BABA FARID SUGAR MILLS LIMITED

BABA FARID SUGAR MILLS LTD.

OKARA

34th Annual Report 2012

CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS:	Muhammad Sarwar	Chief Executive
	Mr. Shahid Mahmood Quarshi	
	Syed Qaissar Abbas Naqvi	
	Mrs. Naheed Roohi	
	Ms. Rafia Aslam	
	Mr. Mirza Maqsood-ul-Hassan	
	Muhammad Ashraf	
DIRECTRORS RESIGNED:	Mr. Husnain Asad Aslam	
	Muhammad Aslam	
AUDIT COMMITTEE :	Mr. Mirza Maqsood-ul-Hassan	Chairman
	Syed Qaissar Abbas Naqvi	Member
	Mr. Shahid Mahmood Quarshi	Member
COMPANY SECRETARY:	Muhammad Ibrahim	
AUDITORS:	Sheikh & Chaudhri, Chartered Accountants, 166-B, Upper Mall, Lahore	
SHARE REGISTRAR :	M/s. Corplink (Pvt.) Ltd. Wing Arcade, 1-K, Commercial Model Town, Lahore	
BANKERS:	MCB Bank Limited Bank Al-Habib Limited United Bank Limited Habib Bank Limited	
REGISTERED OFFICE:	1st Floor, Panorama Centre, Raja Ghazanfar Ali Khan Road, Saddar, Karachi-75530	
MILLS :	5. K.M. Faisalabad Road, Okara	

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Thirty Fourth Annual General Meeting of the members of Baba Farid Sugar Mills Limited will be held on Tuesday the 29th January 2013 at 12.00 P.M. at Mills Premises, 5 K.M. Faisalabad Road, and Okara to transact the following business:

ORDINARY BUSINESS

To confirm the minutes of 33rd Annual General Meeting held on 27th January 2012.
To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended September 30, 2012 together with the Directors and Auditors Report thereon.
To appoint Auditors for the year ending September 30, 2013 and fix their remuneration. The retiring auditors, Sheikh & Chaudhry, Chartered Accountants, Lahore being eligible have offered themselves for re-appointment.

To elect seven Directors as fixed by the Board of Directors, in accordance with the provisions of Section 178 of the Companies Ordinance, 1984 for the period of 3 years. The retiring directors are Mr. Muhammad Sarwar, Mrs. Naheed Roohi, Ms. Rafia Aslam Mirza Maqsood Ul Hassan, Mr. Muhammad Ashraf, Mr. Shahid Mahmood Qureshi, and Mr. Qaisar Abbas.

SPECIAL BUSINESS

5) To consider and if thought fit, to pass the following resolution as Special Resolution with or without any alteration.

"RESOLVED that the consent of the Company in General Meeting be and is hereby accorded transactions of Industrial Chemicals, purchased from Imporient Chemicals (Pvt.) Ltd., an associated company, at market rates amounting to Rs 20.545 million".

"FURTHER RESOLVED Company can purchase Industrial Chemicals from Imporient Chemicals (Pvt.) Ltd, an associated company, at market rate as and when required".

OTHER BUSINESS
To transact any other business with the permission of the Chair.

By Order of the Board

January 04, 2013

(Muhammad Sarwar)
Chief Executive

NOTES:

1.The share Transfer Books of the company will remain closed from January 22, 2013 to January 29, 2013 (both days inclusive) Physical transfer / CDC transactions IDs received in order at the office of Share Registrar Corplink (Pvt.) Limited, Wings Arcade, 1-K, Commercial Model Town, Lahore at the close of business on January 21, 2013 will be considered in time for attending of meeting.

2.All members should bring their original Computerized National Identity Card at the time of meeting.

3. A member eligible to attend and vote at this Meeting may appoint another member as his / her proxy to attend speaks and votes on his / her behalf. Proxies in order to be effective must reach Company's Registered Office not less than 48 hours before the time of the meeting. Proxies of the members through CDC shall be accompanied with attested copy of their CNIC's. The shareholders through CDC requested to bring original CNICs account number and participant Account Number to produce at the time of attending the meeting.

4. Shareholders are requested to notify any change in their address immediately.

5. In compliance with the requirement of Form –A (Annual Return) all shareholders of the Company are requested to intimate their CNIC number for local shareholders and passport number for foreign shareholders along-with folio number.

6. In accordance with the notification of the Securities and Exchange Commission of Pakistan, SRO 779 (i) 2011 dated 18 August, 2011 dividend warrants should bear CNIC number of the registered member or the authorized person, except in case of minor(s) and corporate members.
Accordingly, Members who have not yet submitted copy of their valid CNIC / NTN (incase of corporate entities) are requested to submit at the office of Share Registrar with Members folio no. mentioned thereon for updating record.

7. Any person who seeks to contest the election of directors shall, whether he is a retiring director or otherwise, file the following documents at its Registered Office, 1st Floor, Panorama Centre, Raja Ghazanfar Ali Khan Road, Saddar, Karachi not later than fourteen days before the date of the above said meeting:

- (i) Notice of his / her intention to offer himself/ herself for the election of directors in terms of Section 178(3) of the Companies Ordinance, 1984.
- (ii) Consent to act as Director in Form 28 under Section 184 of the Companies Ordinance, 1984
- (iii) A detailed profile along with his / her office address as required under SRO 25(1) 2012 dated 16 January 2012.
- (iv) He /she should also confirm that:

He/she is not ineligible to become a Director of the Company under any applicable laws and regulations (including listing regulations of Stock Exchanges).

He/she is not serving as Director in more than seven listed companies simultaneously. Provided that this limit shall not include the directorship in the listed subsidiaries of a listed holding company.

Neither he/she nor his/ her spouse is engaged in the business of brokerage or is a sponsor director or officer of a corporate brokerage house.

VISION AND MISSION STATEMENT

We, at Baba Farid Sugar Mills Limited, always strive hard to stimulate collective efforts of all segments of the Company to achieve desired goals by:

1. satisfying the customers need, providing high-quality products.

2. fulfilling our commitments towards all the stakeholders.

3. providing and environment, which is conducive for the work force where they can work with highest degree of honesty, dedication & motivation.

4. steady growth in earning based on performance through strong returns for our shareholders.

5. becoming a good corporate citizen complying with all Rules and regulations.

DIRECTOR'S REPORT TO THE MEMBERS

The Directors of your company have the pleasure in submitting their 34th annual report together with the Audited Accounts of the company for the year ended September 30, 2012.

OPERATIONAL PERFORMANCE

Operating results for the year under review are summarized below:

		2011-12	2010-11
Season started		18.11.2011	28.11.2010
Season closed		10.03.2012	29.03.2011
Crushing days		114	122
Sugarcane crushed	M.Tons	342,173	310,906
Sugar recovery	%	9.430	9.016
Sugar produced	M.Tons	32,263	28,013
Molasses recovery	%	4.535	4.537
Molasses produced	M.Tons	15,515	14,100

Despite decline in the number of crushing days, the company crushed 342,173 M.Tons of sugarcane and produced 32,263 M.Tons of sugar as compared to 310,906 M.Tons of sugarcane crushed and 28,013 M.Tons of Sugar produced during the last year. As a result sugar produced in the current year was higher by 15.16% from the corresponding year. Production of molasses remained 15,515 M.Tons as against 14,100 M. Tons of last year. Sugar recovery percentage also increased from 9.016 % to 9.430% and molasses percentage decreased from 4.537% to 4.535%. In its efforts to further improve its operational efficiencies and increase production volume, the company during the year had undertaken several measures involving major capital expenditures because of which improvements were witnessed in various key areas of the factory operation.

FINANCIAL RESULTS

An analysis of the key financial results is given below:

	2011-12	2010-11
	(Rupees in Million)	
Sales	1,839.791	950.031
Gross Profit/ (Loss)	52.895	101.869
Net Loss before Taxation	(222.918)	(191.766)
Net Loss after Taxation	(255.874)	(224.089)
Loss per share	(27.08)	(23.71)

During the year under review, although there was an increase in the quantity of sugar sold the sales revenue of the Company declined by 7.85% from the corresponding period last year. This was attributable to sharp decline in the price of sugar sold because of supply glut in the market. For the season 2011-12 Punjab Government fixed the prices of sugarcane at PKR 150 per Maund, an increase of 20% over last year. High cane price and slump in the sugar price resulted in the Company making increase in the operation loss as compare to the previous year. Due to decline in discount rates by State Bank of Pakistan and better working capital management by the company, there was a decline in the finance cost during the year under review.

