
Other operating expenses	28	7,739	27,046
Finance cost	29	94,682	68,479
		102,421	95,525
		56,921	212,100
Other operating income	30	7,423	947
Net profit before taxation		64,344	213,047
Taxation	31	26,585	78,616
Net profit after taxation		37,759	134,431
Earning per share - Basic and diluted (Rupees)	32	3.16	11.25

The annexed notes 1 to 42 form an integral part of these financial statements.

Chief Executive **Director**

Statement of Comprehensive Income

For the year ended September 30, 2011

	Sep 30 2011	Sep 30 2010
	(Rupees in '000)	
Net profit after taxation	**37,759**	134,431
Other Comprehensive Income		
Incremental depreciation charged on surplus on revaluation of fixed assets net of deferred tax	**3,147**	3,411
Actuarial loss on defined benefit plan	**—**	(8)
Total Other Comprehensive Income	**3,147**	3,403
Total Comprehensive Income for the year ended	**40,906**	137,834

The annexed notes 1 to 42 form an integral part of these financial statements.

Chief Executive **Director**

Cash Flow Statement

For the year ended September 30, 2011

	Note	Sep 30 2011	Sep 30 2010
		(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from Operations	33	(69,641)	187,320
Employees benefits paid		(1,392)	(1,633)
Finance cost paid		(86,008)	(65,437)
Taxes paid		(38,738)	(69,794)
Net cash (outflow)/inflow from operating activities		(195,779)	50,456
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(141,068)	(11,109)
Proceeds from disposal of fixed assets		728	54
Net cash outflow from investing activities		(140,340)	(11,055)
CASH FLOW FROM FINANCING ACTIVITIES			
Decrease in subordinated loans		—	(31,030)
Proceeds from sale and lease back transaction		72,500	—
Refund of Long term deposits		1,649	—
Repayment of liabilities against assets subject to finance lease		(7,202)	—
Dividend Paid		(17,919)	(11,946)
Repayment of long term financing		(21,623)	(20,188)
Net cash out flow from financing activities		27,405	(63,164)
Net decrease in cash and cash equivalents		(308,714)	(23,763)
Cash and cash equivalents at beginning of the year		(32,922)	(9,159)
Cash and cash equivalents at end of the year	34	(341,636)	(32,922)

The annexed notes 1 to 42 form an integral part of these financial statements.

Chief Executive **Director**

Statement of Changes in Equity

For the year ended September 30, 2011

Particulars	Share Capital	Unappropriated profit	Total
	....	(Rs in '000)	....
Balance as at October 01, 2009	119,460	60,114	179,574
Total Comprehensive Income for the year			
Net profit after tax for year ended September 30, 2010	—	134,431	134,431
Incremental depreciation charged on surplus on revaluation of fixed assets net of deferred tax	—	3,411	3,411
Actuarial loss on defined benefit plan	—	(8)	(8)
	—	137,834	137,834
	119,460	197,948	317,408
Distribution to owners			
Final Dividend for the year ended September 30, 2009	—	(11,946)	(11,946)
Balance as at September 30, 2010	119,460	186,002	305,462
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**
	119,460	**226,908**	**346,368**
Distribution to 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**

The annexed notes 1 to 42 form an integral part of these financial statements.

Chief Executive **Director**

Notes to the Financial Statements

For the year ended September 30, 2011

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 registered office of the Company is situated at 101, 1st Floor, Ocean Centre, Talpur Road, Karachi. The Company is principally engaged in the manufacture and sale of sugar and its by-products i.e molasses and bagasse.

2 BASIS OF PREPARATION AND PRESENTATION

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 certain items of property, plant and equipment which stands at revalued amounts.

3 Initial application of standards or interpretations

3.1 Standards, interpretations and amendments issued but not yet effective from the current financial year

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

	Standards or Interpretations	Effective Dates (accounting periods beginning on or after)
IAS 1	Presentation of financial statements - Amendments to revise the way other comprehensive income is presented.	July 01, 2012
IFRS 7	Financial Instruments: Disclosure - Amendments enhancing disclosure about transfer of financial assets	July 01, 2011
IAS 12	Income Tax (Amendment) - Deferred Taxes: Recovery of underlying assets	January 01, 2012
IAS 19	Employee Benefits - Amended Standards resulting from the post-employment benefits and termination benefits projects	January 01, 2013
IAS 24	Related Party Disclosure (Revised)	January 01, 2011
IFRIC 14	Prepayments of minimum funding requirement (Amendment)	January 01, 2011

The Company expects that the adoption of the above revision, amendments and interpretations of the standards will not have any material impact on the company's financial statements in the period of initial application, except certain additional disclosures.

In addition to above amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 1, 2011. The Company expects that such improvement of the standards will not have any material impact on the Company's Financial statements in the period of initial application.

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

Standards			IASB Effective Dates (accounting periods beginning on or after)
IFRS	9	Financial Instruments	January 01, 2015
IFRS	10	Consolidated Financial Statements	January 01, 2013
IFRS	11	Joint Arrangements	January 01, 2013
IFRS	12	Disclosure of Interest in other Entities	January 01, 2013
IFRS	13	Fair Value Measurement	January 01, 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 outcomes 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.

