SAKRAND SUGAR MILLS LIMITED

TWENTY FOURTH ANNUAL REPORT 2012

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COMPANY PROFILE

BOARD OF DIRECTORS	Mr. Dinshaw H. Anklesaria	Chief Executive/ Director
	Mr. Jamil Akberi	Director
	Syed Abid Hussain	Director
	Mr. Abdul Naeem Quraishi	Director
	Mr. Neville Mehta	Director
	Mrs. Fatma Gulamali	Director
	Dr. Jamshed H. Anklesaria	Director
AUDIT COMMITTEE	Mr. Abdul Naeem Quraishi	Chairman
	Mr. Jamil Akberi	Member
	Mr. Neville Mehta	Member
HR & R COMMITTEE	Syed Abid Hussain	Chairman
	Mr. Jamil Akberi	Member
	Mr. Neville Mehta	Member

CHIEF FINANCIAL OFFICER Mr. Ahsan Mukhtar, FCMA

COMPANY SECRETARY Mr. Mustafa Kanani

BANKERS
Habib Bank Limited
MCB Bank Limited
National Bank of Pakistan
Summit Bank Limited
United Bank Limited

AUDITORS
M/s. Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

LEGAL ADVISOR Abdul Naeem Quraishi, Adv.

REGISTRAR
Noble Computer Service (Pvt.) Limited
First Floor, House of Habib Building (Siddiqsons Tower),
3- Jinnah C.H. Society, Main Shahrah-e-Faisal,
Karachi-75350

REGISTERED OFFICE
41-K, Block 6, P.E.C.H.S., Karachi.
Fax: 021-34546456
www.sakrandsugar.com

FACTORY
Deh Tharo Unar, Taluka Sakrand,
District Shaheed Benazirabad, Sindh.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 24th Annual General Meeting of the shareholders of **SAKRAND SUGAR MILLS LIMITED,** will be held on Thursday, January 31, 2013 at 08:00 a.m. at the registered office of the Company situated at 41-K, Block 6, P.E.C.H.S., Karachi for transacting the following business.

ORDINARY BUSINESS:

1. To confirm the minutes of the Annual General Meeting held on January 31, 2012 .
2. To receive, consider and adopt the audited accounts of the Company for the year ended September 30, 2012 together with the Directors' Report and Auditors' Report thereon.
3. To appoint Auditors and to fix their remuneration.
4. To elect Directors in place of retiring Directors. The Board of Directors has fixed the number of Directors to be elected under Section 178(1) of the Companies Ordinance, 1984 at seven (7).

   The retiring Directors are:
   1. Mr. Dinshaw H. Anklesaria
   2. Mr. Jamil Akberi
   3. Syed Abid Hussain
   4. Mr. Abdul Naeem Quraishi
   5. Mr. Neville Mehta
   6. Mrs. Fatma Gulamali
   7. Dr. Jamshed H. Anklesaria
5. To consider any other business with the permission of the Chair.

By order of the Board

(MUSTAFA KANANI)
Company Secretary

Karachi
Dated : December 31, 2012

NOTES :

1. The Shares Transfer Book of the Company will remain close from January 24, 2013 to January 31, 2013. (Both days inclusive)
2. A member entitle to attend and vote at this meeting may appoint another member as his/her proxy to attend the meeting and vote on his/her behalf. Proxies, in order to be effective, must be received by the Company not less then 48 hours before the meeting.
3. A member who has deposited his/her shares into Central Depository Company of Pakistan Limited (CDC), must bring his/her participant's ID number and CDC account/sub-account number alongwith original Computerised National Identity Card (CNIC) or original Passport at the time of attending the meeting.
4. Members who have not yet submitted photocopy of their CNIC are requested to send the same to our Shares Registrar at the earliest.
5. Members are requested to notify any change in their address immediately.
6. Kindly quote your folio number in all correspondence with the Company.

VISION & MISSION STATEMENT

VISION

To make a product of International Standard acceptable as a brand in the world market. To explore business opportunities available under the World Trade Organization regime.

MISSION

- **Sustained contribution to the National Economy by producing cost effective product.**
- **To ensure professionalism and healthy working environment.**
- **To create a reliable product through adoption of latest technology/ advancement.**
- **To promote research & development and provide technical know how to the growers for improvement of sugarcane yield/recovery.**

DIRECTORS' REPORT

We are pleased to welcome you to the 24th Annual General Meeting of the Company and feel pleasure in presenting the financial and operating results along with audited financial statements for the year ended September 30, 2012 togetherwith the auditors' report thereon.

INDUSTRY REVIEW

The season commenced with a carry-over stock of sugar of 1.1 million tonne inclusive of 0.2 million tonne at TCP reserves. The plantation was increased in the country by approximately 12%, with the major increase being in Punjab. The positive side of the floods of previous year was that it increased the per hectare yield in sugarcane crop. Consequently, the season ended with a surplus quantity of 1.3 million tonne.

Global sugar production 2011-12 also witnessed surplus of sugar stocks by about 4 million tonne. India, being the worlds second largest producer of sugar, even showed improved production from 24.6 million tonne to 27 million tonne in the years 2010-11 and 2011-12 respectively.

The excessive production and the fall in international prices from US$ 700 per tonne to US$ 500 per tonne also led to decline of sugar prices in Pakistan i.e. from Rs. 72 per kg to Rs. 46 per kg. The local factor being carry-over of stock, increased production due to increase in plantation area and better yields. This steep decline in the sugar prices led to cause huge losses in proportion to the quantity of stocks held at the year end.

Sindh Government continued its unilateral enhancement in the minimum purchase price of sugarcane from Rs. 127 to Rs. 154 per 40 kg giving an impact of increase of almost 21%, without considering the sugar stock and prices, both locally as well as internationally. The millers were forced to procure sugarcane at exorbitant prices, ironically during the downward trend in the sugar prices. The increase in essential raw material price forced the industry to utilise / borrow more amount of finance which ultimately resulted in increased opportunity / finance cost.

The increase in sugarcane price has almost doubled in four years time i.e. from Rs. 81 per 40 kg in 2009 to Rs. 154 per 40 kg in 2012. Whereas, the average wholesale price of sugar was at 37 per kg in 2009 and Rs. 50 per kg in the current year.

FINANCIAL RESULTS

The financial results are as follows:

(Amount in '000')

	2012 Rupees	2011 Rupees	Increase/ (Decrease)	% age
Sales	**2,463,907**	3,125,044	(661,137)	(21.16)
Cost of sales	**2,407,869**	3,083,836	(675,967)	(21.92)
Gross profit	**56,038**	41,208	14,830	35.99
Loss before tax	**(151,869)**	(133,211)	(18,658)	14.01
Net loss after tax	**(134,857)**	(148,545)	13,688	(9.21)

Compared to previous year 2010-11, the production & sales in quantity were higher, however the decline in the prices ultimately clinched the amount of turnover. The figure of gross profit showed improvement marginally due to the tightened control over the cost of purchase of sugarcane. The Company avoided going into price war for purchasing sugarcane in the mid of downward trend of sugar prices. The borrowing cost from financial institutions contributed to the loss sustained during the year.

OPERATING RESULTS

		2012	2011	Increase/ (Decrease)	% age
Sugarcane crushed	MT	**559,968**	615,017	(55,049)	(8.95)
Sugar produced	MT	**54,575**	53,250	1,325	2.49
Molasses produced	MT	**23,800**	25,766	(1,966)	(7.63)
Sugar recovery	%	**9.750**	8.660	1.09	12.59

Despite of low crushing as compared to previous year, the Mill achieved a higher sugar production of 54,575 m.t. as compared to 53,250 m.t. during the years 2011-12 and 2010-11 respectively due to higher sucrose factor (sugar recovery).

AUDITORS' REPORT

The auditors have repeated their qualification in the Annual Accounts on the principle of not recognizing the financial liability of an amount of Rs. 17 million payable to IDBP & Rs. 224 million payable to HBL during the year ended September 30, 2009 on account of the restructuring/rescheduling agreements reached with respective banks, as disclosed in notes to the financial statements.

The Company is of the view that since it has reached into settlement agreements with the financial lenders, against which the Company has also deposited the securities, as stipulated in the agreements, therefore there remains no reason of carrying the financial liabilities in the balance sheet. In view thereof, the Company directly recorded the restructuring effect to its profit and loss account, instead of amortising the same until the maturity of the agreements.

The financial statements have also been qualified on the issue of not recognising markup against liability of IDBP and MCB Bank Ltd. The Company's stance is mentioned in the notes 17.1 and 17.5 respectively.

The auditors have also qualified the accounts over not providing of provision against trade debts of Rs. 184 million (2011: Rs.222 million). The Company is of the opinion that it considers the entire amount as good and recoverable and expects to receive the same in due course of time, as is evident from the recovery of Rs. 38 million made during the year.

FUTURE OUTLOOK

The Company commenced its crushing season of 2012-13 on November 30, 2012. For the season 2012-13, the Government of Sindh has fixed the sugarcane support price at Rs. 172 per 40 kg plus quality premium as against Rs. 154 per 40 during the previous season 2011-12. This therefore has again increased the cost of production directly by 11% whereas the sugar prices are on the downward trend. It was agitated that this inverse proportion will ultimately contribute towards operational difficulties, financial losses and outstanding growers' liabilities.

Realising the situation, recently the Government of Pakistan has allowed export of 500,000 tons, in addition to 700,000 tons already allowed, of sugar from Pakistan. Secondly, TCP has also been instructed to buy strategic stock of 330,000 tons. The export will help bring in equilibrium to the stocks of sugar with its demand in the country and will also help the industry to fetch better prices and improve liquidity positions.

Estimates for the season 2012-13 forecast sugar production to a record 4.65 million tons, compared to the previous year production of 4.5 million tonne, owing to the favorable effects of the monsoon rains on the sugarcane crop. For the season 2012-13, Pakistan's sugarcane production is forecasted at a record 61 million tons, up 10 percent (2011-12: 55.6 MMT). Additionally, experts and farmers have expressed that these rains have been helpful in controlling a disease named Sugarcane Pirella that, otherwise, would have required pesticide sprays and would have lowered yields. Sugar consumption in the year 2012-13 is forecasted at 4.4 MMT, marginally higher over the current year's estimate of 4.3 million tons.

The Company is fully geared to steer through this hard season of high sugarcane minimum support price, better sucrose recovery and low sugar prices.

LABOUR MANAGEMENT RELATIONS

Masha Allah, the management / labour relations remained very cordial and helpful. I take this opportunity to thank and appreciate the spirit of understanding, good will and co-operation shown by the workers and hope that the same will continue in future. I thank the executives, officers and all the staff members of the Company and wish to place on record my appreciation for the devotion, sense of responsibility and loyalty.

AUDITORS

M/s. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants retire and offer their services for the year 2012-2013.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

1. The financial statements, prepared by the Company, present fairly its state of affairs, the result of its operation, cash flows and changes in equity.
2. Proper books of accounts of the Company have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of the financial statements, changes if any have been adequately disclosed and accounting estimates are based on reasonable and prudent judgment.
4. There is no significant doubt on the going concern of the Company.
5. The Company maintains Provident Fund account for its employees. The value of the investment of the fund as on June 30, 2012 is Rs. 26,996,000.
6. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and departure there from if any, has been adequately disclosed.
7. The system of internal control is sound in design and has been effectively implemented and monitored.
8. Key operating and financial data for last six years in summarized form is annexed.
9. There has been no material departure from the best practices of Corporate Governance except those mentioned in the preamble of the statement.
10. During the year, eight meetings of the Board of Directors and seven meetings of Audit Committee were held as detailed below.

