

Contents

2012

Annual Report

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Corporate Profile

Board Directors

Mr. Muhammad Irshad Butt (Chairman/Chief Executive)

Mr. Riaz Qadeer Butt

Muhammad Rashid Rana

Atif Butt

Muhammad Talib

Yasir Iqbal

Shoukat Ali Butt

Audit Committee

Mr. Muhammad Irshad Butt (Chairman)

Muhammad Talib (Member)

Yasir Iqbal (Member)

Registrar

Five K's (Pvt) Limited

Registered Office

5 -Nasim, C.H.S, Major Nazir Bhatti Road,
Off Shaheed-e-Millat Road, Karachi

Chief Financial Officer

Imran Mirza

Company Secretary

Malik Riaz Hussain

Internal Auditors

Riaz Ahmad , Saqib , Gohar and Company
Chartered Accountants

Auditors

Faruq Ali And Company
Chartered Accountants

Mill

Abdullah Shah, Ghaizabad Garho, District Thatta, Sindh.

Bankers

BankIslami Pakistan Limited

Summit Bank Limited

Bank Al-Falah Limited

Silk Bank Limited

MCB Bank Limited

Meezan Bank Limited

Habib Metropolitan Bank Limited

United Bank Limited

Allied Bank Limited

KASB Bank Limited

Mission Statement

To be the premier sugar and allied product's manufacturer while providing our clients with flexibility, on-time delivery, and consistent quality and to achieve sustainable and equitable expansion and growth through efficient and cost effective resources and at the same time developing a Corporate business environment most suited to all the employees and people Concerned.

Vision Statement

To transform the Company into a market leader for the Quality Sugar Manufacturing, while keeping our focus on the growing customer base, be characterized by a high degree of professionalism and is accountable for the successful fulfillment of the company's mission, and to play a meaningful role in the economy of Pakistan.

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN to all the Members of Abdullah Shah Ghazi Sugar Mills Limited (the 'Company') that Twenty Ninth Annual General Meeting of the Company will be held at **09:00 am on February 28, 2013** at Beach Luxury, M.T. Khan Road, Karachi. 74000, Pakistan to transact the following business:

1. To confirm the minutes of the Annual General Meeting held on January 31, 2012
2. To receive, consider and adopt the audited accounts of the Company for the year ended September 30, 2012 together with Director's and Auditor's Report thereon.
3. To appoint Statutory Auditors of the Company for the financial year 2012-13 and fix their remuneration.
4. To transact any other matter with the permission of the Chair.

By Order of the Board

Malik Riaz Hussain
Company Secretary

Lahore :
February 07, 2013

1. The Share Transfer Books of the Company will remain closed for the period from February 22, 2013 to February 28, 2013 (both days inclusive) and no transfer will be accepted for registration during this period.
2. Members are requested to immediately notify changes in their addresses, if any, at our Shares Registrar, Five K's (Private) Limited, located at 5 – Nasim, C.H.S. Major Nazir Bhatti Road, off Shaheed-e-Millat Road. Karachi, Pakistan.
3. A member of the Company entitled to attend and vote at this meeting, may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies, in order to be effective, must be received by the Company at the above said address, not less than 48 hours before the meeting.
4. Any individual beneficial owner of CDC, entitled to vote at the Annual General Meeting, must bring his/her CNIC with his/her to prove his/her identity, and in case of proxy, attested copy of share holder's CNIC must be attached with the proxy form. The representative of corporate member should bring the usual documents required for such purpose.

Directors' Report

It gives me pleasure in presenting you the Company's Twenty Seventh Annual Report and Audited accounts for the year ended September 30, 2012.

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

Operational Result:

		2012	2011
Crushing Days	Days	87	118
Cane Crushed	Tons	169,492,663	267,547.132
Avg. Crushing Per day	Tons	1,1948,19	2,267.35
Sugar Recovery	%Age	09.800	09.057
Sugar Produced	Tons	16,582.50	24,232.50
Molasses Recovery	%Age	5.340	4.779

Financial Indicators

An analysis of the Key operating results is given below:

	2012	2011
Gross Sales	625,253,159	1,319,147,765
Net Sales	581,462,058	1,263,143,954
Operating Profit	124,104,987	159,036,489
Profit before Tax	11,639,484	19,450,074
Net Profit after tax	2,239,104	8,977,659

In view of the financial position of the Company; due to accumulated losses and other factors, your directors have decided to pass over the dividend.

Industry Overview:

The Sucrose recovery for the year improved compared to last year. But despite high sucrose and molasses recoveries, company could not perform as planned on financial side. This was mainly due to continuous declining sugar prices throughout the year coupled with low production due to shortage of sugar cane crop.

Future Outlook:

For the ongoing sugar cane crushing season, there is an expected bumper sugar cane crop. However high sugar cane support price does not match with the prevailing sugar price in the market due to excessive carryover inventory in the country. The Government has also allowed the export of sugar to help sugar industry lay off the carryover stocks and balance the sugar position in the country.

CORPORATE GOVERNANCE

New Code of Corporate Governance (COCG-2012) was promulgated during current year. Board of Directors of the Company has reviewed status of the Company's compliance with new Code and immediately took necessary action to be fully compliant of the Code of Corporate Governance.

As required by the Code of Corporate Governance, following is the statement in compliance with the Corporate and Financial Reporting Framework of the Code of Corporate Governance:

- a. The financial statements prepared by the management of the Company present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- b. Proper books of account of the Company have been maintained in the manner as required by the Companies Ordinance, 1984.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. The International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- e. The system of internal control is sound in design and effectively implemented and monitored.
- f. There are no significant doubts upon the Company's ability to continue as a going concern.
- g. There has been no material departure from the best practices of Corporate Governance as listed in the listing regulations of Stock Exchanges where the company is listed.
- h. Detail of transaction in the shares of the Company by Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, their spouses and minor children is as under.

Shares Sold / Transferred out:

	No. of Shares
Fiaz Qadeer Butt	400
Azhar Qadeer Butt	400
Qamar-ul.Nisa	400
Awais Butt	400
Farrukh Iqbal Butt	400

MEETING OF BOARD OF DIRECTORS AND ITS SUB-COMMITTEES

Board of Directors

The Board of the Company met four times during current year. Attendance of the directors at these meetings is as under:

Directors' Names	Meetings Attended
Muhammad Irshad Butt	5
Riaz Qadeer Butt	5
Muhammad Rashid Rana	1
Atif Butt	1
Muhammad Talib	1
Yasir Iqbal	1
Shoukat Ali Butt	1

Leaves of absences were granted to the directors who could not attend the Board meetings.

