



# Annual Report 2010



سانگھڑ شوگر ملز لمیٹیڈ

**Sanghar Sugar Mills Limited**



## Table of Contents

✦ Company Information .....	3
✦ Statement of Vision, Mission, Objectives, Corporate Strategy and Strategic Planning .....	5
✦ Statement of Ethics and Business Practices .....	7
✦ Notice of Annual General Meeting .....	8
✦ Directors' Report .....	9
✦ Key Operating and Financial Data of Last Ten Years .....	13
✦ Stakeholders Information .....	14
✦ Investors Information for Ten Years .....	14
✦ Statement of Value Addition and its Distribution .....	15
✦ Statement of Compliance with Best Practices of Code of Corporate Governance .....	16
✦ Review Report to the Members on Statement of Compliance with Best Practices of the Code of Corporate Governance .....	17
✦ Auditors' Report to the Members .....	18
✦ Balance Sheet .....	19
✦ Profit and Loss Account .....	20
✦ Statement of Comprehensive Income .....	21
✦ Cash Flow Statement .....	22
✦ Statement of Changes in Equity .....	23
✦ Notes to the Financial Statements .....	24
✦ Pattern of Shareholding .....	47
✦ Form of Proxy .....	-





## Company Information



### BOARD OF DIRECTORS

Haji Khuda Bux Rajar (Chairman/Chief Executive)  
Mr. Jam Mitha Khan  
Mr. Ghulam Dastagir Rajar  
Mr. Gul Mohammad  
Mr. Mohammad Aslam  
Mr. Qazi Shamsuddin  
Mr. Shahid Aziz (Nominee of NIT)  
Mr. Muhammad Tariq (Nominee of NIT)

### AUDIT COMMITTEE

Mr. Ghulam Dastagir Rajar (Chairman)  
Mr. Gul Mohammad (Member)  
Mr. Shahid Aziz (Member)

### COMPANY SECRETARY

Mr. Abdul Ghafoor Ateeq

### CHIEF FINANCIAL OFFICER

Mr. Muhammad Jawad Durrani

### SHARES REGISTRAR

Hameed Majeed Associates (Pvt) Ltd.  
5th Floor, Karachi Chambers,  
Hasrat Mohani Road, Karachi  
Phone : 021 – 32411474 – 32212754  
Fax : 021 - 32424835

### STATUTORY AUDITORS

Hyder Bhimji & Co  
Chartered Accountants  
Member of Kreston International

### COST AUDITORS

Siddiqi & Company  
Cost & Management Accountants

### REGISTERED OFFICE

101 – First Floor, Ocean Centre,  
Talpur Road, Karachi  
Phone : 021-32427171-72  
Fax No : 021-32410700  
E-mail : ssml@cyber.net.pk

### FACTORY

13th Km, Sanghar – Sindhri Road,  
Deh Kehore, District Sanghar, Sindh  
Phone : (0235) 542158  
(0345) 3737001 – 8222911

### BANKERS

Allied Bank Limited  
Askari Bank Limited  
Emirates Global Islamic Bank Limited  
Habib Bank Limited  
MCB Bank Limited  
National Bank of Pakistan  
NIB Bank Limited







# Statement of Vision, Mission, Objectives, Corporate Strategy and Strategic Planning



## VISION STATEMENT

To have eminent position in manufacturing and supplying quality white refined sugar and allied products and thereby play an important role in the economic and social development of the country.

## MISSION STATEMENT

We the Management of Enterprise, have set forth our belief as to the purpose for which the Company is established and the principles under which it should operate. We pledge our entire efforts to the accomplishment of the purpose within the agreed principles. Sanghar Sugar Mills Limited is committed to:

- + Manufacture to the highest quality standards. Pursuing the improvement in shareholders' value through team work and continuous improvement in the system in a competitive business environment.
- + Be ethical in practice and fulfill social responsibilities.
- + Ensure a fair return to stakeholders.
- + Realize responsibility towards society and contribute to the environment as good corporate citizen.

## CORPORATE OBJECTIVES

The over riding objective of the Company is to optimize over the time, the return to its shareholders. To achieve this objective, the Company shall endeavor to ensure long term viability of its business and to manage effectively its relationship with stakeholders. Sanghar Sugar Mills Limited shall:

- + Recognize the need of working at the highest standard to achieve greater level of performance in order to meet the expectations of the stakeholders.
- + Optimize over the time, the returns to shareholders of the Company.
- + Strive for excellence and build on the Company's core competencies.
- + Conduct Company's business with integrity and supply only quality and credible information.
- + Respect confidentiality of the information acquired during the course of dealings with the interested parties and refrain from acting in any manner which might discredit the Company.
- + Operate within the regulatory framework and be free of any vested interest which might be incompatible with Organization's integrity, objectivity and independence.

## CORPORATE STRATEGY

Production of sugar and sugar by-products are the Company's main area of business. The Company, its Director and Management:-

- + Believe in diversification through new manufacturing facilities and through equity participation.
- + Recognize the value of technological improvement and acquire the benefits of current innovation and development in their business field.
- + Believe in professional management and modern practices and use latest techniques available for growth and overall prosperity.
- + Consider their human resource as the most important asset and help them in providing facilities with regard to training and updating their knowledge and skill and keep them highly motivated.
- + Believe in integrity in business and the Company's integrity depends on integrity of each one of its employees.
- + Consider the sugar cane growers as the most important part of the business.

## STRATEGIC PLANNING

- + Keep up with technological advancement and continuously update the company in the field of sugar technology.
- + Maintain all relevant technical and professional standards to be compatible with the requirement of the trade.
- + Gauge the market conditions and availability of substitute products and services and ensure quality with cost effectiveness.
- + Inculcate efficient, ethical and time tested business practice in the Company's management.







# Statement of Ethics and Business Practices

The entire Organization of Sanghar Sugar Mills Limited will be guided by the following principles in its pursuit of excellence in all activities for the attainment of the Company's Objectives.

## THE COMPANY

- ✦ Fulfills all statutory requirements of the government and follows all applicable laws of the country together with compliance with accepted accounting principles, rules and procedures required.
- ✦ Activities and involvement of directors and employees of the Company in no way conflict with the interest of the Company. All acts and decision of the management are motivated by the interest of the Company rather their own.
- ✦ Uses all means to protect the environment and ensures health and safety of the employees.
- ✦ Meets the expectations of the spectrum of society and government agencies by implementing an effective and fair system of financial reporting and internal controls.
- ✦ Deals with all stakeholders in objective and transparent manner so as to meet the expectations of those who rely on the Company.
- ✦ Ensure efficient and effective utilization of its resources.

## AS DIRECTORS

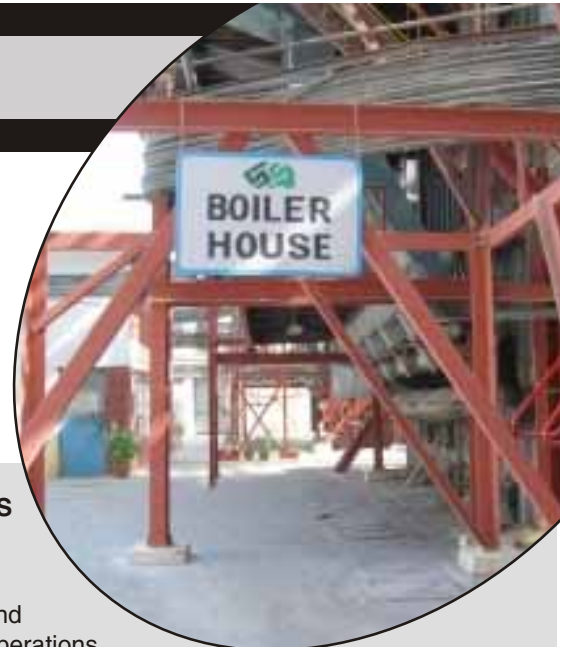
- ✦ Promote and develop conducive environment through responsive policies and guidelines to facilitate viable and timely decisions.
- ✦ Support and adherence to compliance of legal and industry requirements.
- ✦ Maintain organizational effectiveness for the achievement of the Company goals.
- ✦ Promote a culture that supports enterprise and innovation, with appropriate short-term and long-term performance related rewards that are fair and achievable in motivating management and employees effectively and productively.
- ✦ Ensure protection and safeguard the interest and assets of the Company and meet obligations of the Company.

## AS EXECUTIVES AND MANAGERS

- ✦ Ensure cost effectiveness and profitability of operations.
- ✦ Provide direction and leadership for the organization and take viable and timely decisions.
- ✦ Promote and develop culture of excellence, conservation and continual improvement.
- ✦ Develop and cultivate work ethics and harmony among colleagues and associates.
- ✦ Encourage initiatives and self realization in employees through meaningful empowerment.
- ✦ Provide pleasant work atmosphere and ensure an equitable way of working and rewarding system.
- ✦ Institute commitment to environmental, health and safety performance.

## AS EMPLOYEES AND WORKERS

- ✦ Observe Company policies, regulations and code of best business practices.
- ✦ Devote productive time and continued efforts to strengthen the Company.
- ✦ Make concerted struggle for excellence and quality.
- ✦ Exercise prudence in effective, efficient and economical utilization of resources of the Company.
- ✦ Protect and safeguard the interest of the Company and avoid conflict of interest.
- ✦ Maintain financial integrity and must avoid making personal gain at the Company's expense by participating in or assisting activities which compete with the Company.





# Notice of Annual General Meeting

Notice is hereby given that twenty fifth Annual General Meeting of Sanghar Sugar Mills Limited will be held on Monday January 31, 2011 at 11.00 a.m. at Beach Luxury, Moulvi Tamizuddin Khan Road, Karachi to transact the following business:

1. To confirm the minutes of twenty fourth Annual General Meeting held on January 30, 2010.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended September 30, 2010 together with Directors' and Auditors' Reports thereon.
3. To consider and approve payment of final cash dividend @ 15% (Rupee 1.50 per share) for the year ended September 30, 2010 as recommended by the Board of Directors.
4. To appoint Auditors for the year 2010-2011 and fix their remuneration. The present Auditors M/s Hyder Bhimji & Co. Chartered Accountants, retire and being eligible, have offered themselves for re-appointment.
5. To transact any other ordinary business with the permission of the Chair.

