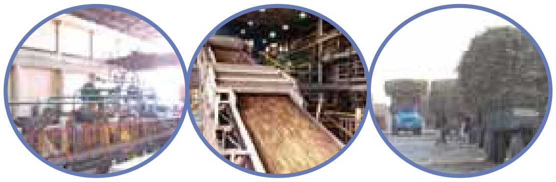
Table of Contents



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 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
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 fourth Annual General Meeting of **Sanghar Sugar Mills Limited** will be held on Saturday January 30, 2010 at 10.00 a.m. at Beach Luxury, Moulvi Tamizuddin Khan Road, Karachi to transact the following business:

1. To confirm the minutes of twenty third Annual General Meeting held on January 30, 2009.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended September 30, 2009 together with Directors' and Auditors' Reports thereon.
3. To consider and approve payment of final cash dividend @ 10% (Rupee 1.00 per share) for the year ended September 30, 2009 as recommended by the Board of Directors.
4. To appoint Auditors for the year 2009-2010 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

Abdul Ghafoor Ateeq
Company Secretary

Karachi: January 04, 2010

NOTES :

1. The Share Transfer Books of the Company will remain closed from January 20, 2010 to January 30, 2010 (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 19, 2010, 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 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 usual 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 fourth Annual General Meeting and present Annual Report together with the Company's audited financial statements for the year ended September 30, 2009.

Review of the performance of the Company

The crushing season for the year 2008-2009 commenced on November 06, 2008 and closed on March 17, 2009. The sugarcane crop for the season 2008-2009 was lesser as compared with the last season 2007-2008 which resulted in the price-war among the sugar mills. However, the Company, through proper management, ensured regular supply of sugarcane at acceptable rates under the prevailing environment. The Company has tried its best 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:

		2008-2009	2007-2008
Season started on		**06-11-2008**	25-10-2007
Season completed on		**17-03-2009**	23-04-2008
Operating days		**132**	182
Sugarcane crushed	(M.Tons)	**597,111**	853,592
Cane sugar produced	(M.Tons)	**57,308**	81,097
Sugar processed	(M.Tons)	–	5,929
Sucrose recovery	(%)	**9.58**	9.50

Review of Operation

As mentioned above, the Company has operated at reasonable level during the crushing season 2008-2009 and produced good operational results in terms of crushing of sugarcane, manufacturing of sugar and sucrose recovery under the circumstances of lesser availability of sugarcane as compared with the previous year.

Financial Results

The key financial figures of the Company for the year ended September 30, 2009 alongwith the corresponding year are summarized as under:

	2009	2008
	(Rupees '000)	
Net profit before taxation	**115,257**	134,232
Taxation	**48,345**	35,629
Net profit after taxation	**66,912**	98,603
Earning per share-basic and diluted (Rupees)	**5.60**	8.25

Review of Financial Results

As mentioned above, the Company has made net sales of Rs. 1,679,489 thousand as compared with net sale of Rs. 1,861,248 thousand in the last year and gross profit of Rs. 225,504 thousand as compared with gross profit of Rs. 233,622 thousand in the last year. The main factors that contributed in achieving such results were increasing trend of sugar price in the international market due to shortage affecting the sugar sale price in the local market during the ending period of the financial year of the Company, which enabled the Company to bear the burden of higher procurement cost of sugarcane due to lesser crop of sugarcane and increasing level of other costs, charges and expenses. Moreover, due to lesser lifting of sugar contracted for sale during the last quarter of the financial year of the Company, such stock of sugar not lifted but held by the Company was valued at average cost being lower than net realizable value as per requirement of International Accounting Standard No. 2. This resulted in the lesser net profit before taxation as compared with the last year.

Dividend

Keeping in view as mentioned above, the Board of Directors has recommended final cash dividend @ 10% i.e. rupee 1.00 per share (2008: Nil) to be paid to the shareholders.

Future Prospects

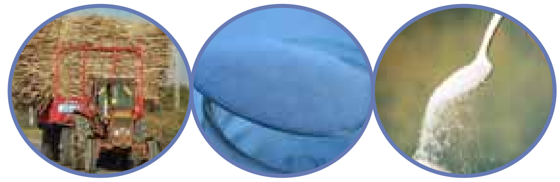
The crushing season 2009-2010 commenced on November 12, 2009. The Government has again increased the support price of sugarcane substantially (i.e. from Rs. 81 to Rs. 102 per 40 kg). Further, sugarcane crop is also on the lower side during the year 2009-2010, which has enhanced the trend among growers to supply sugarcane at much higher prices day-by-day that resulting in the price-war among the sugar mills. Besides rising procurement cost of sugarcane, other costs, charges and expenses are also increasing due to economic forces. These factors can adversely affect the performance of sugar mills during the year 2009-2010. In order to stabilize supply of sugarcane, the Company provided fertilizer to sugarcane growers and debited its cost as loan to them during the year ended September 30, 2009 keeping the right to recover/adjust against payments payable to them for supply of sugarcane during the season 2009-2010. Maintenance of reasonable and rational price of sugar in the local market keeping in view the prices in the international market and considering the principle of matching cost of production will help to reduce the impact of high production cost of sugar to a great extent and allow the sugar industry to continue its operation viably in the long run. However, to resolve these factors, the sugar industry, the sugarcane growers and the government will have to continue work in tandem to benefit all the stake holders 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. 256,687 thousand during the year as compared to Rs 330,821 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 social 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

As already informed, the shareholders of the Company 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 04, 2008.

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

The 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 of the Audit Committee were held at least once in every quarter prior to approval of interim results of the Company by its Board of Directors and before and after completion of external audit of the annual financial statements as required by the Code.

