MIRZA SUGAR MILLS LTD.

21ST ANNUAL REPORT
2010

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COMPANY PROFILE

BOARD OF DIRECTORS:

DR. (MRS). FEHMIDA MIRZA	Chairperson & Chief Executive
DR. ZULFIQAR ALI MIRZA	
MS. FARIDA ABBASI	
MR. ARSHAD ABID ABBASI	
MS. FAREHA ABID KAZI	
MIRZA SAULAT RAZA	
MR. IRSHAD HUSSAIN MIRZA	

AUDIT COMMITTEE:

MIRZA SAULAT RAZA	-	Chairman
MS. FARIDA ABBASI	-	Member
MR. IRSHAD HUSSAIN MIRZA	-	Member

CHIEF FINANCIAL OFFICER
& COMPANY SECRETARY:

MR. TARIQ MAHMOOD

LEGAL ADVISOR:

MR. GHULAM QADIR ZARGAR

AUDITORS:

M/S. RAHMAN SARFARAZ
RAHIM IQBAL RAFIQ
(CHARTERED ACCOUNTANTS)

BANKERS TO THE COMPANY:

HABIB BANK LIMITED
NIB BANK LIMITED.
MCB BANK LIMITED.

SHARES REGISTRAR:

M/S. TECHNOLOGY TRADE (PVT) LIMITED
DAGIA HOUSE, 241-C,
BLOCK-2, P.E.C.H.S.
OFF: SHAHRAH-E-QUAIDEEN,
KARACHI. TEL NO. 021-34391316-7

REGISTERED OFFICE:

10TH FLOOR, PORTION ‘B’
LAKSON SQUARE, BUILDING NO. 1,
SARWAR SHAHEED ROAD, KARACHI.

MILLS:

DEH CHHARO TAPPO, LOWARI SHARIFF
DISTRICT BADIN, SINDH.

E-MAIL ADDRESS:

pmsml@hotmail.com

WEBSITE:

www.mirzasugar.com

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the **21st Annual General Meeting** of the Company will be held on **Monday, January 31, 2011 at 02:30 p.m** at the Auditorium of The Pakistan Institute of International Affairs (PIIA), near Sidco Avenue Centre, opposite Libra Autos CNG Pump, Maulana Deen Mohammad Wafai Road, Karachi to transact the following business:

1. To confirm the Minutes of the 20th Annual General Meeting of the Company held on January 30, 2010.

2. To receive, consider and adopt the Annual Audited Accounts of the Company alongwith the Directors' and Auditors' Reports thereon for the year ended September 30, 2010.

3. To approve cash dividend to the minority shareholders only @10% (i.e. Re. 1/- per share) of their shareholding as recommended by the Board of Directors.

4. To appoint Auditors of the Company for the year ending September 30, 2011 and fix their remuneration. The retiring Auditors, **M/s. RAHMAN SARFARAZ RAHIM IQBAL RAFIQ,** Chartered Accountants, being eligible, have offered themselves for re-appointment.

5. To transact any other ordinary business with the permission of the Chair.

By Order of the Board,

TARIQ MAHMOOD
Company Secretary

Karachi, January 06, 2011

NOTES:

1. The Shares Transfer Books of the Company will remain closed and no transfer of shares will be accepted for registration from **January 22, 2011 to January 31, 2011** (both days inclusive).

2. The dividend will be paid to those shareholders whose name will appear in the register of members on **21-01-2011**

3. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on his/her behalf.

   Form of Proxies, in order to be valid, must be received at the Registered Office of the Company 48 hours before the scheduled time of Meeting. A Proxy must be a member of the company.

4. Account holders and sub-account holders of CDC are requested to bring their original National Identity Cards/Passports for the purpose of identification to attend the meeting.

5. Shareholders are requested to notify any change in address immediately.

DIRECTORS' REPORT

Dear Shareholders:

The Directors are pleased to present the Company's Annual Audited Financial Statements along with Auditors' Report thereon for the year ended September 30, 2010.

GENERAL

The year 2009-10 was another sugarcane deficit year. Government of Sindh had announced a support price of Rs.102 per 40 kg of sugarcane for the season 2009-10. But growers were not prepared to harvest the crop at this price.

Although the boilers were lighted in early November 2009, but regular crushing for the season 2009-10 could start only after mid-December 2009. The season finally concluded in the first week of March 2010. During the closing days of the season, sugarcane price shot up to Rs.300 per 40 kg.

Due to sugarcane shortage and high cost of cane, sugar industry in Sindh, capacity remained grossly under-utilized. Overall capacity utilization was barely 38% of the installed capacity.