By Order of the Board

Karachi: January 03, 2011

**Company Secretary**

## NOTES :

1. The Share Transfer Books of the Company will remain closed from January 19, 2011 to January 31, 2011 (both days inclusive). Transfers received in order, by the Shares Registrar of the Company-Hameed Majeed Associates (Pvt) Ltd. 5th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi up to 4.00 p.m. on January 18, 2011, will be eligible for entitlement of final cash dividend to the transferees.
2. A member entitled to attend and vote at this meeting may appoint another member as proxy to attend and vote on his/her behalf. The completed Proxy Form must be received at the Registered Office of the Company 101-First Floor, Ocean Centre, Talpur Road, Karachi, at least 48 hours before the time for holding this meeting.
3. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting must bring his/her original and one attested copy of CNIC, CDC Account and Participant's ID number to prove his/her identity, and in case of Proxy, must enclose an attested copy of his/her CNIC. Representatives of corporate members should bring the necessary documents required for such purpose.
4. Members are requested to notify any changes in their registered address immediately and also send attested copy of their CNIC, if not yet submitted to the Shares Registrar of the Company.



# Directors' Report

Your Directors are pleased to welcome you at the twenty fifth Annual General Meeting and present Annual Report together with the Company's audited financial statements for the year ended September 30, 2010.



## Review of the Performance of the Company

The crushing season for the year 2009-2010 commenced on November 12, 2009 and closed on March 05, 2010. The Company operated under the most extraordinary circumstances, the prices of the sugarcane touched levels never witnessed previously mainly due to the shortage of sugarcane. On the other hand, the prices of sugar in the international as well as the local market showed extreme volatility. These factors together with increasing other costs, charges and expenses due to economic forces made the operations very difficult for the Company during the year 2009-2010. However, the management despite the above circumstances was able to procure reasonable quantity of sugarcane at the rates prevalent under the circumstances. The Company has made its best efforts to play its role with regard to its social responsibility for the economic well-being and development of the Country.

## Operating Results

A brief summary of operating results of the Company with the comparatives for the corresponding year is given as under:

	2009-2010	2008-2009
Season started on	12-11-2009	06-11-2008
Season completed on	05-03-2010	17-03-2009
Duration of crushing days	114	132
Sugarcane crushed (M.Tons)	484,452	597,111
Cane sugar produced (M.Tons)	46,449	57,308
Sugar processed (M.Tons)	98	–
Sucrose recovery (%)	9.60	9.58

## Review of Operation

The Company operated at reasonable level during the season 2009-2010 and was able to manufacture reasonable quantity of sugar under the circumstances of lesser availability of sugarcane coupled with higher procurement cost of sugarcane as compared with the previous year.

## Financial Results

The key financial figures of the Company for the year ended September 30, 2010 alongwith the comparatives for the corresponding year are summarized as under:

	2010 (Rupees '000)	2009
Net profit before taxation	213,047	115,257
Taxation	78,616	48,345
Net profit after taxation	134,431	66,912
Earning per share-basic and diluted (Rupees)	11.25	5.60



## Review of Financial Results

As mentioned earlier, the Company was able to manufacture reasonable quantity of sugar under peculiar environment of lesser availability of sugarcane besides higher procurement cost of sugarcane and increasing overhead expenses due to inflation as compared with the last year. The Company made net sales of Rs 2,679,922 thousand as compared with sales of Rs 1,679,489 thousand in the last year and gross profit of Rs 377,383 thousand as compared with gross profit of Rs 225,504 thousand in the last year. One of the main factors that contributed in achieving such financial results were increasing level of sugar price in the local market during the year ended September 30, 2010, which enabled the Company to bear the burden of higher procurement cost of sugarcane due to lesser crop of sugarcane and increased level of other charges and expenses. This resulted in the net profit after taxation of Rs. 134,431 thousand as compared with the net profit after taxation of Rs. 66,912 thousand during the last year ended September 30, 2009.



## Dividend

Keeping in view the environment as mentioned above, future expectation and inflationary pressure on every input items, the Board of Directors has recommended final cash dividend @ 15% i.e. Rupee 1.50 per share (2009:: Rupee 1.00 per share) to be paid to the shareholders.

## Future Prospects

The sugar industry is functioning under the environment affected by the policies of the provincial and the federal government as well as the trend of the international and local markets. The sugarcane crop for the season 2010-2011 is to some extent higher in our region, though by the grace of Almighty Allah the unprecedented floods in the country did not affect the cane cultivation areas of our Company but it may have impact on overall production of sugarcane in the country. The Government of Sindh has fixed sugarcane price at Rs. 127 per 40 kg for season 2010-11 as against Rs. 102 per 40 kg for season 2009-2010. Further, there is inflationary pressure on every input items. These factors will certainly drive up the cost of sugarcane and other costs, charges and expenses relating to the production cost of sugar and resultantly in selling cost of sugar. Under the circumstances, sufficient availability of sugarcane and stability in sugar prices will shape the future prospects of the sugar industry. In this connection, the Government should consider the proposal of Pakistan Sugar Mills Association to link the price of sugarcane with selling price of sugar, because maintenance of reasonable price of sugar will help to tackle the situation and result in benefiting to all the stakeholders and allow the sugar industry to continue its operation for providing various economic and financial opportunities to uplift the rural areas of the country.

## Contribution of the Company to National Exchequer

The Company's contribution to the National Exchequer in the form of income tax, sales tax and other levies and charges, was Rs. 203,054 thousand during the year as compared to Rs 257,432 thousand during the last year. This does not include withholding tax that is deducted by the Company from payments made to employees, suppliers etc and deposited with Government Treasury.

## Health, Safety and Environment

Your Company, its directors and managements are of conscious to follow the needs of the society concerning health, safety and environment for achieving the objective. The Company is responsive to make efforts to minimize the accidental risks, have necessary medical facilities and continuously strive to improve greenery and maintain clean environment around the factory, better housekeeping, safeguarding the health of employees and application of the principles of safety in its operations, the consumers and public at large by following the rules and regulations in this regards.





## Corporate Social Responsibility

Your Company is socially responsible and committed to conduct its business ethically and with responsibility. The Company is conscious of the role to play as responsible corporate citizen in fulfilling the various needs of the society concerning health, safety, environment, employee relationship and social welfare of the society. The Company considers itself accountable to its stakeholders and has identified dimensions of performing the social responsibilities which are contribution to economy, environment and society. The management peruses the strategy by following strategic guidelines to be a good corporate citizen:

- i) Encouraging employment of work force living in the rural areas in order to yield significant gain and uplift their living standard.
- ii) Continuously striving to improve greenery, maintain a clean environment around the factory and better housekeeping.
- iii) Making arrangement for civic, health, education and accommodation facilities to employees.
- iv) Support social causes.

On the corporate social responsibility front, the Company has launched education program and started education facilities at premises adjacent to employees colony at the factory in order to provide primary education facilities by qualified staff on concessional fees basis to children of the factory employees and others living in rural areas in order to alleviate illiteracy and poverty. The Company has always supported other noble causes which help the members of the society.

## Board Changes

The current members of the Board of Directors are listed on page No. 03 of the Annual Report.

During the year, the Board accepted resignation of Mr. Rana Ahmed Khan and in his place appointed Mr. Muhammad Tariq as nominee director representing N.I.T. on August 16, 2010.

## Corporate and Financial Reporting

In compliance with Code of Corporate Governance, the Board of Directors hereby confirms that:

- i. The financial statements of the Company, prepared by the management, present fairly its state of affairs, the results of its operation, cash flows and changes in equity.
- ii. Proper books of accounts have been maintained by the Company.
- iii. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- iv. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and departure, if any, there from has been adequately disclosed.
- v. The system of internal control is sound in design and has been effectively implemented and monitored.
- vi. There are no significant doubts upon the Company's ability to continue as going concern.
- vii. There has been no material departure from the best practices of the Corporate Governance as detailed in the Listing Regulations of Karachi and Lahore Stock Exchanges.
- viii. The key operation and financial data for last ten years in summarized form are annexed.



- ix. There are no overdues and statutory payments due on account of taxes, duties, levies and charges are being made in the normal course of business.
- x. An unfunded gratuity scheme is in operation for all permanent employees. Provision are made annually to cover the obligation on the basis of actuarial valuation and charge to income currently, related details of which are given in note 18.2 to the financial statements.
- xi. During the year six meetings of the Board of Directors were held. Leave of absence was granted to the Directors who could not attend the Board meetings. Attendance by each directors was as follows:



Name of Directors	Board meetings held on					
	02-11-09	04-01-10	27-01-10	28-05-10	26-07-10	16-08-10
1. Haji Khuda Bux Rajar	P	P	P	P	P	P
2. Mr. Jam Mitha Khan	P	P	L	P	P	L
3. Mr. Ghulam Dastagir Rajar	L	P	P	L	P	P
4. Mr. Gul Mohammad	P	P	P	P	L	P
5. Mr. Mohammad Aslam	L	P	P	P	P	P
6. Mr. Qazi Shamsuddin	P	P	P	P	L	P
7. Mr. Shahid Aziz (representing N.I.T)	P	P	P	P	P	L
8. Mr. Rana Ahmed Khan (representing N.I.T)	P	P	P	L	P	N/A

P = Present

L = Leave of absence

N/A = Not Applicable

- xii. The Pattern of Shareholding as on September 30, 2010 is annexed.
- xiii. To the best of our knowledge, the Directors, Chief Executive, CFO, Company Secretary, their spouse and their minor children have not undertaken any trading of Company's shares during the year 2009-2010.

#### Statement of Compliance with Code of Corporate Governance

The requirements of the Code set out by Karachi and Lahore Stock Exchanges in their Listing Regulations, relevant for the year ended September 30, 2010 have been complied with. A statement of compliance to this effect is annexed with report.

#### Auditors

The present auditors M/s. Hyder Bhimji & Co. Chartered Accountants retire at the conclusion of forthcoming Annual General Meeting and being eligible, have offered themselves for re-appointment. As suggested by the Audit Committee in terms of the Code of Corporate Governance, the Board of Directors has recommended their appointment as Auditors of the Company for the year ending September 30, 2011.

#### Acknowledgement

Your Directors place on record their appreciation for devotion of duty, loyalty and hard work of the executives, officers, staff members and workers for smooth running of the Company's affairs and hope that they will continue for enhancement of productivity with great zeal and spirit under the blessings of Almighty Allah.

The Directors would like to thank all the government functionaries, banking and non-banking financial institutions, suppliers and shareholders for their continued support and cooperation for the betterment and prosperity of the Company.