5.1.2 Deferred

Deferred tax is recognized using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statement and their tax base. This 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 assets are recognized to the extent that it is probable the future taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefit will be realized.

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 income currently, 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, if any, 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, direct wages and applicable manufacturing overheads.

Net realizable value signifies the estimated 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, except export receivables. Export receivables are translated into Pak Rupees at the rates ruling on the balance sheet date or as fixed under contractual arrangements less provision if any. Provision for doubtful debts is based on management's assessment of customers outstanding balances 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 statement 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 rules of the Company.

		Sep. 30 2011	Sep. 30 2010
6 PROPERTY, PLANT AND EQUIPMENT		(Rupees in '000)	
These are comprised as under:			
Operating fixed assets	Note- 6.1	**749,087**	477,508
Capital work-in-progress	Note- 6.2	**4,918**	—
		754,005	477,508

6.1 Operating Fixed Assets - Owned Assets

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							
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 Charge	—	(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)	—	—	—	—	—	—	—	—
Addition (at Cost)	—	—	—	108,322	—	—	—	**108,322**
Disposal/Adjustment (at NBV)	—	—	—	—	—	—	—	**—**
Depreciation Charge	—	—	—	(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 Sep 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)
Net Book Value	**25,600**	**44,779**	**10,741**	**655,589**	**1,916**	**7,834**	**2,628**	**749,087**

Net carrying value as at Sep 30, 2010	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							
Opening Net Book Value (NBV)	25,600	37,463	11,742	408,234	1,061	6,177	2,983	**493,260**
Addition (at Cost)	–	–	771	8,201	267	2,294	347	**11,880**
Disposal/Adjustment (at NBV)	–	–	–	–	–	(27)	–	**(27)**
Depreciation Charge	–	(3,746)	(1,251)	(20,672)	(130)	(1,398)	(408)	**(27,605)**
Closing Net Book Value	**25,600**	**33,717**	**11,262**	**395,763**	**1,198**	**7,046**	**2,922**	**477,508**
Gross carrying value as at <u>September 30, 2010</u>								
Cost/Revaluation	25,600	66,046	22,652	584,405	5,037	11,459	9,926	725,125
Accumulated Depreciation	–	(32,329)	(11,390)	(188,642)	(3,839)	(4,413)	(7,004)	(247,617)
Net Book Value	**25,600**	**33,717**	**11,262**	**395,763**	**1,198**	**7,046**	**2,922**	**477,508**
Depreciation rate % per annum	–	**10**	**10**	**5**	**10**	**20**	**10 & 20**	

		Sep. 30 2011	Sep. 30 2010
6.1.1 Depreciation charge for the year has been allocated as under :		(Rupees in '000)	
Cost of Sales	Note - 25	**27,588**	24,418
Administrative Expenses	Note - 27	**3,195**	3,187
		30,783	27,605

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

Particulars	Cost	Written Down Value	Sale Proceeds	Gain/ (Loss)	Particulars of Purchaser
	...........................Rupees in '000...................................				
Vehicles:					
Motor Cycles	795	263	728	465	By terms of employment to various employees
Sep. 30, 2011	**795**	**263**	**728**	**465**	
Sep. 30, 2010	54	27	54	27	

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	—	134,960	130,042	4,918
As at September 30, 2011	—	**134,960**	**130,042**	**4,918**
As at September 30, 2010	771	—	771	—

6.2.1 Amount transferred to operating assets represents Rs. 108,322 thousands and Rs. 21,720 thousands in respect of leased and owned fixed assets respectively.

6.3 The Company's freehold land, buildings and plant & machinery were revalued on September 30, 2011 by independent professional valuers M/s Akbani & Javed Associates at fair market value. The resultant revaluation on surplus has been adjusted to the surplus on revaluation of Fixed Assets Account, 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/ Adjustment during the year	Depreciation for the year	NBV as at September 30,2011
	...........September 30, 2010...........						
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	(11,157)	12,535	—	—	(1,253)	11,282
– Revaluation	42,354	(21,172)	21,182	14,433	—	(2,118)	33,497
	66,046	(32,329)	33,717	14,433	—	(3,371)	44,779
Non Factory Building - Cost	11,589	(6,238)	5,351	—	—	(535)	4,816
– Revaluation	11,063	(5,152)	5,911	605	—	(591)	5,925
	22,652	(11,390)	11,262	605	—	(1,126)	10,741
Plant and Machinery - Cost	499,994	(147,021)	352,973	24,284	—	(18,474)	358,783
– Revaluation	84,411	(41,621)	42,790	151,437	—	(2,132)	192,095
	584,405	(188,642)	395,763	175,721	—	(20,606)	550,878
Furniture and Fittings	5,037	(3,839)	1,198	890	—	(172)	1,916
Vehicles	11,459	(4,413)	7,046	2,636	(327)	(1,521)	7,834
Computer Equipment and Appliances	9,926	(7,004)	2,922	82	—	(376)	2,628
Sub total - Cost	568,740	(179,672)	389,068	27,892	(327)	(22,331)	394,302
Sub total - Revaluation	156,385	(67,945)	88,440	166,475	—	(4,841)	250,074
Total	**725,125**	**(247,617)**	**477,508**	**194,367**	**(327)**	**(27,172)**	**644,376**