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. Appropriate Accounting 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. The numbers 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	3
Mr. Jam Mitha Khan	4
Mr. Ghulam Dastagir Rajar	4
Mr. Mohammad Aslam	4
Mr. Qazi Shamsuddin	3
Mr. Gul Mohammad	4
Mr. Shahid Aziz (representing N.I.T)	4
Mr. Rana Ahmed Khan (representing N.I.T)	4

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

xii. The Pattern of Shareholding as on September 30, 2009 is annexed.

xiii. To the best of our knowledge, the Directors, Chief Executive, CFO, Company Secretary, their spouse and minor children have not undertaken any trading of Company's shares during the year 2008-2009.

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, 2009 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, 2010.

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 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 Board of Directors

Karachi: January 04, 2010

Haji Khuda Bux Rajar
Chief Executive

Key Operating & Financial Data of Last Ten Years

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
OPERATIONAL DATA										
Duration of Season (Days)	**132**	182	146	126	103	159	118	98	132	109
Cane crushed (Tons)	**597,111**	853,592	526,439	419,498	330,744	532,824	447,676	259,114	423,193	383,068
Sucrose Recovery (%)	**9.58**	9.50	8.68	9.42	9.15	8.90	8.94	8.78	8.70	8.80
Sugar Made (Tons)	**57,308**	87,026	45,602	39,837	30,024	47,274	40,026	22,758	45,570	33,925
Molasses (Tons)	**30,279**	49,360	26,200	19,773	17,351	35,142	25,473	13,035	23,026	19,242

All figures in Rs in '000

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
TRADING RESULTS										
Turnover (NET)	**1,679,489**	1,861,248	1,065,461	1,052,760	568,370	680,996	582,531	346,068	917,112	523,145
Gross profit / (loss)	**225,504**	233,621	71,575	178,720	541,191	82,824	3,688	(67,192)	96,280	60,671
Operating profit/ (loss)	**163,921**	171,328	28,489	134,932	(9,341)	38,886	(35,371)	(100,003)	56,780	20,776
Profit/ (loss) before taxation	**115,257**	134,232	(12,373)	94,186	(30,701)	18,915	(76,761)	(119,238)	(1,547)	(19,260)
Profit/ (loss) after taxation	**66,912**	98,603	(19,755)	55,461	(62,052)	4,215	(50,860)	(118,492)	4,166	(11,157)
ASSETS EMPLOYED										
Operating Assets	**494,031**	516,797	524,078	539,306	555,559	545,510	570,322	603,271	457,098	477,298
Long Term Deposits	**2,223**	2,223	2,223	2,385	913	1,013	3,074	3,050	1,722	2,951
Current Assets	**277,084**	119,007	125,784	125,371	102,118	120,499	83,337	86,238	93,885	82,733
Total Assets Employed	**773,338**	**638,027**	**652,085**	**667,062**	**658,590**	**667,022**	**656,733**	**692,559**	**552,705**	**562,982**
FINANCED BY										
Shareholders equity	**179,574**	106,967	2,757	28,566	(30,370)	24,007	10,921	52,271	170,763	171,535
Surplus on Revaluation of Land, Building and Plant & Machinery	**49,624**	55,319	103,695	109,587	115,910	101,387	107,153	169,537	--	--
Long Term Liabilities	**75,812**	210,646	250,621	240,218	242,647	258,985	166,997	169,092	133,888	49,409
Deferred Liabilities	**150,054**	145,697	128,348	125,374	86,444	48,375	38,556	14,096	42,945	143,316
Current Liabilities	**318,274**	119,398	166,664	163,317	243,959	234,268	333,106	287,563	205,109	198,722
Total Fund Invested	**773,338**	**638,027**	**652,085**	**667,062**	**658,590**	**667,022**	**656,733**	**692,559**	**552,705**	**562,982**

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– 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

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Gross Profit Ratio (%)	**13.43**	12.55	6.72	16.97	4.78	12.16	0.63	(19.42)	10.50	11.60
Profit/ (loss) before Tax Ratio (%)	**6.86**	7.21	(1.16)	8.94	(5.40)	2.78	(13.18)	(34.46)	(0.16)	(3.68)
Inventory Turnover Ratio	**11.72**	26.36	18.41	16.28	9.03	10.69	12.30	7.68	19.07	9.92
Fixed Assets Turnover Ratio (%)	**339.96**	360.15	203.30	195.21	102.31	124.84	102.11	57.37	200.64	109.61
Price Earning Ratio	**2.81**	2.96	(5.14)	1.93	(0.96)	21.71	(0.82)	(0.34)	8.57	(6.34)
Return on Capital Employed (%)	**77.37**	41.48	19.49	24.92	6.58	10.03	(10.37)	27.83	14.74	6.34
Market Value per Share	**15.75**	24.45	8.50	8.50	5.00	7.60	3.50	3.40	3.00	5.90
Book Value per Share	**15.03**	8.95	0.23	2.39	(2.54)	2.01	0.91	4.38	14.29	14.36
Earning per Share	**5.60**	8.25	(1.65)	4.40	(5.19)	0.35	(4.26)	(9.92)	0.35	(0.93)
Debt Equity Ratio	**1.97**	2.30	1.60	1.24	1.82	2.07	1.41	0.76	0.78	0.29
Current Ratio	**0.871**	0.997	0.75	0.77	0.42	0.51	0.25	0.30	0.46	0.42
Interest Cover Ratio	**4.17**	6.30	0.67	3.77	(0.44)	1.83	(0.83)	(2.22)	0.97	0.97

Statement of Value Added and How Distributed

	2009 (Rs. '000)	%	2008 (Rs. '000)	%
Turnover Gross	**1,915,572**		2,170,042	
Other Income	**910**		6,055	
	1,916,482		2,176,097	
Sugarcane Procurement Expenses	**1,528,005**		1,529,478	
Direct Costs & Services	**(108,166)**		47,378	
	1,419,839		1,576,856	
Value Added	**496,643**		599,241	
Distributed as follows:				
To Employees as:				
– Remuneration	**101,012**	**20.34**	90,749	15.14
– Worker's profit participation fund	**6,190**	**1.25**	7,220	1.20
	107,202		97,969	
To Government:				
– Sales Tax & SED	**236,083**	**47.54**	308,794	51.53
– Income Tax	**13,886**	**2.80**	12,423	2.07
– Deferred Tax	**745**	**0.15**	15,554	2.60
– Cess & Fees	**6,718**	**1.35**	9,603	1.60
	257,432		346,374	
To Providers of Capital as:				
– Finance Cost	**36,351**	**7.32**	25,326	4.23
	36,351		25,326	
Retained in the Business as:				
– Depreciation	**28,746**	**5.79**	30,969	5.17
– Profit for the Year	**66,912**	**13.47**	98,603	16.45
	95,658		129,572	
	496,643	**100.00**	599,241	100.00