Although the price of sugar in local market remained stabilized at around Rs. 60/kg during entire crushing season and afterwards, global prices were highly bullish and touched $ 800 to $ 810 per ton. This was the major driving force behind millers offering sugarcane price of growers' choice. But this proved short-lived and world market of sugar crashed to $ 500 per ton by end of March 2010.

Our company, however, performed well under a very difficult situation and crushed a total quantity of 208,921 metric tons of cane and produced 21,055 tons of sugar during season 2009-10 registering an increase of 18.21% and 16.97% respectively compared to last season. Overall sucrose recovery was 10.07%.

Overall scenario on Sindh basis was not encouraging. A total quantity of 11.23 million tons of cane crushed by Sindh sugar mills during the season compared to 10.15 million tons of cane crushed during last season, showing an increase of 10%. A total quantity of 1.082 million tons of sugar was made during the season compared to 0.976 million tons of sugar produced during last season. Sucrose recovery achieved was 9.63%.

RESEARCH AND DEVELOPMENT

Sugarcane Varietal Improvement Program

In order to replace old low-yield/low recovery varieties with high yielding (up to 1000 mds. per acre) and high sucrose (upto 12% to 13%) varieties, MSML has started to provide seeds of these new varieties to growers on loan basis.

The under tried varieties include CPF-246, CPF-247, US-633 etc. while commercial varieties include CPF-237 and HS-12. During season 2009-10, seeds of improved varieties were sown on 340 acres. The company has been taking advice from experts from Ayub Research Institute, Faisalabad and Research Institute, Tandojam in this regard.

NEQs Related Measures

NEQs related activities during the year included dry-cleaning measures (waste-water flow reduced to 25%), installation of oil separation and skimming system and other such pollution reduction measures. Besides, during the period, 600 trees and 200 flower plants have been planted in mills premises to make environment more friendly.

Other R & D activities related to heat/energy savings through better lagging/sheeting, utilization of waste steam in form of condensate, and re-use of recovered caustic soda in the process house thereby depleting the pollution.

OPERATING RESULTS

The operating results for the season 2009-10 are given below along with those of season 2008-09 :

Particulars		Season 2009--2010	Season 2008-2009
Season started		16-11-2009	15-12-2008
Season closed		06-03-2010	13-03-2009
Days worked		111	89
Sugarcane crushing	(Tons)	208,921	176,738
“ “	(Maunds)	5,223,025	4,418,450
Sugar recovery	(%)	10.075	10.180
Sugar production	(Tons)	21,055	18,000
Molasses recovery	(%)	4.719	4.638
Molasses production	(Tons)	9,861	8,198

Operating results show that despite severe crop-shortage, the company gave an improved performance compared to last year.

FINANCIAL RESULTS

The Company’s financial results are appended below :-

	2009-2010 Rs.	2008-2009 Rs.
Profit before taxation	152,481,654	166,795,655
Provision for taxation	(13,286,250)	(4,711,230)
Profit after taxation	139,195,404	162,084,425
Accumulated loss brought forward	(777,157,307)	(939,241,732)
Accumulated loss carried forward	(637,961,903)	(777,157,307)
Earning per share – basic & diluted	9.87	11.50
Earning per share – net of reversal of liability	9.87	2.89

Audited accounts of the company show a gross profit of Rs.221.04 million during the period under review compared to Rs.93.30 million recorded during corresponding period last year. Net profit after tax during the period under review was Rs.139.19 million compared to Rs.162.08 million, which included Rs.132.82 million due to reversal of liabilities Continued healthy financial performance of the company dispels the doubt about any material uncertainty in coming years.

SEASON 2010-2011

There is reportedly an increase in cane-acreage in the zone areas and crop-conditions, too, appear favourable. Recent floods have not affected the zone to any material extent. Besides, company has been endeavouring for varietal improvement in the area by providing seeds of high yielding varieties to the farmers. On overall basis the company expects to improve its performance of last year. International sugar organization and other world sugar trade bodies are forecasting the year 2010-11 as a market equilibrium year, i.e. supply matching demand.

HEALTH, SAFETY AND ENVIRONMENT

Appropriate facilities existed for safeguarding the health of employees in accordance with the Factories Act 1948 and National Environment Quality Standard (N.E.Q.S.) for Sugar Industry. We are collaborating with Environmental Protection Agency, Government of Sindh and facilities are being developed at site to minimize the emissions to the desired standard level. The plant has also been registered with the Agency as per “SMART”, Self Monitoring and Reporting Tool.