Audit Committee

The audit committee is performing its duties in the line with its terms of reference framed by the Company's Board of Directors. Five meetings of audit committee were held during the year, as under:

		Meetings Attended
Muhammad Irshad Butt	Chairman	5
Muhammad Talib	Member	1
Yasir Iqbal	Member	1

PATTERN OF SHAREHOLDING

Pattern of shareholding as at September 30, 2012 is annexed.

POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, no significant change has occurred or come to the knowledge of the Board that warrants reporting to shareholders.

AUDITORS

The present auditors, Faruq Ali & Company, Chartered Accountants, retire and offer themselves for reappointment for 2012-13. Audit Committee has also recommended them for reappointment.

APPRECIATION

The Board acknowledges with thanks the continued support and cooperation extended by the shareholders, bankers, sugarcane farmers and all other stakeholders. The Board also places on record its appreciation for employees of the Company for their devotion and hard work.

For and on behalf of the Board

Lahore : February 07, 2013

CHIEF EXECUTIVE

Six Years Financial Highlights

(Figure in Thousand)

DESCRIPTION	2012	2011	2010	2009	2008	2007
Profit and Loss:						
Turnover (Net Sales)/ Toll manufacturing income	581,462	1,263,144	1,249,555	728,138	172,969	107,443
Gross Profit / (Loss)/ income	150,792	184,950	137,463	167,613	42,177	(18,214)
Operating Profit / (Loss)	124,105	159,036	109,957	143,339	33,719	(25,981)
Profit / (Loss) before Taxation	11,639	19,450	38,085	95,646	138,554	(26,096)
Profit / (Loss) after Taxation	2,239	8,978	41,746	94,207	140,850	(24,176)
Balance Sheet:						
Shareholder Equity	792,617	792,617	792,617	146,667	146,667	146,667
Surplus on Revaluation of Fixed Assets	644,802	57,002	60,568	64,386	68,475	72,741
Accumulated Profit / (Loss)	(632,198)	(637,770)	(650,314)	(695,878)	(794,174)	(939,290)
Property, Plant & Equipment	1,855,892	871,509	747,376	572,564	395,322	384,382
Other Long Term Assets	5,316	4,935	4,654	1,055	837	1,173
Current Assets	1,405,252	958,891	586,848	336,523	90,255	73,600
Current Liabilities	1,575,907	1,053,983	584,345	274,863	107,450	344,631
Long Term Liabilities	885,331	569,504	551,662	1,120,104	957,996	664,227
Significant Results:						
Gross Profit / (Loss) Ratio %	25.93	14.64	11.00	23.02	24.38	(16.95)
Profit / (Loss) before Tax Ratio%	2.00	1.54	3.06	13.14	80.10	(24.29)
Current Ratio	0.892	0.910	1.005	1.224	0.840	0.214
Earning / (Loss) Per Share	0.03	0.11	0.56	6.42	9.65	(1.65)

THE COMPANIES ORDINANCE , 1984

(section 236(1) and 464)

PATTERN OF SHAREHOLDING

1- Incorporation Number

0011303

2- Name of the Company

ABDULLAH SHAH GHAZI SUGAR MILLS LIMITED

3- Pattern of holding of the shares held by the Shareholders as at

3 0 0 9 2 0 1 2

4- Number of Shareholders	Shareholdings			Total Shares held
828	1	-	100	Shares 77,653
805	101	-	500	Shares 310,952
73	501	-	1000	Shares 64,214
71	1001	-	5000	Shares 176,053
16	5001	-	10000	Shares 130,700
2	10001	-	15000	Shares 22,075
1	15001	-	20000	Shares 19,498
5	20001	-	25000	Shares 116,782
1	25001	-	30000	Shares 27,248
1	35001	-	50000	Shares 38,400
3	50001	-	100000	Shares 215,130
2	100001	-	125000	Shares 240,100
1	125001	-	500000	Shares 254,161
1	5000001	-	999999999	Shares 77,568,700

1810	Total	79,261,666
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ABDULLAH SHAH GHAZI SUGAR MILLS LIMITED
 Pattern of Shareholding under Regulation 37(xx)(i) of the Code of Corporate Governance
 as at September 30, 2012

Categories of Shareholders	Number of Shareholders	Number of Shares held	% of Shareholding
1. Associated Companies	1	77,691,800	98.02%
2. NIT and ICP	4	24,500	0.03%
3. Directors, CEO, their Spouses & Minor Children	12	4,000	0.01%
4. Executives	-	-	0.00%
5. Others Joint Stock Companies	6	8,100	0.01%
6. Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Modarbas & Mutual Funds	3	155,900	0.20%
7. Individuals	1,784	1,377,366	1.74%
TOTAL	1,810	79,261,666	100.00%