Name of Director	Number of meetings attended	
	BOD	Audit Committee
Mr. Dinshaw H. Anklesaria	8	4
Mr. Jamil Akberi	8	7
Mr. Abdul Naeem Quraishi	8	3
Mr. Neville Mehta	6	7
Syed Abid Hussain	8	
Mrs. Fatma Gulamali	8	
Dr. Jamshed H. Anklesaria	7	

11. An orientation course for one of the Directors was arranged by the Company during the year to appraise of duties and responsibilities. The Director obtained certification under the Corporate Governance Leadership Skills Program offered by Pakistan Institute of Corporate Governance.
12. During the year, trading of - 80,000 - number of shares were carried out by the Directors and their spouses and minor children.
13. During the year, the Company suffered loss and therefore could not declare dividend for the shareholders.

PATTERN OF SHARE HOLDING

The pattern of share holding and additional information regarding pattern of shareholding as on 30th September, 2012 is annexed.

CONCLUSION

At the end, let us pray to Almighty ALLAH to guide us in all our pursuits for national development and for the betterment of your organization – Ameen.

Thank you all,
for SAKRAND SUGAR MILLS LIMITED

Dinshaw H. Anklesaria
Chief Executive
Karachi : December 31, 2012

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

The Company has applied the principles contained in the CCG (Revised Code 2012) in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes 5 (five) non-executive directors and 2 (two) executive directors including the CEO.

Category	Names
Executive Directors	Mr. Dinshaw H. Anklesaria Syed Abid Hussain
Non-Executive Directors	Mr. Jamil Akberi Mr. Abdul Naeem Quraishi Mr. Neville Mehta Mrs. Fatma Gulamali Dr. Jamshed H. Anklesaria

2. The directors have confirmed that none of them is serving as a director in more than 10 (ten) listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers. None of the directors has defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non-Banking Financial Institution. None of the directors of the company are members of any Stock Exchange.
4. No casual vacancy occurred in the Board of Directors during the year under review.
5. The Company has prepared a ‘Code of Conduct’ and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board/Shareholders.
8. The meetings of the Board were presided over by the Chief Executive and, in his absence, by a director elected by the Board for this purpose. 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 meeting were appropriately recorded and circulated.
9. According to requirement of the revised Code 2012, at least one director is required to have the certification of directors’ training program by June 30, 2013 and by June 30, 2016 every year at least one director to acquire the said certification; thereafter all directors shall obtain it.

   One of the Directors of the Company has obtained certification under the Corporate Governance Leadership Skills Program offered by Pakistan Institute of Corporate Governance. The condition of training certification for the other directors will be complied in due course.

10. The Board approved appointment of CFO, Company Secretary and Head of Internal Audit. The appointment of CFO and Company Secretary were made before the revised CCG has taken effect.

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 CEO and CFO have duly endorsed the financial statements of the Company before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

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

15. The Board formed an Audit Committee on 10/08/2009. It comprises of 3 (three) non-executive directors including the Chairman.

16. The meetings of the Audit Committee were held at least once in every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have already been formed and advised to the committee for compliance.

17. The Board has formed a Human Resource and Remuneration Committee (HR&R) subsequent to the year end. It comprises of three members, of whom two are non-executive directors and the chairperson of the committee is an executive director.

18. The Board has set-up an internal audit function. Its effectiveness has to be improved as to its independence for which efforts are being made.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programmed 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 Institute of Chartered Accountants of Pakistan.

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

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

22. Material/Price sensitive information, if any, is disseminated among all market participants at once through stock exchange(s).

23. As there is no related party transaction, the statement regarding Transfer Pricing is not applicable to our Company.

24. Our CFO is a Fellow Cost and Management Accountant and thus meets the qualification requirement. However, our Internal Audit is outsourced to a professional firm M/s. Azeem Hussain & Co., Charered Accountants which qualify under the provision contained in Clauses (xiv) of the revised CCG regarding qualifications criteria.

25. It is confirmed that all material principles contained in the Code have been dully complied with.

On behalf of Board of Directors

DINSHAW H. ANKLESARIA
Chief Executive
December 31, 2012

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended September 30, 2012 prepared by the Board of Directors of Sakrand Sugar Mills Limited ("the Company") to comply with Listing Regulations of the Karachi Stock Exchange Limited and Lahore Stock Exchange Limited, where the Company is listed.

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

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

Further, Sub-Regulation (xii a) of Listing Regulations 35 notified by the Karachi Stock Exchange Limited vide circular KSE/N-269 dated January 19,2009 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 the 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 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, 2012.

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

Engagement Partner: Mr. Muhammad Waseem
Karachi.
Dated: December 31, 2012

PATTERN OF SHAREHOLDING
OF THE SHARES HELD BY THE SHAREHOLDERS
AS AT SEPTEMBER 30, 2012

NUMBER OF SHAREHOLDERS	SHARE HOLDING FROM		SHARE HOLDING TO	TOTAL SHARES HELD
875	1	-	100	80,905
408	101	-	500	156,252
250	501	-	1,000	173,978
154	1,001	-	5,000	383,936
46	5,001	-	10,000	357,100
14	10,001	-	15,000	176,848
11	15,001	-	20,000	197,868
8	20,001	-	25,000	177,376
3	25,001	-	30,000	77,876
3	30,001	-	35,000	101,710
3	35,001	-	40,000	118,800
2	40,001	-	45,000	86,140
3	45,001	-	50,000	136,620
4	50,001	-	55,000	212,684
2	65,001	-	70,000	136,700
1	70,001	-	75,000	71,260
1	75,001	-	80,000	78,510
1	80,001	-	85,000	81,800
1	140,001	-	145,000	140,148
1	155,001	-	160,000	157,500
5	195,001	-	200,000	991,384
1	205,001	-	210,000	207,092
1	280,001	-	285,000	280,200
1	295,001	-	300,000	300,000
1	310,001	-	315,000	313,956
1	395,001	-	400,000	400,000
1	475,001	-	480,000	479,020
1	495,001	-	500,000	500,000
1	500,001	-	505,000	502,804
1	610,001	-	615,000	611,360
1	695,001	-	700,000	695,300
1	895,001	-	900,000	900,000
1	1,030,001	-	1,035,000	1,031,500
1	1,380,001	-	1,385,000	1,381,170
1	1,545,001	-	1,550,000	1,545,826
1	1,555,001	-	1,560,000	1,559,960
1	1,925,001	-	1,930,000	1,927,978
1	5,575,001	-	5,580,000	5,576,439
1,813				**22,308,000**

S.No.	Category	No. of Shareholders	Total Shares Held	Percentage %
1	Individuals	1,787	18,019,826	80.78
2	Investment Companies	6	609,532	2.73
3	Joint Stock Companies	6	612,800	2.75
4	Financial Institutions	13	3,045,090	13.65
5	Co-operative Society	1	20,752	0.09
		1,813	22,308,000	100.00

PATTERN OF SHAREHOLDING AS AT SEPTEMBER 30, 2012
AS PER REQUIREMENTS OF
THE CODE OF CORPORATE GOVERNANCE

Category	Number of shares held	Category wise No. of shareholders	Category wise shares held	Percentage %
JOINT STOCK COMPANIES		6	612,800	2.75
INVESTMENT COMPANIES		5	329,332	1.48
ICP		1	280,200	1.26
DIRECTORS, CHIEF EXECUTIVE AND THEIR SPOUSE AND MINOR CHILDREN		8	9,254,383	41.48
Mr. Dinshaw Hoshang Anklesaria	5,576,439			
Mr. Jamil Akberi	500,500			
Syed Abid Hussain	545,444			
Mrs. Fatma Gulamali	400,000			
Mr. Abdul Naeem Quraishi	300,000			
Mr. Neville Mehta	1,031,500			
Dr. Jamshed Hoshang Anklesaria	500			
Mrs. Roxanne Mehta	900,000			
EXECUTIVES		1	20,196	0.09
BANKS, DFIs, NBFIs, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS		13	3,045,090	13.65
CO-OPERATIVE SOCIETY		1	20,752	0.09
INDIVIDUALS		1,778	8,745,247	39.20
		1,813	**22,308,000**	**100.00**

Shareholders holding five percent or more voting interest in the Company

Name of Shareholders	No. of Shares held	Percentage
Dinshaw H. Anklesaria	5,576,439	25.00
Yasir Gul	1,927,978	8.64
National Bank of Pakistan	1,860,190	8.34
Syed Shujaat Ali	1,559,960	6.99
Nasreen Shujaat Ali	1,545,826	6.93
	12,470,393	**55.90**

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of SAKRAND SUGAR MILLS LIMITED ("the Company") as at September 30, 2012, the related profit & 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 purpose 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 included 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 qualified opinion and, after due verification, we report that –

1. In respect of terms of rescheduling of long term loans (refer note 17.1 and note 17.5 to the financial statements), the Company prematurely derecognized bank liabilities amounting to Rs.241.815 million and hence transferred that to income for the year ended September 30, 2009 and departed from International Financial Reporting Standards as the liability has not been extinguished. Our opinion on corresponding financial statements was modified in this respect and also modified for the current year's financial statements, as a result of the said departure, the amount of the bank liabilities and accumulated loss continue to be understated both for the current and corresponding year by Rs.241.815 million in the financial statements.

2. In case of IDBP rescheduling (refer note 17.1) the Company is in the litigation with I.D.B.P. for re-determination of the liability and no markup have been accrued as per terms of rescheduling (refer note 17.1) but same is classified as contingent liability (refer note 22). The said matter is pending before the Court and outcome of the case is not presently ascertainable. Further, in respect of liability of MCB (refer note 17.5) no markup is being accrued for the reason stated in said note. Had total markup been accrued as above, the amount of current year's loss would been higher by Rs. 20.06 million and accumulated loss would have been higher by Rs. 80.23 million and corresponding increase in the current liabilities.

3. The trade debts of the Company amounting to Rs. 184.8 million are outstanding since financial year 2009-10. The Company considers this overdue amount as good due to the reason stated in note 10.1 of the financial statements. However the party did not respond to our balance confirmation request and we could not verify the recoverability of the balance and also the adjustment made in this balance during the year through alternative audit procedures. Therefore we could not ascertain the possible effect on the financial statements of the Company.

