Annual Report
for the year ended 30 September 2010

Continued Excellence

Corporate Social Responsibility

Innovative Farming

Bond with Growers

Community Empowerment

JDW

JDW Sugar Mills Limited

Moving Ahead Together

Before bringing life to a vision we have to see it first. And for that we need people who specialize in seeing the impossible. Here at JDW, we are proud of the visionary men we have who take up the responsibility of creating opportunities for the future, not only for our company but for the whole community we operate in.

We believe life is about the betterment of the human condition; it's about social awareness, and random acts of kindness that weave the soul of humanity. Together, we all participate in weaving the social fabric; we should all therefore be patching the fabric when it develops holes. The change has begun, here at JDW, as we have started to unpack the challenges that encounter us, realizing that we each have a role that requires us to change and become more responsible for shaping our community and creating magic under JDW's vision. A vision in which everyone is benefited, be it our shareholders, the farmers or you.

Contents

Company Review

Corporate Information 02
Mission & Strategy 03
Notice of Annual General Meeting 04
Operating Highlights 08
Directors' Report 10
Corporate Social Responsibility 15

Financial Statements

Statement of Compliance with the
Code of Corporate Governance....................27
Review Report to the Members 28
Auditors' Report to the Members....................29
Balance Sheet....................30
Profit & Loss Account 32
Statement of Comprehensive Income 33
Cash Flow Statement....................34
Statement of Changes in Equity....................35
Notes to the Financial Statements 36

Annexes

Pattern of Shareholding 63
Categories of Shareholders 66
Form of Proxy 69

Corporate Information

Directors

Syed Ahmed Mahmud
Director/Chairman

Mr. Jahangir Khan Tareen
Director/Chief Executive

Mr. Ijaz Ahmed Phulpoto
Mr. Asim Nisaar Bajwa
Mr. Zafar Iqbal
Mr. Muhammad Ismail
Mr. Abdul Ghaffar

Chief Operating Officer

Rana Nasim Ahmed

Chief Financial Officer & Company Secretary

Mr. Muhammad Rafique

Audit Committee

Mr. Jahangir Khan Tareen
Chairman

Syed Ahmed Mahmud
Secretary

Mr. Muhammad Ismail
Member

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Registrar

Corplink (Pvt.) Ltd.

Legal Advisor

Cornelius, Lane & Mufti

Bankers

Habib Bank Ltd.
MCB Bank Ltd.
Faysal Bank Ltd.
United Bank Ltd.
Allied Bank Ltd.
National Bank of Pakistan
The Bank of Punjab
Standard Chartered Bank (Pakistan) Ltd.
Silk Bank Ltd.
JS Bank Ltd.
Barclays Bank Plc.
Habib Metropolitan Bank Ltd.

Registered Office

17-Abid Majeed Road,
Lahore Cantonment, Lahore.

Mills

Unit-I
Mauza Shirin, Jamal Din Wali,
Distt. Rahim Yar Khan.

Unit-II
Machi Goth, Sadiqabad.
Distt. Rahim Yar Khan.

Unit-III
Mauza Laluwali, Near Village
Islamabad, Distt. Ghotki.

Mission & Strategy

Mission

- *To be the market leader and a world-class organization by meeting and proactively anticipating customer needs.*
- *To maximize the wealth of stakeholders by optimizing the long term returns and growth of the business.*
- *To be amongst the most efficient and lowest cost producers in the industry.*
- *To ensure a safe, harmonious and challenging working environment for the employees.*

Strategy

- To grow our base business in sugar and build those related activities where there is opportunity to smooth the impact of sugar price cycles.
- To produce sugar which is of highest international standards.
- To make investment in sugarcane crop to ensure regular supply of cane and profitability of growers.
- To offer equal and fair growth opportunities to all employees.
- To undertake and support community development and welfare projects in order to fulfil social commitments.

Notice of Annual General Meeting

Notice is hereby given that 21st Annual General Meeting of JDW Sugar Mills Limited (the "Company") will be held at Fairways Hall, Royal Palm, Golf & Country Club, 52-Canal Bank Road, Lahore on Monday, 31st January, 2011 at 9:00 a.m. to transact the following business:

Ordinary Business:

1. To confirm the minutes of the last Extra Ordinary General Meeting held on August 03, 2010.

2. To receive, consider and adopt the audited financial statements of the company for the financial year ended on 30th September, 2010 together with Directors' and Auditors' Reports thereon.

3. To approve a cash dividend @ 70% i.e Rs. 7 per share and Bonus share @ 10% i.e. 1 share for every 10 shares for the year ended September 30, 2010 as recommended by the Board of Directors.

4. To appoint Auditors of the Company for the next financial year 2010-11 and fix their remuneration. The retiring Auditors M/s KPMG Taseer Hadi & Co. Chartered Accountants, being eligible, have offered themselves for reappointment as Auditors of the Company.

Special Business:

5. Advances to Associated Company - Faruki Pulp Mills Limited

To consider and if deemed fit to pass the following resolutions with or with out modification, addition or deletion, as special resolutions:

a) "RESOLVED THAT consent and approval of the members of the Company be and is hereby accorded under Section 208 of the Companies Ordinance, 1984 for sanction of short term advances to Faruki Pulp Mills Limited, an associated undertaking of the Company, for up to an aggregate amount of Rs. 250,000,000 (Rupees two hundred fifty million) for a period of one year from February 01, 2011 to January 31, 2012 (both days inclusive) at markup rate not less than the borrowing cost of the Company.

b) FURTHER RESOLVED THAT Mr. Muhammad Rafique, Company Secretary of the Company be and is hereby authorized to give effect to the above resolution and take all necessary steps as required under law or otherwise and to sign and execute any agreement, documents etc. for and on behalf of the Company in relation to the above advances."

6. Increase/alteration in authorized capital;

To increase the authorized capital of the Company upto the limit of Rs. 1 billion having such preferential, deferred, qualified or special rights, privileges, conditions or restrictions or postponement of rights as provided in the Articles of association of the company and accordingly to amend the capital clause V of Memorandum of Association of the Company by passing the following resolutions, with or without modification, addition or deletion, as special resolutions;

a) "RESOLVED THAT the Authorized Share Capital of the Company be increased from Rs. 550,000,000/- (Rupees Five Hundred and Fifty Million Only) divided into 55,000,000 (Fifty-five Million) ordinary shares of Rs. 10/- (Rupees Ten Only) each to Rs. 1,000,000,000/- (Rupees One Billion Only) divided into 75,000,000 (Seventy-five Million) ordinary shares of Rs.10/- (Rupees Ten Only) each and 25,000,000 (Twenty-five Million) Preference Shares of Rs.10/- (Rupees Ten Only) each (by creation of 20,000,000 ordinary shares of Rs. 10/- each and of 25,000,000 Preference Shares of Rs. 10/- each), with the rights, privileges and conditions attaching thereto as are provided by the regulations of the Company for the time being, with the Company having the power to vary, modify or abrogate any such rights, privileges or conditions, in such manner as may be permitted by the Companies Ordinance, 1984 and to increase, reduce and/or reorganize the capital and to divide shares in the capital into several kinds and classes and to consolidate or subdivide the shares and to issue shares for higher or lower denominations.

b) FURTHER RESOLVED THAT existing Clause V of the Memorandum of Association of the Company be deleted and replaced with the following Clause V:

"V. Authorized Share Capital of the Company is Rs. 1,000,000,000/- (Rupees One Billion Only) divided into 75,000,000 (Seventy-five Million) ordinary shares of Rs.10/- (Rupees Ten Only) each and 25,000,000 (Twenty-five Million) Preference Shares of Rs.10/- (Rupees Ten Only) each, with the rights, privileges and conditions attaching thereto as are provided by the regulations of the Company for the time being. The Company shall have the power to vary, modify or abrogate any such rights, privileges or conditions, in such manner as may be permitted by the Companies Ordinance, 1984 and to increase, reduce and/or reorganize the capital and to divide shares in the capital into several kinds and classes and to consolidate or subdivide the shares and to issue shares for higher or lower denominations."

c) FURTHER RESOLVED THAT Mr. Muhammad Rafique, Company Secretary of the Company be and is hereby authorized to give effect to the above resolution and take all necessary steps as required under law for and on behalf of the Company in relation to the above resolution."

7. To obtain consent of the shareholders to place quarterly accounts of the Company on website.

a) "RESOLVED THAT consent and approval of member be and is hereby sorted for placement of quarterly accounts of the company on its official website in accordance with the requirements of circular No. 9 dated 14th April, 2004 of the Securities and Exchange Commission of Pakistan.

b) FURTHER RESOLVED THAT Mr. Muhammad Rafique, Company Secretary of the Company be and is hereby authorized to make the aforesaid placement of quarterly accounts on the website and to give effect to the above resolutions and take all necessary steps as required under law or otherwise and to sign and execute any agreement, documents etc. for and on behalf of the Company in relation to the above placement of quarterly accounts of the Company in accordance with circular No. 9 dated 14th April, 2004 of the Securities and Exchange Commission of Pakistan instead of sending the same by post to the members".

8. To transact any other business with the permission of the Chairman.

By Order of the Board

Lahore:
08 January 2011

(Muhammad Rafique)
Company Secretary

NOTES:

1. The share transfer books of the company will remain closed and no transfer of shares will be accepted for registration from 24th January, 2011 to 31st January, 2011 (both days inclusive). Share transfers received upto close of business on 23rd January, 2011 shall entitle the transferees to the aforesaid cash dividend and issue of bonus shares.

2. A member entitled to attend and vote at the General Meeting may appoint another member as his/her proxy to attend and vote instead of him/her at the meeting. Proxies must be deposited at the Company Registered Office not less than forty eight hours before the time of holding the meeting.

3. Any individual beneficial owner of CDC, entitled to vote at the General Meeting, must bring his/her CNIC with his/her to prove his/her identity, and in case of proxy, attested copy of share holder's CNIC must be attached with the proxy form. The representative of corporate member should bring the usual documents required for such purpose.

4. Members are requested to notify immediately changes of their addresses (if any) to our Shares Registrar, Corplink (Pvt) Limited, Wings Arcade, I-K Commercial, Model Town, Lahore.

Explanatory Statement Required by Section
160(1)(b) of the Companies Ordinance, 1984

Agenda Item No. 5

i) Name of Investee company together with the amount and purpose of loan or advance; in case any loan had already been provided or loan has been written off to the said investee company, the complete details of the said loan:

Faruki Pulp Mills Limited ("FPML") was incorporated as an unlisted public limited Company on October 02, 1991 and certificate of commencement of business was issued on November 26, 1991. The principal business of FPML is manufacturing of wood pulp from Eucalyptus. The project is at commissioning stage and will be operative by May this year.

The manufacturing facility of FPML is located in Gujarat, Punjab and is being set up as the 'only' Bleached Kraft Pulp ("BKP") manufacturer in Pakistan and based primarily on Eucalyptus wood having a capacity of 200 tons per day ("tpd") or 68,000 tons per annum ("tpa"). FPML is an agricultural based Project using all local raw materials to produce an import substitute/ export.

FPML is an associated undertaking of JDW Sugar Mills Limited (the "Company") and 51,500,000 shares of Rs. 10 each of FPML are owned by the Company, which constitute approximately 47.69% of the total issued and voting shares in FPML.

The advances shall be for up to a maximum sum of Rs. 250,000,000 (Rupees two hundred fifty million). The purpose of the advances is to provide the FPML with funds/bridging to meet any shot fall in funding for its project completion.

ii) A brief about the financial position of the investee company on the basis of last published financial statements;

Based on the audited financial statements for the financial year ended June 30, 2010, the financial position of FPML appears to be as under:

Particulars		Amount (Rs.)
Paid up capital	:	Rs. 980,000,000
General reserves	:	NIL
Long term loans/leases and other liabilities	:	Rs. 696,978,340
Sponsors loans	:	NIL
Long term deposits	:	NIL
Turnover	:	NIL
Accumulated losses	:	Rs. (56,884,527)
Surplus on revaluation of fixed assets	:	NIL
Current assets	:	Rs. 21,634,899
Loss after tax	:	Rs. (20,250,162)
Current ratio	:	0.07:1
Loss per share	:	Rs. (0.21)
Break up value	:	Rs. 9.42 per share

iii) Rate of mark up be charged:

Mark-up will be charged at a rate which shall not be less than the borrowing cost of the company.

iv) Particulars of Collateral Security:

Management of the Company does not consider it necessary to obtain direct collateral security from FPML, since FPML is an associated undertaking of the Company and under common management.

v) Source of funds from where loan will be given:

The advances will be advanced primarily out of the Company's available surplus funds from its business activities and/or finance facilities availed by it.

vi) Repayment Schedule:

The advances would be for a period from February 1st 2011 to January 31st, 2012 (both days inclusive) and would be renewable on terms and conditions as approved by the members through special resolution.

vii) Purpose of loans and advances:

The purpose of the advances is to provide the FPML with funds / bridging to meet any shortfalls in its project completion requirements.

viii) Benefits Accruing to the Company and its shareholders from the finance facility:

FPML is an associated undertaking of the Company and 51,500,000 shares of Rs. 10 each of FPML are owned by the Company, which constitute approximately 47.69 % of the total issued and voting shares in FPML. The subject advances to FPML should facilitate FPML in completing its commissioning/ installation works and commencement of commercial operations. Expected dividend returns from FPML will enhance profitability of the company, which resultantly will strengthen/ consolidate its share price and confidence of investor and creditors.

ix) Personal Interest of the Directors of the Company:

The Directors of the Company are interested in the business to the extent that one of the Directors namely Mr. Jahangir Khan Tareen is also director in FPML and may hold qualification shares in FPML.

Agenda Item No. 6

Increase in authorized capital of the company.

The purpose of this amendment is to raise authorized capital limit of the company upto the limit of Rs. 1 billion having such preferential, deferred, qualified or special rights, privileges, conditions or restrictions or postponement of rights as provided in the Articles of association of the company subject to approval of members and (where required) of Securities & Exchange Commission of Pakistan. This will enable the Board of Directors to increase paid-up share capital of the Company in future by issue of ordinary and/or preference shares.

The Directors of the Company may also be interested in the business to the extent that they are also shareholders of the Company.

Agenda Item No. 7

Placement of Quarterly Accounts on Website

Sending of quarterly accounts to all the shareholders by registered post/courier is a costly and cumbersome exercise. Keeping this fact the Securities and Exchange Commission of Pakistan vide its Circular No. 9 of 2004 dated April 14, 2004 has been decided that a listed company may place its quarterly accounts on its website which will be treated compliance of Section 245 of the Companies Ordinance, 1984 subject to the fulfillment of certain conditions. To get benefits of said conditions and to provide the shareholders within minimum possible time limit with quarterly accounts, consent of the shareholders of the Company is being obtained.

Status of equity investment in JDW Power (Private) Limited as required by SECP Notification No. SRO. 865(I)2000, dated December 6, 2000.

Members in their Extra-Ordinary General Meeting held on Sunday, November 1, 2009 at 11.00 a.m. at Registered Office of the company had approved equity investment of up to an aggregate sum of Rs. 500,000,000 in the equity of JDW Power (Private) Limited ("JDWPL") which is an other associated company of the company and is planning to set up 80 MW co-generation power plant at Jamal Din Wali Distt. Rahim Yar Khan.

By virtue of said approval the company was authorized to subscribe up to 50,000,000 ordinary shares of Rs. 10/- each at par value of JDWPL as and when were offered by JDWPL, out of which company had so far been allotted 4,500,000 shares of Rs. 10 each in the paid up value of Rs. 45,000,000.

To the Company's knowledge, JDWPL is presently at EPC (Engineering Procurement and Construction) completion stage and during the current financial year more shares are expected to be offered to the company for subscription.

Status of fund investment in Faruki Pulp Mills Limited as per special resolution passed in August 3, 2010 as per requirements of SECP Notification No. SRO. 865(I)2000, dated December 6, 2000.

The Sponsors Support Agreement ("SSA") was signed by the company after getting approval of its members through special resolution in its Extra Ordinary General meeting held on August 03, 2010 for fulfilling the fund requirements of FPML to complete its project. As of today; no loan/advance or investment has been made in FPML by the company pursuant to the SSA.