INFORMATION TECHNOLOGY

Improvement and up-gradation of the existing instruments are being continuously made to coupe with the requirements of technological advancement in this field.

AUDIT REPORT

Auditors Observation about going concern

The auditors have given, as a matter of emphasis, a paragraph about going concern assumption used by the company in the preparation of its financial statements and that it is dependent on the ultimate outcome of the matters disclosed in Note 1.2 to the financial statements.

In this respect, the management has made a fair assessment and accordingly prepared the financial statements by using going concern assumption. On the one hand it is well geared for continuity and procurement of sugarcane for the season 2010-11. On the other hand, over the past two years, it has earned aggregate net profit after tax of Rs.301 million. It is well poised to start repayments as and when it reaches a settlement with NIB Bank Ltd. (formely PICIC) either through the court or through negotiation.

Auditors Qualification

The auditors have qualified their report for the reason of non-confirmation of long term loan balances by NIB Bank Ltd. (formerly PICIC) and ICP. As disclosed in Note 11.3, the company has already reached settlement with Habib Bank Ltd. and has already started making repayments. However, for settlement with NIB Bank Ltd. and ICP the management is making necessary efforts and also contesting the matter in the court. Under these circumstances, these banks have preferred not to send any response to confirmation requested by the auditors.

BOARD OF DIRECTORS

There has been no change so far in the Board of Directors since after its constitution through Election of Directors on 29th January, 2009 for a term of 3 (three) years.

AUDITORS

The retiring Auditors, M/s. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, being eligible, have given their consent and offered themselves for re-appointment as Auditors of the Company for the year ending September 30, 2011. The Audit Committee has recommended for their re-appointment.

CODE OF CORPORATE GOVERNANCE

The Company has adopted the Code of Corporate Governance promulgated by the Securities & Exchange Commission of Pakistan. We have implemented the major mandatory provisions and welcome the government step to more fully disclose and monitor the corporate sector. We hope it will go a long way in confidence building of small investors and will boost corporate investment.

STATEMENT OF CORPORATE AND FINANCIAL REPORTING FRAME WORK

a. The financial statements, prepared by the management of the Company, present fairly its state of affairs,the result of its operations, cash flows and changes in equity.

b. Proper books of accounts of the company have been maintained.

c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

d. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.

e. The system of internal control, which was in place, is sound in design and has been effectively implemented and monitored. However, it is being continuously reviewed by internal audit and other officers handling such procedures. The process of review will continue and any weaknesses in control will be removed. The function of Internal Audit has been implemented and operating successfully.

f. The Company's ability to continue as a going concern is being watched carefully, all events affecting the going concern basis are under constant review.

g. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

h. The operational results during the year under review show marked improvement over last year, the company's performance reflects positive features as there has been a net profit during the year of Rs. 139.19 million compared to net profit of Rs. 162.08 million last year. It has reduced the volume of accumulated loss to some extent.

i. Key operating and financial data for last six (6) years in summarized form is annexed.

j. Out of the profit for the year under review, the Board of Directors is recommending a cash dividend of 10% (i.e. Re. 1/- per share) only to minority shareholders.

k. Outstanding taxes and levies are being accrued and paid as per law.

l. Value of investments based on audited accounts of Provident Fund is Rs. 21.185 million.

m. During the year, 4 (four) meetings of the Board of Directors were held. Attendance by each Director is as follows:

Name of Director	**No. of Meetings Attended**
Dr. (Mrs) Fehmida Mirza	-
Dr. Zulfiqar Ali Mirza	4
Ms. Farida Abbasi	4
Mr. Arshad Abid Abbasi	-
Ms. Fareha Abid Kazi	-
Mirza Saulat Raza	4
Mr. Irshad Hussain Mirza	4

Leave of absence is granted in all cases to the directors.

n. The pattern of shareholding is annexed.

o. There was no trading in shares of MSML held by its directors, CEO, CFO, Company Secretary and their spouses and minor children.

FUTURE PROSPECTS

Future prospects of sugar industry in Sindh and our zone in Badin is bright. Most of the sugar mills in Sindh have embarked upon varietal improvement programme and distributing seeds of improved varieties to farmers in their areas. New varieties are early maturing with high yields and high sucrose contents. Sponsors of mills in Sindh are also upgrading various stations of the mills to conserve energy and make process more efficient. The company has also taken certain measures in this regard.

VARIATION IN REMUNERATION OF CHIEF EXECUTIVE & WHOLE TIME DIRECTORS

Abstract of variation in the remuneration of the Chief Executive and whole time directors is annexed.