			Sep 30 2011	Sep 30 2010
			(Rupees in '000)	
7	**LONG TERM DEPOSITS**			
	Lease deposit		**35,822**	—
	Others		**574**	2,223
			36,396	2,223
8	**STORES, SPARE PARTS AND LOOSE TOOLS**			
	Stores		**25,111**	18,762
	Spare parts		**28,690**	29,398
	Loose tools		**457**	404
			54,258	48,564
	Provision for slow moving items and obsolescence	Note 8.1 & 8.2	**8,352**	8,352
			45,906	40,212

8.1 Certain slow moving and obsolete items of stores and spare parts have been reassessed valuing Rs. 8,352 thousands (2010: Rs. 8,352 thousands) against which full provision have been made in these financial statements.

8.2	**Reconciliation of provision for slow moving and obsolete items**			
	Balance as on October 01		**8,352**	4,855
	Charge for the year		—	3,497
	Balance as on September 30		**8,352**	8,352
9	**STOCK-IN-TRADE**			
	Sugar			
	- Finished	Note 9.1	**1,349,729**	82,963
	- In process		**3,859**	3,457
			1,353,588	86,420
	Molasses		**326**	332
	Baggasse		**2,023**	1,445
			1,355,937	88,197

9.1 The closing stock of sugar bags having carrying value of Rs. 427,188 thousands (2010: Rs. 24,190 thousands) has been pledged against cash finance obtained from the Banking Company.

10	**TRADE DEBTS**			
	- Unsecured Considered good		**12,425**	49,519
11	**LOANS AND ADVANCES - Interest free**			
	Loans to			
	- Growers - Considered good	Note 11.1	**30,119**	36,438
	- Considered doubtful		**6,925**	6,925
			37,044	43,363
	Provision against doubtful growers loan	Note 11.2	**6,925**	6,925
			30,119	36,438
	- Employees - Secured against retirement benefits		**1,304**	546
	Advances to (Unsecured)			
	- Contractors and suppliers	Note 11.3	**10,273**	18,421
	- Employees against salaries		**364**	238
			42,060	55,643

11.1 During the year, the Company has also provided fertilizer as a loan to the cane growers which is adjustable against the supplies of sugarcane during the ensuing season.

11.2 Reconciliation of provision against doubtful growers loan

	Sep 30 2011	Sep 30 2010
	(Rupees in '000)	
Balance as on October 01	**6,925**	—
Charge for the year	—	6,925
Balance as on September 30	**6,925**	6,925

11.3 It includes Rs. 2,625 thousands (2010 : 4,100 thousands) representing amount advanced to transporters on behalf of cane growers and are adjustable from sugarcane payments.

12 SHORT TERM PREPAYMENTS

Prepaid Insurance	**1,341**	450
Others	**211**	197
	1,552	647

13 CASH AND BANK BALANCES

Cash in hand	**167**	124
Cash at banks		
– current accounts	**13,471**	6,024
	13,638	6,148

14 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2011	2010			
10,860,000	10,860,000	Ordinary shares of Rs.10 each allotted for consideration paid in cash	**108,600**	108,600
1,086,000	1,086,000	Ordinary shares of Rs.10 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. (2010: 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

Gross opening balance	**88,440**	93,688
Revaluation Surplus during the year	**166,475**	—
Incremental depreciation - net of deferred tax	**(3,147)**	(3,411)
Deferred Tax on Incremental Depreciation	**(1,694)**	(1,837)
	(4,841)	(5,248)
	250,074	88,440
Relevant deferred tax	**(81,031)**	(42,227)
Revaluation surplus net of deferred tax	**169,043**	46,213

		Sep 30 2011	Sep 30 2010
		(Rupees in '000)	

16 LONG TERM FINANCING - SECURED

Long term finances utilized under mark-up arrangement			
From Banking Company	Note 16.1	**23,159**	44,782
Less: Current portion shown under current liabilities	Note 22	**23,159**	21,623
		—	23,159

16.1 The above facility is secured by 1st equitable mortgage over specified items of property, plant & equipment and personal guarantees of the directors of the Company. The facility carries a floating markup based on 6 months KIBOR as base rate plus 5% per annum (with no floor and no cap) chargeable and payable bi-annually. The tenure of finance is 8 years with expiry in March 2012. The above finance facility is repayable in 16 six monthly installments starting from November 2004.