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

For the year ended September 30, 2009

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 NBFI or, being a member of stock exchange has been declared as defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the year.
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. 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 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 transaction, 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 04, 2010

Haji Khuda Bux Rajar
Chief Executive

Review Report to the Members on Statement of Compliance with Best Practices of the Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended September 30, 2009 prepared by the Board of Directors of **SANGHAR SUGAR MILLS LIMITED** to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We 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 (Previously Regulation No.37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular 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 distinguishing between transactions carried out on terms equivalent to those that prevailed in arm's length transactions and transaction which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were 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, 2009.

Hyder Bhimji & Co.
Chartered Accountants

Karachi: January 04, 2010

Auditor's Report to the Members

We have audited the annexed Balance Sheet of **SANGHAR SUGAR MILLS LIMITED** as at September 30, 2009 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 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;

   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, 2009 and of the profits, 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.

Hyder Bhimji & Co.
Chartered Accountants

Karachi: January 04, 2010

Engagement Partner: Mohammad Hanif Razzak

BALANCE SHEET

As at September 30, 2009

	Note	Sep 30 2009	Sep 30 2008
ASSETS		(Rupees in '000)	
NON-CURRENT ASSETS			
Property, plant and equipment	5	494,031	516,797
Long Term Deposits		2,223	2,223
		496,254	519,020
CURRENT ASSETS			
Stores, spare parts and loose tools	6	38,520	39,794
Stock -in-trade	7	139,201	30,697
Trade debts	8	36,728	11,366
Loans and advances	9	45,960	21,677
Short term prepayments	10	634	501
Other receivables	11	200	562
Cash and bank balances	12	15,841	14,410
		277,084	119,007
Total Rupees		773,338	638,027
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
20,000,000 shares of Rs.10 each		200,000	200,000
Issued, subscribed and paid up capital	13	119,460	119,460
Unappropriated profits/ (accumulated loss)		60,114	(12,493)
		179,574	106,967
SURPLUS ON REVALUATION OF FIXED ASSETS	14	49,624	55,319
NON CURRENT LIABILITIES			
Long term financing	15	44,782	64,970
Subordinated loans	16	31,030	31,030
Long term loans	17	-	114,646
Deferred liabilities	18	150,054	145,697
		225,866	356,343
CURRENT LIABILITIES			
Trade and other payables	19	226,137	51,928
Accrued mark-up	20	7,216	9,633
Short term borrowings	21	25,000	32,970
Current portion of long term financing	22	20,188	18,848
Taxation- net		39,733	6,019
		318,274	119,398
CONTINGENCIES AND COMMITMENTS	23		
Total Rupees		773,338	638,027

The annexed notes 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, 2009

	Note	Sep 30 2009 (Rupees in '000)	Sep 30 2008 (Rupees in '000)
Sales	24	1,679,489	1,861,248
Cost of sales	25	1,453,985	1,627,626
Gross profit		225,504	233,622
Distribution cost	26	1,419	10,711
Administrative expenses	27	61,074	57,636
		62,493	68,347
Other operating income	28	910	6,055
		163,921	171,330
Finance cost	29	36,351	25,326
Other operating charges	30	12,313	11,772
		48,664	37,098
Net profit before taxation		115,257	134,232
Taxation	31	48,345	35,629
Net profit after taxation		66,912	98,603
Earning per share - Basic and diluted	32	5.60	8.25

The annexed notes 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, 2009

	Note	Sep 30 2009	Sep 30 2008
		(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	33	**203,350**	143,286
Market committee fee paid		**(174)**	(2,100)
Employees benefits paid		**(1,660)**	(1,301)
Finance cost paid		**(38,768)**	(24,137)
Taxes paid		**(13,886)**	(12,423)
Net cash inflow from operating activities		**148,862**	103,325
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(6,015)**	(66,666)
Proceeds from disposal of property, plant & equipment		**48**	584
Net cash outflow from investing activities		**(5,967)**	(66,082)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long term financing		**(18,848)**	(17,597)
Decrease in long term loans		**(114,646)**	(20,853)
Net cash out flow from financing activities		**(133,494)**	(38,450)
Net increase/(decrease) in cash and cash equivalents		**9,401**	(1,207)
Cash and cash equivalents at beginning of the year		**(18,560)**	(17,353)
Cash and cash equivalents at end of the year	34	**(9,159)**	(18,560)

The annexed notes 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, 2009

Particulars	**Share Capital**	**Unappropriated profit/(Accumulated loss)**	**Total**
		(Rs in '000)	
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	119,460	(12,493)	106,967
Balance as at October 01, 2008	**119,460**	**(12,493)**	**106,967**
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**
Balance as at September 30, 2009	**119,460**	**60,114**	**179,574**

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

Haji Khuda Bux Rajar
Chief Executive

Ghulam Dastagir Rajar
Director

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 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

Standards, interpretations and amendments effective during the year

IFRS 7 - Financial instruments: Disclosures, requires extensive disclosures about the significance of financial instruments of the Company's financial position, performance, quantitative and qualitative disclosures on the nature and extent of risks. Adoption of this standard has resulted in additional disclosures.

IAS 29 - Financial Reporting in Hyperinflationary Economies: The Company does not have any operations in hyperinflationary economies and therefore the application of the standard is not likely to effect the Company's financial statements.

IFRIC 13 - Customer loyalty programmes: Addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The interpretation is not likely to have any effect on the Company's financial statements.

