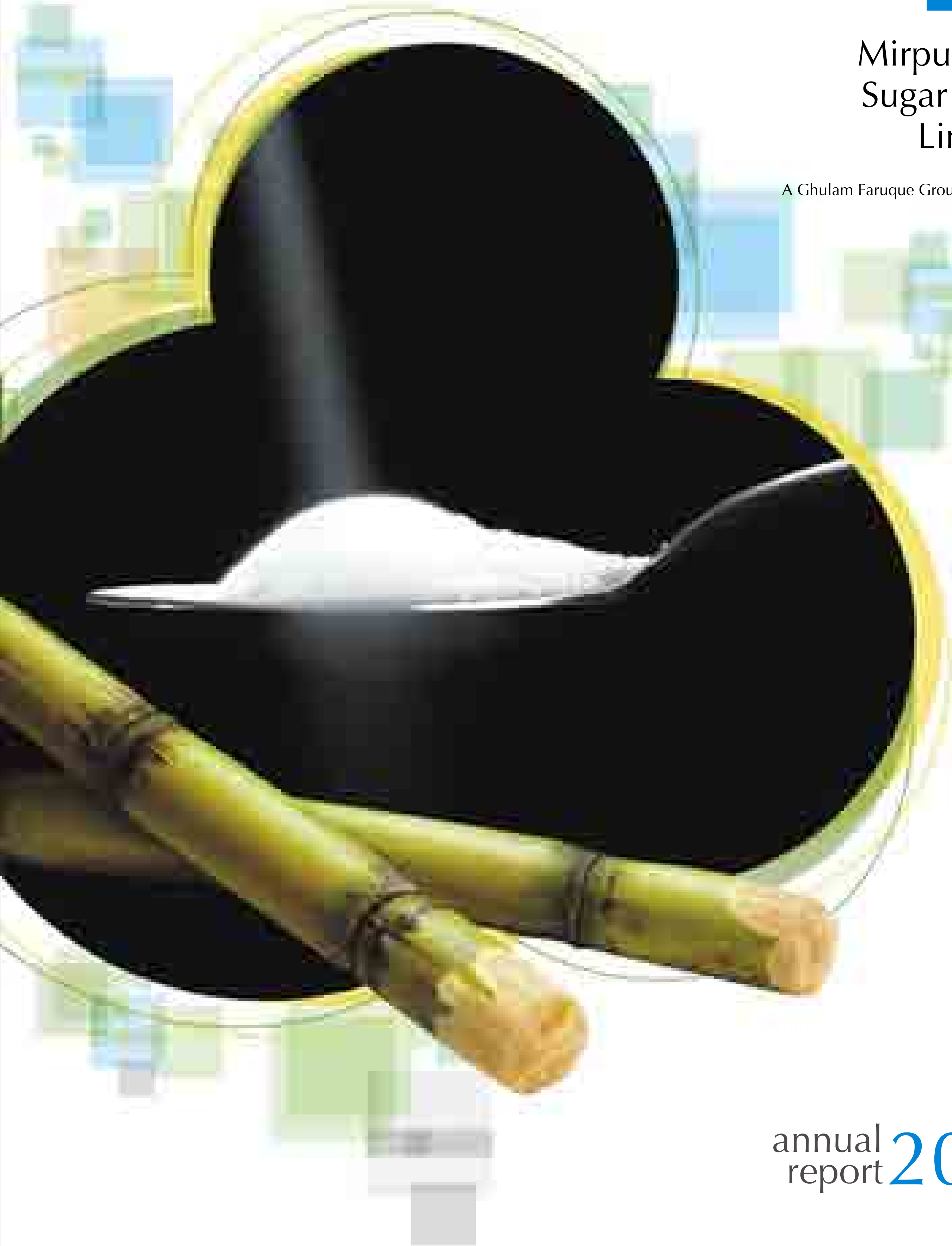
Mirpurkhas Sugar Mills Limited

A Ghulam Faruque Group Company



annual report 2012

Introduction

When we think of sugar, we instantly think of added sweetness. However, this amazing product, its properties and by-products will surprise you.

Though in varying quantities, you will find sugar in most products; it is used to balance flavours, for instance the paradox of bitter sweet; it makes sour flavours more palatable; it intensifies saltiness. Sugar is a preservative and makes foods last longer retaining food values, colour and freshness.

Sugar can also alter the chemical processes of non food items. This amazing product is widely used in the construction and film industries.

From our first production 48 years ago to the final bag of every crushing season, we at Mirpurkhas Sugar Mills take pride in every grain of sugar produced. We are honoured to be manufacturers of one of the oldest and widest used commodities in the world.

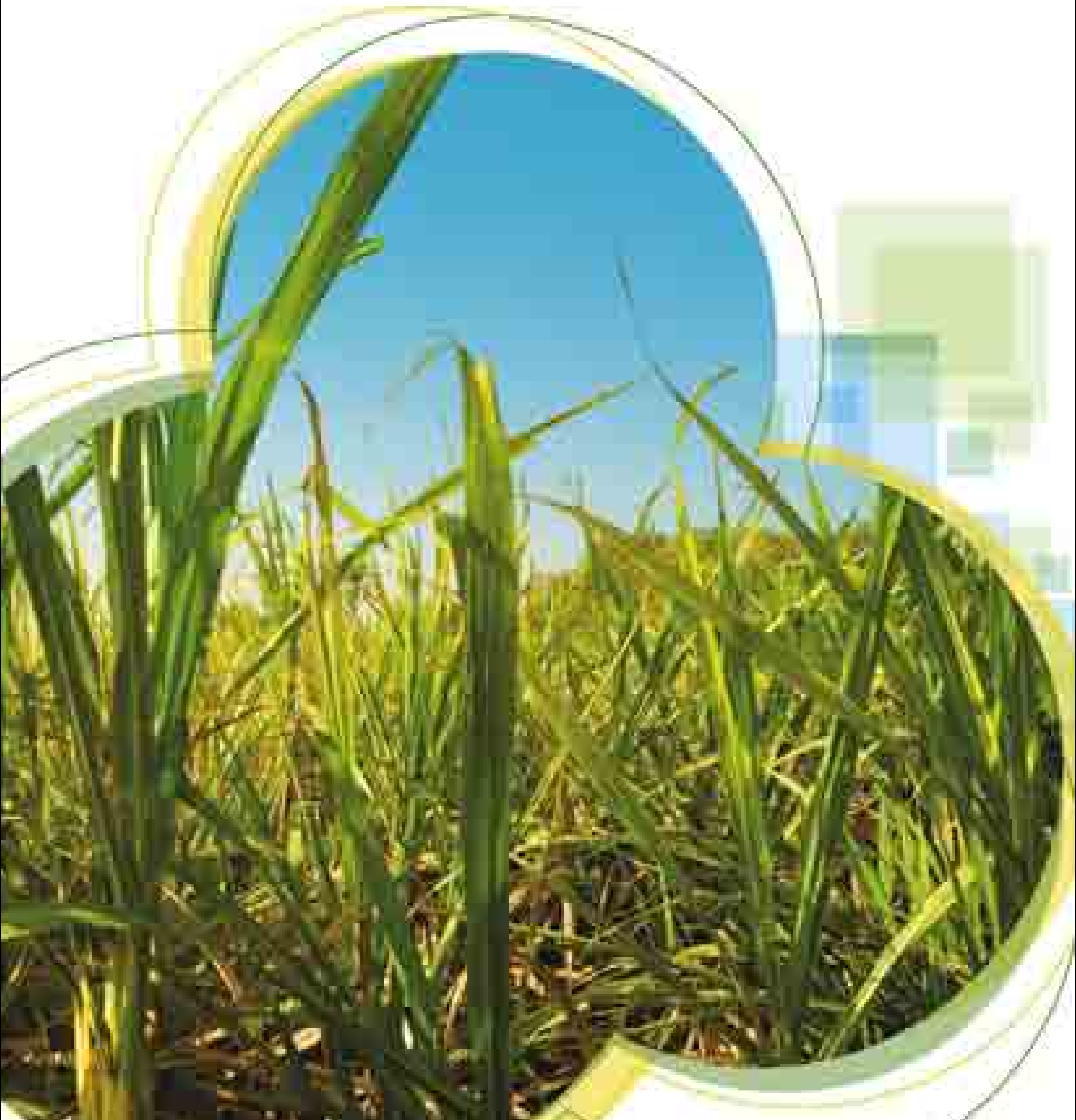
contents

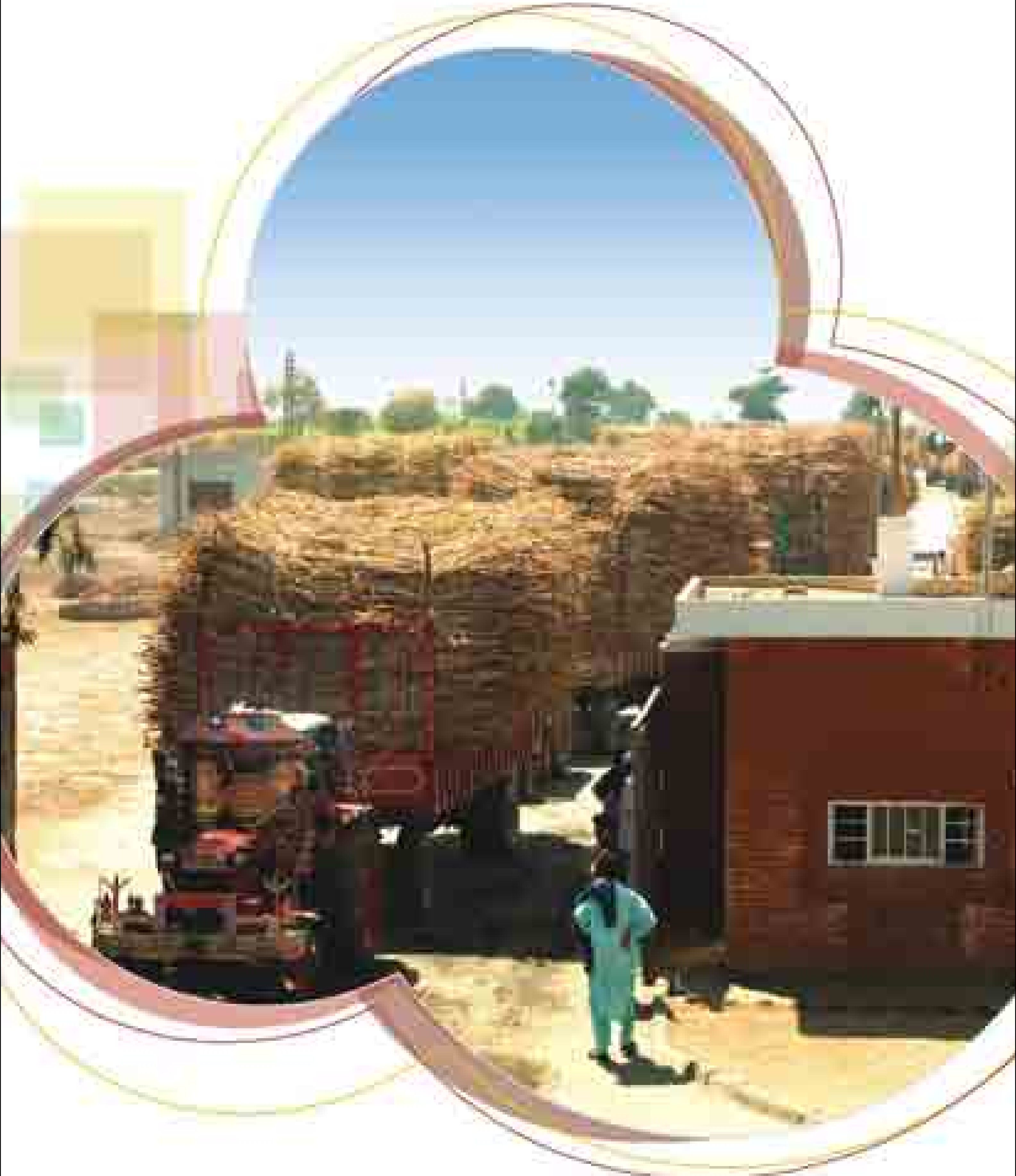
16	vision statement
17	mission statement
18	strategic objectives
19	core values
20	company information
22	notice of annual general meeting
24	Unicol Limited
26	the board of directors
30	directors' report to the members
35	statement of compliance with the best practices of code of corporate governance
36	statement of compliance with the best practices of transfer pricing
37	review report to the members on statement of compliance with the best practices of code of corporate governance
38	code of conduct
40	six years' statistics
41	production and financial highlights
45	statement of value addition
46	auditors' report to the members
47	balance sheet
48	profit and loss account
49	statement of comprehensive income
50	cash flow statement
51	statement of changes in equity
52	notes to the financial statements
77	pattern of shareholding
	proxy form

planting & harvesting

Sugarcane requires an average temperature of 75 degrees Fahrenheit (23.9 degrees Celsius) and uniform rainfall of about 80 inches (203 centimetres) per year. Therefore, it is grown in tropical or subtropical areas.

Sugarcane takes about seven months to mature in a tropical area and about 12-22 months in a subtropical area. At this time, fields of sugarcane are tested for sucrose, and the most mature fields are harvested first.





preparation & processing

Harvesting of cane in Pakistan is done manually and occasionally through machine. The harvested cane stalks are loaded onto trucks, trolleys & other open vehicles to be taken to mills for processing into sugar.

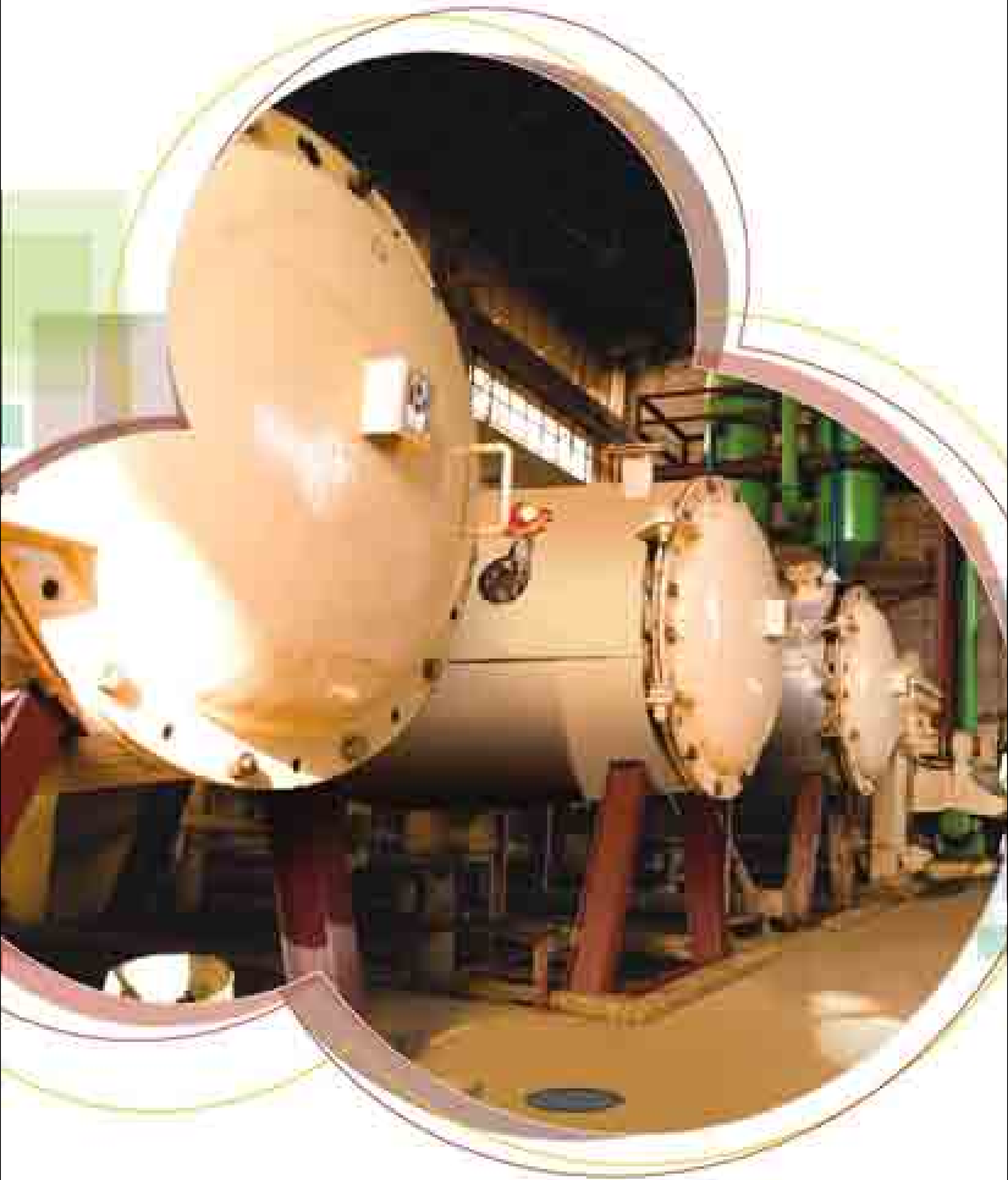
The cane is first weighed and then unloaded onto cane carriers via feeding tables and manual unloading. After passing through the shredder or fiberizer, the cane is cut into small pieces.

juice extraction processing

Two to five heavily grooved crusher rollers break the cane and extract majority of the juice. Revolving knives, which cut the stalks into chips, are supplementary to the crushers. The pressing process involves crushing the stalks between the heavy and grooved metal rollers to separate the fiber (bagasse) from the juice which contains the sugar.

As the cane is crushed, hot water (or a combination of hot water and recovered impure juice) is sprayed onto the crushed cane counter as it leaves each mill for diluting.

This extracted juice, called raw juice or mix juice, contains 95 percent or more of the sucrose present.



purification, clarification & evaporation

The clarification (or defecation) process is designed to remove both soluble and insoluble impurities. Lime and heat are used as clarifying agents. Milk of lime neutralizes the natural acidity of the juice, forming insoluble lime salts. Heating the lime juice to boiling coagulates the albumin. The fats, waxes, and gums, with the precipitate formed entraps suspended solids as well as the miniature particles.

