

**FINANCIAL STATEMENTS
OF
ABDULLAH SHAH GHAZI SUGAR
MILLS LIMITED
FOR THE YEAR ENDED
SEPTEMBER 30, 2011**

Directors' Report

Dear Members,

Your Directors are pleased to welcome you on the 28th Annual General Meeting of The Company and present the Annual Report along with the Audited Financial Statement of accounts for the year ended September 30, 2011.

During the year under review the floods in Sindh damaged sugar cane crop to some extent and also affected the Sugar recovery of the standing crops. However with a maximum exploitation of all the available resources and through efficient and effective decision making, your Company managed to perform well.

The operating and financial results for the year under review are summarized below:

Operational Performance:

		2011	2010
Crushing Days	Days	118	118
Cane Crushed	Tons	267,547.132	242,917.666
Avg. Crushing Per day	Tons	2,267.35	2,058.62
Sugar Recovery	%Age	09.057	9.152
Sugar Produced	Tons	24,232.50	22,223

Financial Indicators

An analysis of the Key operating results is given below:

	2011	2010
Gross Sales	1,319,147,765	1,310,246,607
Net Sales	1,263,143,954	1,249,555,284
Operating Profit	159,036,489	109,956,850
Profit before Tax	19,450,074	38,085,109
Net Profit after tax	8,977,659	41,746,091

Auditor Report:

The Auditors Report of the members still contains modifications regarding non settlement of long term liabilities relating to previous management and revaluation of fixed assets. The issue of non settlement of liabilities with the previous management stands for a long time and ever since the takeover of Company by us, we are in the constant negotiation for an early settlement of the issue. As per the qualification relating to valuation of fixed assets, the same will be carried out during the current year to incorporate the effects of modification and replacement made in order to improve the operational capacity.

Future Prospects:

The crushing season for 2011-12 has already commenced all over Pakistan and also at your Mill. The year is expected to be a bumper sugar cane crop season with high sugar yields due to higher percentage of variety cane being planted by the Growers. The Company, through the planned BMR and repair maintenance work carried out at mill, expect to achieve higher capacity utilization with improved overall efficiency.

Corporate and financial Reporting Framework

- a) The board of directors hereby declares that:
- The financial statements prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
 - Proper books of account 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 and Accounting Standards, as applicable in Pakistan and the requirements of the Companies Ordinance 1984 have been followed in preparation of financial statements;
 - The system of internal control is sound in design and effectively implemented;
 - There are no doubts on 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 of the Stock Exchanges;
 - The Directors, CEO, CFO, Company Secretary and their spouses and minor children have made no transactions in the Company's shares during the year ended September 30, 2011.
- b) The key operating and financial data for six years is annexed to this report.
- c) During the year under review, 04 meetings of Board of Directors were held. Attendance of the members of the Board was as follows:

Name of Directors	Meeting Attended
Mr. Muhammad Irshad Butt	04
Mrs. Qamar - Ul - Nisa	-
Mr. Riaz Qadeer Butt	04
Mr. Fiaz Qadeer Butt	04
Mr. Azhar Qadeer Butt	04
Mr. Farrukh Iqbal	04
Mr. Awais Butt	04

Leave of absence was granted to the Directors who could not attend the meetings.

Compliance with the Code of Corporate Governance

The requirements of the Code of Corporate Governance set out by Karachi and Lahore Stock Exchanges relevant to the current financial year have been duly complied with. A statement to this effect is annexed with a review report from Auditors.

Pattern of Shareholding

The categories and Pattern of Shareholding as required by the Companies Ordinance 1984 in Form 34 is annexed to this annual report.

Auditors

M/S Faruq Ali and Company Chartered Accountants, the retiring auditors have offered their services for another term.

Acknowledgement

The Board would like to place on record its appreciation of all the employees of the Company for their dedication and hard work. The Board also like to thank the Financial Institutions and Members for their trust and support to the Company.

For and on behalf of the Board

Lahore : January 09, 2012

CHIEF EXECUTIVE

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Abdullah Shah Ghazi Sugar Mills Limited** ('the Company') to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

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


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

Further, Sub Regulation (xiii a) of listing regulation 35 notified by the Karachi and Lahore Stock Exchanges 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 transaction which are not executed at arm's length price recording proper justifications for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price or not.

Based on our review nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended September 30, 2011.

Dated: 09 JAN 2012
KARACHI:

Engagement partner: S. Naseem-uz-Zaman.


CHARTERED ACCOUNTANTS

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **ABDULLAH SHAH GHAZI SUGAR MILLS LIMITED** as at September 30, 2011 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

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

- a) A sum of Rs.158.330 million has been reflected as long term loan from previous management (note 6.2.1 to the financial statements) which is pending being under discussion with the previous management for final settlement. We have not been provided with information and explanation to ascertain the final outcome and basis on which the liability of Rs.46.460 million was reversed to income during the financial year ended September 30, 2005.
- b) The revaluation of certain classes of property, plant and equipment of the company was carried out in the year 2000. As per requirement of International Accounting Standard 16 'Property, Plant and Equipment', revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period, whereas no revaluation of property, plant and equipment has been conducted since September 2000. The carrying amounts of said classes of property, plant and equipment may not reflect their fair values as at reporting date. In the absence of further revaluation, we are unable to quantify the effect that such a revaluation would have on the said assets.
- c) In our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;
- d) 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;

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- e) in our opinion and to the best of our information and according to the explanations given to us, except for the matters stated in paragraphs (a) and (b) above and to the extent those may affect the financial results of the Company, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at September 30, 2011 and of the Profit, its cash flows and changes in equity for the year then ended; and
- f) In our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Dated: 09 JAN 2012

Place: Karachi

Engagement partner: S. Naseem-uz-Zaman.