IFRIC 14 IAS 19 - the limit on defined benefit asset, minimum funding requirements and their interaction: The interpretation clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on minimum funding requirements for such asset. The interpretation is not likely to have any effect on the Company's financial statements.

New standards, interpretations and amendments that are relevant but not yet effective

Following accounting standards, amendments and interpretations to approved accounting standards have been published that are mandatory to Company's accounting periods beginning on or after the dates mentioned below:

Revised IAS 1 - "Presentation of Financial Statements" (effective for period beginning on or after January 01, 2009) introduces the term 'total comprehensive income', which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income, or in an income statement and a separate statement of comprehensive income.

Revised IAS 23 - "Borrowing Costs" (effective for period beginning on or after January 01, 2009) removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

IAS 27 - "Consolidated and separate financial statements" (effective for period beginning on or after January 01, 2009). The amendment removes the definition of the cost method from IAS 27 and replaces it with the requirement to present dividends as income in the separate financial statements of the investor.

The IAS also requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with gain or loss recognized in the profit or loss.

Amendments to IAS 32 - "Financial Instruments: Presentation" (effective for period beginning on or after January 01, 2009). Putt able financial instruments and obligations arising on liquidation requires putt able instruments, and instruments that impose on the entity an obligation to deliver to another party pro rata share of the net assets of the entity only on liquidation, to be classified as equity, if certain conditions are met.

Amendments to IAS 39 - "Financial Instruments: Recognition and measurement" (effective for period beginning on or after July 01, 2009). It clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship.

IFRS 5 (Amendment) - "Non - current assets held for sale and discontinued operations" (effective for period beginning on or after July 01, 2009). The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if partial disposal sale plan results in loss of control.

IFRS 7 (Amendment) - "Improving disclosures about Financial Instruments" (effective for period beginning on or after January 01, 2009). The amendment introduces a three level hierarchy for fair value measurement disclosures and requires entities to provide additional disclosures about the relative reliability of fair value measurements.

IFRS 8 - "Operating segments" (effective for period beginning on or after January 01, 2009) introduces the management's approach to segment reporting. It will require a change in presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Company's chief operating decision maker in order to assess each segment's performance and to allocate resources to them.

IFRIC 17 - “Distributions of non cash assets to owners” (effective for period beginning on or after July 01, 2009). It states that when a company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognized in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognized in the income statement.

IFRIC 18- Transfers of Assets from customers: (effective for period beginning on or after January 01, 2009). The contents whereof are likely to be related to the Company's activities.

4 SIGNIFICANT ACCOUNTING POLICIES

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 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 this 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.

4.3 Taxation

Current

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

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 the 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.

4.4 Retirement benefits:

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.

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 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.

4.5 Property, plant and equipment

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.

Capital work-in-progress

Capital work-in-progress is stated at cost.

4.6 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.

4.7 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.

4.8 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.

4.9 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.

4.10 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.

4.11 Functional and presentation currency

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

4.12 Foreign currency 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.

4.13 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.

4.14 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.

4.15 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.

4.16 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.

4.17 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.

4.18 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.

4.19 Dividend and appropriation to reserves

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

4.20 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.

4.21 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.

		Sep. 30 2009	Sep. 30 2008
		(Rupees in '000)	

5 PROPERTY, PLANT AND EQUIPMENT

These are comprised as under:

		Sep. 30 2009	Sep. 30 2008
Operating assets	Note- 5.1	**493,260**	514,530
Capital work-in-progress	Note- 5.2	**771**	2,267
		494,031	516,797

5.1 Operating Assets

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 thousand...							
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)**
Closing Net Book Value	**25,600**	**37,463**	**11,742**	**408,234**	**1,061**	**6,177**	**2,983**	**493,260**
Gross carrying value as at September 30, 2009								
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)
Net Book Value	**25,600**	**37,463**	**11,742**	**408,234**	**1,061**	**6,177**	**2,983**	**493,260**

Net carrying value as at September 30, 2008	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 thousand...							
Opening Net Book Value (NBV)	17,600	34,367	12,973	440,013	832	4,752	2,973	513,510
Addition (At Cost)	-	6,268	-	66,285	-	1,778	636	74,967
Revaluation/(deficit) during the year	8,000	4,479	1,370	(56,618)	-	-	-	(42,769)
Disposal/Adjustment (at NBV)	-	-	-	-	-	(209)	-	(209)
Depreciation Charge	-	(3,489)	(1,297)	(24,544)	(83)	(1,114)	(442)	(30,969)
Closing Net Book Value	25,600	41,625	13,046	425,136	749	5,207	3,167	514,530
Gross carrying value as at September 30, 2008								
Cost / Revaluation	25,600	66,046	21,882	571,659	4,373	6,936	9,346	705,842
Accumulated Depreciation	-	(24,421)	(8,836)	(146,523)	(3,624)	(1,729)	(6,179)	(191,312)
Net Book Value	25,600	41,625	13,046	425,136	749	5,207	3,167	514,530
Depreciation rate % per annum	**-**	**10**	**10**	**5**	**10**	**20**	**10 & 20**	

		Sep. 30 2009	Sep. 30 2008
		(Rupees in '000)	

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

		Sep. 30 2009	Sep. 30 2008
Cost of Sales	**Note - 25**	**25,608**	28,033
Administrative Expenses	**Note - 27**	**3,138**	2,936
		28,746	30,969

5.1.2 The following Property, plant and equipments were disposed during the year.

Particulars	Cost	Written Down Value	Sale Proceeds	Particulars of Purchaser
	..........................Rs in '000..........................			
Vehicles:				
Motor Cycle	53	35	48	Insurance Claim
Sep. 30, 2009	**53**	**35**	**48**	
Sep. 30, 2008	557	209	584	

5.1.3 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 on 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 thousand..................................				
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, 2009					**62,697**
					93,688
Less : Deferred tax liability thereon **(Note - 18.1)**					**44,064**
					49,624