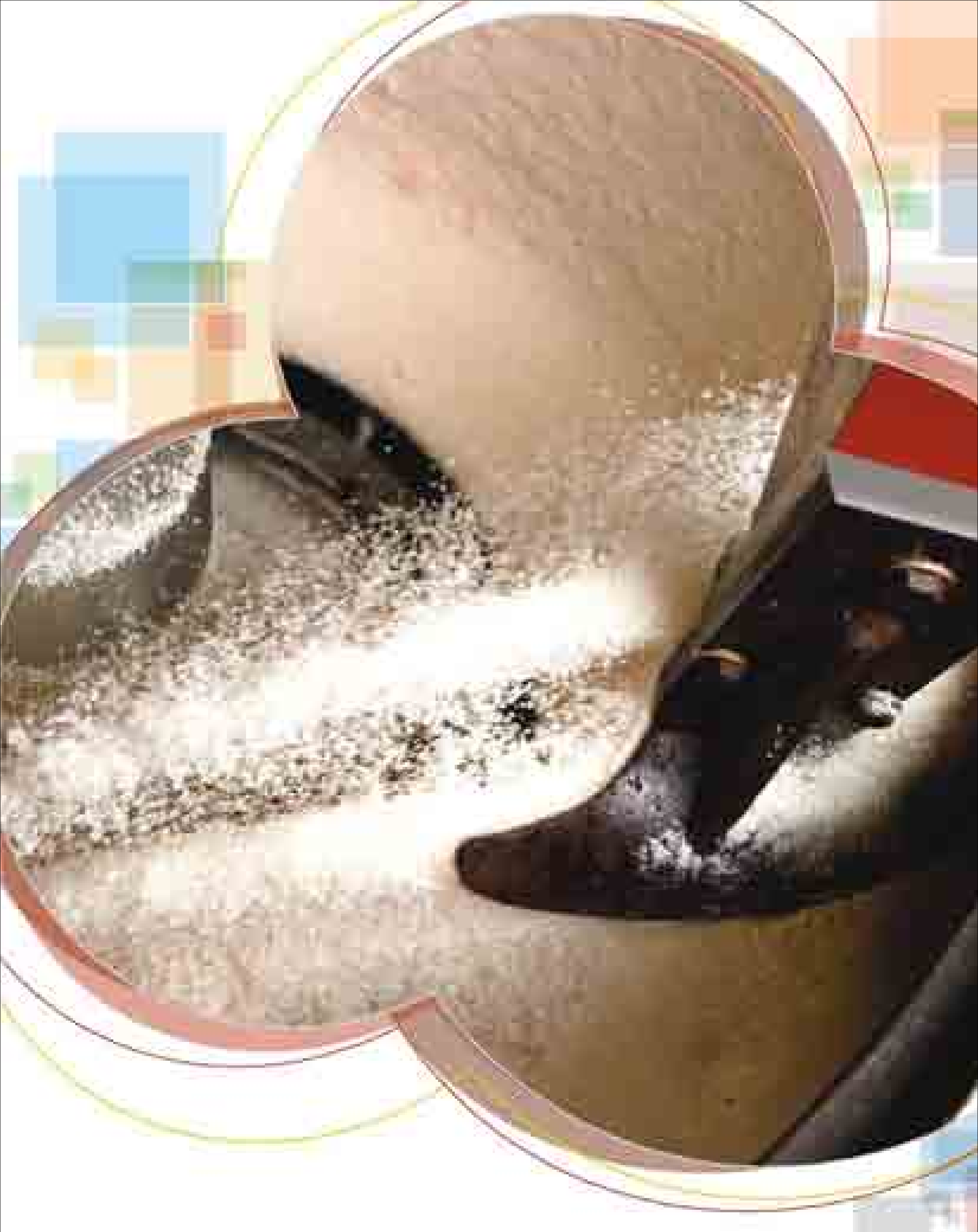
To concentrate the clarified juice, about two-thirds of the water is removed from the juice through vacuum evaporation.

The vapor passing from various cells finally goes to condenser. The syrup, which continuously leaves the last evaporator, comprises 65 percent solids and 35 percent water.

crystallization, clarification & evaporation

The syrup is evaporated in a single-stage vacuum pan to enable maximum sugar saturation and crystallization. As the saturation point is crossed, small grains of sugar are added to the pan. The seed sugar serves as nuclei for the formation of sugar crystals.

The crystals formation continues until the pan is full. Once sucrose concentration reaches the desired level, the dense mixture comprising syrup and sugar crystals is discharged into large crystallizers. Sugar crystal formation continues till the massecuite is slowly stirred and cooled.



centrifugaling

Massecuite from the mixers then flows into centrifugals where the molasses syrup is separated from the raw sugar by centrifugal force.

The final molasses containing sucrose, organic non-sugars, ash, and water, is sent to large storage tanks. Once the sugar is centrifuged, it is "cut down" and sent to a granulator for drying.

drying and packaging

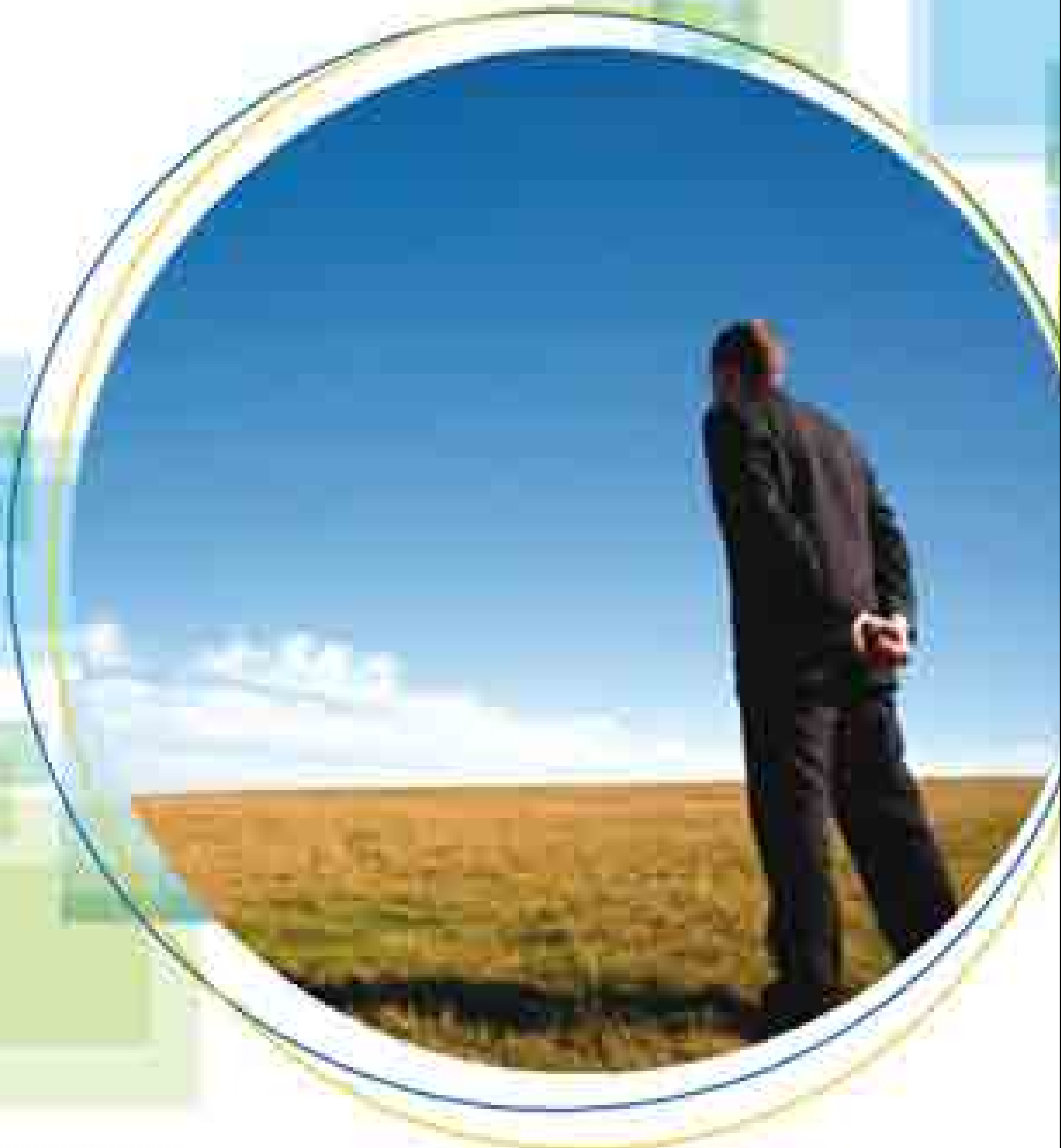
Damp sugar crystals are tumble dried through heated air in a granulator. The dry sugar crystals are then sorted by size through vibrating screens and placed into storage bins.

Sugar is then sent to be packed in the familiar packaging that we see in grocery stores, in bulk packaging, or in liquid form for industrial use.


MILLS LTD
REFINED SUGAR
50.134 KG
50.000 KG
2011 2012

vision

We aim to be a leading producer and supplier of high quality sugar in Pakistan. We aspire to be known for the quality of our product. We intend to play a pivotal role in the economic and social development of Pakistan thereby improving the quality of life of its people.



mission

As a leading producer of quality sugar in Pakistan, we shall build on our core competencies and achieve excellence in performance. In doing so, we aim to meet or exceed the expectations of all our stakeholders.

In striving to serve our stakeholders better, our goal is not only to attain technological advancements in the field of sugar technology, but also to inculcate the most efficient, ethical and time tested business practices in our management.

We shall continue to look for innovative ways to introduce alternate uses of sugar to broaden our customer base.

strategic objectives

Effective use of resources and management of operating cost:

- Effective use of resources and optimized capacity utilization;
- Modernization of production facilities to ensure the most efficient processing of sugarcane and better sucrose recovery;
- Sustaining costs, based on strong skills of continuous improvement in operations, development and implementation of effective technical solutions;
- Further improvement in corporate governance through optimization of management processes.

Development of sugarcane and growth in sugar and allied businesses:

- Active participation in developing new varieties of sugarcane in adjoining areas;
- Search for growth opportunities for existing business through strategic acquisitions and establishing partnerships in prospective sectors of sugar and allied industry.

Sustainable development in the region in which the Company operates:

- Personnel development, creating a proper environment for growth of highly skilled professionals, ensuring safe labor environment, competitive staff remuneration and social benefits in accordance with the scope and quality of their work;
- Compliance with environmental standards, both local and at the international level;
- Helping and implementing projects that lead to social and economic development of communities.

core values

- Strive for excellence and build on our core competencies.
- Keep up with technological advancements and continuously update ourselves in the field of sugar technology.
- Meet & exceed the expectations of our stakeholders.
- Inculcate efficient, ethical and time tested business practices in our management.
- Work as a team and support each other.
- Keep the interest of the Company before that of the individual.

company information

Board of Directors

Mr. Mahmood Faruque	Chairman
Mr. Aslam Faruque	Chief Executive
Mr. Mohammed Faruque	Director
Mr. Akbarali Pesnani	Director
Mr. Arif Faruque	Director
Mr. Tariq Faruque	Director
Mr. Maqbool H.H. Rahimtoola (NIT)	Director
Mr. Muhammad Iqbal Hussain (NIT)	Director
Mr. Taufique Habib	Director

Audit Committee

Mr. Akbarali Pesnani	Chairman
Mr. Arif Faruque	Member
Mr. Tariq Faruque	Member
Mr. Maqbool H.H. Rahimtoola	Member

Human Resource and Remuneration Committee

Mr. Arif Faruque	Chairman
Mr. Aslam Faruque	Member
Mr. Muhammad Iqbal Hussain	Member

Executive Director & Chief Financial Officer
Mr. Wasif Khalid

Executive Director & Company Secretary
Mr. Abid A. Vazir

Auditors
Hyder Bhimji & Co.
Chartered Accountants

Legal Advisor
K.M.S. Law Associates

Share Registrar
Central Depository
Company of Pakistan Ltd.

CDC House, 99-B,

Block-B, S.M.C.H.S.

Main Shahrah-e-Faisal,

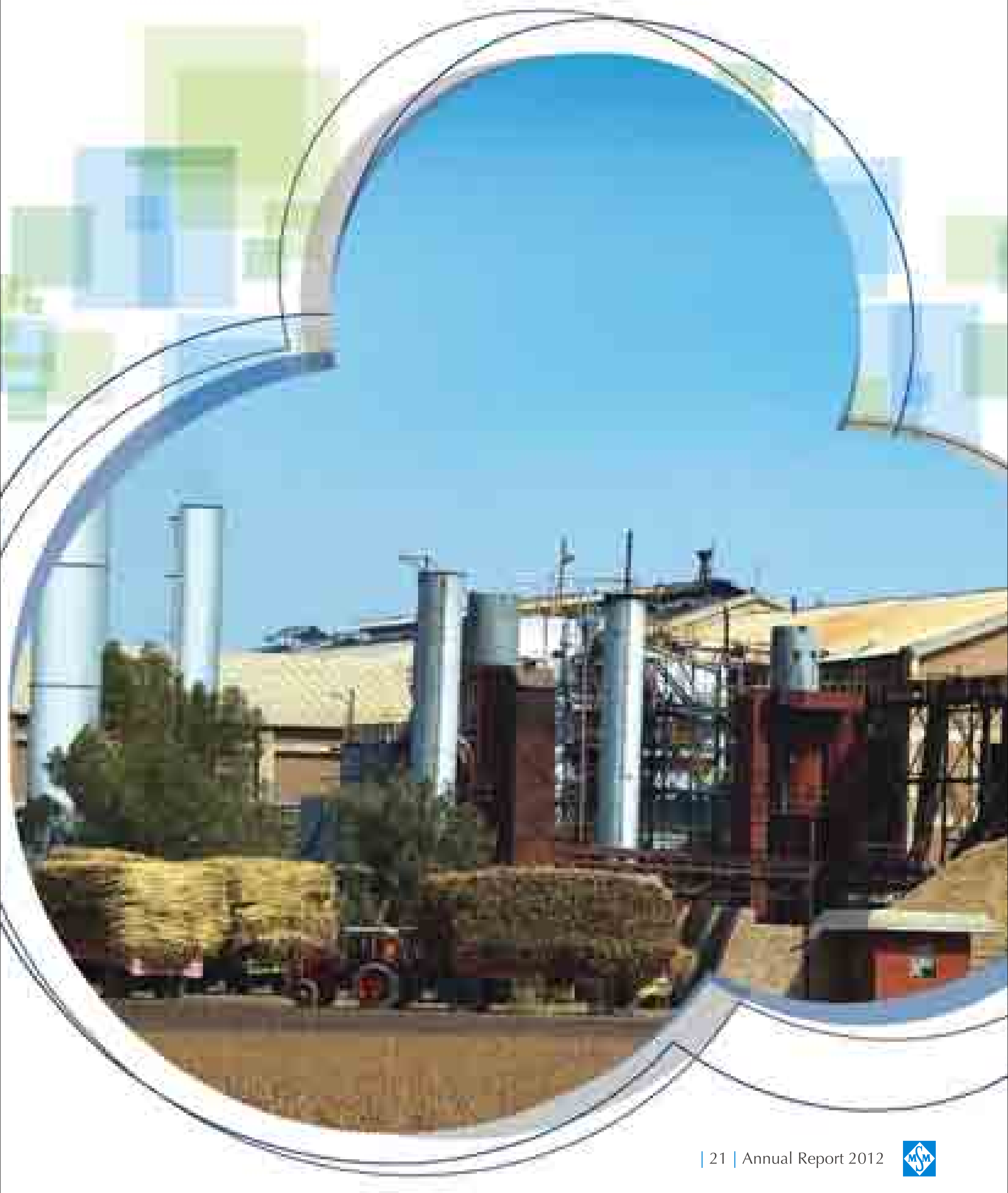
Karachi-74400.

Bankers

- Allied Bank Ltd.
- Bank Alfalah Ltd.
- Bank Al Habib Ltd.
- Habib Bank Ltd.
- MCB Bank Ltd.
- Meezan Bank Ltd.
- National Bank of Pakistan
- NIB Bank Ltd.
- Soneri Bank Ltd.
- United Bank Ltd.

Registered Office
Modern Motors House
Beaumont Road
Karachi-75530.

Factory
Post Office Jamrao
District Mirpurkhas
Sindh



notice of annual general meeting

Notice is hereby given that the 48th Annual General Meeting of the Company will be held on Thursday, January 31, 2013 at 10:00 a.m. at the registered office of the Company at Modern Motors House, Beaumont Road, Karachi to transact the following business:

1. To receive and consider the audited accounts of the Company for the year ended September 30, 2012 and the reports of the Directors and the Auditors thereon.

2. To approve the issuance of bonus shares @ 15% i.e. in the ratio of 15 bonus shares for every hundred (100) shares held.

3. To appoint Auditors for the year 2012/13 and to fix their remuneration.

4. To transact any other business with the permission of the Chair.

By Order of the Board of Directors

Abid A. Vazir
Executive Director & Company Secretary

Karachi: December 14, 2012

ORDINARY BUSINESS - ITEM NO. 3

It is proposed that the following resolution be passed with regard to the issuance of bonus shares:

Resolved that a sum of Rs.14,547,297/- be capitalized out of the un-appropriated profits of the Company for the year 2011-12 to issue at par 1,454,729 ordinary shares of Rs. 10 each. Such shares shall be distributed as bonus shares to those members whose names appear in the register of members of the Company on January 16, 2013 @ 15% (15 shares for every 100 shares held); that the new shares shall rank pari passu with the existing shares of the Company for all purposes; that fraction shares arising thereof shall be disregarded and whole shares representing such fractions shall be disposed off in such manner as the Directors of the Company think fit and the proceeds shall be distributed in due proportion among the members of the Company entitled thereto in accordance with their respective rights; that the Directors be and are hereby authorized to sign the new share certificates and the common seal of the Company may be affixed in the presence of any two Directors; that the Directors be and are hereby authorized to give effect to this resolution and to do all such acts, deeds and things that may be necessary or required for the issuance, allotment or distribution of ordinary shares.

STATUS OF INVESTMENT IN UNICOL LIMITED

The Company had obtained the approval of its shareholders for investment of Rs. 128.67 million in Unicol Limited. Keeping in view the financial requirements of Unicol Limited and the availability of credit facilities from banks, the Company has so far invested Rs. 104.99 million only. The remaining amount will be invested by the Company as and when required by Unicol Limited.

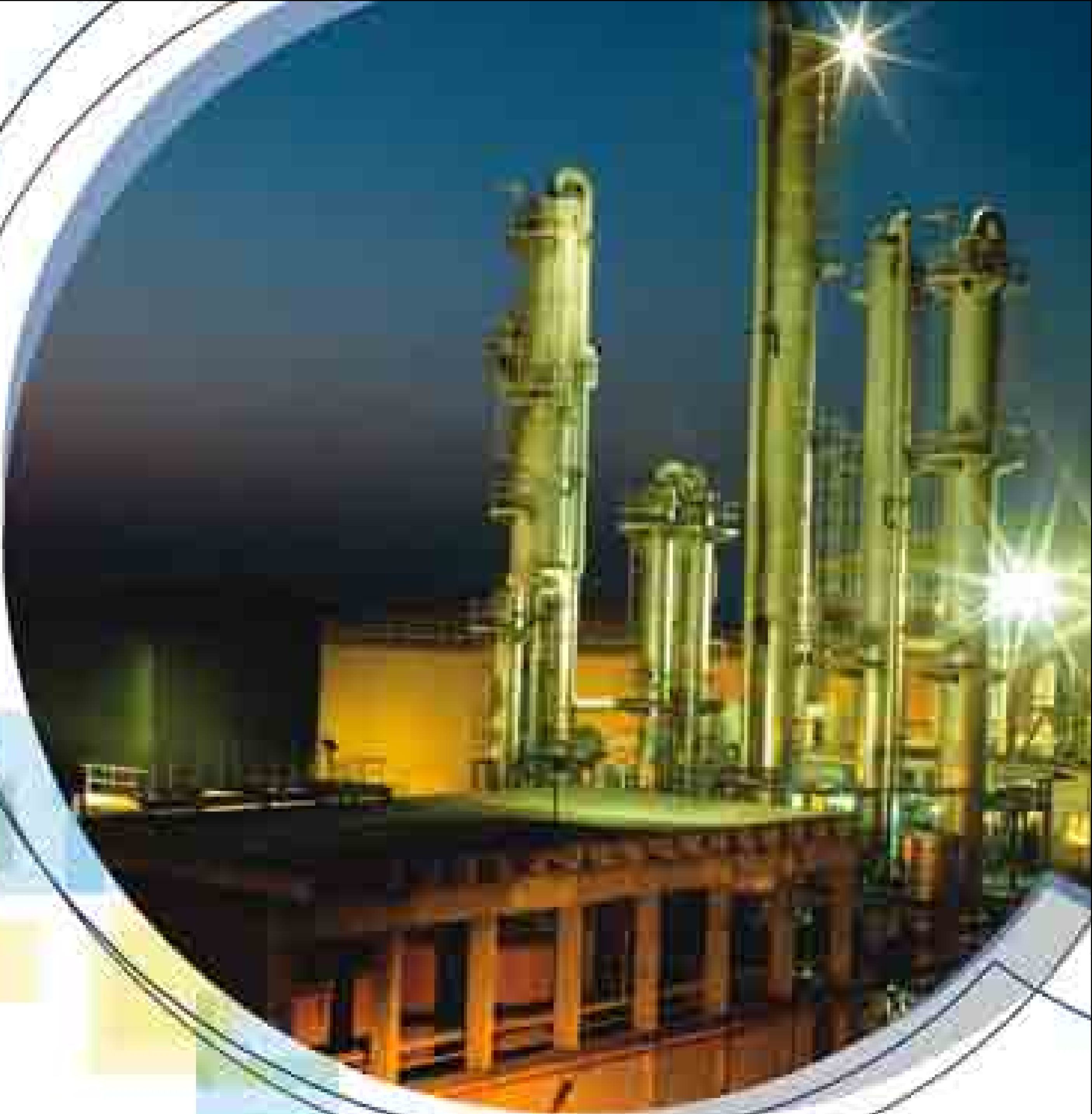
NOTES:

1. The register of members of the Company will be closed from Thursday, January 17, 2013 to Thursday January 31, 2013 (both days inclusive) and no transfers will be registered during that time. Shares received at the office of the Share Registrar of the Company M/s. Central Depository Company of Pakistan, CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi at the close of business on Wednesday, January 16, 2013 will be treated in time for the entitlement of 15% bonus shares.