DIVIDEND

Because of the loss sustained by the company during the year under review, the Directors do not recommend any dividend for the year.

GOING CONCERN

In the Auditors Report to the Members, The Auditors have raised doubts about the Company's ability to continue as a going concern. The Sugar Industry is facing high sugar cane price multiplied by the maneuvering of middle men, contributing toward the high production cost of sugar which have affected the Company's profitability. The situation is being watched carefully by the new management and for improving the financial position of the Company, which includes continued assurance, arrangements and providing of funds by the holding Company as and when required for prompt discharging of its liabilities including financial obligations. The management has sincere believe and does not have any doubts about the Company's ability to continue as a going concern and also justify the preparation of financial statements on the going concern basis.

FUTURE PROSPECTS

Initial expected sugarcane crop for the season 2012-13 is 72.46 MMT, an increase of 10 percent over the previous year due to an anticipated increase in planting area. But despite increase in sugarcane minimum support price to Rs.170 per 40 Kg. from Rs.150 per 40 Kg. growers are still demanding higher prices. Currently (season 2012-2013) we are paying around Rs.175/- per 40 Kg of sugarcane.

Neighboring mills and middlemen have also started unhealthy competition resulting in price hike and disturbed cane supply to the mills. Your management has taken some positive measures to improve cane supply to mill. It is very important for the industry that sugarcane price is contained at the government support price and the role of middlemen be eliminated by introducing previously practiced zone based procurement system.

Research and Development is also long over due in the cultivation of good quality sugarcane to increase existing rather static average yield per hectare of 43-50 Tons/ hectare plus average sugar recovery of 9.0% to 9.5%. Thus vital work needs to be undertaken expeditiously at every level.

Continued efforts are underway led by the Pakistan Sugar Mills Association to persuade the Government of Pakistan to consider adoption of a more reliable sugarcane payment system linking the price of cane with the sugar content as being used in Australia and other countries of the world, based on cane quality, a fair deal to growers and millers as well. At present in Pakistan sugarcane is the only crop that gets paid by weight and not by quality. The system does not provide for any incentive to the grower to improve his crop particularly towers the most crucial aspect, the sugar content. Unless such mechanism is not adopted in Pakistan further expansion in the production will remain in jeopardy while all potentials exist to improve yield and recovery and utilize the already built production capacity.

The management of the company is anticipating a tough and challenging season for the sugar industry and is doing its utmost efforts to improve the profitability of the company by focusing on reduction of production cost especially financial cost and improvement in production efficiencies. We have devised a long term strategy to cope with the situation to reduce our dependence on the borrowing in the coming years.

CHANGE OF BOARD OF DIRECTORS AND MANAGEMENT

Mr. Muhammad Aslam and Mr. Husnain Asad Aslam, Directors of the Company resigned and the Board appointed Mr. Shahid Mahmood Quarshi and Mr. Qaissar Abbas Naqvi as Director.

After the above mentioned change, Board of Directors of your company stands as follows:

1. Muhammad Sarwar
2. Mr. Shahid Mahmood Quarshi
3. Mr. Qaissar Abbas Naqvi
4. Mrs. Naheed Roohi
5. Ms. Rafia Aslam
6. Mr. Maqsood-ul-Hasan
7. Muhammad Ashraf

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance set out by the Karachi, Lahore and Islamabad Stock Exchanges in their Listing Regulations, relevant to the year ended September 30, 2012 have been duly complied with. A statement to this effect is annexed with the review report from the auditors.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

a) The Board of Directors hereby declares that:

- The financial statements present fairly the state of affairs of the company, the results of its operation, cash flows and changes in equity.
- Proper books of accounts of the company have been maintained.
- Accounting policies as stated in the notes to the financial statements have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, and the requirements of Companies Ordinance 1984 have been followed in preparation of the financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts about the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance as detailed in the listing regulations.
- Information about taxes and levies is given in the notes to the accounts

b) A statement regarding key financial data for the last six years is annexed to this report

c) Four meetings of the Board of Directors were held during the year which was attended by the members of the Board as follows:

Name of Director	No. of Meetings attended
Mr. Husnain Asad Aslam	4
Muhammad Aslam	4
Mrs. Naheed Roohi	4
Mr. M.Maqsood Ul Hassan	4
Muhammad Sarwar	4
Muhammad Ashraf	1
Miss. Rafia Aslam	4

Leave of absence was granted to the directors who could not attend the Board Meetings.

AUDIT COMMITTEE

The Board has constituted an audit committee consisting of three members including chairman of the committee. The committee regularly meets as per requirements of the code.

The committee supervises the internal control procedures through internal audit department and review financial statements periodically, before the same are circulated. The audit committee is also responsible for recommending the appointment of auditors and ensures their independence with regard to services provided by them.

PATTERN OF SHARHOLDING

A statement of pattern of shareholding is annexed.

No trading in the shares of the company was carried out by the Directors, CEO, and CFO, Company Secretary and their spouses and minor children during the year except those that have been duly reported as per law.

AUDITORS

M/s. Shiekh & Chaudhri & Co. Chartered Accountants, will be retired on the date of Annual General Meeting i.e. January 29, 2013.

ACKNOWLEDGEMENT

The Board would like to thank the shareholders and bankers for their trust and continued support extended to the company for its smooth operation. The Board would also like to place on record its appreciation for the efforts, loyalty and hard work of all the workers, staff and management team and hope that the same spirit would continue in future as well.

For and on behalf of the Board

(Muhammad Sarwar)
Chief Executive

Lahore, January 04, 2013

SIX YEARS' REVIEW AT GLANCE

		2012	2011	2010	2009	2008	2007
Production	M.Tons	32,263	28,013	11,249	17,306	31,579	32,685
Crushing	M.Tons	342,173	310,906	143,576	219,035	422,544	433,111
Recovery	%age	9.430	9.016%	7.87%	7.91%	7.47%	7.56%
Support Price	Rupees	150	125	100	80	60	60
Operating results (Million)							
Sale		1,839,791	950,031	657,510	579,326	1,147,881	588,743
Gross Profit/(Loss)		52,895	101,869	(196,077)	(26,895)	56,941	2,783
Net Profit/(Loss) after Taxation		(255,874)	(224,089)	(316,891)	(105,919)	(3,942)	(153,749)
Assets Employed							
Operating assets		1,898,277	1,917,136	1,026,557	1,075,010	1,129,462	357,836
Current assets		753,201	1,028,604	120,245	108,501	130,381	558,681
Others		578,575	578,575	21,220	25,320	25,299	33,892
Ratios							
Gross Profit/(Loss)		2.90%	10.72%	(29.82)%	(4.64)%	4.96%	0.47%

STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CORPORATE GOVERNANCE FOR THE YEAR ENDED SEPTEMBER 30, 2012

The statement is being presented to comply with the Code of Corporate Governance as contained in Regulation No.35, Chapter No. XI of the Listing Regulations of the Karachi Stock Exchange, Lahore Stock Exchange and Islamabad Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance. The company has applied the principles contained in the Code in the following manner:

1. Company encourages the representation of non-executive directors on its Board. At present the Board of Directors includes four independent non-executive directors.
2. The members of the Board have confirmed that none of them is serving as a Director in more than ten listed companies including the company.
3. All members of the Board are registered tax-payers and none of them has defaulted in payment of any loan to a banking company, a DFI or a NBFI. None of the director is a member of any stock exchange.
4. Casual vacancy occurring on the Board during the year ended September 30, 2012 was duly filled up by the Directors within 30 days thereof save as restricted by Listed Companies (Substantial Acquisition of Voting Shares and Take-overs) Ordinance, 2002.
5. The meetings of the Board is presided over by the Chairman and, in his absence by a director elected by the Board for this purpose and the Board has met at least once in every quarter. Written notices of the Board meeting, along with agenda, were circulated at least seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated.
6. The Directors have been provided orientation to apprise them of their duties and responsibilities.
7. The company has prepared a "Statement of Ethics and Business Practices" which has been signed by the directors and employees of the company.
8. The company has developed a vision/mission statement, overall corporate strategy and significant policies of the Company duly approved by the Board. A complete record of particulars of significant policies, along with the dates on which they were approved or amended and has been maintained.
9. The Board has approved appointment of CFO, Company Secretary and head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by CEO.
10. The Board has set up an effective internal audit function.
11. The financial statements of the company were duly endorsed by the CEO and CFO before approval of the Board.
12. The Directors report for this year has been prepared in compliance with the requirement of the code and fully describes the salient matters required to be disclosed.
13. The Directors, CEO and executive 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. All the powers of the Board have been fully exercised and the Board has taken decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors.