Operating Highlights

Production Data Unit - I

		2005	2006	2007	2008	2009	2010
Season started	Date	31-Oct-04	14-Nov-05	17-Nov-06	19-Nov-07	23-Nov-08	15-Nov-09
Season closed	Date	23-Mar-05	18-Mar-06	12-Apr-07	1-May-08	9-Mar-09	5-Mar-10
Days worked	Days	143	125	147	165	107	111
Average daily crushing	M.Tons	9,069	10,510	12,860	17,239	13,911	15,469
Sugar cane crushed	M.Tons	1,296,893	1,313,812	1,890,482	2,844,395	1,488,463	1,717,041
Sugar recovery	% age	10.45	10.44	10.35	10.16	11.15	8.84
Sugar production	M.Tons	135,490	152,256	195,586	288,949	165,968	151,850
Molasses recovery	% age	4.56	4.20	4.09	4.74	4.03	4.48
Molassed production	M.Tons	54,154	55,655	77,311	134,817	60,021	77,006

Production Data Unit - II

		2005	2006	2007	2008	2009	2010
Season started	Date	3-Nov-04	15-Nov-05	17-Nov-06	19-Nov-07	23-Nov-08	15-Nov-09
Season closed	Date	15-Mar-05	9-Mar-06	1-Apr-07	18-Apr-08	5-Mar-09	1-Mar-10
Days worked	Days	133	115	136	152	103	107
Average daily crushing	M.Tons	4,601	4,460	5,274	6,551	5,784	6,592
Sugar cane crushed	M.Tons	611,895	512,844	717,230	995,700	595,765	705,363
Sugar recovery	% age	9.47	9.80	10.22	10.15	11.25	9.69
Sugar production	M.Tons	57,948	50,256	73,315	101,082	67,044	68,352
Molasses recovery	% age	4.40	4.53	4.48	5.11	4.21	4.35
Molassed production	M.Tons	26,940	23,235	32,151	50,864	25,083	30,677

Production Data Unit - III

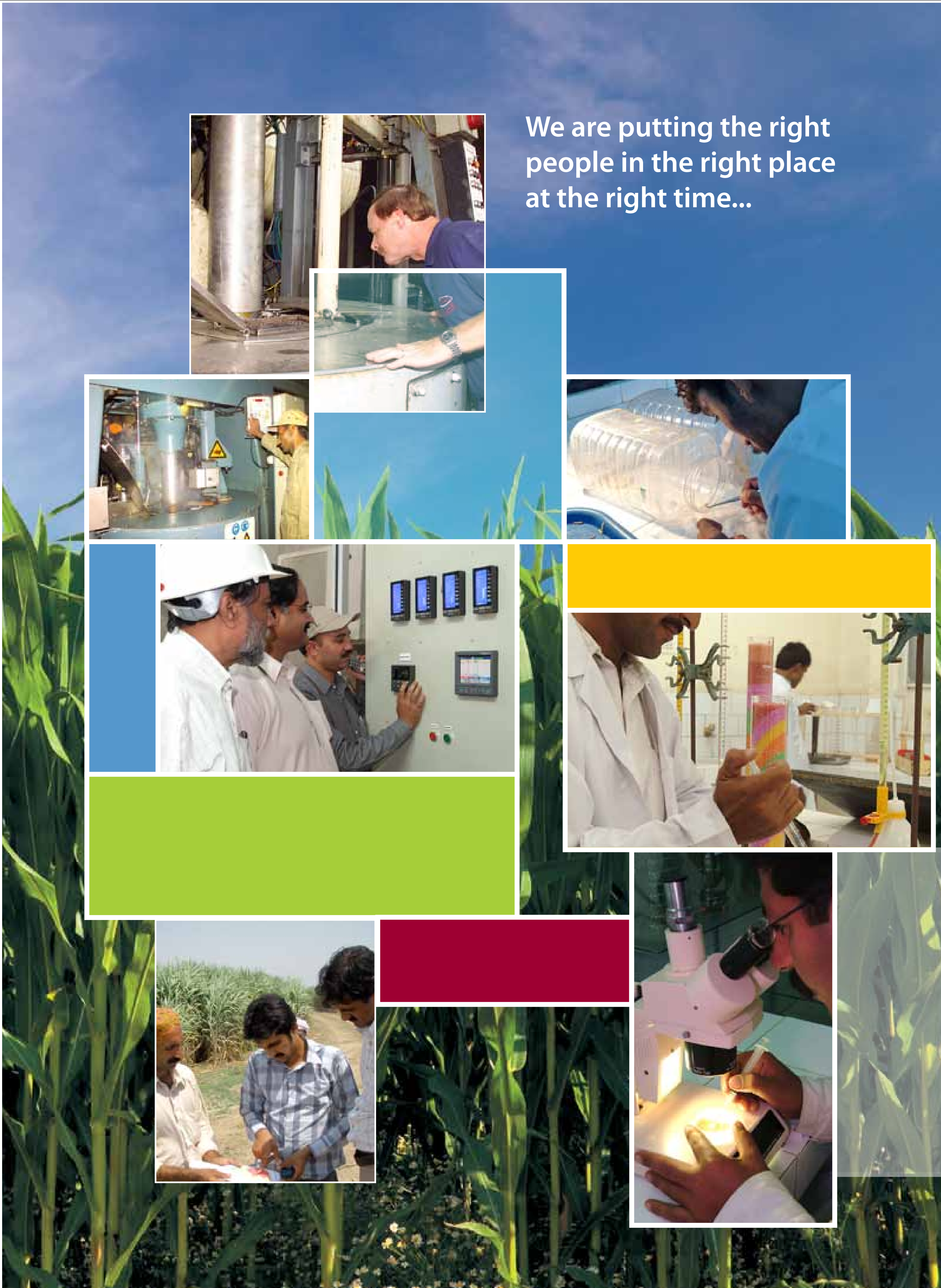
		2005	2006	2007	2008	2009	2010
Season started	Date	-	-	-	30-Nov-07	1-Dec-08	9-Nov-09
Season closed	Date	-	-	-	23-Apr-08	4-Mar-09	5-Mar-10
Days worked	Days	-	-	-	146	94	117
Average daily crushing	M.Tons	-	-	-	5,908	5,879	6,720
Sugar cane crushed	M.Tons	-	-	-	862,496	552,646	786,256
Sugar recovery	% age	-	-	-	10.55	11.30	10.65
Sugar production	M.Tons	-	-	-	90,918	62,484	83,697
Molasses recovery	% age	-	-	-	5.66	4.02	4.41
Molassed production	M.Tons	-	-	-	48,785	22,250	34,685

Operating Results

(Rupees in thousands)

		(Restated)					
		2005	2006	2007	2008	2009	2010
Gross sales		3,194,271	6,489,766	6,144,673	12,407,766	11,253,261	21,387,671
Net sales		2,792,474	5,635,918	5,344,241	10,801,461	9,898,459	20,392,208
Cost of sales		2,147,392	4,482,904	4,527,892	8,818,583	7,510,054	16,744,461
Administrative, distribution & marketing		75,381	179,432	147,954	351,519	242,381	356,151
Finance cost		172,857	495,060	697,960	816,218	1,127,468	1,168,440
Other operating expenses		20,220	187,169	14,202	91,141	115,553	212,051
Other operating income		(7,892)	(20,382)	(112,130)	(70,322)	(24,439)	(47,729)
Profit before taxation		365,291	287,147	58,498	794,323	927,036	1,951,876
Profit after taxation		344,395	241,951	23,187	484,453	587,654	1,240,402
Basic & diluted earnings per share	Rs.	13.23	7.75	0.61	10.94	13.50	28.20
Dividend - cash	%	30	30	-	35	40	70
- bonus	%	15	20	20	15	-	10

We are putting the right people in the right place at the right time...



Directors' Report

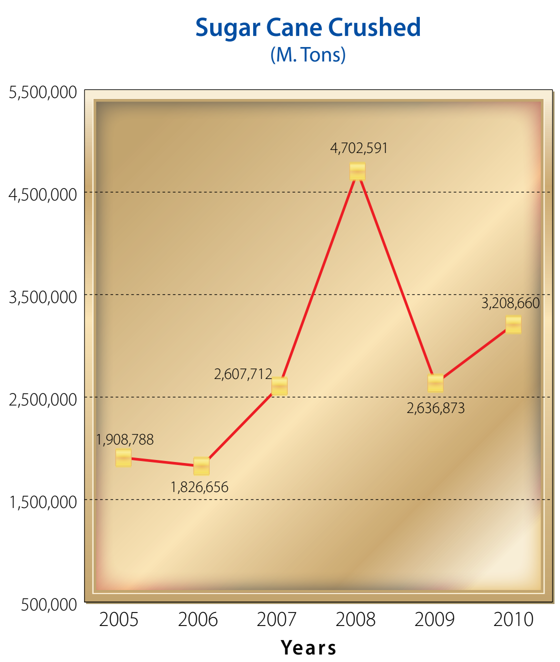
It gives me pleasure in presenting you the company's 21ST Annual Report and Audited Accounts for the year ended 30th September, 2010

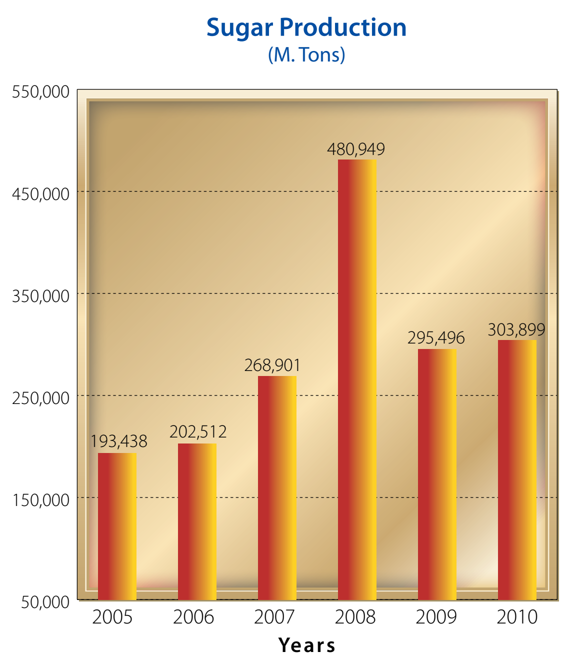
During the period under review process of merger of Ghotki Sugar Mills (Pvt.) Limited (GSML), being 100% owned subsidiary of the Company, was initiated and successfully concluded after completing all merger formalities including sanction from The Hon'ble Lahore High Court. GSML was merged into the Company with effect from October 01, 2009 as JDW Unit III, so the accounts being presented to the members are merged accounts for all the three sugar units and comparative figures have been re-stated accordingly. All post merger formalities have also been completed.

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

Operating Results

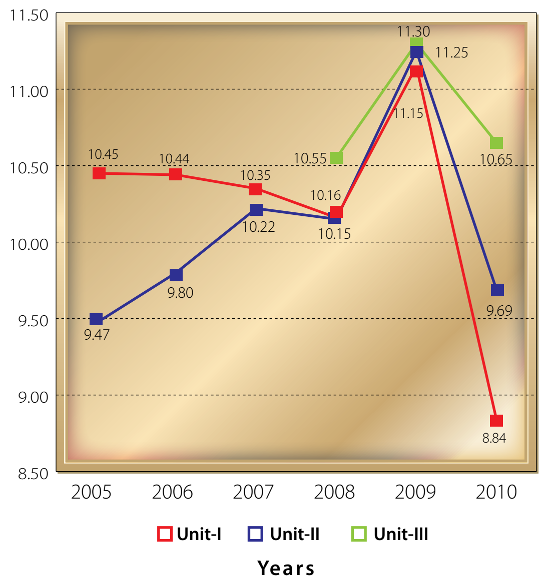
		2009-10				2008-09			
		JDW-I	JDW-II	JDW-III	COMBINED	JDW-I	JDW-II	JDW-III	COMBINED
Starting	Date	15.11.2009	15.11.2009	09.11.2009	--	23.11.2008	23.11.2008	01.12.2008	--
Ending	Date	05.03.2010	01.03.2010	05.03.2010	--	09.03.2009	05.03.2009	04.03.2009	---
Working	Days	111	107	117	112	107	103	94	101
Sugarcane crushed	M.Tons	1,717,041	705,363	786,256	3,208,660	1,488,463	595,765	552,646	2,636,874
Sugar Production	M.Tons	151,850	68,352	83,697	303,899	165,968	67,044	62,484	295,496
Sucrose Recovery	%age	8.84	9.69	10.65	9.47	11.15	11.25	11.30	11.21
Molasses Production	M.Tons	77,006	30,677	34,685	142,368	60,021	25,083	22,250	107,354
Molasses Recovery	%age	4.48	4.35	4.41	4.44	4.03	4.21	4.02	4.07





Directors' Report

Sucrose Recovery
(%age)



The comments of the directors on these results are as under:

- The combined crushing capacity of all the three sugar units is now 38,000 TCD. With average combined crushing of 28,649 tons per day, the Mills on the average were operated for 112 days during the period under review as against 101 days with average crushing of 26,108 tons per day last year.

- Due to reduction in sucrose recovery by 174 bps i.e., from 11.21 % to 9.47% which, as explained earlier in our quarterly accounts, was caused by a massive and unprecedented pest (Pyrilla) attack on sugar cane crop in the areas of JDWSML Unit–1 and Unit–2, sugar production increase was just 3% while cane crushing increased by 22%.

- JDWSML–Unit III, previously GSML, achieved sucrose recovery of 10.65% which was the highest achieved by any sugar mills in Pakistan for the crushing season 2009-10. This enabled the combined entity to somewhat mitigate the sharp decline in recovery of Units 1 & 2.

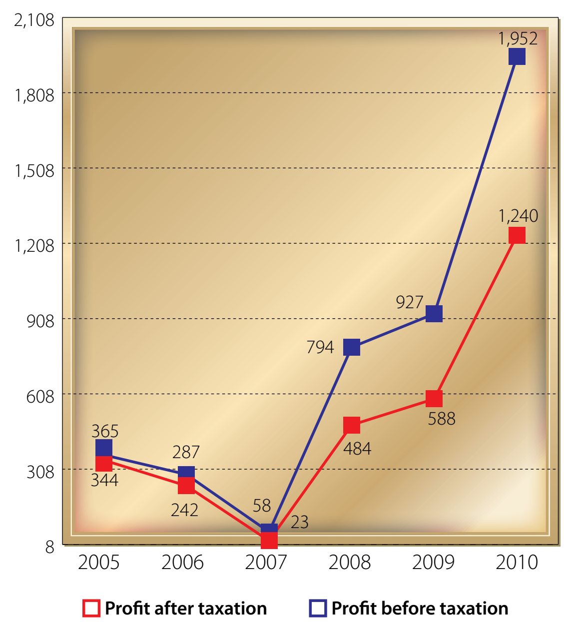
- Owing to low sucrose recovery the molasses recovery this time increased from 4.07% to 4.44%.

Financial Indicators

An analysis of the key combined operating results is given below:

	2010	2009
	(Rs. in million)	
		(Restated)
Gross sales	21,388	11,253
Net sales	20,392	9,898
Operating profit	3,127	2,055
Profit before tax	1,952	927
Profit after tax	1,240	588
Basic earnings per share	28.20	13.50

Profitability
(Rupees in Million)



The gross turnover of the Company has crossed Rs. 20 billion bench mark. There has been substantial increase in gross sales which is mainly attributable to increase in sugar prices. As explained earlier the production has increased just by 3% whereas gross sales have increased by 90%.

Except few thousand tons of sugar all opening stocks plus current year's sugar production was sold off during the year and with sales of a large carryover from the previous year, the Company has earned a pre-tax profit amounting to Rs. 1,952 million as against profit of Rs. 927 million last year. The basic earnings per share have increased from Rs. 13.50 to Rs. 28.20.

The gross profit ratio has dropped from 24% to 18% mainly due to substantial increase in the prices of sugarcane. Despite decrease in sucrose recovery and increase in sugarcane prices,

Directors' Report

depreciation charges & administrative expenses the operating profit has shown substantial improvement as compared to last year which can be attributable to increase in the prices of sugar & molasses and sale of carryover sugar stocks.

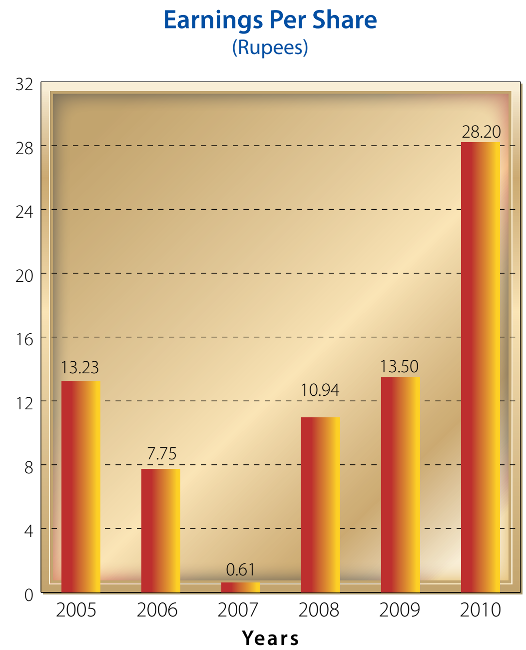
Other points of your interest are summarized below:

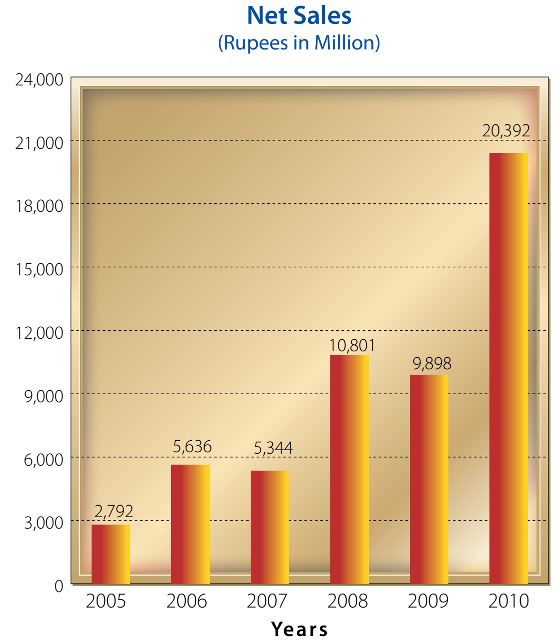
- For crushing season 2009-10 mills were started in the 2nd week of November 2009. In-spite of significant reduction in sucrose recovery and no increase in area under sugarcane cultivation, the Company was still able to achieve substantially same sugar production as was produced last year only because of increased crushing caused by substantial increase in yield per acre.

- This year the capacity of power house at unit III was upgraded by adding a 6MW power turbine to sell more electricity to HESCO. Revenue from sale of electricity to HESCO from Unit III and to MEPCO from Unit I is expected to increase more than 50 % as compared to last year.

- The company continued its policy of prompt payment to growers. Immediately after the close of the crushing season 2009-10 the company had fully made the balance payment of the cane procurement.

- The debt to equity, leverage and Debt Service Coverage ratios have improved significantly and there has been slight improvement in the current ratio as well. The company's entire debt is 30% of the gross turnover. The debt will continue to reduce as Company will be repaying approx. Rs. one billion every year in next three years. This reduction in debt will result in saving of financial charges. Even this year, despite 90% increase in gross turnover the financial charges of the company were almost the same as were last year. The company is fulfilling its financial obligations on time with all the financial institutions.





Dividend

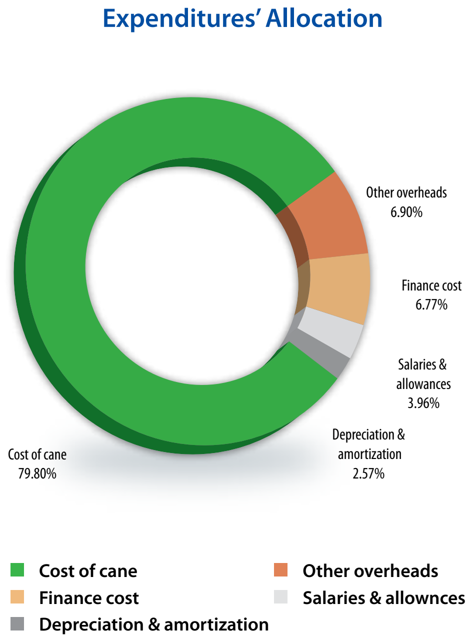
In view of the continuing good profitability of the company the Board of Directors has recommended 70 % cash dividend and 10 % bonus shares, subject to approval of the shareholders in the annual general meeting.