For and on behalf of the Board of Directors

Karachi: January 03, 2011

**Chief Executive**



## Key Operating & Financial Data of Last Ten Years



	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>OPERATIONAL DATA</b>										
Duration of Season (Days)	114	132	182	146	126	103	159	118	98	132
Cane crushed (Tons)	484,452	597,111	853,592	526,439	419,498	330,744	532,824	447,676	259,114	423,193
Sucrose Recovery (%)	9.60	9.58	9.50	8.68	9.42	9.15	8.90	8.94	8.78	8.70
Sugar Made (Tons)	46,547	57,308	87,026	45,602	39,837	30,024	47,274	40,026	22,758	45,570
Molasses (Tons)	23,785	30,279	49,360	26,200	19,773	17,351	35,142	25,473	13,035	23,026
<i>All figures in Rs in '000</i>										
<b>TRADING RESULTS</b>										
Turnover (NET)	2,679,922	1,679,489	1,861,248	1,065,461	1,052,760	568,370	680,996	582,531	346,068	917,112
Gross profit/(loss)	377,383	225,504	233,621	71,575	178,720	541,191	82,824	3,688	(67,192)	96,280
Operating profit/(loss)	308,572	162,815	171,328	28,489	134,932	(9,341)	38,886	(35,371)	(100,003)	56,780
Profit/ (loss) before taxation	213,047	115,257	134,232	(12,373)	94,186	(30,701)	18,915	(76,761)	(119,238)	(1,547)
Profit/(loss) after taxation	134,431	66,912	98,603	(19,755)	55,461	(62,052)	4,215	(50,860)	(118,492)	4,166
<b>ASSETS EMPLOYED</b>										
Operating Assets	477,508	494,031	516,797	524,078	539,306	555,559	545,510	570,322	603,271	457,098
Long Term Deposits	2,223	2,223	2,223	2,223	2,385	913	1,013	3,074	3,050	1,722
Current Assets	240,366	277,084	119,007	125,784	125,371	102,118	120,499	83,337	86,238	93,885
<b>Total Assets Employed</b>	<b>720,097</b>	<b>773,338</b>	<b>638,027</b>	<b>652,085</b>	<b>667,062</b>	<b>658,590</b>	<b>667,022</b>	<b>656,733</b>	<b>692,559</b>	<b>552,705</b>
<b>FINANCED BY</b>										
Shareholders equity	305,462	179,574	106,967	2,757	28,566	(30,370)	24,007	10,921	52,271	170,763
Surplus on Revaluation of Land, Building and Plant & Machinery	46,213	49,624	55,319	103,695	109,587	115,910	101,387	107,153	169,537	-
Long Term Liabilities	23,159	75,812	210,646	250,621	240,218	242,647	258,985	166,997	169,092	133,888
Deferred Liabilities	145,489	150,054	145,697	128,348	125,374	86,444	48,375	38,556	14,096	42,945
Current Liabilities	199,774	318,274	119,398	166,664	163,317	243,959	234,268	333,106	287,563	205,109
<b>Total Fund Invested</b>	<b>720,097</b>	<b>773,338</b>	<b>638,027</b>	<b>652,085</b>	<b>667,062</b>	<b>658,590</b>	<b>667,022</b>	<b>656,733</b>	<b>692,559</b>	<b>552,705</b>





# Stakeholders Information

## Stock Exchange Listing

Sanghar Sugar Mills Limited is a listed Company and its shares are traded on Karachi and Lahore Stock Exchanges. The Company's shares are quoted in leading newspapers under Sugar Sector.

## Communication with Users of Financial Statements

Communication with users of financial statements is given high priority. Annual, half yearly and quarterly reports are distributed to the shareholders and provided to other users within the time specified in the Companies Ordinance, 1984. There is also an opportunity for individual shareholder to participate at the annual general meetings to ensure high level of accountability.

## Shareholders Information

Enquiries concerning verification of transfer deeds, transfer of share certificates, change of address etc., should be directed to the Shares Registrar, Hameed Majeed Associates (Pvt) Ltd. 5<sup>th</sup> Floor, Karachi Chambers, Hasrat Mohani Road, Karachi Phone No: 021-32411474 – 32212754. Fax No: 021-32424835.

## Public Information

Financial analysts, stock brokers, interested investors and financial media desiring information about Sanghar Sugar Mills Limited and its products should contact the Executive Director/Chief Financial Officer at Registered Office, Karachi Phone: 021-32427171-72 Fax: 021-32410700.

## Investors Information for Ten Years

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Gross Profit Ratio (%)	14.08	13.43	12.55	6.72	16.97	4.78	12.16	0.63	(19.42)	10.50
Profit/(loss) before Tax Ratio (%)	5.02	6.86	7.21	(1.16)	8.94	(5.40)	2.78	(13.18)	(34.46)	(0.16)
Inventory Turnover Ratio	15.04	11.72	26.36	18.41	16.28	9.03	10.69	12.30	7.68	19.07
Fixed Assets Turnover Ratio (%)	561.23	339.96	360.15	203.30	195.21	102.31	124.84	102.11	57.37	200.64
Price Earning Ratio	1.23	2.81	2.96	(5.14)	1.93	(0.96)	21.71	(0.82)	(0.34)	8.57
Return on Capital Employed (%)	85.86	77.37	41.48	19.49	24.92	6.58	10.03	(10.37)	27.83	14.74
Market Value per Share	13.84	15.75	24.45	8.50	8.50	5.00	7.60	3.50	3.40	3.00
Book Value per Share	25.57	15.03	8.95	0.23	2.39	(2.54)	2.01	0.91	4.38	14.29
Earning per Share	11.25	5.60	8.25	(1.65)	4.40	(5.19)	0.35	(4.26)	(9.92)	0.35
Debt Equity Ratio	1.05	1.97	2.30	1.60	1.24	1.82	2.07	1.41	0.76	0.78
Current Ratio	1.203	0.871	0.997	0.75	0.77	0.42	0.51	0.25	0.30	0.46
Interest Cover Ratio	4.11	4.14	6.30	0.67	3.77	(0.44)	1.83	(0.83)	(2.22)	0.97



## Statement of Value Addition and Its Distribution

Value Addition:	2010 (Rs. '000)	%	2009 (Rs. '000)	%
Turnover Gross	2,817,145		1,915,572	
Other Income	947		910	
	<u>2,818,092</u>		<u>1,916,482</u>	
Sugarcane Procurement Expenses	2,271,673		1,528,005	
Direct Costs & Services	(12,975)		(108,166)	
	<u>2,258,698</u>		<u>1,419,839</u>	
	<u>559,394</u>		<u>496,643</u>	
<b>Value Distribution:</b>				
To Employees as:				
– Remuneration	102,437	18.31	101,012	20.34
– Worker's profit participation fund	11,442	2.05	6,190	1.25
	<u>113,879</u>		<u>107,202</u>	
To Government:				
– Sales Tax & SED	137,223	24.53	236,083	47.54
– Income Tax	69,794	12.48	13,886	2.80
– Deferred Tax	(9,413)	(1.68)	745	0.15
– Cess & Fees	5,450	0.97	6,718	1.35
	<u>203,054</u>		<u>257,432</u>	
To Providers of Capital as:				
– Finance Cost	68,479	12.24	36,351	7.32
– Dividend	11,946	2.41	–	–
	<u>80,425</u>		<u>36,351</u>	
Retained in the Business as:				
– Depreciation	27,605	4.93	28,746	5.79
– Profit for the Year	134,431	24.03	66,912	13.47
	<u>162,036</u>		<u>95,658</u>	
	<u>559,394</u>	<u>100.00</u>	<u>496,643</u>	<u>100.00</u>

# Statement of Compliance with the Best Practices of Code of Corporate Governance

For the year ended September 30, 2010

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulation of Karachi and Lahore Stock Exchanges for the purpose of establishing a frame work of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance:

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors. At present, the Board includes five independent non-executive directors including two directors representing National Investment Trust Ltd.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs. None of the directors is a member of a stock exchange.
4. During the year one vacancy occurred in the Board which was duly filled up by the directors.
5. The Company has prepared Statement of Ethics and Business Practices, which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with 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 transaction including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman 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 recorded and circulated.
9. An orientation course was arranged for directors during the year to apprise them of their duties and responsibilities.
10. The Board has approved appointment of Company Secretary, CFO and Head of Internal Audit including their remuneration, terms and conditions of employment, as determined by the Chief Executive.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by Chief Executive and CFO before approval of the Board.
13. The Directors, Chief Executive and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirement of the Code.
15. The Board has already formed the Audit Committee. It comprises three members, of whom two are non-executive directors including the Chairman of the Committee.
16. The meetings of the Audit Committee were held at least once every quarter, prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formed and already advised to the Committee for compliance.
17. The Board has set-up an effective internal audit function.





18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. The related party transactions, if any, have first been placed before the Audit Committee and approved by the Board of Directors to comply with the requirements of listing regulation of the Karachi and Lahore Stock Exchanges.
21. We confirm that all other material principles contained in the Code have been complied with.

For and On Behalf of Board of Directors

Karachi: January 03, 2011

**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 **SANGHAR SUGAR MILLS Limited** to comply with the listing Regulations No. 35 (previously no.37) of the Karachi Stock Exchanges (Guarantee) Limited and chapter XIII of the Lahore Stock Exchange (Guarantee) Limited, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, where 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub-Regulation (xiii a) of Listing Regulations 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular No. KSE/N-269 dated January 19, 2009 requires the Company to place before the Board of Directors for their consideration and approval of related party transactions distinguished between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording prior justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirements 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 procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review nothing has come to our attention which causes us to believe that the statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended September 30, 2010.

Karachi: January 03, 2011

**Hyder Bhimji & Co.**  
Chartered Accountants



## Auditor's Report to the Members

We have audited the annexed Balance Sheet of **M/s. SANGHAR SUGAR MILLS LIMITED** as at September 30, 2010 and related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a). in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b). in our opinion:
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied except for the changes as described in note 4.2 with which we concur;
  - ii). the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii). the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet and 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, 2010 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and
- d). in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980(XVIII of 1980), was deducted by the Company and deposited in the Zakat Fund established under section 7 of that Ordinance.