DETAILS OF CATEGORIES OF SHAREHOLDERS

Names	Number of Shareholders	Number of Shares held	% of Shareholding
1. Associated Companies			
1.1 HAQ BAHU SUGAR MILLS (PVT.) LIMITED	1	77,691,800	98.02%
2. NIT and ICP			
INVESTMENT CORPORATION OF PAKISTAN	1	20,900	0.03%
National Bank of Pakistan, Trustee Dept.	1	100	0.00%
SAUDI PAK IND and AGRI INVES CO	1	2,500	0.00%
M/S. KARACHI INVESTMENT COMPANY	1	1,000	0.00%
	4	24,500	0.03%
3. Directors, CEO, their Spouses & Minor Children			
Directors and CEO			
MR. MUHAMMAD IRSHAD BUTT	1	1,000	0.00%
MR. RIAZ QADEER BUTT	1	500	0.00%
MR. ATIF BUTT	1	400	0.00%
MR. MUHAMMAD RASHID RANA	1	400	0.00%
MR. MUHAMMAD TALIB	1	400	0.00%
MR. SHOUKAT ALI BUTT	1	400	0.00%
MR. YASIR IQBAL	1	400	0.00%
MR. AWAIS BUTT	1	100	0.00%
MR. AZHAR QADEER BUTT	1	100	0.00%
MR. FAIZ QADEER BUTT	1	100	0.00%
MRS. QAMAR-UL-NISA	1	100	0.00%
MR. FARRUKH IQBAL	1	100	0.00%
	12	4,000	0.01%
5. Others Joint Stock Companies			
M/S. ASIF AGENCIES	1	4,200	0.01%
M/S. PAK GREASE MFG. CO. (PVT) LTD	1	700	0.00%
M/S. CENTRAL CHEMICAL LTD	1	1,400	0.00%
M/S. DARSON SECURITIES (PVT.) LTD	1	500	0.00%
M/S. HH MISBAH SECURITIES (PVT.) LTD	1	1,000	0.00%
M/S. VALIKA ART FABRICS LTD.	1	300	0.00%
	6	8,100	0.01%
6.1 Banks, Development Financial Institutions, Non-Banking Finance Companies			
M/S. PAKISTAN INDUSTRIAL CREDI	1	38,400	0.05%
6.2 Insurance Companies			
M/S. ADAMJEE INSURANCE CO. LTD	1	500	0.00%
6.3 Modaraba and Mutual Funds			
M/S. THE PAKISTAN FUND	1	117,000	0.15%
7 General Public	1,784	1,377,366	1.74%
	1,810	79,261,666	100.00%

SHAREHOLDERS HOLDING 10% OR MORE OF THE VOTING SHARES/ INTERESTS IN THE COMPANY

Names	Number of Shareholders	Number of Shares held	% of Shareholding
HAQ BAHU SUGAR MILLS (PVT.) LIMITED	1	77,691,800	98.02%

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GVERNENCE (COCG-2012)

FOR THE YEAR ENDED SEPTEMBER 30, 2012

This statement is being presented to comply with th3e Code of Corporate Governance of 2012, as contained in Regulation No. 35 of Karachi Stock Exchange (Gurantee) Limited and Lahore Stock Exchange (Gurantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best of corporate governance.

The company has applied the principles contained in the COCG-12 in the following manner:

- 1- The Board encourages representation of the independent non-executive directors and directors representing minority interest on its board of directors. At present the Board Include:

Category	Names
Independent Directors	NIL
Executive Directors	Muhammad Irshad Butt Riaz Qadeer Butt
Non-Executive Directors	Muhammad Rashid Rana Atif Butt Muhammad Talib Yasir Iqbal Shoukat Ali Butt.

The requirement of independent and Executive Directors in composition of Board under COCG 2012 will be fulfilled at the time of next election of directors.

- 2- The directors have been confirmed that none of them is serving as a director in more than seven listed companies, including this company.
- 3- All the resident directors of the company are registered as tax payers and none of them has defaulted in payment of any loan to a company, DFI or an NBFI. No of director is the member of a stock exchange in Pakistan.
- 4- A casual vacancy occurring on the board was filled up by the directors within 90 days thereof.
- 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 3 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 CEO, other executive and non-executive directors, have been taken by the board.

- 8- The meeting 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 at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately record and timely circulated.
- 9- The requirements of clause (xi) of the court remained to be implemented. The steps are being taken to get at least one director getting certification from RICG during the on going financial year 2012- 2013
- 10- No new appointment CFO and Company Secretary, except Head of Internal Audit, has been made by the Board during the year.
- 11- The director' report for this year has been prepared in compliance with the requirements of the COCG 2012 and fully describes salient matter required to be discloses.
- 12- The financial statements of the company were duly endorsed by the 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.
- 14- The company has complied with all the corporate financial requirements of the COCG 2012.
- 15- The Board has formed an Audit Committee. It comprises of 3 members, of whom majority comprises of Non-Executive Directors including chairman of the Committee.
- 16- The meeting of the committee were held at once every quarter, prior to the approval of interim and final results of the Company and has required by the COCG 2012. The terms of reference of the committee have been approved by the Board and advised to the committee for compliance .
- 17- The Board is in process of forming Human Resource Committee & Will be fully functional before the year ended September 30, 2013.
- 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 program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the firm and all its partners are in compliance with International Federation of Accounts (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 regulation and have confirmed that they have observed IFAC guidelines in this regard.
- 21- The 'closed period', prior to the announcement of internal/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 exchanges.
- 22- Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
- 23- We confirmed that all other material requirements of the COCG 2012 have been complied with.

For & on behalf of the Board

Lahore : February 07, 2013

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, 2012.

Dated: February 07, 2013

KARACHI:

Engagement partner: Fasih-uz-Zaman

CHARTERED ACCOUNTANTS

FAAC

We have audited the annexed balance sheet of **ABDULLAH SHAH GHAZI SUGAR MILLS LIMITED** as at September 30, 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of 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) In our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;
- c) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- d) in our opinion and to the best of our information and according to the explanations given to us, except for the matter stated in paragraph (a) above, 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, comprehensive income, its cash flows and changes in equity for the year then ended; and
- e) In our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Dated: February 07, 2013

Place: Karachi

Engagement partner: Fasih-uz-Zaman

CHARTERED ACCOUNTANTS
FAAC

Balance Sheet

As At September 30, 2012

<u>LIABILITIES</u>	Notes	2012	2011
RUPEES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 100,000,000 (2011:100,000,000) ordinary shares of Rs. 10/- each		<u>1,000,000,000</u>	<u>1,000,000,000</u>
Issued, subscribed and paid-up capital	4	<u>792,616,660</u>	<u>792,616,660</u>
Accumulated loss		<u>(632,197,603)</u>	<u>(637,770,322)</u>
		160,419,057	154,846,338
Surplus on revaluation of property, plant and equipments	5	644,802,353	57,002,128
NON-CURRENT LIABILITIES			
Long term loans - Unsecured	6	531,592,879	531,592,879
Liabilities against assets subject to finance lease	7	16,944,278	18,596,458
Deferred liabilities	8	336,793,542	19,315,022
CURRENT LIABILITIES			
Current portion of lease finance	7	<u>5,380,844</u>	<u>4,165,463</u>
Accrued markup		<u>41,382,815</u>	<u>47,496,275</u>
Trade and other payables	9	<u>727,021,441</u>	<u>269,304,592</u>
Borrowing from banks - Secured	10	<u>802,122,280</u>	<u>722,690,963</u>
Income tax payable - Net		<u>--</u>	<u>10,325,264</u>
		1,575,907,380	1,053,982,557
CONTINGENCIES AND COMMITMENTS			
	11	<u>--</u>	<u>--</u>
		<u>3,266,459,489</u>	<u>1,835,335,382</u>
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipments	12	1,855,892,065	871,509,084
Long term deposits		5,315,865	4,935,215
CURRENT ASSETS			
Stores and spares		<u>253,810,988</u>	<u>243,402,984</u>
Stock in trade	13	<u>1,059,361,285</u>	<u>667,198,707</u>
Trade debts - Unsecured, considered good		<u>--</u>	<u>3,993,000</u>
Advances, deposits and prepayments	14	<u>66,507,729</u>	<u>27,983,045</u>
Advance income tax - net		<u>13,076,726</u>	<u>--</u>
Cash and bank balances	15	<u>12,494,831</u>	<u>16,313,347</u>
		1,405,251,559	958,891,083
		<u>3,266,459,489</u>	<u>1,835,335,382</u>