Appropriation of Profit

The following appropriations were made during the current year.

	2010 (Rs. in thousand)
Profit after taxation	1,240,402
Un-appropriated profit	
as at 01 October 2009 (Restated)	1,534,208
	2,774,610
Appropriations during the Year	
Final cash dividend 35 % for the year	
ended 30 September 2009	(174,183)
Balance as at 30 September 2010	2,600,427
Subsequent Effects	
The Board of Directors of the Company	
in their meeting held on 03 January 2011	
has proposed the following:	
Final cash dividend for the year	
30 September 2010 of Rs. 7.0	
(2009: Rs. 4.0) per share	(342,923)
Bonus shares issued at the rate	
of 10 % (2009: Nil)	(48,989)
	(391,912)
	2,208,515

Directors' Report



Employees Stock Option Scheme

Employees Stock Option Scheme to reward the officials of the company for their best performance was internally discussed and finalized during the period under review. The scheme was submitted to Securities & Exchange Commission of Pakistan which was approved by the Commission on July 16, 2010. The salient features of this scheme are summarized below:

- The authority to administer and manage the Scheme is vested with Board of Directors, who are authorized to form Compensation Committee (CC) comprising of three (3) Non-Executive Directors; CC will recommend the Board for grant of options to issue shares to eligible employees of the company. Only all permanent employees are eligible for issuance of shares through grant of options as recommended by CC. Entitlement Criteria' of eligible employees will be based on, inter alia, the following factors:

  a. Competitive pay levels;
  b. Level of responsibility;
  c. Performance; and
  d. No. of years of service.

- The Board will decide the total no. of shares to be issued (subject that aggregate number of Shares for all Options granted/to be granted at any time shall not exceed one percent. (1 %) of the total issued and paid-up share capital of the Company. Condition of one percent may be increased any time with approval of members of the Company and SECP.

- Option price shall be lessor of the 30 percent of average market price of last 3 months at the time of grant of option or at the time of exercise of option as the case may be.

- The Minimum Vesting Period for an Option shall be determined by the CC at the time of grant of Option.

- No share will be allotted before the expiry of the minimum vesting period. All options if not exercised by the eligible employees during the option period will expire.

- During the period under review no options were granted. However, Board of Directors as a first step intends to grant options to employees during 2010-11.

Relationship with Growers

The Company enjoys cordial relationship with the farmers' community as it considers the growers to be its backbone. To maintain and further strengthen the relationship, the company always gives priority and endeavors to;

- Consistently follow the policy of timely payments of sugarcane to growers.

- Fulfill farmers' financial requirements by providing them financial assistance from own sources & by arranging loans for them from banks and also through different financial schemes of National Rural Support Programme (NRSP). During period under review, approximately Rs. 2,323 million was advanced to growers in the form of cash, seed, agricultural implements, turbines & tube wells, fertilizers and pesticides.

- Procure and provide latest agricultural equipments on subsidized rates to growers on easy installment basis.

- Enhance technical skills through various extension and advisory programmers.

- Provide better quality and better yield varieties of sugarcane resulting in increased productivity in sugarcane yield per acre.

Future Outlook

For crushing season 2010-11, the company has already started crushing in Unit-I and Unit-II on 25th November and in Unit-III on 1st December. Despite damage caused by devastating flood to sugar cane crop, the crop size is still better than last year. Due to excessive rains the yield per acre in the area not affected by flood is expected to increase. However, there has been substantial increase in the prices of sugarcane. As against support price of Rs. 125 per 40 kgs the current average price is Rs. 230 per 40 kgs. The average sugarcane price this crushing season is expected to be at all times high as against the support price of Rs. 125 per 40 kgs. The Company expects that the impact of higher sugarcane prices will hopefully be mitigated by better prices of sugar. In view of this anticipation, the Company does not foresee any major shortfall in the revenue this year.

A comprehensive Pyrilla Control Plan was designed and implemented in the previous season. Due to successful implementation the current crop is Pyrilla free and therefore sucrose recovery levels are back to traditional levels.

Directors' Report

Farmers are getting better prices for sugarcane during on going crushing season which will result in increase in the area under sugarcane cultivation for next crushing season. September sowing recently concluded has shown very encouraging trend. Keeping in view this trend it is expected that there will be increased sowing in Feb/Mar.

Management is working on consolidating the financial position by focusing on reduction of financial charges. This is an area where substantial savings can be made in years to come.

In view of the above stated circumstances, we are operating in a challenging environment with unstable & unsustainable sugarcane and sugar prices, intervention of the Government and its agencies, high sugarcane prices and higher financial charges. In future efforts will be made to increase sugar production, work on improving plant efficiencies and reduce financial charges.

Code of Corporate of Governance

As required under the Code of Corporate Governance, the Board of Directors states that:

- The financial statements present fairly the state of affairs of the company, the results of its operations, cash flow and changes in equity;
- Proper books of account of the company have been maintained;
- Accounting policies as stated in the notes to the financial statements have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable prudent judgment;
- International Financial Reporting Standards, as applicable in Pakistan and the requirements of Companies Ordinance, 1984 have been followed in preparation of the financial statements;
- The system of internal control is sound in design and has been effectively implemented and monitored;
- There are no doubts about the company's ability to continue as going concern;
- There has been no material departure from the best practices of corporate governance as detailed in the listing regulations;
- A statement regarding key financial data for the last six years is annexed to this report;
- Information about taxes and levies is given in the notes to the financial statements.
- During the year, 14 board meetings were held. Attendance was as under:

	Meetings attended
1. Jahangir Khan Tareen	10
2. Syed Ahmed Mahmud	11
3. Asim Nisaar Bajwa	14
4. Abdul Ghaffar	14
5. Ijaz Ahmed Phulpoto	14
6. Muhammad Ismail	12
7. Imtiaz Ali (resigned w.e.f. 25.09.2010)	11
8. Zafar Iqbal (appointed w.e.f. 25.09.2010)	–
9. Amina Tareen (term expired as on 01.11.2009)	01
10. Sameera Mahmud (term expired as on 01.11.2009)	01

Directors who could not attend board meetings due to their preoccupations were granted leave of absence.

Audit Committee

The Board has constituted an Audit Committee consisting of three members including Chairman of the Committee. The committee regularly meets as per requirement of the code. The committee assists the Board in reviewing internal audit manual and internal audit system.

Value of Provident Fund Investment

The Company operates a recognized provident fund scheme covering all its permanent employees. Equal monthly contributions to the fund are made both by the company and its employees in accordance with fund rules. As per audited accounts of the Employees Provident Fund the value of its investments as June 30, 2010 aggregates to Rs. 155.54 million (2008-09: Rs. 122.70 million)

Pattern of Shareholding

There were 1,291 shareholders of the Company. A statement of pattern of shareholding is enclosed in this report.

Statement of transaction in shares of the Company by the Directors, CEO, CFO and Company Secretary and their spouses and minor children during the year is enclosed in this report.

National Exchequer

The Company contributed a sum of about Rs. 1,079 million to the national exchequer in the form of duties and taxes during the year under review.

Corporate Social Responsibility Activities

The Company undertook the Corporate Social Responsibility Activities which are discussed in detail on pages from 15 to 24 during the period under review.

Auditors

The present auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants retire and have offered themselves for re-appointment.

Acknowledgement

The directors would like to express their appreciation for the dedication hard work of the workers, staff and members of the management team. Growers are the key element of our industry and we thank them for their continued co-operation. The directors of the Company are also thankful to the banks and leasing Companies for the financial assistance and co-operation they have extended to the Company.

On behalf of the board of directors

Lahore:
03 January 2011

Jahangir Khan Tareen
Chief Executive

Corporate Social Responsibility

The unique socio-economic programs created by JDW Sugar Mills to raise the income and standard of living of local communities gained strength in 2010. Programs that were originally initiated as pilot projects now play a key role in sustaining the economic development of the immediate agricultural region.

The Company's social responsibility activities take a holistic approach to socio-economic problems and therefore deal with a much wider range of issues and communal groups than traditional single-focus programs.

Programs

1. Sugarcane Productivity Enhancement Project (SPEP)

This program is a truly multi-stakeholder project as it involves partnerships between farming communities, the private sector (JDW Sugar Mills) and a non-profit organization (National Rural Support Programme).

SPEP has been designed to enhance small farm (<20 acres) profitability through agriculture & livestock extension services and provision of credit without collateral. The community organizations (COs) receive SPEP support from a professional team consisting of a social organizer, an agricultural extension officer, and a veterinary officer.

With continued support from JDW Sugar Mills, NRSP expanded its operation in 44 union councils. The number of active COs grew in 2010 to 1,387 with a membership of 15,257 farmers.

The main features of the SPEP include:

- Social mobilization and organization of the rural poor into Community Organizations (COs).
- Provision of agricultural extension services; agricultural graduates employed by JDW Sugar Mills provide services through direct advice in CO meetings, published literature and farm visits.
- Credit facility from JDW Sugar Mills and NRSP for purchase of seed and other agricultural inputs on guarantee of the CO.
- Small farmers have access to farm machinery provided by JDW Sugar Mills on credit at subsidized rates.

NRSP has distributed Rs.154.64 million in the year 2009-10 to raise the productivity and income of the farming communities.

Corporate Social Responsibility

2. Livestock Development Program (LDP)

SPEP management realizes that any effort in livestock productivity enhancement would directly benefit the poor in generating sustainable incomes. Under this program, Doctors of Veterinary Medicine and Veterinary Assistants provide services such as vaccinations, treatment of sick animals, advice on animal fattening, advice on enhancement of milk production and artificial insemination for breed improvement.

The approach used in this project has been replicated in the "Prime Minister's Special Initiative for Livestock" by the federal departments for national implementation under various Rural Support Programs. At present, seven veterinary clinics are providing services under this project in the Rahim Yar Khan region.

3. Women's Development Program (WDP)

The Women's Development Program was initiated in the rural areas of SPEP to develop small business skills. Women in these rural areas can now benefit from the various programs run by NRSP. The project, which has so far organized 678 COs and encouraged membership of 5,648 women, has enabled women to access credit of Rs. 140.13 million as well as small business training facilities. Through these programs, women have been able to provide significantly improved income support to their households.

4. Support to Vocational Training Institutes

JDW Sugar Mills has provided Rs. 6.25 million for the establishment of vocational training institutes in Jamal Din Wali, Roshan Bhait and Rajan Pur Kalan.

Moreover, an exemplary initiative was taken by JDW Sugar Mills to arrange a special Dress Making Course in Japan (12 Days) for two shining students Asia and Saima. All related expenses were funded by JDW Sugar Mills.

Corporate Social Responsibility

Table 1 : Vocational Training Institute progress 2009-2010

Trades	Admitted Students			Pass out Students		
	Boys	Girls	Total	Boys	Girls	Total
Jamal Din Wali– VTI						
Computer Operator/Office Assistant	205	46	**251**	178	42	**220**
Dress Making	-	171	**171**	-	154	**154**
Embroidery	-	177	**177**	-	155	**155**
Repair & Maintenance of Electrical	176	-	**176**	145	-	**145**
Tractor Mechanic	168	-	**168**	124	-	**124**
Total	**549**	**394**	**943**	**447**	**351**	**798**
RajanPurKalan– VTI						
Computer Operator/Office Assistant	180	38	**218**	140	36	**176**
Dress Making	-	173	**173**	-	127	**127**
Embroidery	-	164	**164**	-	125	**125**
Repair & Maintenance of Electrical	174	-	**174**	121	-	**121**
Total	**354**	**375**	**729**	**261**	**288**	**549**

These institutes are currently providing training in trades that include dress making, embroidery, repair and maintenance of electrical home appliances, tractor maintenance and computer operation. The graduates now have an opportunity to generate income through self-employment in the market.

5. Education

1. Quality Education for All (QEFA) in Rasool Pur Union Council

In 2002-03, the District Government of Rahim Yar Khan took a bold initiative in the education sector and handed over the management of all the primary schools of Rasool Pur Union

Corporate Social Responsibility

Council to NRSP. JDW Sugar Mills fully supported this initiative and provided operational, financial and logistic support to the project. The local community was mobilized and fully involved in the management of the schools. The following additional tasks were given to the community:

- Raising funds for provision of missing facilities
- Reducing the drop-out rate and increasing enrollment
- Reducing teacher's absenteeism.

The project has been a resounding success, and has resulted in the efficient management of schools, an increase in the student enrolment, reduction in the drop-out ratio, provision of basic facilities, and involvement of local communities in monitoring the performance of school administration. Since the start of the initiative, a total of Rs. 51.52 million has been donated by JDW Sugar Mills for providing missing facilities and upgrading existing ones. The officers of the World Bank and the Government of Punjab visited these schools and appreciated the "New School Management Approach" adopted in Rasool Pur Union Council. The Punjab Education Sector Reforms Project (PESRP) launched in 2005-06 has been modeled on the lessons learnt from this project.

Since its inception, the JDW funded education program has expanded from 37 boys and girls schools to 127 schools. With strong collaboration with the NRSP, the program is aimed at addressing the quality of education in rural areas of district Rahim Yar Khan. These schools are now completely functional after being upgraded with funding support from JDW Sugar Mills.

The upgrades included employment of 179 teachers, new classrooms, boundary walls, furniture for students and teachers, toilets, sheds, water supplies, electricity & electrification, IT labs, supports material, walking bridge and whitewash.

Table 2: Progress achieved until 2009-10 by the Quality Education Program sponsored by JDW Sugar Mills.

Programs	Boys	Girls	Total
Rasool Pur			
No. of Schools	26	24	50
Enrollment	4,056	2,802	6,858
No. of Teachers	79	85	164
Kot Karam Khan			
No. of Schools	14	5	19
Enrollment	1,682	712	2,394
No. of Teachers	29	12	41
Non Formal (NEF)			
No. of Schools	13	15	28
Enrollment	2,388	1,528	3,916
No. of Teachers	36	33	69
Ghotki			
No. of Schools	28	2	30
Enrollment	1,331	706	2,037
No. of Teachers	45	2	47
Grand Total			
No. of Schools	81	46	127
Enrollment	9,457	5,748	15,205
No. of Teachers	189	132	321

Corporate Social Responsibility

JDW Sugar Mills is using its valuable link with the district education department to make another contribution in educational institutes by raising the graduation level of rural community, elementary and higher education schools. A total of 80 schools have been upgraded to date. The company has also contributed Rs. 5 million to establish a Community Model Primary School.

6. Helping Students Achieve Education Continuity

With a strong focus on promoting education, JDW Sugar Mills has also resolved to provide financial support to students who want to continue their studies after passing their intermediate exams. Currently, 15 boys and one girl of Jamal Din Wali city have benefited from support of Rs. 3.14 million in continuing their education in graduate and post-graduate classes.

7. Lodhran Pilot Project (LPP) for Improved Sanitation.

In order to provide a healthy environment, JDW Sugar Mills has provided Rs. 15.43 million to the LPP for improvement in sewerage system. Public involvement is encouraged to ensure the system is maintained on a daily basis.

8. Free Eye Camps

NRSP and JDW Sugar Mills organized eleven free eye camps. JDW Sugar Mills enthusiastically participated in this program by providing both financial and logistical support. These successful eye camps, which focus on providing integrated eye care, have become an ongoing initiative for the poor rural community.

Cataract surgery was initially conducted in Al-Shifa Eye Trust,

Corporate Social Responsibility

Sukkur. However, the surgery was facilitated in local premises with the passage of time. Consequently, in the last four camps, cataract surgeries were successfully operated at JDW Sugar Mills and it is expected that this practice will continue in the future.

Features of the Eye Camp Program:

- Separate arrangements for men and women
- Free Registration
- Free OPD
- Free optical check-up
- Free medicines
- Free cataract surgeries
- Free transportation
- Free accommodation

9. Free Limbs Camp

In November 2009, NRSP collaborated with the "Naya Qadam Trust" and organized a free prosthetic (artificial limbs) camp for disabled members of the community. The fourteen day camp, which was organized at JDW Sugar Mills, ensured that a total of 219 disabled people were provided 225 prosthetic limbs. People of all ages benefited from the limbs camp. The beneficiaries came not only from RYK district but also from Bahawalpur, Lodhran, Rajanpur, Sukkur, Jackababad, Larkana and Deharki.

10. Flood Relief Activities

The 2010 Flood caused severe damage in district Rahim Yar Khan. Pakistan's worst floods in recorded history have claimed more than 1,750 lives and affected 20 million - more than a tenth of the population. A massive cascade of waters, triggered by heavy monsoon rains in late July, swept through the country, washing away homes, roads, bridges, crops and livestock. The affected area covers a vast tract of land from Northern Pakistan down to the Arabian Sea.

JDW Group in collaboration with NRSP has set up a Flood Relief Fund (NRSP & JKT). A separate bank account has been opened for this prupose which is operated by NRSP.

The Management of JDW Group collected Rs. 42.96 million for the fund, out of which Rs. 23.22 million were contributed personally by the top management, Rs. 5 million by JDWSML and remaining Rs. 14.74 million by the general public on the request of the management.

This donation immediately activated food and shelter assistance for the flood affected families and also assisted in the rehabilitation of 16 schools and 23 mosques.

Table 1 shows the various type of assistance provided to the displaced people in terms of food and shelter.

Flood Relief Fund RYK (NRSP & JKT)

Type of Assistance	Quantity/ Number	Families Assisted
Food Package (Flour, Sugar, Pulses, Cooking Oil)	7,500	7,500
Tents	8,550	8,550
Shelter Box	250	250
Clothes Unstitched	145	145
Aquatabs	448,000	16,716
Water Carries	700	700
Medical Camps	8	1,399
Livestock Camps	19	1,637
Camp Schools (375 Students enrolled)	4	550
Disposable Toilets	4	100
Canned food, Clothes, Crockery etc.	410	410
Mineral Water	250	250
Hand Pumps	37	3,700

Corporate Social Responsibility

Table 2 highlight how funds were utilized in various assistance programs.