   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 except for changes resulted from adoption of new or amended standards explained in note 3.2 to the financial statements with which we concur;

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

      iii) the business conducted and the expenditure incurred during the period were in accordance with the objects of the Company;

   c) in our opinion, except for the effects of matter stated in paragraph 1 & 2, and the possible effect of matter stated in paragraph 3, the balance sheet, profit & loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at September 30, 2012, and of the Loss, its cash flows and changes in equity for the year then ended; and

   d) In our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
Engagement Partner: Muhammad Waseem

Karachi
Dated: December 31, 2012

BALANCE SHEET
AS AT SEPTEMBER 30, 2012

	Note	2012 Rupees	2011 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	5	1,641,428,110	1,177,285,293
Long term investments	6	100,327,686	89,458,481
Long term loans	7	145,276	108,364
Long term deposits		1,520,166	673,859
CURRENT ASSETS			
Stores, spares and loose tools	8	29,716,267	25,929,011
Stock in trade	9	432,360,526	369,101,210
Trade debts - unsecured (considered good)	10	184,808,682	222,657,222
Loans and advances	11	26,093,791	23,154,210
Prepayments and other receivables	12	17,145,713	9,081,085
Taxation refundable		12,295,876	-
Cash and bank balances	13	5,395,650	24,349,927
		707,816,507	674,272,665
		2,451,237,743	1,941,798,662
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
25,000,000 (2011:25,000,000) Ordinary shares of Rs. 10/- each		250,000,000	250,000,000
Issued, subscribed and paid-up capital	14	223,080,000	223,080,000
Accumulated loss		(291,516,430)	(192,351,248)
		(68,436,430)	30,728,752
SURPLUS ON REVALUATION OF FIXED ASSETS	15	781,461,781	411,440,288
LIABILITIES			
NON CURRENT LIABILITIES			
Deferred taxation	15 & 16	302,228,665	214,923,206
Long term finance - secured			
- Markup bearing	17 (a)	347,018,869	378,694,079
- Markup free	17 (b)	6,235,738	4,596,966
		353,254,607	383,291,045
Provision for gratuity	18	6,073,509	5,924,634
CURRENT LIABILITIES			
Trade and other payables	19	498,313,111	471,489,699
Short term borrowings	20	420,056,456	264,174,378
Mark up accrued	21	45,142,944	40,650,137
Current portion of non current liabilities	17 (a) & (b)	113,143,100	101,393,200
Taxation		-	17,783,323
		1,076,655,611	895,490,737
CONTINGENCIES AND COMMITMENTS	22		
		2,451,237,743	1,941,798,662

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

Dinshaw H. Anklesaria
Chief Executive/Director

Syed Abid Hussain
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Note	2012 Rupees	2011 Rupees
SALES -net	23	2,463,907,058	3,125,043,840
Cost of sales	24	(2,407,868,765)	(3,083,835,551)
Gross profit		56,038,293	41,208,289
OPERATING EXPENSES			
Administrative expenses	25	(111,770,707)	(99,886,081)
Distribution cost	26	(3,331,530)	(3,300,046)
		(115,102,237)	(103,186,127)
Operating Loss		(59,063,944)	(61,977,838)
Other charges	27	(670,995)	(376,704)
Other income	28	1,267,125	10,216,854
		596,130	9,840,150
		(58,467,814)	(52,137,688)
Unrealised gain on loan amortisation	29	1,609,143	8,869,339
Finance cost	30	(95,011,321)	(89,942,707)
LOSS BEFORE TAXATION		(151,869,992)	(133,211,056)
PROVISION FOR TAXATION			
Current		(12,321,997)	(31,255,816)
Prior		-	(1,437,587)
Deferred	16	29,334,191	17,359,222
		17,012,194	(15,334,181)
LOSS AFTER TAXATION		(134,857,797)	(148,545,237)
Earning per share-Basic and Diluted	33	(6.05)	(6.66)

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

Dinshaw H. Anklesaria
Chief Executive/Director

Syed Abid Hussain
Director

OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	2012 Rupees	2011 Rupees
Loss after taxation	**(134,857,797)**	(148,545,237)
Other comprehensive income		
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation for the year net of deferred taxation	**35,692,615**	32,517,492
Total comprehensive loss	**(99,165,182)**	(116,027,745)

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

Dinshaw H. Anklesaria
Chief Executive/Director

Syed Abid Hussain
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Note	2012 Rupees	2011 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
LOSS BEFORE TAXATION		(151,869,992)	(133,211,056)
Adjustments for :			
Depreciation	5.2	70,130,125	67,348,071
Financial cost		89,224,587	84,761,388
Interest expense-imputed	30.1	5,786,734	5,181,319
Provision for gratuity	18	1,075,300	1,139,644
Gain on disposal of property, plant & equipment		(1,218,135)	95,025
Impairment loss on building		777,566	-
Effect of increase in KIBOR	29.1	9,260,062	822,329
Gain on amortisation of investment	29.2	(10,869,205)	(9,691,668)
		164,167,034	149,656,108
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		12,297,042	16,445,052
Movement in working capital	40	(13,378,829)	3,520,783
		(1,081,787)	19,965,835
Taxes paid		(42,401,197)	(32,386,397)
WPPF paid		-	(2,564,625)
Financial cost paid		(84,731,769)	(80,058,160)
Gratuity paid		(926,425)	(481,468)
		(128,059,390)	(115,490,650)
NET CASH USED IN OPERATING ACTIVITIES		(129,141,177)	(95,524,815)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(19,602,791)	(26,660,742)
Capital work in progress		-	4,999,500
Proceeds from disposal of property, plant and equipment		3,133,664	2,590,000
Proceeds from insurance claim		4,990,500	-
Long term deposits		(846,307)	(10,000)
Long term loans		(36,912)	39,281
NET CASH USED IN INVESTING ACTIVITIES		(12,361,846)	(19,041,961)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term loans		(33,333,332)	(24,999,999)
NET CASH USED IN FINANCING ACTIVITIES		(33,333,332)	(24,999,999)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(174,836,355)	(139,566,775)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		(239,824,451)	(100,257,676)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	34	(414,660,806)	(239,824,451)

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

Dinshaw H. Anklesaria
Chief Executive/Director

Syed Abid Hussain
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Issued, subscribed and paid-up capital	Accumulated Loss	Total
Balance as at September 30, 2010	223,080,000	(76,323,503)	146,756,497
Total comprehensive loss			
- Net loss for the year		(148,545,237)	(148,545,237)
- Other comprehensive income for the year		32,517,492	32,517,492
Balance as at September 30, 2011	**223,080,000**	**(192,351,248)**	**30,728,752**
Total comprehensive loss			
- Net loss for the year		(134,857,797)	(134,857,797)
- Other comprehensive income for the year		35,692,615	35,692,615
Balance as at September 30, 2012	**223,080,000**	**(291,516,430)**	**(68,436,430)**

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

Dinshaw H. Anklesaria
Chief Executive/Director

Syed Abid Hussain
Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

1. STATUS AND NATURE OF BUSINESS

Sakrand Sugar Mills Limited was incorporated in Pakistan as a Public Limited Company on March 02, 1989 and its shares are quoted on Karachi and Lahore Stock Exchanges. The registered office of the Company is situated at 41-K, Block-6, P.E.C.H.S., Karachi. The principal business of the Company is that of manufacturing and sale of sugar. The mill is located at Deh Tharo Unar, Taluka Sakrand, District Shaheed Benazirabad, Sindh.

2 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 Accounting Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provision of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The financial statements have been prepared on the historical cost basis except for the following:

- Long term finances are measured at amortized cost using applicable interest rate.

- Property, plant & equipments are measured at revalued amount less accumulated depreciation and accumulated impairment loss, if any, in period subsequent to the revaluation date.

- Investments held to maturity are measured at amortized cost using effective interest method less any impairment loss, if any.

3.2 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Company

- IAS 24, 'Related party disclosures' (revised 2009): Amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amended standard is effective from January 01, 2011.

- Amendments to IAS 34, 'Interim financial reporting': Provide guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around: The circumstances likely to affect fair values of financial instruments and their classification, transfers of financial instruments between different levels of the fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets. The effective date is January 01, 2011.

- Amendment to IAS 1, 'Presentation of financial statements': Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The effective date is January 01, 2011.

- IFRS 7, 'Financial instruments': Emphasis the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The effective date is January 01, 2011.

(b) New and amended standards, and interpretations mandatory for the first time for the current financial year but not currently relevant to the Company

- IAS 1 (amendment), 'Presentation of financial statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

- IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'. The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirements of IAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1.

- Revised IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after January 01, 2011. Earlier application, in whole or in part, is permitted.

- The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. When the revised standard is applied, the Company will need to disclose any transactions between its subsidiaries and its associates. The Company is currently putting systems in place to capture the necessary information. It is, therefore, not possible at this stage to disclose the impact, if any, of the revised standard on the related party disclosures.

- IFRIC 19, 'Extinguishing financial liabilities with equity instruments', effective July 01, 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The interpretation is not relevant to the Company's financial statements in the present scenario.

- IFRIC 13, 'Customer loyalty programmes': The meaning of 'fair value' is clarified in the context of measuring award credits under customer loyalty programmes. The effective date is January 01, 2011.

- Amendment to IFRIC 14, 'IAS 19 – The limit on a defined benefit assets, minimum funding requirements and their interaction': Removes unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. Results in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. The effective date is from January 01, 2011 however, for the Company's gratuity scheme being unfunded, the amendment stands irrelevant.

(c) New standards, amendments and interpretations issued but not effective for the current financial year and not early adopted

- IFRS 9, 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets but is unlikely to materially affect the Company's accounting for its financial assets as held currently.

- IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. The standard is not applicable until January 01, 2013 but is available for early adoption. Prior periods need not be restated if an entity adopts the standard for reporting periods beginning before January 01, 2012.

- IFRIC 19, 'Extinguishing financial liabilities with equity instruments', effective July 01, 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The interpretation is not expected to have any impact on the Company's financial statements.

- Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards' (effective for annual periods beginning after January 01, 2011): Includes provisions for accounting policy changes in the year of adoption, revaluation basis as deemed cost and use of deemed cost for operations subject to rate regulation.

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment, estimates and assumptions in the process of applying Company's accounting policies and the reported amounts of assets, liabilities, income & expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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

(i)	Property, plant and equipment	note 4.1
(ii)	Taxation	note 4.3
(iii)	Staff retirement benefits	note 4.4
(iv)	Valuation of stock in trade	note 4.10
(v)	Trade debts	note 4.11

4.1 Property, plant and equipment

(i) Operating fixed assets

These are stated at revalued amount less any subsequent accumulated depreciation and subsequent accumulated impairment losses (if any). All expenditures connected to the specific assets incurred during installation and construction period are carried under capital work - in - progress. These are transferred to specified assets as and when assets are available for use.

Subsequent costs are included in the asset's carrying amounts or recognized as a separate assets, as appropriate, only when it is probable that future benefits associated with the items will flow to the Company and the cost of the item can be measured reliably.

Assets carrying amount is written down immediately to its recoverable amount if the carrying amount of an asset is greater than its recoverable amount.

Depreciation is charged to profit and loss account using reducing balance method to write off the cost of an asset over its estimated useful life in accordance with the rates specified in the note 13 to these financial statements and after taking into account residual value, if any.

Depreciation on additions is charged from the quarter in which the assets become available for use while on disposals depreciation is charged upto the quarter of deletion.

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

Gains/ Losses on disposal of property, plant and equipment are charged to the profit and loss account.

(ii) Capital work in progress

These are stated at cost less impairment, if any, and consist of expenditure incurred and advances made in respect of tangible and intangible assets in the course of their erection, construction and installation including salaries and wages that are directly attributable to assets under work in progress. The assets are transferred to relevant fixed assets as and when they are available for use.