**Hyder Bhimji & Co.**  
**Chartered Accountants**

Engagement Partner: Mohammad Hanif Razzak

Karachi: January 03, 2011



# Balance Sheet

As at September 30, 2010

		Sep 30 2010	Sep 30 2009
	Note	(Rupees in '000)	
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	477,508	494,031
Long Term Deposits		2,223	2,223
		<b>479,731</b>	<b>496,254</b>
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	7	40,212	38,520
Stock -in-trade	8	88,197	139,201
Trade debts	9	49,519	36,728
Loans and advances	10	55,643	45,960
Short term prepayments	11	647	634
Other receivables	12	-	200
Cash and bank balances	13	6,148	15,841
		<b>240,366</b>	<b>277,084</b>
<b>Total Rupees</b>		<b>720,097</b>	<b>773,338</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital 20,000,000 shares of Rs.10 each		200,000	200,000
Issued, subscribed and paid up capital	14	119,460	119,460
Unappropriated profit		186,002	60,114
		<b>305,462</b>	<b>179,574</b>
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>	15	46,213	49,624
<b>NON CURRENT LIABILITIES</b>			
Long term financing	16	23,159	44,782
Subordinated loans	17	-	31,030
Deferred liabilities	18	145,489	150,054
		<b>168,648</b>	<b>225,866</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	19	70,855	226,137
Accrued mark-up	20	10,258	7,216
Short term borrowings	21	39,070	25,000
Current portion of long term financing	22	21,623	20,188
Taxation-net		57,968	39,733
		<b>199,774</b>	<b>318,274</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	23		
<b>Total Rupees</b>		<b>720,097</b>	<b>773,338</b>

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

Chief Executive

Director





# Profit and Loss Account

For the year ended September 30, 2010

	Note	Sep 30 2010 (Rupees in '000)	Sep 30 2009
Sales	24	2,679,922	1,679,489
Cost of sales	25	2,302,539	1,453,985
<b>Gross profit</b>		<b>377,383</b>	<b>225,504</b>
Distribution cost	26	1,726	1,419
Administrative expenses	27	68,032	62,180
		69,758	63,599
Other operating income	28	947	910
		308,572	162,815
Finance cost	29	68,479	36,752
Other operating charges	30	27,046	10,806
		95,525	47,558
<b>Net profit before taxation</b>		<b>213,047</b>	<b>115,257</b>
Taxation	31	78,616	48,345
<b>Net profit after taxation</b>		<b>134,431</b>	<b>66,912</b>
<b>Earning per share - Basic and diluted</b>	32	<b>11.25</b>	<b>5.60</b>

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

Chief Executive

Director



# Statement of Comprehensive Income

For the year ended September 30, 2010

	Sep 30 2010 (Rupees in '000)	Sep 30 2009
Profit for the year ended	134,431	66,912
<b>Other Comprehensive Income</b>		
Incremental depreciation charged on surplus on revaluation of fixed assets net of deferred tax	3,411	5,695
Actuarial loss on defined benefit plan	(8)	–
<b>Total Comprehensive Income for the year ended</b>	<b>137,834</b>	<b>72,607</b>

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

Chief Executive

Director



# Cash Flow Statement

For the year ended September 30, 2010

	Note	Sep 30 2010 (Rupees in '000)	Sep 30 2009
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from Operations	33	187,320	203,751
Market committee fee paid		–	(174)
Employees benefits paid		(1,633)	(1,660)
Finance cost paid		(65,437)	(39,169)
Taxes paid		(69,794)	(13,886)
<b>Net cash inflow from operating activities</b>		<b>50,456</b>	<b>148,862</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(11,109)	(6,015)
Proceeds from disposal of property, plant and equipment		54	48
<b>Net cash outflow from investing activities</b>		<b>(11,055)</b>	<b>(5,967)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Decrease in subordinated loans		(31,030)	–
Repayment of long term loans		–	(114,646)
Dividend Paid		(11,946)	–
Repayment of long term financing		(20,188)	(18,848)
<b>Net cash out flow from financing activities</b>		<b>(63,164)</b>	<b>(133,494)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(23,763)</b>	<b>9,401</b>
Cash and cash equivalents at beginning of the year		(9,159)	(18,560)
<b>Cash and cash equivalents at end of the year</b>	34	<b>(32,922)</b>	<b>(9,159)</b>

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

Chief Executive

Director



# Statement of Changes in Equity

For the year ended September 30, 2010

Particulars	Share Capital	(Accumulated loss)/Unappropriated profit (Rs in '000)	Total
Balance as at October 01, 2008	119,460	(12,493)	106,967
<b>Total Comprehensive Income for the year</b>			
Net profit after tax for the year ended September 30, 2009	–	66,912	66,912
Incremental depreciation charged on surplus on revaluation of fixed assets net of tax	–	5,695	5,695
	–	72,607	72,607
Balance as at September 30, 2009	119,460	60,114	179,574
Balance as at October 01, 2009	119,460	60,114	179,574
<b>Total Comprehensive Income for the year</b>			
Net profit after tax for year ended September 30, 2010	–	134,431	134,431
Incremental depreciation charged on surplus on revaluation of fixed assets net of tax	–	3,411	3,411
Actuarial loss on defined benefit plan	–	(8)	(8)
	–	137,834	137,834
	119,460	197,948	317,408
<b>Distribution to owners</b>			
Final Dividend for the year ended September 30, 2009	–	(11,946)	(11,946)
<b>Balance as at September 30, 2010</b>	<b>119,460</b>	<b>186,002</b>	<b>305,462</b>

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

Chief Executive

Director





# Notes to the Financial Statements

For the year ended September 30, 2010

## 1 COMPANY AND ITS BUSINESS

The Company is a public limited Company incorporated in Pakistan under the Companies Ordinance, 1984. Its shares are quoted on Karachi and Lahore Stock Exchanges. The registered office of the Company is situated at 101, 1st Floor, Ocean Centre, Talpur Road, Karachi. The Company is principally engaged in the manufacture and sale of sugar and its by-products i.e molasses and bagasse.

## 2 Statement of Compliance

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

## 3 Initial application of standards or interpretations

### 3.1 Standards, interpretations and amendments effective during the year but not relevant to the Company

The following standards (revised or amended) and interpretations became effective for the current financial year but are either not relevant or do not have any material effect on the financial statements of the Company:

IAS 23 - Borrowing Costs (Revised)

IAS 27 - Consolidated and Separate Financial Statements (Revised)

IAS 32 - Financial Instruments (Amended for puttable instruments and obligations arising on liquidation)

IAS 39 - Financial Instruments: Recognition and Measurement (Amended)

IFRS 3 - Business Combinations (Revised)

IFRS 8 - Operating Segments

IFRIC 15 - Agreements for the Construction of Real Estate

IFRIC 16 - Hedges of a Net Investment in a Foreign Operation

IFRIC 17 - Distributions of Non-Cash Assets to Owners

IFRIC 18 - Transfers of Assets from Customers

### 3.2 Standards, interpretation and amendments to approved accounting standards that are not yet effective

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

#### Standards or Interpretations

#### Effective Date (accounting periods beginning on or after)

IAS 24 Related Party Disclosures (Revised)

January 01, 2011



IAS	32	Financial Instruments: Presentation (Amendments relating to classification of right issues)	February 01, 2010
IFRS	2	Share-based payment: Amendments relating to group settled share based payment transactions	January 01, 2010
IFRIC	14	IAS 19 - The limit on defined benefit asset, minimum funding requirement and their interactions (Amendments)	January 01, 2011
IFRIC	19	Extinguishing Financial Liabilities with equity instruments	July 01, 2010

The Company expects that the adoption of the above revision, amendments and interpretations of the standards will not have any material impact on the company's financial statements in the period of initial application except for the implication of IAS 24 - Related Party Disclosures (Revised), which may effect certain disclosures.

In addition to above addition to various accounting standards have also been issued by the IASB as a result of its annual improvement project in April 2009. Such improvements are generally effective for accounting periods beginning on or after January 1, 2010. The Company expects that such improvement of the standards will not have any material impact on the Company's financial statements in the period of initial application.

#### **4 BASIS OF PREPARATION AND PRESENTATION**

##### **4.1 Accounting convention**

These financial statements have been prepared on historical cost convention except as has been stated below in respective notes.

##### **4.2 Changes in accounting policy and estimates**

During the current year, the Company has adopted the following new amended IFRS as of October 1, 2009, which has resulted in extended disclosures as described below:

**IAS - 1** Presentation of Financial Statements (Revised)

**IFRS - 7** Financial Instruments Disclosure (Amended)

##### **4.2.1 IAS - 1 Presentation of Financial Statements (Revised)**

The revised IAS-1 was issued in September 2007 and become effective for financial year beginning on or after January 01, 2009. The revised standard separate owner and non owner changes in equity. The statement of changes in equity includes only detail of transactions with owners, with non owner changes in equity presented as a single line. In addition, the standard has introduced a statement of comprehensive income, which presents all item of recognised income and expense, either as a single statement, or in two linked statements. The Company has opted to present two linked statements and accordingly has presented a separate statement of comprehensive income in these financial statements.

##### **4.2.2 IFRS - 7 Financial Instruments: Disclosures (Amended)**

The amended standard requires additional disclosure about fair value measurement and liquidity risk. Fair Value measurements relating to items recorded at fair value are to be disclosed by source of input using a three level value of hierarchy, by class, for all financial instruments recognised at fair value. The fair value measurement disclosures are presented in note 35 to the financial statements.



The liquidity risk disclosures are not significantly impacted by the amendments and are also presented in note 35.3 to the financial statements.

#### **4.3 Critical accounting estimates and judgements**

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

Estimates and judgements 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.

There have been no critical judgements made by the Company's management in applying the accounting policies that would have the most significant effect on the amounts recognized in the financial statements.

The areas where various assumptions and estimates are significant to the Company's financial statements or where judgement was exercised in application of accounting policies are as follows:

##### **– Taxation :**

In making the estimate for income taxes currently payable by the Company, the management consider the current Income Tax Law and the decisions of appellate authorities on certain issue in the past.

##### **– Defined Benefit Plan**

Certain actuarial assumptions have been adopted as disclosed in these financial statements for actuarial valuation of defined benefit plan. Changes in these assumptions in future years may effect the liabilities under these scheme in those years.

##### **– Property, Plant and Equipment**

The Company's management determines the estimated useful lives and related depreciation charge for its property, plant and equipment. The Company reviews the value of assets for possible impairment on financial year end. Any change in the estimate in the future years might effect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on the depreciation charge and impairment.

##### **– Stock in trade**

Stock in trade is carried at lower of the cost and net realizable value. The net realizable value is assessed by the Company having regard to the budgeted cost of completion , estimated selling price and knowledge of recent comparable transactions.

##### **– Contingencies**

Nature of contingencies is evaluated based on the element of issue involved, opinion of the legal counsel and conclusion is accordingly reflected in the financial statements.

##### **– Slow Moving and Stores Obscelence**

In making estimates of quantum of slow moving and obsolescence, the aging analysis, current condition of various items component of realization and expected use in future are considered.

## **5 SIGNIFICANT ACCOUNTING POLICIES**

### **5.1 Taxation**

#### **5.1.1 Current**

Provision for current taxation is based on taxable income at the current rates of taxation after considering tax credits and rebates, if any.