CHARTERED ACCOUNTANTS
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ABDULLAH SHAH GHAZI SUGAR MILLS LIMITED
BALANCE SHEET AS ON SEPTEMBER 30, 2011

	Notes	2011	2010
		RUPEES	
LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 100,000,000 (2010:100,000,000) ordinary shares of Rs. 10/- each		1,000,000,000	1,000,000,000
Issued, subscribed and paid-up capital	4	792,616,660	792,616,660
Accumulated loss		(637,770,322)	(650,314,284)
		154,846,338	142,302,376
Surplus on revaluation of property, plant and equipment	5	57,002,128	60,568,431
NON-CURRENT LIABILITIES			
Long term loans - Unsecured	6	531,592,879	509,881,549
Liabilities against assets subject to finance lease	7	18,596,458	20,068,160
Deferred liabilities	8	19,315,022	21,712,552
CURRENT LIABILITIES			
Current portion of lease finance	7	4,165,463	3,231,325
Accrued markup		47,496,275	15,193,017
Trade and other payables	9	269,304,592	181,649,821
Borrowing from banks - Secured	10	722,690,963	376,692,420
Income tax payable - Net		10,325,264	7,579,042
		1,053,982,557	584,345,625
CONTINGENCIES	11	--	--
		1,835,335,382	1,338,878,693
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipments	12	871,509,084	747,376,463
Long term deposits		4,935,215	4,654,315
CURRENT ASSETS			
Stores and spares		243,402,984	163,769,890
Stock in trade	13	667,198,707	274,773,214
Trade debts - Unsecured, considered good		3,993,000	--
Advances, deposits and prepayments	14	27,983,045	53,126,577
Cash and bank balances	15	16,313,347	95,178,234
		958,891,083	586,847,915
		1,835,335,382	1,338,878,693

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


CHIEF EXECUTIVE


DIRECTOR

ABDULLAH SHAH GHAZI SUGAR MILLS LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Notes	2011	2010
		RUPEES	
Sales - Net	16	1,263,143,954	1,249,555,284
Cost of sales	17	<u>1,078,193,692</u>	<u>1,112,091,919</u>
Gross profit		184,950,262	137,463,365
OPERATING EXPENSES			
Administrative and general expenses	18	<u>24,853,659</u>	<u>26,552,759</u>
Distribution expenses	19	<u>1,060,114</u>	<u>953,756</u>
		25,913,773	27,506,515
Operating profit		<u>159,036,489</u>	<u>109,956,850</u>
Finance cost	20	<u>142,014,898</u>	<u>78,401,304</u>
Workers' profit participation fund		1,044,580	2,045,387
Workers' welfare fund		<u>396,940</u>	<u>777,247</u>
		143,456,418	81,223,938
Profit for the year		<u>15,580,071</u>	<u>28,732,912</u>
Other income	21	3,870,003	9,352,197
Profit before taxation		<u>19,450,074</u>	<u>38,085,109</u>
Taxation			
- Current	22	<u>(12,631,440)</u>	<u>(12,495,553)</u>
- Deferred		2,312,107	16,156,535
- Flood surcharge		<u>(153,082)</u>	<u>--</u>
		(10,472,415)	3,660,982
Profit after taxation		<u><u>8,977,659</u></u>	<u><u>41,746,091</u></u>
Earnings per share - Basic and diluted	23	<u>0.11</u>	<u>0.53</u>

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


CHIEF EXECUTIVE


DIRECTOR

ABDULLAH SHAH GHAZI SUGAR MILLS LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2011

	2011	2010
	RUPEES	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	19,450,074	38,085,109
Adjustments for non cash and other items:		
Depreciation	20,589,148	20,991,020
Financial charges	142,014,898	78,401,304
Workers' profit participation fund	1,044,580	2,045,387
Workers' welfare fund	396,940	777,247
Liabilities written back	--	(8,875,000)
Provision for gratuity	1,028,977	1,013,658
	165,074,543	94,353,616
Cash flow before working capital changes	184,524,617	132,438,725
Movement in working capital		
(Increase) / decrease in current assets		
Stores and spares	(79,633,094)	(45,835,219)
Stock in trade	(392,425,493)	(165,036,524)
Trade debts	(3,993,000)	--
Advances, deposits and prepayments	25,143,532	(7,846,842)
Increase / (decrease) in current liabilities		
Trade and other payables	86,819,804	(87,269,127)
	(364,088,251)	(305,987,712)
Cash (used) from operations	(179,563,634)	(173,548,987)
Payments for:		
Taxes	9,885,218	1,266,030
Flood surcharge	153,082	--
Financial charges	84,252,800	41,770,180
Gratuity	1,114,400	1,747,500
WWF	4,354,063	--
	(99,759,563)	(44,783,710)
Net cash (used) from operating activities	(279,323,197)	(218,332,697)
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(141,912,769)	(170,803,221)
Long term security deposit	(280,900)	(3,599,098)
Net cash (used in) investing activities	(142,193,669)	(174,402,319)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term loans - Net	--	53,000,000
Lease finance - Net	(3,346,564)	(1,700,515)
Short term borrowings - Net	345,998,543	376,692,420
Net cash generated from financing activities	342,651,979	427,991,905
Net (decrease) / increase in cash and cash equivalent	(78,864,887)	35,256,889
Cash and bank balances at the beginning of the year	95,178,234	59,921,345
Cash and bank balances at the end of the year	16,313,347	95,178,234

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


CHIEF EXECUTIVE


DIRECTOR

ABDULLAH SHAH GHAZI SUGAR MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Share capital	Accumulated Loss	Total
	RUPEES		
Balance as at October 01, 2009	146,666,660	(695,877,971)	(549,211,311)
Issue of shares	645,950,000	--	645,950,000
Total comprehensive income for the year	--	45,563,687	45,563,687
Balance as at September 30, 2010	792,616,660	(650,314,284)	142,302,376
Total comprehensive income for the year	--	12,543,962	12,543,962
Balance as at September 30, 2011	<u>792,616,660</u>	<u>(637,770,322)</u>	<u>154,846,338</u>