16. The Board has constituted an audit committee. It comprises three members, of whom two are non-executive directors.

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

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

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors.

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

On behalf of the Board

(Muhammad Sarwar)
Chief Executive

Lahore: January 04, 2013

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of BABA FARID SURAR MILLS LIMITED ("the Company") for the year ended September 30, 2012 to comply with the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges, where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control system sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

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

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 respect, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended September 30, 2012.

SHEIKH & CHAUDHRI
Chartered Accountants
Audit Engagement Partner: Muhammad Saeed Malik

Lahore
January 04, 2013

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of BABA FARID SUGAR MILLS LIMITED ("the Company") as at September 30, 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

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

(b) in our opinion:

- (i) the balance sheet and profit and loss account 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 expect note 4.6 with which we concurre;
- (ii) the expenditure incurred during the year was for the purpose of the company's business; and the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

© in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the companies' affairs as at September 30, 2012 and of the loss, total comprehensive loss, its cash flows and changes in equity for the year then ended, and

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

Without qualifying our conclusion, we draw attention to note 2 to the financial statements. During the current financial year, the Company has sustained loss before tax amounting to Rs. 222,917,795 (2011: Rs. 191,766,488) and at balance sheet date its accumulated losses have stood up to Rs. 1,040,822,593(2011: Rs.817,020,347). Further, the Company's equity is in negative and its current liabilities have exceeded its current assets by Rs. 646,551,737 (2011: Rs.236,448,236). These conditions may cast significant doubt about the Company's ability to continue as a going concern.

SHEIKH & CHAUDHRI
Chartered Accountants

January 04, 2013

Audit Engagement Partner: Muhammad Saeed Malik

BALANCE SHEET AS AT SEPTEMBER 30, 2012

	Note	2012 Rupees	2011 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
10,000,000 ordinary shares of Rs.10 each		100,000,000	100,000,000
Issued, subscribed and paid-up capital	5	94,500,000	94,500,000
Accumulated (Loss)		(1,040,822,593)	(817,020,347)
		(946,322,593)	(722,520,347)
Surplus on revaluation of property, plant & equipment	6	1,349,797,462	1,381,869,412
NON CURRENT LIABILITIES			
Long term loans	7	-	45,000,000
Loan from holding company	8	525,000,000	675,000,000
Deferred liability	9	323,838,046	301,926,695
		848,838,046	1,021,926,695
CURRENT LIABILITIES			
Current portion of long term liabilities	10	170,632,000	185,632,000
Short Term finances	11	475,809,350	1,698,059
Trade and other payables	12	531,292,221	807,860,793
Interest and mark-up accrued	13	210,753,696	258,603,699
Provision for taxation		11,269,161	11,258,266
		1,399,756,428	1,265,052,817
TOTAL EQUITY & LIABILITIES		2,652,069,343	2,946,328,577
Contingencies and commitments	14		
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	15	1,898,277,077	1,917,136,421
Long term deposits	16	587,575	587,575
		1,898,864,652	1,917,723,996
CURRENT ASSETS			
Stores, spares and loose tools	17	57,989,765	36,413,596
Stock-in-trade	18	384,157,275	748,020,067
Trade debts		215,954,571	167,515,212
Advances	19	59,046,334	50,857,796
Trade deposits and short term prepayments	20	29,480,399	20,734,718
Other receivables	21	4,465,031	2,330,409
Cash and bank balances	22	2,111,316	2,732,783
		753,204,691	1,028,604,581
TOTAL ASSETS		2,652,069,343	2,946,328,577

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

CHIEF EXECUTIVE **DIRECTOR**

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

	Note	2012 Rupees	2011 Rupees
Sales - Net	23	1,839,791,110	950,031,059
Cost of sales	24	1,786,896,045	848,162,116
Gross profit		52,895,065	101,868,943
Distribution and selling expenses	25	7,678,761	4,232,845
Administrative expenses	26	34,225,949	31,886,490
Other operating expenses	27	-	19,669,528
		41,904,710	55,788,863
Operating profit		10,990,355	46,080,080
Other operating income	28	1,187,970	159,367
Operating profit before finance cost		12,178,325	46,239,447
Finance cost	29	235,096,120	238,005,935
(Loss) before taxation		(222,917,795)	(191,766,488)
Taxation	30	32,956,401	32,322,669
(Loss) for the year		(255,874,196)	(224,089,157)
(Loss) per share - Basic and diluted	31	(27.08)	(23.71)

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

CHIEF EXECUTIVE **DIRECTOR**

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	2012 Rupees	2011 Rupees
(Loss) for the year	(255,874,196)	(224,089,157)
Other comprehensive income		-
Total comprehensive (loss) for the year	(255,874,196)	(224,089,157)

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

CHIEF EXECUTIVE **DIRECTOR**

CASH FLOW STATEMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	Note	2012 Rupees	2011 Rupees
Cash generated from / (used in) operations	32	79,718,034	(84,787,999)
Finance cost paid		(282,283,246)	(17,630,583)
Taxes paid		(17,063,068)	(7,089,545)
Net cash (used in) operating activities		(219,628,280)	(109,508,127)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(45,104,478)	(21,728,757)
Net cash (used in) investing activities		(45,104,478)	(21,728,757)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan from director		-	(10,375,000)
Repayment of lease liability		-	(67,737,252)
Repayment of loan from holding company		(150,000,000)	223,285,963
Repayment of long term loans		(60,000,000)	(15,000,000)
Net cash (used in) / generated from investing activities		(210,000,000)	130,173,711
Net (decrease) in cash and cash equivalents		(474,732,758)	(1,063,173)
Cash and cash equivalents at the beginning of the year		1,034,724	2,097,897
Cash and cash equivalents at end of the year	33	(473,698,034)	1,034,724

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

CHIEF EXECUTIVE

DIRECTOR

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

	Issued, subscribed and paid-up capital	Accumulated (Loss)	Total
	---------------------- Rupees ----------------------		
Balance as at October 01, 2010	94,500,000	(616,117,410)	(521,617,410)
Current year incremental depreciation - net of deferred tax	-	23,186,220	23,186,220
Total comprehensive (loss) for the year	-	(224,089,157)	(224,089,157)
Balance as at September 30, 2011	94,500,000	(817,020,347)	(722,520,347)
Balance as at October 01, 2011	94,500,000	(817,020,347)	(722,520,347)
Current year incremental depreciation - net of deferred tax	-	32,071,950	32,071,950
Total comprehensive (loss) for the year	-	(255,874,196)	(255,874,196)
Balance as at September 30, 2012	94,500,000	(1,040,822,593)	(946,322,593)

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

CHIEF EXECUTIVE DIRECTOR

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

1. STATUS AND NATURE OF BUSINESS

Baba Farid Sugar Mills Limited ("the Company") was incorporated in 1978 under the Companies Ordinance, 1984 as a Public Limited Company and its shares are quoted at Karachi, Lahore and Islamabad Stock Exchanges. It is engaged in manufacturing and sale of sugar including its by-product i.e. molasses and V. Filter cake. The registered office of the Company is situated at 1st Floor, Panorama Center, Raja Ghazanfar Ali Khan Road, Sadar, Karachi and its manufacturing facilities are located in the district Okara, Punjab.

2. GOING CONCERN ASSUMPTION

During the current financial year, the Company has sustained loss before tax amounting to Rs.222,917,795 (2011: Rs.191,766,488) and at balance sheet date its accumulated losses have stood up to Rs.1.040,822,593 (2011: Rs. 817,020,347). Further, the Company's equity is in negative and its current liabilities have exceeded its current assets by Rs.646,551,737 (2011: Rs. 236,448,236). These conditions may cast significant doubt on Company's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. However, the management has taken various measures to improve the financial position of the Company which include the sponsors' continued assurance for arrangement of funds as and when required, prompt discharging of its liabilities including financial obligations, securing growers' commitments for availability of quality sugarcane and hiring of competent management personnel for managing Company's affairs.

