



CONTENTS

	PAGE
❖ Company Information	2
❖ Statement of Vision, Mission, Objectives, Corporate Strategy and Strategic Planning	3
❖ Statement of Ethics and Business Practices	4
❖ Notice of Annual General Meeting	5
❖ Directors' Report.....	6
❖ Key Operating and Financial Data of Last Ten Years	10
❖ Stakeholders Information.....	11
❖ Investors Information for Ten Years	11
❖ Statement of Value Added and How Distributed	12
❖ Statement of Compliance with the Best Practices of Code of Corporate Governance.....	13
❖ Auditors' Review Report to the Members on Statement of Compliance with Best Practices of the Code of Corporate Governance	14
❖ Auditors' Report to the Members	15
❖ Balance Sheet	16
❖ Profit and Loss Account.....	17
❖ Cash Flow Statement	18
❖ Statement of Changes in Equity	19
❖ Notes to the Financial Statements.....	20
❖ Pattern of Shareholding	39



COMPANY INFORMATION

BOARD OF DIRECTORS

Haji Khuda Bux Rajar
(Chairman / Chief Executive)
Mr. Jam Mitha Khan
Mr. Ghulam Dastagir Rajar
Mr. Mohammad Aslam
Mr. Qazi Shamsuddin
Mr. Gul Mohammad
Mr. Shahid Aziz (Nominee of NIT)
Mr. Rana Ahmed Khan (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 Chamber, Hasrat
Mohani Road, Karachi
Phone : 021 – 2411474 – 2212754
Fax : 021 - 2424835

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 : 021-2427171-72
Fax No : 021-2410700
E-mail : ssml@cyber.net.pk

FACTORY

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

BANKERS

Allied Bank Ltd.
Askari Bank Ltd.
MCB Bank Ltd.
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 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 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 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 filed 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 as 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 third Annual General Meeting of **Sanghar Sugar Mills Limited** will be held on Friday January 30, 2009 at 10.00 a.m. at Beach Luxury, Moulvi Tamizuddin Khan Road, Karachi to transact the following business:

1. To confirm the minutes of Extra-ordinary General Meeting held on October 27, 2008.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended September 30, 2008 together with Directors' and Auditors' Reports thereon.
3. To appoint Auditors for the year 2008-2009 and fix their remuneration. The present Auditors M/s Hyder Bhimji & Co. Chartered Accountants, retire and being eligible, have offered themselves for re-appointment.
4. To transact any other ordinary business with the permission of the Chair.

By Order of the Board

Abdul Ghafoor Ateeq
Company Secretary

Karachi: January 02, 2009

NOTES :

1. The Share Transfer Books of the Company will remain closed from January 23, 2009 to January 30, 2009 (both days inclusive).
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 CNIC, CDC Account and Participant's ID number to prove his/her identity, and in case of Proxy must enclosed an attested copy of his/her CNIC. Representatives of corporate members should bring the usual documents required for such purpose.
4. Members are requested to notify any changes in their registered address immediately to the Share Registrar of the Company.
5. Members are requested to send attested copy of their CNIC, if not yet submitted to the Share Registrar of the Company.



DIRECTORS' REPORT

Your Directors are pleased to welcome you at the twenty third Annual General Meeting and present Annual Report together with the Company's audited financial statements for the year ended September 30, 2008.

Review of the Performance of the Company within the Economy

By the Grace of Allah Almighty, the crushing season 2007-2008, proved to be good for the Company. The operational efficiency as well as the financial stability to a good extent was achieved. Proper planning and effective implementation of management policies allowed the Company to achieve its highest production level ever. The timely intervention by the Trading Corporation of Pakistan also helped in bringing stability to the local sugar market which helped the Company in coping with high sugarcane price fixed by the Government. Further, like always your Company, has taken its social responsibility seriously and played its part by ensuring regular supplies to the market. It is hoped that your Company will continue to play an important role in the economic well-being and social development of the country.

Operating Results

A brief summary of operating results of the Company for the year ended September 30, 2008 are given hereunder:

	2007 - 2008	2006 - 2007
Season started on	25.10.2007	03.11.2006
Season completed on	23.04.2008	28.03.2007
Operating days	182	146
Sugarcane crushed (M. Tons)	853,592	526,439
Cane Sugar produced (M. Tons)	81,097	45,602
Sugar processed (M. Tons)	5,929	—
Sucrose recovery (%)	9.50	8.68

Review of Operation

The Company's operational results have been phenomenal and clearly reflect the operational efficiency achieved. All the operational sectors performed to their optimum to achieve such overall exceptional results.

Financial Results

The key financial figures of the Company for the year ended September 30, 2008 are summarized as under:

	2008	2007
	(Rupees '000)	
Net profit / (loss) before taxation	134,232	(12,373)
Taxation	35,629	7,382
Net profit / (loss) after taxation	<u>98,603</u>	<u>(19,755)</u>
Earning / (loss) per share-basic and diluted (Rupees)	<u>8.25</u>	<u>(1.65)</u>



Review of Financial Results

In view of the foregoing facts, the Company has made net sales of Rs. 1,861,248 thousand as compared to net sales of Rs.1,065,461 thousand in the last year and gross profit of Rs. 233,622 thousand as compared to gross profit of Rs. 71,575 thousand in the last year. The main factors that contributed in achieving such results were reasonable sugar prices in the local market which resulted in higher revenues and efficient capacity utilization which enabled the company to keep its cost of production to an acceptable level even though the cost of sugarcane fixed by the Government was on the higher side. These helped the Company in making profit after taxation of Rs. 98,603 thousand as compared to loss after taxation of Rs. 19,755 thousand during the last year.

Future Prospects

The crushing season 2008–2009 has commenced on 06 November, 2008 and like last year, the Government has again increased the price of sugarcane substantially which will have a huge impact on the production cost of sugar. Further, the sugarcane crop is also expected to be on the lower side during the year 2008-2009 as compared to the year under review. Another factor that can adversely affect Company's performance is the price of sugar which might remain under pressure due to the overall economic slowdown. Maintaining of reasonable price of sugar in the local market after considering matching of cost of production, will to a great extent help to reduce the impact of high production cost of sugar and allow the sugar industry to continue its operation viably in the long run. However, to resolve these factors, the sugar industry, the growers and government will have to continue work in tandem to benefit all the stakeholders resulting in the overall improvement in the economy of the country.

Contribution of the Company towards Economy of the Country

The Company's contribution to the National Exchequer in the form of income tax, sales tax and other levies and charges, was Rs. 330,821 thousand during the year as compared to Rs. 185,450 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, Environment and Services to the Society

Your Company and its directors, management and employees are 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 welfare of the society for achieving the objectives. The management is making efforts to comply therewith. Thus, the Company is responsive to environmental consideration, safeguarding the health of employees and principles of safety in its operations, the consumers and public at large by following the rules and regulations in this regard.

Board of Directors

The Board had accepted resignation dated January 1, 2008 by Mr. Farooq Hassan (nominee director representing N.I.T.) in his place, appointed on January 29, 2008 Mr. Rana Ahmed Khan as nominee director representing N.I.T.

The shareholders of the Company have elected in the Extra-ordinary General Meeting held on October 27, 2008, the following directors of the Company for a period of three years effective from November 4, 2008.