4.2 Provisions

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

4.3 Taxation

Current

Provision for current taxation is based on higher of tax on the basis of taxable income at the current tax rates after taking into account tax credit and rebates available, if any or minimum tax under section 113 of the Income Tax Ordinance, 2001. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from assessment framed/ finalized during the year.

Deferred

Deferred income tax is recognized using the balance sheet liability method on all temporary differences arising between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized (since the Company has history of business losses the Company accounts for the deferred tax asset to the extent of unabsorbed depreciation). Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on the tax rates that have been enacted. Deferred tax is charged or credited to profit and loss account except in the case of items credited or charged to equity in which case it is included in equity.

4.4 Staff retirement benefits

The Company operates following staff benefits plan.

4.4.1 Defined Contribution plan

Provident fund

The Company operates a defined contributory Provident Fund for all its employees eligible under the scheme. The scheme has been approved under the Income Tax Ordinance, 2001. Monthly contributions are made both by the Company and by the employee to the fund at a rate of 8.33% of basic salary. During the year the contribution of Rs. 1,572,908 (2011:Rs. 1,247,152) have been charged to profit and loss account.

4.4.2 Defined Benefit plan

Gratuity

The Company operates a defined gratuity fund for all of its permanent employees who attain the minimum qualification period for entitlement to gratuity. Actuarial valuation is conducted periodically using "Projected Unit Credit Method" and the latest actuarial valuation carried out at the year end. The detail of valuation is given in note 18.1.

4.5 Impairment of assets

The carrying amount of the assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If any such indication exists, the recoverable amount of such asset is estimated. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use and impairment loss is recognized whenever, the carrying amount of the asset or its cash generating unit exceed its recoverable amount. Impairment losses, if any, are recognized in the profit and loss account.

4.6 Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the contractual right to the cash flow from the financial assets expire or is transferred. Financial liabilities are derecognized when they are extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires. Financial instruments carried on the balance sheet include investments, trade debts and other receivables, loans and advances, cash and bank balances, deposits, Long term and short term borrowings, trade and other payables and accrued and other liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.7 Offsetting of financial assets and financial liabilities

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

4.8 Held to maturity investments

Investments with a fixed maturity that the Company has positive intent and ability to hold till maturity are classified as held to maturity investments. Held to maturity investments are initially recognized at fair value plus transaction cost attributable to acquisition and are subsequently carried at amortized cost using effective interest rate method, less any impairment loss.

Profit and loss, gains and losses are recognized in the profit & loss account when the investments are derecognized or impaired, as well as by amortization process.

4.9 Stores, spares and loose tools

These are valued as under:

In hand	-	At lower of moving average cost or NRV.
In transit	-	Actual cost incurred upto the balance sheet date.

Provisions for obsolete and slow moving stock are duly made as when required. Net realizable value signifies the estimated selling price in the ordinary course of business less cost necessarily to be incurred in order to make the sale.

4.10 Stock in trade

The basis of valuation has been specified against each.

Sugar in process	-	At average cost of raw material consumed
Finished sugar	-	At lower of cost or net realizable value
Molasses	-	At net realizable value.

Provisions for obsolete and slow moving stock are made as and when required. Net realizable value signifies the estimated selling price in the ordinary course of business less cost necessary to be incurred in order to make the sale.

4.11 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful receivables which is determined based on management review of outstanding amounts and pervious repayment pattern. Balances considered irrecoverable are written off as and when identified.

4.12 Loans and borrowings

These are initially recognized at cost, being the fair value of the consideration received net of cost associated with the borrowings. Subsequently these are measured at amortized cost using the effective interest rate method.

4.13 Trade and other payables

Trade and other payables are carried at cost, which is fair value of the consideration to be paid for goods and services.

4.14 Cash and cash equivalent

Cash in hands and at banks, highly liquid short term investments and deposits and short term running finance, if any are carried at cost. Cash and cash equivalents comprises of cash in hand, balances with banks, short term investments and short term finance and they form an integral part of Company's cash management and are included as a component of cash equivalents for the purpose of statement of cash flows.

4.15 Borrowing costs

Borrowing costs are recognized in profit and loss account in the period in which these are incurred except that borrowing costs that are directly attributable to acquisition, construction or production of qualifying asset are capitalized during the period of time it is completed and prepared for its intended use.

4.16 Related party transactions

All transactions with related parties are priced on an arm's length basis. Prices for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods sold in an economically comparable market to a buyer unrelated to the seller.

4.17 Dividend distribution

Dividend distribution to the Company's share holders is recognised as a liability in the period in which dividend is declared/approved.

4.18 Foreign currency transactions

Transactions in the foreign currencies are translated into rupees at exchange rate prevailing on the date of the transaction. All assets and liabilities in foreign currencies are translated to exchange rate prevailing at the balance sheet date. Exchange gains and losses are taken to profit and loss account currently.

4.19 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistani Rupees, which is the Company's functional currency.

4.20 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is recognised as follows:

- Sales are recorded on dispatch of goods to customers.
- Commission and handling income is recognized on shipment of products.
- Return/Interest on bank deposits and investments are recognised on accrual basis.

	Note	2012 Rupees	2011 Rupees
5 PROPERTY, PLANT AND EQUIPMENT			
Operating assets	5.1	**1,641,428,110**	1,177,285,293

5.1 Operating assets

	Free hold land	Factory building	Non factory building	Plant and machinery	Office equipment and others	Furniture & fixture	Vehicles	Tents and tarpulins	Tools and tackles	Total
	-----	-----	-----	-----	-----	Rupees	-----	-----	-----	-----
As at October 01, 2010										
Cost / Revalued amount	102,270,000	208,934,569	170,126,241	1,378,302,024	8,614,284	6,131,712	27,705,927	1,399,244	2,792,876	1,906,276,877
Accumulated depreciation	-	(59,620,004)	(35,742,362)	(561,376,556)	(5,866,371)	(4,644,269)	(14,254,458)	(1,344,605)	(2,770,605)	(685,619,230)
Net book value	102,270,000	149,314,565	134,383,879	816,925,468	2,747,913	1,487,443	13,451,469	54,639	22,271	1,220,657,647
Year ended September 30, 2011										
Opening net book value	102,270,000	149,314,565	134,383,879	816,925,468	2,747,913	1,487,443	13,451,469	54,639	22,271	1,220,657,647
Additions(including transfers) during the year	-	-	-	10,000,000	477,975	149,902	16,032,865	-	-	26,660,742
Disposals / transfers										
Cost	-	-	-	-	-	-	2,833,524	-	-	2,833,524
Accumulated depreciation	-	-	-	-	-	-	(148,499)	-	-	(148,499)
Net book value	-	-	-	-	-	-	(2,685,025)	-	-	(2,685,025)
Depreciation for the year	-	(7,465,728)	(13,438,388)	(41,346,272)	(319,274)	(154,488)	(4,598,541)	(18,032)	(7,348)	(67,348,071)
Closing net book value	102,270,000	141,848,837	120,945,491	785,579,196	2,906,614	1,482,857	22,200,768	36,607	14,923	1,177,285,293
As at October 01, 2011										
Cost / Revalued amount	102,270,000	208,934,569	170,126,241	1,388,302,024	9,092,259	6,281,614	40,905,268	1,399,244	2,792,876	1,930,104,095
Accumulated depreciation	-	(67,085,732)	(49,180,750)	(602,722,828)	(6,185,645)	(4,798,757)	(18,704,500)	(1,362,637)	(2,777,953)	(752,818,802)
Net book value	102,270,000	141,848,837	120,945,491	785,579,196	2,906,614	1,482,857	22,200,768	36,607	14,923	1,177,285,293
Year ended September 30, 2012										
Opening net book value	102,270,000	141,848,837	120,945,491	785,579,196	2,906,614	1,482,857	22,200,768	36,607	14,923	1,177,285,293
Revaluation	153,405,000	68,133,693	63,836,668	236,978,398	-	-	-	-	522,353,759	
Additions(including transfers) during the year	-	-	351,106	1,025,000	561,100	92,000	17,038,585	535,000	-	19,602,791
Disposals / transfers										
Cost	-	(4,000,000)	(1,768,065)	-	-	26,500	3,944,547	-	-	(1,797,018)
Accumulated depreciation	-	-	-	-	-	(22,404)	(2,033,100)	-	-	(2,055,504)
Net book value	-	(4,000,000)	(1,768,065)	-	-	(4,096)	(1,911,447)	-	-	(7,683,608)
Depreciation for the year	-	(7,844,112)	(13,616,493)	(42,263,376)	(328,569)	(148,428)	(5,817,679)	(106,544)	(4,924)	(70,130,125)
Closing net book value	255,675,000	198,138,418	169,748,707	981,319,218	3,139,145	1,422,333	31,510,227	465,063	9,999	1,641,428,110
As at September 30, 2012										
Cost / Revalued amount	255,675,000	273,068,262	232,545,950	1,626,305,422	9,653,359	6,347,114	53,999,306	1,934,244	2,792,876	2,462,321,533
Accumulated depreciation	-	(74,929,844)	(62,797,243)	(644,986,204)	(6,514,214)	(4,924,781)	(22,489,079)	(1,469,181)	(2,782,877)	(820,893,423)
Net book value	255,675,000	198,138,418	169,748,707	981,319,218	3,139,145	1,422,333	31,510,227	465,063	9,999	1,641,428,110
Annual rates of depreciation	0%	5%	10%	5%	10%	10%	20%	33%	33%	

5.2 Depreciation for the year has been allocated as under :-

	2012 Rupees	2011 Rupees
Cost of sales	50,112,412	48,819,348
Administrative expenses	20,017,713	18,528,723
	70,130,125	67,348,071

5.3 Details of disposal of property, plant & equipment are as under :-

Particulars	Cost	Accmulated depreciation	Book value	Proceeds	Gain/(Loss) on disposal	Mode of disposal	Purchaser
VEHICLE							
Daihatsu Coure CX ECO AVN - 270	806,074	(80,607)	725,467	794,000	68,533	Insurance Claim	EFU General Insurance
Suzuki Cultus AMS - 576	373,810	(169,261)	204,549	245,015	40,466	Negotiation	Ahsan Mukhtar
Suzuki Cultus AJD - 014	616,000	(470,264)	145,736	160,310	14,574	Negotiation	Mustafa Kanani
Suzuki Mehran AB - 5356	277,000	(269,593)	7,407	8,148	741	Negotiation	Shabbir Wazir Khan
Suzuki Bolan CJ - 8681	233,400	(227,159)	6,241	6,865	624	Negotiation	Abdullah
Suzuki Cultus AKP-362	345,542	(176,365)	169,177	570,000	400,823	Negotiation	Syed Kamran Saeed
Toyota Corrolla AKR-431	692,842	(333,673)	359,169	1,100,000	740,831	Negotiation	Shamona Ahmed
Daihatsu Coure CX ECO ARL-503	599,879	(306,178)	293,701	245,340	(48,361)	Negotiation	Shahid Ashfaq
	3,944,547	(2,033,100)	1,911,447	3,129,678	1,218,231		

5.4 Had there been no revaluation , the figures of the revalued assets would have been as follows:

	Sep-12			Sep-11
Particulars	**Cost**	**Accumulated depreciation**	**Written down value**	**Written down value**
Freehold land	7,601,840	-	7,601,840	7,601,840
Factory building	98,899,385	57,205,144	41,694,241	43,783,415
Non-factory building	19,873,828	18,110,187	1,763,641	3,402,695
Plant & machinery	1,084,552,209	595,289,140	489,263,069	514,540,285
	1,210,927,262	641,990,986	540,322,791	569,328,235

6 INVESTMENT-Held to maturity

This represents the DSCs purchased by the Company on June 11, 2009 and on November 11, 2009 with a maturity of 10 years from the date of purchase of DSCs having effective interest rate of 12.15%. These have been pledged with National Bank of Pakistan and Habib Bank Limited respectively (Refer note 17.2 and 17.4).