2. A member of the Company eligible to attend and vote at the Annual General Meeting may appoint another member as his / her proxy to attend and vote in his / her stead. Proxies to be effective must be in writing and must be received by the Company 48 hours before the meeting.

3. The shareholders of the Company whose shares are registered in their account / sub-account with Central Depository System (CDS) are requested to bring original Computerized National Identity Card along with their account number in CDS and participant's ID number for verification. In case of appointment of proxy by such account holders and sub-account holders, the guidelines as contained in the SECP's circular of 26th January 2000 are to be followed.

4. The shareholders of the Company are requested to immediately notify any change in their addresses to our share registrar M/s. Central Depository Company of Pakistan Ltd, CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi.



UNICOL

UNICOL LIMITED

Unicol Limited, a public unquoted company, is a joint venture with shares equally held among Faran Sugar Mills Ltd, Mehran Sugar Mills Ltd and Mirpurkhas Sugar Mills Ltd. All three companies are listed on the various Stock Exchanges of Pakistan.

Unicol commenced its operations in August 2007 and is producing ethanol from sugarcane molasses. The plant is located at Mirpurkhas, Sindh on a 98 acre plot and has designed capacity of 100,000 liters or 80 metric tons per day. The plant is designed by Maguin Interis, France (www.maguin.com) and the bio gas plant is designed by Proserpol, France (www.proserpol.com); both these companies are well recognized in their respective fields.

Presently 100% of Unicol's ethanol is being exported with the majority destined for European and Far Eastern markets. Unicol is presently in the process of being registered as a 'CDM project'.

Considering the potential of the product, Unicol Ltd has decided to further enhance the production capacity of the plant from 100,000 litres or 80 metric tons to 200,000 litres or 160 metric tons per day in order to increase the profitability and bringing more foreign exchange to the national exchequer.

Unicol, being part of economic development and providing employment in Pakistani rural areas, ensures the compliance of all health, safety, and environmental laws and procedures.

Products

Unicol can produce different grades of ethanol, including ENA Anhydrous (99.9%), ENA (>96%) and B grade (>92%). The ethanol produced by Unicol has various uses in different industries like pharmaceuticals, air fresheners (aerosols), cleaning products, perfumes, personal care products, printing inks, fabric softeners, vinegar and yeast, paints and varnish, preserving agents and chemical manufacturing.

the board of directors

Mr. Mahmood Faruque
Chairman

Mr. Mahmood Faruque is Chairman of the Company. He is also a Director of Cherat Packaging Ltd and Greaves Pakistan (Pvt.) Ltd.

For over 45 years Mr. Mahmood Faruque served as a Member of the Board of Directors of Jubilee General Insurance Co. Ltd. He was appointed to serve as a Member of the Privatization Commission of Pakistan.

Mr. Aslam Faruque
Chief Executive

Mr. Aslam Faruque is a graduate from the USA, with a major in Marketing. He is the Chief Executive of Mirpurkhas Sugar Mills Ltd and Unicol Ltd. He is on the Board of Directors of Cherat Packaging Ltd, Greaves Pakistan (Pvt.) Ltd, Greaves Air-conditioning (Pvt.) Ltd and Zensoft (Pvt.) Ltd. He is also serving as the Chairman of Pakistan Sugar Mills Association - Sindh Zone. In the past, he has served as Director of Sui Southern Gas Company Ltd, State Life Insurance Corporation of Pakistan as well as Pakistan Industrial Development Corporation.

Mr. Mohammed Faruque
Director

Mr. Mohammed Faruque graduated from the USA, in mechanical engineering. He is the Chairman of Cherat Packaging Ltd, Cherat Cement Co. Ltd and Greaves Pakistan (Pvt.) Ltd. He is a Member of Board of Directors of Associated Constructors (Pvt.) Ltd.

In the past, Mr. Mohammed Faruque has served on the Boards of prestigious organizations like Sui Southern Gas Co. Ltd and Atlas Insurance Ltd as Director.

Mr. Tariq Faruque
Director

Mr. Tariq Faruque graduated from Case Western Reserve University, USA. He holds a dual major in Economics and Political Science. He is a Director of Cherat Cement Co. Ltd, Faruque (Pvt.) Ltd, Greaves Pakistan (Pvt.) Ltd, Greaves Airconditioning (Pvt.) Ltd, Zensoft (Pvt.) Ltd, Madian Hydro Power Ltd and Unicol Ltd. Mr. Tariq Faruque has served on the Board of Directors of Oil and Gas Development Company Ltd. (OGDCL). He is currently a Member of the Board of Governors of Marie Adelaide Leprosy Centre (MALC).

the board of directors

Mr. Akbarali Pesnani
Director

Mr. Akbarali Pesnani is an MBA and a fellow member of both the Institute of Chartered Accountants and Institute of Cost and Management Accountants of Pakistan. He has served as Chairman Gwadar Port and Gwadar Port Implementation Authority from 2004 to 2006. Mr. Pesnani has been associated with the Aga Khan Development Network at senior level for over 35 years. Presently, he is the Chairman of First Micro Finance Bank Ltd and Aga Khan Cultural Service Pakistan and is a Director on the Board of Jubilee General Insurance Co. Ltd. His association with the Ghulam Faruque Group goes back almost 30 years. He currently serves on the Board of Directors of Cherat Cement Co. Ltd, Cherat Packaging Ltd, Greaves Pakistan (Pvt.) Ltd and Greaves CNG (Pvt.) Ltd.

Mr. Arif Faruque
Director

Mr. Arif Faruque is a Swiss - qualified Attorney-at-Law and also holds master degrees in both law and business administration from the USA. He is the Chairman of Maersk Pakistan and the Chief Executive of Faruque (Pvt.) Ltd as well as Madian Hydro Power Ltd. He is on the Board of Directors of Cherat Packaging Ltd, Greaves Pakistan (Pvt.) Ltd, Zensoft (Pvt.) Ltd and IGI Investment Bank Ltd. He has also served as Director of Cherat Cement Co. Ltd. Besides the above, he is a Member of the Board of Governors of Lahore University of Management Sciences.

Mr. Maqbool Rahimtoola
Director

Mr. Maqbool H. H. Rahimtoola, graduated from McGill University, Canada in Business. He presently is Chairman of Berger Paints Pakistan Ltd, and serves on the Boards of Pakistan Industrial Development Corporation, Ray Shipping Enterprises Ltd, and Dadex Eternit Ltd. He is currently the CEO of Bandenawaz (Pvt.) Ltd.

Mr. Rahimtoola has been a Caretaker Technocrat Minister in Sindh for 11 Ministries and has been Chairman of several Private and Public companies including Lakhra Coal Development Authority, Sindh Small Industries Corporation, Karachi Transport Authority, Sindh Coal Authority, Sindh Employees Social Security. He has been on the Board of Governors of Karachi Development Authority and the Sindh Wildlife Management Board.

Mr. Rahimtoola has served on the Boards of several Multinational and quoted companies in Pakistan for over 25 years, and joined the Board of Mirpurkhas Sugar Mills Ltd in 1999, as the NIT nominee.

Mr. Muhammad Iqbal Hussain
Director

Mr. Muhammad Iqbal Hussain, currently on the Board of Saudi-Pak Leasing Co., is Masters in Economics, Postgraduate Diploma in Development Finance and M.Sc. in Defence and Strategic Studies.

He has served in various positions from Section officer to Senior Joint Secretary (1972-2008) in Government of Pakistan in different Ministries and Corporations such as the Ministry of Finance, Ministry of Industries Production and PTDC.

Mr. Hussain has also served on the Board of such companies as PACO, NFC, HBFC, NIT, Saudi Pak Inv. Co.

Mr. Taufique Habib
Director

Mr. Taufique Habib is a graduate of the University of Karachi. He has a rich work experience extending over 37 years in different national & multinational companies in Pakistan. Currently, he is serving on the Board of Golden Arrow Selected Stocks Fund Ltd, Pakistan Reinsurance Company Ltd as an independently elected Director.

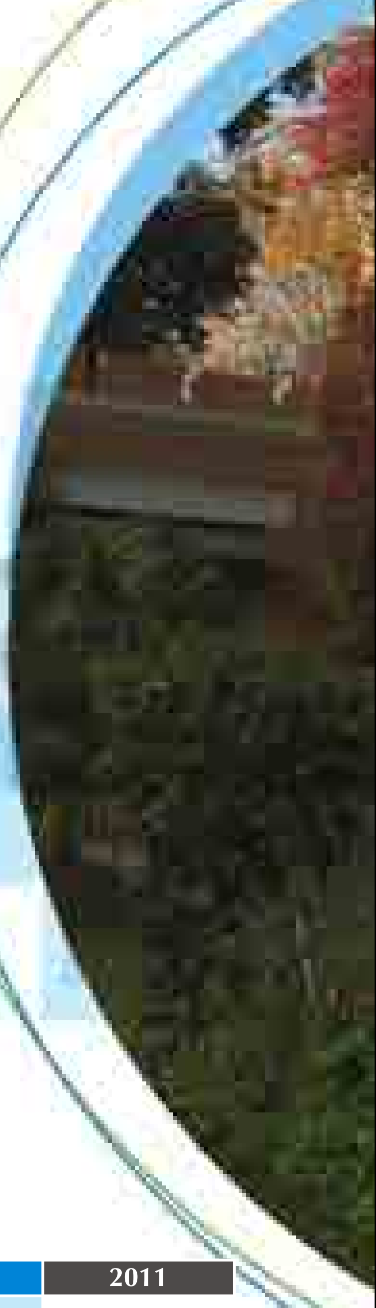
He has also served on the Board of Directors of Shell Pakistan Ltd and Hub Power Company Ltd.

He has attended all prescribed courses of the Code of Corporate Governance conducted by the Pakistan Institute of Corporate Governance (PICG).

directors' report to the members

for the year ended september 30, 2012

The Board of Directors place before you the annual report of the Company together with the audited accounts for the year ended September 30, 2012.



OVERVIEW

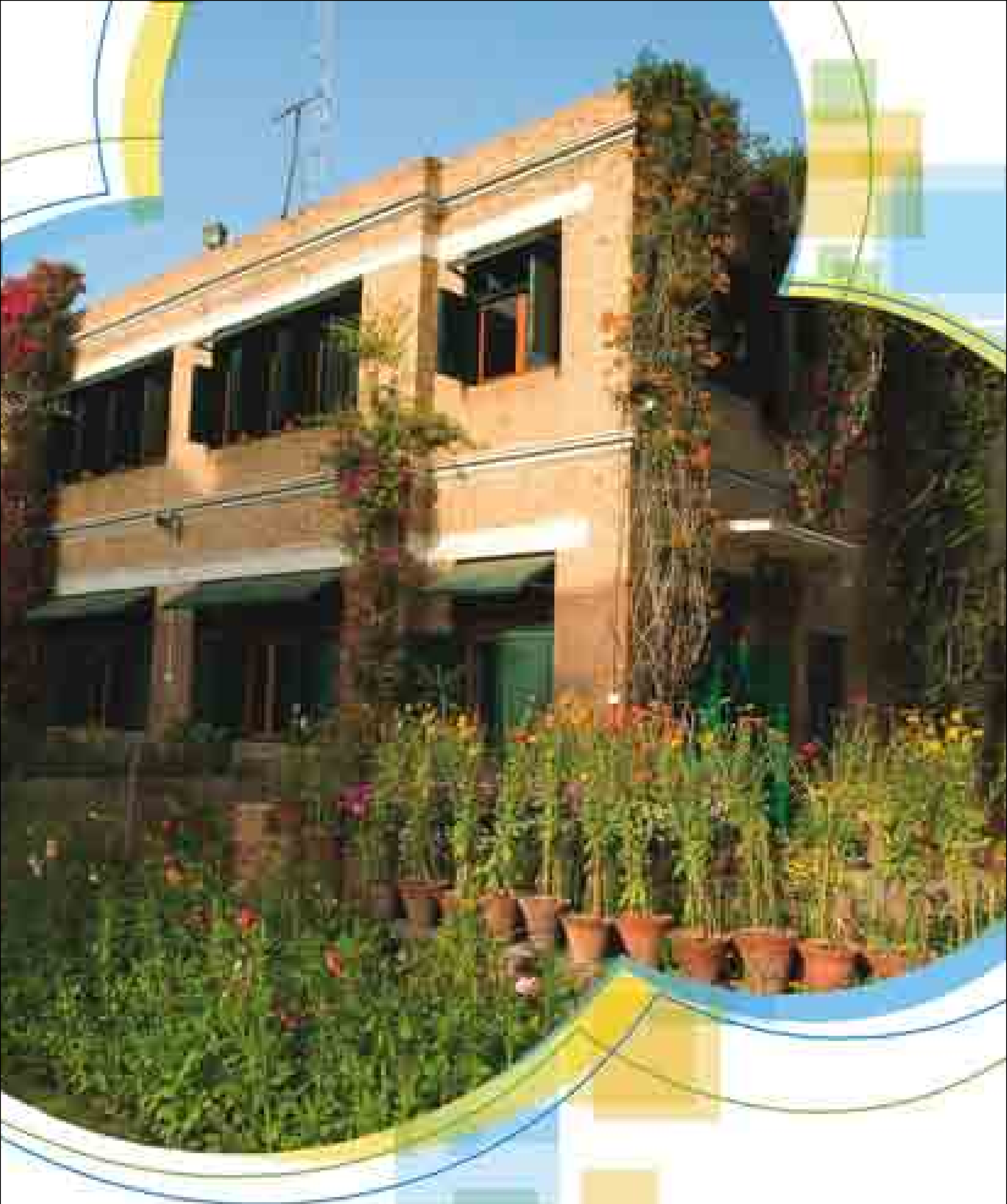
Widespread rains and consequently floods in Sindh delayed the start of the crushing season and affected the cane crop. However, unlike Sindh, there was a bumper crop in Punjab as sugar cane plantation improved during the season 2011/12. During the year, the country had a total sugar production of 5.1 million metric tons against its annual requirement of 4.4 million tons. High price of sugar cane fixed by the Sind Government for the season and decline in sugar price due to oversupply position had an impact on the financial performance of the Company during the year 2011/12.

OPERATING PERFORMANCE

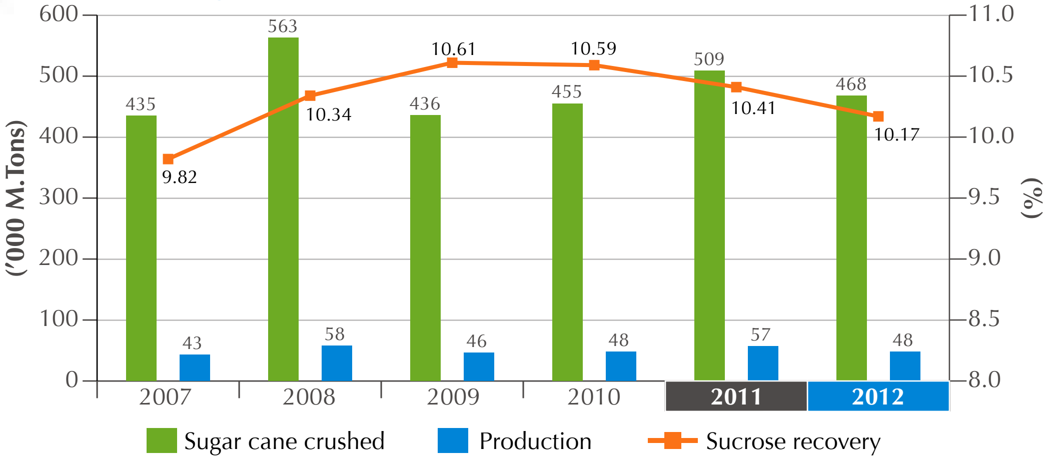
Despite decline in the number of crushing days due to factors mentioned above, the Company was able to crush 467,734 metric tons of sugarcane to produce 47,566 metric tons of sugar compared to 509,204 metric tons of sugarcane crushed during the corresponding period last year to produce 52,993 metric tons sugar. Last year, the Company also produced 3,688 metric tons of sugar from imported raw sugar, which was not the case this year. Heavy rains and floods also had a toll on the sucrose recovery as it dropped to 10.17% as against 10.41% at the same time last year. Production of molasses remained 24,500 metric tons as against 26,350 metric tons last year. In its efforts to further improve its operational efficiencies and increase production volumes, the Company during the year had undertaken several measures involving major capital expenditures because of which improvements were witnessed in various key areas of the factory operations.

Key comparative data for the current year and that of previous year is as follows:

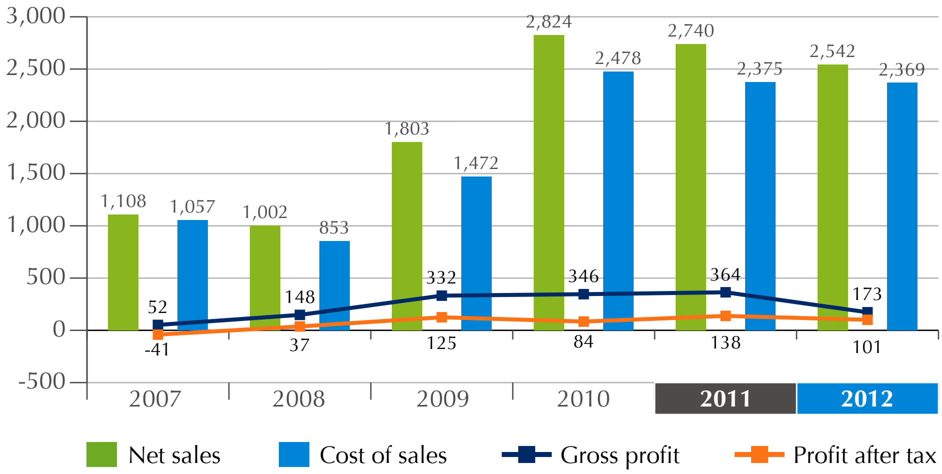
	2012	2011
Days operated	96	144
Sugar cane crushed (metric tons)	467,734	509,204
Sugar production (metric tons)	47,566	56,681
Molasses production (metric tons)	24,500	26,350
Sucrose recovery	10.17%	10.41%



Crushing, recovery & production



Profitability trends (Rs. million)



FINANCIAL PERFORMANCE

During the period under review, although there was an increase in the quantity of sugar sold, the sales revenue of the Company declined by 7% from the corresponding period last year. This was attributable to sharp decline in the price of sugar sold because of supply glut in the market. For the season 2011/12, Sind Government fixed the price of sugarcane at PKR 154 per maund, an increase of 21% over last year. High cane price and slump in the sugar price resulted in the Company making an operational loss during the year. During the year under review, the Company sold 50,324 metric tons of sugar including 5,250 metric tons exported by the Company as against 43,244 metric tons sold at the same time last year. Due to decline in discount rates by State Bank of Pakistan and better working capital management by the Company, there was a decline in the finance cost during the year under review. During the year, the Company accounted for its one-third share of profit in Unicol Limited amounting to Rs. 168.86 million and adjusted its investment in the associate by the same amount. For the year under review, the Company made an after tax profit of Rs. 101.13 million.