The management has firm belief that the above stated measures shall mitigate the doubt about the Company's ability to continue as a going concern and also justifies the preparation of these financial statements on going concern basis.

3. BASIS OF PREPARATION

3.1 Statement of compliance

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

3.2 Basis of measurement

These financial statements have been prepared on the historical cost basis except for freehold land, buildings on freehold land and plant & machinery which are stated at revalued amounts.

3.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is also the Company's functional currency. All financial information presented in Pakistan Rupee has been rounded to the nearest rupee.

3.4 use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affects the application of policies and reported amounts of assets and liabilities, incomes and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

- Staff retirement benefits - gratuity
- Provision for taxation
- Residual values and useful lives of depreciable assets
- Provisions and contingencies

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

The following amendments to published approved standards are mandatory for the Company's accounting periods beginning on or after October 01, 2011:

IFRS 7 (Amendments), 'Financial Instruments', emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments.

IAS 1, 'Presentation of financial statements' (Amendments), now requires an entity to 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 company has preferred to present this analysis in the statement of changes in equity.

IAS 24 (Revised), 'Related Party Disclosures', issued in November 2009. It supersedes IAS 24, 'Related Party Disclosures', issued in 2003. 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.

IAS 32 (Amendment), 'Classification of rights issues', issued in October 2009. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities.

IFRIC 14 (Amendment); 'Prepayments of a minimum funding requirement'. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions.

IFRIC 19, 'Extinguishing financial liabilities with equity instruments'. 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 recognized 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.

3.6 Standards, interpretations and amendments to published approved standards that are not yet effective and not considered relevant to the company.

There are other new interpretations and amendments to the published approved standards that are mandatory for accounting periods beginning on or after October 01, 2012 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after January 01, 2013). This Standard is the first step in the process to replace IAS-39 'Financial Instruments: Recognition And Measurement'. IFRS 9 introduces new requirements for classifying and measuring Financial Assets and is likely to affect the company's accounting for its financial assets.

IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after October 01, 2012). The new disclosure requirements apply to transfer of financial assets. An entity transfers a financial asset when it transfers the contractual rights to receive cash flows of the asset to another party. These amendments are part of the IASBs comprehensive review of off balance sheet activities. The amendments will promote transparency in the reporting of transfer transactions and improve user's understanding of the risk exposures relating to transfers of financial assets and the affects of those risks on an entity's financial position, particularly those involving securitization of financial asset. The management of the company is in the process of evaluating the impacts of the aforesaid amendment on the company's financial statements.

IFRS 10, 'Consolidated Financial Statements', applicable from January 01, 2013, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

IFRS 11, 'Joint Arrangements', applicable from January 01, 2013, is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The company will apply this standard from April 01, 2013.

IFRS 12 'Disclosure of interest in other Entities' (effective for annual periods beginning on or after January 01, 2013). IFRS 12 applies to entities that have an interest in subsidiaries, joint arrangements, associates or unconsolidated structured entities. IFRS 12 establishes disclosure objectives and specifies minimum disclosures that an entity must provide to meet those objectives. IFRS 12 requires an entity to disclose information that helps users of its financial statements evaluate the nature of and risks associated with its interests in other entities and the affects of those interest on its financial statements. The management of the Company is in the process of evaluating the impacts of the aforesaid standard.

IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after January 01, 2013). IFRS 13 establishes a single framework for measuring fair value where that is required by other standards. IFRS 13 applies to both financial and non financial items measured at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The management of the company is in the process of evaluating the impacts of the aforesaid standard on the company's financial statements.

IAS-1 (Amendments), 'Presentation of Financial Statements' (effective for annual periods beginning on or after October 01, 2012). It 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.

IAS 12, ‘Income Taxes’ (Amendments). These are applicable on accounting periods beginning on or after January 01, 2012. IAS 12, ‘Income taxes’, currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40, ‘Investment Property’. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, ‘Income taxes − recovery of revalued non-depreciable assets’, will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. The company will apply these amendments from October 01, 2012.

IAS 19, ‘Employee Benefits’ (Amendment). The amendment will eliminate the corridor approach and calculate finance costs on a net funding basis. The amendments are not applicable until April 01, 2013 but is available for early adoption.

There are other amendments resulting from annual improvements project initiated by International Accounting Standards' Board in May 2010, specifically in IFRS 7 'Financial Instruments: Disclosure', IAS-1 'Presentation of Financial Statements' and IAS-24 'Related Party Disclosures' that are considered relevant to the company's financial statements. These amendments are unlikely to have a significant impact on the company's financial statements and have therefore not been analyzed in detail.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Property, plant and equipment and depreciation

Owned assets

Property, plant and equipment except freehold land, buildings on freehold land and plant and machinery are stated at cost less accumulated depreciation and impairment losses, if any. Buildings on freehold land and plant and machinery are stated at revalued amounts less accumulated depreciation and impairment losses, if any. Freehold land is stated at revalued amount and actual cost to date respectively.

Subsequent cost

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The carrying amount of the part so replaced is derecognized. The cost of the day-to-day servicing of property, plant and equipment are recognized in profit and loss account as incurred.

Depreciation

Depreciation is charged to profit and loss account applying the reducing balance method over its estimated useful life at the rates specified in note 15.1 to the financial statements. Depreciation on additions to property, plant and equipment is charged from the month in which property, plant and equipment become available for use while no depreciation is charged for the month in which property, plant and equipment is disposed off.

Assets residual values, if significant and useful lives are reviewed and adjusted, if appropriate at each balance sheet date. Gains or losses on disposal of property, plant and equipment are recognized in profit and loss account.

Surplus on revalued property, plant and equipment

Surplus arising on revaluation is credited to surplus on revaluation of property, plant and equipment. This surplus on revaluation, to the extent of incremental depreciation, is transferred to accumulated profit, net of deferred tax.

Impairment

Where the carrying amount of asset exceeds its estimated recoverable amount it is written down immediately to its recoverable amount.

Leased assets

Leases in terms of which the company assumes substantially all the risks and rewards of ownership are classified as finance lease. Asset acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of minimum lease payments at the inception of the lease less accumulated depreciation and impairment losses, if any.

Depreciation is charged on the same basis as used for owned asset. Financial charges are allocated to accounting period in a manner so as to provide a constant rate of charge on outstanding liability.

4.2 Stores and spares and loose tools

Stores, spares and loose tools are valued at lower of weighted average cost and net realizable value, less provision for impairment if any. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

Provision for obsolete and slow moving stores, spares and loose tools is determined based on management's estimate regarding their future usability.

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

Spare parts of capital nature which can be used only in connection with an item of property, plant and equipment are classified as tangible fixed assets under the ‘plant and machinery’ category and are depreciated over a time period not exceeding the useful life of the related assets.

4.3 Stock-in-trade

These are valued at the lower of cost and net realizable value. Cost is computed applying the following basis:

Raw material	- at weighted averaged cost
Work-in-process	- at manufacturing average cost
Finished goods	- at manufacturing average cost
Molasses	- at net realizable value

Cost in relation to finished goods and work-in-process represents the average manufacturing cost which consists of prime cost and appropriate production overheads.

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

4.4 Trade debts and other receivables

These are initially stated at fair value and subsequently measured at amortized cost using effective interest rate method less provisions for any uncollectible amounts. An estimate is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written off.

4.5 Cash and cash equivalents

Cash and cash equivalents are carried at cost in the balance sheet. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, balances with banks and short term finances.

4.6 Staff retirement benefits (defined benefit plan)

The Company operates an un-funded retirement gratuity scheme for its eligible employees. Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on September 30, 2012 on the basis of the projected unit credit method by an independent Actuary.

4.7 Trade and other payables

Liabilities for trade and other payables are carried at cost, which is the fair value of consideration to be paid in the future for goods and services received, whether or not billed to the Company.

4.8 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at fair value, less attributable transaction cost. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

4.9 Taxation

- Current

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

- Deferred

Deferred tax is provided using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted at the balance sheet date.