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

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CHIEF EXECUTIVE


DIRECTOR

ABDULLAH SHAH GHAZI SUGAR MILLS LIMITED
STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED SEPTEMBER 30, 2011


	2011	2010
	RUPEES	
Profit for the period	8,977,659	41,746,091
Other comprehensive income:		
Net change in fair value of available-for-sale financial assets	--	--
Transfer from surplus on revaluation of property, plant and equipment	5,486,620	5,873,225
Related deferred tax	(1,920,317)	(2,055,629)
	3,566,303	3,817,596
	12,543,962	45,563,687
Total comprehensive income for the year	12,543,962	45,563,687

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

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CHIEF EXECUTIVE



DIRECTOR

ABDULLAH SHAH GHAZI SUGAR MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2011

1 STATUS AND NATURE OF BUSINESS

The Company was incorporated in Pakistan on February 25, 1984 as a Private Limited Company and was subsequently converted into a Public Limited Company on February 11, 1990. The Company is listed in Karachi and Lahore Stock Exchanges. The principal business of the Company is manufacturing and selling of refined sugar. The Mill is located at Garho, Sindh. Name of parent company is M/s. Haq Bahu Sugar Mills (Private) Limited and registered office of the company is situated at 65-Infantry Road, Military Accounts Colony, Lahore.

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

Standard and interpretations that become effective during the year

During the year certain amendments to Standards and new interpretations became effective however they did not have any material effect on the financial statements of the Company.

Standards and interpretations issued but not yet effective for the current financial year

The following standards, amendments and interpretations of approved accounting standards are only effective for annual periods beginning from the dates specified below. These standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements, other than increased disclosures in certain cases:

	Effective for period beginning on or after
IAS 1 - Presentation of Items of Other Comprehensive Income	July 01, 2012
IAS 19 - Employee Benefits (amended 2011)	January 01, 2013
IAS 24 - Related Party Disclosures (revised 2009)	January 01, 2011
IFRS 7 - Financial Instruments: Disclosures	January 01, 2013
IFRS 10 - Consolidation financial statements	January 01, 2013
IFRS 12 - Disclosure of interests in other entities	January 01, 2013
IFRS 13 - Fair value measurement	January 01, 2013
IFRS 11 - Joint arrangements	January 01, 2013
IFRIC 14 Prepayments of a Minimum Funding Requirements (Amendments)	January 01, 2011

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

These financial statements have been prepared under the "historical cost convention" except of certain classes of property, plant and equipments which are stated at revalued amount.

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are as follows:

- i) Provision for taxes
- ii) Estimation of residual values and useful lives of property, plant and equipment.
- iii) Revaluation of property, plant and equipment by independent revaluers.
- iv) Certain actuarial assumptions have been used for the determination of liability of staff retirement benefits

3.2 Staff retirement benefits

The Company operates an un-funded gratuity scheme covering all employees eligible to the benefit. Provisions are made on the basis of actuarial recommendations. The actuarial valuations are carried out using the Projected Unit Credit Method, as required by International Accounting Standards (IAS-19). The unrecognized actuarial gains or losses at each valuation date are amortized over the average remaining working lives of the employees in excess of 10% of the present value of the defined benefit obligation.

3.3 Taxation

Current

The Company accounts for current taxation on the basis of taxable income, if any, at the current rate of taxation after taking into account the tax credits and rebates available, if any.

Deferred

Deferred tax is recognized on all major temporary differences between the carrying amounts for financial reporting purposes and the amount used for taxation purposes.

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

3.4 Property, plant and equipment

Operating fixed assets are stated at cost less accumulated depreciation and impairment loss, if any, except certain classes of property, plant and equipment as stated in note 12.3, which are stated at revalued amounts less accumulated depreciation and impairment loss, if any. Free hold land is stated at revalued amount. Depreciation is charged to current year's profit and loss account by applying reducing balance method over estimated useful life at the rates specified in note of property, plant and equipment.

Depreciation on addition is charged from the quarter in which assets are put to use while no depreciation is charged in the quarter in which assets are disposed off.

Incremental depreciation charged for the period on revalued assets is transferred (net of tax) from surplus on revaluation of fixed assets to retained earnings (accumulated losses).

Minor renewals, replacements, maintenance, repairs and profit and loss on disposal of fixed assets are included in current year's profit and loss account.

Major renewals and improvements are capitalized.

All expenditures connected with specific assets and incurred during development, installation and construction period are carried as capital work in progress. These are transferred to the specific asset as and when these assets are available for commercial or intended use.

3.5 Stores and spares

These are valued at lower of moving average cost and net realizable value.

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

3.6 Stock in trade

These are valued at lower of cost and net realizable value. The cost is determined as follows:

Raw materials	:	Average cost
Goods in transit	:	Cost comprising invoice value plus other charges incurred thereon.
Work in process	:	Average cost
Finished goods	:	Average cost
Molasses	:	Contracted price / net realizable value

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

3.7 Revenue recognition

Revenue from sales is recognized on dispatch of goods to the customers.

3.8 Borrowing cost

Borrowing Cost incurred on finance obtained for the construction of qualifying assets are capitalized up to the date the respective assets are available for the intended use. All other mark up interest and other related charges are taken to Profit and Loss account.

3.9 Impairment

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is an indication of impairment loss. Any impairment loss arising is recognized as expense in the profit and loss account.

3.10 Provisions

Provisions are recognized when the company has a present obligation (legal or constructive) as a result of a past event and is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of the obligation.