	Note	2012 Rupees	2011 Rupees
Cost of investment in DSCs		**70,500,000**	70,500,000
Unrealised gain on investments			
Opening balance		**18,958,481**	9,266,813
Income earned during the year		**10,869,205**	9,691,668
Closing balance		**29,827,686**	18,958,481
		100,327,686	89,458,481

7 LONG TERM LOANS - Considered good

	Note	2012 Rupees	2011 Rupees
Vehicle loans to employees	7.1	**201,420**	207,979
Less: Current portion of long term loans shown under current assets		**56,144**	99,615
		145,276	108,364

7.1 These are interest free loans given to employees other than directors and executives of the Company. The loan is recoverable in 60 to 84 installments from the date of disbursement and is secured by registration of vehicles in the name of the Company.

	Note	2012 Rupees	2011 Rupees
8 STORES, SPARES AND LOOSE TOOLS			
In hand			
-Stores		**6,429,463**	5,479,206
-Spares		**22,179,982**	19,512,856
-Loose tools		**1,106,822**	936,949
		29,716,267	25,929,011
9 STOCK IN TRADE			
Finished goods		**420,309,817**	320,449,566
Sugar in process		**4,288,604**	4,821,704
Molasses		**7,762,105**	43,829,940
		432,360,526	369,101,210

Stocks pledged with banks against finance facility amounted to Rs. 305.1 million (September 30, 2011:Rs.209.32 million) at the balance sheet date.

	Note	2012 Rupees	2011 Rupees
10 TRADE DEBTS - Unsecured			
Considered good	10.1	**184,808,682**	222,657,222

10.1 This include trade debts due from a customer amounting to Rs. 184.299 million against sales of molasses for the year 2009 to 2010.The terms of sales stipulated payment against delivery based on which the amount is over due. The management expects to recover the amount in due course of business based on the historical relationship with customer.

	Note	2012 Rupees	2011 Rupees
11 LOANS AND ADVANCES			
Current portion of vehicle loans	7	**56,144**	99,615
- Unsecured considered good			
Loan to growers	11.1	**13,033,201**	12,509,558
Advance to suppliers and contractors		**10,809,068**	8,211,603
Advance against expenses		**404,746**	707,711
Advance against salaries		**1,790,632**	1,625,723
		26,037,647	23,054,595
		26,093,791	23,154,210
- Considered doubtful			
Loan to growers	11.1	**2,575,000**	2,575,000
Advance to supplier, contractors & others		**17,472,544**	17,472,544
		20,047,544	20,047,544
Less: Provision for doubtful advances		**(20,047,544)**	(20,047,544)
		26,093,791	23,154,210

11.1 This includes loan to growers for cultivation of cane over last several years. The recovery of the amount was deferred by the Company as a measure of incentive. These growers are supplying cane to the Company and considered good as the amount can be adjusted at any stage from future supplies. The Company has however retained a provision of Rs. 2.575 million on prudent basis against these loans.

	Note	2012 Rupees	2011 Rupees
12 PREPAYMENTS AND OTHER RECEIVABLES			
Prepayments		**67,666**	206,105
Sales tax	12.1	**12,449,601**	6,464,996
Other receivables	12.2	**4,628,446**	2,409,984
		17,145,713	9,081,085

12.1 This include a sum of Rs. 6,464,996 which represents the amount of sales tax paid by the Company in the year ended 2001 against the demand raised by the Collectorate of Sales Tax. The Company had adjusted further sales tax paid earlier by it on its sales against the output tax on its subsequent sales following the judgment of High Court of Sindh on the issue declaring further tax charge as unlawful. The Company's suit for the recovery of the same is pending in the High Court of Sindh.

12.2 This include a sum of Rs. 1,017,398 paid subsequent to the decision of Supreme Court that held the levy of sales tax on disposal of fixed assets as lawful with certain exceptions and set aside the decision of the High Court of Sindh that had earlier declared the said levy as unlawful. The payment was made so as to avail amnesty offered by the government and for avoiding additional tax to provide against the risk from an unfavorable judgment.

13 CASH AND BANK BALANCES

	2012	2011
Cash in hand	**61,329**	275,132
Cash with banks		
- in current account	**4,542,528**	23,283,002
- in deposit account	**791,793**	791,793
	5,334,321	24,074,795
	5,395,650	24,349,927

14 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2012	2011		2012	2011
Number of shares			Rupees	
16,900,000	16,900,000	Fully paid ordinary shares of Rs. 10/- each issued for cash	**169,000,000**	169,000,000
5,408,000	5,408,000	Fully paid ordinary shares of Rs. 10/- each issued as bonus shares	**54,080,000**	54,080,000
22,308,000	22,308,000		**223,080,000**	223,080,000

15 SURPLUS ON REVALUATION OF FIXED ASSETS

The revaluation of fixed assets of the Company was carried out by Tracom (Pvt.) Ltd., approved valuer of PBA, that determined the fair value of its property, plant & machinery as of 29th September 2012.

	Note	2012 Rupees	2011 Rupees
Surplus on revaluation:			
As at October 01		**582,009,896**	614,527,381
- Revaluation surplus on land		**153,405,000**	-
- Revaluation surplus on plant, machinery and building		**368,948,759**	-
- Transferred to retained earnings in respect of incremental depreciation charged during the year		**(35,692,615)**	(32,517,485)
		486,661,144	(32,517,485)
As at September 30		**1,068,671,040**	582,009,896
Related deferred tax:			
As at October 01		**170,569,608**	181,950,728
- On revaluation surplus of land		**-**	-
- On revaluation surplus of plant, machinery and building		**129,132,066**	-
- Reversal on incremental depreciation charged during the year		**(12,492,415)**	(11,381,120)
As at September 30		**287,209,259**	170,569,608
		781,461,781	411,440,288

16 TAXATION

Current

Income tax assessments of the Company deemed finalized as per tax return filed upto the tax year 2012. The Company's carry forward loss amounted to Rs.424.678 million (tax year 2011:Rs. 367.749 million) upto tax year 2012.The deductible temporary differences are recognised only to the extent that it is probable that future taxable profit will be available to adjust these differences. Provision for minimum tax u/s 113 of the Income Tax Ordinance, 2001 has been made in these financial statements for the current year due to loss for the year.

Deferred

Deferred tax arises due to following elements:

	2012 Rupees	2011 Rupees
Deferred tax liability arises due to :		
- Accelerated tax depreciation	**141,108,137**	149,002,650
- Unrealized gain on amortization on loan	**31,691,275**	33,153,432
	172,799,412	182,156,082
Deferred tax asset arises due to :		
- Loans & advances	**7,016,640**	7,016,640
- Gratuity	**2,125,729**	2,073,622
- Assessed losses	**148,637,637**	128,712,222
	157,780,006	137,802,484
Deferred tax liability	**15,019,407**	44,353,598

	2012 Rupees	2011 Rupees
16.1 Relationship between tax expense and accounting profit		
Loss for the current year	**(151,869,992)**	(133,211,056)
Unrealized gain on amortization on loan	**(1,609,143)**	(8,869,339)
Permanent differences	**238,100**	1,092,750
Temporary differences	**92,305,267**	41,317,756
Taxable loss	**(60,935,768)**	(99,669,889)
Less: Carry forward loss (unabsorbed depreciation)	**(363,743,197)**	(268,079,317)
	(424,678,965)	(367,749,206)
Minimum tax liability u/s 113	**(12,321,997)**	(31,255,816)

17 LONG TERM FINANCE - Secured

17 (a) Mark-up bearing

PARTICULARS	IDBP BF-I	NBP LCY-I	NBP LTF	HBL LCY	MCB LCY	SEPTEMBER 2012	SEPTEMBER 2011
	Rupees						
Opening balance	117,499,000	37,611,160	175,000,001	111,292,000	31,654,194	473,056,355	492,797,499
Obtained during the year	-	-	-	-	-	-	-
Interest expense (Refer Note 30.1)	-	5,156,490	-	-	-	5,156,490	4,526,087
	117,499,000	42,767,650	175,000,001	111,292,000	31,654,194	478,212,845	497,323,586
Repaid during the year	-	-	(33,333,332)	-	-	(33,333,332)	(24,999,999)
Effect of fluctuation in KIBOR rates (Refer Note 29.1)	-	8,251,532	-	-	-	8,251,532	732,768
	117,499,000	51,019,182	141,666,669	111,292,000	31,654,194	453,131,045	473,056,355
Overdue installments	29,374,750	-		-	31,654,194	61,028,944	49,279,044
Current portion	11,749,900	-	33,333,332	-	-	45,083,232	45,083,232
Closing liability as at September, 30 2012	76,374,350	51,019,182	108,333,337	111,292,000	-	347,018,869	378,694,079

Significant terms and conditions:

	IDBP BF-I	NBP LCY-I	NBP LTF	HBL LCY	MCB LCY
Installments	Semi annually	DSCs of Rs. 35m have been deposited that are going to mature after 7 years to settle the above liability	Quaterly	DSCs of Rs. 35.5m has been deposited that are going to mature after 7 years to settle the above liability	Semi annually
No. of installments	20	-	24	-	9
Date of first installment	01-04-10	-	19-01-2011	-	31-03-01
Rate of mark-up per annum	13%	Nil	3 months Kibor + 2%	one year Kibor with 7 % floor	10%
Sub note number	17.1	17.2	17.3	17.4	17.5

17.1 Industrial Development Bank of Pakistan

This represents the liability determined in accordance with rescheduling agreement reached between the Company and I.D.B.P. on October 17, 2009. Consequent thereto, total liability of Rs.149.162 million at that date stood reduced to Rs.131.347 million (refer note 17a and 17b) payable on the terms as stated in respective schedule. The difference amounting to Rs. 17.815 million was taken to profit and loss account for the year ended September 30,2009. The rescheduling was accepted by the Company under protest and appeal is pending before the Court (refer note 22(iii)).

Security:

The finance is secured by way of :

- Mortgage of all immovable properties of the Company.
- Hypothecation by way of floating charges on the Company's movable and immovable properties both present and future.
- Pledge of shares
- Personal guarantees of the directors.
- Demand promissory notes.

17.2 NBP (formerly National Development Finance Corporation)

This represents the liability determined in accordance with the rescheduling agreement reached between National Bank of Pakistan and the Company on June 4, 2009. Consequent thereto, an amount of Rs. 105.125 million was paid as full and final discharge of the outstanding liability through DSCs of Rs. 35 million pledged by the Company with National Bank of Pakistan maturing after 10 years from the date of purchase having maturity value equivalent to the amount of liability of Rs. 105.125 million that will be realised by encashment on maturity date (s).