Deferred tax liabilities are recognized for all taxable temporary differences. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the assets can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

4.10 Borrowing costs

Borrowing cost incurred on long term finances directly attributable for the construction / acquisition of qualifying assets are capitalized up to the date, the respective assets are available for intended use. All other mark-up, interest and other related charges are taken to the profit and loss account currently

5. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL	Note	2012 Rupees	2011 Rupees
5.1 Authorized capital			
10,000,000 (2011: 10,000,000) ordinary shares of Rs.10 each		100,000,000	100,000,000
5.2 Issued, subscribed and and paid up capital			
6,400,000 (2011: 6,400,000) ordinary shares of Rs.10 each		64,000,000	64,000,000
3,050,000 (2011: 3,050,000) bonus shares of Rs.10 each		30,500,000	30,500,000
		94,500,000	94,500,000

As at the September 30, 2012 M/s Pattoki Sugar Mills Limited (the holding company) holds 7,696,072 (81.44%) shares of the Company.

6. SURPLUS ON REVALUATION OF PROPERTY, PLANT & EQUIPMENT

The company, during the financial year ended September 30, 2006, revalued its freehold land. Thereafter, freehold land, buildings on freehold land and plant & machinery were revalued during the financial years ended September 30, 2008 and September 30, 2011. The latest revaluation exercise was carried out by the independent valuers - Dimen Associates (Private) Limited (Approved Valuer of Pakistan Bank Association) on the basis of depreciated market value.

	2012 Rupees	2011 Rupees
Balance at beginning of the year	1,381,869,412	571,453,138
Add: surplus arisen on the revaluation carried-out during the year	-	918,548,248
Less: transferred to accumulated loss on account of incremental depreciation for the year	(49,341,462)	(35,671,108)
	(49,341,462)	882,877,140
Less: deferred tax on:		
- surplus on revaluation of property, plant and equipment during the year	-	84,945,754
- incremental depreciation	(17,269,512)	(12,484,888)
	(17,269,512)	72,460,866
	1,349,797,462	1,381,869,412

7. LONG TERM LOAN- Secured	Note	2012 Rupees	2011 Rupees
Opening Balance	7.1	60,000,000	75,000,000
Payments made during the year		(60,000,000)	(15,000,000)
		-	60,000,000
Less: Current portion	10	-	(15,000,000)
		-	45,000,000

7.1 This represents loan from Summit Bank Limited (formerly called My Bank Limited) to meet the working capital requirements of the Company and carries mark-up at 3 months KIBOR plus bank spread of 4% with no floor no cap. This was secured by way of first pari passu charge over plant and machinery of the company. The loan was repayable in nine semi-annual installments up to December , 2014. However, it has been fully repaid during the current financial year.

8. LOAN FROM HOLDING COMPANY

	Note	2012 Rupees	2011 Rupees
Pattoki Sugar Mills Limited		675,000,000	825,000,000
Less: Current portion	**10**	(150,000,000)	(150,000,000)
		525,000,000	675,000,000

8.1 The Company obtained unsecured loan from M/s Pattoki Sugar Mills Limited (PSML) - the holding company that carries mark-up at the rate of 3 month's KIBOR plus 2% per annum. The effective mark-up rate charged by PSML during the year ranged from 13.91% to 15.17% (2011: 15.07% to 15.54%) per annum.The loan is repayable after September 30, 2013 and subordinate to the loan from Bank AL Habib Limited.

9. DEFERRED LIABILITY

	Note	2012 Rupees	2011 Rupees
Deferred taxation	**9.1**	323,613,935	301,926,695
Staff retirement benefits - gratuity	**9.2**	224,111	-
		323,838,046	301,926,695

9.1 Deferred liability on temporary differences:

	2012	2011
Taxable temporary differences		
Surplus on revaluation of assets	278,711,601	295,981,113
Accelerated tax depreciation	26,504,303	30,646,176
Finance lease arrangements	26,656,050	28,439,063
	331,871,954	355,066,352
Deductible temporary differences		
Provision for gratuity	(78,439)	-
Unabsorbed tax depreciation	(6,595,585)	(51,555,662)
Provision for obsolescence of stores, spares and loose tools	(1,583,995)	(1,583,995)
	(8,258,019)	(53,139,657)
	323,613,935	301,926,695

The tax losses available for carry forward as at September 30, 2012 are Rs.739,129,351 (2011: Rs. 616,126,805) out of which Rs.18,844,528 (2011: Rs.147,301,890) relates to unabsorbed depreciation. During the current year, the Company has surrendered its assessed losses amounting to Rs.377,866,971 to its holding Company under section 59B of the Income Tax Ordinance, 2001. Deferred tax assets has been recognized to the extent of unabsorbed tax depreciation in respect of which there is no limitation of carry forward under the income tax law and the management considers that foreseeable future profits would be available against which such losses can be set off.

9.2 Staff retirement benefits - gratuity

	2012 Rupees	2011 Rupees
The amount recognized in the balance sheet is as follows:		
Present value of defined benefit obligation	224,111	-
Unrecognized actuarial loss	-	-
Net liability at end of the year	224,111	-
Net liability at beginning of the year	-	-
Charge to profit and loss account	224,111	-
Payments made during the year	-	-
Net liability at end of the year	224,111	-
The movement in the present value of defined benefit obligation is as follows:		
Opening balance	-	-
Current service cost	194,362	-
Interest cost	3,068	-
Unrecognized transitional liability	26,681	
Benefits paid	-	-
Actuarial loss	-	-
Closing balance	224,111	-
Expense recognized in profit and loss account		
Current service cost	194,362	-
Interest cost	3,068	-
Unrecognized transitional liability	26,681	-
Actuarial loss recognized	-	-
Charge for the year	224,111	-

Comparison of present value of defined benefit obligation and experience adjustment on obligation for five years is as follows:

	2012	2011	2010	2009	2008
	……………………………Rupees……………………………				
Present value of defined benefit obligation	224,111	-	-	-	-
Experience adjustment on obligation	-	-	-	-	-

The future contribution rates of this scheme include allowance for deficit and surplus. Projected unit credit method, based on the following significant assumptions, is used for valuation:

	2012	2011
- discount rate	11.50%	-
- expected rate of growth per annum in future salaries	10.50%	-
- average expected remaining working life time of employees	12 years	-

10. CURRENT PORTION OF LONG TERM LIABILITIES

	Note	2012 Rupees	2011 Rupees
Long term loans	7	-	15,000,000
Loan from holding company	8	150,000,000	150,000,000
Liability against assets subject to finance lease - (Overdue)		20,632,000	20,632,000
		170,632,000	185,632,000

11. SHORT TERM FINANCES

Bank ALHabib Limited			
Cash finance	11.1	381,825,000	-
Running finance	11.2	50,000,000	-
Foreign Documentary Bills Purchase (F.D.B.P)	11.3	43,984,350	-
Temporary bank overdraft		-	1,698,059
		475,809,350	1,698,059

11.1 The Company has obtained cash finance facilities amounting to Rs. 500 million (2011: Rs. Nil). The mark up rate applicable during the year was 3 months KIBOR plus 1.50% per annum (2011: Nil). These are secured against pledge of sugar bags of the Company, corporate guarantee of the holding Company and personal guarantee of Directors and Chief Executive of the Company.

11.2 The Company has obtained running finance facility amounting to Rs. 50 million (2011: Rs. Nil). The mark up rates applicable during the year was 3 months KIBOR plus 1.75% per annum (2011: Rs Nil). The facility is secured against pledge of sugar bags of the Company, corporate guarantee of the holding Company, personal guarantee of Directors and Chief Executive of the Company and ranking charge over plant & machinery of the Company.

11.3 The limit of this facility is Rs. 44.64 million and is available for discounting of foreign bills at the rate of 4% per annum. It is secured against lien over export documents and is repayable on realization of export proceeds.

11.4 The facilities for opening letters of credit and letters of guarantee as at September 30, 2012 available to the Company amounted to Rs.31.409 million and Rs. 7.463 million respectively (2011: Rs. Nil and Rs. Nil). Amounts unutilized for letters of credit and letters of guarantee as at September 30, 2012 were Rs.2.677 million and Rs.7.463 million respectively (2011: Rs. Nil and Rs. Nil). These facilities are secured against shipping documents, corporate guarantee of the holding Company, ranking charge over plant & machinery and personal guarantee of Directors and Chief Executive of the Company.