Description	Amount
Funds Received	42,956,571
Less:	
Purchase of uncooked food	16,959,216
Purchase of shelter tents	20,901,747
Funds released for rehabilitation of schools	1,948,924
Funds released for rehabilitation of mosques	1,176,740
Distribution of medicines, transportation etc.	1,507,826
Sub Total	42,494,453
Funds Available	**462,118**

JDW also engaged its personnel, machinery and other resources to strengthen the flood bund to save surrounding property and cultivated lands. A team of twenty highly-qualified agriculturalists and civil engineers remained with governmental and non-governmental institutions at the bund.

This work was conducted in a high-risk area and about a hundred security personnel were deputed to maintain security and discipline.

The machinery and other equipments deputed by JDW Sugar Mills to protect the bunds were as follows:

Corporate Social Responsibility

Site	Tractors with Front Blade	Tractors with Rear Blade	Excavator	Tractors with Dumpers	Dumpers Hired	Buldozer	Mills Employees	Local Community
Mazari Minor	1	12	4	1	–	–	10	100
Bangla Icha	–	3	–	1	–	–	10	50
Dilkusha	3	7	3	15	18		25	100
Nabi Shah	2	12	1	–	–	1	50	200
Thath	1	10	–	–	–	–	–	50
Thath Bund	2	–	2	–	15	–	–	50
Kacha Chohan	2	5	1	–	–	–	20	–
Kacha Mianwali-1	–	6	–	–	–	–	10	100
Ali Pur/Janpur/Ehsanpur	3	80	2	–	–	2	60	–
Ghaziabad/Bhong	1	13	–	–	–	–	50	–
Soon Miani	1	14	–	–	–	–	20	–
Rajanpur	–	5	–	–	–	–	–	–
Total	**16**	**167**	**13**	**17**	**33**	**3**	**255**	**650**

JDW Sugar Mills also supplied food free of cost to the people working at the bunds. The bund rehabilitation work lasted from 25th July to 1st October 2010.

JDW Sugar Mills also requested well-known electronic media anchors to cover the flood and its impact. As a result, many donors joined the relief activities in Rahim Yar Khan.

Corporate Social Responsibility

11. CNIC Preparation & Distribution

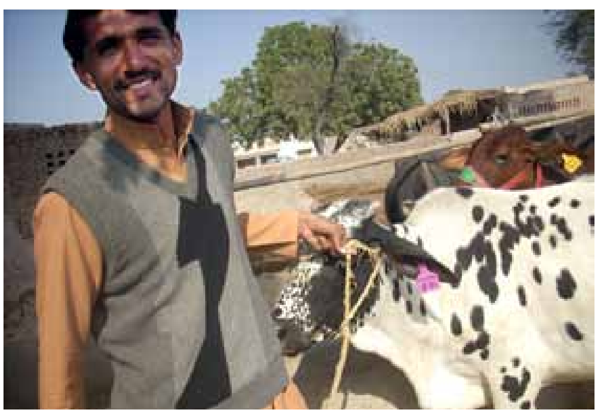
The JDW area falls in the backward region of Pakistan. To facilitate people, the Group assisted the NADRA Mobile Unit in the preparation of computerized national ID cards, as per table below.

Sr. No.	Details	Nos.
1	Computerized ID Cards Prepared	28,470
2	Computerized ID Cards Distributed	20,000

12. Community Dairy Development Project

This project has been initiated to support poor people in Rahim Yar Khan and Sadiqabad.

The Company in collaboration with the Pakistan Dairy Development Company (PDDC) is providing loans to poor farmers for purchase of livestock. The loans will be repayable in easy equal instalments. This project will help in the creation of employment opportunities and promote cattle farming.



13. Corporate Farm Activities

i) Plant breeding and variety screening program

JDW management fully appreciates the critical importance of developing new varities to raise sugarcane productivity and meet the shortfall in sugar production and consumption in the country. The company has accordingly invested in 'state of the art' breeding stations with international linkages to ensure the development of new sugarcane varieties on sustainable basis.

ii) Improved agronomy strategies

- Maximizing sugar production (recovery and cane quality)
- Extending ratoons
- Minimizing lodging
- Rationalizing tillage operations
- Improving harvest and transport systems

iii) Integrated Pest Management

During the cropping season 2009-10, sugarcane leafhopper (Pyrillaperpusilla) severely damaged the sugarcane crop in Tehsils of Rahim Yar Khan and Sadiq Abad and reduced both cane and sugar yield by up to 30%. JDW Sugar Mills proactively launched a "Pest Warning & Control System for Growers" in December 2009 to control the threat posed by sugarcane pests.

As part of the program, JDW set up an "Integrated Pest Management" (IPM) team for each crop, circle consisting of one IPM Officer and different IPM supervisors depending upon the area of that circle.

Corporate Social Responsibility

The IPM team oversaw the application of both biological and chemical treatment in the problem sites. The biological treatment entailed conserving the eggs of Epiricania melanoleuca, a farmer-friendly insect and parasite of the leafhopper, and applying these eggs in different locations. The chemical treatment utilizing Chlopyrifos pesticide was adopted in the particularly severe months of May, June and July.

As a result of these efforts, the sugarcane crop in Rahim Yar Khan is completely Pyrilla free as of September 2010 and the growers are harvesting a healthy and more vigorous crop.

iv) Soil and water testing laboratory

The company laboratory has expanded the range of soil parameters tested to help provide more comprehensive details relating to the water and soil quality of agricultural land. This information helps growers take more informed decisions about the application of fertilizers and other nutrients.

v) Irrigation efficiency program

Two large overhead boom irrigators have been imported to investigate the opportunity for sprinkler irrigation to improve efficiency and decrease operational costs. Optimizing flood irrigation efficiency also remains a key objective of the program. The program involves installing sub-surface plastic mains to ensure the most efficient farm irrigation system is developed. The company has also introduced new technology to monitor and measure soil water levels in order to improve irrigation scheduling. The Environ scan system continually logs soil moisture levels and transfers data via telemetry to the internet.

vi) New Technologies

- GIS program (A computer based Geographic or Geospatial Information system that creates a set of tools that captures, stores, analyzes, and presents all farm data in a visual form that is easy for staff to interpret)
- Digital weather station with data accessible via the internet
- New harvester technology (side saws to enable efficient harvest of large lodged crops).

Financial Statements

for the year ended 30 September 2010

Statement of Compliance

with the Code of Corporate Governance

This statement is being presented to comply with the requirements of Code of Corporate Governance contained in listing regulations of Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited for the purpose of establishing a framework 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 Board of Directors comprised of seven (07) Directors. The Company encourages representation of independent non-executive Directors on its Board of Directors. At present the Board includes four independent non-executive directors.
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 taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI. No one is a member of any Stock Exchange.
4. All casual vacancies occurring in the Board were filled up by the directors within 14 days thereof.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and key 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 the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. No new appointment of Chief Financial Officer (CFO), Company Secretary and Head of Interal Audit were made during the year. However, any changes to the remuneration, terms and conditions of employment of CFO, Company Secretary and Head of Internal Audit have been determined by the CEO with the approval of the Board of Directors.
10. 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.
11. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
12. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
13. The Company has complied with all the corporate and financial reporting requirements of the Code.
14. The Board has formed an audit committee. It comprises thee members, of whom one is non-executive director.
15. 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 advised to the committee for compliance.
16. The Board has set-up an effective internal audit function for the Company.
17. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme 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 Institute of Chartered Accountants of Pakistan.
18. The Board arranged orientation courses for its Directors during the year to apprise them of their duties and responsibilities.
19. The related party transactions have been placed before the audit committee and approved by the Board of Directors to comply with the requirements of listing regulations of Karachi and Lahore Stock Exchanges. All transactions with related parties were made on an arm's length basis.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. We confirm that all other material principles contained in the Code have been complied with.

Lahore
03 January 2011

Jahangir Khan Tareen
Chief Executive

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

KPMG Taseer Hadi & Co.
Chartered Accountants

201-Office Block,
Siddiq Trade Centre
72-Main Boulevard, Gulberg-II,
Lahore, Pakistan

Telephone + 92 (42) 3578 1751-6
Fax + 92 (42) 3578 1757
Internet www.kpmg.com.pk

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of JDW Sugar Mills Limited ("the Company") to comply with the Listing Regulations of Karachi and Lahore Stock Exchanges.

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 Regulation No. 35 (previously Regulation No. 37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions 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 under taken at arm's length price.

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 30 September 2010.

KPMG Taseer Hadi & Co.

Lahore
03 January 2011

KPMG Taseer Hadi & Co.
Chartered Accountants

(Kamran Iqbal Yousafi)

Auditors' Report to the Members

KPMG Taseer Hadi & Co.
Chartered Accountants

201-Office Block,
Siddiq Trade Centre
72-Main Boulevard, Gulberg-II,
Lahore, Pakistan

Telephone	+ 92 (42) 3578 1751-6
Fax	+ 92 (42) 3578 1757
Internet	www.kpmg.com.pk

We have audited the annexed balance sheet of JDW Sugar Mills Limited ("the Company") as at 30 September 2010 and the related profit and loss account, statement of comprehensive income, cash flow statement, and statement of changes in equity, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the 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 auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) In our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) In our opinion:

i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes mentioned referred to in note 4.1 to the financial statements with which we concur;

ii) the expenditure incurred during the year was for the purpose of the Company's business; and

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 September 2010 and of the profit, its cash flows and changes in equity for the year then ended; and

d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

KPMG Taseer Hadi & Co.

Lahore
03 January 2011

KPMG Taseer Hadi & Co.
Chartered Accountants

(Kamran Iqbal Yousafi)

Balance Sheet

	Note	2010 Rupees	2009 Rupees (Restated)
SHARE CAPITAL AND RESERVES			
Share capital	6	489,889,770	435,457,570
Reserves		2,921,051,745	1,555,397,772
		3,410,941,515	1,990,855,342
NON CURRENT LIABILITIES			
Subordinated loan from Director - unsecured	7	–	260,900,000
Long term loans - secured	8	2,571,888,890	3,375,777,778
Liabilities against assets subject to finance lease	9	528,665,198	329,960,452
Deferred liabilities	10	1,295,662,797	878,242,713
Deferred income	11	–	3,945,104
		4,396,216,885	4,848,826,047
CURRENT LIABILITIES			
Short term borrowings - secured	12	2,285,290,971	3,765,402,741
Current portion of non current liabilities	13	1,013,482,464	693,564,179
Trade and other payables	14	665,390,967	803,490,123
Interest and mark-up accrued		136,129,479	180,218,438
Provision for taxation		257,965,246	49,990,394
		4,358,259,127	5,492,665,875
CONTINGENCIES AND COMMITMENTS	15		
		12,165,417,527	12,332,347,264

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

Lahore
03 January 2011

As at 30 September 2010

	Note	2010 Rupees	2009 Rupees (Restated)
NON CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	16	6,893,409,143	6,829,407,871
Capital work in progress		46,062,570	25,573,823
		6,939,471,713	6,854,981,694
Investment property	18	419,348,133	350,753,636
Investments	19	797,572,569	394,847,861
Goodwill	20	608,310,693	608,310,693
Long term deposits	21	84,408,648	48,877,275
		1,909,640,043	1,402,789,465
CURRENT ASSETS			
Stores, spares and loose tools	22	391,144,991	424,291,134
Stock in trade - finished goods		206,682,011	1,436,296,905
Trade debts - unsecured, considered good	23	142,956	36,588,056
Advances, deposits, prepayments and other receivables	24	2,707,394,009	2,170,822,489
Cash and bank balances	25	10,941,804	6,577,521
		3,316,305,771	4,074,576,105
		12,165,417,527	12,332,347,264

Chief Executive

Director

Profit and Loss Account

For the year ended 30 September 2010

	Note	2010 Rupees	2009 Rupees (Restated)
Gross sales		21,387,670,717	11,253,260,871
Sales tax, SED & others		(995,462,924)	(1,354,802,114)
Net sales	26	20,392,207,793	9,898,458,757
Cost of sales	27	(16,744,461,278)	(7,510,054,464)
Gross profit		3,647,746,515	2,388,404,293
Administrative expenses	28	(344,195,411)	(227,193,383)
Distribution and marketing expenses	29	(11,956,057)	(15,187,696)
Other operating expenses	30	(212,051,150)	(115,552,852)
Other operating income	31	47,729,198	24,438,859
		(520,473,420)	(333,495,072)
Operating profit		3,127,273,095	2,054,909,221
Finance cost	32	(1,168,439,503)	(1,127,467,695)
Share of loss of associated companies	19.1	(6,957,792)	(405,913)
Profit before taxation		1,951,875,800	927,035,613
Taxation	33	(711,473,399)	(339,381,836)
Profit after taxation		1,240,402,401	587,653,777
Basic and diluted earnings per share	38	28.20	13.50

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

Lahore
03 January 2011

Chief Executive

Director

Statement of Comprehensive Income

For the year ended 30 September 2010

	2010 Rupees	2009 Rupees (Restated)
Profit after taxation	1,240,402,401	587,653,777
Other comprehensive income / (loss) for the year		
Realized loss on sale of long term investment - available for sale transferred to profit and loss account	57,500	–
Diminution in the value of 'available for sale' investment	–	(57,500)
Total comprehensive income for the year	1,240,459,901	587,596,277

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

Lahore
03 January 2011

Chief Executive

Director

Cash Flow Statement

For the year ended 30 September 2010

	Note	2010 Rupees	2009 Rupees (Restated)
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		1,951,875,800	927,035,613
Adjustments for non cash and other items:			
Finance cost		1,168,439,503	1,127,467,695
Depreciation		443,216,349	434,173,183
Workers' profit participation fund		105,212,720	49,992,301
Provision for obsolescence		44,082,604	–
Workers' welfare fund		39,980,834	18,997,074
Staff retirement benefits		24,596,077	20,614,250
Provision for doubtful advances - net		24,425,315	–
Assets written off		20,213,356	–
Amortization of deferred income		(3,945,104)	(3,945,100)
Share of loss of associated companies		6,957,792	405,913
Loss on sale of investment		225,000	–
Profit on disposal of property, plant and equipment		(4,350,982)	(5,586,725)
		1,869,053,464	1,642,118,591
Operating profit before working capital changes		3,820,929,264	2,569,154,204
(Increase) / decrease in current assets			
Stores, spares and loose tools		(10,936,461)	(53,038,035)
Stock in trade		1,229,614,895	(559,905,032)
Advances, deposits, prepayments and other receivables		(560,996,835)	(493,546,110)
Trade debts		36,445,100	186,382,456
		694,126,699	(920,106,721)
Decrease in current liabilities			
Trade and other payables		(195,050,746)	(930,388,717)
Cash generated from operations		4,320,005,217	718,658,766
Finance cost paid		(1,159,106,529)	(986,962,809)
Workers' profit participation fund paid		(55,453,880)	(50,799,981)
Workers' welfare fund paid		(24,037,078)	–
Income tax paid		(97,147,553)	(60,002,726)
Staff retirement benefits paid		(22,277,994)	(10,272,921)
		(1,358,023,034)	(1,108,038,437)
Net cash generated from / (used in) operations		2,961,982,183	(389,379,671)
CASH FLOW FROM INVESTING ACTIVITIES			
Investments made during the year		(410,000,000)	(396,233,327)
Investment property		(37,756,392)	–
Property, plant and equipment		(185,510,557)	(975,448,444)
Proceeds realized from sale of investment		150,000	–
Proceeds realized from sale and lease back transactions		–	4,077,000
Proceeds realized from sale of property, plant and equipment		9,287,993	17,129,293
Stores held for capital expenditure		–	12,296,025
Long term deposits		(35,531,373)	(11,146,120)
Net cash used in investing activities		(659,360,329)	(1,349,325,573)
CASH FLOW FROM FINANCING ACTIVITIES			
Long term loans		(504,222,221)	280,000,000
Short term borrowings		(1,480,111,770)	1,795,022,105
Lease rentals		(232,649,852)	(219,491,663)
Proceeds from issuance of right shares		92,909,300	–
Dividend		(174,183,028)	(132,075,901)
Net cash (used in) / generated from financing activities		(2,298,257,571)	1,723,454,541
Net increase / (decrease) in cash and cash equivalents		4,364,283	(15,250,703)
Cash and cash equivalents at the beginning of the year		6,577,521	21,828,224
Cash and cash equivalents at the end of the year	25	10,941,804	6,577,521

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

Lahore

03 January 2011 Chief Executive Director

Statement of Changes in Equity

For the year ended 30 September 2010

	Share capital	Capital Reserves: Share premium	Capital Reserves: Fair value adjustment on available for sale investment	Accumulated profit	Sub Total	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at 30 September 2008 – as reported	381,254,260	37,691,250	–	1,044,299,672	1,081,990,922	1,463,245,182
Shares issued under stock option scheme reversed	(7,383,000)	(37,691,250)	–	45,074,250	7,383,000	–
Effect of merger	–	–	–	47,807,086	47,807,086	47,807,086
Balance as at 30 September 2008 – as restated	373,871,260	–	–	1,137,181,008	1,137,181,008	1,511,052,268
Transaction with owners, recorded directly in equity:						
Final dividend @ Rs. 3.5 per share	–	–	–	(133,438,991)	(133,438,991)	(133,438,991)
Bonus shares issued at the rate of 15%	57,188,130	–	–	(57,188,130)	(57,188,130)	–
Shares issued during the year	4,398,180	21,247,608	–	–	21,247,608	25,645,788
Total comprehensive income for the year	–	–	(57,500)	587,653,777	587,596,277	587,596,277
Balance as at 30 September 2009 – as restated	435,457,570	21,247,608	(57,500)	1,534,207,664	1,555,397,772	1,990,855,342
Transaction with owners, recorded directly in equity:						
Final dividend @ Rs. 4.0 per share	–	–	–	(174,183,028)	(174,183,028)	(174,183,028)
Issuance of right shares	54,432,200	299,377,100	–	–	299,377,100	353,809,300
Total comprehensive income for the year	–	–	57,500	1,240,402,401	1,240,459,901	1,240,459,901
Balance as at 30 September 2010	489,889,770	320,624,708	–	2,600,427,037	2,921,051,745	3,410,941,515

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

Lahore

03 January 2011 Chief Executive Director

Notes to the Financial Statements

For the year ended 30 September 2010

1 STATUS AND NATURE OF BUSINESS

1.1 JDW Sugar Mills Limited ("the Company") was incorporated in Pakistan on 31 May 1990 as a private limited Company under the Companies Ordinance, 1984 and was subsequently converted into a public limited Company on 24 August 1991. Shares of the Company are listed on the Karachi and Lahore Stock Exchanges. The registered office of the Company is situated at 17 - Abid Majeed Road, Lahore Cantonment, Lahore. The principal activity of the Company is production and sale of crystalline sugar.