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

CHIEF EXECUTIVE

DIRECTOR

Profit And Loss Account for the year ended September 30, 2012

2012

Annual Report

	Notes	2012	2011
		RUPEES	
Sales - Net	16	581,462,058	1,263,143,954
Cost of sales	17	430,670,189	1,078,193,692
Gross profit		<u>150,791,869</u>	<u>184,950,262</u>
OPERATING EXPENSES			
Administrative and general expenses	18	25,187,223	24,853,659
Distribution expenses	19	1,499,659	1,060,114
		26,686,882	25,913,773
Operating profit		<u>124,104,987</u>	<u>159,036,489</u>
Finance cost	20	126,792,207	142,014,898
Workers' profit participation fund		625,107	1,044,580
Workers' welfare fund		237,540	396,940
		<u>127,654,854</u>	<u>143,456,418</u>
(Loss) / profit for the year		<u>(3,549,867)</u>	<u>15,580,071</u>
Other income	21	15,189,351	3,870,003
Profit before taxation		<u>11,639,484</u>	<u>19,450,074</u>
Taxation			
- Current	22	(2,907,310)	(12,631,440)
- Deferred		(6,493,070)	2,312,107
- Flood surcharge		--	(153,082)
		<u>(9,400,380)</u>	<u>(10,472,415)</u>
Profit after taxation		<u><u>2,239,104</u></u>	<u><u>8,977,659</u></u>
Earnings per share - Basic and diluted	23	<u>0.03</u>	<u>0.11</u>

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

CHIEF EXECUTIVE

DIRECTOR

Statement Of Other Comprehensive Income For The Year Ended September 30, 2012

	2012	2011
	RUPEES	
Profit for the year	2,239,104	8,977,659
Revaluation during the year	901,554,674	--
Related deferred tax	(310,420,834)	--
	591,133,840	--
Other comprehensive income:		
Transfer from surplus on revaluation of fixed assets in respect of		
Incremental depreciation	5,128,639	5,486,620
Related deferred tax	(1,795,024)	(1,920,317)
	3,333,615	3,566,303
Total comprehensive income for the year	596,706,559	12,543,962
Less: component of comprehensive income not reflected in equity	(591,133,840)	--
Total comprehensive income for the year transferred to equity	5,572,719	12,543,962

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

CHIEF EXECUTIVE

DIRECTOR

Cash Flow Statement For The Year Ended September 30, 2012

2012

Annual Report

	2012	2011
	RUPEES	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	11,639,484	19,450,074
Adjustments for non cash and other items:		
Depreciation	40,781,939	20,589,148
Financial charges	126,792,207	142,014,898
Workers' profit participation fund	625,107	1,044,580
Workers' welfare fund	(444,939)	396,940
Provision for gratuity	988,616	1,028,977
	168,742,930	165,074,543
Cash flow before working capital changes	180,382,414	184,524,617
Movement in working capital		
(Increase) / decrease in current assets		
Stores and spares	(10,408,004)	(79,633,094)
Stock in trade	(392,162,578)	(392,425,493)
Trade debts	3,993,000	(3,993,000)
Advances, deposits and prepayments	(38,524,684)	25,143,532
Increase / (decrease) in current liabilities		
Trade and other payables	453,559,652	86,819,804
	16,457,386	(364,088,251)
Cash generated / (used) from operations	196,839,800	(179,563,634)
Payments for:		
Taxes	26,309,300	9,885,218
Flood surcharge	--	153,082
Financial charges	128,928,638	84,252,800
Gratuity	424,000	1,114,400
WWF	--	4,354,063
	(155,661,938)	(99,759,563)
Net cash generated / (used) from operating activities	41,177,862	(279,323,197)
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(119,803,746)	(141,912,769)
Long term deposit	(380,650)	(280,900)
Net cash (used in) investing activities	(120,184,396)	(142,193,669)
CASH FLOW FROM FINANCING ACTIVITIES		
Lease finance - Net	(4,243,299)	(3,346,564)
Short term borrowings - Net	79,431,317	345,998,543
Net cash generated from financing activities	75,188,018	342,651,979
Net (decrease) in cash and cash equivalent	(3,818,516)	(78,864,887)
Cash and bank balances at the beginning of the year	16,313,347	95,178,234
Cash and bank balances at the end of the year	12,494,831	16,313,347

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

CHIEF EXECUTIVE

DIRECTOR

Notes To The Financial Statements

For The Year Ended September 30, 2012

2012

Annual Report

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 5, Nasim C.H.S., Major Nazir Bhatti Road. Off: Shaheed-e-millat 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 (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.

Standards, amendments and interpretation to existing standards that are relevant to the company

The following new standards and amendments to the standards are mandatory for the Company's accounting periods beginning on or after October 1st 2011 or have been early adopted by the company.

Presentation of items of Other Comprehensive Income (amendments to IAS 1) – (effective for annual periods beginning on or after July 01, 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) - (effective for annual periods beginning on or after January 01, 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) - (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.

IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under this standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.

IAS 34, Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments.

IAS 1, Presentation of Financial Statements (effective January 01, 2011). The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

IAS 24, Related party disclosures (Revised), issued in November 2009. It supersedes IAS 24, Related party disclosures, issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after January 01, 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Company complies with the requirements of revised IAS.