5.2 Capital work-in-progress

	Cost at October 01, 2008	Capital expenditure incurred during the year	Transferred to operating assets	Cost at September 30, 2009
	.... Rupees in thousand			....
Plant & Machinery - Under erection	**2,267**	**-**	**2,267**	**-**
Non- Factory Building	**-**	**771**	**-**	**771**
As at September 30, 2009	**2,267**	**771**	**2,267**	**771**
As at September 30, 2008	10,568	2,267	10,568	2,267

			Sep 30 2009	Sep 30 2008
			(Rupees in '000)	
6	**STORES, SPARE PARTS AND LOOSE TOOLS**			
	Stores		**15,328**	13,460
	Spare parts		**27,719**	27,396
	Loose tools		**328**	320
			43,375	41,176
	Provision for slow moving items and obsolescence	Note 6.1 & 6.2	**4,855**	3,304
			38,520	37,872
	Stores in transit		**-**	1,922
			38,520	39,794

6.1 Certain slow moving and obsolete items of stores and spare parts have been reassessed valuing Rs.1,551 thousands against which full provision have been made in these financial statements.

6.2	**Reconciliation of provision for slow moving and obsolete items**			
	Opening provision		**3,304**	3,102
	Charge for the year		**1,551**	202
	Closing provision		**4,855**	3,304
7	**STOCK-IN-TRADE**			
	Sugar - Finished	Note 7.1	**136,640**	26,660
	- In process		**353**	2,128
			136,993	28,788
	Molasses		**41**	175
	Baggasse		**2,167**	1,734
			139,201	30,697

7.1 The closing stock of sugar bags having carrying value of Rs. Nil (2008: 9,408 thousands) has been pledged with MCB Bank Limited.

8	**TRADE DEBTS**			
	- Unsecured Considered good		**36,728**	11,366
9	**LOANS AND ADVANCES-Considered good (Interest free)**			
	Loans to			
	- growers - Unsecured	Note 9.1	**32,762**	9,665
	- employees - Secured against retirement benefits		**721**	541
	Advances to (Unsecured)			
	- contractors and suppliers	Note 9.2	**12,265**	11,361
	- employees against salaries		**212**	110
			45,960	21,677

9.1 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.

9.2 It includes Rs. 3,570 thousand (2008 : 2,568 thousand) representing amount advanced to transporters on behalf of cane growers and are adjustable from sugarcane payments.

		Sep 30 2009	Sep 30 2008
		(Rupees in '000)	
10	**SHORT TERM PREPAYMENTS**		
	Prepayments	**634**	501
11	**OTHER RECEIVABLES - Considered good**		
	Others	**200**	562
12	**CASH AND BANK BALANCES**		
	In hand	**107**	55
	At banks		
	- current accounts	**15,734**	14,355
		15,841	14,410

13 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2009	2008		Sep 30 2009	Sep 30 2008
10,860,000	10,860,000	Ordinary shares of Rs.10 each allotted for consideration paid in cash	**108,600**	108,600
1,086,000	1,086,000	Ordinary shares of Rs.10 allotted as bonus shares	**10,860**	10,860
11,946,000	11,946,000		**119,460**	119,460

13.1 National Bank of Pakistan -Trustee Department (NIT) holds 2,159,230 shares in the Company. (2008: 2,159,230 shares).

			Sep 30 2009	Sep 30 2008
14	**SURPLUS ON REVALUATION OF FIXED ASSETS**			
	Opening Balance		**55,319**	103,695
	Revaluation of property, plant & equipment resulted in deficit		**-**	(42,769)
	Incremental depreciation on revalued property, plant and equipment transferred to equity		**(5,695)**	(5,607)
		Note 5.1.3	**49,624**	55,319

		Sep. 30 2009	Sep. 30 2008
		(Rupees in '000)	

15 LONG TERM FINANCING - SECURED

15.1 Long term finances utilized under mark-up arrangement

From Allied Bank Limited		**64,970**	83,818
Less: Current portion shown under current liabilities	(Note- 22)	**20,188**	18,848
		44,782	64,970

15.2 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.

16 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
	31,030	31,030

16.1 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.

17 LONG TERM LOANS- Related Parties

Non-interest bearing - unsecured

From individuals - associates of Directors	**-**	114,646

17.1 The above loans have been fully repaid during the year.

18 DEFERRED LIABILITIES

Taxation	(note - 18.1)	**135,228**	134,483
Employees benefits			
– Discontinued benefits plan		**69**	69
– Defined benefits plan	(note - 18.2)	**14,757**	11,145
		14,826	11,214
		150,054	145,697

	Sep. 30 2009	Sep. 30 2008
	(Rupees in '000)	

18.1 Taxation:

	2009	2008
Deferred tax credit arising due to:		
– surplus on revaluation	**44,064**	47,131
– accelerated depreciation	**99,073**	92,862
	143,137	139,993
Deferred tax debit arising due to:		
– provision for slow moving and obsolescence	**1,699**	1,155
– defined benefit plan	**5,165**	3,901
– market committee fee	**1,045**	454
	7,909	5,510
	135,228	134,483

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 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	**12 % p.a**
Expected rate of future salary increase	**11 % p.a**
Average expected remaining working life time of employees	**9 years**

18.2.1 Movement in the present value of the obligation

	2009	2008
Present value of obligation as at September 30, 2008	**11,145**	9,022
Expenses recognized	**5,272**	3,094
Benefits paid during the year	**(1,660)**	(971)
Present value of obligation as at September 30, 2009	**14,757**	11,145

18.2.2 Reconciliation of balance sheet liability

	2009	2008
Present value of defined benefit obligations	**16,481**	11,145
Actuarial gains to be recognized in later period	**(1,724)**	-
	14,757	11,145

18.2.3 Expense for the year ended September 30

	2009	2008
Current service cost	**3,935**	2,329
Interest cost	**1,337**	795
Recognition of actuarial gain	**-**	(30)
	5,272	3,094