3.11 Foreign currency translation

Assets and liabilities in foreign currencies are translated into rupees at the rate of exchange prevailing at the balance sheet date except for the liabilities covered under forward exchange contracts which are translated at the contracted rates. Transaction in foreign currencies are converted into rupees at the rate of ruling on the date of transactions.

3.12 Trade debts

Bad debts are written off and provision is made for debts considered doubtful.

3.13 Financial instruments

Financial assets

Financial assets are loans advances, deposits, trade debts, other receivable and cash and banks. These are initially recognized at its cost which represent fair value of consideration given for it and subsequent to initial recognition financial assets are carried at cost, if fair value is not materially different at the balance sheet date.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual agreements entered into. Significant financial liabilities are long term loans, trade and other payables.

All financial liabilities are initially recognized at cost, which represents fair value of the consideration received at initial recognition. After initial recognition financial liabilities held for trading are carried at fair value and all other financial liabilities are measure at amortized cost.

3.14 Trade and other payables

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

3.15 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at nominal amounts. For the purpose of the cash flow statement, cash and cash equivalents comprises cash in hand and balance with banks in current accounts.

3.16 Loans and advances

Loans and advances are recorded at cost. The irrecoverable loans and advances are written off, provision is made against loans and advances considered doubtful.

3.17 Long term and short term borrowings

These are recorded at the proceeds received. Financial charges relating to borrowings are recorded on accrual basis.

3.18 Dividends

Dividend distribution to the company's shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved.

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3.19 Transactions with related parties

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

3.20 Off setting of financial assets and liabilities

A financial asset and a financial liability are 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.

	2011	2010
	RUPEES	
4 ISSUED, SUBSCRIBED AND PAID UP CAPITAL		
79,261,666 (2010: 79,261,666) Ordinary shares of Rs.10/- each fully paid in cash	<u>792,616,660</u>	<u>792,616,660</u>
4.1 77,691,800 (2010:77,691,800) shares are held by Haq Bahu Sugar Mills (Private) Limited (holding company) representing 98.02% (2010 : 98.02%) shareholding in the company.		
4.2 Reconciliation of number of shares is as follows:		
Shares at the beginning of the year	79,261,666	14,666,666
Add: shares issued during the year	--	64,595,000
Shares at the closing of the year	<u>79,261,666</u>	<u>79,261,666</u>

5 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

Opening balance	60,568,431	64,386,027
Transfer to accumulated loss in respect of incremental depreciation charged during the year - Net of tax	<u>(3,566,303)</u>	<u>(3,817,596)</u>
	<u>57,002,128</u>	<u>60,568,431</u>

The revaluation was carried out during the year 2000 by independent valuer M/s Iqbal A Nanjee & Co. (Valuation Consultants), using the market value being the basis of revaluation. The surplus arising from revaluation is Rs. 186.826 million. The closing balance of surplus on revaluation of fixed assets is not available for distribution to shareholders.

6 LONG TERM LOANS - Unsecured

Subordinated sponsors' loan	6.1	166,457,861	144,746,531
Others - Interest free	6.2	<u>365,135,018</u>	<u>365,135,018</u>
		<u>531,592,879</u>	<u>509,881,549</u>

6.1 Subordinated sponsors' loan

The loan has been advanced by M/s. Haq Bahu Sugar Mills (Pvt.) Ltd which carries markup @ six months KIBOR plus 4%. This also include outstanding markup amounting to Rs.43.042 (2010: 21.330) million. Since the loan alongwith markup will not be repayable within next twelve months therefore the same has been classified as long term liability. The loan is subordinated to the short term finance facility obtained by the company.

		2011	2010
		RUPEES	
6.2 Others - Interest free			
Loan from previous management	6.2.1	158,329,843	158,329,843
Others	6.2.2	206,805,175	206,805,175
		<u>365,135,018</u>	<u>365,135,018</u>

6.2.1 This represents unsecured and interest free loans from the private concerns since 1998. During the year ended September 30, 2005, an amount of Rs. 46.460 million was agreed to be waived by the party and the same has been transferred to income in that year. The matter of settlement of remaining liabilities is pending subject to the final outcome of the discussions with the previous management. Till a final conclusion is reached the new management has decided to disclose the entire outstanding amount as its long term liability.

6.2.2 This represents amount received from various parties as interest / mark-up free accommodating finance payable / adjustable and can be rolled over to future period.

7 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2011		2010	
	Lease Payments		Lease Payments	
	Minimum	Present Value	Minimum	Present Value
RUPEES				
Less than one year	6,960,894	4,165,463	6,100,104	3,231,325
Within one to five years	22,437,390	18,596,458	25,112,448	20,068,160
Total	29,398,284	22,761,921	31,212,552	23,299,485
Less: Financial charges allocated to the future periods	6,636,363	--	7,913,067	--
Present value of minimum lease payments	22,761,921	22,761,921	23,299,485	23,299,485
Less: Current portion- under current liabilities	4,165,463	4,165,463	3,231,325	3,231,325
	<u>18,596,458</u>	<u>18,596,458</u>	<u>20,068,160</u>	<u>20,068,160</u>

The Company has entered into Ijarah agreements with various banks to acquire operating fixed assets. The rentals under these agreements are payable monthly up to May 2016. Financing @ six and three month kibar plus 1.75% to 3.50% (2010:3.50%) per annum. The cost of operating and maintaining the leased assets is borne by the company. The Company intends to exercise its option to purchase the leased assets at the residual values of assets upon the completion of the respective lease periods.