Since the rescheduled loan is interest free and payable after 10 years, it has been initially recognized at cost amounting to Rs.105.125 million (refer note 17(a)) and subsequently measured on amortized cost at each balance sheet date with effective interest rate prevailing at year end. The difference was taken to profit and loss in the year ended September 30, 2009 (refer note 30). Effective interest rate prevailing for the year was 10.88% p.a. accordingly imputed interest cost is taken to profit and loss account for the year ended September 30, 2012 (refer note 30).

17.3 This represents new loan obtained from NBP for the purpose of repayment of its outstanding balance of growers liability for the years 2007-2008 and 2008-2009 at markup rate of 3 months kibor + 2% on quarterly basis. Repayment of principal amount of loan commenced with effect from 19-01-2010 in 24 quarterly installments of Rs. 8,333,333 each. The loan is secured as under.

Security

The above finance is secured by way of:

- First parri passu hypothecation charge over plant, machinery and equipment of the Company for an amount of Rs. 275,639,140 and Rs. 17,983,360.

- First equitable mortgage over land and building of the Company for an amount of Rs. 275,639,140 and Rs. 17,983,360.

- Personal guarantees of directors of the Company.

17.4 Habib Bank Limited

This represents the liability determined in accordance with the rescheduling agreement reached between Habib Bank Limited (HBL) and the Company on September 15 , 2009. Consequent thereto, an amount of Rs. 111.292 million was paid as full and final discharge of the total outstanding liability standing at that date of Rs. 336.018 million through DSCs of Rs. 35.5 million pledged by the Company with HBL maturing after 10 years from the date of purchase having maturity value equivalent to the amount of liability of Rs. 111.292 million that will be realised by encashment on maturity date (s). The difference amount of Rs. 224 million was taken to profit and loss account for the year ended September 30, 2009.

The loan carries mark up at the rate of one year KIBOR with floor @ 7% per annum on Rs. 111.292 (M) till 2019 on quarterly basis. In case of default by the Company in payment of markup for two consecutives quarters, HBL shall have right to withdraw the settlement package and demand the balance decretal amount of Rs. 327.49 million.

Security

The above finance is secured by way of:

- First charge on entire project assets at Deh Unar, Kazi Ahmed, Taluka Sakrand, Shaheed Benazirabad, ranking parri passu with other secured creditors.

- Hypothecation of stocks.

- Guarantee of the mill duly supported by resolution of Board of Directors.

- DSCs of Rs 35.5 million.

17.5 MCB Bank Limited

This represents the amount of bank liability as rescheduled by the bank vide its letter No.SAMG/PO/JPICUS/409, dated July 3, 2004 that are outstanding.

During the year 2009-2010, the Company approached the bank for a negotiated settlement of the said liabilities vide its letter number SSML/Acct/60/2010 dated February 01, 2010 and proposed to settle the present principle liability by submitting DSCs to bank amounting to Rs. 10 million with 10 years maturity having maturity value of Rs. 31 million and outright payment of Rs. 5 million towards settlement of total mark up outstanding (refer note 17 b). No markup has been charged by the Company during the year approximately amounting to Rs. 3.165 million as settlement with bank is expected to be reached at lower than the amount at which the liability is appearing in the books of the Company.

Security

Pari passu/second charge with other creditors on all assets of the Company and fresh personal guarantees of sponsors/directors.

17 (b) Mark-up free

PARTICULARS	IDBP BF-I	MCB LCY-I	SEPTEMBER 2012	SEPTEMBER 2011
	....	.... Rupees .	....	....
Opening balance	4,596,964	7,030,924	11,627,888	10,985,133
Interest expense (Refer Note 30.1)	630,244	-	630,244	553,194
	5,227,208	7,030,924	12,258,132	11,538,327
Effect of fluctuation in KIBOR (Refer Note 29.1)	1,008,530	-	1,008,530	89,561
				-
	6,235,738	**7,030,924**	**13,266,662**	**11,627,888**
Overdue installments	-	7,030,924	7,030,924	7,030,924
Closing liability as at September 30, 2012	**6,235,738**	**-**	**6,235,738**	**4,596,964**

Significant terms and conditions:

Installments	**Quarterly**	**Semi annually**
No. of installments	4	12
Date of first installment	01-01-20	30-09-04
Sub note number	17.6	

17.6 This represents the amount of markup of I.D.B.P. payable after 01.01.2020 in four quarterly installments in terms of the rescheduling agreement with I.D.B.P. as disclosed in note 17.1. Since the loan is interest free and payable after 10 years. It was initially recognized at cost i.e. Rs.13.848 million and subsequently measured on amortized cost at each balance sheet date with effective interest rate prevailing at year end. The difference was taken to profit and loss in the year ended September 30, 2009 (refer note 30). Effective interest rate prevailing as at September 30, 2012 was 10.88% p.a. and such interest expense is taken to profit and loss account (refer note 30).

	Note	2012 Rupees	2011 Rupees
18 PROVISION FOR GRATUITY	18.1	**6,073,509**	5,924,634

18.1 Contributions to the fund are made based on actuarial recommendations. The most recent actuarial valuation was carried out as at September 30, 2012 using the Projected Unit Credit Method.

Principal assumptions

	2012	2011
Discount rate	**12% per annum**	14% per annum
Expected rate of eligible salary increase in future years	**12% per annum**	14% per annum

Changes in defined benefit liability are as follows:

	2012	2011
Opening defined benefit obligation	**5,924,634**	5,266,458
Current service cost	**564,183**	402,340
Interest cost	**764,599**	737,304
Benefits paid directly by the Company	**(926,425)**	(481,468)
Actuarial gain	**(253,482)**	-
Closing defined benefit obligation	**6,073,509**	5,924,634

Liability for gratuity arose in the following manner:

	2012	2011
Opening net liability	**5,924,634**	5,266,458
Expense for the year	**1,075,300**	1,139,644
Benefits paid	**(926,425)**	(481,468)
Closing net liability	**6,073,509**	5,924,634

Reconciliation of the liability recognized in the balance sheet

	2012	2011
Present value of defined benefit obligations	**6,073,509**	5,924,634
Actuarial gains to be recognized in later periods	**-**	-
Less: Un-recognized transitional liability	**-**	-
Total balance sheet liability	**6,073,509**	5,924,634

Charge to profit and loss account

	2012	2011
Current service cost	**564,183**	402,340
Interest cost	**764,599**	737,304
Actuarial losses/(gains) recognized	**(253,482)**	-
Total amount chargeable to P&L account	**1,075,300**	1,139,644

	Note	2012 Rupees	2011 Rupees
19 TRADE AND OTHER PAYABLES			
Trade payables			
Quality premium	19.1	56,460,953	56,460,953
Sugarcane and others		372,076,245	275,095,256
		428,537,198	331,556,209
Accrued expenses		14,518,248	9,657,303
Other payables			
Advance from customers		35,992,776	114,194,933
Sales tax and excise duty payable		13,247,133	10,283,673
Unclaimed dividend		437,154	437,154
WWF		974,557	974,557
Others		4,606,045	4,385,870
		55,257,665	130,276,187
		498,313,111	471,489,699

19.1 This represents the outstanding amount of quality premium for the years 2003 and 2004 withheld since the issue is pending for disposal with the Supreme Court of Pakistan. The Appellants, including the Company, were granted leave to defend by the Supreme Court of Pakistan in the year 2004 with the direction that no coercive action for recovery of quality premium from the mills shall be taken till the disposal of the Appeal which continues to be in force. The provincial government in its yearly notification since year 2004 onwards for minimum cane price fixation refers to the direction of the Supreme Court as reason for suspending coercive recovery of the quality premium from the mill / till uniform formula is developed by the Ministry of Food and Agriculture. However, the Company paid the quality premium for the year falling between the years 2004 to 2012 in addition to minimum cane price level a fixed by the government.

	Note	2012 Rupees	2011 Rupees
20 SHORT TERM BORROWING- Secured			
National Bank of Pakistan			
-Running finance	20.1	114,919,171	113,763,378
-Cash finance	20.2	300,000,000	87,155,000
		414,919,171	200,918,378
Summit Bank Limited			
-Cash finance	20.3	5,137,285	63,256,000
		420,056,456	264,174,378

20.1 NBP-Running Finance Facility:

Purpose:

To finance the working capital requirements of the Company and for procurement of sugarcane.

Mark up rate:

3 months KIBOR + 2.5% p.a.

Security:

1- Ranking hypothecation charge over plant, machinery & equipment of the Company with 25% margin.
2- Ranking equitable mortgage over land and building of the Company with 25% margin.
3- Personal Guarantees of the directors of the Company.

20.2 NBP -Cash Finance Facility:

Purpose:

To finance the working capital requirements of the Company and for procurement of sugarcane.

Mark up rate:

3 months KIBOR + 3% p.a.

Security:

1- Pledge of refined sugar stock with 25% margin.
2- Personal guarantees of the directors of the Company.

20.3 Summit Bank Limited - Cash Finance Facility:

Purpose:

To finance the Company for procurement of sugarcane and raw sugar.

Mark up rate:

3 month KIBOR (ask) + 3.5% p.a.

Security:

1- Pledge of refined sugar stock with 25% margin.
2- Personal Guarantees of the directors of the Company.

21 ACCRUED MARK UP

	2012 Rupees	2011 Rupees
National Bank of Pakistan	**3,660,349**	5,016,904
MCB Bank Limited	**17,228,787**	17,228,787
Loan from others	**5,518,824**	5,518,824
National Bank of Pakistan-Running and Cash finances	**16,735,620**	9,430,355
Summit Bank Limited	**1,999,364**	3,455,267
	45,142,944	40,650,137

22 CONTINGENCIES

i) The Company's suit filed in High Court of Sindh is pending, in which it contested the unfavorable impugned order passed by Sales Tax Appellate Tribunal on May 22, 2004. The impugned order upheld the demand for additional sales tax of Rs.25.44 million on principal amount of sales tax liability which has already been paid in full against amnesty offered by FBR in this respect. The Company has accordingly not made any provision against the impugned demand for additional sales tax in this respect on the strength of the opinion of its legal counsel based on favorable judgment given by another bench of tribunal in parallel case.

ii) The Company is also contesting an order passed by the Collector of Sales Tax raising demand of Rs. 41.990 million by virtue of audit conducted by the sales tax auditor for the years 2003 to 2005 respectively. The Company preferred appeal against the order before the Collector (Appeal) and later with Sales Tax Appellate Tribunal respectively. No provision has been made since the legal counsel of the Company are confident that all the observation raised in the order are expected to be set aside on merit of the case, which is currently pending for further proceedings.

iii) In respect of restructured loan amounting to Rs.130 million of I.D.B.P. (refer in note 17a & 17b) the Company filed a suit in the High Court of Sindh, Karachi seeking settlement of the liability at an amount of Rs. 101.61 million on the ground that the restructured loan includes markup on the capitalized markup amounting to Rs. 29 million which is wrongly charged though not permissible under the law. The Honorable Court has stayed recovery proceedings till further order. Accordingly the Company has not charged markup for the year amounting to Rs. 16.9 million (2011: 16.9 million) and cumulatively mark-up from 01 April, 2010 to 30 Sep, 2012 amounting to Rs. 42.25 million on the outstanding balance as per rescheduling package of I.D.B.P. for the reason that it expects that an amount of Rs. 29 million would be reversable as a result of the final outcome court proceedings on merit of case and this is hence not going to have any effect on these financial statements. Similary the Company is in negotiation with MCB Bank Limited for settlement of liability and a markup of Rs. 37.98 million from year 2001 to 2012 due to the reason that the Company expects to settle the amount at lower than amount as appearing in the books.

iv) The Company is defending the case of Further Tax amounting to Rs.33.172 million under the Sales Tax Act, 1990 pending adjudication before High Court of Sindh . Earlier, the High Court maintained the favourable order of the Sales Tax Appellate Tribunal, Karachi wherein it was decided that the taxpayer companies were not required to charge the impugned Further Tax. Upon appeal of the Collector of Sales Tax, the Honourable Supreme Court of Pakistan has remanded the case back to the High Court . The Company expects that the High Court will maintain its previous favourable order, hence it does not expect any liability to be materialised and no provision is made therefore.

v) The Company is in appeal before the Commissioner (Appeals), Inland Revenue, Karachi against the order passed by the Additional Commissioner, Inland Revenue, Karachi in respect of input tax claimed for the tax period from October, 2009 to September, 2010. The Additional Commissioner raised a total sum of Rs. 17.895 million out of which the Company has deposited two installments amounting to Rs. 5.984 million in aggregate to avail Sales Tax Amnesty issued vide SRO 548(I)/2012 dated May 22, 2012 & SRO 774(I)/2012 dated June 27, 2012. The Company as well as its counsel is confident that the rest of the demand will be remanded.