- | | |
|-----------------------------------|---------------------------------------|
| 1) Haji Khuda Bux Rajar | 2) Mr. Jam Mitha Khan |
| 3) Mr. Ghulam Dastagir Rajar | 4) Mr. Muhammad Aslam |
| 5) Mr. Qazi Shamsuddin | 6) Mr. Gul Mohammad |
| 7) Mr. Shahid Aziz (NIT- Nominee) | 8) Mr. Rana Ahmed Khan (NIT- Nominee) |

Audit Committee

The Board, in compliance with the Code, has already established the Audit Committee comprising three members of whom two are non-executive directors including the chairman of the Committee. The meetings were held at least once in every quarter prior to approval of interim and final results of the Company and as required by the Code.

Revaluation of Land, Building, Plant and Machinery

The Directors are pleased to report that Company's free hold land, building, plant and machinery were revalued on September 30, 2008 by independent professional valuers M/s. Akbani & Javed Associates in order to be current with prevailing fair market value and accordingly the carrying value of such assets are being adjusted. The details of which are fully disclosed in the annexed notes to the financial statements.

Corporate and Financial Reporting Frame Work

In compliance with the 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 operations, cash flows and changes in equity.
- ii. Proper books of accounts have been maintained by the Company.
- iii. Appropriate accounting policies have been applied consistently 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 a going concern.
- vii. There has been no material departure from the best practices of the Corporate Governance as detailed in the Listing Regulations of the Stock Exchanges.
- viii. The key operation and financial data for last ten years in summarized form are annexed.
- ix. During the year, the Company has made net profit after tax of Rs. 98,603 thousand which helped in reducing the accumulated loss of Rs 116,703 thousand upto great extent. The management intends to fulfill its obligation to pay off sufficient amounts to the providers of non-interest bearing loans. As such, no dividend in cash or otherwise is proposed/declared for the year ended September 30, 2008.
- x. 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.
- xi. 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.



- xii. The number of Board meetings held during the year were four. The attendance of each Director is given hereunder:

Name of Directors	No. of Meetings attended
Haji Khuda Bux Rajar	4
Mr. Jam Mitha Khan	4
Mr. Ghulam Dastagir Rajar	4
Mr. Muhammad Aslam	4
Mr. Qazi Shamsuddin	3
Mr. Gul Mohammad	4
Mr. Shahid Aziz (representing N.I.T.)	2
Mr. Farooq Hassan (representing N.I.T.)	2
Mr. Rana Ahmed Khan (representing N.I.T.)	1

Resignation of Mr. Farooq Hassan was accepted on January 29, 2008 and in his place Mr. Rana Ahmed Khan was appointed as director representing N.I.T.

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

- xiii. The Pattern of Shareholding as on September 30, 2008 is annexed.
- xiv. To the best 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 2007-2008.

Statement of Compliance with Code of Corporate Governance

The requirements of the Code set out by the Stock Exchanges in their Listing Regulations, relevant for the year ended September 30, 2008 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 has recommended their appointment as Auditors of the Company for the year ending September 30, 2009.

Acknowledgement

The Directors express appreciation for the dedication, loyalty and hard work of the workers, staff, executives and anticipate that they will continue to contribute for the enhancement of productivity and well being of the Company in future with great zeal and spirit under the blessing of 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 Board of Directors

Haji Khuda Bux Rajar
Chief Executive

Karachi: January 02, 2009



KEY OPERATING & FINANCIAL DATA OF LAST TEN YEARS

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
OPERATIONAL DATA										
Duration of Season (Days)	182	146	126	103	159	118	98	132	109	128
Cane Crushed (Tons)	853,592	526,439	419,498	330,744	532,824	447,676	259,114	423,193	383,068	417,297
Sucrose Recovery (%)	9.50	8.68	9.42	9.15	8.90	8.94	8.78	8.70	8.80	8.60
Sugar Made (Tons)	87,026	45,602	39,837	30,024	47,274	40,026	22,758	45,570	33,925	35,919
Molasses (Tons)	49,360	26,200	19,773	17,351	35,142	25,473	13,035	23,026	19,242	19,207
All figures in Rs in '000										
TRADING RESULTS										
Turnover (Net)	1,861,248	1,065,461	1,052,760	568,370	680,996	582,531	346,068	917,112	523,145	563,866
Gross profit / (loss)	233,622	71,575	178,720	541,191	82,824	3,688	(67,192)	96,280	60,671	79,724
Operating profit/ (loss)	171,330	28,489	134,932	(9,341)	38,886	(35,371)	(100,003)	56,780	20,776	29,791
Profit/ (loss) before taxation	134,232	(12,373)	94,186	(30,701)	18,915	(76,761)	(119,238)	(1,547)	(19,260)	(23,418)
Profit/ (loss) after taxation	98,603	(19,755)	55,461	(62,052)	4,215	(50,860)	(118,492)	4,166	(11,157)	(17,881)
ASSETS EMPLOYED										
Operating Assets	516,797	524,078	539,306	555,559	545,510	570,322	603,271	457,098	477,298	491,764
Long Term Deposits	2,223	2,223	2,385	913	1,013	3,074	3,050	1,722	2,951	9,604
Current Assets	119,007	125,784	125,371	102,118	120,499	83,337	86,238	93,885	82,733	95,670
Total Assets Employed	638,027	652,085	667,062	658,590	667,022	656,733	692,559	552,705	562,982	597,038
FINANCED BY										
Shareholders equity	106,967	2,757	28,566	(30,370)	24,007	10,921	52,271	170,763	171,535	191,652
Surplus on Revaluation of Land, Building and Plant & Machinery	55,319	103,695	109,587	115,910	101,387	107,153	169,537	—	—	—
Long Term Liabilities	210,646	250,621	240,218	242,647	258,985	166,997	169,092	133,888	49,409	51,235
Deferred Liabilities	145,697	128,348	125,374	86,444	48,375	38,556	14,096	42,945	143,316	65,815
Current Liabilities	119,398	166,664	163,317	243,959	234,268	333,106	287,563	205,109	198,722	288,336
Total Fund Invested	638,027	652,085	667,062	658,590	667,022	656,733	692,559	552,705	562,982	597,038



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. 5th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi Phone No: 021 – 2411474 – 2212754. Fax No: 021 – 2424835.

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 – 2427171 – 72 Fax : 021 – 2410700

INVESTORS INFORMATION FOR TEN YEARS

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Gross Profit Ratio (%)	12.55	6.72	16.97	4.78	12.16	0.63	(19.42)	10.50	11.60	14.14
Profit/ (loss) before Tax Ratio (%)	7.21	(1.16)	8.94	(5.40)	2.78	(13.18)	(34.46)	(0.16)	(3.68)	(4.15)
Inventory Turnover Ratio	26.36	18.41	16.28	9.03	10.69	12.30	7.68	19.07	9.92	10.95
Fixed Assets Turnover Ratio	360.15	203.30	195.21	102.31	124.84	102.11	57.37	200.64	109.61	117.92
Price Earning Ratio	2.96	(5.14)	1.93	(0.96)	21.71	(0.82)	(0.34)	8.57	(6.34)	(4.67)
Return on Capital Employed (%)	41.48	19.49	24.92	6.58	10.03	(10.37)	27.83	14.74	6.34	6.29
Market Value per Share	24.45	8.50	8.50	5.00	7.60	3.50	3.40	3.00	5.90	7.00
Book Value per Share	8.95	0.23	2.39	(2.54)	2.01	0.91	4.38	14.29	14.36	16.04
Earning per Share	8.25	(1.65)	4.40	(5.19)	0.35	(4.26)	(9.92)	0.35	(0.93)	1.50
Debt Equity Ratio	2.30	1.60	1.24	1.82	2.07	1.41	0.76	0.78	0.29	0.27
Current Ratio	1.00	0.75	0.77	0.42	0.51	0.25	0.30	0.46	0.42	0.33
Interest Cover Ratio	6.30	0.67	3.77	(0.44)	1.83	(0.83)	(2.22)	0.97	0.97	0.55