		2011	2010
		RUPEES	
8 DEFERRED LIABILITIES			
Employees retirements benefits	8.1	3,177,142	3,262,565
Deferred tax liability arising due to revaluation of property, plant and equipment	8.2	16,137,880	18,449,987
		<u>19,315,022</u>	<u>21,712,552</u>

		2011	2010
		RUPEES	
8.1 Employees retirements benefits			
Staff gratuity:			
Balance at beginning of the year		3,262,565	3,996,407
Add: Provision made during the year	8.1.1	1,028,977	1,013,658
Less: Payment made during the year		<u>(1,114,400)</u>	<u>(1,747,500)</u>
		3,177,142	3,262,565
8.1.1 Amount charged to profit and loss account			
Current service cost		638,553	604,900
Interest cost		390,424	416,099
Actuarial loss		--	(7,341)
Total amount chargeable to profit and loss account		<u>1,028,977</u>	<u>1,013,658</u>
8.1.2 Balance sheet reconciliation			
Present value of defined benefit obligation		2,446,435	3,123,394
Actuarial gains to be recognized in later periods		730,707	139,171
		<u>3,177,142</u>	<u>3,262,565</u>

8.1.3 Present value of defined benefit obligations

	2011	2010	2009	2008	2007
	RUPEES				
Present value of defined benefit obligations	2,446,435	3,123,394	3,467,490	4,432,762	--

8.1.4 Experience adjustments

	2011	2010	2009	2008	2007
	RUPEES				
Experience adjustments	(591,536)	258,961	355,608	(900,660)	--

	2011	2010
8.1.5 Principal Actuarial Assumptions		
Expected rate of increase in salaries	11.50%	11.50%
Discount factor used	12.50%	12.50%
Average expected remaining working life time of employees	9 Years	8 Years

	2011	2010
	RUPEES	
8.1.6 Allocation		
Total retirement benefits costs are included in salaries and benefits and allocated as follows:		
Cost of sales	546,471	538,335
Administrative and general expenses	<u>482,506</u>	<u>475,323</u>
	<u>1,028,977</u>	<u>1,013,658</u>

	2011	2010
	RUPEES	
8.2 Deferred taxation		
<i>Deferred tax liability arising due to</i>		
accelerated tax depreciation	24,867,597	20,882,784
revaluation - net of related depreciation	30,630,576	32,550,894
finance lease transactions	1,022,850	376,430
 <i>Deferred tax assets arising out of</i>		
staff gratuity	(1,112,000)	(1,141,898)
available tax losses and credits	(39,271,143)	(45,624,297)
	<u>16,137,880</u>	<u>7,043,913</u>
 Deferred tax asset not recognized	<u> --</u>	<u>(11,406,074)</u>
	<u><u>16,137,880</u></u>	<u><u>18,449,987</u></u>

Deferred tax asset arising due to available tax losses has been recognized to the extent that future taxable profits are expected to be available.

9 TRADE AND OTHER PAYABLES

Creditors for goods and supplies		212,810,876	121,784,328
Sales tax payable		--	594,715
Federal excise duty payable		730,374	900,807
Accrued liabilities		5,035,919	4,673,396
Deposits		39,076	39,076
Road cess		1,637,443	1,637,443
Income tax payable		1,233,225	1,325,977
Workers' profit participation fund	9.1	23,786,058	18,993,968
Workers' welfare fund	9.2	1,856,666	5,813,789
Other liabilities		22,174,955	25,886,322
		<u>269,304,592</u>	<u>181,649,821</u>

9.1 Workers' profit participation fund

Opening balance		18,993,968	14,155,668
Interest provided for the year		3,747,510	2,792,913
Add: Contribution during the year		1,044,580	2,045,387
		<u>23,786,058</u>	<u>18,993,968</u>

9.2 Workers' welfare fund

Opening balance		5,813,789	5,036,542
Less: Paid during the period		(4,354,063)	--
Add: provision for the year		396,940	777,247
		<u>1,856,666</u>	<u>5,813,789</u>

10 BORROWING FROM BANKS - Secured

Short term finances	10.1	<u>722,690,963</u>	<u>376,692,420</u>
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10.1 During the year company has obtained various short term borrowings facilities from various banks against the available limit of Rs.1,289.375(2010: Rs.737.500) million. These facilities carries markup @ three to six months KIBOR plus 1.25% to 4%(2010:three to six months KIBOR plus 1.5% to 4%) payable quarterly in arrears. These facilities are secured on all present & future fixed assets of the company, pledge of refined sugar stock and personal guarantees of directors.

10.2 The facilities amounting to Rs.566.684 (2010: Rs. 360.808) million from the banks remained un-availed at the balance sheet date.

11 CONTINGENCIES

There are no contingencies which need to be disclosed in the financial statements.

12 PROPERTY, PLANT AND EQUIPMENTS

Operating fixed assets - At cost less accumulated depreciation	12.1	338,766,927	356,154,922
Capital work in progress - At cost	12.4	532,742,157	391,221,541
		<u>871,509,084</u>	<u>747,376,463</u>

