



MIRZA SUGAR MILLS LTD.

22ND ANNUAL REPORT 2011

CONTENTS	Page No.
Company Profile	2
Notice of Annual General Meeting	3
Directors' Report	4-9
Pattern & Categories of Shareholding	10-11
Corporate Vision/Mission Statements	12
Six Years Data at a Glance	13
Statement of Compliance with the Best Practices of Corporate Governance	14-16
Auditors' Report to the Members	17-18
Balance Sheet	19
Profit & Loss Account	20
Statement of Comprehensive Income	21
Statement of Changes in Equity	22
Cash Flow Statement	23
Notes to Financial Statements	24-48



COMPANY PROFILE

BOARD OF DIRECTORS:

DR. (MRS). FEHMIDA MIRZA
DR. ZULFIQAR ALI MIRZA
MS. FARIDA ABBASI
MR. ARSHAD ABID ABBASI
MS. FAREHA ABID KAZI
MIRZA SAULAT RAZA
MR. IRSHAD HUSSAIN MIRZA

Chairperson & Chief Executive

AUDIT COMMITTEE:

MIRZA SAULAT RAZA - Chairman
MS. FARIDA ABBASI - Member
MR. IRSHAD HUSSAIN MIRZA - Member

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY:

MR. TARIQ MAHMOOD

LEGAL ADVISOR:

MR. GHULAM QADIR ZARGAR

AUDITORS:

M/S. RAHMAN SARFARAZ
RAHIM IQBAL RAFIQ
(CHARTERED ACCOUNTANTS)

BANKERS TO THE COMPANY:

HABIB BANK LIMITED
NIB BANK LIMITED.
MCB BANK LIMITED.

SHARES REGISTRAR:

M/S. TECHNOLOGY TRADE (PVT) LIMITED
DAGIA HOUSE, 241-C,
BLOCK-2, P.E.C.H.S.
OFF: SHAHRAH-E-QUAIDEEN,
KARACHI. TEL NO. 021-34391316-7

REGISTERED OFFICE:

10TH FLOOR, PORTION 'B'
LAKSON SQUARE, BUILDING NO. 1,
SARWAR SHAHEED ROAD, KARACHI.

MILLS:

DEH CHHARO TAPPO, LOWARI SHARIFF
DISTRICT BADIN, SINDH.

E-MAIL ADDRESS:

pmsml@hotmail.com

WEBSITE:

www.mirzasugar.com



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the **22nd Annual General Meeting** of the Company will be held on **Monday, January 30, 2012 at 02.30 p.m** at the Auditorium of The Pakistan Institute of International Affairs (PIIA), Near Sidco Avenue Center, Opposite: Libra Autos CNG Pump, Maulana Deen Muhammad Wafai Road, Karachi to transact the following business:

1. To confirm the Minutes of the 21st Annual General Meeting of the Company held on January 31, 2011.
2. To receive, consider and adopt the Annual Audited Accounts of the Company alongwith the Directors' and Auditors' Reports thereon for the year ended September 30, 2011.
3. To appoint Auditors of the Company for the year ending September 30, 2012 and fix their remuneration. The retiring Auditors, **M/s. RAHMAN SARFARAZ RAHIM IQBAL RAFIQ**, Chartered Accountants, being eligible, have offered themselves for re-appointment.
4. To elect 7 (seven) Directors in accordance with the provisions of Section 178 of the Companies Ordinance 1984 for a term of three (3) years commencing January 29, 2012.
5. To transact any other ordinary business with the permission of the Chair.

By Order of the Board,

TARIQ MAHMOOD
Company Secretary

Karachi, January 05, 2012

NOTES:

1. The Shares Transfer Books of the Company will remain closed and no transfer of shares will be accepted for registration from **January 21, 2012 to January 30, 2012**. (both days inclusive).
2. In pursuance of Section 178 (1) of the Companies Ordinance 1984 the Board of Directors has fixed the number of elected Directors at 7 (seven). The names of retiring Directors, who are eligible for re-election, are as follows:

- | | |
|-----------------------------|---------------------------|
| 1. Dr. (Mrs) Fehmida Mirza | 2. Dr. Zulfiqar Ali Mirza |
| 3. Ms. Farida Abbasi | 4. Mr. Arshad Abid Abbasi |
| 5. Ms. Fareha Abid Kazi | 6. Mirza Saulat Raza |
| 7. Mr. Irshad Hussain Mirza | |

3. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on his/her behalf.

Form of Proxies, in order to be valid, must be received at the Registered Office of the Company 48 hours before the scheduled time of Meeting. A Proxy must be a member of the Company.

4. Account holders and sub-account holders of CDC are requested to bring their original computerized National Identity Cards (CNIC) or Original Passports for the purpose of identification to attend the meeting.
5. Shareholders are requested to notify any change in address immediately.
6. Members having physical shares are requested to provide Copy of their CNIC/Passport.



DIRECTORS' REPORT

Dear Shareholders:

The Directors are pleased to present the Company's Annual Audited Financial Statements along with Auditors' Report thereon for the year ended September 30, 2011.

GENERAL

Mills boilers were lighted on October 29, 2010 and crushing Season 2010-11 commenced from November 26, 2010. But due to non-availability of cane (non-harvesting by farmers), actual crushing could start only from December 20, 2010. The mill closed its crushing operations on March 28, 2011. Duration of the season was for 123 days compared to 111 days of previous season.

The Government of Sindh, in its price support policy, announced in October 2010, raised the sugarcane price to Rs.127 per 40 kg for the Season 2010-11 from previous level of Rs.102 per 40 kg. Overall sugarcane availability in Sindh was substantially better than previous season but availability of cane in the zone of MSML was only marginally better, compelling the mills to look for cane in outzone areas. Sucrose recovery, across the board was lower in Sindh compared to last year. Overall recovery of mills in Sindh during 2010-11 was 9.42% compared to 9.54% of last year.

Mirza Sugar Mills Limited crushed 244,767 tons of sugarcane during the season under review compared to 208,921 tons of cane crushed during previous season showing an increase of 17.16%. The mills produced 24,095 tons of sugar during the season compared to 21,055 tons of sugar produced during last year, indicating an improvement of 14.44% in the operational performance. Sucrose recovery achieved was 9.85% during the season under review compared to 10.07% sucrose recovery during previous season. On overall basis, company's performance was highly satisfactory.

The company's efforts and campaign for producing high-yielding cane varieties received a set back due to unprecedented rains and floods in Sindh particularly in district Badin. The rains started during the month of August 2011 which continued till the end of September 2011. Sugarcane acreage, in general, and acreage planted with improved varieties were badly affected due to standing flood-water during the grand growth period of sugarcane.

Sugarcane experts have recommended to promote only the approved varieties like Thatta 10, CPF 237, CPF 246, HSF 246, HoTh 127 and CPD 346. Sugarcane Department of Mirza Sugar Mills is coordinating their efforts with area-growers on those lines.

OPERATING RESULTS

The operating results of the company during season along with those of previous season are summarized as under :

<u>Particulars</u>	<u>Season 2010-2011</u>	<u>Season 2009 - 2010</u>
Season started	26-11-2010	16-11-2009
Season closed	28-03-2011	06-03-2010
Days worked	123	111
Sugarcane crushing (Tons)	244,767	208,921
" " (Maunds)	6,119,180	5,223,025
Sugar recovery (%)	9.850	10.075
Sugar production (Tons)	24,095	21,055
Molasses recovery (%)	4.854	4.719
Molasses production (Tons)	11,876	9,861

Operating result show that despite severe crop-shortage, the company gave an improved performance compared to last year.

FINANCIAL RESULTS

The Company's financial results are appended below :

	<u>2010-2011</u> Rs.	<u>2009-2010</u> Rs.
Profit before taxation	39,334,641	152,481,654
Provision for taxation	<u>(14,721,779)</u>	<u>(13,286,250)</u>
Profit after taxation	24,612,862	139,195,404
Accumulated loss brought forward	(637,961,903)	(777,157,307)
Dividend Paid for the year 2010	(5,859,830)	-
Accumulated loss carried forward	<u>(619,208,871)</u>	<u>(637,961,903)</u>
Earning per share- basic& diluted	1.75	9.87

Audited accounts of the company for the year ended September 30, 2011 show a gross profit of Rs.110.28 million compared to Rs.221.04 million recorded during last year. Net profit after taxation during the period under review stood at Rs.24.61 million compared to Rs.139.20 million recorded during last year. Decline in growth of profitability during the year under review is primarily due to the fact that sales-net recorded a growth of 10.30% while cost of sales increased by 22.40% compared to last year.

SEASON 2011-2012

Season 2011-12 may prove to be a testing season for the sugar industry in Sindh as well as in Pakistan. While recent floods did substantial damage to the cane-acreage in Southern Sindh, however, on overall basis beneficial effects of excessive rains are visible now. There are reports of increase in cane acreage and also crop is reported to be healthy in all those districts of Sindh which were not affected by flood. On overall basis, crop-conditions are better.

The most worrying aspect of the scenario is the falling market prices of sugar in local as well as external markets. Besides, due to floods, sucrose content of cane has also been affected adversely. Government support price has been raised to Rs.154/40 kg. Sugarcane-cost of per kg sugar produced will be high while low market price of sugar will not allow the millers to offer even the Government support price of sugarcane to the growers. We expect a lot of confrontation between millers and growers on this issue. The Cane Commissioner Sindh should solve this issue.

HEALTH, SAFETY AND ENVIRONMENT

Appropriate facilities existed for safeguarding the health of employees in accordance with the Factories Act 1948 and National Environment Quality Standard (N.E.Q.S.) for Sugar Industry. We are collaborating with Environmental Protection Agency, Government of Sindh and facilities are being developed at site to minimize the emissions to the desired standard level. The plant has also been registered with the Agency as per "SMART", Self Monitoring and Reporting Tool.