COMMITMENTS

During the year, Company has outstanding unlifted deliver orders quantity of 1,439 M.Ton of Rs.68.5 million.

	Note	2012 Rupees	2011 Rupees
23 SALES - Net			
Sugar		2,462,779,125	3,083,414,828
Less : Brokerage and commission		(462,830)	(507,990)
		2,462,316,295	3,082,906,838
Molasses		184,018,846	189,399,860
		2,646,335,141	3,272,306,698
Less: Sales tax and excise duty		(182,428,083)	(147,262,858)
		2,463,907,058	3,125,043,840
24 COST OF SALES			
Sugarcane consumed	24.1	2,254,745,753	3,138,496,942
Manufacturing expenses	24.2	216,382,328	215,363,399
		2,471,128,081	3,353,860,341
Sugar in process			
- opening		4,821,704	3,728,996
- closing		(4,288,604)	(4,821,704)
		533,100	(1,092,708)
		2,471,661,181	3,352,767,633
Finished goods			
- opening		320,449,566	42,879,624
- closing		(420,309,817)	(320,449,566)
		(99,860,251)	(277,569,942)
		2,371,800,930	3,075,197,691
Molasses			
- opening		43,829,940	52,467,800
- closing		(7,762,105)	(43,829,940)
		36,067,835	8,637,860
		2,407,868,765	3,083,835,551

24.1 This includes quality premium and subsidies for the year amounting to Rs.73 million (2011:Rs.1,050.27 million) and Rs.19 million (2011 Rs. 121.94 million) respectively.

24.2 Manufacturing expenses

	Note	2012 Rupees	2011 Rupees
Stores and spares consumed		37,912,428	40,129,802
Fuel and power		18,921,877	8,713,820
Salaries, wages including bonus and staff amenities	24.2.1	53,788,745	54,914,530
Repairs and maintenance		42,204,972	50,809,874
Vehicle maintenance		1,417,103	1,202,895
Insurance		6,757,037	6,197,073
Depreciation	5.2	50,112,412	48,819,348
Others		5,267,754	4,576,057
		216,382,328	215,363,399

24.2.1 This includes Rs.1,655,734 (2011: Rs.1,780,370) in respect of contribution to provident fund & gratuity.

25 ADMINISTRATIVE EXPENSES

	Note	2012 Rupees	2011 Rupees
Salaries, including bonus and staff amenities	25.1	57,115,678	48,099,760
Rent, rates and taxes		1,105,214	1,009,445
Insurance		2,010,103	1,638,695
Water, gas and electricity		4,040,437	3,809,243
Printing and stationery		1,117,102	992,648
Postage, telephone, telegrams and telex		2,343,745	2,262,478
Vehicle maintenance		7,700,680	6,140,434
Repairs and maintenance		613,244	1,506,770
Traveling and conveyance		763,592	4,713,725
Newspaper, books and periodicals		69,730	56,396
Fee and subscription		1,024,129	545,105
Legal and professional		7,435,341	5,384,663
Auditors' remuneration	25.2	842,075	824,320
Entertainment		2,954,225	2,038,105
Computer maintenance		878,467	406,950
Advertisement		33,600	-
Charity and donation	25.3	238,100	1,092,750
Depreciation	5.2	20,017,713	18,528,723
Others		1,467,532	835,871
		111,770,707	99,886,081

25.1 This includes Rs.992,475 (2011: Rs. 662,419) in respect of contribution provident fund and gratuity.

25.2 Auditors' remuneration comprises of :

	2012 Rupees	2011 Rupees
Audit fees	550,000	500,000
Half yearly review	200,000	200,000
Certifications	50,000	50,000
Out of pocket expenses	42,075	74,320
	842,075	824,320

25.3 The directors or their spouses had no interest in the donees fund.

26 DISTRIBUTION COST

	2012 Rupees	2011 Rupees
Loading and stacking	3,166,474	2,577,787
Sampling charges	165,056	722,259
	3,331,530	3,300,046

27 OTHER CHARGES

	2012 Rupees	2011 Rupees
Loan processing fees	148,995	376,704
Mucaddam charges	522,000	-
	670,995	376,704

	Note	2012 Rupees	2011 Rupees
28 OTHER INCOME			
Profit on PLS account		**19,490**	37,152
Profit/(Loss) on sale of fixed asset		**1,218,135**	(95,025)
Reversal of liabilities		**-**	9,484,088
Other		**29,500**	790,639
		1,267,125	10,216,854

29 UN-REALIZED GAIN ON AMORTIZATION OF LOANS/INVESTMENTS

	Note	2012 Rupees	2011 Rupees
National Bank of Pakistan	17(a) & 29.1	**(8,251,532)**	(732,768)
IDBP	17(b) & 29.1	**(1,008,530)**	(89,561)
Income on amortization of investment in DSCs	29.2	**10,869,205**	9,691,668
		1,609,143	8,869,339

29.1 This represents effects of increase in KIBOR over the year and recognizing liability at fair value.

29.2 This represents amortization of investment in DSCs amounting to Rs 70.5 million at the rate of 12.15%.

30 FINANCIAL COST

	Note	2012 Rupees	2011 Rupees
Mark-up on loans		**88,923,717**	83,486,177
Bank charges		**300,870**	1,275,211
Interest expense	30.1	**5,786,734**	5,181,319
		95,011,321	89,942,707

30.1 This represents interest expense in respect of amoritzation of loan and frozen mark up liability of NBP and I.D.B.P. (refer 17(a) and 17(b)) using effective interest rate @ 10.88%(2011:13.71% p.a.).

31 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

(Amount in Rupees)

PARTICULARS	2012				2011			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
Remuneration	6,141,000	11,021,158	3,897,300	21,059,458	5,340,000	9,211,047	3,453,000	18,004,047
Company's contribution to provident fund	-	-	212,162	212,162	-	-	188,389	188,389
Perquisites, benefits and utilities	- -	-	-					
TOTAL	6,141,000	11,021,158	4,109,462	21,271,620	5,340,000	9,211,047	3,641,389	18,192,436
NO. OF PERSONS	1	6	3	10	1	6	3	10

	2012 Rupees	2011 Rupees

32 PLANT CAPACITY AND PRODUCTION

	2012	2011
Installed production capacity-metric ton	**86,400**	86,400
Duration of season-days	**108**	149
Actual production-metric ton	**54,575**	53,250
Actual crushing-days	**103**	125
Percentage of capacity attained	**63%**	62%

Under utilization of the capacity is due to shortage in availability of sugar cane during the year.

33 EARNING PER SHARE- Basic/Diluted

The calculation of basic earning per share as at September 30, 2012 was based on the loss attributable to ordinary shareholders of Rs. 134.857 million (2011 : Rs. 148.545 million) and a weighted average number of ordinary shares outstanding of Rs. 22.308 million (2011 : Rs.22.308 million) calculated as follows.

	2012	2011
Net loss for the year	**(134,857,797)**	(148,545,237)
Weighted average number of ordinary shares	**22,308,000**	22,308,000
Earning per share	**(6.05)**	(6.66)

34 CASH AND CASH EQUIVALENTS

	2012	2011
Short term borrowing - secured	**(420,056,456)**	(264,174,378)
Cash and bank balances	**5,395,650**	24,349,927
	(414,660,806)	(239,824,451)

35 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Interest / Markup rate risk arises from the possibility that changes in interest / markup rates will affect the value of financial instruments. In respect of income earning financial assets and interest / markup bearing financial liabilities, the following table indicate their effective interest / markup rates at the balance sheet date and the periods in which they will re-price or mature:

2012 (Amount in Rupees)

	Interest bearing		Non-interest bearing		
	Maturity upto one year	Maturity after one year	Maturity upto one year	Maturity after one year	Total
FINANCIAL ASSETS					
Long term investment	-	70,500,000	-	-	70,500,000
Long term loans	-	-	145,276	-	145,276
Trade debts	-	-	184,808,682	-	184,808,682
Other receivables	-	-	3,678,714	-	3,678,714
Cash and bank balances	791,793	-	4,603,857	-	5,395,650
	791,793	70,500,000	193,236,529	-	264,528,322
FINANCIAL LIABILITIES					
At amortized cost					
Long term loans	106,112,176	347,018,869	7,030,924	6,235,738	466,397,707
Trade and other payables	-	-	485,065,978	-	485,065,978
Markup accured on loans	-	-	45,142,944	-	45,142,944
	106,112,176	347,018,869	537,239,846	6,235,738	996,606,629

2011 (Amount in Rupees)

	Interest bearing		Non-interest bearing		
	Maturity upto one year	Maturity after one year	Maturity upto one year	Maturity after one year	Total
FINANCIAL ASSETS					
Long term investment	-	70,500,000	-	-	70,500,000
Long term loans	-	-	108,364	-	108,364
Trade debts	-	-	222,657,222	-	222,657,222
Other receivables	-	-	1,598,691	-	1,598,691
Cash and bank balances	791,793	-	23,558,134	-	24,349,927
	791,793	70,500,000	247,922,411	-	319,214,204
FINANCIAL LIABILITIES					
At amortized cost					
Long term loans	94,362,276	378,694,079	7,030,924	4,596,964	484,684,243
Trade and other payables	-	-	461,206,026	-	461,206,026
Mark up accured on loans	-	-	40,650,137	-	40,650,137
	94,362,276	378,694,079	508,887,087	4,596,964	986,540,406

36 FINANCIAL RISK MANAGEMENT OBJECTIVES

The Company finances its operations through equity, borrowings and management of working capital with a view to maintain a reasonable mix between the various sources of finance to minimize risk. Taken as a whole, risk arising from the Company's financial instruments is limited as there is no significant exposure to market risk in respect of such instruments.