1.2 Ghotki Sugar Mills (Private) Limited ("GSML") a subsidiary of the Company was merged into the Company under the scheme of amalgamation approved by Honorable High Court with effect from 01 October 2009. Details of amalgamation are as follows:

a) Former GSML was incorporated in Pakistan on 02 June 2006. GSML was engaged in the production and sale of crystalline sugar.

b) On 23 July 2010 the Board of Directors of the Company and former GSML in their separate meetings approved a scheme of arrangement under section 284 and section 287 of the Companies Ordinance, 1984 for the amalgamation of the former GSML into the Company.

c) The scheme was approved by the shareholders of the Company and former GSML at their respective Extra Ordinary General Meetings held on 23 July 2010. The scheme was also sanctioned by the Honorable Lahore High Court on 09 August 2010.

d) The scheme envisages:

i) The transfer to and vesting in the Company of the whole undertaking of former GSML inclusive of all its properties, assets, rights, liabilities, debts and obligations as subsisting on 01 October 2009 (hereinafter referred to as 'effective date') .

ii) Since GSML was the wholly owned subsidiary of the Company, upon merger/amalgamation of GSML into the Company in accordance with this scheme, all the assets and liabilities of GSML shall be vested in to the Company and the share capital of GSML will be eliminated from the books of accounts. Likewise, the amount appearing in the books of accounts of the Company as investment in GSML shall be eliminated as an adjustment towards the acquisition of assets and liabilities of GSML by the Company. Ordinary shares of GSML held legally or beneficially by the Company shall also stand cancelled with out any further act or deed and no shares of the Company shall issued in lieu thereof.

iii) The access value of the cost of investment over the fair value of net identifiable assets of GSML at the time of investment shall be accounted for as a goodwill in the books of accounts of the Company.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Standard Board as are notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for revaluation of certain financial instruments at fair value and recognition of certain employee retirement benefits at present value.

2.3 Functional and presentation currency

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

3 USE OF ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and

Notes to the Financial Statements

For the year ended 30 September 2010

various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision effects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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

- Retirement and other benefits
- Provision for taxation
- Residual values and useful lives of depreciable assets
- Provisions and contingencies

4 INITIAL APPLICATION OF NEW STANDARDS, INTERPRETATIONS OR AMENDMENTS TO EXISTING STANDARDS AND FORTH COMING REQUIREMENTS

4.1 Change in accounting policy (initial application)

Effective 01 July 2009, the Company has changed its accounting policy in respect of the following:

- The Company has applied Revised IAS 1 Presentation of Financial Statements (2007) which became effective as of 01 January 2009. The Company has opted two statement approach to present its comprehensive income for the year ended 30 September 2010 and comparative period.

  Comparative information has been re-presented so that it is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspect, there is no impact on profit for the year.

- IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 1 January 2009). The amendment requires enhanced disclosures regarding fair value measurement and liquidity risk. As the change only results in additional disclosures, there is no impact on earnings per share.

- IFRS 8 – Operating Segments (effective for annual periods beginning on or after 1 January 2009). This IFRS replaces IAS 14, 'Segment Reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes, and introduced detailed disclosures regarding the reportable segments and products.

4.2 New Accounting Standards and IFRIC interpretations that are not yet effective

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

- IFRS 2 (amendment)-Share-based payments and withdrawal of IFRIC 8- Scope of IFRS 2 and IFRIC 11- Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 January 2010). Amendment provides guidance on the accounting for share based payment transactions among group entities.

- International Accounting Standard (IAS) 24 (revised): Related Party Disclosures (effective for annual period beginning on or after 1 January 2011). The amendments to IAS 24 simplify the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government (referred to as government-related entities) and clarify the definition of a related party.

- Amendments to IAS 32: Classification of Rights Issues (effective for period beginning on or after 1 February 2010). Under the amendment to IAS 32 rights, options and warrants – otherwise meeting the definition of equity instruments in IAS 32.11 – issued to acquire a fixed number of an entity's own non derivative equity instruments for a fixed amount in any currency are classified as equity instruments, provided the offer is made pro-rata to all existing owners of the same class of the entity's own non derivative equity instruments.

Notes to the Financial Statements

For the year ended 30 September 2010

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for period beginning on or after 1 July 2010). IFRIC 19 clarifies the accounting when an entity extinguish the liability by issuing its own equity instruments to the creditor. "
- Amendments to IFRIC 14: Prepayment of a Minimum Funding Requirement (effective for period beginning on or after 1 July 2011). IFRIC 14, IAS 19 –The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction has been amended to remedy an unintended consequence of IFRIC 14 where entities are in some circumstances not permitted to recognize prepayments of minimum funding contributions, as an asset.
- The International Accounting Standards Board made certain amendments to existing standards as part of its Second and third annual improvements project. The effective dates for these amendments vary by standards.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Property, plant and equipment

Owned

Property, plant and equipment, except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land and capital work in progress are stated at cost less any identified impairment loss. Cost includes direct cost, related overheads, interest and mark up referred to in note 5.12.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Major repairs and improvements are capitalized. All other repair and maintenance costs are charged to income during the period in which they are incurred.

Depreciation is charged to profit on reducing balance method so as to write off the written down value of assets over their estimated useful lives at rates disclosed in note 16.

Depreciation methods, residual values and useful lives of assets are reviewed at each financial year end, and adjusted if impact on depreciation is significant.

The Company assesses at each balance sheet date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

Leased

Leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. At inception, finance leases are capitalized at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets, less accumulated depreciation and impairment loss, if any.

The related rental obligations, net of finance costs, are included in liabilities against assets subject to finance lease as referred to in note 9. The liabilities are classified as current and non-current depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance costs so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit over the lease term.

Assets acquired under a finance lease are depreciated over the estimated useful life of the assets on reducing balance method at the rates disclosed in note 16. Depreciation of leased assets is charged to profit and loss account.

Depreciation methods, residual values and useful lives of the assets are reviewed at each financial year end, and adjusted if impact on depreciation is significant.

5.2 Stores, spares and loose tools

These are valued at lower of weighted average cost and net realizable value except for items in transit, which are valued at cost comprising invoice value and related expenses incurred thereon up to the balance sheet date. Obsolete and used items are recorded at nil value.

Notes to the Financial Statements

For the year ended 30 September 2010

5.3 Stock in trade

Finished goods

These are valued at the lower of weighted average cost and net realizable value except for stock in transit, which is valued at cost comprising invoice value and related expenses incurred thereon up to the balance sheet date.

Cost is determined as follows:

Raw materials	at weighted average cost
Work-in-process and finished goods	at lower of weighted average cost plus related manufacturing expenses and net realizable value
Molasses	at lower of cost and net realizable value

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

5.4 Trade debts

Trade debts are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

5.5 Employee benefits

5.5.1 Defined contribution plan

The Company operates approved contributory provident fund for its eligible employees. Equal monthly contribution is made both by the Company and employee to the fund at the rate of 10% of basic salary.

5.5.2 Defined benefit plan

The Company also operates an unfunded gratuity scheme for eligible employees who have completed their qualifying period. Provision is made annually to cover current obligation under the scheme. Contributions under the scheme are made on the basis of actuarial recommendation and are charged to profit and loss account.

The most recent valuation was carried out as at 30 September 2010 using the "Projected unit credit method". Following significant assumptions are used for valuation of the scheme:

	2010	2009
Discount rate	14%	13%
Expected increase in eligible pay	12%	11%
Expected average working life of employee	11 years	12 years

Cumulative net unrecognized actuarial gains and losses at the end of the previous year which exceed 10% of the present value of the obligations is amortized over the expected average working lives of the participating employees.

5.5.3 Employees Stock Option Scheme

The Company is operating employees stock option scheme "Scheme" approved by Securities and Exchange Commission of Pakistan "SECP" dated 16 July 2010, under section 86 of the Companies Ordinance, 1984 read with Public Companies' employee stock option scheme Rules, 2001. The Compensation Committee of the Company shall recommend to the board as to which of the eligible employees are entitled to grant of option to subscribe for share at an option price. Option price, unless otherwise determined by the Compensation Committee, will be the lesser of 30% of the average of market price of shares during 3 month prior to the date of grant of option and 30% of the average of market price of shares during 3 months prior to date of exercise of option. Provided that it shall not in any case be less than the face value of Rs. 10 per share.The aggregate number of the shares for all options to be granted under the scheme to all eligible employees shall not, at any time, exceed 1% of the paid up capital of the Company. The Option shall be excercised during the applicable option period, subject to expiry of relevent minimum vesting period.

The grant date fair value of the options granted to the eligible employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the option.

No option has been awarded by the Company to its eligible employees up to 30 September 2010, the balance sheet date.

Notes to the Financial Statements
For the year ended 30 September 2010

5.6 Taxation

Income tax expense comprises current and deferred tax.

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for 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 statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

5.7 Revenue recognition

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from sale of electricity is recognized on transmission of electricity.

Interest and rental income are recognized on accrual basis.

Dividend income is recognized when the right of receipt is established.

5.8 Cash and cash equivalents

Cash and cash equivalents are carried at cost in the balance sheet. For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and bank balances.

5.9 Provisions

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

5.10 Financial instruments

Financial assets

Significant financial assets include advances, receivables and cash & bank balances. Finances and receivables from clients are stated at their nominal value as reduced by provision for doubtful finances and receivable, while other financial assets are stated at cost.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities include short and long term finances, lease finances, interest and mark up accrued and trade and other payables. Markup based financial liabilities are recorded at gross proceeds received. Other liabilities are stated at their nominal value.

Recognition and derecognition

All the financial assets and financial liabilities are recognized at the time when the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognized when the Company looses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

5.11 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognized amount and the Company intends either to settle on a net basis or to realize the assets or settle the liabilities simultaneously.

Notes to the Financial Statements

For the year ended 30 September 2010

5.12 Borrowing cost

Borrowing costs incurred on long term finances obtained for the construction of qualifying assets are capitalized up to the date the respective assets are available for the intended use. All other borrowing costs are taken to the profit and loss account currently.

5.13 Trade and other payables

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

5.14 Foreign currency transactions

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into rupees at the spot rate. All non-monetary items are translated into rupees at exchange rates prevailing on the date of transactions or on the date when fair values are determined. Exchange differences are included in the profit currently.

5.15 Deferred income

Deferred income represents excess of sale proceeds in relation to the carrying amount of the asset acquired under sale and lease back arrangement. Deferred income is amortized on a straight line basis over the period of lease term.

5.16 Investment

Investments in equity instruments of associated Company

Associates are all entities over which the Company has significant influence but not control. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. the Company's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition. The Company's share of its associates' post acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

Available for sale

Investments classified as available for sale are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are re-measured at fair value, unless fair value cannot be reliably measured. Unrealized gains and losses arising from the changes in the fair value are directly recognized in equity in the period in which they arise. Cumulative gains and losses arising from changes in fair value are included in net profit or loss for the period in which an investment is derecognized.

Investments intended to be held for less than twelve months from the balance sheet date or to be sold to raise operating capital, are included in current assets, all other investments are classified as non-current. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

5.17 Investment Property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in ordinary course of business, use in production or supply of goods or services as for administrative purpose.

The Company assesses at each balance sheet date whether there is any indication that investment property may be impaired. If such indication exists, the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying value exceeds the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in the profit and loss account for the year. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amounts of the asset is recognized as an income or expense.

5.18 Related party transactions

The Company enters into transactions with related parties on an arm's length basis except in extremely rare circumstances where, subject to approval of the Board of Directors, it is in the interest of the Company to do so.

5.19 Goodwill

Goodwill represent the excess of the cost of acquisitions over the fair value of the net identifiable assets of the merged subsidiaries at the dates of acquisitions. Goodwill recognized is tested annually for impairment and carried at cost less accumulated impairment losses.

Notes to the Financial Statements

For the year ended 30 September 2010

5.20 Dividend

Dividend distribution to shareholders is recognized as a liability in the period in which the dividends are approved.

	2010 Numbers	2009 Number (Restated)	2010 Rupees	2009 Rupees (Restated)
6 SHARE CAPITAL				
6.1 Authorized capital				
Ordinary shares of Rs. 10 each	55,000,000	55,000,000	550,000,000	550,000,000
6.2 Issued, subscribed and paid up capital				
Ordinary shares of Rs. 10 each fully paid in cash	26,256,938	20,813,718	262,569,380	208,137,180
Ordinary shares of Rs. 10 each issued as fully paid bonus shares	22,732,039	22,732,039	227,320,390	227,320,390
	48,988,977	43,545,757	489,889,770	435,457,570

7 SUBORDINATED LOAN FROM DIRECTOR - UNSECURED

This loan was unsecured and subordinated to the syndicated loans. Mark up at the rate of 6 months KIBOR plus 300 bps (2009: 6 months KIBOR plus 300 bps) per annum was payable on quarterly basis. This loan has been adjusted during the period against issuance of right shares.

	Note	2010 Rupees	2009 Rupees (Restated)
8 LONG TERM LOANS - SECURED			
Privately placed term finance certificates (PPTFC's)	8.1	1,435,555,558	1,700,000,000
Privately placed SUKUK certificates (PPSC's)	8.2	422,222,221	500,000,000
Habib Bank Limited - term loan	8.3	220,000,000	280,000,000
Habib Bank Limited - led syndicated loan	8.4	1,298,000,000	1,400,000,000
		3,375,777,779	3,880,000,000
Less: Current maturity			
PPTFC's		377,777,778	264,444,444
PPSC's		111,111,111	77,777,778
Habib Bank Limited - term loan		60,000,000	60,000,000
Habib Bank Limited - led syndicated loan		255,000,000	102,000,000
		803,888,889	504,222,222
		2,571,888,890	3,375,777,778

8.1 PPTFC's

TFC's have been issued by way of private placements with a consortium of institutional investors. The total issue comprises of 340,000 TFC's having face value of Rs. 5,000.

Notes to the Financial Statements

For the year ended 30 September 2010

Terms of repayment

18 unequal quarterly instalments commencing after a grace period of one year and six months i.e. March 2010 and ending June 2014.

Rate of return

The return on TFC's is payable quarterly at a rate of 3 months KIBOR plus 125 bps.

Trustee

In order to protect the interests of TFC's holders, MCB Bank Limited has been appointed as trustee under a trust deed dated 27 May 2008.

Security

This finance is secured by first pari passu charge on land measuring 248 and 552 kanals, fixed assets and plant & machinery of the Company.

8.2 PPSC's

TSC's have been issued by way of private placements with a consortium of institutional investors. The total issue comprises of 100,000 sukuk certificates having face value of Rs. 5,000.

Terms of repayment

18 unequal quarterly instalments commencing after a grace period of one year and six months i.e. March 2010 and ending June 2014.

Rate of return

The return on TSC's is payable quarterly at a rate of 3 months KIBOR plus 125 bps.

Trustee

In order to protect the interests of sukuk certificate holders, MCB Bank Limited has been appointed as trustee under a trust deed dated 3 April 2008.

Security

This finance is secured by first pari passu charge on land measuring 248 and 552 kanals, fixed assets and plant & machinery of the Company.

8.3 Habib Bank Limited - term loan

It is repayable in 20 unequal quarterly instalments ending on 31 March 2014. The interest is payable quarterly at a rate of 3 months KIBOR plus 275 bps per annum. This finance is secured by first pari passu charge on fixed assets of the Company (including land, building, plant and machinery) worth PKR 400 million and token registered mortgage on personal property and personal guarantee of all directors of the Company.

8.4 Habib Bank Limited - led syndicated loan

This syndicated loan comprises of loans from Habib Bank Limited, MCB Bank Limited, Faysal Bank Limited, JS Bank Limited & Pak Kuwait Investment Company (Private) Limited. This loan is secured against first ranking pari passu charge over all the assets, equitable mortgage charge over immoveable properties of the Company and personal guarantee of Directors. It is repayable in 22 instalments after a grace period of one year and six months starting from June 2010. It carries mark-up at the rate of 3 months KIBOR plus 200 bps payable quarterly.

Notes to the Financial Statements

For the year ended 30 September 2010

9 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The amount of future minimum lease payments along with their present value and the periods during which they will fall due are:

	Note	2010		
		Minimum lease payments	Finance cost for future periods	Present value
		Rupees	Rupees	Rupees
Not later than one year	13	305,134,250	95,540,675	209,593,575
Later than one year and not later than five years		636,573,988	107,908,790	528,665,198
		941,708,238	203,449,465	738,258,773

	Note	2009		
		Minimum lease payments	(Restated) Finance cost for future periods	Present value
		Rupees	Rupees	Rupees
Not later than one year	13	252,054,126	62,712,169	189,341,957
Later than one year and not later than five years		384,615,587	54,655,135	329,960,452
		636,669,713	117,367,304	519,302,409

The Company has entered into various lease agreements with financial institutions for plant and machinery, implements and vehicles. Lease rentals are payable on quarterly/monthly basis and include finance cost ranging from 6 months KIBOR plus 250 bps to 6 months KIBOR plus 450 bps (2009: 6 months KIBOR plus 250 bps to 6 months KIBOR plus 375 bps) per annum which has been used as the discounting factor. The Company has the option to purchase the assets upon completion of lease period and has the intention to exercise such option. There are no financial restrictions imposed by lessors.