INFORMATION TECHNOLOGY

Improvement and up-gradation of the existing instruments are being continuously made to cope with the requirements of technological advancement in this field.



AUDIT REPORT

Auditors Observation about going concern

Without qualifying their opinion in the matter, the auditors have given, as a matter of emphasis, a paragraph about going concern assumption used by the company in the preparation of its financial statements and that it is dependent on the ultimate outcome of the matters disclosed in Note 1.2 to the financial statements.

In this respect, the management has made a fair assessment and accordingly prepared the financial statements by using going concern assumption. On the one hand it is well geared for continuity and procurement of sugarcane for the season 2011-12. On the other hand, over the years, it has earned aggregate net profit after tax of Rs. 357.62 million. It is well poised to start repayments as and when it reaches a settlement with NIB Bank Ltd. (formerly PICIC) either through the court or through negotiation.

Non-confirmation of outstanding balance by NIB Bank and ICP

The Auditors have reported that they did not receive response by NIB Bank Ltd. (formerly PICIC) and ICP to their letters confirming balances outstanding in the Company's books. As disclosed in Notes 1.2 and 9.3, the company has already reached settlement with Habib Bank Ltd. and has already started making repayments. However, for settlement with NIB Bank Ltd. and ICP the management is making necessary efforts and also contesting the matter in the court. Under these circumstances, these banks have preferred not to send any response to confirmation requested by the auditors.

BOARD OF DIRECTORS

Since after constitution of Board through Election of Directors on 29th January, 2009 for a term of 3 (three) years, two casual vacancies existed in the Board, which were filled in accordingly. The next election of directors is due on 29th January, 2012.

AUDITORS

The retiring Auditors, M/s. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, being eligible, have given their consent and offered themselves for re-appointment as Auditors of the Company for the year ending September 30, 2012. The Audit Committee has recommended for their re-appointment.

CODE OF CORPORATE GOVERNANCE

The Company has adopted the Code of Corporate Governance promulgated by the Securities & Exchange Commission of Pakistan. We have implemented the mandatory provisions and welcome the government step to more fully disclose and monitor the corporate sector. We hope it will go a long way in confidence building of small investors and will boost corporate investment.



STATEMENT OF CORPORATE AND FINANCIAL REPORTING FRAME WORK

- a. The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- b. Proper books of accounts of the company have been maintained.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
- e. The system of internal control, which was in place, is sound in design and has been effectively implemented and monitored. However, it is being continuously reviewed by internal audit and other officers handling such procedures. The process of review will continue and any weaknesses in control will be removed. The function of Internal Audit has been implemented and operating successfully.
- f. The Company's ability to continue as a going concern is being watched carefully, all events affecting the going concern basis are under constant review.
- g. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h. The operational results during the year under review show marked improvement over last year, the company's performance reflects positive features as there has been a net profit during the year of Rs. 24.61 million compared to net profit of Rs. 139.20 million last year. It has reduced the volume of accumulated loss to some extent.
- i. Key operating and financial data for last six (6) years in summarized form is annexed.
- j. Because of the accumulated losses, the Company has not declared any dividend or issued Bonus Shares for the year.
- k. Outstanding taxes and levies are being accrued and paid as per law.
- l. Value of investments based on audited accounts of Provident Fund is Rs. 26.975 million.
- m. During the year 4 (four) meetings of the Board of Directors were held. Attendance by each Director is as follows:

<u>Name of Director</u>	<u>No. of Meetings Attended</u>
Dr. (Mrs) Fehmida Mirza	-
Dr. Zulfiqar Ali Mirza	3
Ms. Farida Abbasi	4
Mr. Arshad Abid Abbasi	-
Ms. Fareha Abid Kazi	1
Mirza Saulat Raza	4
Mr. Irshad Hussain Mirza	4

Leave of absence is granted in all cases to the directors.

- n. The pattern of shareholding is annexed.
- o. There was no trading in shares of MSML held by its directors, CEO, CFO, Company Secretary and their spouses and minor children.



VARIATION IN REMUNERATION OF CHIEF EXECUTIVE & WHOLE TIME DIRECTORS

Abstract of variation in the remuneration of the Chief Executive and whole time directors is annexed.

ACKNOWLEDGEMENT

We would like to take this opportunity to convey our deep appreciation to the shareholders, the workers, staff and officers of the Company for their patience, tolerance and forbearance, as well as the assistance and cooperation to the management during these hard days.

We would also like to thank our valued dealers, suppliers, financiers and shareholders for their cooperation and the trust reposed in our Company.

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

On behalf of the Board

MIRZA SAULAT RAZA
Director

IRSHAD HUSSAIN MIRZA
Director

Karachi
December 20, 2011

Note: The Chief Executive being out of station, the Directors' Report has been signed by two directors.



**ABSTRACT OF VARIATION IN THE REMUNERATION/TERM OF
THE CHIEF EXECUTIVE AND WHOLE-TIME DIRECTORS
(Section 218 of the Companies Ordinance, 1984)**

Following are the approved limit of remunerations at a maximum for the Chief Executive and the below mentioned Executive (whole time) Directors (including all allowances, benefits/perquisites, utilities etc.) along with transport and its maintenance for their official and personal use :

	<u>Annual Entitlement</u>			
	<u>w.e.f.</u>	<u>Amount</u> Rs.	<u>w.e.f.</u>	<u>Amount</u> Rs.
Dr. (Mrs) Fehmida Mirza Chairperson & Chief Executive	May 29, 2007	2,000,000	June 10, 2009	4,000,000
Ms. Farida Abbasi Director	-	-	August 5, 2009	780,000

Monthly remunerations of Chief Executive and Executive Directors :

	<u>Monthly Remuneration</u>			
	<u>w.e.f.</u>	<u>Amount</u> Rs.	<u>w.e.f.</u>	<u>Amount</u> Rs.
Dr. (Mrs) Fehmida Mirza Chairperson & Chief Executive	March 1, 2010	190,650	June 01, 2011	237,150
Ms. Farida Abbasi Director	August 05, 2009	30,000	June 01, 2011	37,950



**PATTERN OF SHAREHOLDINGS
AS AT 30TH SEPTEMBER 2011**

Number of Share Holders	Shareholding From	To	Total Shares Held	Percentage
844	1	100	75,567	0.54
697	101	500	321,697	2.28
135	501	1000	126,464	0.90
206	1001	5000	588,020	4.17
49	5001	10000	396,814	2.81
23	10001	15000	302,507	2.15
16	15001	20000	302,322	2.14
16	20001	25000	385,492	2.73
10	25001	30000	280,667	1.99
3	30001	35000	97,853	0.69
1	35001	40000	37,301	0.26
1	40001	45000	42,532	0.30
9	45001	50000	450,000	3.19
3	55001	60000	180,000	1.28
4	65001	70000	280,000	1.99
1	70001	75000	73,419	0.52
3	75001	80000	238,195	1.69
1	90001	95000	90,900	0.64
15	95001	100000	1,499,001	10.63
1	100001	105000	104,000	0.74
2	135001	140000	275,600	1.95
3	145001	150000	450,000	3.19
1	155001	160000	157,920	1.12
2	175001	180000	352,906	2.50
1	195001	200000	200,000	1.42
1	235001	240000	237,253	1.68
1	245001	250000	250,000	1.77
1	260001	265000	262,090	1.86
1	310001	315000	312,400	2.22
3	375001	380000	1,140,000	8.09
1	495001	500000	499,220	3.54
1	695001	700000	700,000	4.96
1	745001	750000	748,800	5.31
1	1260001	1265000	1,261,060	8.94
1	1375001	1380000	1,380,000	9.79
2059			14,100,000	100



CATEGORIES OF SHAREHOLDINGS (30-09-2011) ADDITIONAL INFORMATION

Categories of Shareholders	Shares Held	Percentage
Associated Companies, Undertakings and Related Parties	-	-
NIT and ICP		
Investment Corporation of Pakistan (ICP)	200	0.00
Directors, CEO and their Spouses and minor Children		
Dr. (Mrs). Fehmida Mirza (Chief Executive)	1,380,000	9.79
Dr. Zulfiqar Ali Mirza (Director) (Husband of Dr. (Mrs). Fehmida Mirza)	380,000	2.70
Ms. Farida Abbasi (Director)	2,500	0.02
Mr. Arshad Abid Abbasi (Director)	100,000	0.71
Ms. Fareha Abid Kazi (Director)	100,000	0.71
Mirza Saulat Raza (Director)	8,500	0.06
Mr. Irshad Hussain Mirza (Director)	1,000	0.01
	1,972,000	13.99
Executives	-	-
Public sector companies and corporations	-	-
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and mutual funds:		
Industrial Development Bank Of Pakistan	4,396	0.03
The Bank of Punjab	17,500	0.12
State Life Insurance Corp. of Pakistan	175,277	1.24
National Insurance Company Ltd.	100,000	0.71
	297,173	2.11
Shareholders holding ten percent or more voting interest in the company.	-	-
Joint Stock Companies		
M/s.Asonix Ind. (Pvt) Ltd.	700	0.00
M/s. Sarfaraz Mahmood (Pvt) Ltd.	500	0.00
Y.S. Securities & Services (Pvt) Ltd.	5,500	0.04
128 Securities (Pvt) Ltd.	500	0.00
Darson Securities (Pvt) Ltd.	190	0.00
Ace Securities (Pvt) Ltd.	18,500	0.13
Mian Mohammad Akram Sec. (Pvt) Ltd.	2,000	0.01
Capital Industries (Pvt) Ltd.	799,001	5.67
Stock Master Securities (Pvt) Ltd.	990	0.01
Axis Global Limited	500	0.00
Pearl Capital Management (Pvt) Ltd.	1,500	0.01
Mohd Munir Mohd. Ahmed Khanani Sec. (Pvt) Ltd.	10,889	0.08
	840,770	5.96
Individuals	10,989,857	77.94
TOTAL	14,100,000	100.00



CORPORATE VISION / MISSION STATEMENT

VISION

The Company, one of the leading sugar mills in Sindh, aims at producing international quality white refined sugar for local consumption and export purpose. Our vision is to transform MSML into a modern and dynamic industry, highly indulgent in the well being of the investors, workforce and the agriculture community of the area. We want to fully equip the company to play a meaningful role on sustainable basis in the economic and social development of the country and protect the environment.