12.1 Operating fixed assets - At cost less accumulated depreciation

Particulars	2011			Rate	2010			Book value
	Cost / Revaluation				Depreciation			
	As at Oct 01, 2010	Additions	As at Sept 30, 2011		As at Oct 01, 2010	For the year	As at Sept 30, 2011	
	RUPEES			%	RUPEES			
<i>Owned</i>								
Land free hold	2,965,691	--	2,965,691	--	--	--	2,965,691	
Experimental land	1,174,428	--	1,174,428	--	--	--	1,174,428	
Building on free hold land:								
- Factory	109,586,612	--	109,586,612	10	81,397,730	2,818,888	25,369,994	
- Non Factory	54,981,495	--	54,981,495	10	43,253,537	1,172,796	10,555,162	
Plant and machinery	583,614,532	--	583,614,532	5	306,602,273	13,850,613	263,161,646	
Electric installations	12,399,826	129,302	12,529,128	10	10,966,079	153,375	1,409,674	
Tools and equipment	3,334,737	--	3,334,737	10	2,141,270	119,347	1,074,120	
Telephone installation	1,030,151	--	1,030,151	10	815,768	21,438	192,945	
Electric equipment	6,438,761	--	6,438,761	10	4,238,225	220,054	1,980,482	
Furniture and fixture	7,091,288	49,307	7,140,595	10	5,262,398	186,140	1,692,057	
Office equipment	1,164,098	--	1,164,098	10	837,243	32,686	294,169	
Arms and Ammunitions	453,677	--	453,677	10	277,921	17,576	158,180	
Tents and Tarpaulins	890,505	114,858	1,005,363	10	309,328	66,732	629,303	
Computers	2,595,935	98,686	2,694,621	10	1,310,176	136,960	1,247,485	
Vehicles	6,568,432	--	6,568,432	20	5,109,638	291,759	1,167,035	
Scales and weighbriges	14,000	--	14,000	10	2,660	1,134	10,206	
	794,304,168	392,153	794,696,321		462,524,246	19,089,498	313,082,577	
<i>Leased</i>								
Plant and machinery	25,000,000	--	25,000,000	5	625,000	1,218,750	23,156,250	
Vehicles	--	2,809,000	2,809,000	20	--	280,900	2,528,100	
	25,000,000	2,809,000	27,809,000		625,000	1,499,650	25,684,350	
TOTAL	819,304,168	3,201,153	822,505,321		463,149,246	20,589,148	338,766,927	

2 0 1 0								
Particulars	Cost / Revaluation			Rate	Depreciation			Book value
	As at Oct 01, 2009	Additions	As at Sept 30, 2010		As at Oct 01, 2009	For the year	As at Sept 30, 2010	As at Sept 30, 2010
	RUPEES				%	RUPEES		
<i>Owned</i>								
Land free hold	2,965,691	--	2,965,691		--	--	--	2,965,691
Experimental land	1,174,428	--	1,174,428		--	--	--	1,174,428
Building on free hold land:								
- Factory	109,586,612	--	109,586,612	10	78,265,632	3,132,098	81,397,730	28,188,882
- Non Factory	54,981,495	--	54,981,495	10	41,950,431	1,303,106	43,253,537	11,727,958
Plant and machinery	583,614,532	--	583,614,532	5	292,022,680	14,579,593	306,602,273	277,012,259
Electric installations	12,399,826	--	12,399,826	10	10,806,774	159,305	10,966,079	1,433,747
Tools and equipment	3,334,737	--	3,334,737	10	2,008,663	132,607	2,141,270	1,193,467
Telephone installation	1,030,151	--	1,030,151	10	791,948	23,820	815,768	214,383
Electric equipment	6,336,461	102,300	6,438,761	10	4,002,245	235,980	4,238,225	2,200,536
Furniture and fixture	7,091,288	--	7,091,288	10	5,059,188	203,210	5,262,398	1,828,890
Office equipment	1,164,098	--	1,164,098	10	800,926	36,317	837,243	326,855
Arms and Ammunitions	453,677	--	453,677	10	258,393	19,528	277,921	175,756
Tents and Tarpaulins	890,505	--	890,505	10	244,753	64,575	309,328	581,177
Computers	2,571,935	24,000	2,595,935	10	1,167,314	142,862	1,310,176	1,285,759
Vehicles	6,205,307	363,125	6,568,432	20	4,777,879	331,759	5,109,638	1,458,794
Scales and weighbriges	14,000	--	14,000	10	1,400	1,260	2,660	11,340
	793,814,743	489,425	794,304,168		442,158,226	20,366,020	462,524,246	331,779,922
<i>Leased</i>								
Plant and machinery	--	25,000,000	25,000,000	5	--	625,000	625,000	24,375,000
Vehicles								
TOTAL	793,814,743	25,489,425	819,304,168		442,158,226	20,991,020	463,149,246	356,154,922

2011 2010
RUPEES

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

- Cost of goods manufactured	17,706,667	18,052,277
- Administration	2,882,481	2,938,743
	20,589,148	20,991,020

12.3 Had there been no revaluation the carrying amount of revalued assets would have been as follows :

Land - free hold	2,877,388	2,877,388
Experimental land	1,145,920	1,145,920
Building on free hold land:		
- Factory	16,038,441	17,820,490
- Non Factory	4,825,541	5,361,713
Plant and Machinery	190,702,581	200,739,559
	215,589,871	227,945,070

12.4 Capital work in progress - At cost

Opening balance	391,221,541	220,907,745
Add: Additions during the year	141,520,616	170,313,796
	532,742,157	391,221,541

12.4.1 Breakup is as follows

Plant and machinery	515,414,522	380,919,154
Civil works	17,327,635	10,302,387
	532,742,157	391,221,541

12.4.2 Additions to capital work in progress includes Rs.15.446 million (2010: 8.025 million) borrowing cost capitalized during the year using average borrowing rate of 15.80% (2010:15.05%).

12.4.3 Capital work in progress represents the activities being undertaken by the management to enhance present crushing capacity of the plant. The entire capital work in progress has been capitalized subsequent to the balance sheet date whose results are expected to achieve in the upcoming crushing season that has been started subsequent to the balance sheet date.

		2011	2010
RUPEES			
13 STOCK IN TRADE			
Work in process		3,534,522	2,624,626
Finished goods	13.1	663,664,185	272,148,588
		<u>667,198,707</u>	<u>274,773,214</u>

13.1 Finished goods stock valuing Rs.565.143 million (2010: Rs. 176.297) million were pledged as security for the finances obtained from commercial banks.