STATEMENT OF VALUE ADDED AND HOW DISTRIBUTED

	2008 (Rs. '000)	%	2007 (Rs. '000)	%
Turnover Gross	2,170,042		1,340,624	
Other Income	6,055		4,008	
	2,176,097		1,344,632	
Sugarcane Procurement Expenses	1,529,478		953,258	
Direct Costs & Services	47,378		76,870	
	1,576,856		1,030,128	
Value Added	599,241		314,504	
Distributed as follows:				
To Employees as:				
– Remuneration	90,749	15.14	68,294	21.71
– Worker's profit participation fund	7,220	1.20	—	—
	97,969		68,294	
To Government:				
– Sales Tax & SED	308,794	51.53	171,277	54.46
– Income Tax	12,423	2.07	8,251	2.62
– Deferred Tax	15,554	2.60	1,535	0.49
– Cess & Fees	9,603	1.60	5,922	1.88
	346,374		186,985	
To Providers of Capital as:				
– Finance Cost	25,326	4.23	37,493	11.92
– Dividend	—	—	11,946	3.80
	25,326		49,439	
Retained in the Business as:				
– Depreciation	30,969	5.17	29,541	9.39
– Profit/ (loss) for the Year	98,603	16.45	(19,755)	(6.28)
	129,572		9,786	
	599,241	100.00	314,504	100.00



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

For the year ended September 30, 2008

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 or, being a member of stock exchange has been declared as defaulter by that stock exchange.
4. One casual vacancy occurred in the Board was filled up by the directors with in 30 days thereof.
5. The Company has prepared a Statement of Ethics and Business Practices, which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with 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. All 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 meeting. 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 partner 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. We confirm that all other material principles contained in the Code have been complied with.

For and On Behalf of Board of Directors

Haji Khuda Bux Rajar
Chief Executive

Karachi: January 02, 2009

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE 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 of the Stock Exchanges, where the Company is listed.

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

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

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 for the year ended September 30, 2008.

Hyder Bhimji & Co.
Chartered Accountants

Karachi: January 02, 2009



AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **SANGHAR SUGAR MILLS LIMITED** as at September 30, 2008 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) In our opinion :
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c). in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, 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, 2008 and of the profit, its cash flows and changes in equity for the year then ended; and
- d). in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Karachi
January 02, 2009


Hyder Bhimji & Co.
Chartered Accountants



BALANCE SHEET
As at September 30, 2008

ASSETS	Note	Sep 30 2008	Sep 30 2007
(Rupees in '000)			
NON-CURRENT ASSETS			
Fixed Assets			
Property, plant and equipment	4	516,797	524,078
Long Term Deposits		2,223	2,223
		519,020	526,301
CURRENT ASSETS			
Stores, spare parts and loose tools	5	39,794	46,269
Stock -in-trade	6	30,697	6,746
Trade debts	7	11,366	5,720
Loans and advances	8	21,677	59,407
Trade deposits and short term prepayments	9	501	1,983
Other receivables	10	562	1,381
Income tax provision less payments		-	1,631
Cash and bank balances	11	14,410	2,647
		119,007	125,784
Total Rupees		638,027	652,085
SHARE CAPITAL AND RESERVES			
Authorized capital		200,000	200,000
20,000,000 shares of Rs.10 each			
Issued, subscribed and paid up capital	12	119,460	119,460
Accumulated loss		(12,493)	(116,703)
		106,967	2,757
SURPLUS ON REVALUATION OF FIXED ASSETS	13	55,319	103,695
NON CURRENT LIABILITIES			
Long term financing	14	64,970	83,818
Subordinated loans	15	31,030	31,030
Long term loans	16	114,646	135,499
Long term liability	17	-	274
Deferred liabilities	18	145,697	128,348
		356,343	378,969
CURRENT LIABILITIES			
Trade and other payables	19	51,928	68,623
Accrued mark-up	20	9,633	8,444
Short term borrowings	21	32,970	20,000
Short term loan		-	50,000
Current portion of long term borrowings	22	18,848	19,597
Provision for tax less payments		6,019	-
		119,398	166,664
CONTINGENCIES AND COMMITMENTS	23		
Total Rupees		638,027	652,085

The annexed notes 1 to 40 form an integral part of these financial statements.


Haji Khuda Bux Rajar
Chief Executive


Ghulam Dastagir Rajar
Director



PROFIT AND LOSS ACCOUNT
For the year ended September 30, 2008

	Note	Sep 30 2008 (Rupees in '000)	Sep 30 2007
Sales	24	1,861,248	1,065,461
Cost of sales	25	1,627,626	993,886
Gross profit		233,622	71,575
Distribution cost	26	10,711	806
Administrative expenses	27	57,636	46,288
		68,347	47,094
Other operating income	28	6,055	4,008
		171,330	28,489
Finance cost	29	25,326	37,493
Other operating charges	30	11,772	3,369
		37,098	40,862
Net profit/ (loss) before taxation		134,232	(12,373)
Taxation	31	35,629	7,382
Net profit/(loss) after taxation		98,603	(19,755)
Earning/(loss) per share - Basic and diluted (Rupees)	32	8.25	(1.65)

The annexed notes 1 to 40 form an integral part of these financial statements.

Haji Khuda Bux Rajar
Chief Executive

Ghulam Dastagir Rajar
Director



CASH FLOW STATEMENT
For the year ended September 30, 2008

	Note	Sep 30 2008 (Rupees in '000)	Sep 30 2007
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	33	143,286	57,508
Market committee fee paid		(2,100)	(1,000)
Employees benefits paid		(1,301)	(1,097)
Finance cost paid		(24,137)	(38,298)
Taxes paid		(12,423)	(8,251)
Long term deposits		-	162
Net cash inflow from operating activities		103,325	9,024
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(66,666)	(15,515)
Proceeds from disposal of fixed assets		584	3,106
Net cash outflow from investing activities		(66,082)	(12,409)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long term financing		(17,597)	(16,429)
(Decrease)/Increase in long term loans		(20,853)	29,000
Dividend Paid		-	(11,946)
Net cash (out flow)/ inflow from financing activities		(38,450)	625
Net decrease in cash and cash equivalents		(1,207)	(2,760)
Cash and cash equivalents at beginning of the year		(17,353)	(14,593)
Cash and cash equivalents at end of the year	34	(18,560)	(17,353)

The annexed notes 1 to 40 form an integral part of these financial statements.

Haji Khuda Bux Rajar
Chief Executive

Ghulam Dastagir Rajar
Director

**STATEMENT OF CHANGES IN EQUITY***For the year ended September 30, 2008*

Particulars	Share Capital	Accumulated Loss	Total
 (Rs in '000)		
Balance as at October 01, 2006	119,460	(90,894)	28,566
Net loss after tax for the year ended September 30, 2007	—	(19,755)	(19,755)
Final Dividend for the year ended September 30, 2006	—	(11,946)	(11,946)
Incremental depreciation charged on surplus on revaluation of fixed assets net of tax	—	5,892	5,892
Balance as at September 30, 2007	<u>119,460</u>	<u>(116,703)</u>	<u>2,757</u>
Balance as at October 01, 2007	119,460	(116,703)	2,757
Net profit after tax for the year ended September 30, 2008	—	98,603	98,603
Incremental depreciation charged on surplus on revaluation of fixed assets net of tax	—	5,607	5,607
Balance as at September 30, 2008	<u>119,460</u>	<u>(12,493)</u>	<u>106,967</u>

The annexed notes 1 to 40 form an integral part of these financial statements.