IFRS 9, Financial instruments (effective for periods beginning on or after October 01, 2013). This standard is the first step in the process to replace IAS 39, Financial instruments: recognition and measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Company's accounting for its financial assets.

Standards, amendments and interpretations to existing standards that are not relevant to the Company

The following amendments and interpretations to existing standards have been published and are mandatory for the accounting periods beginning on or after October 01, 2011 or have been early adopted by the Company but are either not relevant to the company's operations or are not expected to have a significant impact on the Company's financial statements, other than increased disclosures in certain cases:

Amendment to IAS 12, deferred tax on investment property (effective for annual period beginning on or after 01 January 2012). The amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS40 Investment Property.

IAS 1, Presentation of Financial Statements is amended to clarify that only one comparative period - which is the preceding period - is required for a complete set of financial statements.

IAS 1, Financial Statements Presentation (effective July 01, 2012). The main change resulting from these amendment is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

IAS 32, Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction.

IFRS 7, Financial Instruments: Disclosures (effective January 01, 2011). The amendment emphasis the interaction between quantitative and qualitative disclosures about the nature in extent of risks associated with financial instruments.

IFRS 7, Financial Instruments: Disclosures (effective July 01, 2011). This amendment aims to promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial assets.

IFRIC 19, Extinguishing financial liabilities with equity instruments, effective October 01, 2011. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished.

IFRIC 14, Prepayments of a minimum funding requirement (Amendment). The amendments correct an unintended consequence of IFRIC 14, IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning January 01, 2011. The amendments should be applied retrospectively to the earliest comparative period presented.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after October 01, 2012 and the Company has not early adopted them:

IAS 19, Employee Benefits (Amendment 2011) - (effective for annual period beginning on or after January 01, 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently allows under IAS 19; and that the expected return on plan assets recognized in profit or loss is calculated based on the rate use to discount the defined benefit obligation.

IAS 28, (Revised) Associates and joint ventures (effective for periods on or after January 01, 2013). The revised standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

IAS 32, Financial Instruments: Presentation (effective January 01, 2014). This amendment clarifies some of requirements for offsetting financial assets and financial liabilities on the balance sheet.

IFRS 7, Financial Instruments: Disclosures (effective January 01, 2013). This amendment reflects the joint IASB and FASB requirements to enhance current offsetting disclosures. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements and those that prepare US GAAP financial statements.

IFRS 12, Disclosure of interests in other entities (effective for periods beginning on or after January 01, 2013). This standard includes the disclosure requirement for all forms of interests in other entities, including joint arrangements, subsidiaries, associates and unconsolidated structured entities.

IFRS 13, Fair value measurement (effective for periods beginning on or after January 01, 2012). This standard applies to IFRSs that require or permit fair value measurements or disclosures and provide a single IFRS frame work for measuring fair value and requires disclosures about fair value measurement. The standard defines fair value on the basis of an 'exit price' notion and uses 'a fair value hierarchy', which results in market-based, rather than entity-specific measurement.

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) Staff retirement benefits

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.

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.

	2012	2011
	RUPEES	
4 ISSUED, SUBSCRIBED AND PAID UP CAPITAL		
79,261,666 (2011: 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 (2011:77,691,800) shares are held by Haq Bahu Sugar Mills (Private) Limited (holding company) representing 98.02% (2011 : 98.02%) shareholding in the company.		

5 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENTS

Opening balance	57,002,128	60,568,431
Add: revaluation carried out during the year	901,554,674	--
Less: related deferred tax liability	(310,420,834)	--
Transfer to accumulated loss in respect of incremental depreciation charged during the year - Net of tax	<u>(3,333,615)</u>	<u>(3,566,303)</u>
	<u>644,802,353</u>	<u>57,002,128</u>

The following fixed assets owned by the company were revalued on September 30, 2012 . The revaluation of assets carried out by independent valuer M/s. Empire Enterprises (pvt) Limited, using prevailing market value being the basis of revaluation. The surplus arising from revaluation is Rs. 901.555 million. The closing balance of surplus on revaluation of fixed assets is not available for distribution to shareholders.

PARTICULARS	W.D.V. of assets before revaluation	Revalued Amount	Revaluation Surplus
Land free hold	2,965,691	8,278,125	5,312,434
Experimental land	1,174,428	10,500,000	9,325,572
Building on free hold land:			
- Factory	38,160,838	118,618,300	80,457,462
- Non Factory	9,499,646	41,715,000	32,215,354
Plant and machinery	751,631,148	1,525,875,000	774,243,852
	<u>803,431,751</u>	<u>1,704,986,425</u>	<u>901,554,674</u>

		2012	2011
RUPEES			
6 LONG TERM LOANS - Unsecured			
Subordinated sponsors' loan	6.1	166,457,861	166,457,861
Others - Interest free	6.2	365,135,018	365,135,018
		<u>531,592,879</u>	<u>531,592,879</u>

6.1 Subordinated sponsors' loan

The loan has been advanced by M/s. Haq Bahu Sugar Mills (Pvt.) Ltd which carries markup @ six month KIBOR plus 4%. This also include outstanding markup amounting to Rs.43.042 (2011: Rs.43.042) 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.

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 previous management 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 accommodation finance payable / adjustable and can be rolled over to future period.

7 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2012		2011	
	Minimum	Present Value	Minimum	Present Value
RUPEES				
Less than one year	8,066,442	5,380,844	6,960,894	4,165,463
Within one to five years	20,095,080	16,944,278	22,437,390	18,596,458
Total	<u>28,161,522</u>	<u>22,325,122</u>	<u>29,398,284</u>	<u>22,761,921</u>
Less: Financial charges allocated to the future periods	5,836,400	--	6,636,363	--
Present value of minimum lease payments	<u>22,325,122</u>	<u>22,325,122</u>	<u>22,761,921</u>	<u>22,761,921</u>
Less: Current portion- under current liabilities	5,380,844	5,380,844	4,165,463	4,165,463
	<u>16,944,278</u>	<u>16,944,278</u>	<u>18,596,458</u>	<u>18,596,458</u>

The Company has entered into Ijarah agreements with various banks to acquire plant and machinery and vehicles. The rentals under these agreements are payable monthly up to July 2017. Financing @ ranging from three and six month kibar plus 1.75 % to 3.50% per annum (2011: 1.75% to 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 aggregate residual values of Rs.4,411,550/- upon the completion of the respective lease periods.