	Note	2010 Rupees	2009 Rupees (Restated)
10 DEFERRED LIABILITIES			
Deferred taxation	10.1	1,257,707,914	851,356,922
Staff retirement benefits	10.2	37,954,883	26,885,791
		1,295,662,797	878,242,713

10.1 Deferred taxation

The liability for deferred taxation comprises temporary differences relating to:

	2010 Rupees	2009 Rupees (Restated)
Accelerated tax depreciation	1,436,904,432	1,110,420,037
Leased assets	271,871,875	206,405,271
Liabilities against assets subject to finance lease	(258,390,571)	(181,755,843)
Provisions for doubtful debts and Obsolescence	(41,644,398)	(17,580,361)
Employee retirement benefits	(8,420,215)	(10,162,419)
Unused tax credits and losses	(105,788,755)	(241,622,234)
Other timing differences	(36,824,454)	(14,347,529)
	1,257,707,914	851,356,922

Notes to the Financial Statements

For the year ended 30 September 2010

	2010 Rupees	2009 Rupees (Restated)
10.2 Staff retirement benefits - gratuity		
Present value of defined benefit obligations	44,927,601	33,021,263
Unrecognised actuarial losses	(6,972,718)	(6,135,472)
Liability as at 30 September	37,954,883	26,885,791
Balance as at 01 October	26,885,791	17,129,923
Charge to profit and loss account	13,121,562	11,538,174
Payments	(2,052,470)	(1,782,306)
Liability as at 30 September	37,954,883	26,885,791
Charge to profit and loss account for the year comprises:		
Current service cost	8,592,686	8,034,551
Interest cost for the year	4,292,764	3,062,856
Actuarial losses recognised	236,112	440,767
	13,121,562	11,538,174

Historical information comparison for five years:

	2010 Rupees	2009 Rupees	2008 Rupees	2007 Rupees	2006 Rupees
		(Restated)			
Present value of defined benefit obligations	44,927,601	33,021,263	25,523,798	16,182,081	10,911,207
Experience adjustment (loss)/gain	(1,073,358)	1,817,636	(3,431,020)	(2,730,185)	(543,288)

11 DEFERRED INCOME

This represents the unamortized balance of excess of sale proceeds over carrying amount of plant and equipment on sale and lease back transactions with financial institutions. The deferred income is being amortized each year over the respective period of the lease term. The amount credited to the profit and loss account is Rs. 3.95 million (2009 : Rs. 3.95 million).

	Note	2010 Rupees	2009 Rupees (Restated)
12 SHORT TERM BORROWINGS - SECURED			
Banking and Financial Institutions			
- Cash finances	12.1	156,712,202	2,148,483,632
- Running finances	12.2	2,105,951,745	1,614,700,567
- Finance against trust receipts (FATR)	12.3	22,627,024	2,218,542
		2,285,290,971	3,765,402,741

12.1 The Company has obtained cash finance facilities aggregating to Rs. 8,350 million (2009: Rs. 7,320 million). The mark up rates applicable during the year ranges from 3 months KIBOR plus 125 bps to 3 months KIBOR plus 400 bps per annum (2009: 1 month KIBOR plus 200 bps to 3 months KIBOR plus 400 bps per annum). These are secured against pledge of sugar bags of the Company and personal guarantees of Directors of the Company.

12.2 The Company has obtained running finance facilities aggregating to Rs. 2,393 million (2009: Rs.1,900 million). The mark up rates applicable during the year ranges from 1 month KIBOR plus 200 bps to 3 month KIBOR plus 400 bps per annum (2009: 1 month KIBOR plus 200 bps to 3 months KIBOR plus 400 bps per annum). These are secured against present and future current assets of the Company and personal guarantees of Directors of the Company.

Notes to the Financial Statements

For the year ended 30 September 2010

12.3 The limit of this facility is Rs. 150 million. It carries mark-up at the rate of 1month KIBOR plus 200 bps per annum which is payable quarterly. It is secured against charge over current assets of Company.

	Note	2010 Rupees	2009 Rupees (Restated)
13 CURRENT PORTION OF NON CURRENT LIABILITIES			
Current portion of long term loans from banking companies and financial institutions	8	803,888,889	504,222,222
Current portion of liabilities against assets subject to finance lease	9	209,593,575	189,341,957
		1,013,482,464	693,564,179
14 TRADE AND OTHER PAYABLES			
Trade creditors		324,909,679	179,755,896
Workers' profit participation fund payable	14.1	105,212,720	49,992,301
Accrued expenses		71,247,516	48,017,841
Sales tax payable		65,197,608	85,583,201
Workers' welfare fund		55,366,026	39,422,269
Advances from customers		4,240,213	365,309,025
SED payable		6,270,253	9,226,597
Tax deducted at source		3,559,136	177,084
Unclaimed dividend		8,465,012	6,293,181
Retention money		5,767,844	11,467,505
Other payables		15,154,960	8,245,223
		665,390,967	803,490,123
14.1 Workers' profit participation fund			
Balance as at 01 October		49,992,301	46,772,363
Add: Allocation for the year		105,212,720	49,992,301
Interest on funds utilized in the Company's business		5,461,579	4,027,618
		160,666,600	100,792,282
Less: Paid during the year		55,453,880	50,799,981
Balance as at 30 September		105,212,720	49,992,301

15 CONTINGENCIES AND COMMITMENTS

Contingencies

15.1 The Sales Tax Department has demanded further tax of Rs. 77.9 million from the Company for the year 2000-2001 on the grounds that it charged sales tax at the rate of 15% on it's sales to persons liable to be registered instead of 18%. The Company is in adjudication against this on grounds of the definition of registered person in the Sales Tax Act. The Lahore High Court has stopped any recovery by the sales tax department from JDW Sugar Mills Limited till the decision of Collector of Customs, Sales Tax and Central Excise, Multan Region. Based on opinion from its legal advisor, management of the Company expects a favourable outcome in this case.

Notes to the Financial Statements

For the year ended 30 September 2010

15.2 The Company availed 50% exemption of excise duty in 1990 - 91 crushing season on account of excess production over last year by having completed full crushing season i.e. 160 days. According to the audit report of Excise Department the exemption was wrongly availed. Therefore, the Deputy Collector issued show cause notice. The Company has challenged the same in Lahore High Court. No provision has been made in financial statements for this as the management is confident that the case will be decided in its favour.

15.3 The Punjab Industrial Development Board (PIDB) claimed in respect of Pasrur Sugar Mills Limited (formerly subsidiary of United Sugar Mills Limited amount of Rs. 10,780,782. A dispute arose at the time of settlement of the consideration of the mills between PIDB and USML and the matter was referred to an arbitrator. An award had been announced by it in favor of the company whereby instead of paying the aforementioned amount, Rs. 1,209,385 become recoverable from them. An appeal filed by PIDB against decision of arbitrator in Sindh High Court Karachi was dismissed during the year 2004-05. Now PIDB has again filed a petition and Supreme Court accept the petition to reopen the case. The final outcome of this case is not known at present. However the management of the company based on the opinion of its legal advisor is confident that this case will be ecided in its favour. Accordingly no provision is made in the books of account of the Company.

		2010 Rupees	2009 Rupees (Restated)
Commitments in respect of:			
15.4	Counter guarantee given on account of agricultural loan to growers:		
	Faysal Bank Limited	450,000,000	450,000,000
	The Bank of Punjab	300,000,000	-
	National Bank of Pakistan	290,000,000	-
	Habib Bank Limited	250,000,000	250,000,000
15.5	Letters of credit for import of machinery and its related components	297,938,537	46,645,726
15.6	Letters of guarantee for purchase of fertilizers and oil & lubricants in favour of:		
	Engro Fertilizers Limited	105,170,000	-
	Fauji Fertilizer Company Limited	39,688,000	-
	Shell Pakistan Limited	35,000,000	60,000,000
	Pakistan State Oil Company Limited	1,000,000	1,000,000

15.7 The Sponsors Support Agreement ("SSA") was signed by the Company after getting approval of its members through special resolution in its Extra Ordinary General meeting held on 03 August 2010 for fulfilling the fund requirements of Faruki Pulp Mills Limited ("FPML") to complete its project. As of today; no loan/advance or investment has been made in FPML by the company pursuant to the SSA.

Notes to the Financial Statements

For the year ended 30 September 2010

16 OPERATING FIXED ASSETS

	Cost					Depreciation				
	As at 01 October 2009	Additions / (deletions) during the year	Transfers to / (from)	As at 30 September 2010	Rate	As at 01 October 2009	For the year	Adjustments	As at 30 September 2010	Net book value as at 30 September 2010
	Rupees	Rupees	Rupees	Rupees	%	Rupees	Rupees	Rupees	Rupees	Rupees
Owned										
Freehold land	184,149,761	–	(30,838,105)	153,311,656	–	–	–	–	–	153,311,656
Factory building on freehold land	803,189,175	1,026,329	2,153,150	806,368,654	10	242,934,491	56,528,183	(2,335,651)	297,127,023	509,241,631
Non factory building on freehold land	507,725,760	29,036,956	(519,352)	536,243,364	5	92,999,796	21,455,461	(385,677)	114,069,580	422,173,784
Plant and machinery	5,785,191,719	46,951,879	54,506,635	5,886,650,233	5	1,413,193,368	218,395,813	(6,508,758)	1,625,080,423	4,261,569,810
Motor vehicles	203,139,757	16,866,181	(2,632,452)	206,009,743	20	128,805,498	16,289,686	(6,770,891)	131,830,310	74,179,433
		(11,363,743)						(6,493,983)		
Electrical installation	62,370,662	15,288,207	(12,424,887)	65,233,982	10	32,519,243	3,059,064	(1,680,909)	33,897,398	31,336,584
Office equipment	48,324,731	2,097,961	(3,546,681)	46,876,011	20	28,162,677	4,295,845	(2,850,922)	29,607,600	17,268,411
Tools and equipment	55,134,032	396,696	(10,099,946)	45,430,782	10	24,532,568	2,800,010	(6,625,791)	20,706,787	24,723,995
Agri implements	170,037,110	26,485,785	99,957,073	296,479,968	10	67,704,562	10,764,178	25,690,502	104,159,242	192,320,726
Furniture and fixture	26,669,935	3,314,469	(2,506,564)	27,477,840	10	12,607,575	1,441,566	(1,905,514)	12,143,627	15,334,213
Weighbridge	9,717,830	–	–	9,717,830	10	7,313,274	240,456	–	7,553,730	2,164,100
Roads and boundary wall	46,960,621	–	–	46,960,621	10	8,481,261	3,847,936	–	12,329,197	34,631,424
Arms and ammunitions	5,852,967	764,000	–	6,616,967	10	1,977,171	418,170	–	2,395,341	4,221,626
Aircraft	398,645,628	20,000,000	–	418,645,628	10	12,341,632	39,803,003	–	52,144,635	366,500,993
Tubewell	1,498,146	–	–	1,498,146	10	1,011,461	48,669	–	1,060,130	438,016
Computers	9,692,949	2,961,146	715,045	13,210,859	33	4,037,951	2,418,924	(370,943)	5,994,903	7,215,956
		(158,281)						(91,029)		
Fire fighting equipments	344,000	–	(344,000)	–	20	343,730	–	(343,730)	–	–
	8,318,644,783	165,189,609	94,419,916	8,566,732,284		2,078,966,258	381,806,964	(10,673,296)	2,450,099,926	6,116,632,358
		(11,522,024)						(6,585,012)		
Leased										
Plant and machinery	391,073,325	67,586,600	(119,198,190)	339,461,735	5	45,914,665	17,585,817	(17,976,259)	45,524,223	293,937,512
Agri implements	200,801,009	285,725,683	(69,483,400)	417,043,292	10	44,123,980	22,184,743	(26,044,791)	40,263,932	376,779,360
Motor vehicles	125,153,780	44,872,000	(8,440,000)	161,585,780	20	37,260,123	21,638,825	(3,373,081)	55,525,867	106,059,913
	717,028,114	398,184,283	(197,121,590)	918,090,807		127,298,768	61,409,385	(47,394,131)	141,314,022	776,776,785
	9,035,672,897	563,373,892	(102,701,674)	9,484,823,091		2,206,265,026	443,216,349	(58,067,427)	2,591,413,948	6,893,409,143
		(11,522,024)						(6,585,012)		

Notes to the Financial Statements

For the year ended 30 September 2010

16.1

	Cost				Rate	Depreciation				Net book value as at 30 September 2009
	As at 01 October 2008	Additions / (deletions) during the year	Transfers to / (from)	As at 30 September 2009		As at 01 October 2008	For the year	Adjustments	As at 30 September 2009	
	Rupees (Restated)	Rupees (Restated)	Rupees (Restated)	Rupees (Restated)	%	Rupees (Restated)	Rupees (Restated)	Rupees (Restated)	Rupees (Restated)	Rupees (Restated)
Owned										
Freehold land	151,257,656	174,742,555	(141,850,450)	184,149,761	–	–	–	–	–	184,149,761
Factory building on freehold land	714,615,377	90,193,339	–	803,189,175	10	183,009,287	59,925,204	–	242,934,491	560,254,684
		(1,619,541)								
Non factory building on freehold land	427,074,804	80,650,956	–	507,725,760	5	72,510,905	20,488,891	–	92,999,796	414,725,964
Plant and machinery	5,213,472,499	548,477,251	24,900,000	5,785,191,719	5	1,157,839,399	252,586,078	3,522,952	1,413,193,368	4,371,998,351
		(1,658,031)						(755,061)		
Motor vehicles	210,806,999	14,333,324	4,093,500	203,139,757	20	123,343,105	13,117,590	2,462,013	123,089,085	80,050,672
		(26,094,066)						(15,833,623)		
Electrical installation	48,240,113	14,130,549	–	62,370,662	10	29,720,075	2,799,168	–	32,519,243	29,851,419
Office equipment	45,813,253	2,511,478	–	48,324,731	10–20	24,569,094	3,593,583	–	28,162,677	20,162,054
Tools and equipment	52,502,668	2,631,364	–	55,134,032	10	21,184,353	3,348,215	–	24,532,568	30,601,464
Agri implements	158,463,216	11,573,894	–	170,037,110	10–25	63,045,001	10,375,976	–	73,420,977	96,616,133
Furniture and fixture	22,566,215	4,103,720	–	26,669,935	10	11,204,733	1,402,842	–	12,607,575	14,062,360
Weighbridge	9,717,830	–	–	9,717,830	10	7,046,101	267,173	–	7,313,274	2,404,556
Roads and boundary wall	24,486,266	22,474,355	–	46,960,621	10	6,705,697	1,775,564	–	8,481,261	38,479,360
Arms and ammunitions	5,852,967	–	–	5,852,967	10–20	1,522,613	454,558	–	1,977,171	3,875,796
Aircraft	–	398,645,628	–	398,645,628	10	–	12,341,632	–	12,341,632	386,303,996
Tubewell	1,498,146	–	–	1,498,146	10–25	940,559	70,902	–	1,011,461	486,685
Computers	6,745,704	2,947,245	–	9,692,949	30–33	2,089,414	1,948,537	–	4,037,951	5,654,998
Fire fighting equipments	344,000	–	–	344,000	20	343,662	66	–	343,728	272
	7,093,457,713	1,367,415,658	(112,856,950)	8,318,644,783		1,705,073,998	384,495,979	5,984,965	2,078,966,258	6,239,678,525
		(29,371,638)						(16,588,684)		
Leased										
Plant and machinery	312,414,625	103,558,700	(24,900,000)	391,073,325	5	35,581,789	13,855,828	(3,522,952)	45,914,665	345,158,660
Agri implements	164,173,308	36,627,701	–	200,801,009	10	27,697,679	16,426,301	–	44,123,980	156,677,029
Motor vehicles	113,073,280	16,174,000	(4,093,500)	125,153,780	20	21,559,226	19,395,075	(3,694,178)	37,260,123	87,893,657
	589,661,213	156,360,401	(28,993,500)	717,028,114		84,838,694	49,677,204	(7,217,130)	127,298,768	589,729,346
	7,683,118,926	1,523,776,059	(141,850,450)	9,035,672,897		1,789,912,692	434,173,183	(1,232,165)	2,206,265,026	6,829,407,871
		(29,371,638)						(16,588,684)		

Notes to the Financial Statements

For the year ended 30 September 2010

	Note	2010 Rupees	2009 Rupees (Restated)
16.2 Depreciation charge for the year has been allocated as follows:			
Cost of goods manufactured	27.1	371,168,043	391,236,263
Administrative expenses	28	54,016,100	25,292,583
Other operating expenses	30.1	18,032,206	17,644,337
		443,216,349	434,173,183

17 DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Description	Particulars of buyer	Cost Rupees	Accumulated depreciation Rupees	Book value Rupees	Sale proceeds Rupees	Mode of disposal
	Employees					
Motor Cycle	Employee	58,000	41,838	16,162	29,000	Negotiation
Motor Cycle	Employee	40,000	28,853	11,147	20,000	Negotiation
Motor Cycle	Employee	58,000	41,838	16,162	29,000	Negotiation
	Insurance claim					
Vehicle	EFU	2,450,000	641,430	1,808,570	2,000,000	Insurance claim
Vehicle	EFU	662,500	537,023	125,477	300,000	Insurance claim
	Others parties					
Vehicle	Amina Tareen	6,747,865	4,047,300	2,700,565	6,000,000	Negotiation
Vehicle	Haji Khan	533,628	415,203	118,425	320,000	Negotiation
Computer	Macro Tech	158,281	91,029	67,252	64,993	Negotiation
Vehicle	Mahmood ul Hasan Rashid	813,750	740,498	73,252	525,000	Negotiation
2010		11,522,024	6,585,012	4,937,012	9,287,993	
2009		29,363,421	17,820,853	11,542,568	17,129,293	

	Note	2010 Rupees	2009 Rupees (Restated)
18 INVESTMENT PROPERTY			
Balance as at 01 October		350,753,636	212,290,716
Transferred to investment property		30,838,105	138,462,920
Additions during the period		37,756,392	–
Balance as at 30 September		419,348,133	350,753,636

It mainly represents agricultural land given on lease. The fair value of investment property is Rs. 1,042,228,438 as at 30 September 2010 (2009: Rs 560,000,00).