MISSION

Our mission is to promote agriculture and to achieve operating & financial stability for our company. This would help us to have meaningful role for a sound and dynamic industrial system to achieve sustainable and equitable economic growth of the Country. We would like to transform the agriculture community of the area into an exemplary force to become a role model for others. We would endeavor to enhance the value of our shareholders, to provide a secure place of work to our employees and to be an ethical partner to all our business associates.

SIX YEARS DATA AT A GLANCE

Rupees in Thousand

<u>PARTICULARS</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u> Restated	<u>2007</u>	<u>2006</u>
FINANCIAL DATA						
1 Financial Position						
Paid up Capital	Rs. 141,000	141,000	141,000	141,000	141,000	141,000
Accumulated (loss)/Profit	Rs. (619,209)	(637,962)	(777,157)	(939,242)	(970,968)	(923,723)
Long term Loan	Rs. 16,788	64,110	143,773	261,997	319,294	357,867
Deferred Liabilities	Rs. 386,698	386,698	386,698	191,691	153,301	153,301
Fixed Assets (At Cost)	Rs. 735,856	720,294	692,765	694,223	689,506	688,212
Accumulated Depreciation	Rs. 535,286	513,838	493,560	473,103	450,157	425,373
Long term Advance/Deposits	Rs. -	1,427	1,427	1,427	1,427	1,427
Current Assets	Rs. 283,828	171,537	100,351	86,858	51,145	43,474
Current Liabilities	Rs. 553,121	425,573	421,886	653,958	649,293	579,295
2. INCOME						
Sales	Rs. 1,465,478	1,328,623	649,457	627,212	484,426	557,272
Gross Profit/(Loss)	Rs. 110,279	221,042	93,295	26,105	(3,850)	36,189
Other Income	Rs. 6,700	357	140,055	62,490	7,653	62
Pre-Tax (Loss)/Profit	Rs. 39,335	152,482	166,796	31,726	(44,745)	(17,828)
Taxation	Rs. (14,722)	(13,286)	(4,711)	-	(2,500)	(2,800)
3. STATISTICS AND RATIOS						
Gross Profit/(Loss) to Sales	% 7.53	16.64	14.37	4.16	(0.79)	6.49
Pre-Tax Profit/(Loss) to Sales	% 2.68	11.48	25.68	5.06	(9.24)	(3.20)
Pre-Tax Profit/(Loss) to Capital	% 27.90	108.14	118.29	22.50	(31.73)	(12.64)
Current Ratio	1:1.95	1:2.48	1:4.20	1:7.52	1:12.69	1:13.32
Paid - up Value per Share	Rs. 10	10	10	10	10	10
Earnings per Share	Rs. 1.75	9.87	2.89	(2.18)	(3.35)	(1.46)
Cash Dividend	Rs. -	5,860	-	-	-	-
Market Value Per Share	Rs. 2.35	4.85	5.50	1.81	3.15	2.85
4. OPERATING DATA						
Season Started	26-11-2010	16-11-2009	15-12-2008	19-11-2007	20-11-2006	05-12-2005
Season Closed	28-03-2011	06-03-2010	13-03-2009	14-04-2008	05-04-2007	06-03-2006
Days Worked	123	111	89	148	137	92
Sugarcane Crushed	M.T 244,767	208,921	176,738	334,735	210,622	147,279
Sugarcane Crushed	Mds 6,119,180	5,223,025	4,418,450	8,368,386	5,265,559	3,681,973
Sugar Recovery	% 9.850	10.075	10.180	9.280	9.563	9.869
Sugar Production	M.T. 24,095	21,055	18,000	31,090	20,131	14,612
Molasses Recovery	% 4.854	4.719	4.638	5.230	4.909	4.912
Molasses Production	M.T. 11,876	9,861	8,198	17,520	10,335	7,254



STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CORPORATE GOVERNANCE {See Clause (xiv)}

Name of Company : **MIRZA SUGAR MILLS LIMITED**
Year Ended : **30th September, 2011**

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35, Chapter XI of Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited for the purpose of establishing a frame-work of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the board includes 5 non-executive directors and 2 executive directors including the CEO.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them 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 is member 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 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with 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 and other executive directors, have been taken by the Board.
8. The meetings of the Board were chaired by the Chairperson and, in her absence, by a director elected by the Board for this purpose and the Board meets at least once in every quarter. The Board held four meetings during the year. 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. Observations against the revised requirements of Orientation Courses/Directors Educational Program were made by listed companies in writing and also recorded in the round-table meetings arranged by SECP regarding proposed changes in the Code of Corporate Governance. Decision is still pending with SECP. However, SECP has extended the dead-line upto June 30, 2012 for acquiring certification under Directors' Educational Program at least by one director. The directors of the company have given declaration that they are aware of their duties, powers and responsibilities under the Companies Ordinance, 1984 and the listing regulations of stock exchanges.



10. There was no new appointment of C.F.O. and Company Secretary during the year under review. The Board approved the remuneration and terms & conditions of Chief Internal Auditor, as determined by the CEO, who was appointed on 25th November, 2008.
11. The directors' report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The CEO and CFO endorse 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 has formed an audit committee. It comprises of 3 (three) members, including the Chairman, of whom 2 (two) are non-executive directors. Names of Committee Members are:

<u>Name</u>	<u>Designation</u>
Mirza Saulat Raza	Chairman
Ms. Farida Abbasi	Member
Mr. Irshad Hussain Mirza	Member

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 as required by the Code. The terms of reference of the committee have been determined and approved by the Board of Directors and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review 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 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 have confirmed that they have observed IFAC guidelines in this regard.
20. The Company has complied with the requirements of the Code of Corporate Governance regarding transactions with related parties.
21. We confirm that all other material principles contained in the Code have been complied with.

December 20, 2011

DIRECTOR

DIRECTOR



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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended **September 30, 2011** prepared by the Board of Directors of **Mirza Sugar Mills Limited** ("the Company") to comply with Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) 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 report 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, Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited requires the company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in 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, except for the non-compliance observed against serial No. 17 of the statement of compliance, 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.

Karachi:
Dated: December 20, 2011

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
Engagement Partner: **Muhammad Rafiq Dosani**



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of **MIRZA SUGAR MILLS LIMITED** ("the Company") as at **September 30, 2011**, the related profit & loss account, statement of comprehensive income, statement of changes in equity and cash flow statement 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.

Except as discussed in paragraph (a) below, 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 opinion and, after due verification, we report that -

- (a) we did not receive responses to our letters confirming balances outstanding in the Company's books against a bank and a financial institution namely NIB Bank Limited (formerly Pakistan Industrial Credit and Investment Corporation) and Investment Corporation of Pakistan disclosed in note 9.1 and note 9.2 respectively. We could not satisfy ourselves as to the accuracy and completeness of the balances appearing in the Company's books against them through alternative audit procedures. Therefore, we are unable to determine as to whether any adjustments are required to related carrying values appearing in the Company's books of account and financial statements thereof.
- (b) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;
- (c) in our opinion;
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) the business conducted and the expenditure incurred during the year were in accordance with the objects of the company;



- (d) except for the effect of the adjustments that might have been determined to be necessary had we been able to satisfy ourselves as to the matter described in paragraph (a) above, 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, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at September 30, 2011, of the profit, its changes in equity and cash flows for the year then ended; and
- (e) in our opinion, zakat as deductible at source under the Zakat and Ushar Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in the central zakat fund established under section 7 of that Ordinance.

Without further qualifying our opinion, we draw attention to note 1.2 in the financial statements which indicates that the Company's equity is negative by Rs. 478.21 million (2010: Rs.496.96 million), accumulated losses amounted to Rs.619.21 million (2010: Rs.637.96 million) and current liabilities exceeded current assets by Rs. 269.29 million (2010: 254.04 million) as at the balance sheet date. These conditions, along with other matters as set forth in note 1.2, indicate the existence of a material uncertainty that may cause significant doubt about the Company's ability to continue as a going concern.