17 LIABILITIES AGAINST ASSET SUBJECT TO FINANCE LEASE

Present Value of Minimum Lease Payments	**100,457**	—
Less: Current Portion shown under current liabilities	**15,368**	—
	85,089	—

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

	Minimum Lease Payments (MLP)	Financial Charges	Present Value of MLP
Lease Rentals due within one year	26,774	11,406	15,368
Lease Rentals due after one year but within five years	97,889	12,800	85,089
	124,663	**24,206**	**100,457**

17.1 During the year, the Company 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. Other features of lease are as follows:

Discount Rate - Orix Leasing Company	**21.02%**
- NBP Leasing	**17.67%**
Lease Period	**48 months**
Lease Payments Frequency	**Quarterly**

18 DEFERRED LIABILITIES

Deferred taxation	Note 18.1	**166,981**	125,815
Market committee fee	Note 23.1.1	**23,982**	20,603
Employees benefits			
- Defined benefits plan	Note 18.2	**25,284**	19,674
		216,247	166,092

	Sep 30 2011	Sep 30 2010
	(Rupees in '000)	
18.1 Deferred taxation:		
Deferred tax credit arising due to:		
– surplus on revaluation	**81,031**	42,227
– accelerated depreciation	**143,931**	96,669
	224,962	138,896
Deferred tax debit arising due to:		
– provision for slow moving and obsolescence	**2,923**	2,923
– liabilities against asset subject to finance lease	**35,392**	—
– defined benefit plan	**8,849**	6,886
– provision for Grower Loans	**2,424**	2,424
– market committee fee	**8,393**	848
	57,981	13,081
	166,981	125,815

18.2 The Company operates an unfunded gratuity scheme for all 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 valuer report dated December 09, 2011 under the "Projected Unit Credit " Actuarial Cost 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	**19,674**	14,757
Expenses recognized	**7,002**	6,481
Benefits paid during the year	**(1,392)**	(1,564)
Actuarial loss on present value of defined benefit obligation	**1,180**	—
Present value of obligation as at	**26,464**	19,674

18.2.2 Reconciliation of balance sheet liability

Present value of defined benefit obligations	**26,464**	19,674
Actuarial loss to be recognized in later period	**(1,180)**	—
	25,284	19,674

18.2.3 Expense for the year ended

Current service cost	**4,641**	4,495
Interest cost	**2,361**	1,978
Recognition of actuarial loss	—	8
	7,002	6,481

18.2.4 Charge for the year has been allocated as under:

Cost of Sales	Note 25.1	**5,252**	4,855
Administrative Expenses	Note 27.1	**1,750**	1,618
		7,002	6,473

		Sep 30 2011	Sep 30 2010
		(Rupees in '000)	
19 TRADE AND OTHER PAYABLES			
Creditors		**14,166**	8,224
Accrued liabilities		**7,586**	7,139
Road cess and surcharge		**372**	372
Advances from customers		**965,980**	331
Sales tax / FED payable		**1,416**	12,937
Unclaimed dividend		**3,108**	1,174
Other liabilities	Note 19.1	**11,920**	20,075
		1,004,548	50,252
19.1 Other liabilities			
Sales tax withhold/ Income tax deducted at source		**514**	504
Worker's Profit participation Fund	Note 19.1.1	**3,456**	11,442
Worker's Welfare Fund		**5,662**	6,700
Others		**2,288**	1,429
		11,920	20,075
19.1.1 Workers Profit Participation Fund			
Balance as on October 01		**11,442**	6,190
Interest paid on funds utilized by the Company		**756**	386
		12,198	6,576
Less: Payments made during the year		**12,198**	6,576
		—	—
Add: Contribution for the year		**3,456**	11,442
Balance as on September 30		**3,456**	11,442
20 ACCRUED MARK-UP			
Mark-up on			
– Long term financing		**2,174**	3,902
– Liabilities against asset subject to finance lease		**267**	—
– Short term borrowings		**17,154**	6,356
		19,595	10,258
21 SHORT TERM BORROWINGS -Secured			
Running Finance		—	25,000
Cash Finance	Note 21.1	**355,274**	14,070
		355,274	39,070

21.1 The aggregate financing facility available amounting to Rs. 800,000 thousands, is secured by pledge of sugar in bags with approved muccadum and hypothecation of stores/stocks of the Company amounting to Rs. 666,000 thousands. The facility held by the Banking Company carries markup 3 months KIBOR as base rate plus 3 and 2.5% per annum chargeable and payable quarterly. The facility is renewable annually.

			Sep 30 2011	Sep 30 2010
			(Rupees in '000)	

22 CURRENT PORTION OF NON CURRENT LIABILITIES - Secured

Current portion of long term financing	Note 16	**23,159**	21,623
Current portion of liabilities against assets subject to finance lease	Note 17	**15,368**	—
		38,527	21,623

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. 23,982 thousands (2010: 20,603 thousands) has been made as a matter of prudence, which includes Rs. 3,379 thousands for the crushing season 2010-2011.

23.1.2 During the year, Company has filed a petition in the Honourable Supreme Court of Pakistan against a show cause notice issued by Competition Commission of Pakistan (CCP), challenging the very jurisdiction of the Competition Commission. The Honourable Supreme Court of Pakistan has disposed the petition on the ground that the matter is already under proceedings with Honourable High Courts and refrained CCP from passing any final/penal order till a final decision is achieved at Honourable High Courts. Therefore, there are no financial implications related to this at the moment.

23.1.3 During the year, the Company has filed a suit before the Honourable High Court of Sindh against Pakistan Standards and Quality Control Authority (the Authority) challenging the levy of marking fee under PSQCA Act - IV of 1996. The Authority has demanded a fee payment @ 0.1% of Ex Factory Price for the year 2008-2009 amounting to Rs. 1,915 thousands. The Company is of the view that the demanded notifications so raised are without any lawful authority under the PSQCA Act - IV of 1996 and are in violation of the constitution. The Honourable High Court of Sindh has accepted the petition and termed that the impugned notifications have been issued without lawful authority and suspended the operation of impugned notifications. No provision has been made in this regard since the management is confident that the outcome would be in Company's favour as the amount is insignificant and is not likely to materialize.