12. TRADE AND OTHER PAYABLES

Creditors	41,416,578	65,371,931
Due to holding company	312,744,880	700,457,328
Advances from customers	164,345,658	12,562,579
Accrued charges	7,009,616	9,608,438
Unclaimed Dividend	2,597,511	2,597,511
Taxes and duties payable	571,041	15,628,286
Other liabilities	2,606,937	1,634,720
	531,292,221	807,860,793

13. INTEREST AND MARK-UP ACCRUED

	Note	2012 Rupees	2011 Rupees
On long term loans		-	2,872,758
On loan from holding company		194,760,750	255,730,941
On short term finances		15,992,946	-
		210,753,696	258,603,699

14. CONTINGENCIES AND COMMITMENTS

Contingencies

- The LTU-FBR has preferred a reference before Income Tax Appellate (ITAT) for the assessment year 1996 - 1997 against the decision of CIT appeals. The department has also filed petition for leave to appeal before the honorable Supreme Court of Pakistan for the assessment year 1999 - 2000 and tax year 2006 against the order in the favour of the company by the honorable High Court of Sindh. In the opinion of the tax advisor the ultimate appellate decision is likely to be in Company's favour, hence no provision is made in these accounts as there will be no tax impact of the matter in view of brought forward tax losses.

- The Company has filed reference application before the Honorable High Court of Sindh against the decision of ITAT in respect of assessment year 2000 -2001, the reference application is pending before the honorable High Court Sindh. The Company has also filed the appeal before the Commissioner of income tax appeals against addition made by the assessing officer for the assessment year 2002 - 2003 which is pending for adjudication.

- In view of the favorable decision of the higher appellate forums on the like issue in prior years the management is hopeful about favorable outcome in above matters. Hence no provision is made in these account as there will be no tax impact of the matter in view of brought forward losses.

- The Company has filed an appeal before the Tribunal against the order of Commissioner Inland Revenue disallowing refund of further tax on the ground that the incidence of the tax has been passed on the consumers and the Company is not entitled to claim refund in terms of Section 3 (B) of the sales Tax Act, 1990. The management of the Company is of the view that outcome of the suit would be in favour of the company.

Commitments

- Letters of credit for capital expenditure amounting to Rs. 28.732 million (2011: Rs. Nil).

- Counter guarantee in favour of Trading Corporation of Pakistan amounting to Rs. 7.463 million.

15. PROPERTY, PLANT AND EQUIPMENT

	Note	2012 Rupees	2011 Rupees
Operating fixed assets	**15.1**	1,872,137,706	1,917,136,421
Capital work in progress		26,139,371	-
		1,898,277,077	1,917,136,421

15.1 Operating fixed assets

	OWNED ASSETS									LEASED ASSETS	GRAND TOTAL
	Land - Freehold	Buildings on freehold land	Plant and machinery	Electric Installation	Tools and Equipment	Vehicles	Furniture and fixture	Equipment	Total	Plant and machinery	
	RUPEES										
Net carrying value as at October 01, 2011											
Opening net book value	840,150,000	165,920,182	799,749,550	1,029,969	558,208	2,146,270	841,333	4,854,442	1,815,249,954	101,886,467	1,917,136,421
Additions	-	239,173	15,570,753	-	1,148,841	1,726,600	128,305	151,435	18,965,107	-	18,965,107
Depreciation for the year	-	(16,607,408)	(40,679,297)	(102,997)	(161,132)	(724,709)	(95,557)	(498,399)	(58,869,499)	(5,094,323)	(63,963,822)
Closing net book value	**840,150,000**	**149,551,947**	**774,641,006**	**926,972**	**1,545,917**	**3,148,161**	**874,081**	**4,507,478**	**1,775,345,562**	**96,792,144**	**1,872,137,706**
Gross carrying value as at September 30, 2012											
Cost	840,150,000	244,624,903	1,226,874,193	9,674,395	4,280,715	21,953,628	5,696,382	12,444,826	2,365,699,042	181,169,497	2,546,868,539
Accumulated depreciation	-	(95,072,956)	(452,233,187)	(8,747,423)	(2,734,798)	(18,805,467)	(4,822,301)	(7,937,348)	(590,353,480)	(84,377,353)	(674,730,833)
	840,150,000	**149,551,947**	**774,641,006**	**926,972**	**1,545,917**	**3,148,161**	**874,081**	**4,507,478**	**1,775,345,562**	**96,792,144**	**1,872,137,706**
Net carrying value as at October 1, 2010											
Opening net book value	164,303,906	74,463,550	670,104,665	1,144,410	528,690	2,682,838	934,815	5,145,531	919,308,405	107,248,913	1,026,557,318
Surplus on revaluation	675,846,094	99,734,105	142,968,049	-	-	-	-	-	918,548,248	-	918,548,248
Additions	-		21,405,392	-	87,360	-	-	236,005	21,728,757	-	21,728,757
Depreciation for the year	-	(8,277,473)	(34,728,556)	(114,441)	(57,842)	(536,568)	(93,482)	(527,094)	(44,335,456)	(5,362,446)	(49,697,902)
Closing net book value	**840,150,000**	**165,920,182**	**799,749,550**	**1,029,969**	**558,208**	**2,146,270**	**841,333**	**4,854,442**	**1,815,249,954**	**101,886,467**	**1,917,136,421**
Gross carrying value as at September 30, 2011											
Cost	840,150,000	244,385,730	1,211,303,440	9,674,395	3,131,874	20,227,028	5,568,077	12,293,391	2,346,733,935	181,169,497	2,527,903,432
Accumulated depreciation	-	(78,465,548)	(411,553,890)	(8,644,426)	(2,573,666)	(18,080,758)	(4,726,744)	(7,438,949)	(531,483,981)	(79,283,030)	(610,767,011)
	840,150,000	165,920,182	799,749,550	1,029,969	558,208	2,146,270	841,333	4,854,442	1,815,249,954	101,886,467	1,917,136,421
Rate (% age)	**N/A**	**10%**	**5%**	**10%**	**10%**	**20%**	**10%**	**10%**		**5%**	

15.2 Had there been no revaluation the carrying value of revalued assets as at September 30, 2012 would have been as under:

	Note	2012 Rupees	2011 Rupees
Land		7,959,798	7,959,798
Building		22,499,916	24,751,259
Plant and Machinery		105,593,983	95,489,525
		136,053,697	**128,200,582**

15.3 Depreciation charge for the year has been allocated as follows:

	Note	2012	2011
Cost of sales	**24**	57,389,702	43,120,470
Administrative expenses	**26**	6,574,120	6,577,432
		63,963,822	49,697,902

16. LONG TERM DEPOSITS

	Note	2012 Rupees	2011 Rupees
Utilities and others		587,575	587,575

17. STORES, SPARES AND LOOSE TOOLS

	Note	2012 Rupees	2011 Rupees
Stores		25,650,317	7,434,107
Spares		36,653,285	33,426,559
Loose tools		211,863	78,630
		62,515,465	40,939,296
Provision for obsolescence	17.1	(4,525,700)	(4,525,700)
		57,989,765	36,413,596

17.1 Reconciliation of provision

	2012 Rupees	2011 Rupees
Opening balance	4,525,700	4,525,700
Provision made during the year	-	-
Closing balance	4,525,700	4,525,700

18. STOCK-IN-TRADE

	2012 Rupees	2011 Rupees
Work-in-Process		
- Sugar	1,069,021	904,400
- Molasses	73,960	55,800
	1,142,981	960,200
Finished Goods		
- Sugar	381,848,383	728,550,000
- Molasses	-	16,644,431
- V.F Cake	1,165,911	1,865,436
	383,014,294	747,059,867
	384,157,275	748,020,067

19. ADVANCES

	Note	2012 Rupees	2011 Rupees
Unsecured but considered good:			
Advances to cane growers	19.1	37,536,608	38,215,971
Advances to employees - Interest free		780,555	648,282
Advance for store purchases		10,052,784	6,605,609
Advance against expenses		942,393	1,458,742
Advance income tax		9,733,994	3,929,192
		59,046,334	50,857,796

19.1 This represents provision of cane seeds, pesticides and fertilizers to cane growers. The balance is adjustable against supply of sugarcane.

20. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	2012 Rupees	2011 Rupees
Security deposit - Lease key money	20,632,000	20,632,000
Prepayments	1,333,605	102,718
Bank guarantee margin	7,514,794	-
	29,480,399	20,734,718

21. OTHER RECEIVABLES

	Note	2012 Rupees	2011 Rupees
Others		434,176	2,330,409
Sales tax refundable		4,030,855	-
		4,465,031	2,330,409

22. CASH AND BANK BALANCES

	Note	2012 Rupees	2011 Rupees
At banks			
- In current accounts		2,029,912	2,456,521
In hand			
- Cash		81,404	276,262
		2,111,316	2,732,783

23. SALES - NET

	Note	2012 Rupees	2011 Rupees
Sugar - Local		1,670,922,813	1,026,034,186
- Export		291,493,000	-
Less: Sales tax and federal excise duty		(122,624,703)	(76,003,127)
		1,839,791,110	950,031,059

24. COST OF SALES

	Note	2012 Rupees	2011 Rupees
Cost of sugarcane consumed (including procurement and other costs)		1,365,161,860	1,548,812,415
Salaries, wages and other benefits	24.1	42,479,089	42,933,804
Stores, spares and loose tools consumed		16,569,323	19,263,152
Chemicals consumed		11,714,388	11,204,403
Packing material consumed		12,218,135	10,091,693
Fuel and power		9,943,369	7,954,404
Repair and maintenance		26,128,095	26,793,283
Vehicle running expenses		761,168	512,100
Depreciation	15.3	57,389,702	43,120,470
Other factory overheads		3,216,275	4,190,332
		1,545,581,404	1,714,876,056
Work in process			
Opening		960,200	7,898,350
Closing		(1,142,981)	(960,200)
		(182,781)	6,938,150
		1,545,398,623	1,721,814,206
Finished goods			
Opening		747,059,867	1,853,698
Closing		(383,014,294)	(747,059,867)
		364,045,573	(745,206,169)
Sale of By products			
Molasses		(121,619,585)	(128,432,421)
V.F.Cake		(928,566)	(13,500)
		(122,548,151)	(128,445,921)
		1,786,896,045	848,162,116

24.1 Salaries, wages and other benefits include staff retirement benefits amounting to Rs.186,895 (2011:Rs.Nil).

25. DISTRIBUTION AND SELLING EXPENSES

	Note	2012 Rupees	2011 Rupees
Salaries, wages and other benefits	25.1	544,786	2,814,572
Entertainment		-	6,627
Stacking, restacking and carriage		1,716,647	1,362,512
Freight on sugar sale		4,330,933	21,000
Other expenses - exports		1,078,979	-
Miscellaneous		7,416	28,134
		7,678,761	4,232,845

25.1 Salaries, wages and other benefits include staff retirement benefits amounting to Rs.14,886 (2011:Rs. Nil)

26. ADMINISTRATIVE EXPENSES

	Note	2012 Rupees	2011 Rupees
Salaries, wages and other benefits	26.1	18,193,929	17,566,497
Traveling and conveyance		286,725	36,672
Rent, rates and taxes		204,463	53,000
Telephone and postage		49,385	7,109
Printing and stationery		276,730	16,666
Fee and subscription		507,405	347,723
Insurance		1,560,550	906,538
Repair and maintenance		168,700	247,410
Vehicle running expenses		4,338,552	4,267,153
Entertainment		54,612	55,590
Advertisement expenses		221,810	29,120
Auditors' remuneration	26.2	440,000	440,000
Legal and professional charges		1,001,919	908,930
Donations	26.3	191,692	315,572
Depreciation	15.3	6,574,120	6,577,432
Miscellaneous		155,357	111,078
		34,225,949	31,886,490

26.1 Salaries, wages and other benefits include staff retirement benefits amounting to Rs.22,330 (2011:Rs. Nil)

26.2 Auditors' remuneration

	2012 Rupees	2011 Rupees
Annual audit fee	300,000	300,000
Review of code of corporate governance	10,000	10,000
Review of half year financial statements	50,000	50,000
	360,000	360,000
Cost audit fee	80,000	80,000
	440,000	440,000

26.3 The company has not paid donation to any organization in which any director or his spouse has any interest.

27. OTHER OPERATING EXPENSES

	2012 Rupees	2011 Rupees
Assets written off	-	19,669,528
	-	19,669,528

28. OTHER OPERATING INCOME

	Note	2012 Rupees	2011 Rupees
Liabilities written back		-	148,842
Gain on foreign currency transactions		1,179,550	-
Miscellaneous Income		8,420	10,525
		1,187,970	159,367

29. FINANCE COST

Mark - up on:			
- long term loan		5,032,669	11,093,632
- loan from holding company		187,929,809	226,722,830
- short term finances		41,470,765	-
Commission and bank charges		662,877	189,473
		235,096,120	238,005,935

30. TAXATION

- Current		11,269,161	11,258,266
- Deferred		21,687,240	21,064,403
		32,956,401	32,322,669

30.1 No numeric tax rate reconciliation is given, as the company is liable to minimum tax.

31. (LOSS) PER SHARE

(Loss) for the year		(255,874,196)	(224,089,157)
		(Number of shares)	
Average number of ordinary shares issued		9,450,000	9,450,000
		Rupees	**Rupees**
(Loss) per share - basic		(27.08)	(23.71)

31.1 There is no dilution in earnings per share as the company has no such commitments

32. CASH GENERATED FROM / (USED IN) OPERATIONS

(Loss) before taxation		(222,917,795)	(191,766,488)
Adjustment for non cash charges and other items:			
Depreciation on property, plant and equipment		63,963,822	49,697,902
Finance costs		234,433,243	237,816,462
Provision for gratuity		224,111	-
Working capital changes	32.1	4,014,653	(180,535,875)
		302,635,829	106,978,489
		79,718,034	(84,787,999)

32.1 Working capital changes

(Increase) / decrease in current assets			
Stores, spares and loose tools		(21,576,169)	1,168,613
Stock-in-trade		363,862,792	(738,268,019)
Trade debts		(48,439,359)	(167,515,212)
Advances		(2,383,736)	11,168,854
Trade deposits and short term prepayments		(8,745,681)	1,217,817
Other receivables		(2,134,622)	9,064,004
Increase / (decrease) in current liabilities			
Trade and other payables		(276,568,572)	702,628,068
		4,014,653	(180,535,875)

33. CASH AND CASH EQUIVALENTS

Short term finances	11	(475,809,350)	(1,698,059)
Cash and bank balances	22	2,111,316	2,732,783
		(473,698,034)	1,034,724

34 Financial instruments

34.1 Financial risk factors

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

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

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. The Company is exposed to foreign currency exchange risk in respect of commitments against letters of credit in foreign currency. The management does not view hedging as being financially feasible.

The following significant exchange rate has been applied:

	Average rate		Reporting date rate	
	2012 Rupees	**2011 Rupees**	**2012 Rupees**	**2011 Rupees**
US $ to PKR	94.59	87.75	95.23	87.75

The weakening of the PKR against US Dollar would have had an equal but opposite impact on the post tax profit / (loss).

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

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Other price risk arises from the Company's investment in ordinary shares of listed companies. To manage its price risk arising from aforesaid investments, the Company diversifies its portfolio and continuously monitors developments in equity markets. In addition the Investment Committee actively monitors the key factors that affect stock price movement.

(iii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk.

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

	2012 Rupees	2011 Rupees
Floating rate instruments		
Financial liabilities		
Long term loans	-	60,000,000
Loan from holding company	675,000,000	825,000,000
Finance lease	20,632,000	20,632,000
Short term finances	475,809,350	-
	1,171,441,350	905,632,000

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Company.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Company's credit risk is primarily attributable to its trade debts and its balances at banks. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

Long term deposits	587,575	587,575
Trade debts	215,954,571	167,515,212
Advances	59,046,334	50,857,796
Bank balances	2,029,912	2,456,521
	277,618,392	221,417,104

The aging of trade receivable at the reporting date is as under:

Not past due		
Past due 0 - 180 days	29,216,090	26,757,828
Past due 181 - 365 days	32,550,018	33,503,042
Past due more than one year	154,188,463	107,254,342
	215,954,571	167,515,212

The credit quality of cash and bank balances that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating			
	Short term	Long term		
Bank Al-Habib Ltd.	A1+	AA+	955,071	2,128,744
United Bank Ltd.	A-1+	AA+	373,371	2,498
MCB Bank Ltd.	A1+	AA+	5,115	9,183
National Bank of Pakistan	A-1+	AAA	6,390	62,397
Habib Bank Ltd.	A-1+	AA+	185,113	-
Habib Metropolitan Bank Ltd.	A1+	AA+	504,852	167,598
Allied Bank Ltd.	A1+	AA+	-	49,008
NIB Bank Ltd.	A1+	AA-	-	37,093
			2,029,912	2,456,521

(c) **Liquidity Risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligation associated with financial liabilities.