Haji Khuda Bux Rajar
Chief Executive

Ghulam Dastagir Rajar
Director



NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2008

1 COMPANY AND ITS BUSINESS:

- 1.1 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 BASIS OF PREPARATION:

2.1 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. provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 The new standards, interpretations thereof and amendments therein

The International Accounting Standards Board [IASB] announces new standards, interpretations thereof and amendments therein in the International Accounting Standards [IASs] and International Financial Reporting Standards [IFRSs], from time to time. The amendments in the following IASs, IFRSs and IFRICs, in relation to subjects mentioned below, have already been published by the IASB, becoming mandatorily applicable from accounting periods beginning on or after the dates specified hereunder, which may or may not be relevant to Company's operations and may or may not have any significant impact besides enhanced disclosure.

IAS 1	Presentation of Financial Statements - Revised	From January 1, 2009
IAS 23	Borrowing Costs - Revised	From January 1, 2009
IAS 27	Consolidated and separate financial statements (Revised)	From January 1, 2009
IAS 29	Financial reporting in Hyperinflationary Economics	From January 1, 2009
IAS 32	Financial Instruments	From January 1, 2009
IFRS 2	Share - based Payment	From January 1, 2009
IFRS 3	Business Combinations	From July 1, 2009
IFRS 8	Operating Segments	From July 1, 2008
IFRIC 12	Service Concession Arrangements	From January 1, 2008
IFRIC 13	Customer Loyalty Programmes	From July 1, 2008
IFRIC 14	The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction	From January 1, 2008
IFRIC 15	Agreement for the Construction of Real Estate	From October 1, 2008
IFRIC 16	Hedge of Net Investment in Foreign Operation	From October 1, 2008

2.3 Standards, amendments and interpretations effective but not relevant

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 01, 2007 are considered not to be relevant or have any significant effect to the Company's operations.

2.4 Significant 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.

3 SIGNIFICANT ACCOUNTING POLICIES:

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention except for certain items of property, plant and equipment which are stated at revalued amount, recognition of employee benefits at present value, valuation of stock in trade when valued at net realizable value and financial assets and liabilities which are carried at their fair values.

3.2 Property, plant and equipment

3.2.1 Owned

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 accumulated loss. 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.



3.2.2 Finance Lease

Property, plant and equipment held under finance lease are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of the assets at the inception of lease. The related obligations of the leases are accounted for as liabilities.

Property, plant and equipment acquired under finance lease are depreciated over the useful life of the assets on a reducing balance method.

3.2.3 Capital work-in-progress

Capital work in progress is stated at cost. All expenditure directly connected to the specific assets incurred during installation and construction period are carried at under this head. These are transferred to specific assets as and when assets are available for use.

3.3 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.

3.4 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.

3.5 Employees benefits

3.5.1 Discontinued benefits 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, will be paid to the eligible employees on leaving the service of the Company.

3.5.2 Defined benefits 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 accounts. 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.

3.5.3 Compensated absences

The Company accounts for these benefits in the period in which the absences are earned.

3.6 Taxation

3.6.1 Current

Provision for current taxation is computed in accordance with the provisions of Income Tax Laws. The charge for current income tax is recorded after adjustment, if any to the provisions for tax made prior year including those arising from assessment and amendments in assessments during the year in such years.

3.6.2 Deferred

Deferred tax is provided by using the liability method, on all major temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax assets are recognized only to the extent that it is probable that future profits will be available against which the assets can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

**3.7 Provisions**

Provisions are recognized in the balance sheet when the Company has a legal or constructive obligation as a result of past event, and it is probable that the outflow of economic benefits will be required to settle the obligation.

3.8 Foreign currency translation

Transactions in foreign currencies are recorded into reporting currency at the rate of exchange prevailing on the date of transactions. Monetary assets and liabilities in foreign currencies are translated in to Pakistan rupees at the rate of exchange prevailing at the balance sheet date. Exchange gains and losses, if any, are included in the profit and loss currently.

3.9 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.

3.10 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognized amounts and the Company intends to either settle on a net basis or to realize the asset and discharge the liability simultaneously.

3.11 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.

3.12 Borrowing cost

Borrowing Costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

3.13 Related party transactions

All transactions between the Company and related party are recorded at arm's length prices determined in accordance with Comparable Uncontrolled Price Method.

3.14 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.

3.15 Trade and other payables

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

3.16 Trade debts

These are carried at original invoice value. Debts considered irrecoverable are written off and appropriate provision is made where recovery is considered doubtful.

3.17 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 despatch of the goods to customers.

3.18 Dividend and appropriation to reserves

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



4	PROPERTY, PLANT AND EQUIPMENT		Sep. 30	Sep. 30
4.1	These are comprised as under:		2008	2007
				(Rupees in '000)
	Operating fixed assets	(Note 4.1.1)	514,530	513,510
	Capital work-in-progress	(Note 4.1.4)	2,267	10,568
			<u>516,797</u>	<u>524,078</u>

4.1.1 Operating fixed assets 2008

Particulars	COST/REVALUATION				Rate %	DEPRECIATION				Net book value as at Sept. 30, 2007
	As at Oct. 01 2007	Revaluation during the year	Additions / (Deletions)	As at Sept. 30, 2008		Accumulated up to Oct. 01, 2007	For the year	Disposals For the year	Accumulated up to Sept. 30, 2008	
..... (Rs. In '000') (Rs. In '000')					
Owned Assets										
Free hold land	17,600	8,000	—	25,600	—	—	—	—	—	25,600
Factory Building on free hold land	55,299	4,479	6,268	66,046	10	20,932	3,489	—	24,421	41,625
Non Factory Building on free hold land	20,512	1,370	—	21,882	10	7,539	1,297	—	8,836	13,046
Plant & Machinery	561,992	(56,618)	66,285	571,659	5	121,979	24,544	—	146,523	425,136
Furniture & Fittings	4,373	—	—	4,373	10	3,541	83	—	3,624	749
Vehicles	5,715	—	1,778 (557)	6,936	20	963	1,114	(348)	1,729	5,207
Computer, Equipment & Appliances	8,710	—	636	9,346	10&20	5,737	442	—	6,179	3,167
Total Sep. 30, 2008	674,201	(42,769)	74,967 (557)	705,842		160,691	30,969	(348)	191,312	514,530

2007

Particulars	COST/REVALUATION				Rate %	DEPRECIATION				Net book value as at Sept. 30, 2007
	As at Oct. 01 2006	Revaluation during the year	Additions / (Disposal)	As at Sept. 30, 2007		Accumulated up to Oct. 01, 2006	For the year	Disposals For the year	Accumulated up to Sept. 30, 2007	
..... (Rs. In '000') (Rs. In '000')					
Owned Assets										
Free hold land	17,600	—	—	17,600	—	—	—	—	—	17,600
Factory Building on free hold land	55,299	—	—	55,299	10	17,114	3,818	—	20,932	34,367
Non Factory Building on free hold land	20,512	—	—	20,512	10	6,097	1,442	—	7,539	12,973
Plant & Machinery	561,992	—	—	561,992	5	98,820	23,159	—	121,979	440,013
Furniture & Fittings	4,373	—	—	4,373	10	3,448	93	—	3,541	832
Vehicles	3,590	—	3,953 (1,828)	5,715	20	974	615	(626)	963	4,752
Computer, Equipment & Appliances	7,716	—	994	8,710	10&20	5,323	414	—	5,737	2,973
Total Sep. 30, 2007	671,082	—	4,947 (1,828)	674,201		131,776	29,541	(626)	160,691	513,510