Karachi.
Dated: December 20, 2011

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
Engagement Partner: **Muhammad Rafiq Dosani**

BALANCE SHEET AS AT SEPTEMBER 30, 2011

ASSETS		2011	2010
NON-CURRENT ASSETS	Note	Rupees	
Property, plant and equipment	4	194,570,041	206,455,303
Long term deposits		-	1,426,886
CURRENT ASSETS			
Stores, spares and loose tools	5	28,486,958	23,621,522
Stock-in-trade	6	140,826,612	77,649,506
Trade debts- Unsecured, considered good		36,010,130	1,749,262
Prepayments, loan and advances, and other receivables	7	64,309,370	50,240,744
Cash and bank balances	8	14,195,373	18,275,800
		283,828,443	171,536,834
TOTAL ASSETS		478,398,484	379,419,023
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized Capital			
15,000,000 (2010: 15,000,000) Ordinary Shares of Rs. 10/- each.		150,000,000	150,000,000
Issued, Subscribed and Paid up Capital			
14,100,000 (2010: 14,100,000) Ordinary Shares of Rs. 10/- each fully paid in cash		141,000,000	141,000,000
Accumulated losses		(619,208,871)	(637,961,903)
		(478,208,871)	(496,961,903)
NON-CURRENT LIABILITIES			
Long-term finances	9	16,788,482	64,109,934
Deferred liabilities	10	386,698,201	386,698,201
CURRENT LIABILITIES			
Current portion of long-term finances	9	359,692,308	331,354,806
Trade and other payables	11	143,128,407	58,639,808
Accrued markup on finances		18,991,927	18,991,927
Provision for taxation		31,308,029	16,586,250
		553,120,671	425,572,791
TOTAL EQUITY AND LIABILITIES		478,398,483	379,419,023
CONTINGENCIES AND COMMITMENTS	12	-	-

The annexed notes from 1 to 30 form an integral part of these financial statements.

Note: As required under section 241(2) of the Companies Ordinance, 1984, these financial statements have been signed by two Directors in absence of Chief Executive of the Company who is for the time being out of station.

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Note	2011	2010
		Rupees	
Sales - net	13	1,465,477,806	1,328,623,472
Cost of sales	14	<u>(1,355,198,764)</u>	<u>(1,107,581,793)</u>
Gross profit		110,279,042	221,041,679
Operating expenses			
Administrative expenses	15	<u>57,944,915</u>	43,780,352
Distribution costs	16	<u>1,347,106</u>	1,009,983
		<u>(59,292,021)</u>	<u>(44,790,335)</u>
Operating profit		50,987,020	176,251,344
Finance costs	17	<u>(9,000,428)</u>	(12,825,951)
Other income	18	6,700,150	357,264
Other charges	19	<u>(9,352,101)</u>	(11,301,003)
		<u>(11,652,379)</u>	<u>(23,769,690)</u>
Profit before taxation		<u>39,334,641</u>	<u>152,481,654</u>
Taxation			
Current - for the year	21	<u>(14,721,779)</u>	(13,286,250)
- for prior years		-	-
		<u>(14,721,779)</u>	<u>(13,286,250)</u>
Profit after taxation		<u>24,612,862</u>	<u>139,195,404</u>
Earnings per share - basic & diluted	20	<u>1.75</u>	<u>9.87</u>

The annexed notes from 1 to 30 form an integral part of these financial statements.

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2011

1 STATUS AND NATURE OF BUSINESS

1.1 The Company was incorporated in Pakistan as a Public Limited Company on January 16, 1990. Its shares are listed at Karachi and Lahore Stock Exchanges. The registered office of the company is situated at 10th Floor, Portion B, Lakson Square, Building No.1, Sarwar Shaheed Road, Karachi. The Company is mainly engaged in the production and sale of sugar and molasses.

1.2 As of the reporting date, company's equity is negative by Rs.478.21 million (2010: Rs.496.96 million), its accumulated loss amounted to Rs.619.21 million (2010: Rs.637.96 million) and its current liabilities exceeded its current assets by Rs.269.29 million (2010: Rs.254.04 million).

The settlement of substantial amount of liability of NIB Bank Limited (Formerly PICIC) which is pending and currently contested in Court whereby proceedings of recovery suit filed by NIB Bank Ltd and counter claim filed by the company against the bank are continuing (for detail refer note 9.1 and 12). In this respect, there are contingencies disclosed in the note 14 of the financial statements, the ultimate outcome of which can not be presently determined.

These conditions indicate existence of material uncertainty which may cast significant doubt about the ability of the Company to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business.

As discussed in note 9, the company has paid Rs. 25.089 million to Habib Bank Limited as per restructuring terms agreed with said bank (as provided in note 9.3) in previous year. As far as NIB (Formerly PICIC) liability is concerned, the company expects that it shall be able to meet its obligations, if any, as and when arise at the end of proceeding or earlier through negotiations with the bank based on returns from its operations and other sources. Furthermore, as discussed in the said note 9.2 company's negative equity would be substantially reduced by an amount of Rs. 285.821 million by the year 2012. The management intends to start activity for the coming season and expects to achieve profits in the upcoming year as done in the last three years.

In view of the above, these financial statements have been prepared using going concern assumption.

1.3 During the year, the flood in the factory area situated in Badin Sindh, affected assets located inside factory premises and accordingly impairment amounting to Rs.6 million has been recognised in respect of property, plant and equipment. No other assets such as stocks and stores were affected. An amount equal to impairment loss has also been accepted by the insurer of the assets in factory premises and recognised as such in note 7.2 to the financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 STATEMENT OF COMPLIANCE

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



2.2 Accounting convention

2.2.1 Basis of measurement

These financial statements have been prepared under the basis of 'historical cost' convention.

2.2.2 Functional and Presentation Currency

These Financial statements are presented in Pakistani Rupee which is the company's functional currency.

2.2.3 Significant Estimates

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgments made by management in the application of Accounting Standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with significant risk of material judgment in the next year are as follows:

	<u>Note</u>
a) Useful life and residual values of property, plant and equipment	3.1
b) Provision for slow moving stores and spares	3.2
c) Provision for obsolete and slow moving inventories	3.3
d) Provision for taxation	3.8
e) Impairment in respect of financial assets	3.12.2

2.2.4 Standards, amendments to published approved accounting standards and interpretations effective and relevant to the Company

(a) Changes in accounting policies and disclosures as a result of adoption of new and amended accounting standards

Starting 1 October 2010, the Company has changed its accounting policies in the following areas:

- IAS 1 (amendment), 'Presentation of financial statements'. The amendment was part of the IASB's annual improvements project published in April 2009. The amendment provides clarification 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. It did not have a material impact on the Company's financial statements.



- IAS 7 (amendment), 'Statement of Cash Flows' is effective from January 1, 2010. The amendment provides clarification that only expenditure that results in a recognized asset in the balance sheet can be classified as a cash flow from investing activity. The clarification results in an improvement in the alignment of the classification of cash flows from investing activities in the cash flow statement and the presentation of recognized assets in the balance sheet. The application of the amendment does not affect the results or net assets of the company as it is only concerned with presentation and disclosures.
- IAS 39 (amendment); 'Cash flow hedge accounting' effective from July 1, 2010. This amendment provides clarification when to recognize gains or losses on hedging instruments as a reclassification adjustments in a cash flow hedge of a forecast transaction that results subsequently in the recognition of a financial instrument. The amendment clarifies that gains or losses should be reclassified from equity to profit or loss in the period in which the hedged forecast cash flow affects profit or loss. It did not have any affect on the Company's financial statements.
- IAS 17 (amendment), 'Leases' is effective from January 1, 2010. Prior to the amendment, IAS 17 generally required a lease of land with an indefinite useful life to be classified as an operating lease, unless title passed at the end of the lease term. The amendment provides clarification that when a lease includes both land and buildings, classification as a finance or operating lease is performed separately in accordance with IAS 17's general principles. A lease newly classified as a finance lease should be recognized retrospectively. Its adoption does not have any significant impact on the company's financial statements.
- IAS 36 (amendment), 'Impairment of Assets', is effective from January 1, 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics). The application of the amendment did not have any impact on the company's financial statements.
- IAS 38 (amendment), 'Intangible Assets'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The application of this amendment has no material impact on the company's financial statements.
- IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale' effective from July 1, 2010. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification 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 requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. It is not expected to have a material impact on the Company's financial statements.
- IFRIC 19 (interpretation), 'Extinguishing Financial Liabilities with Equity Instruments', effective from annual periods beginning on or after July 1, 2010. The interpretation clarifies the requirements of IFRS when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The Company has not offered its shares to the creditors, therefore, this interpretation could not have any impact on the Company's financial statements.



2.2.5 Standards, amendments to published approved accounting standards and interpretations effective but not relevant

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the year and are mandatory for accounting periods beginning on or after October 1, 2010 but are considered not to be relevant or have any significant effect on the company's operations and are, therefore, not detailed in these financial statements.

2.2.6 Standards, amendments to published approved accounting standards and interpretations not yet effective

The following standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after October 1, 2011 or later periods:

- IAS 1 'Presentation of financial statements' (Amendment) effective for annual periods beginning on or after July 1, 2012. This brings changes to the disclosure of items presented in other comprehensive income (OCI) in the 'Statement of Comprehensive Income'. The amendment requires entities to separate items presented in OCI into two groups, based on whether or not they may be recycled to profit or loss in future. The amendment will affect the presentation of the OCI items in the Company's financial statements.
- IAS 19 Employee benefits (Amendment) effective for periods beginning on or after January 1, 2013. The amendment makes significant changes to the recognition and measurement of defined pension expense and termination benefits, and to disclosure for all employee benefits.
- Prepayments of a minimum funding requirement (amendments to IFRIC 14), effective from January 1, 2011. 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. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. The Company's does not have any defined benefit plan, hence, these amendments will have no impact on the Company's financial statements.
- IAS 24 (revised), 'Related Party Disclosures', effective from January 1, 2011. The revised standard supersedes IAS 24, 'Related party disclosures', issued in 2003. Application of the revised standard will only impact the format and extent of disclosures presented in the Company's financial statements.
- IFRS 2 (amendments), 'Group cash-settled and share-based payment transactions' In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of the Company's arrangements that were not covered by that interpretation. The new guidance is not expected to have any impact on the Company's financial statements.
- IFRS 9, 'Financial Instruments', effective from January 1, 2013. IFRS 9 addresses the classification and measurement of financial assets. The Company is yet to asses the full impact of IFRS 9.
- IFRS 10, 'Consolidation financial statements', effective for periods beginning on or after January 1, 2013. This standard replaces all of the guidance on control and consolidation in IAS 27, 'Consolidated and separate financial statements' and SIC 12, 'Consolidation - separate purpose entities'. This standard is not expected to have any impact on the Company's financial statements.