#### **5.1.2 Deferred**

Deferred tax is recognized using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statement and their tax base. This is recognized on the basis of the expected manner of the realization or settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefit will be realized.

### **5.2 Retirement benefits:**

#### **5.2.1 Discontinued benefit plan**

The Company was operating an unfunded gratuity scheme (not mandatory under the law) in addition to the then provident fund scheme for all its permanent employees. Since as per agreement with the Workers' Union, this scheme was discontinued from July 01, 2003, the provision has been made to cover the obligation for the prior period, however, no further provision shall be provided. Hence as per agreement with Workers' Union, the outstanding obligation for discontinued benefit up to June 30, 2003, has been paid out to the employees upon leaving the service of the Company.

#### **5.2.2 Defined benefit plan**

After termination of provident fund scheme on June 30, 2003 an unfunded gratuity scheme is in operation for all employees eligible to the scheme with qualifying service period. Provision is made annually to cover the obligation on the basis of actuarial valuation carried out using Projected Unit Credit Method, and is charged to income currently, related details of which are given in the respective note to the financial statements. Actuarial gains and losses are amortized over the expected average remaining working lives of employees except when the net cumulative gains or losses do not exceed the corridor of 10% of the present value of the defined benefit obligation as stated in IAS -19 in which case the gain or loss is charged to profit and loss account.

### **5.3 Property, plant and equipment**

#### **5.3.1 Operating assets**

These are stated at cost less accumulated depreciation except for free hold land, buildings and plant and machinery which are stated at revalued amounts.

Depreciation is charged, on a systematic basis over the economic useful life of the asset, on reducing balance method, which reflects the pattern in which the assets' economic benefits are consumed by the Company, at the rates specified in respective note. Depreciation on additions is charged from the month in which the assets are put to use while no depreciation is charged in the month in which the assets are disposed off.

In compliance with the revised International Accounting Standard No. 16, " Property, Plant and Equipment" the Company adopted revaluation model for its property, plant and equipment and the revalued figures treated as deemed costs. The Surplus on revaluation of these assets, however, is recognized in accordance with section 235 of the Companies Ordinance, 1984. The surplus on





revaluation of fixed assets to the extent of incremental depreciation net of deferred tax thereon charged on the related assets is transferred by the Company to statement of changes in equity under unappropriated profit. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

Profit or loss on disposal of property, plant and equipment, if any, is taken to profit and loss account.

### **5.3.2 Capital work-in-progress**

Capital work-in-progress is stated at cost.

### **5.4 Stores, spare parts and loose tools**

These are valued at cost calculated on weighted average basis less provision for obsolescence, and slow moving items, if any, except for the items in transit, which are valued at cost accumulated to the balance sheet date.

### **5.5 Stock in trade**

These are valued at lower of the weighted average cost and estimated net realizable value.

Cost in relation to work in process and finished goods consists of material cost, direct wages and applicable manufacturing overheads.

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

### **5.6 Trade debts**

Trade debts are carried at original invoice amount except export receivables. These are translated into Pak Rupees at the rates ruling on the balance sheet date or as fixed under contractual arrangements. Debts considered irrecoverable are written off and provision is made for debts considered doubtful.

### **5.7 Trade and other payables**

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future, for goods and services received.

### **5.8 Revenue recognition**

Revenue is recognized to the extent that it is probable that the future economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and government levies. The following recognition criteria must be met before revenue is recognized:

- Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company's activities.
- Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods to customers.

### **5.9 Functional and presentation currency**

These financial statements are presented in Pakistan Rupee which is the Company's functional and presentation currency.

#### **5.10 Foreign currency transaction and translation**

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates ruling on the balance sheet date or as fixed under contractual arrangements.

Exchange differences from the settlement of such transactions are recognized in the profit and loss account.

#### **5.11 Provisions**

Provisions are recognized in the balance sheet when the Company has legal or constructive obligation as a result of past event, and it is probable that outflow of economic benefits will be required to settle the obligation. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

#### **5.12 Borrowing cost**

Mark-up, interest and other charges on loans are capitalized upto the date of commissioning of the respective qualifying assets. All other mark-up, interest, profit and other charges are charged to income.

#### **5.13 Financial Instruments**

Financial assets and liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and derecognized when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liability when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account currently.

#### **5.14 Offsetting of financial assets and liabilities**

All financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the Company has a legal enforceable right to set off the recognized amounts and intends either to settle on net basis or to realize the assets and settle the liabilities simultaneously.

#### **5.15 Cash and cash equivalents**

Cash and cash equivalents are carried at cost.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand, bank balances and net of short term borrowing utilized under mark-up arrangement.

#### **5.16 Dividend and appropriation to reserves**

Dividend and appropriation to reserve are recognized in the financial statement in the period in which these are approved.

#### **5.17 Impairment**

The carrying amount of the Company's assets are reviewed for any indication of impairment at each financial year end. If such indication exists, the asset recoverable amount is estimated, in order to determine the extent of impairment loss, which is taken to profit and loss account.

#### **5.18 Employee compensated absences**

The Company provides for compensated absences for all eligible employees in the period in which these are earned in accordance with the rules of the Company.



## 6 PROPERTY, PLANT AND EQUIPMENT

Sep. 30  
2010                      Sep. 30  
2009  
(Rupees in '000)

These are comprised as under:

Operating assets	Note- 6.1	477,508	493,260
Capital work-in-progress	Note- 6.2	—	771
		477,508	494,031

### 6.1 Operating Assets

Net carrying value as at Sep 30, 2010	Free hold land	Factory Building on free hold land	Non-Factory Building on free hold land	Plant and Machinery	Furniture and Fittings	Vehicles	Computer Equipment & Appliances	Total
Rupees in'000								
Opening Net Book Value (NBV)	25,600	37,463	11,742	408,234	1,061	6,177	2,983	493,260
Addition (at Cost)	—	—	771	8,201	267	2,294	347	11,880
Disposal/Adjustment (at NBV)	—	—	—	—	—	(27)	—	(27)
Depreciation Charge	—	(3,746)	(1,251)	(20,672)	(130)	(1,398)	(408)	(27,605)
<b>Closing Net Book Value</b>	<b>25,600</b>	<b>33,717</b>	<b>11,262</b>	<b>395,763</b>	<b>1,198</b>	<b>7,046</b>	<b>2,922</b>	<b>477,508</b>
<b>Gross carrying value as at September 30, 2010</b>								
Cost	25,600	66,046	22,652	584,405	5,037	11,459	9,926	725,125
Accumulated Depreciation	—	(32,329)	(11,390)	(188,642)	(3,839)	(4,413)	(7,004)	(247,617)
<b>Net Book Value</b>	<b>25,600</b>	<b>33,717</b>	<b>11,262</b>	<b>395,763</b>	<b>1,198</b>	<b>7,046</b>	<b>2,922</b>	<b>477,508</b>

Net carrying value as at September 30, 2009	Free hold land	Factory Building on free hold land	Non-Factory Building on free hold land	Plant and Machinery	Furniture & Fittings	Vehicles	Computer Equipment & Appliances	Total
Rupees in'000								
Opening Net Book Value (NBV)	25,600	41,625	13,046	425,136	749	5,207	3,167	514,530
Addition (at Cost)	—	—	—	4,544	397	2,337	233	7,511
Disposal/Adjustment (at NBV)	—	—	—	—	—	(35)	—	(35)
Depreciation Charge	—	(4,162)	(1,304)	(21,446)	(85)	(1,332)	(417)	(28,746)
<b>Closing Net Book Value</b>	<b>25,600</b>	<b>37,463</b>	<b>11,742</b>	<b>408,234</b>	<b>1,061</b>	<b>6,177</b>	<b>2,983</b>	<b>493,260</b>
<b>Gross carrying value as at September 30, 2009</b>								
Cost	25,600	66,046	21,882	576,203	4,770	9,220	9,579	713,300
Accumulated Depreciation	—	(28,583)	(10,140)	(167,969)	(3,709)	(3,043)	(6,596)	(220,040)
<b>Net Book Value</b>	<b>25,600</b>	<b>37,463</b>	<b>11,742</b>	<b>408,234</b>	<b>1,061</b>	<b>6,177</b>	<b>2,983</b>	<b>493,260</b>
<b>Depreciation rate % per annum</b>	—	10	10	5	10	20	10 & 20	

Sep. 30  
2010                      Sep. 30  
2009  
(Rupees in '000)

6.1.1 Depreciation charge for the year has been allocated as under :

Cost of Sales	Note - 25	24,418	25,608
Administrative Expenses	Note - 27	3,187	3,138
		27,605	28,746



6.1.2 The following Property, plant and equipment was disposed during the year.

Particulars	Cost	Written Down Value	Sale Proceeds	Particulars of Purchaser
.....Rs in '000.....				
<b>Vehicles:</b>				
Motor Cycle	54	27	54	By terms of employment to Employee - Muhammad Ibrahim
<b>Sep. 30, 2010</b>	<b>54</b>	<b>27</b>	<b>54</b>	
Sep. 30, 2009	53	35	48	

6.1.3 The Company's freehold land, building and plant and machinery were revalued on September 30, 2008 by independent professional valuers M/s Akbani & Javed Associates at fair market value. The resultant revaluation of surplus/deficit has been adjusted to the surplus on revaluation of Fixed Assets Account, the details of which are given below.