	Sep. 30 2008	Sep. 30 2007
4.1.2 Depreciation charge for the year has been allocated as under :	(Rupees in '000)	
Cost of Sales	28,033	26,977
Administrative Expenses	2,936	2,564
	<u>30,969</u>	<u>29,541</u>

4.1.3 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 surplus/deficit on revaluation has been adjusted to the surplus on revaluation of Fixed Assets Account, the details of which are given below:

	Land	Factory Building	Non Factory Building	Plant & Machinery	Total
	(Rs. 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
Revaluation surplus	18,557	42,354	11,063	84,411	156,385
Less : Incremental depreciation reversal upto September 30, 2008					53,935
					<u>102,450</u>
Less : Deferred tax liability thereon			(Note 18.1)		47,131
					<u>55,319</u>

4.1.4 Capital work-in-progress

	As at Oct 01	Additions	Transfer to operating fixed assets	As at Sep 30
	(Rs. In '000')			
2008				
Plant & Machinery - Under erection 4.1.4 (a)	10,568	2,267	(10,568)	2,267
2007				
Plant & Machinery - Under erection	—	10,568	—	10,568

4.1.4 (a) Additions of Rs. 2,267 thousands includes Rs. Nil(2007: 180 thousand) on account of capitalization of borrowing cost.

4.1.5 The following Property, plant and equipments were sold during the year:

Description	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Mode of Disposal	Purchaser's Particulars
	(Rs. In '000')					
Vehicle:						
Suzuki Cultus AGM-526	113	18	95	360	Negotiations	Mr. Mubashar Nabi DHA, Karachi
Suzuki Potohar BC-3201	350	275	75	150	Negotiations	Mr. Muhammad Hashim (Employee)
Items having net book value not exceeding Rs. 50,000						
Vehicles	94	55	39	74	Negotiations	Various
Total Sep. 30, 2008	<u>557</u>	<u>348</u>	<u>209</u>	<u>584</u>		
Total Sep. 30, 2007	103	28	75	595		

**4.1.6 Reconciliation of opening and closing Net Book Value (NBV)**

	Cost/ Revaluation	Accumulated Depreciation	NBV	Cost of Additions during the year	Surplus/ (deficit) revaluation during the year	NBV of disposals during the year	Depreciation for the year	Net NBV as at Sept 30, 2008
..... As at Oct 01, 2007 (Rs. In '000')							
Free hold land								
– Cost	7,043	—	7,043	—	8,000	—	—	15,043
– Revaluation	10,557	—	10,557	—	—	—	—	10,557
	17,600	—	17,600	—	8,000	—	—	25,600
Factory Building on free hold land								
– Cost	17,424	7,137	10,287	6,268	—	—	1,081	15,474
– Revaluation	37,875	13,795	24,080	—	4,479	—	2,408	26,151
	55,299	20,932	34,367	6,268	4,479	—	3,489	41,625
Non Factory Building on free hold land								
– Cost	10,819	4,433	6,386	—	—	—	639	5,747
– Revaluation	9,693	3,106	6,587	—	1,370	—	658	7,299
	20,512	7,539	12,973	—	1,370	—	1,297	13,046
Plant & Machinery								
– Cost	420,963	92,174	328,789	66,285	—	—	18,983	376,091
– Revaluation	141,029	29,805	111,224	—	(56,618)	—	5,561	49,045
	561,992	121,979	440,013	66,285	(56,618)	—	24,544	425,136

	Sep 30 2008	Sep 30 2007
	(Rupees in '000)	
5 STORES, SPARE PARTS AND LOOSE TOOLS		
Stores	13,460	13,941
Spare parts	27,396	35,158
Loose tools	320	272
	41,176	49,371
Provision for slow moving items and obsolescence (Note 5.1)	3,304	3,102
	37,872	46,269
Stores in transit	1,922	—
	39,794	46,269
5.1 Reconciliation of provision for slow moving and obsolete items		
Opening provision	3,102	2,351
Charge for the year	202	751
Closing provision	3,304	3,102
6 STOCK-IN-TRADE		
Sugar - Finished (Note 6.1)	26,660	2,528
- In process	2,128	2,569
	28,788	5,097
Molasses	175	204
Baggasse	1,734	1,445
	30,697	6,746
6.1 The closing stock of sugar bags having carrying value of Rs. 9.408 Million(2007: Nil) has been pledged with MCB Bank Limited.		
7 TRADE DEBTS		
– Unsecured Considered good	11,366	5,720



		Sep 30 2008	Sep 30 2007
(Rupees in '000)			
8	LOANS AND ADVANCES-Considered good (Interest free)		
	Loans to – growers – Unsecured	9,665	16,565
	– employees – Secured against retirement benefits	541	1,248
	Advances to (Unsecured)		
	– contractors and suppliers (Note 8.1)	11,361	41,020
	– employees against salaries	110	574
		<u>21,677</u>	<u>59,407</u>
8.1	It includes Rs. 2,568 thousand (2007: 2,775 thousand) representing amount advanced to transporters on behalf of cane growers and are adjustable from sugarcane payments.		
9	TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		
	Deposits	–	1,478
	Prepayments	501	505
		<u>501</u>	<u>1,983</u>
10	OTHER RECEIVABLES - Considered good		
	Sales tax	–	1,254
	Others	562	127
		<u>562</u>	<u>1,381</u>
11	CASH AND BANK BALANCES		
	In hand	55	77
	At banks – current accounts	14,355	2,570
		<u>14,410</u>	<u>2,647</u>
12	ISSUED, SUBSCRIBED AND PAID UP CAPITAL		
	2008	2007	
	10,860,000	10,860,000	Ordinary shares of Rs.10 each allotted for consideration paid in cash
			108,600
	1,086,000	1,086,000	Ordinary shares of Rs.10 allotted as bonus shares
			10,860
	<u>11,946,000</u>	<u>11,946,000</u>	<u>119,460</u>
			<u>119,460</u>
12.1	National Bank of Pakistan -Trustee Department (NIT) holds 2,159,230 shares in the Company. (2007: 2,159,230 shares)		
13	SURPLUS ON REVALUATION OF FIXED ASSETS		
	Opening Balance	103,695	109,587
	Incremental depreciation on revalued property, plant and equipment transferred to accumulated loss	(5,607)	(5,892)
	Revaluation of property, plant & equipment resulted in deficit	(42,769)	–
		<u>55,319</u>	<u>103,695</u>
	(Note 4.1.3)		