14 ADVANCES, DEPOSITS AND PREPAYMENTS

Advances - Unsecured - Considered good:

Growers		4,821,029	3,559,425
Contractors		--	20,801,904
Suppliers		--	899,658
Employees		589,495	275,059
For expenses		1,302,982	5,861,035
		6,713,506	31,397,081
Deposits:			
Excise Duty	14.1	20,831,910	20,831,910
Prepayments			
		437,629	897,586
		<u>27,983,045</u>	<u>53,126,577</u>

14.1 This represents the amount of excise duty deposited in 1991-92 under protest with collector of custom and central excise, Hyderabad on account of rebate of excise duty earlier claimed as per the incentive given by the government. The Hon'able High Court of Sindh has decided the case in favour of Collector of Customs. The company has filed an appeal in Supreme Court of Pakistan which is pending for hearing. The management of the company expects favourable outcome.

15 CASH AND BANK BALANCES

Cash in hand		589,164	56,012
Cash with banks			
- In current accounts		15,653,721	94,714,397
- In saving account		70,462	407,825
		<u>16,313,347</u>	<u>95,178,234</u>

2011

2010

RUPEES

16 SALES - Net

Gross sales		
- Sugar	1,256,480,647	1,223,009,300
- Molasses	62,667,118	87,237,307
	1,319,147,765	1,310,246,607
Less		
Sales tax	(42,332,781)	(53,151,354)
Excise duty	(13,671,030)	(7,539,969)
	(56,003,811)	(60,691,323)
Sales - Net	1,263,143,954	1,249,555,284

17 COST OF SALES

Cost of sugar cane		1,309,917,477	1,152,124,805
Stores and spares consumed		27,831,470	16,533,823
Oil and lubricants consumed		4,749,706	2,805,977
Packing material consumed		9,546,854	6,943,887
Chemical consumed		5,202,264	3,506,132
Salaries, wages and benefits		62,225,655	56,639,322
Water, fuel and power		17,209,991	9,189,860
Vehicle running and maintenance		4,845,440	4,142,751
Freight, handling and octroi		2,277,042	574,506
Insurance		2,429,032	1,520,877
Depreciation	12.2	17,706,667	18,052,277
Others		6,677,587	5,094,226
		1,470,619,185	1,277,128,443
Add: Work in process - Opening		2,624,626	1,334,311
Less: Work in process - Closing		(3,534,522)	(2,624,626)
Cost of goods manufactured		1,469,709,289	1,275,838,128
Add: Finished good - Opening		272,148,588	108,402,379
Less: Finished good - Closing		(663,664,185)	(272,148,588)
		1,078,193,692	1,112,091,919

		2011	2010
		RUPEES	
18 ADMINISTRATIVE AND GENERAL EXPENSES			
Salaries, bonus and allowances		11,167,902	10,977,183
Fees, subscription and renewals		2,921,100	5,956,746
Vehicle running and maintenance		1,979,124	1,799,024
Legal and professional charges		263,065	341,133
Printing and stationery		504,706	745,281
Insurance		64,914	32,114
Travelling, conveyance and entertainment		1,427,583	304,620
Rent, rates and taxes		532,668	294,315
Repairs and maintenance		23,034	33,873
Telephone and telex		106,867	300,594
Electricity		211,484	706,288
Postage and telegrams		--	21,758
Auditors remuneration	18.1	725,000	750,000
Depreciation	12.2	2,882,481	2,938,743
Others		1,832,746	788,604
Entertainment		166,185	562,483
Lease documentation charges		44,800	--
		<u>24,853,659</u>	<u>26,552,759</u>
18.1 Auditors' Remuneration			
Annual audit fee		500,000	500,000
Review of code of corporate governance		100,000	100,000
Half year review		100,000	100,000
Cost audit fee		25,000	50,000
		<u>725,000</u>	<u>750,000</u>
19 DISTRIBUTION EXPENSES			
Loading and unloading charges		301,147	487,686
Stacking and re-stacking charges		522,355	228,033
Transportation charges		191,300	189,200
Numbering charges		45,312	48,837
		<u>1,060,114</u>	<u>953,756</u>
20 FINANCE COST			
Markup on loan from Haq Bahu Sugar Mills (Pvt.) Ltd.		21,711,330	18,645,194
Mark up on short term borrowings		125,610,407	61,178,962
Mark up on lease finance		3,160,921	1,349,536
Markup on WPPF		3,747,510	2,792,913
Bank charges and commission		3,230,607	2,459,381
		<u>157,460,775</u>	<u>86,425,986</u>
Less: Capitalized		<u>(15,445,877)</u>	<u>(8,024,682)</u>
		<u>142,014,898</u>	<u>78,401,304</u>

	2011	2010
	RUPEES	
21 OTHER INCOME		
Scrap sales	3,852,171	379,310
Profit on deposit account	17,832	97,887
Liabilities written back	--	8,875,000
	<u>3,870,003</u>	<u>9,352,197</u>

22 TAXATION

Current

The assessment of the company deemed to have been finalized upto tax year 2011.

22.1 Relationship between tax expense and accounting profit

Accounting profit for the year	19,450,074	38,085,109
Applicable tax rate	35%	35%
Tax on accounting profit	6,807,526	13,329,788
Tax effect of expenses that are not deductible in determining taxable profit	9,177,198	8,173,975
Tax effect of expenses that are deductible in determining taxable profit	(11,410,794)	(11,839,335)
Adjustment of brought forward losses	(4,573,930)	(9,664,428)
Tax refundable under normal rules	<u>--</u>	<u>--</u>
Tax payable under normal rules	NIL	NIL
Minimum tax liability U/s. 113	<u>12,631,440</u>	<u>12,495,553</u>

23 EARNINGS PER SHARE - Basic and diluted

There is no dilutive effect on basic loss per share of the company, which is based on:

Profit after taxation	<u>8,977,659</u>	<u>41,746,091</u>
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NUMBER OF SHARES