	Free Hold Land	Factory Building on free hold land	Non-Factory Building on free hold land	Plant & Machinery	Total
..... Rupees in '000 .....					
Net Book Value before incorporating revaluation	7,043	64,271	29,697	610,269	711,280
Revalued Amounts	25,600	106,625	40,760	694,680	867,665
<b>Revaluation Surplus</b>	<b>18,557</b>	<b>42,354</b>	<b>11,063</b>	<b>84,411</b>	<b>156,385</b>
Less : Incremental depreciation reversal upto September 30, 2010					<b>67,945</b>
					<b>88,440</b>
Less : Deferred tax liability thereon		(Note - 18.1)			<b>42,227</b>
					<b>46,213</b>

## 6.2 Capital work-in-progress

	Cost at October 01	Capital expenditure incurred during the year	Transferred to operating assets	Cost at September 30
..... Rupees in '000 .....				
Non- Factory Building	771	-	771	-
<b>Total 2010</b>	<b>771</b>	<b>-</b>	<b>771</b>	<b>-</b>
Total 2009	2,267	771	2,267	771





		Sep 30 2010	Sep 30 2009
		(Rupees in '000)	
<b>7</b>	<b>STORES, SPARE PARTS AND LOOSE TOOLS</b>		
	Stores	18,762	15,328
	Spare parts	29,398	27,719
	Loose tools	404	328
		<u>48,564</u>	<u>43,375</u>
	Provision for slow moving items and obsolescence	8,352	4,855
	Note 7.1 & 7.2	<u>40,212</u>	<u>38,520</u>
<b>7.1</b>	Certain slow moving and obsolete items of stores and spare parts have been reassessed valuing Rs. 8,352 thousands (2009: Rs. 4,855 thousands) against which full provision have been made in these financial statements.		
<b>7.2</b>	<b>Reconciliation of provision for slow moving and obsolete items</b>		
	Opening provision	4,855	3,304
	Charge for the year	3,497	1,551
	Closing provision	<u>8,352</u>	<u>4,855</u>
<b>8</b>	<b>STOCK-IN-TRADE</b>		
	Sugar - Finished	82,963	136,640
	- In process	3,457	353
		<u>86,420</u>	<u>136,993</u>
	Molasses	332	41
	Baggasse	1,445	2,167
		<u>88,197</u>	<u>139,201</u>
<b>8.1</b>	The closing stock of sugar bags having carrying value of Rs. 14,070 thousands (2009: Rs. Nil) has been pledged against cash finance obtained from the Banking Company.		
<b>9</b>	<b>TRADE DEBTS</b>		
	- Unsecured Considered good	<u>49,519</u>	<u>36,728</u>
	Trade receivable are non-interest bearing and aging analysis of trade debts is as follows:		
	- Neither past due nor impaired	<u>49,519</u>	<u>36,728</u>
<b>10</b>	<b>LOANS AND ADVANCES - Interest free</b>		
	Loans to		
	- growers – Unsecured considered good	36,438	32,762
	- Considered doubtful	6,925	–
		<u>43,363</u>	<u>32,762</u>
	Provision against doubtful growers loan	(6,925)	–
		<u>36,438</u>	<u>32,762</u>
	- Employees – Secured against retirement benefits	546	721
	Advances to (Unsecured)		
	- Contractors and suppliers	18,421	12,265
	- Employees against salaries	238	212
		<u>55,643</u>	<u>45,960</u>

10.1 During the year, the Company has provided fertilizer as a loan to the cane growers which is adjustable against the supplies of sugarcane during the ensuing season.

**10.2 Reconciliation of provision against doubtful growers loan**

	Sep 30 2010	Sep 30 2009
	(Rupees in '000)	
Opening provision	–	–
Charge for the year	6,925	–
Closing provision	<u>6,925</u>	<u>–</u>

10.3 It includes Rs. 4,100 thousands (2009: 3,570 thousands) representing amount advanced to transporters on behalf of cane growers and are adjustable from sugarcane payments.

**11 SHORT TERM PREPAYMENTS**

Prepayments	<u>647</u>	<u>634</u>
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**12 OTHER RECEIVABLES - Considered good**

Others	<u>–</u>	<u>200</u>
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**13 CASH AND BANK BALANCES**

In hand	124	107
At banks		
- current accounts	6,024	15,734
	<u>6,148</u>	<u>15,841</u>

**14 ISSUED, SUBSCRIBED AND PAID UP CAPITAL**

2010	2009			
<b>10,860,000</b>	10,860,000	Ordinary shares of Rs.10 each allotted for consideration paid in cash	<b>108,600</b>	108,600
<b>1,086,000</b>	1,086,000	Ordinary shares of Rs.10 allotted as bonus shares	<b>10,860</b>	10,860
<u><b>11,946,000</b></u>	<u>11,946,000</u>		<u><b>119,460</b></u>	<u>119,460</u>

14.1 National Investment Trust Limited and NBP Trustees - NI(U)T (LOC) Fund hold 27,390 and 1,063,616 shares respectively in the Company. (2009: 2,159,230 shares).

**15 SURPLUS ON REVALUATION OF FIXED ASSETS**

Opening Balance	49,624	55,319
Incremental depreciation on revalued property, plant and equipment transferred to equity - net of tax	(3,411)	(5,695)
	<u>46,213</u>	<u>49,624</u>

Note 6.1.3



		Sep. 30 2010	Sep. 30 2009
		(Rupees in '000)	
<b>16</b>	<b>LONG TERM FINANCING - SECURED</b>		
<b>16.1</b>	Long term finances utilized under mark-up arrangement		
	From Banking Company	44,782	64,970
	<b>Less:</b> Current portion shown under current liabilities (Note - 22)	21,623	20,188
		<u>23,159</u>	<u>44,782</u>
<b>16.2</b>	The above facility is secured by 1st equitable mortgage over specified items of property, plant & equipment and personal guarantees of the directors of the Company. The facility carries a floating markup linked to 6 months KIBOR as base rate plus 5% per annum (with no floor and no cap) chargeable and payable bi-annually. The tenure of finance is 8 years with expiry in March 2012. The above finance facility is repayable in 16 six monthly installments starting from November 2004.		
<b>17</b>	<b>SUB-ORDINATED LOANS - Related Parties</b>		
	<b>Non-interest/markup bearing</b>		
	Loans from		
	– Chief executive	–	13,780
	– Directors	–	9,750
	– Other individual - associate of Directors	–	7,500
		<u>–</u>	<u>31,030</u>
<b>17.1</b>	The above loans have been fully repaid during the year.		
<b>18</b>	<b>DEFERRED LIABILITIES</b>		
	<b>Taxation</b>	Note 18.1	125,815
			135,228
	<b>Employees benefits</b>		
	– Discontinued benefits plan	–	69
	– Defined benefits plan	Note 18.2	14,757
		19,674	14,826
		<u>19,674</u>	<u>150,054</u>
		<u>145,489</u>	<u>150,054</u>

	Sep. 30 2010	Sep. 30 2009
	(Rupees in '000)	
<b>18.1 Taxation:</b>		
Deferred tax credit arising due to:		
– surplus on revaluation	42,227	44,064
– accelerated depreciation	96,669	99,073
	<b>138,896</b>	143,137
Deferred tax debit arising due to:		
– provision for slow moving and obsolescence	2,923	1,699
– defined benefit plan	6,886	5,165
– provision for Grower Loans	2,424	-
– market committee fee	848	1,045
	<b>13,081</b>	7,909
	<b>125,815</b>	135,228
<b>18.2</b> The Company operates an unfunded gratuity scheme for all employees eligible to the benefit effective from July 01,2003 and provision is made as per actuarial valuation of the scheme conducted on November 25, 2009, under the “Projected Unit Credit ” Actuarial Cost Method. The principal assumptions used for actuarial valuation for the gratuity scheme are as follows:		
Discount rate	<b>12 % p.a</b>	
Expected rate of future salary increase	<b>11 % p.a</b>	
Average expected remaining working life time of employees	<b>9 years</b>	
<b>18.2.1 Movement in the present value of the obligation</b>		
Present value of obligation as at	14,757	11,145
Expenses recognized	6,481	5,272
Benefits paid during the year	(1,564)	(1,660)
Present value of obligation as at	<b>19,674</b>	14,757
<b>18.2.2 Reconciliation of balance sheet liability</b>		
Present value of defined benefit obligations	19,674	16,481
Actuarial gains to be recognized in later period	-	(1,724)
	<b>19,674</b>	14,757
<b>18.2.3 Expense for the year ended September 30</b>		
Current service cost	4,495	3,935
Interest cost	1,978	1,337
Recognition of actuarial loss	8	-
	<b>6,481</b>	5,272
<b>18.2.4 Charge for the year has been allocated as under:</b>		
Cost of Sales	4,855	3,954
Administrative Expenses	1,618	1,318
	<b>6,473</b>	5,272





	Sep. 30 2010	Sep. 30 2009
	(Rupees in '000)	
<b>19 TRADE AND OTHER PAYABLES</b>		
Creditors	8,224	1,722
Accrued liabilities	7,139	4,622
Road cess and surcharge	372	372
Advances from customers	331	170,568
Sales tax / SED payable	12,937	20,237
Unclaimed dividend	1,174	750
Other liabilities (Note-19.1)	40,678	27,866
	<u>70,855</u>	<u>226,137</u>
<b>19.1 Other liabilities</b>		
Market committee fee (Note-23.1.2)	20,603	18,181
Sales tax withhold/ income tax deducted at source	504	534
Worker's Profit participation Fund (Note-19.1.1)	11,442	6,190
Worker's Welfare Fund	6,700	2,352
Others	1,429	609
	<u>40,678</u>	<u>27,866</u>
<b>19.1.1 Workers Profit Participation Fund</b>		
Balance as on October 01	6,190	7,220
Interest paid on funds utilized by the Company	386	401
	<u>6,576</u>	<u>7,621</u>
Less: Payments made during the year	6,576	7,621
	—	—
Add: Contribution for the year	11,442	6,190
Balance as on September 30	<u>11,442</u>	<u>6,190</u>
<b>20 ACCRUED MARK-UP</b>		
Mark-up on		
– Long term financing from Bank	3,902	6,222
– Short term borrowings from Bank	6,356	994
	<u>10,258</u>	<u>7,216</u>
<b>21 SHORT TERM BORROWINGS -Secured</b>		
Running Finance Note 21.1 & 21.3	25,000	25,000
Cash Finance Note 21.2 & 21.3	14,070	—
	<u>39,070</u>	<u>25,000</u>

**21.1** The above financing facility available amounting to Rs. 25,000 thousands is secured by first charge to the extent of Rs. 40,000 thousands on all present and future movables of the Company and collaterally secured by personal guarantees of all the directors. The facility carries markup at 3 months KIBOR as base rate plus 3% per annum chargeable and payable quarterly. The facility is renewable annually.

**21.2** The above financing facility available amounting to Rs. 325,000 thousands, is secured by pledge of sugar in bags with approved muccadum and hypothecation of stores/stocks of the Company

amounting to Rs. 434,000 thousands. The facility held by the Banking Company carries markup 3 months KIBOR as base rate plus 3% per annum chargeable and payable quarterly. The facility is renewable annually.

- 21.3** The facilities for running finance and cash finance as at September 30, 2010 is Rs. 25,000 thousands and Rs. 325,000 thousands (2009: 25,000 thousands and Rs. 200,000 thousands) respectively of which the amounts remaining unutilized at the year end were Rs. Nil and Rs. 310,930 thousands (2009: Rs. Nil and Rs. 200,000 thousands) respectively.