8 DEFERRED LIABILITIES

		2012	2011
		RUPEES	
Employees retirements benefits	8.1	3,741,758	3,177,142
Deferred taxation	8.2	333,051,784	16,137,880
		<u>336,793,542</u>	<u>19,315,022</u>

8.1 Employees retirements benefits

Staff gratuity:

Balance at beginning of the year		3,177,142	3,262,565
Add: Provision made during the year	8.1.1	988,616	1,028,977
Less: Payment made during the year		(424,000)	(1,114,400)
		<u>3,741,758</u>	<u>3,177,142</u>

8.1.1 Amount charged to profit and loss account

Current service cost		736,819	638,553
Interest cost		305,804	390,424
Actuarial loss		(54,007)	--
Total amount chargeable to profit and loss account		<u>988,616</u>	<u>1,028,977</u>

8.1.2 Balance sheet reconciliation

Present value of defined benefit obligation		2,885,465	2,446,435
Actuarial gains to be recognized in later periods		856,293	730,707
		<u>3,741,758</u>	<u>3,177,142</u>

8.1.3 Present value of defined benefit obligations

	2012	2011	2010	2009	2008
	RUPEES				
Present value of defined benefit obligations	2,885,465	2,446,435	3,123,394	3,467,490	4,432,762

8.1.4 Experience adjustments

	2012	2011	2010	2009	2008
	RUPEES				
Experience adjustments	(179,593)	(591,536)	258,961	355,608	(900,660)

8.1.5 Principal Actuarial Assumptions

	2012	2011
Expected rate of increase in salaries	10.50%	11.50%
Discount factor used	11.50%	12.50%
Average expected remaining working life time of employees	9 Years	9 Years

	2012	2011
	RUPEES	
8.1.6 Allocation		
Total retirement benefits costs are included in salaries and benefits and allocated as follows:		
Cost of sales	523,754	546,47
Administrative and general expenses	464,862	482,50
	<u>988,616</u>	<u>1,028,97</u>
8.2 Deferred taxation		
<i>Deferred tax liability arising due to</i>		
accelerated tax depreciation	128,786,784	24,867,59
revaluation - net of related depreciation	339,256,387	30,630,57
finance lease transactions	1,859,190	1,022,85
<i>Deferred tax assets arising out of</i>		
staff gratuity	(1,309,615)	(1,112,00)
available tax losses and credits	(135,540,962)	(39,271,14)
	<u>333,051,784</u>	<u>16,137,88</u>
9 TRADE AND OTHER PAYABLES		
Creditors for goods and services	83,131,391	143,160,547
Advance from customers	604,075,502	91,717,329
Federal excise duty payable	--	730,374
Accrued liabilities	6,751,776	5,035,919
Deposits	39,076	39,076
Road cess	1,637,673	1,637,443
Income tax payable	1,344,322	1,233,225
Workers' profit participation fund	9.1 28,388,194	23,786,058
Workers' welfare fund	9.2 1,411,727	1,856,666
Other liabilities	241,780	107,955
	<u>727,021,441</u>	<u>269,304,592</u>
9.1 Workers' profit participation fund		
Opening balance	23,786,058	18,993,968
Interest provided for the year	3,977,029	3,747,510
Add: Contribution during the year	625,107	1,044,580
	<u>28,388,194</u>	<u>23,786,058</u>
9.2 Workers' welfare fund		
Opening balance	1,856,666	5,813,789
Less: Paid / adjustment during the year	(682,479)	(4,354,063)
Add: provision for the year	237,540	396,940
	<u>1,411,727</u>	<u>1,856,666</u>

2012

2011

RUPEES

10 BORROWING FROM BANKS - Secured

Short term finances	10.1	<u>802,122,280</u>	<u>722,690,963</u>
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10.1 During the year company has obtained various short term borrowings facilities from various banks for working capital requirements against the available limit of Rs.1,723.333 million (2011: Rs.1,289.375) million. These facilities carries markup @ ranging from three to six months KIBOR plus 1.75% to 4% (2011: @ three to six to six months KIBOR plus 1.25% to 4%) payable quarterly in arrears. These facilities are secured on all future fixed assets of the company, pledge of refined sugar stock and personal guarantees of directors.

10.2 The facilities amounting to Rs.671.211 million (2011: Rs. 566.684) million from the banks remained un-availed at the balance sheet date.

11 CONTINGENCIES AND COMMITMENTS**11.1 Contingencies**

Guarantees issued by commercial bank on behalf of the company amounting to Rs.20.047 million.

11.2 Commitments

As of reporting date company had unlifted delivery order quantity of 2,267.500 MTs having value of Rs.124.702 million.

12 PROPERTY, PLANT AND EQUIPMENTS

Operating fixed assets - At cost less accumulated depreciation	12.1	1,744,161,150	338,766,927
Capital work in progress - At cost	12.4	<u>111,730,915</u>	<u>532,742,157</u>
		<u>1,855,892,065</u>	<u>871,509,084</u>