23.2 Commitments:

23.2.1 Commitments in respect of capital expenditure amount to Rs. 20,400 thousands (2010: Rs. 120,034 thousands).

23.2.2 Outstanding letter of credit amounts to Rs. 20,506 thousands in respect of plant and machinery. (2010: Rs. 108,709 thousands)

			Sep 30 2011	Sep 30 2010
			(Rupees in '000)	
24	**SALES**			
	Local Sales		**1,596,539**	2,817,145
	Less: Sales tax / Federal Excise Duty		**81,238**	114,498
	Less: Special Excise Duty		**17,004**	22,725
			1,498,297	2,679,922

			Sep 30 2011	Sep 30 2010
25	**COST OF SALES**			
	Sugar cane consumed (including procurement expenses)		**2,521,074**	2,272,673
	Market committee fee		**3,379**	2,422
	Road cess		**3,070**	3,028
	Quality premium		**—**	54,501
	Salaries, wages and staff benefits	Note 25.1	**69,453**	61,904
	Stores and spares consumed		**65,767**	47,961
	Fuel and power		**14,380**	8,902
	Insurance		**8,222**	5,337
	Repairs and maintenance		**10,763**	4,359
	Packing materials consumed		**18,935**	14,215
	Vehicle running expenses		**4,619**	3,591
	Depreciation		**27,588**	24,418
	Other expenses		**2,578**	1,976
			2,749,828	2,505,287
	Sugar -in-process			
	– Opening		**3,457**	353
	– Closing		**(3,859)**	(3,457)
			(402)	(3,104)
			2,749,426	2,502,183
	Sale of Molasses	Note 25.2	**219,791**	229,314
	Inventory adjustment		**(6)**	291
			219,785	229,605
	Sale of Bagasse	Note 25.2	**9,956**	24,438
	Inventory adjustment		**578**	(722)
			10,534	23,716
	Cost of goods manufactured		**2,519,107**	2,248,862
	Finished sugar			
	– Opening stock		**82,963**	136,640
	– Closing stock		**(1,349,729)**	(82,963)
			(1,266,766)	53,677
			1,252,341	2,302,539

25.1 Salaries, wages and benefits include Rs. 5,252 thousands (2010: 4,855 thousands) in respect of defined benefit plan.

25.2 These figures are net off sales tax and special excise duty of Rs. 7 thousands(2010: 451 thousands) in respect of molasses and Rs. 1,792 thousands (2010: Rs. 4,154 thousands) in respect of bagasse.

			Sep 30 2011	Sep 30 2010
			(Rupees in '000)	
26	**DISTRIBUTION COST**			
	Handling and stacking		**2,213**	1,726
			2,213	1,726
27	**ADMINISTRATIVE EXPENSES**			
	Salaries, wages and staff benefits	Note 27.1	**49,060**	40,533
	Rent, rates and taxes		**1,460**	846
	Communication		**946**	788
	Repairs and maintenance		**4,042**	2,342
	Utilities		**2,240**	997
	Entertainment		**2,242**	1,481
	Subscription		**575**	935
	Cartage		**3,220**	1,375
	Printing and stationery		**1,018**	1,040
	Insurance		**2,654**	1,778
	Conveyance and traveling		**7,099**	5,801
	Rentals under operating lease		—	982
	Depreciation		**3,195**	3,187
	Legal and professional charges		**2,441**	3,091
	Mess Expenses		**1,348**	1,408
	Other expenses		**2,861**	1,448
			84,401	68,032

27.1 Salaries, wages and benefits include Rs. 1,750 thousands (2010: 1,618 thousands) in respect of defined benefit plan.

28	**OTHER OPERATING EXPENSES**			
	Auditors' remuneration	Note 28.1	**630**	630
	Corporate social responsibility costs	Note 28.2	**2,340**	204
	Workers Profit Participation Fund		**3,456**	11,442
	Workers Welfare Fund		**1,313**	4,348
	Provision for slow moving items and obsolescence		—	3,497
	Provision against doubtful growers loan		—	6,925
			7,739	27,046
28.1	**Auditors' remuneration**			
	Statutory Auditors			
	Hyder Bhimji and Co.			
	Audit fee		**500**	500
	Half yearly review fee		**25**	25
	Code of corporate governance certification		**15**	15
	Out of pocket expenses		**10**	10
			550	550
	Cost Auditors			
	Siddiqi and Co.			
	Audit fee		**70**	70
	Out of pocket expenses		**10**	10
			80	80
			630	630