<b>Sep. 30 2010</b>	<b>Sep. 30 2009</b>
<b>(Rupees in '000)</b>	

**22 CURRENT PORTION OF LONG TERM FINANCING - Secured**

Current portion of Demand Finance payable in next twelve months	(Note-16)	<b>21,623</b>	<u>20,188</u>
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**23 CONTINGENCIES AND COMMITMENTS**

**23.1 Contingencies:**

**23.1.1** The Company has filed a case in the Honourable High Court of Sindh against the levy of market committee fee by the Government of Sindh on sugarcane purchases at the factory. The Sindh High Court has granted status quo. Full provision of Rs. 20,603 thousands (2009: 18,181 thousands) has been made as a matter of prudence, which includes Rs. 2,422 thousands for the crushing season 2009-2010.

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

**23.1.3** During the year, the Company has filed a suit before the Honourable High Court of Sindh against Pakistan Standards and Quality Control Authority (the Authority) challenging the levy of marking fee under PSQCA Act - IV of 1996. The Authority has demanded a fee payment @ 0.1% of Ex Factory Price for the year 2008-2009 amounting to Rs. 1,915 thousands. The Company is of the view that the demanded notifications so raised are without any lawful authority under the PSQCA Act - IV of 1996 and are in violation of the constitution. The Honourable High Court of Sindh has accepted the petition and termed that the impugned notifications have been issued without lawful authority and suspended the operation of impugned notifications. No provision has been made in this regard since the management is confident that the outcome would be in Company's favour as the amount is insignificant and is not likely to materialize.

**23.2 Commitments:**

**23.2.1** Commitments in respect of capital expenditure amount to Rs 120,034 thousands (2009: Rs Nil)

**23.2.2** Outstanding letters of credit amounts to Rs. 108,709 thousands (2009: Rs. Nil).



	Sep. 30 2010	Sep. 30 2009
	(Rupees in '000)	
<b>24 SALES</b>		
Local Sales	2,817,145	1,915,572
Less: Sales tax	114,498	219,289
Less: Special Excise Duty	22,725	16,794
	<u>2,679,922</u>	<u>1,679,489</u>
<b>25 COST OF SALES</b>		
Sugar cane consumed (including procurement expenses)	2,272,673	1,528,005
Market committee fee	2,422	2,986
Road cess	3,028	3,732
Quality premium	54,501	65,682
Salaries, wages and staff benefits	61,904	61,981
Stores and spares consumed	47,961	57,183
Fuel and power	8,902	7,634
Insurance	5,337	4,543
Repairs and maintenance	4,359	4,771
Packing materials consumed	14,215	16,908
Vehicle running expenses	3,591	2,819
Depreciation	24,418	25,608
Other expenses	1,976	3,817
	<u>2,505,287</u>	<u>1,785,669</u>
<b>Sugar -in-process</b>		
– Opening	353	2,128
– Closing	(3,457)	(353)
	<u>(3,104)</u>	<u>1,775</u>
	<u>2,502,183</u>	<u>1,787,444</u>
Sale of Molasses	229,314	189,384
Inventory adjustment	291	(134)
	<u>229,605</u>	<u>189,250</u>
Sale of Bagasse	24,438	33,795
Inventory adjustment	(722)	434
	<u>23,716</u>	<u>34,229</u>
Cost of goods manufactured	<u>2,248,862</u>	<u>1,563,965</u>
<b>Finished sugar</b>		
– Opening stock	136,640	26,660
– Closing stock	(82,963)	(136,640)
	<u>53,677</u>	<u>(109,980)</u>
	<u>2,302,539</u>	<u>1,453,985</u>

**25.1** Salaries, wages and benefits include Rs. 4,855 thousands (2009: 3,954 thousands) in respect of defined benefit plan.

		Sep. 30 2010	Sep. 30 2009
		(Rupees in '000)	
<b>26</b>	<b>DISTRIBUTION COST</b>		
	Handling and stacking	1,726	1,419
		<u>1,726</u>	<u>1,419</u>
<b>27</b>	<b>ADMINISTRATIVE EXPENSES</b>		
	Salaries, wages and staff benefits	40,533	39,031
	Rent, rates and taxes	846	930
	Communication	788	615
	Repairs and maintenance	2,342	3,130
	Utilities	997	910
	Advertisement	2	–
	Entertainment	1,481	1,247
	Subscription	935	817
	Cartage	1,375	1,518
	Printing and stationery	1,040	748
	Insurance	1,778	1,514
	Conveyance and traveling	5,801	4,722
	Rentals under operating lease	982	449
	Depreciation	3,187	3,138
	Legal and professional charges	3,091	1,106
	Mess Expenses	1,408	1,378
	Other expenses	1,446	927
		<u>68,032</u>	<u>62,180</u>
<b>27.1</b>	Salaries, wages and benefits include Rs. 1,618 thousands (2009: 1,318 thousands) in respect of defined benefit plan.		
<b>28</b>	<b>OTHER OPERATING INCOME</b>		
	<b>Income from other than financial assets:</b>		
	Scrap Sales	753	–
	Gain on sales of property, plant and equipment	27	13
	Others	167	897
		<u>947</u>	<u>910</u>
<b>29</b>	<b>FINANCE COST</b>		
	Mark-up on		
	– Long term financing from bank	9,557	14,721
	– Short-term borrowings from bank	55,904	19,769
	Bank charges	2,632	1,861
	Interest on WPPF	386	401
		<u>68,479</u>	<u>36,752</u>



		Sep. 30 2010	Sep. 30 2009
		(Rupees in '000)	
<b>30 OTHER OPERATING CHARGES</b>			
Auditors' remuneration	Note 30.1	630	480
Corporate social responsibility costs	Note 30.2	204	233
Workers Profit Participation Fund		11,442	6,190
Workers Welfare Fund		4,348	2,352
Provision for slow moving items and obsolescence		3,497	1,551
Provision against doubtful growers loan		6,925	–
		<u>27,046</u>	<u>10,806</u>
<b>30.1 Auditors' remuneration</b>			
<b>Statutory Auditors</b>			
Hyder Bhimji and Co.			
Audit fee		500	375
Half yearly review fee		25	25
Code of corporate governance certification		15	15
Out of pocket expenses		10	5
		550	420
<b>Cost Auditors</b>			
Siddiqi and Co.			
Audit fee		70	50
Out of pocket expenses		10	10
		80	60
		<u>630</u>	<u>480</u>
<b>30.2</b>	Corporate social responsibility costs do not include any amount paid to any person or organization in which a director or his spouse had any interest.		
<b>31 TAXATION</b>			
Current		85,086	47,600
Prior Years		2,943	–
Deferred		(9,413)	745
		<u>78,616</u>	<u>48,345</u>
<b>31.1 Reconciliation of tax expense with accounting profits</b>		%	%
Effective tax rates applicable to accounting profits		40.71	41.47
Permanent timing difference		0.10	0.20
Others		(5.81)	(6.67)
Applicable tax rates		<u>35.00</u>	<u>35.00</u>



## 32 EARNING PER SHARE

There is no dilutive effect on the basic earnings per share of the Company, which is based on.

Net profit after taxation (Rupees '000)

134,431

66,912

Number of ordinary shares

11,946,000

11,946,000

Earning per share - basic (Rupees)

11.25

5.60

Sep. 30  
2010

Sep. 30  
2009

(Rupees in '000)

## 33 CASH GENERATED FROM OPERATIONS

Net profit before taxation

213,047

115,257

**Adjustment for non cash charges and other items:**

Depreciation

27,605

28,746

Gain on sale of fixed assets

(27)

(13)

Provision for employees benefits

6,473

5,272

Provision for growers loan

6,925

–

Provision for slow moving items and obsolescence

3,497

1,551

Finance cost

68,479

36,752

Working capital changes

(Note-33.1)

(138,679)

16,186

(25,727)

88,494

187,320

203,751

### 33.1 Working capital changes

**Decrease / (Increase) in current assets**

Stores, spare parts and loose tools

(5,189)

(277)

Stock - in - trade

51,004

(108,504)

Trade debts

(12,791)

(25,362)

Loans and advances

(16,608)

(24,283)

Short term prepayments

(13)

(133)

Other receivables

200

362

16,603

(158,197)

**(Decrease)/Increase in current liabilities**

Trade and other payables

(155,282)

174,383

(138,679)

16,186

## 34 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following items as included in the balance sheet

Cash and bank balances

6,148

15,841

Short term borrowings

(39,070)

(25,000)

(32,922)

(9,159)



## 35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

- (i) Market Risk including currency risk, interest rate risk and price risk
- (ii) Credit Risk
- (iii) Liquidity Risk

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

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

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

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

### 35.1 Market Risk

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

Financial Instruments affected by market risk includes long term financing and short term borrowing.

#### (a) Foreign Currency Risk

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

#### (b) Interest Rate Risk

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

Change in interest rate by 2% may have a positive or negative impact of approximately Rs. 1,677 thousands (2009: Rs. 1,799 thousands) in profit and loss account before taxation. The analysis made is based on the assumptions that all other variables remain constant.

#### (c) Price Risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices(other than those arising from interest or currency rate risk), where those changes are caused by factors specified to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company presently not exposed to any significant price risk.

### 35.2 Credit Risk

Credit risk is the risk of the financial loss to the Company if counter parties to a financial instrument fails to meet its contractual obligations. The Company does not have significant exposure in relation

to individual customers. Aging analysis of trade debts is disclosed in Note 9 of this financial statements. The Company exposure to credit risk is minimal as the Company receives advance against sale of goods to customers.

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

	<b>Sep. 30 2010</b>	Sep. 30 2009
	(Rupees in '000)	
Long term deposits	2,223	2,223
Trade Debts	49,519	36,728
Advances	55,643	45,960
Bank Balances	6,024	15,734
	<u>113,409</u>	<u>100,645</u>

**(a) Credit quality of financial assets**

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

**Trade debts**

Customers with no default in the past one year

<u>49,519</u>	<u>36,728</u>
---------------	---------------

**Advances**

Counter parties without credit rating

<u>55,643</u>	<u>45,960</u>
---------------	---------------

**Cash at bank**

with acceptable credit ratings specified by SBP

<u>6,024</u>	<u>15,734</u>
--------------	---------------

**(b) Financial assets that are either past due or impaired**

The credit quality of financial assets that are either past due or impaired can be assessed by reference to historical information and external ratings or to historical information about counter party default rates as disclosed in respective notes. During the year, the Company has made provisions against grower loans aggregated to Rs. 6,952 thousand considering the same as past due .

**(c) Financial assets that are neither past due nor impaired**

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information and external ratings or to historical information about counter party default rates as disclosed in respective notes (if any).