18.2.4 Charge for the year has been allocated as under:

		2009	2008
Cost of Sales	Note 25.1	**3,954**	2,320
Administrative Expenses	Note 27.1	**1,318**	774
		5,272	3,094

		Sep. 30 2009	Sep. 30 2008
		(Rupees in '000)	
19 TRADE AND OTHER PAYABLES			
Creditors		**1,722**	9,475
Accrued liabilities		**4,622**	7,611
Road cess and surcharge		**372**	3,133
Advances from customers		**170,568**	30
Sales tax / SED payable		**20,237**	4,678
Unclaimed dividend		**750**	750
Other liabilities	(Note-19.1)	**27,866**	26,251
		226,137	51,928
19.1 Other liabilities			
Market committee fee	(Note-19.1.1)	**18,181**	15,369
Income tax deducted at source		**534**	253
Worker's Profit participation Fund	(Note-19.1.2)	**6,190**	7,220
Worker's Welfare Fund		**2,352**	2,744
Others		**609**	665
		27,866	26,251

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. 18,181 thousand (2008 : Rs.15,369 thousand) has been made as a matter of prudence.

	2009	2008
19.1.2 Workers Profit Participation Fund		
Balance as on October 01	**7,220**	-
Interest thereon	**401**	-
	7,621	-
Less: Payment during the year	**7,621**	-
	-	-
Add: Contribution for the year	**6,190**	7,220
	6,190	7,220
20 ACCRUED MARK-UP		
Mark-up on		
– Long term financing from Bank	**6,222**	7,176
– Short term borrowings from Bank	**994**	2,457
	7,216	9,633

		Sep. 30 2009	Sep. 30 2008
		(Rupees in '000)	
21 SHORT TERM BORROWINGS -Secured			
MCB Bank Limited- Running Finance	Note 21.1	**25,000**	23,500
MCB Bank Limited- Cash Finance	Note 21.2	**-**	9,470
		25,000	32,970

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 the directors. The facility carries markup at 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. 200,000 thousand and is secured by pledge of sugar in bags with approved muccadum and hypothecation of stores/stock of the company amounting to Rs. 200,000 thousand. The facility carries markup 3 months KIBOR as base rate plus 3% per annum with floor of 11.5% chargeable and payable quarterly. The facility is renewable annually.

22 CURRENT PORTION OF LONG TERM FINANCING - Secured			
Current portion of Demand Finance payable in next twelve months	(Note-15)	**20,188**	18,848

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 Honourable Sindh High Court, Karachi for which relief was granted. Against the judgment, the department preferred appeal with Honourable Supreme Court Islamabad and submitted to the Honourable Supreme Court of Pakistan, Islamabad that the Company had proceeded to challenge the vires of Section 3(1A) of Sales Tax Act, 1990 without availing department remedies. The Honourable Supreme Court of Pakistan Islamabad has remanded back the case to the Sales Tax Department who repeated its earlier version. As recourse, the Company preferred 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 Taxation Officer of Enforcement Division LTU charged an amount of Rs. 5,197 thousands and 438 thousand by alleging the Company in default of tax withholding and consequent additional tax whereof, respectively. Since the Company is fully compliant of Income tax Ordinance, 2001 including withholding tax provisions . Accordingly, the company filed appeal before the commissioner as provided under the law. The Company's tax advisor is confident of reversal of the remand and the appeal.

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	116
After one year	-

		Sep. 30 2009	Sep. 30 2008
		(Rupees in '000)	
24	**SALES**		
	Local Sales	**1,915,572**	2,103,162
	Less: Sales tax	**219,289**	290,209
	Less: Special Excise Duty	**16,794**	18,585
		1,679,489	1,794,368
	Export Sales	**-**	66,880
		1,679,489	1,861,248
25	**COST OF SALES**		
	Sugar cane consumed (including procurement expenses)	**1,528,005**	1,388,654
	Cost of Sugar purchased for Processing	**-**	140,824
	Market committee fee	**2,986**	4,268
	Road cess	**3,732**	5,335
	Quality premium	**65,682**	85,359
	Salaries, wages and staff benefits Note - 25.1	**61,981**	52,327
	Stores and spares consumed	**57,183**	72,388
	Fuel and power	**7,634**	5,324
	Insurance	**4,543**	3,363
	Repairs and maintenance	**4,771**	6,589
	Packing materials consumed	**16,908**	29,942
	Vehicle running expenses	**2,819**	2,265
	Depreciation	**25,608**	28,033
	Other expenses	**3,817**	6,420
		1,785,669	1,831,091
	Sugar -in-process		
	– Opening	**2,128**	2,569
	– Closing	**(353)**	(2,128)
		1,775	441
		1,787,444	1,831,532
	Sale of Molasses	**189,384**	154,930
	Inventory adjustment	**(134)**	56
		189,250	154,986
	Sale of Bagasse	**33,795**	24,499
	Inventory adjustment	**434**	289
		34,229	24,788
	Cost of goods manufactured	**1,563,965**	1,651,758
	Finished sugar		
	– Opening stock	**26,660**	2,528
	– Closing stock	**(136,640)**	(26,660)
		(109,980)	(24,132)
		1,453,985	1,627,626

25.1 Salaries, wages and staff benefits include Rs. 3,954 thousands (2008: 2,320 thousands) in respect of defined benefits plan.

		Sep. 30 2009	Sep. 30 2008
		(Rupees in '000)	
26 DISTRIBUTION COST			
Handling and stacking		**1,419**	2,419
Brokerage & Commission		**-**	983
Export Expenses		**-**	7,309
		1,419	10,711
27 ADMINISTRATIVE EXPENSES			
Salaries, wages and staff benefits	Note 27.1	**39,031**	38,422
Rent, rates and taxes		**930**	204
Communication		**615**	636
Repairs and maintenance		**3,130**	1,901
Utilities		**910**	409
Advertisement		**-**	69
Entertainment		**1,247**	985
Subscription		**817**	873
Cartage		**1,518**	1,721
Printing and stationery		**748**	988
Insurance		**1,514**	1,121
Conveyance and traveling		**4,722**	4,146
Rentals under operating lease		**449**	972
Depreciation		**3,138**	2,936
Mess Expenses		**1,378**	1,020
Other expenses		**927**	1,233
		61,074	57,636

27.1 Salaries, wages and staff benefits include Rs. 1,318 thousands (2008: 774 thousands) in respect of defined benefits plan.