- IFRS 11, 'Joint arrangements', effective for annual periods beginning on or after January 1, 2013. This standard brings in changes in definition of joint arrangements and reduces the 'types' of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. This standard is not expected to have any impact on the Company's financial statements.
- IFRS 12, 'Disclosure of interests in other entities', effective for annual periods beginning on or after January 1, 2013. This standard set out the required disclosures for entities reporting under the two new standards, IFRS 10 and IFRS 11; it replaces the disclosure requirements currently found in IAS 28, 'Investments in associates'; and requires entities to disclose information that helps users to evaluate the nature, risks and financial effects associated with the entity's interest in subsidiaries, associates, joint arrangements and unconsolidated structured entities. This standard is not expected to have any impact on the Company's financial statements.
- IFRS 13, 'Fair value measurement', effective for annual periods beginning on or after January 1, 2013. This standard explains how to measure fair value and aims to enhance fair value disclosures; it does not say when to measure fair value or require additional fair value measurements. This standard is not expected to have any impact on the Company's financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant & equipment

Operating assets

These are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is charged to profit & loss account applying the reducing balance method whereby the cost of an asset is written off over its useful life at the rates specified in note 4 to the financial statements. Depreciation on additions is charged for the quarter in which an asset is put to use and no depreciation is charged in the quarter in which assets are disposed.

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 item will flow to the Company and the cost of the item can be measured reliably.

Gains and losses on disposal of assets, if any, are taken to the profit and loss account.

The assets' residual values, useful lives methods are reviewed and adjusted if appropriate, at each financial year. The Company's estimate of residual values of property, plant and equipment as at 30 September 2011 did not require any adjustment as its impact is considered insignificant.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss in the year asset is derecognized.

Capital work in progress

Capital work-in-progress is stated at cost less impairment, if any. It consists of expenditure incurred and advances made in respect of tangible and intangible assets in the course of their construction and installation. Transfers are made to relevant category as and when assets are available for use.

3.2 Stores, spares and loose tools

Stores, spares and loose tools excluding items in transit are valued at lower of moving average cost and net realizable value. Provision is made for slow moving and obsolete items.



Items in transit are valued at cost comprising invoice values plus other charges incurred thereon to the reporting date.

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

Provisions are made in the financial statements for obsolete and slow moving stores and spares based on management's best estimate regarding their future useability.

3.3 Stock in trade

All stock in trade except molasses are valued at lower of cost and net realizable value where cost is determined by applying the following basis:

- Finished sugar at average manufacturing cost;
- Sugar in process at average manufacturing cost;

Molasses at contracted price / net realizable value;

Average cost in relation to work in process and finished goods signifies the cost of sugar including a portion of related direct overheads.

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

Provisions are made in the financial statements for obsolete and slow moving inventory based on management's best estimate regarding their future useability.

3.4 Trade and other receivables

Trade and other receivables are carried at original invoice amount/cost, which is the fair value of the consideration to be received, less an estimate made for doubtful receivables which is determined based on management review of outstanding amounts and previous repayment pattern. Balance considered bad and irrevocable are written off.

3.5 Cash and cash equivalents


Cash and cash equivalents in the statement of cash flows includes cash in hand, balance with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts / short term borrowings. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

3.6 Staff retirement benefits

The company operates an approved provident fund for eligible employees. The Company contributes equal amount of employees contribution i.e. 8.33% of basic salary.

3.7 Deferred income

Deferred income primarily relates to restructuring/rescheduling of the finances with the banks/financial institutions expected to be earned on meeting the specified obligations against such restructuring/rescheduling arrangements.



Deferred income will be taken to profit and loss account, after final waiver of the related obligations by the corresponding banks/financial institutions.

3.8 Current and deferred income tax

Income tax expense comprises of current and deferred tax. Income tax expense is recognized in profit and loss account except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current

Current tax is the amount of tax payable on taxable income for the year, using tax rate enacted or subsequently enacted by the reporting date, and any adjustment to the tax payable in respect of previous year. Provision for current tax is based on higher of the taxable income at current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any or 1% of turnover. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

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. A 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. 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 substantively enacted by the reporting date. Deferred tax is charged or credited to income except in the case of items credited or charged to equity in which case it is included in equity. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.9 Trade and other payables

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

3.10 Provisions

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

3.11 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.



3.12 Financial assets

3.12.1 Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, held to maturity, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'loans and deposits', 'trade debts and other receivables' and 'cash and cash equivalents' in the balance sheet.

c) Held to maturity financial assets

Held to maturity financial assets are non derivative financial assets with fixed or determinable payments and fixed maturity with a positive intention and ability to hold to maturity. There were no held to maturity financial assets at the balance sheet date.

d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose off it within 12 months of the end of the reporting date.

3.12.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss account within 'other operating income/expenses' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit and loss account as part of other income when the Company's right to receive payments is established.



Changes in fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit and loss account as part of other income. Dividends on available for sale equity instruments are recognised in the profit and loss account as part of other income when the Company's right to receive payments is established.

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment testing of trade debts and other receivables is described in relevant notes.

3.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle either on a net basis, or realise the asset and settle the liability simultaneously.

3.14 Foreign currency translation

Foreign currencies are translated into reporting currency at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into reporting currency equivalents using year-end spot foreign exchange rates. Non-monetary assets are translated using exchange rates that existed when the values were determined. Exchange differences on foreign currency translations are included in income currently.

3.15 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets carried at cost are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss, if any. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment losses are recognized in profit and loss account.

3.16 Basic and diluted earnings per share

The company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period / year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

3.17 Related Party Transactions

Transactions with related parties are carried out on commercial terms and conditions.



3.18 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and is reduced for marketing allowances. Revenue is recognised on the following basis:

- Sales of goods are recognized when goods are delivered to the customer.
- Income on deposits and other financial assets is recognised on accrual basis.

3.19 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which case such costs are capitalised as part of the cost of that asset.

4 PROPERTY, PLANT & EQUIPMENT

	Freehold land	Factory building	Non factory building	Plant and machinery	Office equipment	Arms and Ammunition	Furniture and fixture	Vehicles	Total
	Rupees								
As at October 01, 2009									
Cost	8,612,324	87,520,209	1,523,712	580,757,509	4,205,842	298,700	2,362,684	7,483,548	692,764,528
Accumulated depreciation	-	(68,625,785)	(1,065,781)	(414,628,891)	(2,613,557)	(134,250)	(1,558,846)	(4,933,068)	(493,560,178)
Net book value	8,612,324	18,894,424	457,931	166,128,618	1,592,285	164,450	803,838	2,550,480	199,204,350
Year ended September 30, 2010									
Opening net book value	8,612,324	18,894,424	457,931	166,128,618	1,592,285	164,450	803,838	2,550,480	199,204,350
Additions during the year	-	22,594,103	-	105,000	180,000	-	-	4,650,000	27,529,103
Disposals / transfers	-	-	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-
Net book value	-	-	-	-	-	-	-	-	-
Depreciation for the year	-	(2,454,295)	(45,793)	(16,615,487)	(177,150)	(16,445)	(80,384)	(888,596)	(20,278,150)
Closing net book value	8,612,324	39,034,232	412,138	149,618,131	1,595,134	148,005	723,454	6,311,884	206,455,304
As at October 01, 2010									
Cost	8,612,324	110,114,312	1,523,712	580,862,509	4,385,842	298,700	2,362,684	12,133,548	720,293,631
Accumulated depreciation	-	(71,080,080)	(1,111,574)	(431,244,378)	(2,790,707)	(150,695)	(1,639,230)	(5,821,664)	(513,838,328)
Net book value	8,612,324	39,034,232	412,138	149,618,131	1,595,134	148,005	723,455	6,311,884	206,455,304
Year ended September 30, 2011									
Opening net book value	8,612,324	39,034,232	412,138	149,618,131	1,595,134	148,005	723,454	6,311,884	206,455,304
Additions (including transfers) during the year	-	-	-	7,752,000	-	-	-	7,810,500	15,562,500
Disposals / transfers	-	-	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-
Net book value	-	-	-	-	-	-	-	-	-
Depreciation for the year	-	(3,903,423)	(41,214)	(15,515,213)	(159,514)	(14,801)	(72,345)	(1,741,252)	(21,447,762)
Impairment loss (note 4.2)	-	(4,322,589)	-	(1,374,411)	-	-	(303,000)	-	(6,000,000)
Closing net book value	8,612,324	30,808,220	370,924	140,480,507	1,435,620	133,204	348,109	12,381,132	194,570,041
As at September 30, 2011									
Cost	8,612,324	110,114,312	1,523,712	588,614,509	4,385,842	298,700	2,362,684	19,944,048	735,856,131
Accumulated depreciation	-	(74,983,503)	(1,152,788)	(446,759,591)	(2,950,221)	(165,496)	(1,711,575)	(7,562,916)	(535,286,090)
Impairment loss (note 4.2)	-	(4,322,589)	-	(1,374,411)	-	-	(303,000)	-	(6,000,000)
Net book value	8,612,324	30,808,220	370,924	140,480,507	1,435,621	133,204	348,109	12,381,132	194,570,041
Annual rates of depreciation	0%	10%	10%	10%	10%	10%	10%	20%	

4.1 Allocation of Depreciation

	2011	2010
	Rupees	
Cost of sales	19,418,636	19,069,782
Administrative expenses	2,029,125	1,208,368
	<u>21,447,761</u>	<u>20,278,150</u>

4.2 This represents impairment losses arising due to damages occurring to the factory area and assets within the factory premises due to flood in the badin Region during the month of September 2011.