**35.3 Liquidity Risk**

Liquidity risk represents the risk where the Company will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and ensuring the fund availability through adequate credit facilities. As at September 30, 2010, the Company has Rs. 350,000 thousands (2009; 225,000 thousands) available from a commercial bank. Unutilized borrowing facilities Rs. 310,930 thousands (2009: Rs. 200,000 thousands) and also has deposit of Rs. 6,024 thousands (2009: 15,734 thousands) at banks. Based on the above, the management believes the liquidity risk does not exists.

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



## FINANCIAL ASSETS AND LIABILITIES

2010	Interest / markup rate	Interest / Mark-up bearing			Non Interest / Mark-up bearing			Total 2010
		Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year	Maturity after one year	Sub Total	
		..... (Rupees in '000) .....						
<b>Financial Assets</b>								
Deposits		—	—	—	—	2,223	2,223	2,223
Trade debts		—	—	—	49,519	—	49,519	49,519
Loan to								
– growers		—	—	—	36,438	—	36,438	36,438
– employees		—	—	—	546	—	546	546
Advance to								
– employees		—	—	—	238	—	238	238
– contractors on behalf of cane growers		—	—	—	4,100	—	4,100	4,100
Cash and bank balances		—	—	—	6,148	—	6,148	6,148
<b>TOTAL 2010</b>		<b>—</b>	<b>—</b>	<b>—</b>	<b>96,989</b>	<b>2,223</b>	<b>99,212</b>	<b>99,212</b>
<b>Financial Liabilities</b>								
Long term financing KIBOR + 5%		21,623	23,159	44,782	—	—	—	44,782
Trade & other payables		—	—	—	57,918	—	57,918	57,918
Accrued mark-up		—	—	—	10,258	—	10,258	10,258
Short-term borrowings KIBOR + 3%		39,070	—	39,070	—	—	—	39,070
<b>TOTAL 2010</b>		<b>60,693</b>	<b>23,159</b>	<b>83,852</b>	<b>68,176</b>	<b>—</b>	<b>68,176</b>	<b>152,028</b>

2009	Interest / markup rate	Interest / Mark-up bearing			Non Interest / Mark-up bearing			Total 2009
		Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year	Maturity after one year	Sub Total	
		..... (Rupees in '000) .....						
<b>Financial Assets</b>								
Deposits		—	—	—	—	2,223	2,223	2,223
Trade debts		—	—	—	36,728	—	36,728	36,728
Loan to								
– growers		—	—	—	32,762	—	32,762	32,762
– employees		—	—	—	721	—	721	721
Advance to								
– employees		—	—	—	212	—	212	212
– contractors on behalf of cane growers		—	—	—	3,570	—	3,570	3,570
Other receivables		—	—	—	200	—	200	200
Cash and bank balances		—	—	—	15,841	—	15,841	15,841
<b>TOTAL 2009</b>		<b>—</b>	<b>—</b>	<b>—</b>	<b>90,034</b>	<b>2,223</b>	<b>92,257</b>	<b>92,257</b>
<b>Financial Liabilities</b>								
Long term financing KIBOR + 5%		20,188	44,782	64,970	—	—	—	64,970
Subordinated loans		—	—	—	—	31,030	31,030	31,030
Short-term borrowings KIBOR + 2% & 3%		25,000	—	25,000	—	—	—	25,000
Trade & other payables		—	—	—	205,900	—	205,900	205,900
Accrued mark-up		—	—	—	7,216	—	7,216	7,216
<b>TOTAL 2009</b>		<b>45,188</b>	<b>44,782</b>	<b>89,970</b>	<b>213,116</b>	<b>31,030</b>	<b>244,146</b>	<b>334,116</b>

### 35.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities approximates to book values.

### 35.5 Capital risk management

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

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

The gearing ratios as at September 30, 2010 and 2009 were as follows:

	Sep. 30 2010	Sep. 30 2009
	(Rupees in '000)	
Total debt	83,852	89,970
Less: Cash and Bank Balances	(6,148)	(15,841)
<b>Total Debt</b>	<b>77,704</b>	<b>74,129</b>
Share Capital	119,460	119,460
Unappropriated profits	186,002	60,114
<b>Total Equity</b>	<b>305,462</b>	<b>179,574</b>
<b>Total Equity and debt</b>	<b>383,166</b>	<b>253,703</b>
Gearing Ratio	<b>20.28%</b>	<b>29.22%</b>

### 36 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the year for remuneration, including all benefits to the Chief Executive, Directors and Executives of the Company were as follows:

	Chief Executive		Directors		Executives		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	(Rupees in '000)							
Directors' fee - 5 Directors	—	—	120	140	—	—	120	140
Managerial remuneration	3,685	3,421	846	831	4,088	4,342	8,619	8,594
Housing	1,116	969	381	374	1,243	1,218	2,740	2,561
Medical and others	498	430	175	167	626	544	1,299	1,141
	<b>5,299</b>	<b>4,820</b>	<b>1,402</b>	<b>1,372</b>	<b>5,957</b>	<b>6,104</b>	<b>12,658</b>	<b>12,296</b>
Number of persons	1	1	2	2	3	3	6	6

The Chief Executive and two Directors and executives are provided with the Company maintained cars for the business and personal use and the Chief Executive and two Directors are also provided with telephone facilities for the business and personal use.





### 37 RELATED PARTY DISCLOSURES

The following transactions were carried out with related parties during the year.

<u>Relationship with Company</u>	<u>Nature of Transaction</u>	
Associates of Directors	Repayment of Subordinated loan	Refer Note 17
Key Management Personnel	Salaries and other employee benefits	Refer Note 36

Transactions and outstanding balances, as applicable in relation to Key Management Personnel (KMP) have been disclosed in note # 36. Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly. The Company consider its Chief Executive and Executive Director to be key management personnel.

### 38 CAPACITY AND PRODUCTION

	2010		2009	
	Quantity M. Tons	No. of days	Quantity M. Tons	No. of days
Crushing capacity	6,000	Per day	6,000	Per day
Capacity based on actual working days	684,000	114	792,000	132
Actual Crushing	484,452	114	597,111	132
Sucrose recovery (in %)	9.60		9.58	
Sugar production from cane	46,449		57,308	
Sugar processed	98		—	

38.1 Main reason for under utilization of production capacity is of shortage of sugarcane during the season.

### 39 DATE OF AUTHORIZATION FOR ISSUE

39.1 These financial statements were authorized for issue on January 03, 2011 by the Board of Directors of the Company.

40 The Board of Directors in its meeting held on January 03, 2011 has recommended a final cash dividend @ 15% (Rs. 1.50 per share) (2009: Rs. 1.00 per share) for approval of the members at the Annual General Meeting of the Company to be held on January 31, 2011. Since it is a non-adjusting event, the financial statements for the year ended September 30, 2010 do not include the effect of the proposed cash dividend.

### 41 FIGURES

41.1 Figures have been rounded off to nearest thousand of rupees.

41.2 Comparative figures in respect of legal and professional charges and interest on WPPF as appearing in Note 29 of these financial statements have been reclassified from other operating charges to administrative expenses (Note 27) and finance cost (Note 29) respectively to correct the classification.

Chief Executive

Director



## Pattern of Share Holding

As at September 30, 2010

No. of Shareholders	Share Holding		Total Shares Held
	From	To	
408	1	100	11,350
110	101	500	32,332
112	501	1000	74,362
98	1001	5000	230,049
52	5001	10000	342,566
8	10001	15000	100,715
2	15001	20000	33,000
5	20001	25000	117,658
4	25001	30000	107,330
2	35001	40000	73,001
2	40001	45000	89,650
3	60001	65000	186,931
1	65001	70000	67,591
1	75001	80000	75,175
1	85001	90000	87,840
3	95001	100000	289,490
1	100001	105000	101,055
1	105001	110000	106,075
2	110001	115000	224,628
1	115001	120000	119,410
2	125001	130000	251,615
1	140001	145000	145,000
2	170001	175000	343,005
1	225001	230001	227,582
1	240001	245000	241,487
1	255001	260000	257,000
1	325001	330000	329,527
1	401001	405000	403,100
1	410001	415000	410,740
1	620001	625000	624,635
1	655001	660000	659,250
1	670001	675000	674,750
1	855001	860000	858,000
1	910001	915000	913,000
1	975001	980000	979,000
1	1060001	1065000	1,063,616
1	1090001	1095000	1,094,485
<b>836</b>			<b>11,946,000</b>

Shareholder's Category	Number of Shares Held	Percentage %
1 Directors, Chief Executive Officer, and their spouse and minor children.	1,649,137	13.8049
2 Associated Companies, undertakings and related parties.	–	0.0000
3 NIT & ICP	1,091,406	9.1362
4 Banks Development Financial Institutions, Non Banking Financial Institutions.	1,025,517	8.5846
5 Insurance Companies	418,540	3.5036
6 Modarabas and Mutual Funds	–	0.0000
7 Share holders holding 10%	–	0.0000
8 General Public - Local	7,528,717	63.0229
9 Limited Companies	232,683	1.9478
<b>TOTAL</b>	<b>11,946,000</b>	<b>100.0000</b>



## Detail of Pattern of Share Holding

As per Requirement of Code of Corporate Governance

As at September 30, 2010

Category Name	Number of shares held	Category wise Number of shareholders	Category wise shares held	Percentage %
<b>Directors, Chief Executive and their spouse and minor children</b>		7	1,649,137	13.8049
Haji Khuda Bux Rajar	241,487			
Mr. Ghulam Dastagir Rajar	659,250			
Mr. Jam Mitha Khan	62,700			
Mr. Mohammad Aslam	3,300			
Mr. Qazi Shamsuddin	4,900			
Mr. Gul Mohammad	674,750			
Mrs. Khanzady W/o Haji Khuda Bux Rajar	2,750			
<b>Associated Companies Undertaking and related parties</b>		–	–	–
<b>NIT &amp; ICP</b>		3	1,091,406	9.1362
National Investment Trust Limited	27,390			
NBP Trustee - NI(U)T (LOC) Fund	1,063,616			
Investment Corporation of Pakistan	400			
<b>Bank, DFIS, NBFIS.</b>		4	1,025,517	8.5846
NDFC- Investor	300			
<b>Insurance Companies,</b>		3	418,540	3.5036
<b>Modarbas &amp; Mutual Funds</b>		–	–	–
<b>Shareholders holding 10%</b>		–	–	–
<b>General Public - Local</b>		809	7,528,717	63.0229
<b>Limited Companies</b>		10	232,683	1.9478
		<u>836</u>	<u>11,946,000</u>	<u>100.000</u>

### Shareholders holding ten percent or more voting interest in the Company

Name of Shareholders	Number of shares held	Percentage %
None	–	–

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