		Sep. 30 2009	Sep. 30 2008
28 OTHER OPERATING INCOME			
Income from other than financial assets:			
Profit on sale of fixed assets		**13**	375
Scrap sales		**-**	4,935
Others		**897**	745
		910	6,055
29 FINANCE COST			
Mark-up on			
– Long term financing from bank		**14,721**	14,912
– Short-term borrowings from bank		**19,769**	8,917
Bank charges		**1,861**	1,497
		36,351	25,326

			Sep. 30 2009	Sep. 30 2008
			(Rupees in '000)	
30	**OTHER OPERATING CHARGES**			
	Auditors' remuneration	Note 30.1	**480**	280
	Legal and professional charges		**1,106**	365
	Corporate social responsibility costs	Note 30.2	**233**	315
	Workers Profit Participation Fund		**6,190**	7,220
	Workers Welfare Fund		**2,352**	2,744
	Interest on WPPF		**401**	-
	Provision for slow moving items and obsolescence		**1,551**	202
	Sales tax surcharge on delayed payment		**-**	330
	Sales tax on fixed assets paid under amnesty scheme		**-**	316
			12,313	11,772
30.1	**Auditors' remuneration**			
	Statutory Auditors			
	Hyder Bhimji and Co.			
	Audit fee		**375**	175
	Half yearly review fee		**25**	25
	Code of corporate governance certification		**15**	15
	Out of pocket expenses		**5**	5
			420	220
	Cost Auditors			
	Siddiqi and Co.			
	Audit fee		**50**	50
	Out of pocket expenses		**10**	10
			60	60
			480	280

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	**47,600**	20,020
	Prior Years	**-**	55
	Deferred	**745**	15,554
		48,345	35,629
31.1	**Reconciliation of tax expense with accounting profits**	**%**	%
	Effective tax rates applicable to accounting profits	**41.47**	26.54
	Permanent timing difference	**0.20**	0.20
	Adjustments towards tax losses	**0.00**	8.11
	Others	**(6.67)**	0.15
	Applicable tax rates	**35.00**	35.00

		Sep. 30 2009	Sep. 30 2008
		(Rupees in '000)	
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)	**66,912**	98,603
	Number of ordinary shares	**11,946,000**	11,946,000
	Earning per share- basic (Rupees)	**5.60**	8.25
33	**CASH GENERATED FROM OPERATIONS**		
	Net profit before taxation	**115,257**	134,232
	Adjustment for non cash charges and other items:		
	Depreciation	**28,746**	30,969
	Gain on sale of fixed assets	**(13)**	(375)
	Provision for employees benefits	**5,272**	3,094
	Provision for slow moving items and obsolescence	**1,551**	202
	Finance cost	**36,351**	25,326
	Working capital changes (Note-33.1)	**16,186**	(50,162)
		88,093	9,054
		203,350	143,286
33.1	**Working capital changes**		
	Decrease / (Increase) in current assets		
	Stores, spare parts and loose tools	**(277)**	6,273
	Stock - in - trade	**(108,504)**	(23,951)
	Trade debts	**(25,362)**	(5,646)
	Loans and advances	**(24,283)**	37,730
	Deposits and prepayments	**(133)**	1,482
	Other receivables	**362**	819
		(158,197)	16,707
	Increase / (Decrease) in current liabilities		
	Trade and other payables	**174,383**	(16,869)
	Short term loan	**-**	(50,000)
		16,186	(50,162)
34	**CASH AND CASH EQUIVALENTS**		
	Cash and cash equivalents comprise of the following items as included in the balance sheet		
	Cash and bank balances	**15,841**	14,410
	Short term borrowings	**(25,000)**	(32,970)
		(9,159)	(18,560)

35 FINANCIAL INSTRUMENTS

35.1 Financial risk management objectives

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seek to minimize potential adverse effects on the Company's financial performance.

Risk Management is carried out under policies and principles approved by the Board. All treasury related transactions are carried out within the parameters of these policies and principles.

35.1.1 Market risks

Market risk refers to fluctuation in value of financial instruments as a result of changes in market prices. The Company manages market risk as follows:

a) Foreign exchange risk management

Foreign exchange risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises mainly from future economic transactions or receivables and payables that exist due to transaction in foreign exchange.

b) Price risk

Price risk represents the risk that the fair value of 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), whether 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 is presently not exposed to any significant price risk.

c) Interest/mark-up rate risk management

Interest rate risk is the risk that the value of financial instruments will fluctuate due to change in the interest/mark-up rates. The Company has long term finance and short term borrowings at variable rates. The Company is exposed to interest / markup rate risk on long and short term financing.

Financial liabilities include balances of Rs. 89,970 thousands (2008: Rs. 116,788 thousands) which are subject to interest rate risk. Applicable interest rates for financial assets and liabilities are given in respective notes.