	Note	2011	2010
		Rupees	
5 STORES, SPARES AND LOOSE TOOLS			
Stores		15,975,675	14,508,928
Spares		14,576,266	11,231,681
Loose tools		395,470	341,366
		<u>30,947,411</u>	<u>26,081,975</u>
Less: Provision for slow moving stores		(2,460,453)	(2,460,453)
		<u><u>28,486,958</u></u>	<u><u>23,621,522</u></u>
6 STOCK IN TRADE			
Finished sugar		138,967,362	76,675,587
Sugar in process		1,859,250	973,919
		<u>140,826,612</u>	<u>77,649,506</u>
7 LOANS, PREPAYMENTS AND ADVANCES			
Unsecured and considered good Advances			
- To suppliers		14,113,284	20,388,172
- To contractors		497,005	492,649
- Advance against expense		513,802	1,617,307
- To growers		14,189,784	12,822,792
- Income tax		23,469,493	8,443,918
		52,783,368	43,764,838
- Staff Loan	7.1	5,176,002	3,771,968
Prepayments		350,000	2,703,938
Insurance claim receivable	7.2	6,000,000	-
		<u>64,309,370</u>	<u>50,240,744</u>
7.1	Loan to staff and executive are interest free and unsecured and given for general purpose in accordance with the company's policy and are repayable within one year.		
7.2	This represents insurance claim accepted by insurers of factory property area in respect of damages caused to the assets in factory premises as result of flood in Badin Region in September 30, 2011. Assets affected include only fixed assets.		
		2011	2010
		Rupees	
8 CASH AND BANK BALANCES			
Cash in hand		108,953	115,670
Cash at banks in current accounts		14,086,420	18,160,130
		<u>14,195,373</u>	<u>18,275,800</u>

9 LONG TERM FINANCINGS

Secured

	Note	Mark - up rate p.a.	Contracted Cash flows	Installments		2011	2010
				Number	Commencing from		
Long term finance utilised under mark-up arrangements:							
NIB Bank Limited - locally manufactured machinery 1	9.1	6.0% p.a	25,570,579	19 quarter	April 1, 2001	25,570,579	25,570,579
NIB Bank Limited - locally manufactured machinery 2	9.1	6.0% p.a	26,033,368	19 quarter	April 1, 2001	26,033,368	26,033,368
NIB Bank Limited - overdue 1	9.1	14.0% p.a	129,009,205	46 quarter	April 1, 2001	128,685,156	127,607,667
NIB Bank Limited - overdue 2	9.1	14.0% p.a	127,859,708	46 quarter	April 1, 2001	127,529,795	126,432,804
NIB Bank Limited - interest account Investment Corporation of Pakistan	9.1	Mark up free	27,124,224	46 quarter	April 1, 2001	27,124,224	27,124,224
	9.2	14.0% p.a	6,890,906	46 quarter	April 1, 2001	6,890,906	6,890,906
Habib Bank Limited - AGF & DF	9.3	Mark up free	18,817,813	12 quarter	August 21, 2009	17,858,280	39,016,710
Loans from related party	9.4	Mark up free	16,788,482	-	-	16,788,482	16,788,482
						376,480,790	395,464,740
Less: Current portion shown under current liabilities						47,002,833	54,286,086
Overdue portion shown under current liabilities						312,689,475	277,068,720
						359,692,308	331,354,806
						16,788,482	64,109,934

9.1 NIB Bank Ltd (formerly PICIC)

The loan is secured by:

- i) First charge by way of an equitable mortgage on all the immovable properties, hypothecation of stock and a floating charge on all other assets.
- ii) A demand promissory note duly signed by the directors for the purchase price.

The total amount of loan represents the LMM finance including the capitalized mark up/interest as broken down given above.

These loans are based on terms and conditions of restructuring as approved by CIRSU and agreed between the parties in the year 2000.

As per the repayment schedule as agreed in aforesaid restructuring agreement, the principal loan represented by LMM 1 and LMM 2 is scheduled to be repaid in 19 quarterly installments starting from April 01, 2001 and cost of fund @ 6% per annum. The company fully recognised mark up as per repayment schedule and no further mark up was recognised in this respect.

The liability represented by overdue 1 and over due 2 was scheduled to be repaid in 46 quarterly installments along with cost of fund @ 14% starting from April 01, 2001. The company is accruing the mark up as per schedule agreed in the restructuring agreement.



The installment along with the cost of fund was paid by the company as per restructuring schedule till the year 2003.

In the year 2003 the bank preferred to file suit B-24 of 2003 for recovery of Rs.355.3 million along with cost of funds and other charges which is contested by the company in High Court. The Company also filed a counter suit B-30 of 2003 seeking recovery of losses suffered by it of Rs.101.92 million together with damages of Rs.38 million charged @ 20% per annum on the above losses. Both the cases are proceeding in the Court.

Subsequently in the year 2004, the liability was considered and approved for settlement by CIRSU with that of other bank liabilities in terms of SBP Circular 29 using FSV of the fixed assets of the company determined by PBA approved professional valuer. This remained unimplemented owing to preconditions set by bank and FSV disputed by the company. In terms of the approval by SBP Committee, the Bank conveyed its willingness to settle its liability at Rs.205 million which represents 58.82% of FSV value of Rs. 348.26 million with a precondition to drop all proceedings in court, while the company sought settlement based on lower FSV of Rs. 213 million or at Rs.105 million. The dispute remained unresolved. The matter continues to be contested in Court.

9.2 Investment Corporation of Pakistan (ICP)

The loan is secured by:

- i) First charge by way of an equitable mortgage on all the immovable properties, hypothecation of stock and floating charge on all other assets.
- ii) Floating charge on all other assets and properties of the Company ranking pari passu with the charge created in favor of other secured creditors.
- iii) A demand promissory note for the purchase price.
- iv) Personal guarantees of all directors.

This is made up of balance of principal of Rs.4.345 million and mark up of Rs.2.526million of LMM finance remaining after the company had complied with the decree issued by the Banking Court for making payment of Rs. 8.234 million in 24 monthly installments of Rs. 343,104 /each with effect from 1st July, 2002 and 8% p.a. as cost of the fund in respect of suit filed by ICP. The company paid the last installment of Rs 1.313 million on February 23, 2007, along with cost of funds demanded by ICP of Rs.1.32 million in accordance with court order dated 24/6/2006 to meet its obligations as per decree issued by banking court. Further except for cost of fund demanded and paid no interest was accrued since the year 2002 as a result of full and final settlement through aforesaid decree. The amount subject to dispute between the company and ICP was Rs. 0.94 million which was additionally claimed by bank and is required to be reconciled. The Court vide its order dated August 26, 2010 appointed a firm of Chartered Accountants, to examine the books of account of both the company and ICP to settle the account between them, however, the aforesaid firm did not commence reconciliation work and therefore ICP during the year requested the Court to change the Chartered Accountants firm on which the Court is yet to issue an order.

As a result, the liability to the extent extinguished amounting to Rs. 4.136 million shall be taken to income when the aforesaid dispute of Rs. 0.94 million is settled between the parties.

9.3 Habib Bank Limited (HBL)

The loan is secured by:

- i) Legal / equitable mortgage on assets of the company ranking pari passu with the charge created in favor of other secured creditors.
- ii) Personal guarantees of the directors.
- iii) Deposit of sponsors' shares at the face value of Rs. 22 million.
- iv) Deposit of title deeds in respect of machinery imported from M/s Nisho Iwai Corporation.

This represents outstanding principal of Rs 151.379 million and frozen mark up of Rs 219.385 million against Demand Finance (supplier's credit guarantee) and agricultural finance that were contested in court. The bank offered settlement of Demand Finance at Rs 73.144 million and of Agricultural Finance at Rs 11.800 million subject to down payment of 10% and 12 equal quarterly installments of Rs 6.272 million each with the last installment falling on 20th May 2012. The company made down payment as well as 9 installment up to the date of the balance sheet. The remaining balance of Rs 285.821 million as per books has been transferred to deferred liability for recognition as income from debt extinguishment after the last and final installment is paid by the year 2012 on account of principal of Rs 66.435 million and accrued mark up of Rs 219.385 million.

The company has recorded the loans on amortized cost / present value using the effective interest rate of 14.45% (3 Years KIBOR) prevalent on the date of settlement. The Company accordingly recognized unrealized net income of Rs. 14.460 million in the year 2009 being difference between present value and carrying amount as at settlement agreement date which is being unwinded by the Company through accrual of interest on present value and charged an amount of Rs. 13.230 million to date to profit and loss account.

9.4 Loans from Related Parties

These represents unsecured and interest free loans with no fixed term for repayment.

		2011	Rupees	2010
10 DEFERRED LIABILITY				
Deferred income	10.1	285,821,063		285,821,063
Quality premium	10.2	100,877,138		100,877,138
		<u>386,698,201</u>		<u>386,698,201</u>

10.1 This represents balance of income pending for recognition subject to fulfillment of condition of Bank's liability in accordance with the agreed repayment schedules on HBL loan amounting to Rs 285.821 million was accordingly deferred till the payment of last and final installment as per conditions disclosed in the note 9.3.