The Company manages liquid risk by maintaining sufficient cash and bank balances and the availability of funding through an adequate amount of committed credit facilities. At September 30, 2012, the Company had borrowing limits a available from financial institutions.

The following are the contractual maturities of financial liabilities as at September 30, 2012:

	Carrying amount	Less than one year	More than one year
	---------------- Rupees -----------------		
Loan from holding company	675,000,000	150,000,000	525,000,000
Lease finances	20,632,000	20,632,000	-
Short Term finances	475,809,350	475,809,350	-
Trade and other payables	531,292,221	531,292,221	-
Interest and mark-up accrued	210,753,696	210,753,696	-
	1,913,487,267	1,388,487,267	525,000,000

The following are the contractual maturities of financial liabilities as at September 30, 2011:

Loan from holding company	885,000,000	165,000,000	720,000,000
Lease finances	20,632,000	20,632,000	-
Short Term finances	1,698,059	1,698,059	-
Trade and other payables	807,860793	807,860793	-
Interest and mark-up accrued	258,603,699	258,603,699	-
	1,973,794,551	1,253,794,551	720,000,000

34.2 Fair values of financial assets and liabilities

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

34.3 Capital risk management

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

In order to maintain or adjust the capital stricture, the Company may adjust the amount of dividend paid to the ordinary shareholders, 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 expectations of the shareholders. Debt is calculated as total borrowings ('long term loans') and expectations of the shareholders. Debt is calculated as total borrowings ('long term loans' and "short term finances' as shown in the balance sheet). Total capital is calculated as equity plus debt.

	2012 Rupees	2011 Rupees
Long term loans	525,000,000	720,000,000
Short term finances	475,809,350	1,698,059
	1,000,809,350	721,698,059
Equity	(946,322,593)	(722,520,347)
Total capital	54,486,757	(822,288)
Gearing ratio	(105.75)%	(99.65)%

35. REMUNERATION TO THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

35.1 The aggregate amount charged in the financial statements for the year against remuneration, including certain benefits, to the full time working directors and executives of the Company is as follows:

	Managerial remuneration	Allowances, utilities etc	Number of persons
Chief Executive	---------- Rupees ----------		
2012	-	-	-
2011	-	-	-
Directors			
2012	-	-	-
2011	-	-	-
Executives			
2012	800,040	399,960	1
2011	880,044	439,370	1

35.2 The chief executive and the directors of the company have waived their right to receive meeting fee. Additionally, executive is provide with free use of cellular phone and company maintained car.

36. TRANSACTION WITH RELATED PARTIES

Related parties include associated companies, directors of the Company, companies where directors also hold directorship, related group companies, key management personnel and staff retirement funds. All transactions involving related parties arising in the normal course of business are conducted at commercial terms and conditions, and at prices agreed based on inter company prices using admissible valuation modes.

Detail of transactions with related parties is as follows:

Name of related party	Nature of relationship	Basis of relationship	Nature of transaction	Amount (Rupees)
Imporient Chemicals (Pvt) Limited	Associate	Common directorship	Purchase of chemical	10,561,235
Pattoki Sugar Mills Limited	Associate	Holding company	Loan including markup	1,182,505,630

37. CAPACITY AND PRODUCTION

	2012		2011	
	Days	M.Tonnes	Days	M.Tonnes
Crushing capacity	160	480,000	160	480,000
Sugarcane crushed	114	342,173	122	310,906
Sugar production	-	32,262	-	28,013

38. OPERATING SEGMENTS

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

38.1 Sugar Sales represents 93% (2011: 89%) of the total sales of the company.

38.2 Company's sales relate to the customers in Pakistan as well as outside Pakistan.

38.3 All non - current assets of the company as at September 30, 2012 are located in Pakistan.

39. CORRESPONDING FIGURES

Corresponding figures have been rearranged / regrouped wherever necessary for the purpose of better comparison. Significant change made during the year is as follows:

Lease security deposit previously classified under the head "Long term deposits" (note 16) has now been presented under the head " Trade deposits and short term prepayments" (note 20).

In the previous financial year, the deferred tax liability on revaluation of property, plant and equipment had erroneously been understated by Rs. 2,963,550 which has been corrected accordingly.

40. EVENTS AFTER THE BALANCE SHEET DATE

There are no reportable events after balance sheet date.

41. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on January 04, 2013 by the Board of Directors of the Company.

CHIEF EXECUTIVE **DIRECTOR**

COMBINED PATTERN OF CDC & PHYSICAL SHARE HOLDINGS
AS AT SEPTEMBER 30, 2012

NO. OF NO. OF SHAREHOLDERS	SHAREHOLDING				TOTAL SHARES HELD
801	FROM	1	to	100	21,605
404	FROM	101	to	500	73,566
36	FROM	501	to	1,000	27,759
44	FROM	1,001	to	5,000	100,680
7	FROM	5,001	to	10,000	42,196
2	FROM	35,001	to	40,000	77,668
1	FROM	50,001	to	55,000	52,853
1	FROM	135,001	to	140,000	136,995
1	FROM	440,001	to	450,000	441,601
1	FROM	915,001	to	920,000	916,000
1	FROM	7,555,001	to	7,560,000	7,559,077
1,299			**TOTAL**		**9,450,000**

Categories of Shareholders	Shares Held	Share Percentage
Directors, Chief Executive Officers, and their spouse and minor children	1,407,601	14.8950%
Associated Companies, undertakings and related parties	7,696,072	81.4399%
NIT and ICP	1,000	0.0106%
Bank Development Financial Institutions, Non Banking Financial Institutions	100	0.0011%
Insurance Companies	0	0.0000%
Modarabas and Mutual Funds	0	0.0000%
Share holders holding 10%	7,696,072	81.4399%
General Public		
a) Local	344,620	3.6468%
b) Foreign	0	0.0000%
Others (to be specified)	607	0.0064%

Signature of Company Secretary

Name Of Signatory	Muhammad Ibrahim
Designation	Company Secretary
NIC Number	35201-8459576-7
Date	30/Sep/12

PATTERN OF SHAREHOLDINGS AS AT 30.09.2012
ADDITIONAL INFORMATION

SHAREHOLDERS CATEGORY	NO. OF SHARE HOLDERS	NO. OF SHARES HELD
Associated Companies (Related Parties)		
Pattoki Sugar Mills Limited	2	7696072
N.I.T / I.C.P		
N.I.T		
I.C.P		
Directors		
Mr. Husnain Asad Aslam (CEO)	1	2500
Mr. M Maqsood Ul Hassan	1	441601
Mr. Muhammad Aslam	1	916000
Mr. Muhammad Sarwar	1	40000
Naheed Roohi	1	2500
Muhammad Ashraf	1	2500
Rafia Aslam	1	2500
JOIN STOCK COMPANIES AND CORPORATION		
Bank, Development Financial Institutions Insurance Companies Modarabas and Mutual Funds	4	607
Investment Companies	2	1100
Individuals	1284	344620
SHAREHOLDERS HOLDING 10% OR MORE		
Pattoki Sugar Mills Limited		
	1299	9450000

FORM OF PROXY

I/We, ____being member of Baba Farid Sugar Mills Limited, holder of _____________ordinary Shares as per Share Register. Filo No._______ands / or CDC participant ID. No. _________Account No_ _______ hereby appoint ________________________of ________________who is also member of Baba Farid Sugar Mills Limited vide Folio No.__________________or CDC participant I.D. No.____________________Account No.______________or failing him / her _____________ of___________who is also member of Baba Farid Sugar Mills Limited vide Filo No._______ or CDC participant I.D. No. ___________________ Account No. _______________ as my /our proxy to attend, speak and vote for me / us and on my / our behalf at the Annual General meeting of the company to be held on 27th January, 2012 and at any adjournment thereof.

As witness my/ our hand this________________________day of ____________________2013.

Signed by the said ____

in the presence of ____.

Signature on Rs. 5/- Revenue Stamps

Notes:

1. The Proxy is in order to be valid must be duly stamped, signed and witnessed and be deposited with the Company not later than 48 hours before the time of holding of meeting.
2. The proxy must be a member of the Company.
3. Signature should agree with the specimen signature, registered with the Company.
4. CDC Shareholders entitled to attend and vote at this meeting, must bring with them their National Identity Card / Passport in original to prove his / her identity, and in case of Proxy must enclose an attested copy of his/ her NIC or Passport.
5. Representative of corporate members should bring the usual documents required for such purpose.