19. INVESTMENTS

	Note	2010	2009
Investment in associated companies	19.1	797,572,569	394,530,361
Available for sale	19.2	–	317,500
		797,572,569	394,847,861

Notes to the Financial Statements

For the year ended 30 September 2010

		2010 Rupees	2009 Rupees (Restated)
19.1	**Investment in associated companies - Un quoted**		
	Faruki Pulp Mills Limited ("FPML")		
	Cost of investment		
	Cost as at 01 October		
	35,000,000 fully paid ordinary shares of Rs. 10 each	395,500,000	395,500,000
	Acquired during the year		
	16,500,000 fully paid ordinary shares of Rs. 10 each	165,000,000	-
	Cost as at 30 September	560,500,000	395,500,000
	51,500,000 (2009: 35,000,000) fully paid shares of Rs .10 each		
	Equity held: 47.69% (2009: 48.87%)		
	Share of loss		
	Balance as at 01 October	(969,639)	–
	Share of loss for the year	(7,173,602)	(969,639)
	Balance as at 30 September	(8,143,241)	(969,639)
		552,356,759	394,530,361
	JK Dairies (Private) Limited ("JKDL")		
	Cost of investment		
	Cost as at 01 October	–	–
	Acquired during the period	200,000,000	–
	10,000,000 fully paid shares of Rs. 10 each		
	Cost as at 30 September	200,000,000	–
	10,000,000 (2009 : Nil) fully paid shares of Rs. 10 each		
	Equity held 33.3% (2009 : Nil)		
	Share of profit for the year	215,810	–
		200,215,810	–
	JDW Power (Private) Limited ("JDWPL")		
	Cost of investment		
	Cost as at 01 October	–	–
	Acquired during the period	45,000,000	–
	4,500,000 fully paid shares of Rs. 10 each		
	Cost as at 30 September	45,000,000	–
	4,500,000 (2009: Nil) fully paid shares of Rs. 10 each		
	Equity held 47.37% (2009: Nil)		
		797,572,569	394,530,361

Summarised financial information in respect of associated companies is set out below:

	2010			2009		
	FPML	JKDL	JDWPL	FPML	JKDL	JDWPL
	Rupees			Rupees		
Assets	1,620,093,813	632,473,181	81,035,128	1,314,476,626	503,975,955	–
Liabilities	696,978,340	260,146,190	41,391,809	611,410,991	553,837,040	–
Equity	923,115,473	372,326,991	39,643,319	703,065,635	(49,861,085)	–
Revenues	–	182,720,574	–	–	72,500,067	–
(Loss)/profit after tax for the period	(20,250,162)	2,188,076	(18,511,681)	(21,945,994)	(71,053,192)	–

Investment of the Company in associated companies has been accounted for under equity method of accounting based on its financial statements as at 30 June 2010.

Notes to the Financial Statements

For the year ended 30 September 2010

	Note	2010 Rupees	2009 Rupees (Restated)
19.2 Available for sale			
Quoted			
Balance as at 01 October		317,500	317,500
Disposal during the period			
50,000 (2009: Nil) fully paid shares of Rs. 10 each		(317,500)	–
Balance as at 30 September		–	317,500

20 INTANGIBLE ASSET - GOODWILL

It represents the excess of cost of an acquisition over the fair value of the net identifiable assets of the subsidiaries at the date of acquisition.

21 LONG TERM DEPOSITS

These mainly comprise of security deposits with leasing companies in respect of leasing facilities availed.

22 STORES, SPARES AND LOOSE TOOLS

	Note	2010 Rupees	2009 Rupees (Restated)
Stores		207,784,521	153,596,017
Spares		166,926,733	216,413,183
Oil and lubricants		37,199,113	36,462,078
Loose tools		12,211,548	11,773,817
Packing materials		7,930,717	3,734,869
Civil stores		3,174,963	2,311,170
		435,227,595	424,291,134
Less: Provision for obsolescence		(44,082,604)	–
		391,144,991	424,291,134

23 TRADE DEBTS - UNSECURED

	Note	2010 Rupees	2009 Rupees (Restated)
Trade debts - unsecured		14,629,097	51,074,197
Less: Provision for doubtful debts		(14,486,141)	(14,486,141)
		142,956	36,588,056

24 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2010 Rupees	2009 Rupees (Restated)
Advance to growers			
Unsecured - considered good	24.1	2,322,825,004	1,875,287,861
Unsecured - considered doubtful		34,976,616	35,510,826
		2,357,801,620	1,910,798,687
Less: Provision for doubtful advances		(34,976,616)	(35,510,826)
		2,322,825,004	1,875,287,861
Advance to suppliers and contractors			
Unsecured - considered good		143,290,727	182,047,350
Unsecured - considered doubtful		25,438,633	479,108
		168,729,360	182,526,458
Less: Provision for doubtful advances		(25,438,633)	(479,108)
		143,290,727	182,047,350
Letters of credit		199,308,991	6,846,394
Prepaid expenses		12,637,267	21,234,517
Advances to staff - unsecured, considered good		4,883,026	7,863,219
Excise duty receivable	24.2	9,888,364	9,888,364
Advance against purchase of shares		–	65,000,000
Tax refunds from Government		1,431,700	1,431,700
Other receivables		13,128,930	1,223,084
		2,707,394,009	2,170,822,489

24.1 Advances to growers includes Rs. 901,902,464 (2009: Rs. 1,110,277,013) given to JK Agri Farms, (a related party) for procurement of sugarcane.

24.2 The Company claimed an exemption of Rs. 10.75 million from excise duty on an export transaction during 1993-94. However, the Excise Department rejected the claim and the Company deposited Rs.9.88 million under protest.

Notes to the Financial Statements

For the year ended 30 September 2010

		2010 Rupees	2009 Rupees
25	**CASH AND BANK BALANCES**		
	At banks:		
	Current accounts	7,301,363	3,012,560
	Saving accounts	2,257,237	1,617,613
		9,558,600	4,630,173
	Cash in hand	1,383,204	1,947,348
		10,941,804	6,577,521

25.1 The balances in saving accounts carry mark-up which ranges from 8% to 10.5% per annum (2009: 8% to 12% per annum).

		Note	2010 Rupees	2009 Rupees (Restated)
26	**SALES - NET**			
	Sugar		20,154,641,352	10,664,134,450
	Molasses & Bagasse		1,019,887,942	519,467,168
	Electricity		213,141,423	69,659,253
			21,387,670,717	11,253,260,871
	Less: Sales tax		882,291,442	1,265,587,284
	Special excise duty		104,788,185	85,097,812
	Brokerage, commission and others		8,383,297	4,117,018
			995,462,924	1,354,802,114
			20,392,207,793	9,898,458,757
27	**COST OF SALES**			
	Opening stock - Sugar		1,436,296,905	876,391,873
	Cost of goods manufactured	27.1	15,514,846,384	8,069,959,496
	Less: Closing finished goods - Sugar		(206,682,011)	(1,436,296,905)
			16,744,461,278	7,510,054,464
	27.1 Cost of goods manufactured			
	Cost of sugarcane consumed (including procurement and other costs)		13,767,259,901	6,610,001,177
	Salaries, wages and other benefits	27.1.1	535,540,073	474,230,381
	Depreciation	16.2	371,168,043	391,236,264
	Stores and spares consumed		316,166,756	201,853,657
	Packing materials consumed		101,459,430	96,399,049
	Oil, lubricants and fuel consumed		58,387,595	62,284,608
	Insurance		40,155,509	33,195,173
	Vehicle running expenses		56,112,362	50,328,865
	Chemicals consumed		61,818,883	56,946,936
	Electricity and power		32,562,889	24,876,732
	Repairs and maintenance		30,154,330	30,895,838
	Provision for obsolescence		44,082,604	–
	Provision for doubtful advances		24,959,525	–
	Assets written off		20,213,356	–
	Freight and octroi		13,681,648	8,625,577
	Mud and bagasse shifting expenses		11,554,846	10,707,545
	Handling and storage		9,330,526	1,552,802
	Printing and stationery		4,624,070	4,322,748
	Traveling and conveyance		2,556,336	2,968,950
	Telephone and fax		1,857,094	1,174,684
	Other expenses		11,200,608	8,358,510
			15,514,846,384	8,069,959,496

27.1.1 Salaries, wages and other benefits include Rs. 9,106,401 (2009: Rs. 7,327,872) in respect of provident fund and Rs. 9,185,093 (2009: 8,076,722) in respect of gratuity.

Notes to the Financial Statements

For the year ended 30 September 2010

		Note	2010 Rupees	2009 Rupees (Restated)
28	**ADMINISTRATIVE EXPENSES**			
	Salaries, wages and other benefits	28.1	137,308,215	80,494,367
	Depreciation	16.2	54,016,100	25,292,582
	Charity and donations	28.2	41,013,848	35,035,435
	Traveling and conveyance		27,088,130	28,058,605
	Legal and professional services		16,036,266	8,737,634
	Office rent and renovation		11,650,604	11,720,838
	Vehicle running and maintenance		11,205,399	7,187,945
	Consultancy and advisory		7,453,000	2,250,000
	Subscription and renewals		5,492,223	2,575,542
	Telephone, fax and postage		5,401,447	3,410,244
	Insurance		3,973,966	2,498,132
	Printing and stationery		3,794,536	2,913,774
	Fee and taxes		3,660,417	4,976,743
	Auditors' remuneration	28.3	2,650,000	1,680,000
	Electricity and power		1,884,239	1,594,090
	Computer software and maintenance		1,443,599	607,665
	Advertisement		2,018,558	3,243,534
	Entertainment		770,393	383,030
	Arms and ammunition		132,631	-
	Newspapers, books and periodicals		42,892	62,084
	Other expenses		7,158,948	4,471,139
			344,195,411	227,193,383

28.1 Salaries, wages and other benefits include Rs. 2,222,541 (2009: Rs. 1,580,241) in respect of provident fund and Rs. 3,936,468 (2009: Rs. 3,461,452) in respect of gratuity.

28.2 None of the Directors of the Company or their spouses have any interest in, or are otherwise associated with any of the recipients of donations made by the Company during the year except for the Lodhran Pilot Project (Non Profit Organisation) in which Mr. Jahangir Khan Tareen is the President.

		2010 Rupees	2009 Rupees (Restated)
28.3	**Auditors' remuneration**		
	KPMG Taseer Hadi & Co.		
	Statutory audit	1,200,000	1,000,000
	Half yearly review	150,000	125,000
	Staff secondment	1,300,000	-
	Others certifications	-	120,000
	Riaz Ahmed Saqib Gohar & Co.		
	Statutory audit	-	300,000
	Tax consultancy	-	105,000
	Others certifications	-	25,000
	Out of pocket expenses	-	5,000
		2,650,000	1,680,000

Notes to the Financial Statements

For the year ended 30 September 2010

		Note	2010 Rupees	2009 Rupees (Restated)
29	**DISTRIBUTION AND MARKETING EXPENSES**			
	Salaries, wages and other benefits	29.1	9,832,224	9,312,209
	Freight and handling charges		508,620	3,726,240
	Other selling expenses		1,615,213	2,149,247
			11,956,057	15,187,696

29.1 Salaries, wages and staff benefits include Rs. 145,573 (2009: Rs. 122,963) in respect of staff retirement benefits.

		Note	2010 Rupees	2009 Rupees (Restated)
30	**OTHER OPERATING EXPENSES**			
	Harvesting loss		66,632,596	43,148,345
	Worker's profit participation fund		105,212,720	49,992,301
	Worker's welfare fund		39,980,834	18,997,074
	Loss on sale of investment		225,000	-
	Others		-	3,415,132
			212,051,150	115,552,852

30.1 Harvesting loss includes Rs. 18,032,206 (2009: Rs. 17,644,337) in respect of depreciation on agricultural implements.

		Note	2010 Rupees	2009 Rupees (Restated)
31	**OTHER OPERATING INCOME**			
	Income from financial assets			
	Profit on bank deposit		1,191,514	1,013,623
	Income from non financial assets			
	Scrap sales		21,050,658	2,144,338
	Rental income		16,789,334	11,193,696
	Profit on sale of property, plant and equipment		4,350,982	5,586,725
	Amortization of deferred income		3,945,104	3,945,100
	Gain on foreign exchange transactions		14,000	-
	Others		387,606	555,377
			46,537,684	23,425,236
			47,729,198	24,438,859
32	**FINANCE COST**			
	Interest and mark-up on:			
	long term loans - secured		522,418,070	561,973,778
	short term borrowings - secured		527,967,038	441,679,335
	finance leases		53,421,933	57,364,164
	subordinated loan from Director - unsecured		33,678,976	42,690,150
	workers' profit participation fund	14.1	5,461,579	4,027,618
	Bank charges and others		25,491,907	19,732,650
			1,168,439,503	1,127,467,695
33	**TAXATION**			
	Income tax - current	33.1	355,300,376	62,628,079
	Income tax - prior years		(50,177,971)	(6,158,310)
	Deferred tax	33.2	406,350,994	282,912,067
			711,473,399	339,381,836

33.1 Provision for current tax represents taxation under normal tax regime.

33.2 Deferred tax expense relating to origination and reversal of temporary differences.

Notes to the Financial Statements

For the year ended 30 September 2010

		2010 % age	2009 % age (Restated)
33.3	Reconciliation of tax charge for the year		
	Applicable tax rate	35.00	35.00
	Tax effects of amount not deductable for tax purposes	0.20	0.16
	Tax effects of amount deductable for tax purposes	(0.08)	(0.20)
	Tax effect of prior years	(19.51)	(28.87)
	Others	20.84	30.52
	Average effective rate charged to profit and loss account	36.45	36.61

34 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Chief Executive		Director		Executives	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
	Rupees	**Rupees**	**Rupees**	**Rupees**	**Rupees**	**Rupees**
		(Restated)		**(Restated)**		**(Restated)**
Managerial remuneration	11,200,000	7,200,000	8,066,668	6,133,320	39,900,234	26,949,586
House allowance	4,480,000	2,880,000	3,226,666	2,453,340	15,960,094	10,779,894
Utilities	1,120,000	720,000	806,666	613,340	3,990,023	2,694,975
Others	4,800,000	1,400,000	4,000,000	2,799,990	18,752,268	13,765,317
Company's contribution towards provident fund	-	-	-	-	3,329,893	1,721,719
	21,600,000	12,200,000	16,100,000	11,999,990	81,932,512	55,911,491
Number of persons	1	1	1	1	39	29

In addition to the above, some of the executives are provided with free use of Company maintained cars.

35 FINANCIAL INSTRUMENTS

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

- Credit risk
- Liquidity risk
- Market risk

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

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to react changes in market conditions and the Company's activities.

Notes to the Financial Statements

For the year ended 30 September 2010

35.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and loans to/due from related parties. Out of the total financial assets of Rs. 27.71 million (2009: Rs. 50.62 million) financial assets which are subject to credit risk amount to Rs. 18.15 million (2009: Rs. 45.99 million).

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. To manage exposure to credit risk in respect of trade receivables, management reviews credit worthiness, references, establish purchase limits taking into account the customer's financial position, past experience and other factors. Export sales are secured through letters of credit. The management has set a maximum credit period of 15 days to reduce the credit risk. Limits are reviewed periodically and the customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is:

	2010 Rupees	2009 Rupees (Restated)
Non current investment	–	317,500
Trade debts	142,956	36,588,056
Advances, deposits and other receivables	18,011,956	9,086,303
Bank balances	9,558,600	4,630,173
	27,713,512	50,622,032

The aging of trade receivables at the reporting date is:

	2010 Rupees	2009 Rupees (Restated)
Not past due	142,956	36,588,056
Past due 0 – 30 days	–	–
Past due 31 – 60 days	–	–
Past due 61 – 90 days	–	–
Past due 91 – 120 days	–	–
Past due 120 days	–	-
	142,956	36,588,056

Based on past experience the management believes that no impairment allowance is necessary in respect of trade receivables and there are reasonable grounds to believe that the amounts will be recovered in normal course.

35.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. For this purpose the Company has sufficient running finance facilities available from various commercial banks to meet its liquidity requirements. Further liquidity position of the Company is closely monitored through budgets, cash flow projections and comparison with actual results by the Board.

Notes to the Financial Statements

For the year ended 30 September 2010

Following is the maturity analysis of financial liabilities:

	2010					
	Less than 6 months	Between 6 to 12 months	Between 1 to 5 years	Between 6 to 10 years	Over 10 years	Total
	Rupees					
Non derivative financial liabilities						
Long term finances	486,333,333	317,555,555	2,571,888,890	–	–	3,375,777,778
Short term borrowings	2,285,290,971	–	–	–	–	2,285,290,971
Liabilities against assets subject to finance lease	104,796,788	104,796,788	528,665,198	–	–	738,258,773
Interest and mark–up accrued	136,129,479	–	–	–	–	136,129,479
Trade and other payables	425,545,011	–	–	–	–	425,545,011
	3,438,095,582	422,352,343	3,100,554,088	–	–	6,961,002,012

	2009					
	Less than 6 months	Between 6 to 12 months	Between 1 to 5 years	Between 6 to 10 years	Over 10 years	Total
	Rupees					
	Restated					
Non derivative financial liabilities						
Long term finances	186,666,667	317,555,556	3,375,777,777	–	–	3,880,000,000
Subordinated loan from Director	–	–	260,900,000	–	–	260,900,000
Short term borrowings	3,765,402,741	–	–	–	–	3,765,402,741
Liabilities against assets subject to finance lease	94,670,978	94,670,979	329,960,452	–	–	519,302,409
Interest and mark–up accrued	180,218,438	–	–	–	–	180,218,438
Trade and other payables	253,779,646	–	–	–	–	253,779,646
	4,480,738,470	412,226,535	3,966,638,229	–	–	8,859,603,234

35.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

35.3.1 *Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises mainly where receivables and payables exist due to transactions with foreign buyers and suppliers. The Company believes that it is not exposed to currency risk.

35.3.2 *Interest rate risk*

Interest rate risk is the risk that the value of financial instrument will fluctuate due to changes in market interest rates. At the reporting date the interest rate profile of the Company's interest bearing financial instruments was as follows:

Notes to the Financial Statements
For the year ended 30 September 2010

	2010	2009	2010	2009
	Effective rate		Carrying amount Rupees	
Financial liabilities				
Variable rate instruments:				
Long term finances	3MK plus 125-275 bps	3MK plus 125-275 bps	3,375,777,778	3,880,000,000
Subordinated loan from Director	6MK plus 300 bps	6MK plus 300 bps	–	260,900,000
Liabilities against assets subject to finance lease	6 MK plus 250-450 bps	6 MK plus 250-375 bps	738,258,773	519,302,409
Short term borrowings	3MK plus 125 bps-3MK plus 400 bps	1MK plus 200 bps-3MK plus 400 bps	2,285,290,971	3,765,402,741

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore a change in interest rates at the reporting date would not affect profit and loss account.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009.

	Profit and loss 100 bps	
	Increase	Decrease
	Rupees	
As at 30 September 2010	(63,993,275)	63,993,275
As at 30 September 2009	(84,256,052)	84,256,052

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

35.3.3 ***Other price risk***

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Equity price risk arises from available-for-sale equity securities held. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board. The Company believes that it is not exposed to other price risk.