	2012	2011
	(Rupees in million)	
Turnover - net	2,541.54	2,739.67
Cost of sales	(2,368.50)	(2,375.30)
Gross profit	173.04	364.37
Other income	5.72	4.98
Share of profit in associate	168.86	42.83
Other expenses & taxes	(246.49)	(274.47)
Net profit	101.13	137.71

UNICOL LIMITED

The joint venture distillery project is operating at optimum capacity and is producing high quality ethanol for export. The distillery, during the year under review, exported 23,587 tons of ethanol and made an after tax profit of Rs. 500.19 million. Considering the potential for the product, the Company has decided to further enhance the production capacity of the plant and is confident that Unicol will bring further financial benefits to the Company and its shareholders in the years to come.

CORPORATE SOCIAL RESPONSIBILTY

The Company actively participates in various social work initiatives as part of its corporate social responsibility. Being a conscientious member of the corporate community, the Company contributes generously to various social and charitable causes including towards health and education sectors. In this regard, it has worked with many reputable organizations and NGOs in Pakistan. The Company also participated in the relief effort when several parts of the country were hit by unprecedented floods last year, which caused wide spread devastation to the lives and properties of the people. The Company has stood by the people of Pakistan in their hour of need and shall always continue to do so.

SAFETY, HEALTH AND ENVIRONMENT

Being a responsible corporate citizen, the Company remained committed to continuous improvement in health and safety aspects. The production facility remained fully compliant with industry standards and safety requirements. Furthermore, the Company strongly believes in its environmental responsibilities and has been taking measures on an ongoing basis to improve the same.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- The financial statements prepared by the management of the Company present its state of affairs fairly, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed and explained.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- Key operating and financial data for last six (6) years in summarized form is annexed.
- There is nothing outstanding against your Company on account of taxes, duties, levies and charges except for those which are being made in normal course of business.
- The Company maintains Provident and Gratuity Fund accounts for its employees. Stated below are the values of the investments of the fund as on September 30, 2012.

- During the year, four meetings of the Board of Directors were held. The attendance record of each Director is as follows:

Mr. Mahmood Faruque	2
Mr. Mohammed Faruque	1
Mr. Akbarali Pesnani	4
Mr. Aslam Faruque	4
Mr. Arif Faruque	4
Mr. Tariq Faruque	2
Mr. Maqbool H.H. Rahimtoola	3
Mr. Muhammad Iqbal Hussain	4
Mr. Taufique Habib	4

- During the year, four meetings of the Audit Committee were held. The attendance record of each committee member is as follows:

Name of Committee Member	Meetings attended
Mr. Akbarali Pesnani	4
Mr. Maqbool H.H. Rahimtoola	3
Mr. Arif Faruque	4
Mr. Tariq Faruque	2

- Pattern of shareholding is annexed with the report.
- No trading in the shares of the Company was made by the Chief Executive, Directors, Chief Financial Officer and Company Secretary.
- Earnings per share for the year is Rs. 10.43 compared with Rs. 14.20 last year.

CONTRIBUTION TO NATIONAL EXCHEQUER

The Company contributed over Rs. 200 million to the government treasury in shape of taxes, excise duty, income tax and sales tax.

FUTURE PROSPECTS

Linking the price of sugar with the cost of sugar cane that ensures adequate return for sugar mills shall determine the future prospects of the industry. During the year, sugar prices have dropped to a level where it is no longer sustainable to produce sugar at the prevailing price of sugarcane. Given the oversupply position, the government is strongly urged to allow the export of sugar to earn much needed foreign exchange for the country. Further, it is also requested to lift the stock of sugar from the mills to allow it to make timely payments to the growers. We welcome the decision of the State Bank of Pakistan to reduce the discount rate, which would provide much required relief to the sugar industry.

AUDITORS

The present auditors M/s. Hyder Bhimji and Co. (Chartered Accountants) retire and being eligible, offer themselves for reappointment.

ACKNOWLEDGMENT

We would like to thank all the financial institutions having business relationship with us and our customers for their continued support and cooperation. We would also like to share our deepest appreciation for our staff for their dedication, loyalty and hard work.

On behalf of the Board of Directors

MOHAMMED FARUQUE
Chairman of the meeting

Karachi: December 14, 2012

statement of compliance

with the best practices of the code of corporate governance

This statement is being presented to comply with the code of corporate governance contained in listing regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the code of corporate governance in the following manner:

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

Category	Names
Independent Director	Mr. Taufique Habib
Executive Directors	Mr. Mahmood Faruque Mr. Aslam Faruque Mr. Tariq Faruque
Non-Executive Directors	Mr. Mohammed Faruque Mr. Akbarali Pesnani Mr. Arif Faruque Mr. Maqbool H. H. Rahimtoola Mr. Muhammad Iqbal Hussain

   The independent director meets the criteria of independence under clause i (b) of the Code of Corporate Governance.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy occurred on the Board during the year.

5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

6. The board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board.

8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met atleast once every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated atleast seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Directors of Mirpurkhas Sugar Mills Ltd. are professionally qualified and experienced persons and are well aware of their duties and their responsibilities. Further, an orientation course for Directors was arranged by the Company to apprise Directors of their duties and responsibilities. A Director of the Company is also certified under the Board Development Series Program offered by Pakistan Institute of Corporate Governance (PICG).

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

11. The Directors' report for this year has been prepared in compliance with the requirements of the code of corporate governance and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO 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.

statement of compliance
with the best practices of the code of corporate governance

14. The Company has complied with all the corporate and financial reporting requirements of the code of corporate governance.
15. The board has formed an Audit Committee. It comprises of four members, three of whom are non-executives directors.
16. The meetings of the audit committee were held atleast once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed a Human Resource and Remuneration Committee. It comprises three members of whom two are non-executive directors and the chairman of the committee is a non-executive director.
18. The board has set up an effective internal audit function.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The “closed period”, prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors along with pricing methods for such transactions.
24. We confirm that all other material principles enshrined in the code of corporate governance have been complied with.

For and on behalf of the Board of Directors

Aslam Faruque
Chief Executive

Karachi: December 14, 2012

statement of compliance
with the best practices of transfer pricing

The Company has fully complied with the best practices of Transfer Pricing as contained in the listing regulations of the Karachi Stock Exchange.

For and on behalf of the Board of Directors

Aslam Faruque
Chief Executive

Karachi: December 14, 2012

review report to the members

on statement of compliance with the best practices of the code of corporate governance

HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS

Member of
KRESTON INTERNATIONAL
with affiliated offices worldwide

Suite No. 1601, Kashif Centre,
Shahrah-e-Faisal, Karachi-75530
Phone : +92-21-35640050 - 52
Fax : +92-21-35640053
Website : www.hyderbhimji.com

We have reviewed the statement of compliance with the best practices contained in the code of corporate governance for the year ended September 30, 2012 prepared by the Board of Directors of Mirpurkhas Sugar Mills Limited ("the Company") to comply with the Listing Regulation no. 35 of the Karachi Stock Exchange Limited, where the Company is listed.

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

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

Further, Sub - Regulation (x) of Listing Regulation no. 35 of Karachi Stock Exchange Limited requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required to check the approval of the related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, as applicable to the Company for the year ended September 30, 2012.

Hyder Bhimji & Co.

HYDER BHIMJI & Co.
Chartered Accountants
Engagement Partner: Mohammad Hanif Razzak

Karachi: December 14, 2012

Lahore: Amin Building, 65 The Mall.
Phone: 042-37352661-37321043
Fax : 042-37359515

Faisalabad: 206, 1st Floor,
Business Centre, New Civil Lines
Phone: 041-2615632, 041-2615650
Fax : 041-2617902

URL: http://www.hyderbhimji.com
E-mail: bhimji@cyber.net.pk

code of conduct

Mirpurkhas Sugar Mills Limited was established with an aim of producing high quality sugar for its customers and meeting the expectations of its stakeholders. We ensure transparency and professionalism at every step of our dealings, and look after the interests of our stakeholders.

This code of conduct of the Company is based on the following principles:

QUALITY OF PRODUCT

- We strive to produce the highest quality of sugar for our customers.
- We believe in technology and innovation and strive to implement innovative ideas in the Company.
- We maintain all relevant technical and professional standards to be compatible with the requirements of the trade.

DEALING WITH EMPLOYEES

- We recognize and reward employees for their performance.
- We measure the performance of our employees by their ability to meet their objectives, their conduct at work, dealings with others both within and outside the organization, their contribution towards training people and succession planning, and innovation at their work place.
- We provide a congenial work atmosphere where all employees are treated with respect and dignity and work as a team for a common goal.
- Unless specifically mentioned, all rules and regulations prevailing in the Company apply to all levels of employees of the Company.

RESPONSIBILITY TO SOCIETY / INTERESTED PARTIES

- We have an important role towards our society, shareholders, creditors, the Government and public at large. We are objective and transparent in our dealings with all our stakeholders so as to meet the expectations of the people who rely on us.
- We meet all our obligations and ensure timely compliance.

FINANCIAL REPORTING & INTERNAL CONTROLS

- To meet the expectations of the wide spectrum of society and government agencies, we have implemented an effective, transparent and fair system of financial reporting and internal controls.
- To ensure efficient and effective utilization of Company's resources, we have placed financial planning and reporting at the heart of management practice as this not only serves to facilitate viable and timely decisions, but also makes Company dealings more transparent and objective oriented.
- We have a sound and efficient Internal Audit department to enhance the reliability of the financial information and data generated by the Company. It also helps in building the confidence of our external stakeholders.

PURCHASE OF GOODS & TIMELY PAYMENT

- To ensure cost effectiveness, we only purchase goods and services that meet our specifications and are priced appropriately. To gauge the market conditions and availability of substitute products or services, we obtain quotations from various sources before finalizing our decision.

- We ensure timely payments, which over the years, has built trust and reliability amongst our suppliers.

CONFLICT OF INTEREST

- Activities and involvements of the directors and employees of the Company in no way conflict with the interest of the Company. All acts and decisions of the management are made in the interest of the Company.

OBSERVANCE TO LAWS OF THE COUNTRY

- The Company fulfills all statutory requirements of the Government and follows all applicable laws of the country.

ENVIRONMENTAL PROTECTION

- The Company uses all means to protect the environment and to ensure health and safety of the work force. We have, and will continue to attain, necessary technology to ensure protection of the environment and well being of the people living in adjoining areas of our plant.

OBJECTIVES OF THE COMPANY

- We at Mirpurkhas Sugar Mills Limited, recognize the need of working at the highest standards to meet the expectations of all our stakeholders.

- We conduct the business of the Company with integrity and supply only quality and credible information.

- We produce and supply goods and information with great care and competence, to ensure that customers and creditors receive the best quality and care.

- We respect the confidentiality of the information acquired during the course of our work with our business associates, and refrain from acting in any manner which could discredit the Company.

- Our organization is free of all vested interests that could affect its integrity, objectivity and independence.

six years statistics

		2012	2011	2010	2009	2008	2007
Production Data							
Sugarcane crushed	(M. Tons)	467,734	509,204	455,129	435,690	563,057	434,778
Sucrose recovery	(%)	10.17	10.41	10.59	10.61	10.34	9.82
Sugar production	(M. Tons)	47,566	56,681	48,202	46,235	58,224	42,685
Molasses production	(M. Tons)	24,500	26,350	22,180	22,509	28,770	21,450
Operating Results							
Net sales	(Rs. '000)	2,541,537	2,739,671	2,823,671	1,803,234	1,001,635	1,108,436
Cost of sales	(Rs. '000)	2,368,501	2,375,297	2,477,780	1,471,620	853,136	1,056,801
Gross profit	(Rs. '000)	173,036	364,374	345,891	331,614	148,499	51,635
Operating profit	(Rs. '000)	74,560	270,778	252,018	268,278	83,154	15,200
Profit / (loss) before tax	(Rs. '000)	109,696	168,294	156,346	214,218	62,882	(50,519)
Profit / (loss) after tax	(Rs. '000)	101,128	137,714	84,299	125,440	37,350	(40,610)
Proposed dividend*:							
Cash	(Rs. '000)	-	8,433	10,542	15,972	6,389	-
Bonus shares	(Rs. '000)	14,547	12,650	14,055	6,389	-	-
Valuation							
Earnings per share (before tax)**	(Rupees)	11.31	17.35	16.12	22.09	6.48	(5.21)
Earnings per share (after tax)**	(Rupees)	10.43	14.20	8.69	12.93	3.85	(4.19)
Cash dividend per share	(Rupees)	-	1.00	1.50	2.50	1.00	-
Bonus issue*	(%)	15.00	15.00	20.00	10.00	-	-
Dividend yield ratio	(%)	3.47	4.64	6.01	4.93	0.97	-
Dividend payout ratio	(%)	14.38	15.31	29.18	17.83	17.11	-
Market price per share	(Rupees)	43.26	53.88	58.19	71.00	102.60	170.00
Price earning ratio	(Times)	4.15	3.79	6.69	5.49	26.64	(40.60)
Break-up value per share**	(Rupees)	72.22	51.11	39.35	33.05	22.46	32.22
Financial Position							
Reserves	(Rs. '000)	603,420	411,367	311,318	256,592	153,942	248,579
Current assets	(Rs. '000)	1,087,813	1,267,112	501,201	559,658	699,305	511,186
Current liabilities	(Rs. '000)	1,058,304	1,193,127	594,558	524,513	620,048	540,053
Working capital	(Rs. '000)	29,509	73,985	(93,357)	35,145	79,257	(28,867)
Property, plant & equipment	(Rs. '000)	1,259,926	963,153	807,230	584,948	417,044	398,069
Total assets	(Rs. '000)	2,728,347	2,454,667	1,487,440	1,313,135	1,252,409	1,004,232
Long term debt	(Rs. '000)	439,999	344,445	88,890	133,334	177,778	31,826
Shareholders' equity	(Rs. '000)	700,402	495,699	381,595	320,480	217,830	312,467
Share capital	(Rs. '000)	96,982	84,332	70,277	63,888	63,888	63,888
Financial Performance							
Profitability							
Gross margin	(%)	6.81	13.30	12.25	18.39	14.83	4.66
Operating margin	(%)	2.93	9.88	8.93	14.88	8.30	1.37
Pre tax margin	(%)	4.32	6.14	5.54	11.88	6.28	(4.56)
Net margin	(%)	3.98	5.03	2.99	6.96	3.73	(3.66)
Return on equity	(%)	14.44	27.78	22.09	39.14	17.15	(13.00)
Return on assets	(%)	3.71	5.61	5.67	9.55	2.98	(4.04)
(Decrease) / increase in net sales	(%)	(7.23)	(2.97)	56.59	80.03	(9.64)	(19.17)
Sugarcane cost to cost of goods manufactured	(%)	90.52	95.42	96.79	93.38	92.63	91.41
Labour cost to net sales	(%)	6.08	5.61	4.67	5.78	8.52	6.02
Administrative expenses to net sales	(%)	2.99	2.91	2.80	2.92	4.51	3.80
Distribution cost to net sales	(%)	1.07	0.22	0.18	0.14	3.26	0.13
Finance cost to net sales	(%)	5.26	5.30	3.68	4.80	5.62	5.41
Other operating expenses to net sales	(%)	0.03	0.47	0.42	0.78	0.23	0.03
Operating performance/ Liquidity							
Total assets turnover	(Times)	0.93	1.12	1.90	1.37	0.80	1.10
Fixed assets turnover	(Times)	2.02	2.84	3.50	3.08	2.40	2.78
Inventory turnover	(Times)	2.21	4.69	15.07	4.67	2.80	4.06
Current ratio	(Times)	1.03	1.06	0.84	1.07	1.13	0.95
Quick ratio	(Times)	0.29	0.19	0.44	0.45	0.31	0.50
Leverage							
Long term debt to equity	(%)	63.00	69.00	23.00	42.00	82.00	10.00
Total debt to total assets	(%)	63.97	72.76	62.71	65.77	78.89	64.25
Interest coverage	(Times)	1.82	2.16	2.50	3.47	2.12	0.16

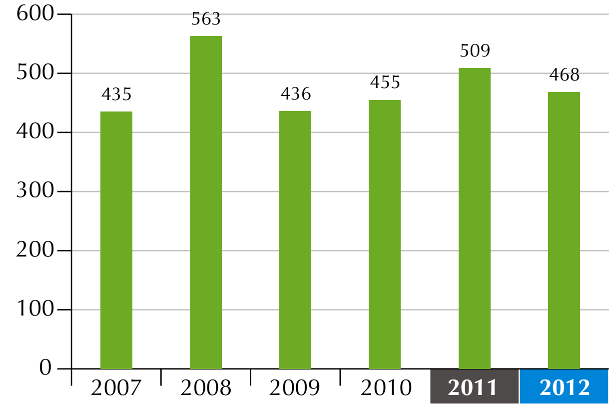
** post balance sheet event*

***restated based on weighted average number of ordinary shares in issue*

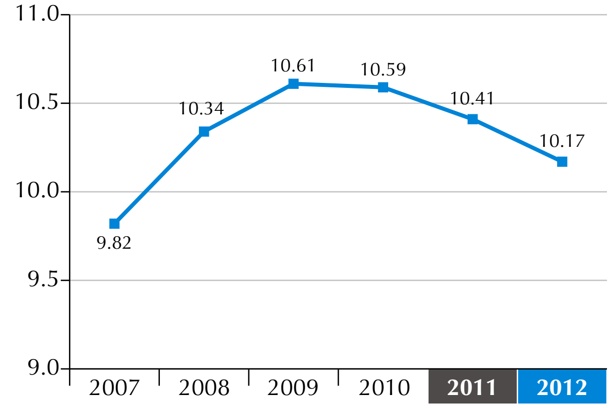
production and financial highlights

Production highlights

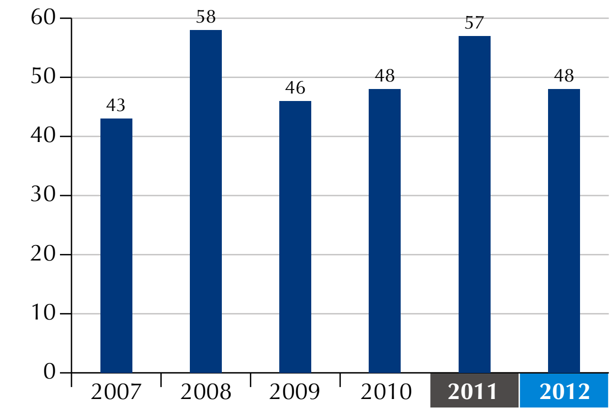
Sugarcane crushed ('000 M.Tons)



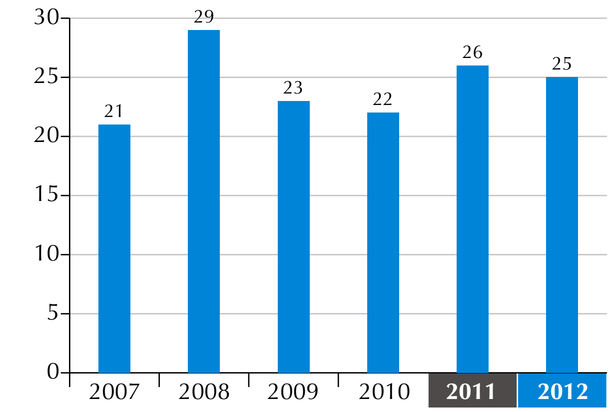
Recovery (%)



Sugar production ('000 M.Tons)

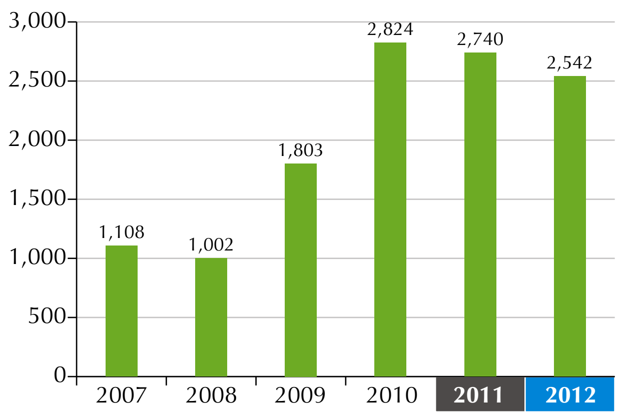


Molasses production ('000 M.Tons)