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

36.1 Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk arises when a number of counterparties are engaged in similar business. The financial assets that are exposed to credit risk are as follows:

	2012 Rupees	2011 Rupees
Long term loans	**145,276**	108,364
Trade debts - unsecured	**184,808,682**	222,657,222
Trade deposits and short term prepayments	**3,678,714**	1,598,691
Cash and bank balances	**5,395,650**	24,349,927
	194,028,322	248,714,204

36.1.1 Impairment losses

The aging of financial assets at the reporting date was:

	2012		2011	
	Gross value	Impairment	Gross value	Impairment
	--	Rupees	--	
Not past due	**-**	**-**	-	-
Past due < 1 year	**-**	**-**	-	
Past due 1 year to 2 years	**184,299,082**	**-**	222,147,622	-
More than 2 years	**-**	**-**	-	-
More than 3 years	**509,600**	**509,600**	509,600	509,600
Total	**184,808,682**	**509,600**	222,657,222	509,600

The Company believes that no impairment allowance is necessary in respect of financial assets past due other than amount provided. Financial assets are essentially due from credit worthy parties. The Company is actively pursuing for recovery of debts and the Company does not expect these parties to fail to meet their obligations.

36.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities (including interest payments):

The table below summarizes the maturity profile of the Company's financial liabilities as at Sep' 30, 2012 based on contractual undiscounted payment dates and present market interest rate:

	2012			
	Carrying amount	Contractual cash flows	Twelve months or less	Two to five years
	----------Rupees----------			
Non-Derivative Financial liabilities				
Long term financing	466,397,707	412,386,182	226,396,811	269,279,824
Trade and other payables	485,065,978	485,065,978	485,065,978	-
Accrued mark-up	45,142,944	45,142,944	45,142,944	-
	996,606,629	942,595,104	756,605,733	269,279,824

	2011			
	Carrying amount	Contractual cash flows	Twelve months or less	Two to five years
	----------Rupees----------			
Non-Derivative Financial liabilities				
Long term financing	484,684,245	424,933,969	204,337,420	275,389,772
Trade and other payables	461,206,026	461,206,026	461,206,026	-
Accrued mark-up	40,650,137	40,650,137	40,650,137	-
	986,540,408	926,790,132	706,193,583	275,389,772

36.3 Market risk

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

36.3.1 **Foreign exchange risk management**

Foreign currency risk arises mainly where balances exist due to the transactions with foreign undertakings. The Company is/ was not exposed to foreign exchange risk as at Sep' 30, 2012 & 2011 as no balances existed at the said dates due to transactions with foreign undertakings. The management has decided that hedging its foreign currency borrowings, if any, will be more expensive than self assuming the risk. The risk management strategy is reviewed each year on the basis of market conditions.

36.3.2 **Yield/ Mark-up rate risk**

Yield/ markup rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market yield/ mark-up rates. Sensitivity to yield/ mark-up rate risk arises from mismatches of financial assets and liabilities that mature or reprice in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The Company's exposure to the risk of changes in market interest rates relates primarily to the long-term loans and short-term finances with floating interest rates.

The effective yield/ mark-up rate on the financial assets and liabilities are disclosed in their respective notes to the financial statements.

36.3.3 **Interest rate sensitivity**

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit/ (loss) before tax (through impact on floating rate borrowing). There is only immaterial impact on Company's equity. The analysis excludes the impact of movement in market variables on the carrying values of employees retirement obligation, provision and on non-financial assets and liabilities of the Company. Further, interest rate sensitivity does not have an asymmetric impact on the Company's result.

	Increase/ decrease in basis points	Effect on profit before tax
2012		
Pak Rupee	100	8,159,542
2011		
Pak Rupee	100	6,783,586

36.4 **Equity price risk**

Equity price risk is the risk arising from uncertainties about future values of investments securities. As at balance sheet date, the Company is not exposed to equity price risk.

36.5 **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. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Fair value of all financial assets and financial liabilities are estimated to approximate their respective carrying amount.

36.6 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises mainly where receivables and payables exist due to transactions with foreign buyers and suppliers. However, the Company is not exposed to any significant foreign currency risk.

37 CAPITAL RISK MANAGEMENT

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

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

Consistent with others in the industry, the Company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectation of the shareholders. Debt is calculated as total borrowings.

There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

The Company monitors capital using a debt equity ratio, which is net debt divided by total capital plus net debt. Equity comprises of share capital, capital and revenue reserves. During the year, the Company's strategy was to maintain leveraged gearing. The gearing ratios as at September 30, 2012 and 2011 were as follows:

	2012 Rupees	2011 Rupees
Long term finance	353,254,607	383,291,045
Total debt	353,254,607	383,291,045
Less: Cash and bank balances	5,395,650	24,349,927
Net debt	347,858,957	358,941,118
Total equity	(68,436,430)	30,728,752
Total capital	279,422,527	389,669,870
Gearing ratio	80%	92%

The Company finances its operations through equity, borrowings and management of working capital with a view to maintain an appropriate mix between various sources of finance to minimize risk. The management of the Company continuing with operational and infrastructure rehabilitation program with the objective of converting the Company into profitable entity and has taken financial measures to support such rehabilitation program. In calculating above gearing ratio surplus on revaluation on fixed assets (refer note 15) was not taken into account, had such reserves was considered gearing ratio would have improved to 47% (2011:45%).

38 ACCOUNTING ESTIMATES AND JUDGMENTS

38.1 Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in Note 18.1 to the financial statement for valuation of present value of defined obligations and fair value of plan assets any changes in these assumptions in future years might effect gains and losses in those years.

38.2 Property, plant and equipment

The Company's management determines the estimated useful life and related depreciation charge for its property, plant and equipment. The Company reviews the value of the assets for possible impairment on an annual base. Any change in the estimates in future years might affect the carrying amount of the respective items of the property, plant and equipments with a corresponding effect on the depreciation charged and impairment.

38.3 Income taxes

In making the estimates for income taxes currently payable by the Company, the management considers the current income tax law and the decisions of appellate authorities on certain issues in the past.

39 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise directors, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with related parties. Amounts due from and to related parties are shown under receivables and payables, remuneration of directors and key management personnel is disclosed in note 33. During the year there is no significant transactions with related parties except contribution paid to the post employment benefits as disclosed in respective note.

40 MOVEMENT IN WORKING CAPITAL

	2012 Rupees	2011 Rupees
(Increase) / Decrease in current assets		
Stores, spares and loose tools	**(3,787,256)**	3,965,419
Stock in trade	**(63,259,316)**	(270,024,790)
Trade debts	**37,848,540**	78,262,654
Loans and advances	**(2,939,581)**	(3,154,092)
Prepayments and other receivables	**(8,064,628)**	906,305
	(40,202,241)	(190,044,504)
Increase / (Decrease) in current liabilities		
Trade and other payables	**26,823,412**	193,565,287
	(13,378,829)	3,520,783

41 DATE OF AUTHORIZATION

The financial statements were authorized for issue on December 31, 2012 by the board of directors of the Company.

42 GENERAL

- Figures have been rounded off to the nearest rupee.

- Figures have been rearrange and reclassified where necessary.

Dinshaw H. Anklesaria
Chief Executive/Director

Syed Abid Hussain
Director

SIX YEARS' REVIEW AT A GLANCE

FINANCIAL RESULTS		2012	2011	2010	2009	2008	2007
		(Rs. in 000)					
Sales		2,463,907	3,125,044	3,193,219	920,514	1,287,136	989,035
Gross (loss) / profit		56,038	41,208	217,471	17,067	48,056	(37,631)
Operating (loss) / profit		(59,064)	(61,978)	126,643	(42,109)	7,699	(77,890)
Profit/ (loss) before taxation		(151,870)	(133,211)	47,753	491,664	(30,736)	(117,215)
Profit/(loss) after taxation		(134,858)	(148,545)	46,405	394,754	(30,736)	(122,166)
Accumulated loss for the year		(291,516)	(192,351)	(76,324)	(157,609)	(732,996)	(530,534)

OPERATING RESULTS		2012	2011	2010	2009	2008	2007
Sugarcane crushed	(tonnes)	559,968	615,017	543,353	330,553	805,388	496,251
Sugar recovery	(%)	9.75	8.66	9.155	8.3250	8.5056	8.002
Sugar produced	(tonnes)	54,575	53,250	49,702	27,555	68,440	39,715
Molasses recovery	(%)	4.251	4.193	4.563	5.035	5.380	5.058
Molasses produced	(tonnes)	23,800	25,766	23,625	15,850	43,298	25,105
Operating period	(days)	108	149	107	100	144	131

ASSETS EMPLOYEED		2012	2011	2010	2009	2008	2007
		(Rs. in 000)					
Fixed capital expenditure		1,641,428	1,177,285	1,225,657	1,240,080	612,759	645,048
Long term loans and deposits		1,665	783	812	875	857	870
Investments		100,328	89,458	79,766	36,063	-	-
Current assets		707,817	674,273	484,621	394,297	427,073	170,942
Total assets employed		2,451,238	1,941,800	1,790,855	1,671,315	1,040,689	816,860

FINANCED BY		2012	2011	2010	2009	2008	2007
		(Rs. in 000)					
Shareholders' equity		(68,436)	30,729	146,756	65,471	(338,189)	(307,454)
Revaluation on fixed assets		781,462	411,440	432,577	455,249	-	-
Long term liabilities		353,255	383,291	422,473	257,964	276,305	380,912
Deferred liabilities		308,302	220,848	248,930	291,329	4,774	3,918
Current liabilities		1,076,656	895,491	540,120	601,302	1,097,799	739,485
Total funds invested		2,451,238	1,941,799	1,790,856	1,671,315	1,040,689	816,861

Break-up value per share	(Rupees)	(3.07)	1.38	6.58	2.93	(15.16)	(13.78)
Earning per share	(Rupees)	(6.05)	(6.66)	2.08	17.70	(1.38)	(5.48)

FORM OF PROXY

The Company Secretary
SAKRAND SUGAR MILLS LIMITED
41-K, Block 6, P.E.C.H.S.
Karachi-75000

I/We ____

of ____

being a Member of Sakrand Sugar Mills Limited and holder of ____________________

Ordinary Shares, as per Register Folio No. ____________________

hereby appoint ____

who is also a Member of the Company of as my/our Proxy to vote for me/us and on my/our behalf at the 24th Annual General Meeting of the Company to be held on January 31, 2013 and at any adjournment thereof.

Signed ____ day of 2013.

RUPEES FIVE REVENUE STAMP

(Signature should agree with the specimen signature registered with the Company)

NOTE :

1. This form of proxy duly completed and signed, must be depostied at Company's Registered Office not later than 48 hours before the meeting.
2. This form should be signed by the Member or by his/her attorney duly authorized in writing. If the member is a corporation, its common seal should be affixed to instrument.
3. If a proxy is granted by a member who has deposited his/her shares in Central Depository Company of Pakistan Limited, the proxy must be accompanied with participant's ID number and CDC account/sub-account number alongwith attested photocopies of Computerized National Identity Card (CNIC) or the passport of the beneficial owner. Representatives of corporate members should bring the usual documents required for such purpose.