	Sep. 30 2008	Sep. 30 2007
	(Rupees in '000)	
14 LONG TERM FINANCING - SECURED		
14.1 Long term finances utilized under mark-up arrangement		
From Allied Bank Limited	83,818	101,415
Less: Current portion (Note 22)	18,848	17,597
	<u>64,970</u>	<u>83,818</u>
14.2 The above facility is secured by 1st charge of equitable mortgage over property, plant & equipment amounting to Rs. 200 Million 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 equal installments starting from November 2004.		
15 SUB-ORDINATED LOANS - Related Parties		
Non-interest/markup bearing		
Loans from		
– Chief executive	13,780	13,780
– Directors	9,750	9,750
– Other individual - associate of Directors	7,500	7,500
	<u>31,030</u>	<u>31,030</u>
15.1 The Chief Executive, Directors and their associate had given their consents to sub-ordinate their loans given to the Company. The loans are unsecured except that the Chief Executive has given personal guarantee against loans obtained from directors and other individual.		
16 LONG TERM LOANS- Related Parties		
Non-interest bearing		
From individuals - associates of Directors	<u>114,646</u>	<u>135,499</u>
16.1 The above loans are of long term nature and is repayable at the convenience of the Company. During the year, the Company repaid the aggregate amount of Rs. 20,853 thousands out of the balance loan. The loans are unsecured except that the Chief Executive has given personal guarantee against loans obtained from them.		
17 LONG-TERM LIABILITY		
Market committee fee	–	2,274
Less: current portion (including overdue installment) (Note 22)	–	2,000
	<u>–</u>	<u>274</u>
17.1 This represents market committee fee accumulated up to season 2000-2001 payable in half-yearly installment of Rs. 500 thousand each, commencing from January 1999. It included overdue installment of Rs. Nil thousand (2007 : 1,000 thousand).		
18 DEFERRED LIABILITIES		
Taxation (Note 18.1)	134,483	118,927
Employees benefits		
– Discontinued benefits plan	69	399
– Defined benefits plan (Note 18.2)	11,145	9,022
	<u>11,214</u>	<u>9,421</u>
	<u>145,697</u>	<u>128,348</u>



	Sep 30 2008	Sep 30 2007
	(Rupees in '000)	
18.1 Taxation:		
Deferred tax credit arising due to:		
– surplus on revaluation	47,131	50,151
– accelerated depreciation	92,862	96,584
	139,993	146,735
Deferred tax debit arising due to:		
– unabsorbed losses	–	22,629
– provision for slow moving and obsolescence	1,155	1,086
– defined benefit plan	3,901	3,297
– market committee fee	454	796
	5,510	27,808
	134,483	118,927
18.2 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 08, 2007, under the “Projected Unit Credit ” Actuarial Cost Method. The principal assumptions used for actuarial valuation for the gratuity scheme are as follows:		
Discount rate	10 % p.a	
Expected rate of future salary increase	9 % p.a	
Average expected remaining working life time of employees	9 years	
18.2.1 Movement in the present value of the obligation		
Present value of obligation as at September 30, 2007	9,022	7,570
Expenses recognized	3,094	2,536
Benefits paid during the year	(971)	(1,084)
Present value of obligation as at September 30, 2008	11,145	9,022
18.2.2 Reconciliation of balance sheet liability		
Present value of defined benefit obligations	11,145	7,950
Actuarial gains to be recognized in later period	–	1,072
	11,145	9,022
18.2.3 Expense for the year ended September 30		
Current service cost	2,329	1,855
Interest cost	795	681
Recognition of actuarial gain	(30)	–
	3,094	2,536



		Sep. 30 2008	Sep. 30 2007
		(Rupees in '000)	
18.2.4 Charge for the year has been allocated as under:			
Cost of Sales	(Note 25.1)	2,320	1,902
Administrative Expenses	(Note 27.1)	774	634
		<u>3,094</u>	<u>2,536</u>
19 TRADE AND OTHER PAYABLES			
Creditors		9,475	8,993
Accrued liabilities		7,611	6,646
Road cess and surcharge		3,133	372
Advances from customers		30	31,170
Sales tax payable		4,678	7,999
Unclaimed dividend		750	1,511
Other liabilities	(Note 19.1)	26,251	11,932
		<u>51,928</u>	<u>68,623</u>
19.1 Other liabilities			
Market committee fee	(Note 19.1.1)	15,369	10,928
Income tax deducted at source		253	380
Workers' Profit participation Fund	(Note 19.1.2)	7,220	-
Workers' Welfare Fund		2,744	-
Others		665	624
		<u>26,251</u>	<u>11,932</u>
19.1.1	The Company has filed a case in High Court of Sindh against the levy of market committee fee by the Government of Sindh on sugarcane purchased at the factory. The Sindh High Court has granted status quo. Full provision of Rs. 15,369 thousand (2007 : Rs.10,928 thousand) has been made as a matter of prudence.		
19.1.2 Workers' Profit Participation Fund			
Balance as on October 01		-	4,957
Interest thereon		-	-
		<u>-</u>	<u>4,957</u>
Less: Payment during the year		-	4,957
		<u>-</u>	<u>-</u>
Add: Contribution for the year		7,220	-
		<u>7,220</u>	<u>-</u>
20 ACCRUED MARK-UP			
Mark-up on			
- Long term financing from Bank		7,176	7,789
- Short term borrowings from Bank		2,457	655
		<u>9,633</u>	<u>8,444</u>
21 SHORT TERM BORROWINGS -Secured			
MCB Bank Limited - Running Finance	(Note 21.1)	23,500	20,000
MCB Bank Limited - Cash Finance	(Note 21.2)	9,470	-
		<u>32,970</u>	<u>20,000</u>



- 21.1** The above financing facility available amounting to Rs. 25 Million and is secured by first charge of Rs. 40 Million on all present and future movables of the company and personal guarantees of the directors. The facility carries markup 3 months KIBOR as base rate plus 3% per annum with floor of 13% chargeable and payable quarterly. The facility is renewable annually.
- 21.2** The above financing facility available amounting to Rs. 200 Million and is secured by pledge of sugar in bags with approved muccadum and hypothecation of stores/stock of the company amounting to Rs. 200 Million. The facility carries markup 3 months KIBOR as base rate plus 2% per annum with floor of 11.5% chargeable and payable quarterly. The facility is renewable annually.

22 CURRENT PORTION OF LONG TERM BORROWINGS

Long term financing	(Note 14)	18,848	17,597
Long-term liability	(Note 17)	–	2,000
		<u>18,848</u>	<u>19,597</u>

23 CONTINGENCIES AND COMMITMENTS

23.1 Contingencies:

Loss Contingencies:

23.1.1 The Company challenged levy of further sales tax @ 1.5% under the Sales Tax Act 1990, amounting to Rs. 8,459 thousand in the Sindh High Court, for which relief was granted. Against the judgment, the department preferred appeal with Supreme Court and submitted to the Supreme Court of Pakistan that the Company had proceeded to challenge the vires of Section 3(1A) of Sales Tax Act, 1990 without availing department remedies. The Supreme Court of Pakistan has referred back the case to the Sales Tax Department who decided the matter against the Company. The Company filed appeal against the decision before the Sales tax Appellate Tribunal. The Company maintains that the matter would not be decided against if concluded in accordance with the law. Pending the outcome of the same, no provision has been recognized in this behalf as the management is confident that the same would be decided in the Company's favour.

23.1.2 The Company challenged in the Social Security Court at Karachi against arbitrary levying of Rs. 5,600 thousands as Social Security Contribution payable to the Social Security Department. Since this is not justified, no provision has been recognized in this behalf as the management is confident that the same would be decided in the Company's favour.