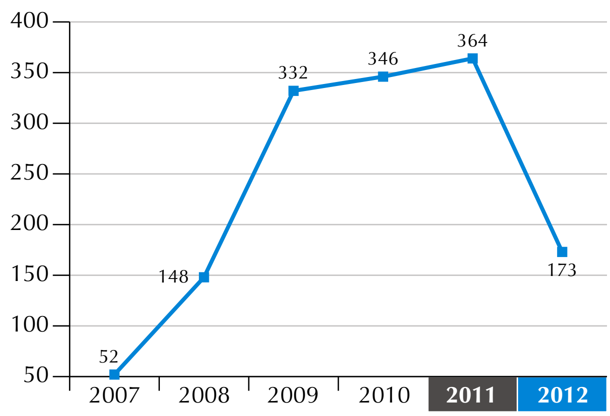


Financial highlights

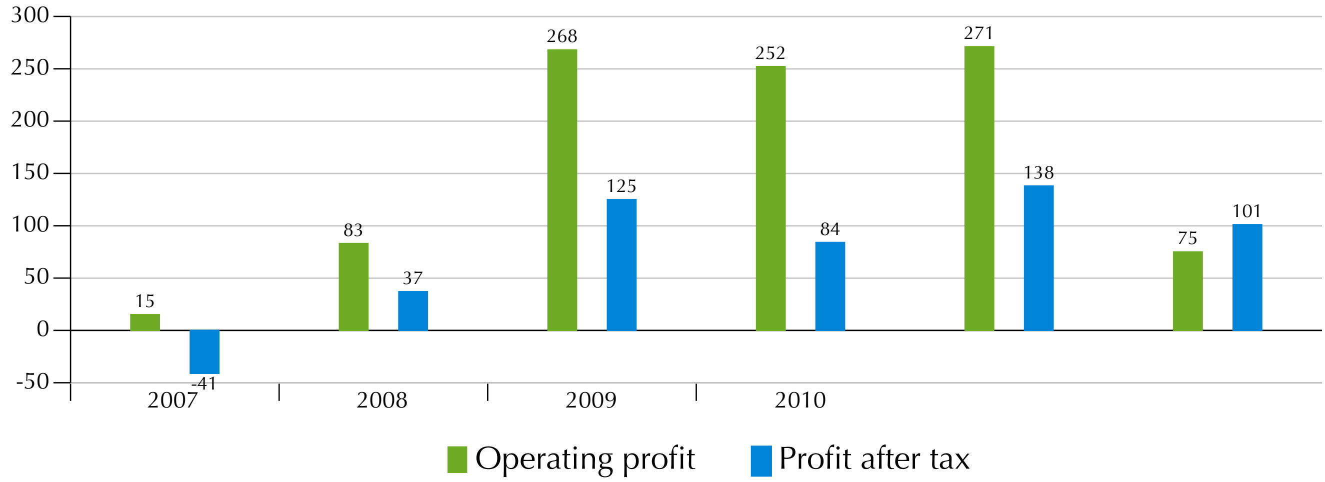
Turnover - net (Rs. million)



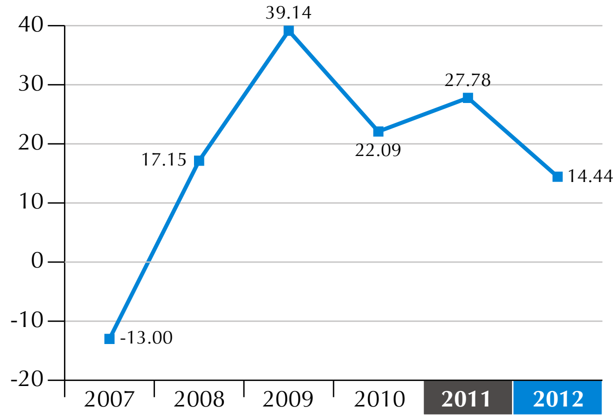
Gross profit (Rs. million)



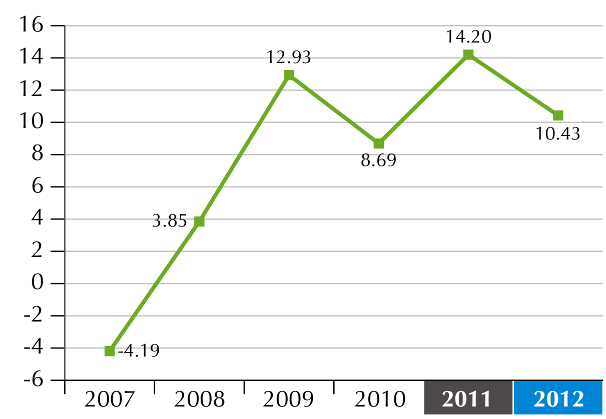
Operating profit / PAT (Rs. million)



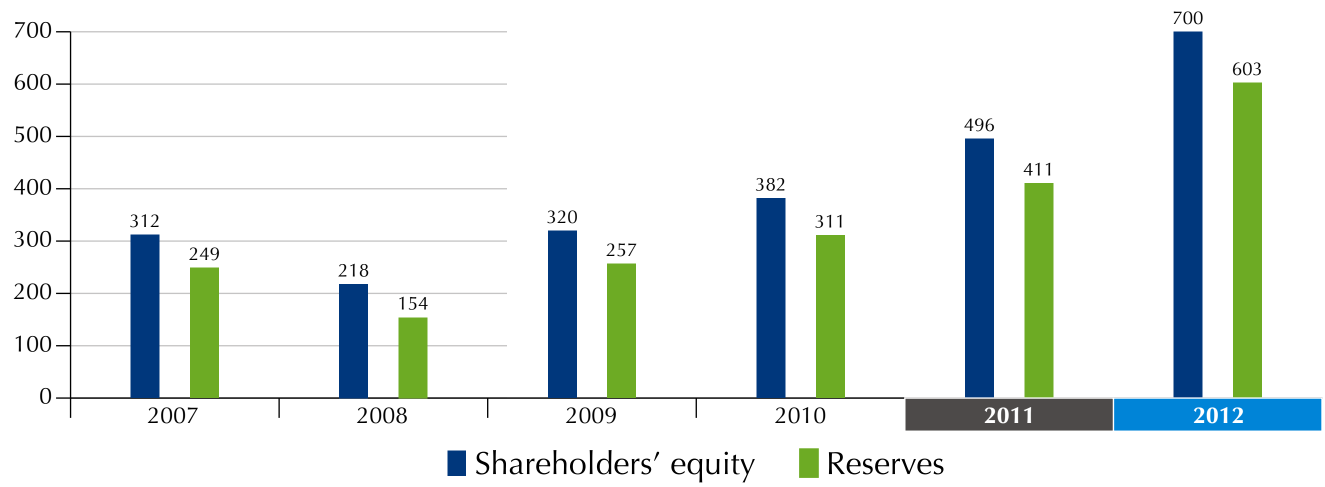
Return on equity (%)



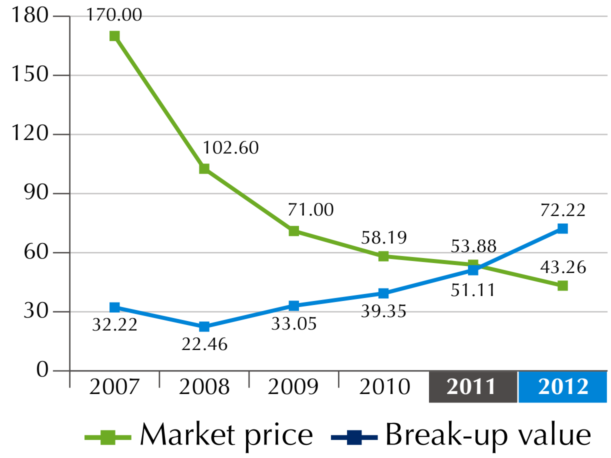
Earnings per share (Rs.)



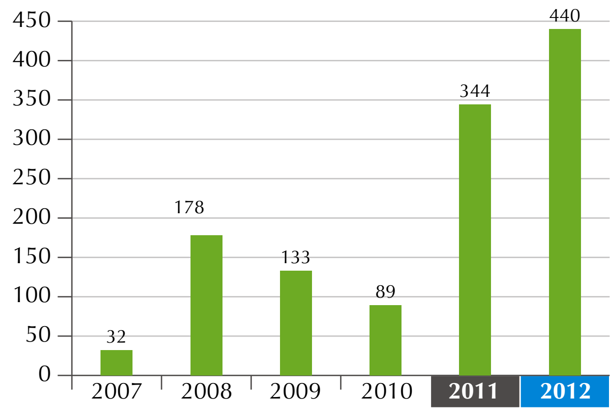
Shareholders' equity / reserves (Rs. million)



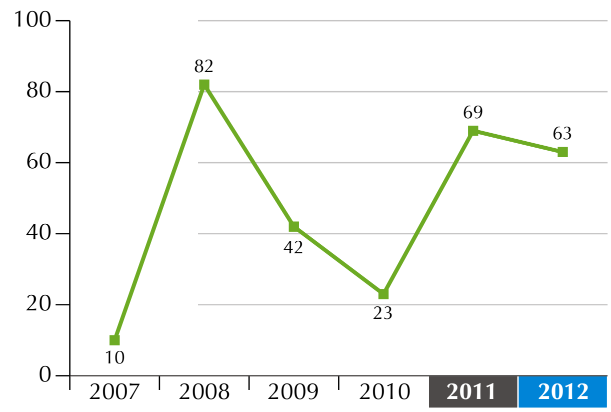
Market price / break-up value (Rs. / share)



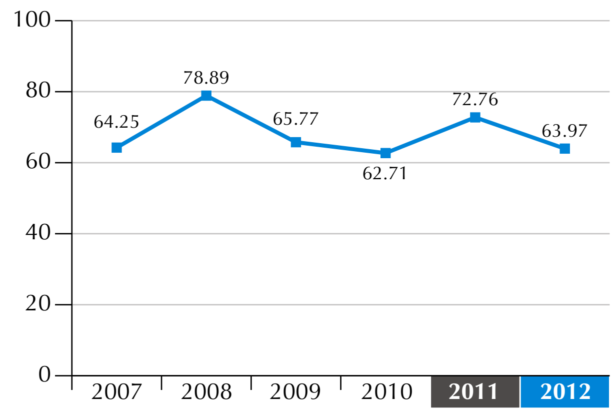
Long-term debt (Rs. million)



Long-term debt to equity ratio (%)

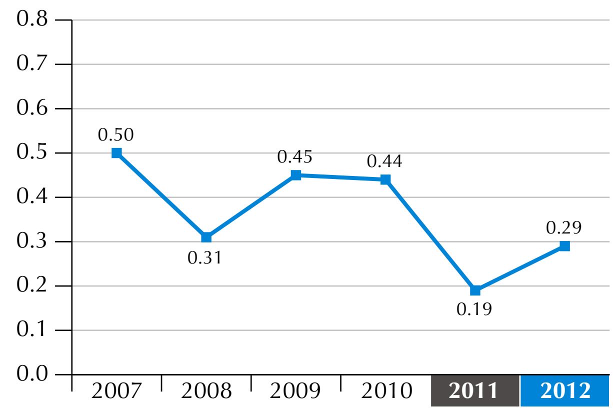


Total debt to total assets (%)

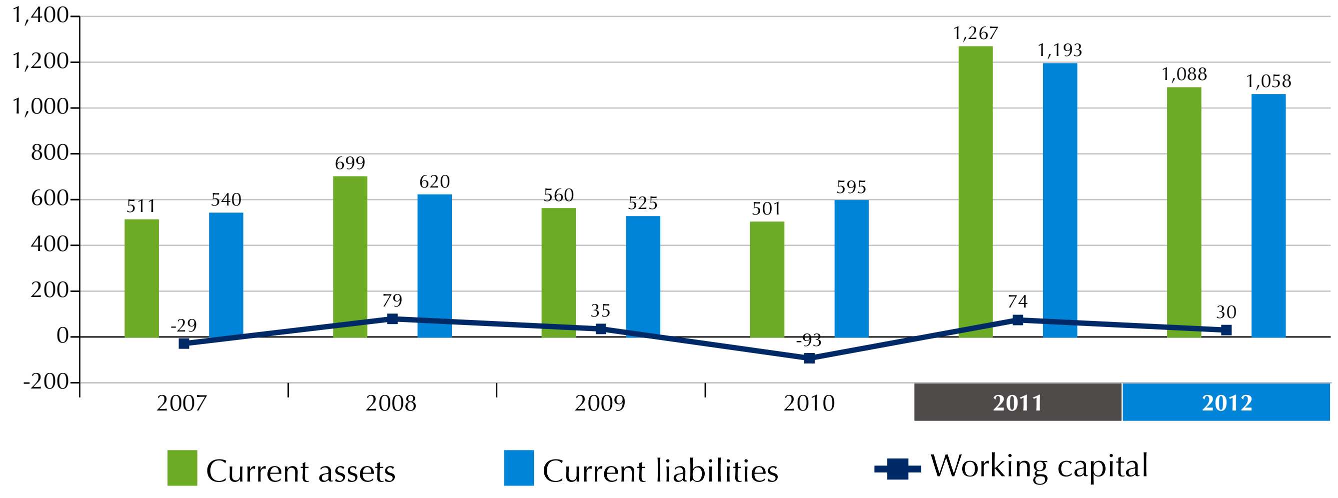


Current ratio

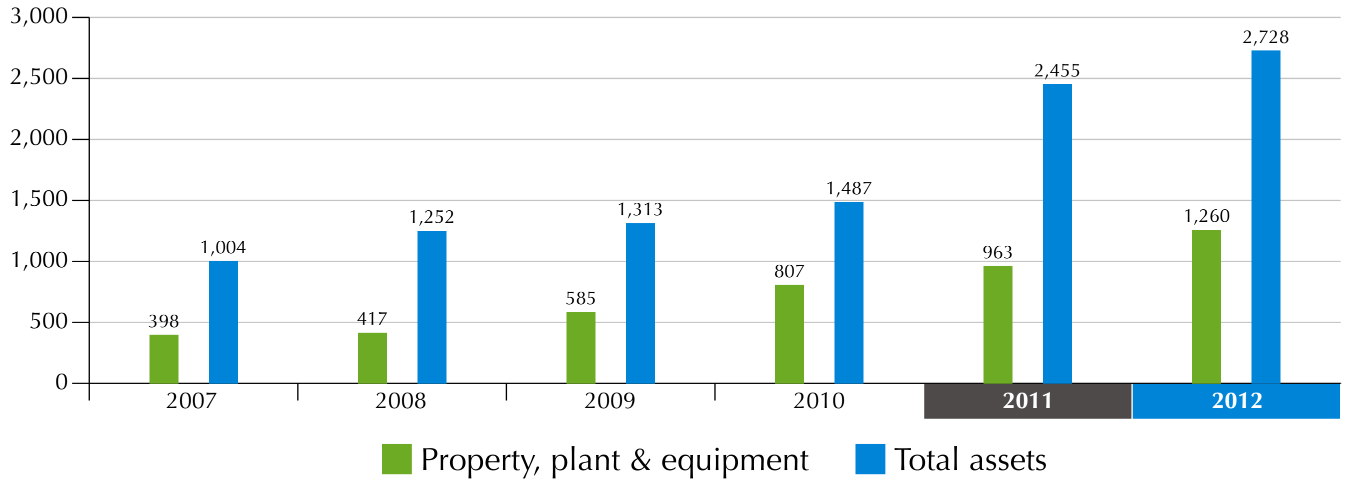
Quick ratio



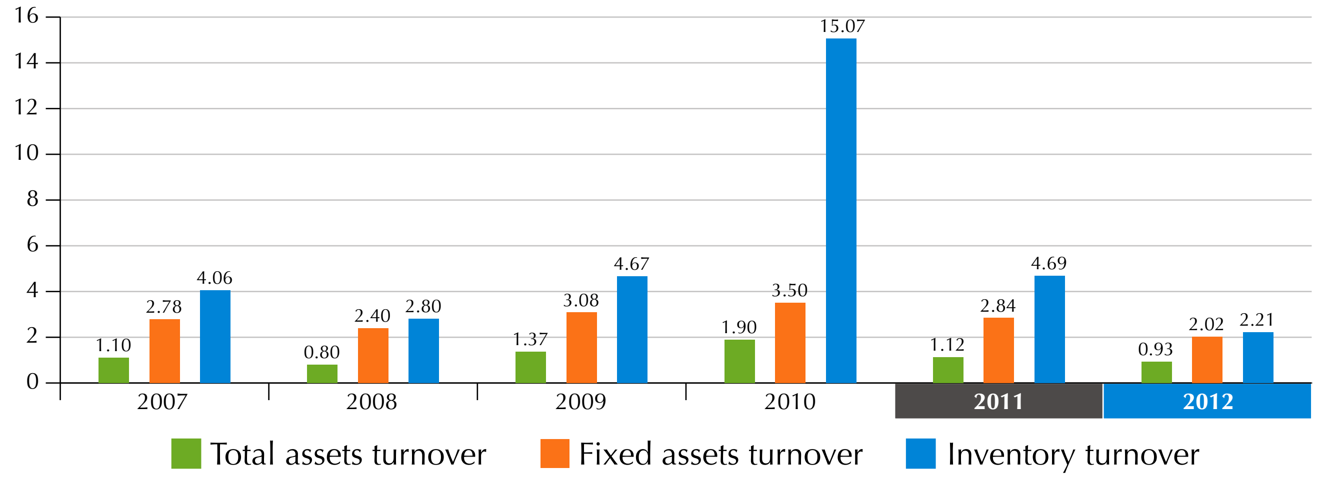
Current assets / current liabilities / working capital (Rs. million)



Property, plant & equipment / total assets (Rs. million)



Total assets / fixed assets / inventory turnover (Times)



statement of value addition

	2012		2011	
	(Rupees in '000)			
WEALTH GENERATED				
Gross sales	2,714,482		2,857,555	
Material and services	(2,209,981)		(2,211,801)	
	504,501		645,754	
Other income	5,723		4,983	
Share of profit in an associate	168,856		42,826	
	679,080		693,563	
WEALTH DISTRIBUTED				
EMPLOYEES REMUNERATION	203,859	30%	203,166	29%
GOVERNMENT AS:				
Sales tax, federal / special excise duty, & company taxation	187,396		154,287	
Workers' funds	-		9,299	
	187,396	28%	163,586	24%
CHARITY & DONATION	282	*	2,997	*
SHAREHOLDERS AS DIVIDEND				
Cash dividend**	-		8,433	
Bonus shares**	14,547		12,650	
	14,547	2%	21,083	3%
FINANCE COST	133,720	20%	145,310	21%
RETAINED IN BUSINESS				
Depreciation & amortization	52,695		40,790	
Retained profit / (loss)	86,581		116,631	
	139,276	20%	157,421	23%
	679,080	100%	693,563	100%

* *negligible*
** *post balance sheet event*

Distribution 2012

Distribution 2011

	Employees	Government	Shareholders	Finance cost	Retained in business
2012	30%	28%	2%	20%	20%
2011	29%	24%	3%	21%	23%

HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS

Member of
KRESTON INTERNATIONAL
with affiliated offices worldwide

Suite No. 1601, Kashif Centre,
Shahrah-e-Faisal, Karachi-75530
Phone : +92-21-35640050 - 52
Fax : +92-21-35640053
Website : www.hyderbhimji.com

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

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

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

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

(b) in our opinion:

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

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

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

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

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

Hyder Bhimji & Co.