Weighted average number of ordinary shares	<u>79,261,666</u>	<u>79,261,666</u>
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RUPEES

Earnings per share - Basic and diluted	<u>0.11</u>	<u>0.53</u>
--	-------------	-------------

24 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the accounts for remuneration, including all benefits, to the Chief Executive, Directors and Executives of the Company was as follows:

Particulars	2011				2010			
	Chief Executive	Director	Executive	Total	Chief Executive	Director	Executive	Total
Remuneration	--	1,390,000	1,340,000	2,730,000	--	600,000	477,000	1,077,000
Perquisites and other benefits	--	--	--	--	--	--	--	--
Total rupees	--	1,390,000	1,340,000	2,730,000	--	600,000	477,000	1,077,000
No. of persons	--	1	1	2	--	1	1	2

25 TRANSACTION WITH RELATED PARTIES

The related parties comprise associated undertakings, directors, Haq Bahu Sugar Mills (Private) Limited (holding company) and key management personnel. Remuneration and benefits to chief executive, directors and key management personnel under terms of their employment are disclosed in note 24 to the financial statements, the other transactions with related parties are as under:

	2011	2010
	RUPEES	
Associated companies:		
Loan received - Net	--	74,330,217
Markup provided thereon	21,711,330	18,645,194

26 CAPACITY AND PRODUCTION

Year	No. of days Mill Operated	Crushing Capacity		Actual Crushing M. Ton
		M. Ton per day	Total Crushing on the basis of No. of days Mill Operated M.T on	
2011	118	3,000	354,000	267,547
2010	118	3,000	354,000	242,917

Reason for shortfall:

Under utilization of production capacity is due to scarcity of sugarcane in sindh.

27 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The company is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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

27.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The company's credit risk is primary attributable to its receivables and balances with banks.

The carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date is:

	2011	2010
	RUPEES	
Deposits, loans and other receivables	9,756,244	29,915,302
Bank balances	<u>15,653,721</u>	<u>94,714,397</u>
	<u>25,409,965</u>	<u>124,629,699</u>

The company manages credit risk of receivables through the monitoring of credit exposures and continuous assessment of credit worthiness of its customers. The company believes that it is not exposed to any major concentration of credit risk as it operates in an essential products industry, its customers are credit worthy and dealing banks possess good credit ratings.

Name of Bank

Name of Bank	Rating Agency	Rating	
		Short term	Long term
Muslim Commercial Bank Limited	PACRA	A1+	AA+
KASB Bank Limited	PACRA	A1	A
Bank Alfalah Limited	PACRA	A1+	AA

27.2 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements. The following are the contractual maturities of the financial liabilities, including estimated markups:

	Carrying Amounts	Contractual Cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
	RUPEES					
2011						
Financial liabilities						
Long term loans	531,592,879	552,234,150	10,584,724	10,642,882	21,227,606	509,778,938
Lease finance	22,761,921	29,398,284	3,480,447	3,480,447	6,960,894	15,476,496
Short term borrowings	722,690,963	779,583,194	779,583,194	--	--	--
Accrued markup	47,496,275	47,496,275	47,496,275	--	--	--
Trade and other payables	269,304,592	269,304,592	269,304,592	--	--	--
	<u>1,593,846,630</u>	<u>1,678,016,495</u>	<u>1,110,449,232</u>	<u>14,123,329</u>	<u>28,188,500</u>	<u>525,255,434</u>
2010						
Financial liabilities						
Long term loans	509,881,549	552,403,484	10,544,927	10,719,704	21,322,890	509,815,963
Lease finance	23,299,485	31,212,552	3,050,052	3,050,052	6,100,104	19,012,344
Short term borrowings	376,692,420	405,996,055	405,996,055	--	--	--
Accrued markup	15,193,017	15,193,017	15,193,017	--	--	--
Trade and other payables	181,649,821	181,649,821	181,649,821	--	--	--
	<u>1,106,716,292</u>	<u>1,186,454,929</u>	<u>616,433,872</u>	<u>13,769,756</u>	<u>27,422,994</u>	<u>528,828,307</u>

All the financial liabilities of the company are non derivative financial liabilities. The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup rates effect as at September 30.

27.3 Market Risk

Market risk is a risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of financial instruments. The company's financial instruments are in its functional currency therefore it is not exposed to currency risk, however the company's exposure to interest rate risk is as follows:

Interest rate risk

Interest rate risk is the risk that the value of financial instrument will fluctuate due to changes in market interest rates. The company's exposure to the risk of changes in interest rates relates primarily to the following:

	2011	2010
	RUPEES	
<u>Variable rate instruments at carrying amounts:</u>		
Financial liabilities		
Long term loan	166,457,861	144,746,531
Lease finance	22,761,921	23,299,485
Short term borrowings	722,690,963	376,692,420
	<u>911,910,745</u>	<u>544,738,436</u>

Interest bearing financial assets:

Bank Balances in deposit / saving accounts	<u>70,462</u>	<u>407,825</u>
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Fair value sensitivity analysis for fixed rate instruments:

The company does not account for any fixed rate financial assets at fair value through profit or loss, therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments:

A change of 100 basis points in interest rates at the reporting date would have increased / decreased loss/profit for the year by the amounts shown below:

Effect on loss / profit due to change of 100 BPs		
Increase	<u>1,256,104</u>	<u>611,790</u>
Decrease	<u>1,256,104</u>	<u>611,790</u>

27.4 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 arms length transaction. The carrying values of financial instruments reflected in these financial statements approximate their fair values.

27.5 Capital risk management

The company's prime objective when managing capital is to safe guard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

28 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were approved by the board of directors and authorized for issue on 09 JAN 2012.

29 FUNCTIONAL AND PRESENTATION CURRENCY

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

for



CHIEF EXECUTIVE



DIRECTOR