10.2 This represents liability of Rs.100.877 million made in respect of quality premium to growers for the period from 1998-99 to 2002-2003. The matter of payment of quality premium to growers is currently subjudiced. Appeals filed in this matter are pending before the Supreme Court of Pakistan. Supreme Court granted injunction on the appeal citing conflicting judgment of the High Court of Sindh and the High Court of Punjab in the issue of validity of QP restrained recovery of QP till the matter is disposed off. The management maintains that subsequent to the year 2003 it has fulfilled its obligations of QP (Refer details in note 12.4).



11 TRADE AND OTHER PAYABLES	Note	2011	2010
		Rupees	
Creditors			
For sugarcane		121,582,229	32,740,063
For stores and spares		2,881,379	2,351,642
		124,463,608	35,091,705
Accrued Liabilities			
Accrued expenses		5,225,645	4,570,475
Road cess		1,196,534	1,196,526
		6,422,179	5,767,001
Other Liabilities			
Advance from customers		-	521,714
Employees provident fund		7,453	8,942
Sales tax payable		6,471,994	2,942,211
Federal excise duty payable		-	195,561
Income tax withheld payable		463,759	327,593
Retention money		19,309	1,149,124
Workers' profits participation fund	11.1	2,446,929	8,189,133
Workers' welfare fund		-	3,111,870
Dividend payable		1,232,436	-
Others		1,600,740	1,334,954
		12,242,620	17,781,102
		143,128,407	58,639,808
11.1 Workers' profits participation fund			
Opening balance		8,189,133	10,861,449
Allocated during the year		2,446,929	8,189,133
Interest accrued during the year		653,336	553,905
		3,100,265	8,743,038
Paid during the year		8,842,469	11,415,354
Closing balance		2,446,929	8,189,133

12 CONTINGENCIES AND COMMITMENTS

CONTINGENCIES

- 12.1** The company is contesting a suit filed in the High Court in the Year 1998 by M/s. Indian Sugar & General Industry for recovery of Rs. 14.227 million (US\$ 240,692) representing the balance amount due and interest thereon against the import of 1,645 M. Tons of sugar made by the Company. The suit is pending for evidence. The legal counsel is of the view that no adverse order is expected against the company therefore no provision has been made in these financial statements.
- 12.2** The department demanded further tax of Rs.4.88 million from the company that was not charged by it from its customers owing to ambiguity in section 2 (23) which stated that an unregistered person liable to be registered was to be treated at par with a registered person and hence further tax was not to be charged. The Additional Collector stayed the said demand in the year 2003. The matter was contested by the Collector of Custom & Sales Tax in the High Court and judgment was passed in favor of the company. The collectorate preferred appeal with the Supreme Court of Pakistan that accepted the plea and set aside the judgment of the High Court and allowed sales tax department to proceed the case in accordance with law vide its order in March 2006. The company has not received any fresh demand and has not made any provision there against. The legal counsel of the company is of the opinion that based on the merit of the case no tax liability is likely to arise in future in this case.



12.3 The company has not recorded further liability of Rs. 8.405 million plus cost of funds that has not yet been determined in respect of long term finance of NIB Bank. This is on account of difference between the amount of loan liabilities reflected in the books at principal of Rs. 334.94 million (Refer note # 11) and accrued mark up of Rs. 11.654 million as against that claimed by NIB Bank in recovery suit amounting to Rs. 355 million along with cost of funds that are yet to be decided by the Court. The reason for it is that the Company has filed counter claim against NIB Bank in Suit No. 30 of 2003 based on its workings reflecting that it has overpaid the liabilities by Rs. 139.92 million.

12.4 The matter of quality premium continues to be pending with the Honorable Supreme Court of Pakistan since the year 2004 after it granted leave to defend on the question of issue of quality premium. The Apex court also ordered that no coercive action for recovery of quality premium shall be taken against the mills till the case is decided. The Company purchased sugar cane at market rate, which was higher than minimum support price fixed by the government during the period from 2004-2011 except for 2007- 08 and 2003 - 04 and the resultant aggregate excess payment on account of various subsidies born by it as at the balance sheet date amounted to Rs. 1,141.842 million that absorbed the quality premium for the said years of Rs. 225.584 million. It also holds the view that uniform formula being developed by MINFAL for mills and cane growers would be applicable prospectively. In view of above, the company has not recorded any further obligation except that included in deferred liability (Refer note # 10.2) with respect to quality premium.

13 SALES - NET	2011	2010
	Rupees	
Sugar	1,443,853,150	1,294,754,950
Molasses	102,220,000	90,766,000
	1,546,073,150	1,385,520,950
Brokerage	(619,770)	(621,990)
Direct levies	(79,975,574)	(56,275,488)
	(80,595,344)	(56,897,478)
	1,465,477,806	1,328,623,472

14 COST OF SALES	Note	2011	2010
		Rupees	
Raw material consumed (including procurement and allied expenses)		1,281,306,258	1,007,155,836
Manufacturing expenses	14.1	137,069,612	112,485,221
		1,418,375,870	1,119,641,057
Opening stock:			
Finished stock - sugar		76,675,587	65,590,242
Sugar-in-process		973,919	-
		77,649,506	65,590,242
		1,496,025,376	1,185,231,299
Closing stock:			
Finished stock - sugar	6	(138,967,362)	(76,675,587)
Sugar-in-process	6	(1,859,250)	(973,919)
		(140,826,612)	(77,649,506)
		1,355,198,764	1,107,581,793



14.1 Manufacturing expenses

Stores and spares consumed		7,802,012	5,567,295
Packing material consumed		8,764,345	6,668,057
Salaries and allowances	14.1.1	41,422,976	35,598,401
Repair and maintenance		43,369,094	30,778,553
Fuel and power		7,345,141	7,500,938
Insurance		4,364,805	3,893,838
Freight and handling		2,023,366	1,515,363
Depreciation	4.1	19,418,636	19,069,782
Others		2,559,237	1,892,994
		<u>137,069,612</u>	<u>112,485,221</u>

14.1.1 This includes Rs. 954,032 (2010 : Rs.711,345) in respect of defined contributory provident fund.

15	ADMINISTRATIVE EXPENSES	Note	2011 Rupees	2010
	Salaries, bonus and staff amenities	15.1.	28,292,118	23,118,230
	Directors' remuneration		4,084,675	2,569,550
	Traveling and conveyance		1,124,283	994,900
	Printing and stationery		747,385	567,752
	Legal and professional		1,413,900	1,138,150
	Auditors' remuneration	15.2	767,110	713,530
	Telephone and postage		1,169,579	1,059,869
	Electricity, water and gas		2,044,340	1,660,822
	Vehicle running and maintenance		7,677,926	5,310,337
	News papers books and periodicals		15,490	13,531
	Repairs and maintenance		5,258,076	2,377,164
	Rent, rates and taxes		263,767	122,000
	Insurance		339,647	227,567
	Charity and donations	15.3	262,000	14,500
	Fees and subscription		835,679	741,072
	Depreciation	4.1	2,029,125	1,208,368
	Entertainment		218,200	169,116
	Sanitation charges		292,564	213,898
	Shares department expenses		155,628	82,360
	Miscellaneous		953,423	1,477,638
			<u>57,944,915</u>	<u>43,780,354</u>

15.1. This includes Rs.425,293 (2010: Rs.358,369) in respect of defined contributory provident fund.

		2011 Rupees	2010
15.2	Auditors' remuneration		
	Fee for the		
	- audit of annual financial statements	500,000	500,000
	- review of half yearly financial statements	150,000	150,000
	- review of compliance with Code of Corporate Governance	50,000	50,000
	Out of pocket expenses	67,110	13,530
		<u>767,110</u>	<u>713,530</u>

15.3 Charity and donations

None of the directors or their spouse had any interest in these charity and donations.



		2011	2010
	Note	Rupees	Rupees
16 DISTRIBUTION COST			
Advertisement		76,750	58,200
Loading and stacking		1,251,856	929,343
Others		<u>18,500</u>	<u>22,440</u>
		<u><u>1,347,106</u></u>	<u><u>1,009,983</u></u>
17 FINANCE COSTS			
Interest on long term financings		6,105,918	10,342,295
Interest on workers' profits participation fund	11.1	653,336	553,905
Bank and other charges		<u>2,241,174</u>	<u>1,929,751</u>
		<u><u>9,000,428</u></u>	<u><u>12,825,951</u></u>
18 OTHER INCOME			
Bagass / scrap sales		700,150	357,264
Insurance claim receivable	7.2	<u>6,000,000</u>	<u>-</u>
		<u><u>6,700,150</u></u>	<u><u>357,264</u></u>
19 OTHER CHARGES			
Contribution to:			
-workers' profits participation fund		2,446,929	8,189,133
-workers' welfare fund	19.3	-	3,111,870
Deposits written off	19.1	1,426,886	-
Advance from customers written back		(521,714)	-
Impairment losses arising due to flood in the factory area	19.2	<u>6,000,000</u>	<u>-</u>
		<u><u>9,352,101</u></u>	<u><u>11,301,003</u></u>

19.1 This represents write off made by the company against its long outstanding deposits.

19.2 This represents impairment losses arising due to damages occurring to the factory area and assets within the factory premises due to flood in the Badin Region during the month of September 2011.

19.3 In view of the judgement of the Lahore High Court in case E.P.C.T(Pvt) Ltd in CP No. WPNo.8763/2011 and brought forward tax losses of the Company, no provision for workers' welfare fund has been made in respect of year ended September 30, 2011. By the aforesaid judgment, the Honourable High Court declared the amendments made in the WWF Ordinance, 1971 through Finance Acts 2006 and 2008 unconstitutional.