HYDER BHIMJI & Co.
Chartered Accountants
Engagement Partner: Mohammad Hanif Razzak

Karachi: December 14, 2012

Lahore: Amin Building, 65 The Mall.
Phone: 042-37352661-37321043
Fax : 042-37359515

Faisalabad: 206, 1st Floor,
Business Centre, New Civil Lines
Phone: 041-2615632, 041-2615650
Fax : 041-2617902

URL: http://www.hyderbhimji.com
E-mail: bhimji@cyber.net.pk

balance sheet
as at september 30, 2012

	Note	2012	2011
		(Rupees in '000)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	1,259,926	963,153
Intangible asset	5	3,667	4,767
Long-term investment	6	376,209	218,903
Long-term deposits	7	732	732
		1,640,534	1,187,555
CURRENT ASSETS			
Stores, spare parts and loose tools	8	147,147	151,795
Stock-in-trade	9	630,144	886,781
Trade debts	10	9,766	13,481
Loans and advances	11	81,425	112,852
Short-term prepayments	12	1,514	1,251
Other receivables	13	23,034	26,062
Short-term investments	14	170,188	58,180
Taxation - net	15	8,118	1,059
Cash and bank balances	16	16,477	15,651
		1,087,813	1,267,112
TOTAL ASSETS		2,728,347	2,454,667
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	17	96,982	84,332
Reserves	18	603,420	411,367
		700,402	495,699
SURPLUS ON REVALUATION OF FIXED ASSETS	19	282,552	173,056
NON-CURRENT LIABILITIES			
Long-term financing	20	439,999	344,445
Deferred liabilities	21	247,090	248,340
		687,089	592,785
CURRENT LIABILITIES			
Trade and other payables	22	744,798	641,342
Accrued mark-up	23	22,456	32,309
Short-term borrowings	24	186,605	475,032
Current portion of long-term financing	20	104,445	44,444
		1,058,304	1,193,127
CONTINGENCIES AND COMMITMENTS	25		
TOTAL EQUITY AND LIABILITIES		2,728,347	2,454,667

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

Aslam Faruque
Chief Executive

Tariq Faruque
Director

profit and loss account

for the year ended september 30, 2012

	Note	2012	2011
		(Rupees in '000)	
Turnover - net	26	2,541,537	2,739,671
Cost of sales	27	(2,368,501)	(2,375,297)
Gross profit		173,036	364,374
Distribution cost	28	(27,257)	(5,940)
Administrative expenses	29	(76,083)	(79,833)
Other operating expenses	30	(859)	(12,806)
		(104,199)	(98,579)
Other operating income	31	5,723	4,983
Operating profit		74,560	270,778
Finance cost	32	(133,720)	(145,310)
		(59,160)	125,468
Share of profit in an associate	6	168,856	42,826
Profit before taxation		109,696	168,294
Taxation			
Current		(15,568)	(30,194)
Prior		-	(386)
Deferred		7,000	-
	33	(8,568)	(30,580)
Profit after taxation		101,128	137,714
			(Restated)
Earnings per share - basic (Rupees)	34	10.43	14.20

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

Aslam Faruque
Chief Executive

Tariq Faruque
Director

statement of comprehensive income

for the year ended september 30, 2012

	2012	2011
	(Rupees in '000)	
Profit after taxation	101,128	137,714
Fair value profit / (loss) on available-for-sale securities	112,008	(13,068)
Total comprehensive income for the year	213,136	124,646

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

Aslam Faruque
Chief Executive

Tariq Faruque
Director

cash flow statement

for the year ended september 30, 2012

	Note	2012	2011
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		109,696	168,294
Adjustments for :			
Depreciation	4.1.1	51,595	40,057
Amortization	5.1	1,100	733
Dividend income from a related party	31	(2,137)	(810)
Share of profit in an associate	6.1.2	(168,856)	(42,826)
Gain on disposal of operating property, plant and equipment	31	(1,179)	(443)
Finance cost	32	133,720	145,310
		14,243	142,021
Operating profit before working capital changes		123,939	310,315
Decrease / (increase) in current assets			
Stores, spare parts and loose tools		4,648	(40,651)
Stock-in-trade		256,637	(761,066)
Trade debts		3,715	77,498
Loans and advances		31,427	(35,440)
Short-term prepayments		(263)	129
Other receivables		3,028	(19,259)
		299,192	(778,789)
Increase / (decrease) in current liabilities			
Trade and other payables		103,271	271,554
Short-term borrowings		(288,427)	313,154
		(185,156)	584,708
Cash generated from operations		237,975	116,234
Income tax paid - net		(22,627)	(39,039)
Increase in deferred liabilities		5,750	2,546
		(16,877)	(36,493)
Net cash generated from operating activities		221,098	79,741
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	4.1 & 4.4	(241,553)	(198,163)
Intangible asset acquired	5	-	(3,300)
Sale proceeds of operating property, plant and equipment	4.2	3,860	2,626
Long-term investments - dividend received	6	11,550	-
Short-term investments		-	(14,632)
Dividend received from a related party	31	2,137	810
Net cash used in investing activities		(224,006)	(212,659)
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance cost paid		(143,573)	(127,844)
Long-term financing - net		155,555	255,555
Payment of dividend		(8,248)	(10,294)
Net cash generated from financing activities		3,734	117,417
Net increase / (decrease) in cash and cash equivalents		826	(15,501)
Cash and cash equivalents at the beginning of the year		15,651	31,152
Cash and cash equivalents at the end of the year		16,477	15,651

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

Aslam Faruque
Chief Executive

Tariq Faruque
Director

statement of changes in equity
for the year ended september 30, 2012

	Issued subscribed and paid-up capital	Reserves				Total
		General reserves	Unappropriated profit	Fair value gain / (loss) on available-for-sale securities	Total	
	(Rupees in '000)					
Balance as at October 01, 2010	70,277	34,250	231,299	45,769	311,318	381,595
Total comprehensive income for the year	-	-	137,714	(13,068)	124,646	124,646
Cash dividend for the year ended Sep. 30, 2010 @ Rs.1.50 per share (15%)	-	-	(10,542)	-	(10,542)	(10,542)
Issue of bonus shares @ 20% i.e 2 shares for every 10 shares held	14,055	-	(14,055)	-	(14,055)	-
Balance as at September 30, 2011	84,332	34,250	344,416	32,701	411,367	495,699
Balance as at October 01, 2011	84,332	34,250	344,416	32,701	411,367	495,699
Total comprehensive income for the year	-	-	101,128	112,008	213,136	213,136
Cash dividend for the year ended Sep. 30, 2011@ Re.1 per share (10%)	-	-	(8,433)	-	(8,433)	(8,433)
Issue of bonus shares @ 15% i.e 1.50 shares for every 10 shares held	12,650	-	(12,650)	-	(12,650)	-
Balance as at September 30, 2012	96,982	34,250	424,461	144,709	603,420	700,402

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

Aslam Faruque
Chief Executive

Tariq Faruque
Director

1. STATUS AND NATURE OF BUSINESS

Mirpurkhas Sugar Mills Limited (the Company) was incorporated in Pakistan on May 27, 1964 as a public limited company and its shares are quoted on Karachi Stock Exchange. Principal activity of the Company is manufacturing and selling sugar.

The registered office of the Company is situated at Modern Motors House, Beaumont Road, Karachi.

2. 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 (IASB) as are notified under the Companies Ordinance, 1984, (the Ordinance), provisions and directives issued under the Ordinance. In case requirements differ, the provisions or directives of the Ordinance shall prevail.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention without any adjustments for the effect of inflation or current values, except for the following material items in the balance sheet:

a. Derivatives financial instruments and investments which are stated at their fair value in accordance with IAS 39;

b. Certain inventories which are valued at Net Realizable Value (NRV) in accordance with IAS 2;

c. Obligation under certain employees retirement benefits that are based on actuarial valuation in accordance with IAS 19; and

d. Free hold land which stands at revalued amount in accordance with IAS 16.

3.2 Significant accounting judgments, estimates and assumptions

The preparation of these financial statements in conformity with the approved accounting standards requires 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 results of which form the basis of making judgment about carrying value of assets and liabilities that are not readily apparent from other sources.

However, uncertainity about these assumptions and estimates could result in outcomes that require material adjustment to the carrying amount of the asset or liability affected in future periods.

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

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

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

a) Employees retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 3.4 to the financial statements for valuation of present value of defined benefit obligation and fair value of plan assets. Any changes in these assumptions in future years might affect gains and losses in those years. The actuarial valuation involves making assumptions about discount rates, expected rate of return on assets, future salary increases and mortality rates.

b) Property, plant and equipment and intangible assets

The Company reviews appropriateness of the rate of depreciation / amortization, useful life and residual value used in the calculation of depreciation / amortization. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. In making these estimates, the Company uses technical resources available with the Company. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment and Intangible assets, with corresponding effects on the depreciation / amortization charge and impairment.

c) Classification of investments

The management has exercised its judgment in respect of classification of investments as disclosed in note 6 and 14 to the financial statements. Any change in such judgment might materially affect the accounting policy applied in respect of such investments.

d) Stock-in-trade, stores, spare parts and loose tools

The Company reviews Net Realizable Value (NRV) of stock in trade, stores, spare parts and loose tools to assess any diminution in their respective carrying values. NRV is estimated with reference to the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

e) Trade debts, loans and advances and other receivables

The Company reviews its doubtful trade debts, loans and advances and other receivables at each reporting date to assess whether provision should be recorded in the profit and loss account. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provision.

f) Taxation

In applying the estimate for income tax payable, the Company takes into account the applicable tax laws and the decision by appellate authorities on certain issues in the past. Instance where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingency.

Deferred tax is provided in full using the balance sheet liability method on all temporary differences arising at the balance sheet date, between the tax bases of the assets and the liabilities and their carrying amounts. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that sufficient future taxable profits will be available against which these can be utilized.

g) Provision for impairment

The Company reviews carrying amount of assets except deferred tax assets and inventories at balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated and impairment losses are recognized in the profit and loss account.

h) Contingencies

The assessment of the contingencies inherently involves the exercise of significant judgement as the outcome of the future events cannot be predicted with certainty. The Company, based on the availability of the latest information, estimates the value of contingent assets and liabilities which may differ on the occurrence / non-occurrence of the uncertain future event(s).

3.3 Taxation

a) Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The tax charge as calculated above is compared with 0.5% of turnover tax, calculated at applicable tax rates under section 113 of the Income Tax Ordinance, 2001 and under final tax regime, whichever is higher is provided in the financial statements. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

b) Deferred

Deferred tax is recognized using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying values for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that the deductible temporary differences will reverse in the future and sufficient taxable income will be available against which the deductible temporary differences can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be utilized.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. In this regard, the effects on deferred taxation of the portion of income expected to be subject to final tax regime is adjusted in accordance with the requirement of Accounting Technical Release - 27 of the Institute of Chartered Accountants of Pakistan (ICAP), if considered material.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recognized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred income tax relating to items recognized directly in other comprehensive income is recognized in other comprehensive income and not in profit and loss account.

c) Sales tax and Federal excise duty (FED)

Revenues, expenses and assets are recognized net off amount of sales tax and federal excise duty except:

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

- Receivables or payables that are stated with the amount of sales tax and federal excise duty included.

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

3.4 Employees retirement benefits

a) Provident fund scheme

The Company operates an approved defined contribution provident fund scheme for its eligible permanent employees who opted for the benefits. Equal monthly contributions are made, both by the Company and the employees to the fund at the rate of 8.33 % of basic salary.

b) Gratuity scheme

The Company operates an approved and funded gratuity scheme for all of its eligible permanent employees who have completed the minimum qualifying period of service. The scheme is administered by the trustees nominated under the trust deed. The contributions to the scheme are made in accordance with the actuarial valuation using Projected Unit Credit (PUC) method.

The PUC method used the following significant assumptions for the valuation of the scheme.

Principal actuarial assumptions used are as follows:	2012	2011
	(% per annum)	
Valuation discount rate	11.50	12.50
Expected rate of return on plan assets	12.50	12.50
Expected rate of salary increase	10.50	11.50

Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gains or losses exceed 10 percent of the higher of defined benefit obligation and the fair value of plan assets as of the end of the previous reporting period. These gains or losses are recognized over the expected remaining working lives of the employees participating in the scheme.

Past service cost is recognized as an expense on a straight line basis over the average period until the benefit becomes vested. If benefits already have been vested, immediately following the introduction of, or change to the scheme, past service costs are recognized immediately.

The amount recognized in balance sheet represents the present value of defined benefit obligations as adjusted for unrecognized actuarial gains and losses and as reduced by the fair value of plan assets.

Based on the actuarial valuation of gratuity scheme as of September 30, 2012, the fair value of scheme's assets and the present value of obligation under the scheme at the balance sheet date were as follows:

	2012	2011
	(Rupees in '000)	
Staff gratuity fund liability:		
Present value of defined benefit obligation	56,828	46,379
Fair value of plan assets	(69,963)	(31,820)
Unrecognized actuarial gain / (loss)	13,135	(9,187)
Liability recognized as at September 30	-	5,372
Amounts charged to profit and loss account:		
Current service cost	3,441	14,018
Interest cost	5,798	3,787
Expected return on plan assets	(3,978)	(1,755)
Actuarial gain recognized during the year	650	405
	5,911	16,455
Movement in the liability recognized in the balance sheet:		
Balance as at October 1	5,372	10,399
Net charge for the year	(1,896)	16,455
Contribution / benefit paid to the fund	(3,476)	(21,482)
Balance as at September 30	-	5,372
Movement in the present value of defined benefit obligation:		
Balance as at October 1	46,379	30,298
Current service cost	3,441	14,018
Interest cost	5,798	3,787
Benefits paid during the year	(1,134)	(1,482)
Actuarial gain / (loss)	2,344	(242)
Balance as at September 30	56,828	46,379
Movement in the fair value of plan assets:		
Balance as at October 1	31,820	14,037
Expected return	3,978	1,755
Contributions	11,283	21,482
Benefits paid during the year	(1,134)	(1,482)
Actuarial gain / (loss)	24,016	(3,972)
Balance as at September 30	69,963	31,820
Composition of plan assets are as follows :		
Special saving certificates (SSC's)	-	5,468
Term finance certificates (TFC's)	6,801	-
Mutual funds	4,320	-
Listed securities	55,858	25,484
Amount with bank	2,984	868
	69,963	31,820

The expected return on plan assets was based on the market expectations and depends upon the asset portfolio of the Company, at the beginning of the period, for returns over the entire life of related obligation.

The return on plan assets was assumed on the basis of market conditions. Actual return on plan assets during 2012 was Rs.27.99 million (2011: Rs. (2.21) million).

Comparisons with past years :

	2012	2011	2010	2009	2008
	(Rupees in '000)				
Present value of defined benefit obligation	56,828	46,379	30,298	17,599	14,781
Fair value of plan assets	69,963	(31,820)	(14,037)	(16,582)	(17,291)
(Surplus) / deficit	(13,135)	14,559	16,261	1,017	(2,510)
Experience adjustments arising on plan liabilities	2,344	(242)	558	705	340
Experience adjustments arising on plan assets	24,016	(3,972)	(4,535)	(2,463)	(6,165)
	26,360	(4,214)	(3,977)	(1,758)	(5,825)

3.5 Property, plant and equipment

a) Owned assets

These are stated at cost less accumulated depreciation except for free hold land which is stated at revalued amount and capital work-in-progress, which is stated at cost. The revaluation of free hold land is carried out once in every three years.

Depreciation is charged, on systematic basis over the useful life of the assets, to income applying reducing balance method, except for furniture and fittings, office and other equipment and computer and accessories which are depreciated using straight line method at the rates mentioned in note 4 to the financial statements, which reflects the patterns in which the asset's economic benefits are consumed by the enterprise. Additions to assets are depreciated monthly while no depreciation is charged on assets disposed off during the month.

Maintenance and normal repairs are charged to income, when incurred. Major renewals and improvements which increase the asset's remaining useful economic life or the performance beyond the current estimated levels are capitalized and the assets so replaced, if any, are retired.

Gains or losses on disposal of assets, if any, are recognized in the profit and loss account when incurred.

The carrying values of owned assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If such indications exist and where the carrying values exceed the estimated recoverable amounts, the assets are written down to the recoverable amount.

b) Assets subject to finance lease

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

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

c) Intangible assets

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of such asset can also be measured reliably.

Computer software and implementation costs that are directly associated with the computer and computer controlled machines which cannot operate without the related specific software, are included in the cost of respective assets. Software which is not an integral part of the related hardware is classified as intangible assets.

Intangible assets are stated at cost less accumulated amortization and any impairment loss. Intangible assets are amortized when assets are available for use on straight line method. Amortization is charged from the month of the year in which addition / capitalization occurs while no amortization is charged in the month in which an asset is disposed off.

Useful lives of intangible assets are reviewed, at each financial year end and adjusted if appropriate.

The carrying values of intangible assets are reviewed for impairment at each financial year end when events or changes in circumstances, indicate that carrying value may not be recoverable.

3.6 Investments

a) In associate

Investment in an associate is accounted for using the equity method. Under this method, the investment is initially recognized at cost as adjusted for post acquisition changes in the Company's share of net assets of the associate and impairment in the value of investment and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss of the investee after the date of acquisition which is recognized in the profit and loss account. Dividend received, if any, reduces the carrying amount of investment. Changes in associate's equity including those arising from the revaluation of property, plant and equipment are recognized directly in the Company's equity in proportion of the equity held. Profit / loss from material transactions with associate is eliminated. The reporting dates of the associate and the Company are identical and the associate's accounting policies conform to those used by the Company for like transactions and events in similar circumstances.

b) Available-for-sale securities

These are non-derivative financial assets which are intended to be held for an indefinite period of time but may be sold in response to the need for liquidity or changes in interest rates.

These investments are initially measured at fair value plus transaction costs. After initial measurement, available-for-sale securities are subsequently measured at fair value with unrealised gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, and removed from the available-for-sale reserve.

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date.

c) Held-to-maturity investments

These represent non-derivative financial assets with fixed or determinable payments and fixed maturities in respect of which the Company has the positive intent and ability to hold till maturity. These investments are recognized initially at fair value plus directly attributable cost and are subsequently measured at amortized cost using effective interest rate method. Gains and losses are recognized in profit and loss account when the investments are derecognized or impaired, as well as through the amortization process.

d) Designated investments at fair value through profit or loss

Designated investments at fair value through profit or loss are initially recognized at fair value. Subsequently, these are measured at fair value whereas effects of changes in fair value are taken to profit and loss account. Transaction costs are charged to profit and loss account when incurred.

3.7 Stores, spare parts and loose tools

These are valued at lower of moving average cost and net realizable value. Provision / write off, if required is made for slow moving items where necessary to bring these down to approximate NRV and is recognized in profit and loss. NRV is estimated with reference to the estimated selling price in the ordinary course of business less the estimated cost necessary to make sale. Loose tools are recorded at actual cost.

3.8 Stock-in-trade

Stock in trade is valued at the lower of average manufacturing cost and NRV. The cost of sugar in process includes cost of sugarcane and proportionate manufacturing expenses.

NRV signifies the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

3.9 Trade debts

Trade debts originated by the Company are recognized and carried at original invoice amount less provision for any uncollectible amounts. Provision for doubtful debts is based on the management's assessment of customer's outstanding balances and credit worthiness. Bad debts are written-off, when there is no realistic prospect of recovery.

3.10 Trade and other payables

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

3.11 Revenue recognition

- Sales are recorded on dispatch of goods to customers.
- Income / return on investments, loans, advances and bank deposits is recognized on an accrual basis.
- Dividend income on equity investment is recognized, when the right to receive the same is established.
- Capital gains or losses on sale of investments are recognized in the period in which they arise.
- Mark-up on growers' loans is accounted for in line with the recovery of the respective loan due to exigencies involved in such matters.

3.12 Foreign currency transactions and translations

The financial statements are presented in Pak. Rupees, which is the Company's functional and presentation currency. Transactions in foreign currencies are translated into Pak. Rupees at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into Pak. Rupees at the rate of exchange ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end exchange rates to monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

3.13 Provisions

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

3.14 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.15 Related party transactions

Related party transactions are carried out on commercial terms, as approved by the Board, substantiated as given in note 37 to the financial statements.

3.16 Financial instruments

All financial assets and liabilities are recognized at the time when the Company becomes party to the contractual provisions of the instrument and are derecognized in case of assets, when the contractual rights under the instrument are realized, expired or surrendered and in case of liability, when the obligation is discharged, cancelled or expired.