FINANCIAL ASSETS AND LIABILITIES

	Interest / markup rate	Interest / Mark-up bearing			Non Interest / Mark-up bearing			
		Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year	Maturity after one year	Sub Total	Total 2009
		(Rupees in '000)						
Financial Assets								
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**
T O T A L 2009		—	—	—	90,034	2,223	92,257	**92,257**
Financial Liabilities								
Long term financing	KIBOR + 5%	20,188	44,782	64,970	—	—	—	**64,970**
Subordinated loans		—	—	—	—	31,030	31,030	**31,030**
Trade & other payables		—	—	—	205,900	—	205,900	**205,900**
Accrued mark-up		—	—	—	7,216	—	7,216	**7,216**
Short-term borrowings	KIBOR + 3%	25,000	—	25,000	—	—	—	**25,000**
T O T A L 2009		**45,188**	**44,782**	**89,970**	**213,116**	**31,030**	**244,146**	**334,116**

	Interest / markup rate	Interest / Mark-up bearing			Non Interest / Mark-up bearing			
		Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	Total 2008
		(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
T O T A L 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**
Short-term borrowings	KIBOR + 2% & 3%	32,970	—	32,970	—	—	—	**32,970**
Trade & other payables		—	—	—	47,250	—	47,250	**47,250**
Accrued mark-up		—	—	—	9,633	—	9,633	**9,633**
T O T A L 2008		**51,818**	**64,970**	**116,788**	**56,883**	**145,676**	**202,559**	**319,347**

35.1.2 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed to perform as contracted. The Company manages credit risk interalia by setting out credit limits in relation to individual customers and / or by obtaining advance against sales and/or through letter of credits and/or by providing for doubtful debts. Also the Company does not have significant exposure in relation to individual customer. Consequently the Company believes that it is not exposed to any major concentration of credit risk.

The Company is exposed to credit risk from its operating and certain investing activities and the Company's credit risk exposures are categorised under the following headings:

35.1.2.1 Trade debts

Trade debts are essentially due from local companies and the Company does not expect that these companies will fail to meet their obligations. The Company establish an allowance for the doubtful trade debts (if any) that represent its estimate of incurred losses in respect of trade debts. This allowance is based on the management assessment of a specific loss component that relates to individually significant exposures.

35.1.2.2 Bank balances

The Company limits its exposure to credit risk by maintaining accounts only with counterparties that have stable credit rating. Given these high credit ratings, management does not expect that any counter party will fail to meet their obligations.

35.1.2.3 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure.

35.1.2.4 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 (if any).

35.1.2.5 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).

35.1.3 Liquidity risk

Liquidity risk represent 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. At September 30, 2009, the Company has Rs. 225,000 thousands (2008: Rs. 225,000 thousands) available borrowing limit from financial institutions. Unutilized borrowing facilities of Rs. 200,000 thousands (2008: Rs. 192,030 thousands) and also has Rs. 15,734 thousands (2008: Rs.14,355 thousands) being balances at banks. Based on the above, management believes the liquidity risk is not significant.

35.2 Fair value of financial instruments

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates.

The carrying values of all the financial assets and liabilities reflected in the financial statements approximate their fair values except those which are described in respective notes.

35.3 Capital risk management

The primary objectives of the Company when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

The Company manages its capital structure and makes adjustment to it, in 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 Company finances its operations through equity, borrowings and management of working capital with a view to maintain an appropriate mix amongst various sources of finance to minimize risk.

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	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	(Rupees in '000)							
Directors' fee - 5 Directors	—	—	**140**	69	—	—	**140**	69
Managerial remuneration	**3,421**	3,232	**831**	669	**4,342**	4,316	**8,594**	8,217
Housing	**969**	841	**374**	301	**1,218**	941	**2,561**	2,083
Medical and others	**430**	380	**167**	140	**544**	452	**1,141**	972
	4,820	4,453	**1,372**	1,110	**6,104**	5,709	**12,296**	11,272
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.

Relationship with Company	Nature of Transaction	
Associates of Directors	Repayment of long term 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

	2009		2008	
	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	**792,000**	**132**	1,092,000	182
Actual Crushing	**597,111**	**132**	853,592	182
Sucrose recovery (in %)	**9.58**		9.50	
Sugar production from Cane	**57,308**		81,097	
Sugar processed	—		5,929	

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

39. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on January 04, 2010 by the Board of Directors of the Company.

40. NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors in its meeting held on January 04, 2010 has recommended a final cash dividend @ 10% (Rs. 1/- per share) (2008: Nil) for approval of the members at the Annual General Meeting of the Company to be held on January 30, 2010. Since it is a non-adjusting event, the financial statements for the year ended September 30, 2009 do not include the effect of the proposed cash dividend.

41. FIGURES

41.1 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, 2009

No. of Shareholders	Share Holding From	Share Holding To	Total Shares Held
254	1	100	9,852
120	101	500	35,676
114	501	1000	75,582
99	1001	5000	224,701
51	5001	10000	334,980
13	10001	15000	164,201
5	15001	20000	88,500
5	20001	25000	119,350
3	25001	30000	79,940
1	35001	40000	36,795
2	40001	45000	89,650
3	60001	65000	188,600
2	75001	80000	152,175
1	85001	90000	87,850
3	95001	100000	289,490
2	100001	105000	205,894
1	105001	110000	106,075
2	125001	130000	251,615
1	170001	175000	170,005
1	240001	245000	241,487
2	255001	260000	512,500
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
696			**11,946,000**

	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	2,159,630	18.0783
4.	Banks Development Financial Institutions, Non Banking Financial Institutions.	300	0.0025
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	7,471,752	62.5461
9.	Limited Companies	246,641	2.0646
	TOTAL	**11,946,000**	**100.0000**

DETAIL OF PATTERN OF SHARE HOLDING

As per Requirement of Code of Corporate Governance
As at September 30, 2009

Category Name	Number of shares held	Category wise Number of shareholders	Category wise shares held	Percentage %
Directors, Chief Executive and their spouse and minor children		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			
Associated Companies Undertaking and related parties		-	-	-
NIT & ICP		3	2,159,630	18.0783
National Bank Of Pakistan, Trustees Department (NIT)	1,063,616			
NBP Trustee - NI(U)T (LOC) Fund	1,095,614			
Investment Corporation of Pakistan	400			
Bank, DFIS, NBFIS.		1	300	0.0025
NDFC- Investor	300			
Insurance Companies		3	418,540	3.5036
Modarbas & Mutual Funds		-	-	-
Shareholders holding 10%		-	-	-
General Public - Local		672	7,471,752	62.5461
Limited Companies		10	246,641	2.0646
		696	**11,946,000**	**100.000**

Shareholders holding ten percent or more voting interest in the Company

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