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

		Sep 30 2011	Sep 30 2010
		(Rupees in '000)	
29	**FINANCE COST**		
	Mark-up on – Long term financing	**6,142**	9,557
	– Short-term borrowings	**75,803**	55,904
	Mark-up on liabilities against asset subject to finance lease	**10,364**	—
	Bank charges	**1,617**	2,632
	Interest on Workers Profit Participation Fund	**756**	386
		94,682	68,479
30	**OTHER OPERATING INCOME**		
	Income from non financial assets:		
	Scrap Sales	**5,822**	753
	Gain on sale of property, plant and equipment	**465**	27
	Unclaimed liabilities written back	**723**	—
	Others	**413**	167
		7,423	947
31	**TAXATION**		
	Current	**25,917**	85,086
	Prior Years	—	2,943
	Deferred	**668**	(9,413)
		26,585	78,616
31.1	**Reconciliation of tax expense with accounting profits**	**%**	**%**
	Effective tax rates applicable to accounting profits	**40.28**	40.71
	Permanent timing difference	**(1.28)**	0.10
	Others	**(4.00)**	(5.81)
	Applicable tax rates	**35.00**	35.00
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:		
	Net profit after taxation (Rupees '000)	**37,759**	134,431
	Number of ordinary shares	**11,946,000**	11,946,000
	Earning per share- (Rupees)	**3.16**	11.25

			Sep 30 2011	Sep 30 2010
			(Rupees in '000)	
33	**CASH GENERATED FROM OPERATIONS**			
	Net profit before taxation		**64,345**	213,047
	Adjustment for non cash charges and other items:			
	Depreciation		**30,783**	27,605
	Gain on sale of fixed assets		**(465)**	(27)
	Provision for Market Committee Fee for current year		**3,379**	2,422
	Provision for employees benefits		**7,002**	6,473
	Provision for growers loan		—	6,925
	Provision for slow moving items and obsolescence		—	3,497
	Finance cost		**94,682**	68,479
	Working capital changes	Note 33.1	**(269,367)**	(141,101)
			(133,986)	(25,727)
			(69,641)	187,320
33.1	**Working capital changes**			
	Decrease / (Increase) in current assets			
	Stores, spare parts and loose tools		**(5,694)**	(5,189)
	Stock - in - trade		**(1,267,740)**	51,004
	Trade debts		**37,094**	(12,791)
	Loans and advances		**13,583**	(16,608)
	Short term prepayments		**(905)**	(13)
	Other receivables		—	200
			(1,223,662)	16,603
	(Decrease)/Increase in current liabilities			
	Trade and other payables		**954,296**	(157,704)
			(269,367)	(141,101)
34	**CASH AND CASH EQUIVALENTS**			
	Cash and cash equivalents comprise of the following items as included in the balance sheet			
	Cash and bank balances		**13,638**	6,148
	Less: Short term borrowings		**(355,274)**	(39,070)
			(341,636)	(32,922)

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 dates based on contractual undiscounted payments. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

FINANCIAL ASSETS AND LIABILITIES

2011

	Interest / markup rate	Interest / Mark-up bearing: Maturity upto one year	Interest / Mark-up bearing: Maturity after one year	Interest / Mark-up bearing: Sub Total	Non Interest / Mark-up bearing: Maturity upto one year	Non Interest / Mark-up bearing: Maturity after one year	Non Interest / Mark-up bearing: 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
Loan to								
– growers		—	—	—	30,119	—	30,119	**30,119**
– employees		—	—	—	1,304	—	1,304	**1,304**
Advance to								
– employees		—	—	—	364	—	364	**364**
Cash and bank balances		—	—	—	13,638	—	13,638	**13,638**
T O T A L 2011		—	—	—	**57,850**	**36,396**	**94,246**	**94,246**
Financial Liabilities								
Long term financing	6M KIBOR + 5%	23,159	—	23,159	—	—	—	**23,159**
Liabilities against assets subject to finance lease	17.67% to 21.02%	15,368	85,089	100,457	—	—	—	**100,457**
Trade & other payables		—	—	—	1,003,132	—	1,003,132	**1,003,132**
Accrued mark-up		—	—	—	19,595	—	19,595	**19,595**
Short-term borrowings	KIBOR + 2.5 to 3%	355,274	—	355,274	—	—	—	**355,274**
T O T A L 2011		**393,801**	**85,089**	**478,890**	**1,022,727**	—	**1,022,727**	**1,501,617**

2010

	Interest / markup rate	Interest / Mark-up bearing: Maturity upto one year	Interest / Mark-up bearing: Maturity after one year	Interest / Mark-up bearing: Sub Total	Non Interest / Mark-up bearing: Maturity upto one year	Non Interest / Mark-up bearing: Maturity after one year	Non Interest / Mark-up bearing: Sub Total	Total 2010
		.... (Rupees in '000)						
Financial Assets								
Deposits		—	—	—	—	2,223	2,223	**2,223**
Trade debts		—	—	—	49,519	—	49,519	**49,519**
Loan to								
– growers		—	—	—	36,438	—	36,438	**36,438**
– employees		—	—	—	546	—	546	**546**
Advance to								
– employees		—	—	—	238	—	238	**238**
Cash and bank balances		—	—	—	6,148	—	6,148	**6,148**
T O T A L 2010		—	—	—	**92,889**	**2,223**	**95,112**	**95,112**
Financial Liabilities								
Long term financing	6M KIBOR + 5%	21,623	23,159	44,782	—	—	—	**44,782**
Short-term borrowings	3M KIBOR + 2% & 3%	39,070	—	39,070	—	—	—	**39,070**
Trade & other payables		—	—	—	37,315	—	37,315	**37,315**
Accrued mark-up		—	—	—	10,258	—	10,258	**10,258**
T O T A L 2010		**60,693**	**23,159**	**83,852**	**47,573**	—	**47,573**	**131,425**