Any gain / loss on the recognition and derecognition of the financial assets and liabilities is recorded in the profit and loss account for the period in which it arises.

3.17 Offsetting of financial assets and liabilities

A financial asset and financial liability is only offset and the net amount is reported in the balance sheet, if the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Incomes and expenses arising from such assets and liabilities are also offset accordingly.

3.18 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and balances in current, deposit and PLS accounts with the commercial banks.

3.19 Dividend and appropriation to reserves

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

4. PROPERTY, PLANT AND EQUIPMENT

	Note	2012	2011
		(Rupees in '000)	
Property, plant and equipment - owned	4.1	1,241,331	889,924
Capital work in progress	4.4	18,595	73,229
		1,259,926	963,153

4.1 Following are the statements of property, plant and equipment for current and prior year:

2012 Description	Cost / revaluation			Depreciation				Book value as at Sep. 30, 2012	Depreciation rate % per annum
	As at Oct. 01, 2011	Additions / revaluation / (disposals)	As at Sep. 30, 2012	As at Oct. 01, 2011	Adjustment for depreciation on disposal	For the year	As at Sep. 30, 2012		
	(Rupees in '000)								
OWNED ASSETS									
Free hold land (Note 4.3)	186,698	7,447 109,496	303,641	-	-	-	-	303,641	-
Building on free hold land:									
-Factory	28,659	1,019	29,678	20,547	-	879	21,426	8,252	10
-Non factory	23,184	-	23,184	17,405	-	578	17,983	5,201	10
Plant & machinery	1,059,809	276,292	1,336,101	398,464	-	42,033	440,497	895,604	5
Furniture & fittings	338	-	338	137	-	49	186	152	20
Vehicles	48,175	10,058 (5,066)	53,167	25,801	(2,498)	5,343	28,646	24,521	20
Office & other equipment	10,308	866 (117)	11,057	7,899	(4)	916	8,811	2,246	20
Computers & accessories	7,614	505	8,119	4,608	-	1,797	6,405	1,714	33.33
	1,364,785	296,187 109,496 (5,183)	1,765,285	474,861	(2,502)	51,595	523,954	1,241,331	

2011 Description	Cost: As at Oct. 01, 2010	Cost: Additions / (disposals)	Cost: As at Sep. 30, 2011	Depreciation: As at Oct. 01, 2010	Depreciation: Adjustment for depreciation on disposal	Depreciation: For the year	Depreciation: As at Sep. 30, 2011	Book value as at Sep. 30, 2011	Depreciation rate % per annum
	(Rupees in '000)								
OWNED ASSETS									
Free hold land (Note 4.3)	186,698	-	186,698	-	-	-	-	186,698	-
Building on free hold land:									
-Factory	26,502	2,157	28,659	19,726	-	821	20,547	8,112	10
-Non factory	22,409	775	23,184	16,792	-	613	17,405	5,779	10
Plant & machinery	829,611	230,198	1,059,809	367,695	-	30,769	398,464	661,345	5
Furniture & fittings	338	-	338	84	-	53	137	201	20
Vehicles	38,653	13,160 (3,638)	48,175	22,220	(1,616)	5,197	25,801	22,374	20
Office & other equipment	9,925	383	10,308	6,938	-	961	7,899	2,409	20
Computers & accessories	6,369	1,542 (297)	7,614	3,101	(136)	1,643	4,608	3,006	33.33
	1,120,505	248,215 (3,935)	1,364,785	436,556	(1,752)	40,057	474,861	889,924	

		Note	2012	2011
			(Rupees in '000)	
4.1.1	Depreciation charged for the year has been allocated as follows:			
	Cost of sales	27	47,428	35,918
	Distribution cost	28	339	183
	Administrative expenses	29	3,828	3,956
			51,595	40,057
4.1.2	Reconciliation of carrying amount:			
	Carrying amount at beginning of the year		889,924	683,949
	Addition during the year		296,187	248,215
	Revaluation of land		109,496	-
	Depreciation for the year		(51,595)	(40,057)
	Disposals / transfers during the year at carrying amount		(2,681)	(2,183)
			1,241,331	889,924

4.2 Disposal of property, plant and equipment

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particular of buyer
	(Rupees in '000)						
Vehicles							
Honda City ARH-235	1,060	579	481	940	459	Tender	Mrs. Samina Shahid (Karachi) - Tender
Suzuki Swift ATZ-032	1,058	390	668	980	312	Tender	Syed Taqi Baqar (Karachi) - Tender
Suzuki Alto VXR AWR-242	776	90	686	776	90	Insurance claim	EFU Geneneral Insurance Ltd.
Suzuki Alto VXR AJG-564	499	383	116	125	9	Employee car scheme	Mr. Mustafa Haider - Employee
Toyota Corolla ALW-021	1,039	716	323	323	-	Employee car scheme	Mr. Shamim Lodhi - Employee
Suzuki Alto VXR ARA-592	585	319	266	585	319	Insurance claim	EFU Geneneral Insurance Ltd.
	5,017	2,477	2,540	3,729	1,189		
Aggregate of assets disposed-off having book value below Rs.50,000 each:							
Various	166	25	141	131	(10)		
2012	5,183	2,502	2,681	3,860	1,179		
2011	3,935	1,752	2,183	2,626	443		

4.3 This includes Rs.282.55 million (2011 : Rs. 173.06 million) in respect of revaluation surplus (Refer note no.19). Had the revaluation not been carried out the freehold land would have been stated at Rs.21.09 million (2011 : Rs.13.65 million).

4.4 Capital work-in-progress	2012	2011
	(Rupees in '000)	
Civil work	-	1,019
Plant and machinery	18,595	72,210
	18,595	73,229

5. INTANGIBLE ASSET

Description	Cost			Amortization			Book value as at Sep. 30	Life
	As at Oct. 01	Additions	As at Sep. 30	As at Oct. 01	For the year	As at Sep. 30		
	(Rupees in '000)							
2012 ERP System	5,500	-	5,500	733	1,100	1,833	3,667	5 Years
2011 ERP System	2,200	3,300	5,500	-	733	733	4,767	5 Years

	Note	2012	2011
		(Rupees in '000)	

5.1 Amortization charged for the year has been allocated as follows:

	Note	2012	2011
Cost of sales	27	660	440
Distribution cost	28	110	73
Administrative expenses	29	330	220
		1,100	733

6. LONG TERM INVESTMENT - In Associate

	Note	2012	2011
Unicol Limited 12,704,998 (Sep. 2011: 11,549,998) fully paid ordinary shares of Rs.10/- each Equity held : 33.33% (Sep. 2011 : 33.33%)	6.1	218,903	176,077
Dividend received		(11,550)	-
		207,353	176,077
Share of profit	6.1.2	168,856	42,826
		376,209	218,903

6.1 Unicol Limited

The Company holds 33.33% (2011: 33.33%) interest in Unicol Limited, which is a public limited (Un-quoted) company. Share of profit / loss arising from the associate has been taken to profit and loss account in accordance with the accounting policy as mentioned in note no.3.6(a) . The share of Company in the net assets has been determined on the basis of the audited financial statements for the year ended September 30, 2012.

6.1.1 The Company's interest in assets & liabilities of an associate is as follows:

	2012	2011
Tangible fixed assets	272,868	267,389
Other long term assets	3,975	6,607
Current assets	323,225	273,072
	600,068	547,068
Long term liabilities	(17,583)	(47,587)
Current liabilities	(206,276)	(280,578)
	(223,859)	(328,165)
Net assets	376,209	218,903

6.1.2 The Company's share in profit and loss of an associate is as follows:

	2012	2011
Sales	712,435	664,886
Cost of goods sold	(473,546)	(556,480)
	238,889	108,406
Other expenses, income and taxes	(70,033)	(65,580)
	168,856	42,826

7. LONG TERM DEPOSITS

These represent deposits paid by the Company for obtaining various services.

	Note	2012	2011
		(Rupees in '000)	

8. STORES, SPARE PARTS AND LOOSE TOOLS

	Note	2012	2011
Stores		57,300	74,335
Spare parts		95,167	82,726
Loose tools		680	734
		153,147	157,795
Provision for obsolescence		(6,000)	(6,000)
		147,147	151,795

9. STOCK-IN-TRADE

	Note	2012	2011
Sugar	27	627,727	884,253
Sugar in process	27	2,417	2,528
		630,144	886,781

10. TRADE DEBTS - Unsecured, considered good

	Note	2012	2011
Related party:			
Unicol Limited		-	1,289
Others:		9,766	12,192
		9,766	13,481

10.1 Trade receivable are non-interest bearing and aging analysis of trade debts is as follows:

	Note	2012	2011
Neither past due nor impaired		9,766	13,481

11. LOANS AND ADVANCES - Unsecured

	Note	2012	2011
Considered good:			
To suppliers		33,453	97,488
To employees classified as recoverable within next twelve months		118	437
To provident fund		-	405
Against letters of credit		18,634	10,480
To sugar cane growers		27,859	763
To transport contractors		1,361	3,279
		81,425	112,852
Considered doubtful:			
Sugar cane growers		5,400	5,400
Provision there against		(5,400)	(5,400)
		-	-
		81,425	112,852

12. SHORT-TERM PREPAYMENTS

	Note	2012	2011
Prepaid insurance		758	650
Prepaid rent		38	78
Prepaid others		718	523
		1,514	1,251

13. OTHER RECEIVABLES

	Note	2012	2011
Sales tax / Federal excise duty on sale of sugar		23,010	24,880
Special excise duty on sale of sugar		24	713
Miscellaneous		-	469
		23,034	26,062

14. SHORT TERM INVESTMENTS

	Note	2012	2011
		(Rupees in '000)	
Available-for-sale securities - Related party			
Quoted:			
Cherat Cement Company Limited 3,427,502 (2011: 3,427,502) fully paid ordinary shares of Rs.10/- each		136,003	28,277
Cherat Packaging Limited 854,613 (2011: 854,613) fully paid ordinary shares of Rs.10/- each		34,185	29,903
		170,188	58,180

15. TAXATION - NET

Income tax - net of provision		8,118	1,059

16. CASH AND BANK BALANCES

With banks in:			
Current accounts		6,175	10,239
PLS accounts	16.1	9,000	4,200
		15,175	14,439
Cash in hand		1,302	1,212
		16,477	15,651

16.1 Effective profit rate in respect of PLS accounts is 5% per annum (2011: 5% per annum).

17. SHARE CAPITAL

17.1 Authorized capital

2012	2011		2012	2011
Number of Shares			(Rupees in '000)	
15,000,000	15,000,000	Ordinary shares of Rs. 10/- each	150,000	150,000

17.2 Issued, subscribed and paid-up capital

Fully paid ordinary shares of Rs. 10/- each

1,770,000	1,770,000	Issued for cash	17,700	17,700
		Issued as fully paid bonus shares :		
6,663,215	5,257,680	-Opening balance	66,632	52,577
1,264,983	1,405,535	-Issued during the year	12,650	14,055
7,928,198	6,663,215		79,282	66,632
9,698,198	8,433,215		96,982	84,332

17.3 Following is the detail of shares held by the related parties.

Name of related parties	2012	2011
	Number of shares	
Faruque (Private) Limited	4,017,387	3,493,380
Greaves Pakistan (Private) Limited	231,412	201,229
	4,248,799	3,694,609

18. RESERVES

The detailed reconciliation of reserves is disclosed in the statement of changes in equity.

19. SURPLUS ON REVALUATION OF FIXED ASSETS

	2012	2011
	(Rupees in '000)	
Surplus on revaluation of free hold land	282,552	173,056

It represents revaluation of free hold land which has been carried out by independent valuers M/s Younus Mirza & Co. as of September 26, 2012 to determine the present (realizable) market value by enquiring from local active realtors. Revaluation surplus was credited to surplus on revaluation of fixed assets account.

20. LONG TERM FINANCING - Secured

From commercial banks	Mode & commencement of repayment	Security	2012	2011	Mark-up / profit rate
			(Rupees in '000)		
Plant Expansion loans					
Finance I	Nine quarterly installments commenced from September 2009	First pari-passu equitable hypothecation charge on plant & machinery	44,444	88,889	6 months average KIBOR + 1%
Finance 2	Ten quarterly installments commencing from February 2013	First pari-passu equitable hypothecation charge on moveable fixed assets	300,000	300,000	6 months average KIBOR + 0.75%
Finance 3	Sixteen quarterly installments commencing from December 2013	First pari-passu equitable hypothecation charge on plant & machinery	200,000	-	3 months average KIBOR + 0.50%
			544,444	388,889	
Less: Current maturity			104,445	44,444	
			439,999	344,445	

21. DEFERRED LIABILITIES

	Note	2012	2011
		(Rupees in '000)	
Quality premium	25.1.2 and 25.1.3	78,985	78,985
Market committee fee	25.1.4	31,322	25,572
Deferred tax liability - net	21.1	136,783	143,783
		247,090	248,340

21.1 Deferred tax liability - net

	Note	2012	2011
		(Rupees in '000)	
Taxable temporary differences arising in respect of :			
- Accelerated tax depreciation allowance		197,466	188,898
Deductible temporary differences arising in respect of :			
- Liabilities written back		(1,575)	(1,575)
- Turnover tax		(59,108)	(43,540)
		(60,683)	(45,115)
		136,783	143,783

22. TRADE AND OTHER PAYABLES

	Note	2012	2011
Creditors			
- For goods supplied		135,995	133,185
- Others		624	-
Accrued liabilities		32,328	25,951
Advances from customers			
- Trading Corporation of Pakistan		272,128	-
- Others		287,066	450,692
Deposits		123	145
Unclaimed dividend		3,127	2,942
Other liabilities	22.1	13,407	28,427
		744,798	641,342

22.1 Other liabilities

	Note	2012	2011
Suppliers income tax		541	138
Staff income tax		1,404	1,436
Sales tax with held payable		45	1,245
Sales tax		3,409	5,731
Special excise duty		45	45
Workers' profit participation fund	22.1.1	-	6,738
Workers' welfare fund		5,583	5,583
Others		2,380	7,511
		13,407	28,427

22.1.1 Workers' Profit Participation Fund

	Note	2012	2011
Balance as on October 01		6,738	7,952
Interest there on	32	200	292
		6,938	8,244
Less: Payment during the year		(6,938)	(8,244)
		-	-
Add: Contribution for the year		-	6,738
		-	6,738

23. ACCRUED MARK-UP

	2012	2011
On long-term financing	11,926	9,292
On short-term borrowings	10,530	23,017
	22,456	32,309

24. SHORT TERM BORROWINGS-SECURED

This represents utilised portion of running finance facilities aggregating Rs.1,969 million (2011 : 1,569 million) obtained from various commercial banks. These carry mark-up ranging from 1 month KIBOR + 1.75% to 3 month KIBOR + 0.75% per annum. The facilities are secured against registered first pari passu hypothecation charge over various assets of the Company. These facilities are repayable / renewable annually.

25. CONTINGENCIES AND COMMITMENTS

25.1 Contingencies:

25.1.1 The Company has filed suits before the Honourable High Court of Sindh against the arbitrary action of Collector of Customs and Central Excise for denying the rebate claim related to the financial years 1991-92 and 1992-93. The Company is entitled to get 50% rebate in Excise Duty which amounts to Rs.11.15 million and Rs.1.14 million respectively on account of excess production during the years over the preceding years production. The Company has paid the amount demanded by the Government. The amount has already been charged off in the accounts. The management of the Company is of the view that outcome of the suit would be in favour of the Company.

25.1.2 The sugar mills in Sindh are required to pay quality premium to the cane growers at the rate of fifty (50) paisas per forty (40) Kg cane for each 0.1% of excess sucrose recovery above the benchmark of 8.7% determined on over all sucrose recovery of each mill. The Company challenged the levy of quality premium before the Honorable High Court of Sindh, which decided the matter against the Company. Aggrieved with the judgment, the Company has filed an appeal with the Honorable Supreme Court of Pakistan. While admitting the appeal against the impugned judgment of the Honorable High Court, the Honorable Supreme Court granted stay. The Punjab government is not charging any quality premium in view of an earlier decision of Lahore High Court in a similar case in which the Court had declared the demand of quality premium as unlawful. The Company has recognized the financial impact upto September 30, 2008, as a matter of prudence as described in note 25.1.3.

25.1.3 The Company has challenged in the Honorable High Court of Sindh, the issue of Notification No. 8 (142) SO (EXT) / 95 – XXI dated December 24, 2002 issued by the Secretary to the Government of Sindh, Agriculture Department in connection with the fixation of sugar cane price and payment of quality premium. Pending judgment of the Sindh High Court, the Company has provided the liability in this regard. As judgment is still pending the government has suspended the levy of quality premium for crushing season 2008-09, 2009-10, 2010-11 and 2011-12.

25.1.4 The Company has filed a case in the Honourable High Court of Sindh against the levy of market committee fee by the Government of Sindh on sugarcane purchased at the factory. The Sindh High Court has granted status quo. Full todate provision of Rs.31.32 million (2011: Rs.25.57 million) has been made as a matter of prudence, which includes Rs.5.75 million for the crushing season 2011-12.

25.1.5 a) The Company challenged levy of further sales tax @1.5% under the Sales Tax Act 1990, amounting to Rs.4.89 million in the Sindh High Court, for which relief was granted. Against the judgment, the department preferred appeal with the Honourable Supreme Court, and got stay order. The Honourable Supreme Court of Pakistan has set aside the case and referred it to the lower level. No provision is made in this regard since the management is confident that the outcome would be in Company's favour.

b) The amendment brought in vide Finance Ordinance 2001 in the Sales Tax Act with the intention to nullify the decision of the High Court on levy of further tax @3% w.e.f June 18, 2001 does not change the legal position of further tax. However, the Company made the payment of 3% further tax under protest in order to avoid the Additional Tax and penalties. In previous years, Honourable Supreme Court of Pakistan had set aside the case and referred it to the tribunal level, where the Company appeal is pending. In view of the contingencies involved in this case, the Company has not accounted for as refund an amount of Rs.50.97 million being the further Sales Tax paid in this behalf.

25.1.6 The Company in 2010, has filed a petition in the Honourable Supreme Court of Pakistan against a show cause notice issued by Competition Commission of Pakistan (CCP), challenging the vary jurisdiction of the Competition Commission. The Honourable Supreme Court of Pakistan has disposed the petition on the ground that this matter is already under proceedings with Honourable High Courts and refrained CCP from passing any final / penal order till a final decision is achieved at Honourable High Courts. Therefore, there are no financial implications related to this at the moment.

25.1.7 The Company in 2010, has filed a suit before the Honourable High Court of Sindh against Pakistan Standards and Quality Control Authority (the Authority) challenging the levy of marking fee under PSQCA Act-VI of 1996. The Authority has demanded a fee payment @ 0.1% of ex-factory price for the year 2008-09 amounting to Rs. 1.40 million. The Company is of the view that demand notifications so raised are without any lawful authority under the PSQCA Act-VI of 1996 and are in violation of the constitution. The Honourable High Court of SIndh has accepted the petition and termed that the impugned notifications have been issued without lawful authority and suspended the operation of the impugned notifications. No provision has been made in this regard since the management is confident that the outcome would be in Company's favor as the amount is insignificant and is not likely to materialize.