35.3.4 ***Fair value of financial instruments***

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

Effective 01 January 2009 the Company adopted the amendments to IFRS 7 for financial instruments that are measured in the Balance Sheet at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Notes to the Financial Statements

For the year ended 30 September 2010

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (that is, derived from prices) (level 2);

- Inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	2010			
	Level 1	**Level 2**	**Level 3**	**Total**
	Rupees			
Assets				
Long term investment available for sale	–	–	–	–

	2009			
	Level 1	**Level 2**	**Level 3**	**Total**
	Rupees			
	(Restated)			
Assets				
Long term investment available for sale	–	–	317,500	317,500

35.3.5 ***Capital management***

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on capital employed, which the Company defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Company's objectives when managing capital are:

a) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and

b) to provide an adequate return to shareholders.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The Company monitors capital on the basis of the debt-to-equity ratio as follows:

		2010	**2009**
Total debt	***Rupees***	3,100,554,088	3,966,638,230
Total equity and long term debt	***Rupees***	6,511,495,603	5,957,493,572
Debt-to-equity ratio	***% age***	48%	67%

Total debt comprises of subordinated loan from Director, long term loans, liabilities against assets subject to finance lease.

The decrease in the debt-to-equity ratio in 2010 is primarily from increase in equity during the year.

Neither there were any changes in the Company's approach to capital management during the year nor the Company is subject to externally imposed capital requirements.

Notes to the Financial Statements

For the year ended 30 September 2010

36 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, other related companies, directors of the Company, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under respective notes to the accounts. Other significant transactions with related parties are as follows:

Name of parties	Nature of transactions	2010 Rupees	2009 Rupees (Restated)
JK Agri Farms	Purchase of sugarcane	1,694,164,126	572,308,272
Riaz Bottlers (Private) Limited	Sale of sugar	642,259,450	521,608,040
Jahangir Khan Tareen	Mark up	33,678,976	42,690,150
JDW Aviation (Private) Limited	Traveling services provided to the Company	–	4,537,623
Provident fund	Contribution	11,729,582	9,076,076
JK Dairies (Private) Limited	Sale of molasses	245,518	2,126,770

37 CAPACITY AND PRODUCTION

	2010		2009	
	Days	Tonnes	Days	Tonnes
Unit I				
Crushing capacity	120	2,400,000	120	2,400,000
Sugarcane crushed	111	1,717,040	107	1,488,463
Sugar production		151,850		165,968
Unit II				
Crushing capacity	120	960,000	120	960,000
Sugarcane crushed	107	705,362	103	595,765
Sugar production		68,352		67,044
Unit III				
Crushing capacity	120	1,080,000	120	1,080,000
Sugarcane crushed	117	786,256	94	552,646
Sugar production		83,697		62,484

38 BASIC AND DILUTED EARNINGS PER SHARE

		2010	2009 (Restated)
Profit after taxation	*Rupees*	1,240,402,401	587,653,777
Weighted average number of ordinary shares	*No. of shares*	43,993,145	43,545,757
Basic and diluted earnings per share	*Rupees*	28.20	13.50

Notes to the Financial Statements

For the year ended 30 September 2010

39 EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the Company have proposed a final dividend for the year ended 30 September 2010 of Rs. 7 per share (2009: Rs. 4 per share) and bonus shares at the rate of 10% (2009: Nil %) at their meeting held on 03 January 2011.

40 DATE OF AUTHORIZATION FOR ISSUE

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

41 FIGURES

Land amounting to Rs. 30.838 million has been reclassified as investment property and shown separately under non current asset in the balance sheet. It was previously classified in operating fixed assets.

Figures have been rounded off to the nearest rupee.

Lahore

03 January 2011 Chief Executive Director

JDW

Pattern of Shareholding

As at 31 December 2010

Pattern of Shareholding

FORM "34" The Companies Ordinance 1984 (Section 236(1) & 464)

1. Incorporation Number **L-02480**
2. Name of the Company **JDW SUGAR MILLS LIMITED**
3. Pattern of holding of the shares held by the shareholders as at **31-12-2010**

4. No. of Shareholders	Shareholding From	Shareholding To	Total Shares Held
267	1	100	10,682
423	101	500	126,019
125	501	1,000	94,462
359	1,001	5,000	577,489
33	5,001	10,000	223,741
23	10,001	15,000	275,861
10	15,001	20,000	179,521
5	20,001	25,000	119,373
6	25,001	30,000	167,740
1	30,001	35,000	30,655
6	35,001	40,000	234,583
2	40,001	45,000	84,946
1	55,001	60,000	57,000
3	60,001	65,000	189,820
1	70,001	75,000	71,500
2	95,001	100,000	193,031
3	100,001	105,000	311,071
1	135,001	140,000	138,288
1	155,001	160,000	159,131
1	205,001	210,000	209,484
2	225,001	230,000	452,924
1	235,001	240,000	237,139
1	240,001	245,000	242,718
1	255,001	260,000	257,584
1	330,001	335,000	330,700
1	460,001	465,000	462,489
2	515,001	520,000	1,035,913
1	590,001	595,000	592,604
1	1,150,001	1,155,000	1,154,250
1	2,070,001	2,075,000	2,077,851
1	4,635,001	4,640,000	4,639,680
1	4,685,001	4,690,000	4,689,680
1	4,710,001	4,715,000	4,714,676
1	4,885,001	4,890,000	4,889,680
1	8,520,001	8,525,000	8,520,352
1	11,235,001	11,240,000	11,236,340
1,291			48,988,977

Pattern of Shareholding

FORM "34" The Companies Ordinance 1984 (Section 236(1) & 464)

			Shares held	Percentage
5.	Categories of shareholders		Shares held	Percentage
	5.1	Directors, Chief Executive Officer, and their spouse and minor childern	22,732,651	46.4036%
	5.2	Associated Companies, undertakings and related parties	–	0.0000%
	5.3	NIT and ICP	18,159	0.0371%
	5.4	Banks, Development Financial Institutions & Non-Banking Financial Institutions	539,319	1.1009%
	5.5	Insurance Companies	481,201	0.9823%
	5.6	Modarabas and Mutual Funds	79,546	0.1624%
	5.7	Share holders holding 10%	19,756,692	40.3289%
	5.8	General Public		
		a. Local	24,244,308	49.4893%
		b. Foreign	–	0.0000%
	5.9	Others (to be specified)		
		Joint Stock Companies	598,631	1.2220%
		Non-Residence	38,367	0.0783%
		Others	256,795	0.5242%

6. Signature of Company Secretary

7. Name of Signatory: MUHAMMAD RAFIQUE

8. Designation: COMPANY SECRETARY

9. CNIC Number: 35201-3029372-5

10. Date: 31-12–2010

Catagories of Shareholders

As required under C.C.G, as on 31 December 2010

S. No.	NAME	HOLDING	% AGE
DIRECTORS, CEO AND THEIR SPOUSES & MINOR CHILDREN:			
1	MR. JAHANGIR KHAN TAREEN	11,236,340	22.9365%
2	SYED AHMAD MEHMUD	8,520,352	17.3924%
3	MR. MUHAMMAD ISMAIL	1,175	0.0024%
4	MR. ABDUL GHAFFAR	776	0.0016%
5	MR. ASIM NISAR BAJWA	1,175	0.0024%
6	MR. IJAZ AHMED PHULPOTO	301,253	0.6149%
7	MR. ZAFAR IQBAL	1,125	0.0023%
8	MRS. AMINA TAREEN	2,077,851	4.2415%
9	MRS. SAMEERA MEHMUD	592,604	1.2097%
		22,732,651	46.4036%
ASSOCIATED COMPANIES:			
NIL		–	**0.0000%**
NIT & ICP:			
1	INVESTMENT CORPORATION OF PAKISTAN	18,150	0.0370%
2	IDBP (ICP UNIT)	9	0.0000%
		18,159	0.0371%
BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS AND NON-BANKING FINANCIAL INSTITUTIONS:			
1	N.D.F.C.	1,421	0.0029%
2	NBP INVESTOR ACCOUNT	284	0.0006%
3	FAYSAL BANK LTD	17,389	0.0355%
4	HABIB BANK AG ZURICH, ZURICH, SWITZERLAND	517,500	1.0564%
5	ATLAS BANK LTD	2,221	0.0045%
6	SUMMIT BANK LTD	495	0.0010%
7	ESCORTS INVESTMENT BANK LTD	9	0.0000%
		539,319	1.1009%
INSURANCE COMPANIES:			
1	EFU GENERAL INSURANCE LTD	462,489	0.9441%
2	CENTURY INSURANCE COMPANY LTD	18,712	0.0382%
		481,201	0.9823%
MODARABAS & MUTUAL FUNDS:			
1	FIRST ELITE CAPITAL MODARABA	19,100	0.0390%
2	CDC - TRUSTEE FIRST DAWOOD MUTUAL FUND	60,446	0.1234%
		79,546	0.1624%
JOINT STOCK COMAPNIES:			
1	GENERAL INVESTMENT & SECURITIES (PVT) LTD	1	0.0000%
2	MAAN SECURITIES (PVT) LTD	72,000	0.1470%
3	SHAFFI SECURITIES (PVT) LTD	10	0.0000%
4	PRUDENTIAL SECURITIES LTD	1,412	0.0029%
5	VALIKA ART FABRICS LTD	488	0.0010%
6	TECHNOLOGY LINKS (PVT) LTD	6,643	0.0136%
7	FIRHAJ FOOTWEAR (PVT) LTD	2,683	0.0055%
8	SARFRAZ MAHMOOD (PVT) LTD	1,045	0.0021%
9	NH SECURITIES (PVT) LTD	1,045	0.0021%
10	DARSON SECURITIES (PVT) LTD	100	0.0002%
11	HIGHLINK CAPITAL (PVT) LTD	3,000	0.0061%
12	FAWAD YUSUF SECURITIES (PVT) LTD	237,139	0.4841%
13	AMCAP SECURITIES (PVT) LTD	2,199	0.0045%
14	TIME SECURITIES (PVT) LTD.	2,028	0.0041%
15	STOCK MASTER SECURITIES (PVT) LTD	220	0.0004%
16	HUM SECURITIES LTD	105	0.0002%
17	DARSON SECURITIES (PVT) LTD	1,095	0.0022%

Catagories of Shareholders

As required under C.C.G, as on 31 December 2010

S. No.	NAME	HOLDING	% AGE
18	AMIN TAI SECURITIES (PVT) LTD	227,586	0.4646%
19	HIGHLINK CAPITAL (PVT) LTD	1,150	0.0023%
20	MOHAMMAD MUNIR MOHAMMAD AHMED KHANANI SECURITIES (PVT) LTD	20,000	0.0408%
21	SAFE SECURITIES (PVT) LTD	1,300	0.0027%
22	RYK MILLS LTD	2,000	0.0041%
23	ISMAIL ABDUL SHAKOOR SECURITIES (PVT) LTD	248	0.0005%
24	HORIZON INVESTMENTS (PVT) LTD	12,940	0.0264%
25	PEARL CAPITAL MANAGEMENT (PVT) LTD	100	0.0002%
26	ABBASI & COMPANY (PVT) LTD	2,094	0.0043%
		598,631	1.2220%
NON-RESIDENCE / FOREIGN COMPANIES:			
1	SOMERS NOMINEES (FAR EAST) LTD	38,367	0.0783%
		38,367	0.0783%
OTHERS			
1	SULTAN TEXTILE MILLS KARACHI LTD	19	0.0000%
2	PUNJAB COOPERATIVE BOARD	480	0.0010%
3	TRUSTEES JDW SUGAR MILLS LTD EMP. PROVIDENT FUND	225,338	0.4600%
4	TRUSTEES SAEEDA AMIN WAKF	11,250	0.0230%
5	TRUSTEES MOHAMAD AMIN WAKF ESTATE	19,708	0.0402%
		256,795	0.5242%
SHARES HELD BY THE GENERAL PUBLIC:		24,244,308	49.4893%
	TOTAL:	48,988,977	100.0000%

SHAREHOLDERS HOLDING 10% OR MORE OF TOTAL CAPITAL

S. No.	NAME	HOLDING	% AGE
1	MR. JAHANGIR KHAN TAREEN	11,236,340	22.9365%
2	SYED AHMAD MEHMUD	8,520,352	17.3924%
		19,756,692	40.3289%

During the financial year the trading in shares of the Company by the Directors, CEO, CFO & Company Secretary and their spouses and minor children is as follows:

S.No	NAME	PURCHASE/(SALE)	RIGHT
1	MR. JAHANGIR KHAN TAREEN	575,632	4,090,782
2	SYED AHMAD MEHMUD	15,000	–
3	MR. IJAZ AHMED PHULPOTO	60,853	–
4	MR. MUHAMMAD ISMAIL	–	130
5	MR. ABDUL GHAFFAR	–	86
6	MR. ASIM NISAR BAJWA	–	130
7	MR. ZAFAR IQBAL	1,125	–
8	MR. MUHAMMAD RAFIQUE	300,000	–

Notes

Form of Proxy

JDW Sugar Mills Ltd

21st Annual General Meeting

I/We ______________________________ of ______________________________

District ______________________________ being a member of JDW Sugar Mills Limited and

holder of ______________________________ ordinary shares, entitled to vote hereby

appoint ______________________________ of ______________________________ another

member of the Company, as my/our proxy to attend, speak and vote on my/our behalf at the 21st Annual General Meeting of the Company to be held at Fairways Hall, Royal Palm, Golf & Country Club, 52–Canal Bank Road, Lahore on Monday, January 31, 2011 at 9:00 a.m. and at every adjournment thereof.

Signed this ______________ day of January, 2011

Witnesses:

1. Signature ______________________

   Name: ______________________

   Address: ______________________

   ____

Affix Revenue stamp of Rupees Five

Signature by Member(s)

2. Signature ______________________

   Name: ______________________

   Address: ______________________

   ____

Note:
All proxies, in order to be effective, must be received at the Company's Registered Office not less than forty eight hours before the time fixed for holding the Annual General Meeting and must be duly stamped, signed and witnessed as required.

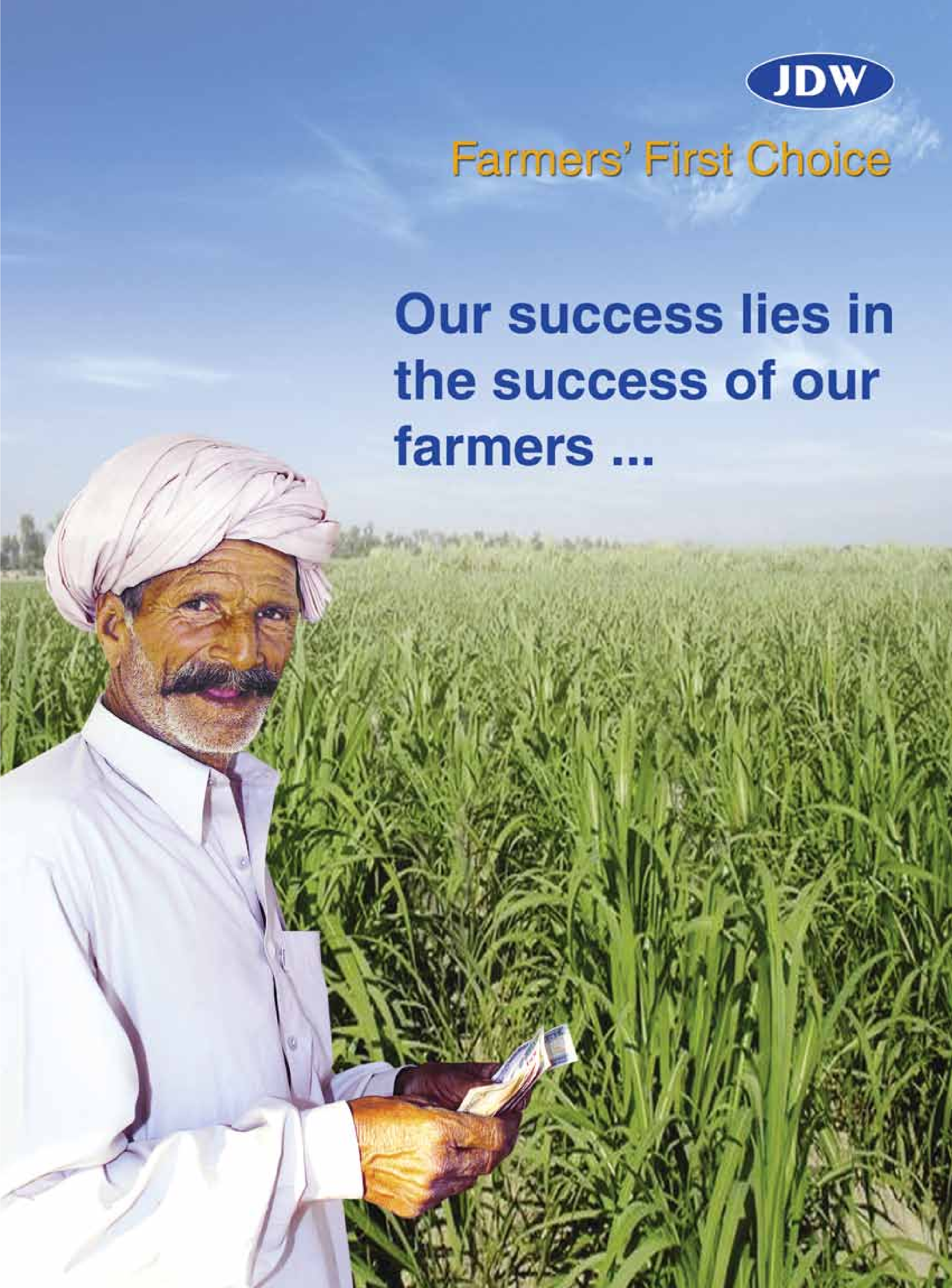
AFFIX
CORRECT
POSTAGE

Company Secretary

JDW Sugar Mills Limited

Head Office: 17– Abid Majeed Road,

Lahore Cantt. Pakistan.


JDW
Farmers' First Choice
Our success lies in the success of our farmers ...

Annual Report for the year ended 30 September 2010

JDW

JDW Sugar Mills Limited

Head Office: 17-Abid Majeed Road,
Lahore Cantt, Pakistan.