23.2 Commitments:

23.2.1 Commitments for rentals under operating lease agreements in respect of various vehicles are as follows:

Payable	(Rupees in '000)
Within one year	466
After one year	116

23.2.2 Commitments for capital expenditure is as follows:

– Plant & Machinery Rs. 20 Million



	Sep. 30 2008	Sep. 30 2007
	(Rupees in '000)	
24 SALES		
Local Sales	2,103,162	1,236,738
Less: Sales tax	290,209	171,277
Less: Special Excise Duty	18,585	-
	<u>1,794,368</u>	<u>1,065,461</u>
Export Sales	66,880	-
	<u>1,861,248</u>	<u>1,065,461</u>
25 COST OF SALES		
Sugar cane consumed (including procurement expenses)	1,388,654	953,258
Cost of Sugar purchased for Processing	140,824	-
Market committee fee	4,268	2,632
Road cess	5,335	3,290
Quality premium	85,359	-
Salaries, wages and staff benefits (Note 25.1)	52,327	39,067
Stores and spares consumed	72,388	43,671
Fuel and power	5,324	5,824
Insurance	3,363	3,365
Repairs and maintenance	6,589	4,829
Packing materials consumed	29,942	11,173
Vehicle running expenses	2,265	2,345
Depreciation	28,033	26,977
Other expenses	6,420	1,361
	<u>1,831,091</u>	<u>1,097,792</u>
Sugar -in-process		
- Opening	2,569	546
- Closing	(2,128)	(2,569)
	441	(2,023)
	<u>1,831,532</u>	<u>1,095,769</u>
Sale of Molasses	154,930	90,052
Inventory adjustment	56	141
	154,986	90,193
Sale of Bagasse	24,499	13,834
Inventory adjustment	289	(289)
	24,788	13,545
Cost of goods manufactured	<u>1,651,758</u>	<u>992,031</u>
Finished sugar		
- Opening stock	2,528	4,383
- Closing stock	(26,660)	(2,528)
	(24,132)	1,855
	<u>1,627,626</u>	<u>993,886</u>

25.1 Salaries, wages and staff benefits include Rs. 2.320 million (2007: 1.902 million) in respect of defined benefit plan.



	Sep. 30 2008	Sep. 30 2007
	(Rupees in '000)	
26 DISTRIBUTION COST		
Handling and stacking	2,419	806
Brokerage & Commission	983	–
Export Expenses	7,309	–
	<u>10,711</u>	<u>806</u>
27 ADMINISTRATIVE EXPENSES		
Salaries, wages and staff benefits	38,422	29,227
Rent, rates and taxes	204	1,105
Communication	636	724
Repairs and maintenance	1,901	799
Utilities	409	317
Advertisement	69	179
Entertainment	985	926
Subscription	873	360
Cartage	1,721	979
Printing and stationery	988	971
Insurance	1,121	1,121
Conveyance and traveling	4,146	3,648
Rentals under operating lease	972	1,090
Depreciation	2,936	2,564
Mess Expenses	1,020	911
Other expenses	1,233	1,367
	<u>57,636</u>	<u>46,288</u>
27.1	Salaries, wages and staff benefits include Rs. 0.774 million (2007: 0.634 million) in respect of defined benefits plan.	
28 OTHER OPERATING INCOME		
Income from other than financial assets:		
Gain on sale of fixed assets	375	1,904
Scrap sales	4,935	1,855
Others	745	249
	<u>6,055</u>	<u>4,008</u>
29 FINANCE COST		
Mark-up on		
– Long term financing from bank	14,912	16,805
– Short-term borrowings from bank	8,917	19,934
Bank charges	1,497	934
	<u>25,326</u>	<u>37,673</u>
Less : Borrowing cost capitalized	–	180
	<u>25,326</u>	<u>37,493</u>



		Sep. 30 2008	Sep. 30 2007
		(Rupees in '000)	
30	OTHER OPERATING CHARGES		
	Auditors' remuneration (Note 30.1)	280	265
	Legal and professional charges	365	799
	Corporate social responsibility costs (Note 30.2)	315	251
	Workers' Profit Participation Fund	7,220	–
	Workers' Welfare Fund	2,744	–
	Provision for slow moving items and obsolescence	202	751
	Sales tax surcharge on delayed payment	330	–
	Sales tax on fixed assets paid under amnesty scheme	316	1,303
		<u>11,772</u>	<u>3,369</u>
30.1	Auditors' remuneration		
	Statutory Auditors		
	Hyder Bhimji and Co.		
	Audit fee	175	160
	Half yearly review fee	25	25
	Code of corporate governance certification	15	15
	Out of pocket expenses	5	5
		220	205
	Cost Auditors		
	Siddiqi and Co.		
	Audit fee	50	50
	Out of pocket expenses	10	10
		60	60
		<u>280</u>	<u>265</u>
30.2	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.		
31	TAXATION		
	Current	20,020	5,847
	Prior Years	55	–
	Deferred	15,554	1,535
		<u>35,629</u>	<u>7,382</u>
31.1	Reconciliation of tax expense with accounting profits	%	%
	Effective tax rates applicable to accounting profits	26.54	(59.67)
	Minimum tax liability on turnover to carryover of tax losses	0.00	47.25
	Permanent timing difference	0.20	0.66
	Adjustments towards tax losses	8.11	46.49
	Others	0.15	0.27
	Applicable tax rates	<u>35.00</u>	<u>35.00</u>



	Sep. 30 2008	Sep. 30 2007
32 EARNING/ (LOSS) PER SHARE		
There is no dilutive effect on the basic earnings per share of the Company, which is based on.		
Net profit/(loss) after taxation (Rupees '000)	<u>98,603</u>	<u>(19,755)</u>
Number of ordinary shares	<u>11,946,000</u>	<u>11,946,000</u>
Earning/(loss) per share- basic (Rupees)	<u>8.25</u>	<u>(1.65)</u>
33 CASH GENERATED FROM OPERATIONS		
Net profit/(loss) before taxation	134,232	(12,373)
Adjustment for non cash charges and other items:		
Depreciation	30,969	29,541
Gain on sale of fixed assets	(375)	(1,904)
Provision for employees benefits	3,094	2,536
Provision for slow moving items and obsolescence	202	751
Finance cost	25,326	37,493
Working capital changes (Note 33.1)	(50,162)	1,464
	<u>9,054</u>	<u>69,881</u>
	<u>143,286</u>	<u>57,508</u>
33.1 Working capital changes		
Decrease / (Increase) in current assets		
Stores, spare parts and loose tools	6,273	1,204
Stock - in - trade	(23,951)	(20)
Trade debts	(5,646)	27,680
Loans and advances	37,730	(31,927)
Deposits and prepayments	1,482	325
Other receivables	819	445
	<u>16,707</u>	<u>(2,293)</u>
(Decrease)/Increase in current liabilities		
Trade and other payables	(16,869)	(46,243)
Short term loan	(50,000)	50,000
	<u>(50,162)</u>	<u>1,464</u>
34 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents comprise of the following items as included in the balance sheet		
Cash and bank balances	14,410	2,647
Short term borrowings	(32,970)	(20,000)
	<u>(18,560)</u>	<u>(17,353)</u>

**35 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**

35.1 The Company's exposure to interest rate risk and the effective rates on its financial assets and liabilities as of 30 September, 2008, are summarized as follows:

	Interest / markup rate	Interest / Mark-up bearing			Non Interest / Mark-up bearing			Total 2008
		Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year	Maturity after one year	Sub Total	
..... (Rupees in '000)								
Financial Assets								
Deposits		—	—	—	—	2,223	2,223	2,223
Trade debts		—	—	—	11,366	—	11,366	11,366
Loan to								
— growers		—	—	—	9,665	—	9,665	9,665
— employees		—	—	—	541	—	541	541
Advance to								
— employees		—	—	—	110	—	110	110
— contractors on behalf of cane growers		—	—	—	2,568	—	2,568	2,568
Other receivables		—	—	—	562	—	562	562
Cash and bank balances		—	—	—	14,410	—	14,410	14,410
TOTAL 2008		—	—	—	39,222	2,223	41,445	41,445
Financial Liabilities								
Long term financing KIBOR + 5%		18,848	64,970	83,818	—	—	—	83,818
Subordinated loans		—	—	—	—	31,030	31,030	31,030
Long term loans		—	—	—	—	114,646	114,646	114,646
Trade & other payables		—	—	—	47,250	—	47,250	47,250
Accrued mark-up		—	—	—	9,633	—	9,633	9,633
Short-term borrowings KIBOR + 2% & 3%		32,970	—	32,970	—	—	—	32,970
TOTAL 2008		51,818	64,970	116,788	56,883	145,676	202,559	319,347
..... (Rupees in '000)								
Financial Assets								
Deposits		—	—	—	1,478	2,223	3,701	3,701
Trade debts		—	—	—	5,720	—	5,720	5,720
Loan to								
— growers		—	—	—	16,565	—	16,565	16,565
— employees		—	—	—	1,248	—	1,248	1,248
Advance to								
— employees		—	—	—	574	—	574	574
— contractors on behalf of cane growers		—	—	—	2,775	—	2,775	2,775
Other receivables		—	—	—	127	—	127	127
Cash and bank balances		—	—	—	2,647	—	2,647	2,647
TOTAL 2007		—	—	—	31,134	2,223	33,357	33,357
Financial Liabilities								
Long term financing KIBOR + 5%		17,597	83,818	101,415	—	—	—	101,415
Subordinated loans		—	—	—	—	31,030	31,030	31,030
Long term loans		—	—	—	—	135,499	135,499	135,499
Long term liability		—	—	—	2,000	274	2,274	2,274
Short-term borrowings KIBOR + 2% & 3%		20,000	—	20,000	—	—	—	20,000
Trade & other payables		—	—	—	60,624	—	60,624	60,624
Accrued mark-up		—	—	—	8,444	—	8,444	8,444
Short term loan		—	—	—	50,000	—	50,000	50,000
TOTAL 2007		37,597	83,818	121,415	121,068	166,803	287,871	409,286



35.1.1 Financial Risk Management Objectives

Risk management is carried out by the management under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas like credit risk, foreign exchange risk, interest rate risk and investing excessive liquidity.

35.1.2 Interest/ markup rate risk management

Interest/ markup rate is the risk that the value of the financial instrument will fluctuate due to changes in the market interest/ markup rates. The variation in interest/ markup rate risks is managed through due monitoring of rates prevailing in the market and circumstances of the Company.

35.1.3 Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the credit worthiness of counterparties.

Concentration of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicate the relative sensitivity of the Company's performance to development affecting any particular industry. Out of the total financial assets of Rs. 41,445 thousands, the financial assets which are subject to financial risk amounted to Rs. 24,161 thousands.

35.1.4 Foreign exchange risk management

Foreign currency risk arises mainly due to dealing in foreign currency . The Company is not presently exposed to foreign currency risk on assets and liabilities except amounts relating to exports/imports which are on letter of credits.

35.1.5 Liquidity risk

Liquidity risk reflects the Company's inability in raising funds to meet commitments. Management closely monitors the Company's liquidity and cash flow position and believes that it is not exposed to any significant liquidity risk. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of overall funding mix and obtaining advance payment from large customers.

35.1.6 Fair value of financial instruments

The carrying value of financial assets and liabilities approximate their fair value. The fair value is the amount for which the assets could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transactions.

35.1.7 Price risk

The Company is exposed to price risk on as far as purchases of raw material and sale of sugar are concerned, which are being closely monitored by management on daily basis and production and sale being carried out accordingly.

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

The aggregate amount charged in the accounts 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	
	2008	2007	2008	2007	2008	2007	2008	2007
..... (Rupees in '000)								
Directors' fee - 5 Directors (2007: 5 Directors)	—	—	69	52	—	—	69	52
Managerial remuneration	3,232	2,754	669	669	4,316	2,463	8,217	5,886
Housing	841	841	301	301	941	787	2,083	1,929
Medical and others	380	380	140	133	452	306	972	819
	4,453	3,975	1,110	1,103	5,709	3,556	11,272	8,634
Number of persons	1	1	5	5	3	3	9	9

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

Executives of the Company are also provided with Company maintained cars for the business and personal use.

37 RELATED PARTY DISCLOSURES

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

Relationship with Company	Nature of Transaction	Refer Note
Key Management Personnel	Salaries and other employee benefits	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

	2008		2007	
	Quantity M. Tons	No. of days	Quantity M. Tons	No. of days
Crushing capacity	6,000	Per day	5,500	Per day
Capacity based on actual working days	1,092,000	182	803,000	146
Actual Crushing	853,592	182	526,439	146
Sucrose recovery (in %)	9.50		8.68	
Sugar made from cane	81,097		45,602	
Sugar processed	5,929		—	

38.1 Main reason for under utilization of production capacity is lesser availability of sugarcane.

39 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on January 02, 2009 by the Board of Directors of the Company.

40 FIGURES

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

Haji Khuda Bux Rajar
Chief Executive

Ghulam Dastagir Rajar
Director

**PATTERN OF SHARE HOLDING***As at September 30, 2008*

No. of Shareholders	Share Holding		Total Shares Held
	From	To	
232	1	100	9,536
130	101	500	39,765
117	501	1000	78,500
106	1001	5000	245,180
52	5001	10000	343,980
11	10001	15000	135,070
6	15001	20000	108,500
3	20001	25000	72,850
3	25001	30000	79,940
1	35001	40000	36,795
2	40001	45000	89,650
1	55001	60000	57,500
2	60001	65000	125,400
1	65001	70000	70,000
1	75001	80000	75,175
1	85001	90000	87,850
1	90001	95000	92,500
3	95001	100000	289,490
1	100001	105000	101,055
1	105001	110000	106,075
2	125001	130000	251,615
1	170001	175000	170,005
1	240001	245000	241,487
1	255001	260000	257,000
1	295001	300000	300,000
1	325001	330000	329,527
1	400001	405000	403,100
1	410001	415000	410,740
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
1	1095001	1100000	1,095,614
<u>692</u>			<u>11,946,000</u>

Shareholder's Category	Number of Shareholders	Number of Shares Held	Percentage %
01 Individuals	675	8,872,780	74.2740
02 Investment Companies	2	700	0.0059
03 Insurance Companies	3	418,540	3.5036
04 Joint Stock Companies	10	494,750	4.1416
05 Financial Institution	2	2,159,230	18.0749
TOTAL	<u>692</u>	<u>11,946,000</u>	<u>100.0000</u>



DETAIL OF PATTERN OF SHARE HOLDING
As per Requirement of Code of Corporate Governance
As at September 30, 2008

Category Name	Number of shares held	Category wise Number of shareholders	Category wise shares held	Percentage %
INDIVIDUALS		668	7,223,643	60.4691
Investment Companies				
NDFC- Investor	300	2	700	0.0059
Investment Corporation of Pakistan	400			
Joint Stock Companies		10	494,750	4.1416
Directors, Chief Executive and their spouse and minor		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. Qazi Shamsuddin	4,900			
Mr. Mohammad Aslam	3,300			
Mr. Gul Mohammad	674,750			
Mrs. Khanzady W/o Haji Khuda Bux Rajar	2,750			
NIT		2	2,159,230	18.0749
National Bank Of Pakistan, Trustees Department (NIT)	1,063,616			
NBP Trustee - NI(U)T (LOC) Fund	1,095,614			
Associated Companies Undertaking and related parties		—	—	—
Public Sector Companies and Corporation		1	410,740	3.4383
Foreign Investors		—	—	—
Bank, DFIS, NBFIS, Insurance Companies,		2	7,800	0.0653
Modarbas & Mutual Funds		—	—	—
Others		—	—	—
		<u>692</u>	<u>11,946,000</u>	<u>100.00</u>

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

Name of Shareholders	Number of shares held	Percentage %
National Bank of Pakistan, Trustee Department - N.I.T.	2,159,230	18.0749