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 or 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 import of machinery mainly denominated in Euro. The Company's exposure to foreign currency risk for Euro is as follows:

	Sep 30 2011	Sep 30 2010
	(Rupees in '000)	
Letter of credit -Foreign	**20,506**	108,709

The following significant exchange rate has been applied:

	Average rate		Reporting date rate	
	2011	2010	**2011**	2010
Euro to PKR	**120.70**	—	**118.27**	—
JPY to PKR	**—**	1.0316	**—**	1.0312

Sensitivity analysis

At reporting date, if the PKR had strengthened by 10% against the Euro and JPY with all other variables held constant , effect on cost of machinery would have been lower by the amount shown below:

	Sep 30 2011	Sep 30 2010
	(Rupees in '000)	
Effect on profit and loss		
Euro and JPY	**1,989**	10,828

The weakening of the PKR against Euro and JPY would have had an equal but opposite impact on the cost of machinery.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit 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 long term financing and short term borrowings - under cash finance are based at variable rates while liabilities against asset subject to finance lease are based at fixed rates.

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

	2011	2010	**2011**	2010
	Effective interest rate (in percent)		**Carrying amount (Rupees in '000)**	
Financial liabilities				
Fixed rate instruments - Finance lease	**17.67 & 21.02**	—	**100,457**	—
Variable rate instruments				
Long term financing	**6M KIBOR + 5%**	6M KIBOR + 5%	**23,159**	44,782
Short term borrowings	**3M KIBOR + 2.5% & 3%**	3M KIBOR + 2% & 3%	**355,274**	39,070
			378,433	83,852

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 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 2010.

	Profit and loss 100 bp	
	increase	decrease
Financial liabilities	(Rupees in '000)	
As at September 30, 2011		
Cash flow sensitivity	**(1,005)**	**1,005**
As at September 30, 2010		
Cash flow sensitivity	—	—

Cash flow sensitivity analysis for variable rate instruments.

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010.

	Profit and loss 100 bp	
	increase	decrease
Financial liabilities	(Rupees in thousand)	
As at September 30, 2011		
Cash flow sensitivity	**(3,784)**	**3,784**
As at September 30, 2010		
Cash flow sensitivity	**(839)**	839

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 counterparties fail completely to perform as contracted and arises principally from trade receivables.

Out of the total financial assets of Rs. 101,171 thousands (2010: Rs. 102,037 thousands), the financial assets which are subject to credit risk amounted to Rs. 101,004 thousands (2010: Rs. 101,913 thousands)

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 2011	Sep 30 2010
	(Rupees in '000)	
Long term deposits	**36,396**	2,223
Trade debts	**12,425**	49,519
Loans & advances	**38,712**	44,147
Bank balances	**13,471**	6,024
	101,004	101,913

a) **Long term deposits**

Long term deposits are due from leasing companies and others. Approximately 98.42% of the deposits are from leasing companies which have good credit ratings from the rating agencies. The Company believes that it is not exposed to major concentration of any risk.

b) **Trade debts**

Trade debts are essentially due from local corporate parties. Company does not expect that these companies will fail to meet their obligations.

The aging of trade debts at the reporting date is:

Past due 30-150 days	**12,425**	49,519

c) **Loans and Advances**

Company limits exposure to credit risk of loans and advances to growers by advancing loans and other supplements to only those growers that have good reputation and past experience of compliance with commitments.

The Company has established an allowance for the doubtful grower's loans that represent its estimate of incurred losses in respect of advances to growers. This allowance is based on the management assessment of a specific loss component that relates to individually significant exposures.

Loans and Advances to employees are secured against their retirement benefits.

d) 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:

	Sep 30 2011	Sep 30 2010
	(Rupees in '000)	
A1+	**13,311**	5,554
A1	**159**	469
A2	**1**	1
	13,471	6,024

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 asset that are either past due or impaired, except for loans to growers amounting to Rs. 6,952 thousands against which provision has been made.

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, 2011, the Company has available sanctioned borrowing facilities of Rs. 800,000 thousands (2010: 500,000 thousands) from various commercial banks. Unutilized borrowing facilities Rs. 444,726 thousands (2010: Rs. 460,930 thousands) and also has deposit of Rs. 13,471 thousands (2010: 6,024 thousands) at banks. Based on the above, the management believes the liquidity risk donot exists.