12.1 Operating fixed assets - At cost less accumulated depreciation

Particulars	Cost / Revaluation				Rate %	Depreciation			Book value As at September 30, 2012
	As at October 01, 2011	Additions	Revaluations	As at September 30, 2012		As at October 01, 2011	For the year 2012	As at September 30, 2012	
	RUPEES							RUPEES	
Owned									
Land free hold	2,965,691	--	5,312,434	8,278,125		--	--	--	8,278,125
Experimental land	1,174,428	--	9,325,572	10,500,000		--	--	--	10,500,000
Building on free hold land:									
- Factory	109,586,612	16,570,641	80,457,462	206,614,715	10	84,216,618	3,779,797	87,996,415	118,618,300
- Non factory	54,981,495	--	32,215,354	87,196,849	10	44,426,333	1,055,516	45,481,849	41,715,000
Plant and machinery	583,614,532	521,171,516	774,243,852	1,879,029,900	5	320,452,886	32,702,014	353,154,900	1,525,875,000
Electric installations	12,529,128	--	--	12,529,128	10	11,119,454	140,967	11,260,421	1,268,707
Tools and equipment	3,334,737	--	--	3,334,737	10	2,260,617	107,412	2,368,029	966,708
Telephone installation	1,030,151	--	--	1,030,151	10	837,206	19,295	856,501	173,650
Electric equipment	6,438,761	66,542	--	6,505,303	10	4,458,279	201,954	4,660,233	1,845,070
Furniture and fixture	7,140,595	33,400	--	7,173,995	10	5,448,538	170,586	5,619,124	1,554,871
Office equipment	1,164,098	--	--	1,164,098	10	869,929	29,417	899,346	264,752
Arms and ammunitions	453,677	--	--	453,677	10	295,497	15,818	311,315	142,362
Tents and tarpaulins	1,005,363	613,962	--	1,619,325	10	376,060	100,977	477,037	1,142,288
Computers	2,694,621	68,225	--	2,762,846	10	1,447,136	130,680	1,577,816	1,185,030
Vehicles	6,568,432	2,290,702	--	8,859,134	20	5,401,397	472,727	5,874,124	2,985,010
Scales and weighbridges	14,000	--	--	14,000	10	3,794	1,021	4,815	9,185
	794,696,321	540,814,988	901,554,674	2,237,065,983		481,613,744	38,928,181	520,541,925	1,716,524,058
Leased									
Plant and machinery	25,000,000	--	--	25,000,000	5	1,843,750	1,157,813	3,001,563	21,998,437
Vehicles	2,809,000	3,806,500	--	6,615,500	20	280,900	695,945	976,845	5,638,655
	27,809,000	3,806,500	--	31,615,500		2,124,650	1,853,758	3,978,408	27,637,092
TOTAL	822,505,321	544,621,488	901,554,674	2,268,681,483		483,738,394	40,781,939	524,520,333	1,744,161,150

Particulars	----- 2 0 1 1 -----											
	Cost / Revaluation					Rate	Depreciation				Book value As at Sept 30, 2011	
	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					
Owned												
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	84,216,618					25,369,994
- Non factory	54,981,495	--	54,981,495	10	43,253,537	1,172,796	44,426,333					10,555,162
Plant and machinery	583,614,532	--	583,614,532	5	306,602,273	13,850,613	320,452,886					263,161,646
Electric installations	12,399,826	129,302	12,529,128	10	10,966,079	153,375	11,119,454					1,409,674
Tools and equipment	3,334,737	--	3,334,737	10	2,141,270	119,347	2,260,617					1,074,120
Telephone installation	1,030,151	--	1,030,151	10	815,768	21,438	837,206					192,945
Electric equipment	6,438,761	--	6,438,761	10	4,238,225	220,054	4,458,279					1,980,482
Furniture and fixture	7,091,288	49,307	7,140,595	10	5,262,398	186,140	5,448,538					1,692,057
Office equipment	1,164,098	--	1,164,098	10	837,243	32,686	869,929					294,169
Arms and ammunitions	453,677	--	453,677	10	277,921	17,576	295,497					158,180
Tents and tarpaulins	890,505	114,858	1,005,363	10	309,328	66,732	376,060					629,303
Computers	2,595,935	98,686	2,694,621	10	1,310,176	136,960	1,447,136					1,247,485
Vehicles	6,568,432	--	6,568,432	20	5,109,638	291,759	5,401,397					1,167,035
Scales and weighbridges	14,000	--	14,000	10	2,660	1,134	3,794					10,206
	794,304,168	392,153	794,696,321		462,524,246	19,089,498	481,613,744					313,082,577
Leased												
Plant and machinery	25,000,000	--	25,000,000	5	625,000	1,218,750	1,843,750					23,156,250
Vehicles	--	2,809,000	2,809,000	20	--	280,900	280,900					2,528,100
	25,000,000	2,809,000	27,809,000		625,000	1,499,650	2,124,650					25,684,350
TOTAL	819,304,168	3,201,153	822,505,321		463,149,246	20,589,148	483,738,394					338,766,927

	2012	2011
	RUPEES	
12.2 Depreciation charge for the year has been allocated as follows:		
- Cost of goods manufactured	37,990,001	17,700,000
- Administration	2,791,938	2,880,000
	<u>40,781,939</u>	<u>20,580,000</u>

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	29,762,440	16,038,000
- Non Factory	4,342,987	4,825,000
Plant and Machinery	682,795,036	190,702,000
	<u>720,923,771</u>	<u>215,589,000</u>

12.4 Capital work in progress - At cost

Opening balance	532,742,157	391,221,000
Add: Additions during the year	116,730,915	141,520,000
	649,473,072	532,742,000
Less: Capitalized in		
Factory building	(16,570,641)	
Plant and machinery	(521,171,516)	
	(537,742,157)	
	<u>111,730,915</u>	<u>532,742,000</u>
12.4.1		

	2012	2011
	RUPEES	
12.4.1 Breakup is as follows		
Plant and machinery	111,730,915	515,414,000
Civil works	--	17,327,000
	<u>111,730,915</u>	<u>532,742,000</u>

12.4.2 Additions to capital work in progress includes amount of Rs.10.912 million (2011: Rs. 15.446 million) borrowing cost capitalized during the year using average borrowing rate of 15.27 % (2011: 15.80 % per annum).

	2012	2011
	RUPEES	
16 SALES - Net		
Gross sales		
- Sugar	568,657,454	1,256,400,000
- Molasses	56,595,705	62,600,000
	625,253,159	1,319,000,000
Less		
Sales tax	--	(42,300,000)
Excise duty	(43,791,101)	(13,600,000)
	(43,791,101)	(56,000,000)
Sales - Net	<u>581,462,058</u>	<u>1,263,100,000</u>
17 COST OF SALES		
Cost of sugar cane	648,028,084	1,309,910,000
Stores and spares consumed	15,886,309	27,830,000
Oil and lubricants consumed	5,021,086	4,740,000
Packing material consumed	6,912,725	9,540,000
Chemical consumed	5,804,395	5,200,000
Salaries, wages and benefits	66,487,247	62,220,000
Water, fuel and power	16,496,222	17,200,000
Vehicle running and maintenance	4,706,878	4,840,000
Freight, handling and octroi	4,493,611	2,270,000
Insurance	2,484,289	2,420,000
Depreciation	37,990,001	17,700,000
Others	8,521,920	6,670,000
	<u>822,832,767</u>	<u>1,470,610,000</u>
Add: Work in process - Opening	3,534,522	2,620,000
Less: Work in process - Closing	(4,085,216)	(3,530,000)
Cost of goods manufactured	<u>822,282,073</u>	<u>1,469,700,000</u>
Add: Finished good - Opening	663,664,185	272,140,000
Less: Finished good - Closing	(1,055,276,069)	(663,660,000)
	<u>430,670,189</u>	<u>1,078,180,000</u>