		2011	2010
	Note	Rupees	Rupees
20 EARNINGS PER SHARE			
BASIC			
Profit after taxation (Rupees)		<u>24,612,862</u>	<u>139,195,404</u>
Weighted average number of ordinary shares		<u>14,100,000</u>	<u>14,100,000</u>
Earnings per share (Rupees)		<u>1.75</u>	<u>9.87</u>

DILUTED

There is no dilution effect on the basic earnings per share of the Company as the company has no potential ordinary shares in issue at the end of the reporting period.

		2011	Rupees	2010
21	TAXATION			
	Current. for the year	21.1	14,721,779	13,286,250

21.1 Current tax

In view of availability of brought forward tax losses, the provision for current taxation has been computed based on the minimum tax payable under section 113 of the Income Tax Ordinance, 2001. Tax assessment of the company is deemed to be finalized up to Tax Year 2011 (Income year ended September 30, 2010).

21.2 Deferred

Deferred tax asset amounting to Rs. 15.534 million on account of deductible temporary differences resulting from brought forward tax losses, at the end of the reporting period, has not been recognized as it is not probable that sufficient taxable profits will be available in the foreseeable future against which such an asset may be realised.

21.3 TAX CHARGE RECONCILIATION

As stated above, the current income tax provision is computed based on the requirements of section 113 of the Income Tax Ordinance, 2001. Therefore, it is impracticable to prepare the reconciliation of tax charge based on accounting profit and taxable income for the year.

22 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

PARTICULARS	2011				2010			
	Chief Executive	Directors	Executive	Total	Chief Executive	Directors	Executive	Total
Remuneration	2,659,800	1,424,875	-	4,084,675	2,209,550	360,000	-	2,569,550
Perquisites, benefits and utilities	2,070,787	310,901	-	2,381,688	1,769,987	-	-	1,769,987
Total	4,730,587	1,735,776	-	6,466,363	3,979,537	360,000	-	4,339,537
No. of persons	1	2	-	3	1	1	-	2

22.1 The Chief Executive and Directors are entitled to free use of Company maintained cars. The Chief executive is also provided telephone and utility facilities.

23 TRANSACTIONS WITH RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party and exercises significant influence over other party in making financial and operating decisions.

The related parties comprise of major shareholders, directors of the company and key management personnel and staff/workers funds. Remuneration and benefits to executives of the company are in accordance with the terms of the employment while contribution to the provident fund and gratuity are in accordance with staff service rules.



Details of transactions with related parties are as follows:	2011	2010
	Rupees	
<u>Transactions during the year</u>		
Contribution to staff provident fund	1,379,955	1,069,714
Contribution in Workers' Profit Participation Fund	2,446,929	8,189,133
Interest accrued on WPPF	653,336	553,905
Payment against long term finance from related party	-	25,000,000
<u>Payable / (Receivable) as on balance sheet date with:</u>		
Workers' profit participation fund	2,446,929	3,111,870
Employees' provident fund trust	7,453	8,942

The remuneration of Chief Executive, Directors and Executives is disclosed in note 22 to the financial statements.

24 FINANCIAL INSTRUMENTS

Financial instruments by category	2011	2010
	Rupees	
FINANCIAL ASSETS		
Loans and receivables		
Long term deposits	-	1,426,886
Trade debts	36,010,130	1,749,262
Loans	40,489,877	-
Cash and bank balances	14,195,373	18,275,800
	90,695,380	21,451,948
FINANCIAL LIABILITIES AT AMORTIZED COST		
Long-term finances	376,480,790	395,464,740
Trade and other payables	134,976,811	49,912,484
Accrued markup on finances	18,991,927	18,991,927
	530,449,528	464,369,151

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks: capital risk, credit risk, liquidity risk and market risk (including foreign exchange or currency risk, interest/mark-up rate risk and price risk). The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall risks arising from the Company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risk without any material change from previous period in the manner described in notes below.

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

25.1 Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Due to the company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the company. To manage exposure to credit risk, Company applies credit limits and deals with



credit worthy parties. It makes full provision against those balances considered doubtful by dealing with variety of major banks and financial institutions. All the balances are recoverable / deposited in Pakistan. The carrying amounts of financial assets against which the Company did not hold any collateral represent the maximum credit exposure, as specified below:

	2011	2010
	Rupees	
Trade debts	36,010,130	1,749,262
Loans	40,489,877	-
Bank balances	14,086,420	18,160,130
	<u>90,586,427</u>	<u>19,909,392</u>

25.1.1 Impairment losses

The aging of Trade debts at the reporting date was:

	2011		2010	
	Gross value	Impairment	Gross value	Impairment
	-----Rupees-----			
Not past due	36,010,130	-	1,749,262	-

The company believes that no impairment allowance is necessary in respect of trade debts past due other than amount provided.

25.1.2 Credit quality of bank balance

	2011	2010
	Rupees	
Short term credit rating		
- A1+	11,307,875	15,783,020
- A-1+	2,778,545	2,377,110
	<u>14,086,420</u>	<u>18,160,130</u>

25.2 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 managing 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):



	2011			
	Carrying Amount	Contractual cash flows	Twelve months or less	Two to Five years
Non-Derivative Financial liabilities	Rupees			
Long-term finances	376,480,790	378,094,285	361,305,803	16,788,482
Trade and other payables	134,976,811	134,976,811	134,976,811	-
Accrued markup on finances	18,991,927	18,991,927	18,991,927	-
	<u>530,449,528</u>	<u>532,063,023</u>	<u>515,274,541</u>	<u>16,788,482</u>

	2010			
	Carrying Amount	Contractual cash flows	Twelve months or less	Two to Five years
Non-Derivative Financial liabilities	Rupees			
Long-term finances	395,464,740	403,772,497	337,779,342	65,993,155
Trade and other payables	49,912,484	49,912,484	49,912,484	-
Accrued markup on finances	18,991,927	18,991,927	18,991,927	-
	<u>464,369,151</u>	<u>472,676,908</u>	<u>406,683,753</u>	<u>65,993,155</u>

25.3 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 comprise 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:

25.3.1 Currency risk

Currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. As at the balance sheet date the company is not exposed to foreign currency risk as there is no receivable / payable or commitment other than local currency.

25.3.2 Interest/mark up rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company is not exposed to Interest / mark up rate risk as there is no variable rate financing as at the balance sheet date. At the balance sheet date, the interest rate profile of the Company's significant interest bearing financial instruments was as follows:



	2011	2010	2011	2010
	Effective interest rate (%)		Carrying amount	
Fixed rate instruments			Rupees	
Long term financing	6% - 14.48%	6% - 14.48%	<u>376,480,790</u>	<u>395,464,740</u>

No sensitivity analysis has been performed and disclosed in these financial statements since the company has no outstanding financial instruments at year end with variable interest rates.

25.4 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.

26 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.

27 CAPACITY AND PRODUCTION

	<u>2011</u>	<u>2010</u>
Curshing capacity (Metric Tons based on 180 days of production)	626,400	626,400
Actual curshing (Metric Tons)	244,767	208,920
Sugar capacity (Metric Tons based on 180 days of production)	62,640	62,640
Production of sugar (Metric Tons)	24,095	21,055
Number of days of production	123	111
Percentage of capacity attained	38.47	33.61

The reason for under utilization of installed capacity is due to limited availability of sugarcane.



28 SUBSEQUENT EVENT

The Company received notice no. DCIR\AR-A\Z-III\2010-11 dated October 13, 2011 from Deputy Commissioner Inland Revenue whereby he required the Company to explain the reason why the Company short paid the special excise duty (SED) by an amount of Rs. 13.864 million for sales made during the period from July 2007 to March 15, 2011. The Company paid excise duty during such period based on selling price fixed by the Government for the purpose of sales tax as per notifications issued from time to time. Moreover, on explanation given by the Company against aforesaid notice, the Deputy Commissioner (IR) issued order no. 1(2) Unit-1&2/Z-III/Audit/LTU/2011 dated October 25, 2011 whereby he decided that the said amount is short paid by the company and ordered to recover the aforesaid amount of SED alongwith the default surcharge and penalty thereon amounting Rs.3.597 million from the Company.

An appeal has been filed by the Company before the Commissioner (Appeals) Inland Revenue against the above referred order which is yet to be decided.

29 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized by the Board of Directors of the Company for issue on December 20, 2011.

30 GENERAL

Figures have been rounded off to the nearest rupee.

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER



FORM OF PROXY

The Secretary,
MIRZA SUGAR MILLS LIMITED
10th Floor, Portion "B", Building No. 1,
Lakson Square, Sarwar Shaheed Road,
Karachi-74200.

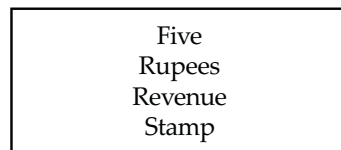
I/We _____ S/o _____
CNIC _____ of _____
being a member of **MIRZA SUGAR MILLS LIMITED** and holder of _____
Ordinary Shares, as per Register Folio No./CDC A/c No. _____
hereby appoint _____ S/o _____
CNIC _____ Folio No. / CDC A/C No. _____
of _____
who is also a member of the Company as my/our Proxy to vote for me/us and on my/our behalf at the
22nd Annual General Meeting of the Company to be held on **January 30, 2012** or at any
adjournment thereof.

Signed: _____ day of _____ 2012.

Witness

1) Name _____
C.N.I.C No. _____
Address _____
Signature _____

2) Name _____
C.N.I.C No. _____
Address _____
Signature _____



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

NOTE:

1. This form of proxy duly completed and signed, must be deposited at the 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 authorised in writing. If the member is a corporation, its common seal should be affixed to the instrument.
3. A Member entitled to attend and vote at the meeting may appoint any other Member as his/her proxy to attend and vote on his/her behalf except that a corporation may appoint a person who is not a member.