The maturity profile of the Company's financial assets and liabilities at the reporting dates based on contractual undiscounted payments 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 2011	Sep 30 2010
	(Rupees in '000)	
Total financing and borrowings including finance lease	**465,252**	77,704
Total Equity	**328,449**	305,462
Total Capital employed	**793,701**	383,166
Gearing Ratio	**58.62%**	20.28%

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	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
				(Rupees in '000)				
Directors' fee - 5 Directors	**—**	—	**140**	120	**—**	—	**140**	120
Managerial remuneration	**3,714**	3,685	**846**	846	**4,884**	4,088	**9,444**	8,619
Housing	**1,129**	1,116	**381**	381	**1,510**	1,243	**3,020**	2,740
Medical and others	**501**	498	**175**	175	**671**	626	**1,347**	1,299
	5,344	5,299	**1,402**	1,402	**7,065**	5,957	**13,811**	12,658
Number of persons	**1**	1	**2**	2	**3**	3	**6**	6

The Chief Executive and two Directors and executives are provided with the Company maintained cars for the business and personal use and the Chief Executive and two Directors are also provided with telephone facilities for the business and personal use.

38 RELATED PARTY DISCLOSURES

The following transactions were carried out with related parties during the year.

Relationship with Company	**Nature of Transaction**	
Key Management Personnel	Salaries and other employee benefits	**Refer Note 37**

Transactions and outstanding balances, as applicable in relation to Key Management Personnel (KMP) have been disclosed in note # 37. Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly. The Company consider its Chief Executive and Executive Director to be key management personnel.

39 CAPACITY AND PRODUCTION

	2011		2010	
	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	**702,000**	**117**	684,000	114
Actual Crushing	**491,205**	**117**	484,452	114
Sucrose recovery (in %)	**9.57**	**—**	9.60	—
Sugar production from cane	**47,008**	**—**	46,449	—
Sugar processed	**—**	**—**	98	—

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

40 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on January 05, 2012 by the Board of Directors of the Company.

41 CORRESPONDING FIGURES

For better presentation, reclassification made in the financial statements is as follows:

Reclassification from component	Reclassification to component	Rs.in 000'
Trade and Other payables	**Deferred Liabilities**	
Other liabilities - Market Committee Fee	Market Committee Fee	**23,982**

42 GENERAL

Figures have been rounded off to nearest thousand of rupees.

Chief Executive **Director**

Pattern of Share Holding

As at September 30, 2011

No. of Shareholders	Share Holding From	Share Holding To	Total Shares Held
529	1	100	17,013
136	101	500	39,346
109	501	1000	72,187
101	1001	5000	244,802
49	5001	10000	317,015
8	10001	15000	98,875
3	15001	20000	48,410
5	20001	25000	117,391
4	25001	30000	107,330
2	35001	40000	73,001
2	40001	45000	89,650
3	60001	65000	190,400
1	75001	80000	75,175
1	85001	90000	87,840
5	95001	100000	483,166
3	100001	105000	303,623
1	105001	110000	106,075
1	110001	115000	110,188
2	125001	130000	251,615
2	170001	175000	343,005
1	185001	190000	187,530
1	225001	230000	227,582
1	240001	245000	241,487
1	325001	330000	329,527
1	355001	360000	357,500
1	370001	375000	370,326
1	400001	405000	403,100
1	410001	415000	410,740
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
982			**11,946,000**

* There is no shareholding in the slab not mentioned

	Shareholder's Category	Number of Shares Held	Percentage %
1	Directors, Chief Executive Officer and their spouse and minor children.	1,649,137	13.8049
2	Associated Companies, undertakings and related parties.	–	–
3	NIT & ICP	1,091,406	9.1362
4	Banks Development Financial Institutions, Non Banking Financial Institutions.	699,458	5.8552
5	Insurance Companies	418,540	3.5036
6	Modarabas and Mutual Funds	–	–
7	Share holders holding 10%	–	–
8	General Public - Local	7,822,042	65.4783
9	Limited Companies	265,417	2.2218
	TOTAL	**11,946,000**	**100.0000**

Detail of Pattern of Share Holding

As per Requirement of Code of Corporate Governance

As at September 30, 2011

Category Name	Number of shares held	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			
Mr. Ghulam Dastagir Rajar	659,250			
Mr. Jam Mitha Khan	62,700			
Mr. Mohammad Aslam	3,300			
Mr. Qazi Shamsuddin	4,900			
Mr. Gul Mohammad	674,750			
Mrs. Khanzady W/o Haji Khuda Bux Rajar	2,750			
Associated Companies Undertaking and related parties		–	–	–
NIT & ICP		3	1,091,406	9.1362
National Investment Trust Limited	27,390			
NBP Trustee - NI(U)T (LOC) Fund	1,063,616			
Investment Corporation of Pakistan	400			
Bank, DFIS, NBFIS		4	699,458	5.8552
Insurance Companies		3	418,540	3.5036
Modarbas & Mutual Funds		–	–	–
Shareholders holding 10%		–	–	–
General Public - Local		955	7,822,042	65.4783
Limited Companies		10	265,417	2.2218
		982	**11,946,000**	**100.0000**

Shareholders holding ten percent or more voting interest in the Company

Name of Shareholders	Number of shares held	Percentage %
None	–	–

REGISTERED OFFICE:

101-First Floor, Ocean Centre, Talpur Road, Karachi - Pakistan.
Phone : 021-32427171–72 Fax No : 021–32410700
E-mail: ssml@cyber.net.pk

FACTORY:

13th Km, Sanghar Sindhri Road, Deh Kehar, District Sanghar, Sindh.
Phone : 02355–42158, 0345–8222911, 0345–3737001

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