		Note	2012	2011
25.2	**Commitments**		(Rupees in '000)	
25.2.1	Letters of credit issued by various commercial banks		62,696	2,983
25.2.2	Letter of guarantee issued by a commercial bank		13,635	-

26. TURNOVER - NET

	Note	2012	2011
Local sales		2,433,981	2,857,555
Less: Sales tax / Federal excise duty		(171,964)	(103,397)
Special excise duty		(981)	(14,487)
		(172,945)	(117,884)
		2,261,036	2,739,671
Export sales		280,501	-
		2,541,537	2,739,671

27. COST OF SALES

		Note	2012	2011
Sugar cane cost			1,911,740	2,775,576
Raw sugar consumed			-	217,549
Stores and spare parts consumed			106,686	95,341
Packing material and expenses			24,602	22,977
Salaries, wages and other benefits		27.1	154,432	153,734
Water, fuel and power			23,367	25,630
Insurance			4,252	4,765
Repairs and maintenance			21,687	19,243
Vehicles expenses			10,418	10,034
Sugar handling expenses			1,710	1,709
Other expenses			9,967	8,622
Depreciation		4.1.1	47,428	35,918
Amortization		5.1	660	440
			2,316,949	3,371,538
Sugar-in-process	- opening		2,528	2,794
	- closing	9	(2,417)	(2,528)
			111	266
			2,317,060	3,371,804
Less:	- sale of molasses	27.2	186,550	220,475
	- sale of bagasse	27.2	18,535	14,700
			205,085	235,175
Cost of goods manufactured			2,111,975	3,136,629
Finished goods	- opening		884,253	122,921
	- closing	9	(627,727)	(884,253)
			256,526	(761,332)
			2,368,501	2,375,297

27.1 This includes Rs. 9.04 million (2011: Rs.13.36 million) in respect of staff retirement benefits.

27.2 These figures are net off sales tax and special excise duty of Rs. Nil (2011: Rs.Nil) in respect of molasses and Rs.2.96 million (2011 : Rs. 2.64 million) in respect of bagasse.

28. DISTRIBUTION COST

	Note	2012	2011
		(Rupees in '000)	
Salaries, wages and other benefits	28.1	2,560	2,279
Insurance		2,362	2,229
Sugar export freight & port handling expenses		21,300	692
Brokerage and commission		20	69
Other expenses		566	415
Depreciation	4.1.1	339	183
Amortization	5.1	110	73
		27,257	5,940

28.1 This includes Rs. 0.22 million (2011: Rs. 0.20 million) in respect of staff retirement benefits.

29. ADMINISTRATIVE EXPENSES

	Note	2012	2011
Salaries, wages and other benefits	29.1	46,867	47,153
Directors' fee		775	460
Rent, rates and taxes		1,604	1,241
Communication expense		3,305	2,298
Conveyance and travelling		4,340	7,453
Printing and stationery		893	1,048
Entertainment		1,013	1,038
Vehicles expenses		1,968	1,785
Insurance		1,588	1,551
Repairs and maintenance		1,929	2,613
Subscription		1,155	1,510
Legal and professional charges		3,917	4,692
General expenses		717	731
Utilities		1,854	2,084
Depreciation	4.1.1	3,828	3,956
Amortization	5.1	330	220
		76,083	79,833

29.1 This includes Rs. 3.41 million (2011: Rs. 8.43 million) in respect of staff retirement benefits.

30. OTHER OPERATING EXPENSES

	Note	2012	2011
Auditors' remuneration	30.1	577	510
Workers' profit participation fund	22.1	-	6,738
Workers' welfare fund	22.1	-	2,561
Charity and donation	30.2	282	2,997
		859	12,806

30.1 Auditors' Remuneration

	2012	2011
Annual audit fee	240	210
Half yearly review fee	85	75
Cost audit fee	135	125
Out of pocket expenses	117	100
	577	510

30.2 None of the directors or their spouses had any interest in the donees.

31. OTHER OPERATING INCOME

	Note	2012	2011
		(Rupees in '000)	
Income from financial assets			
Dividend income from a related party		2,137	810
Profit on PLS and deposit accounts with banks		456	678
Mark-up on provident fund balance		-	205
Mark-up on growers' loans		143	80
		2,736	1,773
Income from non-financial assets			
Gain on disposal of operating property, plant and equipment	4.2	1,179	443
Other			
Miscellaneous		1,808	2,767
		5,723	4,983

32. FINANCE COST

	Note	2012	2011
Mark-up on long-term financing		32,947	22,556
Mark-up on short-term borrowings		97,582	121,050
Interest on workers' profit participation fund	22.1.1	200	292
Bank charges		2,991	1,412
		133,720	145,310

33. PROVISION FOR TAXATION

The assessments of the Company for and upto the tax year 2011 have been completed. In view of unabsorbed losses the Company is only liable to pay minimum tax and final tax in the current year, therefore, no numerical tax reconciliation is given.

34. EARNINGS PER SHARE- BASIC

	2012	2011
Profit after taxation	101,128	137,714
	Number of shares	
Weighted average number of ordinary shares in issue during the year	9,698,198	9,698,198
Earnings per share - basic (Rupees)	10.43	14.20 *

* restated

34.1 There is no dilutive effect on basic earnings per share of the Company.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

- Market risk including currency risk, interest rate risk and price risk
- Credit risk
- Liquidity risk

This note presents information about the Company's exposure to each of the above risk, the Company's objectives, policies and procedures for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

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

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

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below :

35.1 Market risk

Market risk is the risk that fair value of future cash flows will fluctuate because of changes in market prices. The Company has exposed to market risks such as interest rate risk and price risk

Financial instruments affected by market risk include short-term investments (available- for- sale), long-term financing and short-term borrowings.

a) Foreign currency risk

Foreign currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of the change in foreign exchange rates. The Company's exposure to the risk arises mainly from future economic transactions or receivables and payables that exist due to transaction in foreign exchange.

b) Interest rate risk

Interest rate risk is the risk that fair value or future cash flows of the financial instruments will fluctuate due to change in the market interest rates. The Company interest rate risk arises from long-term and short-term borrowings obtained with floating rates. All the borrowings of the Company are obtained in functional currencies. Applicable interest rates of financial instruments are given in respective notes.

Change in interest rate by 2% may have a positive or negative impact of approximately Rs. 20.96 million (2011: Rs.20.31 million) in profit & loss account before taxation. The analysis made is based on the assumption that all other variable remains constant.

c) Price risk

Price risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of change in market prices (other then those arising from interest rate risk). The Company has exposed to other price risk like equity risk that arise from Company's investment in listed securities that are classified as available-for-sale investments. Listed securities are susceptible to market price risk arising from uncertainties about future returns of the investment securities.

At the balance sheet date, the exposure to listed equity securities at fair value was Rs. 170.18 million (2011: Rs.58.18 million). A decrease in 10% in the share price of the listed securities would have an impact of approximately Rs.17.01 million on the equity or income depending whether or not the decline is significant and prolonged. An increase of 10% in the share price of the listed securities would impact equity in the similar amount but will not have an effect on income unless there is an impairment charge associated with it.

35.2 Credit Risk

Credit risk is the risk of financial loss to the Company if counter parties to a financial instrument fails to meet its contractual obligations. The Company does not have significant exposure in relation to individual customers. Aging analysis of trade debts is disclosed in note no.10 of this financial statements. The Company exposure to credit risk is minimal as the Company receives advance against sale of goods to customers.

The maximum exposure to credit risk at the reporting date is as follows :

	2012	2011
	(Rupees in '000)	
Long-term deposits	732	732
Trade debts	9,766	13,481
Advances	62,673	101,530
Short-term investments	170,188	58,180
Bank balances	15,175	14,439
	258,534	188,362

35.2.1 Credit quality of financial assets

The credit policy of financial assets that are neither past nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates :

	2012	2011
Trade debts		
Customers with no default in the past one year	9,766	13,481
Advances		
Counter parties without credit rating	62,673	101,530
Short-term investments		
Counter parties without credit rating	170,188	58,180
Cash at bank		
A1 +	15,175	14,439

35.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligation as they fall due.

The Company applies prudent liquidity risk management by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. As at balance sheet date, the Company has unused credit facilities of Rs.1,782 million (2011 : Rs.1,094 million)

Table below summarises the maturity profile of the Company's financial liabilities at the following reporting dates based on contractual undiscounted payments. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Interest bearing			Non-interest bearing			2012	2011
	Less than one year	One to five years	Sub total (a)	Less than one year	One to five years	Sub total (b)	Total (a+b)	
	(Rupees in '000)							
Financial liabilities:								
Long term financing	104,445	439,999	544,444	-	-	-	544,444	388,889
Deferred liabilities	-	-	-	-	110,307	110,307	110,307	104,557
Short-term borrowings	186,605	-	186,605	-	-	-	186,605	475,032
Trade & other payables	-	-	-	733,771	-	733,771	733,771	620,426
Accrued mark-up	-	-	-	22,456	-	22,456	22,456	32,309
	291,050	439,999	731,049	756,227	110,307	866,534	1,597,583	1,621,213

Effective interest rates for the monetary financial assets and liabilities are mentioned in the respective notes to the financial statements.

35.4 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.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value.

The following table shows financial instruments recognized at fair value, analysed between those whose fair value is based on:

Level 1: Quoted prices in active markets for identical assets or liabilities:

Level 2: Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: Those whose inputs for the asset or liability that are not based on observable market date (unobservable inputs).

Investment at fair value (available-for-sale securities)	Total	Level 1	Level 2	Level 3
	(Rupees in '000)			
30 September 2012	170,188	170,188	-	-
30 September 2011	58,180	58,180	-	-

35.5 Capital risk management

The Company's objective when managing capital are to safeguard the Company's ability to continue as going concern in order to provide returns for share holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is not subject to any externally imposed capital requirements.

The Company manages its capital structure and makes adjustment to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares.

The gearing ratios as at September 30, 2012 and 2011 were as follows:

	2012	2011
	(Rupees in '000)	
Total long term debt	544,444	388,889
Share capital	96,982	84,332
Reserves	603,420	411,367
Total equity	700,402	495,699
Total equity and long term debt	1,244,846	884,588
Gearing ratio	43.74%	43.96%

36. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS & EXECUTIVES

Particulars	2012			2011		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rupees in '000)					
Remuneration & bonus	15,693	19,859	8,301	14,675	18,461	7,150
Housing allowance	1,419	3,294	2,870	1,320	3,024	2,336
Utilities	250	666	637	250	629	519
Leave fare assistance	965	965	-	840	840	-
Retirement benefits	2,080	2,080	918	1,836	1,836	1,013
	20,407	26,864	12,726	18,921	24,790	11,018
No. of persons	1	2	8	1	2	7

The chief executive, directors and executives are provided with the use of Company maintained cars and are also provided with the residential telephone facility which is reimbursed at actual to the extent of their entitlements.

37. TRANSACTIONS WITH RELATED PARTIES :

Related parties comprise of related group companies, associated companies, directors and executives. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties, contribution to staff benefit funds, mark-up on loans, amount due from executives and remuneration of directors and executives are disclosed in the relevant notes. Other material transactions with related parties are given below :

Relationship	Nature of Transaction	2012	2011
		(Rupees in '000)	
Group Companies	Services received	3,332	3,307
	Goods purchased	1,069	1,533
	Sales made	203,650	247,574
	Dividend received	13,686	810
	Investment made	-	14,632
	Dividend paid	3,695	4,619
Other related parties	Insurance premium	1,252	1,765
	Contribution to staff provident and gratuity funds	12,674	21,991

In addition, certain actual administrative expenses are being shared amongst the group companies.

38. RECENT ACCOUNTING DEVELOPMENTS

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as describe below:

The Company has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

IFRS 7 - Financial Instruments: Disclosures (Amendment)
IAS 24 - Related Party Disclosures (Revised)
IFRIC 14 - Prepayments of a Minimum Funding Requirement (Amendment)

Issued in May 2010

IFRS 7 - Financial Instruments: Disclosures : Clarification of disclosures
IAS 1 - Presentation of Financial Statements : Clarification of statement of changes in equity
IAS 34 - Interim Financial Reporting : Significant events and transactions
IFRIC 13 - Customer Loyalty Programmes : Fair value of award credits

The adoption of the above standards, amendments, interpretations and improvements did not have any material effect on the financial statements.

38.1 Standards and interpretations issued but not yet effective from the current financial year.

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

Standard or Interpretation		Effective dates (accounting periods beginning on or after)
IFRS 7	Financial instruments: Disclosures (Amendment)	January 01, 2013 & January 01, 2015
IAS 1	Presentation of Financial Statements (Amendment)	July 01, 2012 & January 01, 2013
IAS 12	Income Taxes (Amendment)	January 1, 2012
IAS 19	Employee Benefits (Revised)	January 1, 2013
IAS 27	Separate Financial Statements	January 1, 2013
IAS 28	Investments in Associates and Joint Ventures	January 1, 2013
IAS 32	Financial Instruments: Presentation (Amendment)	January 1, 2014
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013
	Annual improvements to IFRS (the 2009-2011 cycle)	January 1, 2013

The Company expects that the adoption of the above revision, amendments and interpretations of the standards will not have any material impact on the Company's financial statements in the period of initial application, except for the following:

IAS 19 - Employee Benefits (Revised) requires actuarial gains and losses to be recognized in other comprehensive income as these occur. Further, amounts recorded in profit and loss account are limited to current and past service costs, gains or losses on settlements and net interest income (expense). Furthermore, all other changes in the net defined benefit asset (liability) are recognized in other comprehensive income with no subsequent recycling to profit and loss account.

In addition to above amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2011. The Compay expects that such improvements of the standards will not have any material impact on the Company's financial statements in the period of initial application.

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

Standard or Interpretation		IASB effective dates (annual periods beginning on or after)
IFRS 9	Financial Instruments	01 January 2015
IFRS 10	Consolidated Financial Statements	01 January 2013
IFRS 11	Joint Arrangements	01 January 2013
IFRS 12	Disclosure of Interest in Other Entities	01 January 2013
IFRS 13	Fair Value Measurement	01 January 2013

39. CAPACITY AND PRODUCTION

	2012	2011
No. of days mill operated	96	144
Crushing capacity per day (M.tons)	6,500	5,000
Total crushing capacity on the basis of no. of days (M.tons)	624,000	720,000
Actual crushing (M.tons)	467,734	509,204
Sugar production (M.tons)	47,566	52,993

The sugar production plant capacity is based on crushing sugar cane on daily basis and the sugar production is dependent on certain factors which include sucrose recovery percentage. The short fall in actual crushing is mainly on account of shortage of sugar cane.

40. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on December 14, 2012 by the Board of Directors of the Company.

41. DIVIDEND AND APPROPRIATIONS

Subsequent to the year ended September 30, 2012, the Board of Directors has approved/ proposed the following in its meeting held on December 14, 2012 for the approval of the members at the Annual Genaral meeting.

	2012	2011
	(Rupees in '000)	
Proposed cash dividend @ Rs. Nil per share (2011: @ Re.1 per share)	-	8,433
Proposed bonus shares @ 15% (2011: 15%)	14,547	12,650

42. CORRESPONDING FIGURES

There were no reclassifications that could affect the financial statements materially.

43. GENERAL

Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

Aslam Faruque
Chief Executive

Tariq Faruque
Director

pattern of shareholding

as at september 30, 2012

Number of shareholders	Shareholding From	To	Shares held	%
1033	1	100	22,804	0.2351
336	101	500	79,912	0.8240
146	501	1000	98,279	1.0134
175	1001	5000	383,467	3.9540
42	5001	10000	289,217	2.9822
14	10001	15000	155,673	1.6052
3	15001	20000	51,193	0.5278
5	20001	25000	110,111	1.1354
3	25001	30000	84,545	0.8718
1	30001	35000	32,050	0.3305
1	55001	60000	57,700	0.5950
1	115001	120000	118,482	1.2217
1	125001	130000	126,095	1.3002
1	195001	200000	196,535	2.0265
1	230001	235000	231,412	2.3861
1	245001	250000	248,643	2.5638
2	265001	270000	534,705	5.5134
1	390001	395000	394,717	4.0700
1	585001	590000	586,343	6.0459
1	630001	635000	634,272	6.5401
1	1240001	1245000	1,244,656	12.8339
1	4015001	4020000	4,017,387	41.4240
1,771			9,698,198	100.0000

pattern of shareholding

as at september 30, 2012

Categories	Number of Shareholders	Number of Shares held
Directors, Chief Executive Officer, their spouses and minor children		
Mr. Mahmood Faruque	1	126,095
Mrs. Chaman Faruque W/o Mr. Mahmood Faruque	1	15,781
Mr. Mohammed Faruque	1	1
Mr. Aslam Faruque	1	7,210
Mr. Akbarali Pesnani	1	29,767
Mr. Arif Faruque	1	21,390
Mr. Tariq Faruque	1	10,013
Mr. Taufique Habib	1	1,380
Associated Companies, Undertakings and Related Parties		
Faruque (Private) Limited	1	4,017,387
Greaves Pakistan (Private) Limited	1	231,412
NIT and ICP		
NBP-Trustee Department NI(U)T Fund	1	1,244,656
Investment Corporation of Pakistan	2	456
Public Sector Companies and Corporations	8	1,053,485
Banks, Development Financial Institutions, Non Banking Financial Institutions	12	906,086
General Public	1,714	1,053,075
Others	24	980,004
Total	1,771	9,698,198
Shareholders holding 5% or more		
Faruque (Private) Limited	1	4,017,387
NBP-Trustee Department NI(U)T Fund	1	1,244,656
National Bank of Pakistan	1	634,272

MIRPURKHAS SUGAR MILLS LTD
48th Annual General Meeting
2012

proxy form

IMPORTANT
Instrument of Proxy will not be considered as valid unless it is deposited or received at the Company's Registered Office at Modern Motors House, Beaumont Road, Karachi-75530 not later than 48 hours before the time of holding the meeting.

Registered Folio/ Participant's
ID No. & A/c No.____________________
____
No. of Shares held____________________

I / We ____

of ____

being member of Mirpurkhas Sugar Mills Limited, hereby appoint ____________________

__________________________ of __________________________

another member of the Company as my / our proxy to attend & vote for me / us and on my / our behalf at the 48th Annual General Meeting of the Company to be held on Thursday, January 31, 2013 at 10:00 a.m. and at any adjournment thereof.

WITNESSES:

1. Signature__________________________
   Name______________________________
   Address____________________________
   ____
   CNIC or Passport No.__________________

Signature of Shareholder

Please affix Revenue Stamp

2. Signature__________________________
   Name______________________________
   Address____________________________
   ____
   CNIC or Passport No.__________________

Note: SECP's Circular of January 26, 2000, is on the reverse side of this form.

Circular

Securities and Exchange Commission of Pakistan

STATE LIFE BUILDING # 7, BLUE AREA, ISLAMABAD

Islamabad, January 26, 2000.

Circular No.1 of 2000

Sub : GUIDELINES FOR ATTENDING GENERAL MEETINGS AND APPOINTMENT OF PROXIES

The shares of a number of listed companies are now being maintained as "book entry security"on the Central Depository System (CDS) of the Central Depository Company of Pakistan Limited (CDC). It has come to the notice of the Commission that there is some confusion about the authenticity of relevant documents in the matter of beneficial owners of the shares registered in the name of CDC for purposes of attending the general meetings and for verification of instruments of proxies. The issue has been examined and pending the further instructions to be issued in this regard the following guidelines for the convenience of the listed companies and the beneficial owners are laid down :

A. Attending of meeting in person by account holders and/or sub-account holders and persons whose securities are in group account and their registration details are uploaded to CDS :

(1) The Company shall obtain list of beneficial owners from the CDC as per regulation # 12.3.5 of the CDC Regulations.

(2) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are up loaded as per the regulations, shall authenticate his identity by showing his orignal National Identity Card (NIC) or original Passport at the time of attending the meeting.

(3) In case of Corporate entity, the Board of Directors' resolution /power of attorney with specimen signature of the nominee shall be produced at the time of the meeting.

B. Appointment of proxies :

(1) In case of individual, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall submit the proxy form as per requirement notified by the Company.

(2) The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.

(3) Attested copies of NIC or the Passport of the beneficial owners and the proxy shall be furnished with the Proxy Form.

(4) The proxy shall produce his orignal NIC or original Passport at the time of the meeting.

(5) In case of Corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted alongwith Proxy Form to the Company.

sd.
(M. Javed Panni)
Chief (Coordination)

GHULAM FARUQUE
GROUP

Mirpurkhas Sugar Mills Limited
Registered Office:
Modern Motors House
Beaumont Road
Karachi-75530, Pakistan.
UAN: +92-21-111-354-111
Fax: +92-21-35688036
Website: www.gfg.com.pk