	2012	2011
	RUPEES	
18 ADMINISTRATIVE AND GENERAL EXPENSES		
Salaries, bonus and allowances	11,589,188	11,167,902
Fees, subscription and renewals	2,821,250	2,921,100
Vehicle running and maintenance	1,922,528	1,979,124
Legal and professional charges	191,315	263,065
Printing and stationery	469,671	504,706
Insurance	--	64,914
Travelling, conveyance and entertainment	1,716,958	1,427,583
Rent, rates and taxes	327,810	532,668
Repairs and maintenance	76,476	23,034
Telephone and telex	78,134	106,867
Electricity	314,313	211,484
Auditors remuneration	18.1 725,000	725,000
Depreciation	12.2 2,791,938	2,882,481
Others	1,814,579	1,832,746
Entertainment	348,063	166,185
Lease documentation charges	--	44,800
	<u>25,187,223</u>	<u>24,853,659</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	25,000
	<u>725,000</u>	<u>725,000</u>
19 DISTRIBUTION EXPENSES		
Loading and unloading charges	270,315	301,147
Stacking and re-stacking charges	691,678	522,355
Transportation charges	453,126	191,300
Numbering charges	84,540	45,312
	<u>1,499,659</u>	<u>1,060,114</u>
20 FINANCE COST		
Markup on loan from Haq Bahu Sugar Mills (Pvt.) Ltd.	--	21,711,330
Mark up on short term borrowings	128,144,996	125,610,407
Mark up on lease finance	2,907,908	3,160,921
Markup on WPPF	3,977,029	3,747,510
Bank charges and commission	2,674,205	3,230,607
	<u>137,704,138</u>	<u>157,460,775</u>
Less: Capitalized	<u>(10,911,931)</u>	<u>(15,445,877)</u>
	<u>126,792,207</u>	<u>142,014,898</u>

2012

RUPEES

21 OTHER INCOME

Scrap sales	14,500,124
Profit on deposit account	6,748
Excess liability of workers' welfare fund written back	682,479
	<u>15,189,351</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	11,639,484
Applicable tax rate	35%
Tax on accounting profit	4,073,819
Tax effect of expenses that are not deductible in determining taxable profit	15,939,389
Tax effect of expenses that are deductible in determining taxable profit	(118,424,770)
Adjustment of brought forward losses	98,411,562
Tax refundable under normal rules	<u>--</u>
Tax payable under normal rules	<u>NIL</u>
Minimum tax liability U/s. 113	<u>2,907,310</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>2,239,104</u>
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NUMBER OF SHA

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

Earnings per share - Basic and diluted	<u>0.03</u>
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24 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

Particulars	2012				2011			
	Chief Executive	Director	Executive	Total	Chief Executive	Director	Executive	Total
Remuneration	--	3,252,000	3,038,452	6,290,452	--	1,390,000	1,340,000	2,730,000
Perquisites and other benefits	--	--	--	--	--	--	--	--
Total rupees	--	3,252,000	3,038,452	6,290,452	--	1,390,000	1,340,000	2,730,000
No. of persons	--	2	2	4	--	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 the 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:

	2012	2011
	RUPEES	
Holding company :		
Markup on subordinated loan	--	21,711,330

Considering the financial position of the company, markup for the year amounting to Rs.17.679 million has been waived by the holding company.

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	
2012	87	4,000	300,000	169,493
2011	118	3,000	354,000	267,547

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 party does not completely to perform as contracted. The company's credit risk is primary attributable to its receivables and bank balances with banks.

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

	2012	
		RUPEES
Deposits, loans and other receivables	42,361,470	
Bank balances	11,999,744	
	<u>54,361,214</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 ratings.

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

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 interest and principal markups:

	Carrying Amounts	Contractual Cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
	RUPEES					
2012						
Financial liabilities						
Long term loans	531,592,879	541,152,650	8,702,777	8,798,941	17,549,800	506,101
Lease finance	22,325,122	28,161,522	4,033,221	4,033,221	5,023,770	15,071
Short term borrowings	802,122,280	853,268,006	853,268,006	--	--	--
Accrued markup	41,382,815	41,382,815	41,382,815	--	--	--
Trade and other payables	727,021,441	727,021,441	727,021,441	--	--	--
	<u>2,124,444,537</u>	<u>2,190,986,434</u>	<u>1,634,408,261</u>	<u>12,832,162</u>	<u>22,573,570</u>	<u>521,172</u>
2011						
Financial liabilities						
Long term loans	531,592,879	552,234,150	10,584,724	10,642,882	21,227,606	509,778
Lease finance	22,761,921	29,398,284	3,480,447	3,480,447	6,960,894	15,476
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</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 effective as on 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:

	2012	2011
	RUPEES	
<u>Variable rate instruments at carrying amounts:</u>		
<u>Financial liabilities</u>		
Long term loan	166,457,861	166,457,861
Lease finance	22,325,122	22,761,921
Short term borrowings	802,122,280	722,690,963
	<u>990,905,263</u>	<u>911,910,745</u>

Interest bearing financial assets:

Bank Balances in deposit / saving accounts	<u>49,044</u>	<u>70,462</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:

<u>Effect on loss / profit due to change of 100 BPs</u>		
Increase	<u>8,021,223</u>	<u>1,256,104</u>
Decrease	<u>8,021,223</u>	<u>1,256,104</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 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 going concern in order to provide returns for shareholders and benefits to other stakeholders and to optimal capital structure to reduce the cost of capital.

28 CORRESPONDING FIGURES

The corresponding figures have been reclassified and rearranged wherever necessary to facilitate comparison. reclassification include advance from customers amounting to Rs.91.717 million previously classified under trade payables have now been reclassified separately under trade and other payables for better presentation.

29 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were approved by the board of directors and authorized for issue on February 07, 2013

30 FUNCTIONAL AND PRESENTATION CURRENCY

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