ACKNOWLEDGEMENT

We would like to take this opportunity to convey our deep appreciation to the shareholders, the workers, staff and officers of the Company for their patience, tolerance and forbearance, as well as the assistance and cooperation to the management during these hard days.

We would also like to thank our valued dealers, suppliers, financiers and shareholders for their cooperation and the trust reposed in our Company.

In the end, let us pray to Almighty Allah to guide us in all our pursuits of national development and for the betterment of your organization, Ameen.

On behalf of the Board

MIRZA SAULAT RAZA	**IRSHAD HUSSAIN MIRZA**
Director	Director

Karachi
December 9, 2010

Note: The Chief Executive being out of station, the Directors' Report has been signed by two directors.

ABSTRACT OF VARIATION IN THE REMUNERATION/TERM OF THE CHIEF EXECUTIVE AND WHOLE-TIME DIRECTORS (Section 218 of the Companies Ordinance, 1984)

Following are the approved limit of remunerations at a maximum for the Chief Executive and the below mentioned Executive (whole time) Directors (including all allowances, benefits/perquisites, utilities etc.) along with transport and its maintenance for their official and personal use :

	Annual Entitlement as on May 29, 2007 Rs.	Annual Entitlement Rs.	As on
Dr. (Mrs.) Fehmida Mirza Chairperson & Chief Executive	2,000,000	4,000,000	June 10, 2009
Ms. Farida Abbasi Director		780,000	August 5, 2009

Monthly remunerations paid to Chief Executive and Executive Director:

	Monthly Remuneration w.e.f June 1,2009 Rs.	Monthly Remuneration Rs.	w.e.f
Dr. (Mrs) Fehmida Mirza Chairperson & Chief Executive	175,150	190,650	March 1,2010
Ms Farida Abbasi Director	-	30,000	August 5, 2009

PATTERN OF SHAREHOLDINGS
AS AT 30TH SEPTEMBER 2010

Number of Share Holders	Shareholding From	To	Total Shares Held	Percentage
623	1	100	56,473	0.40
641	101	500	307,737	2.18
113	501	1000	106,594	0.76
132	1001	5000	375,430	2.66
37	5001	10000	300,713	2.13
8	10001	15000	105,643	0.75
19	15001	20000	362,270	2.57
12	20001	25000	290,490	2.06
2	25001	30000	57,000	0.40
2	30001	35000	65,001	0.46
1	35001	40000	38,200	0.27
11	45001	50000	550,000	3.90
5	55001	60000	300,000	2.13
4	65001	70000	280,000	1.99
3	75001	80000	235,100	1.67
1	90001	95000	90,900	0.64
15	95001	100000	1,496,005	10.61
1	100001	105000	104,000	0.74
2	135001	140000	275,600	1.95
3	145001	150000	450,000	3.19
1	155001	160000	157,920	1.12
1	175001	180000	175,277	1.24
1	195001	200000	200,000	1.42
1	235001	240000	237,253	1.68
1	245001	250000	250,000	1.77
1	260001	265000	262,090	1.86
3	375001	380000	1,140,000	8.09
1	495001	500000	499,220	3.54
1	745001	750000	748,800	5.31
1	1260001	1265000	1,261,060	8.94
1	1375001	1380000	1,380,000	9.79
1	1920001	1942000	1,941,224	13.77
1649			**14,100,000**	**100**

CATEGORIES OF SHAREHOLDINGS (30-09-2010)
ADDITIONAL INFORMATION

Categories of Shareholders	Shares Held	Percentage
Associated Companies, Undertakings and Related Parties	–	–
NIT and ICP		
National Bank of Pakistan (Trustee Deptt.)		
Investment Corporation of Pakistan (ICP)	**700**	**0.00**
Directors, CEO and their Spouses and minor Children		
Dr. (Mrs). Fehmida Mirza (Chief Executive)	1,380,000	9.79
Dr. Zulfiqar Ali Mirza (Director) (Husband of Dr. (Mrs). Fehmida Mirza)	380,000	2.70
Ms. Farida Abbasi (Director)	2,500	0.02
Mr. Arshad Abid Abbasi (Director)	100,000	0.71
Ms. Fareha Abid Kazi (Director)	100,000	0.71
Mirza Saulat Raza (Director)	8,500	0.06
Mr. Irshad Hussain Mirza (Director)	1,000	0.01
	1,972,000	**13.99**
Executives	–	–
Public sector companies and corporations	–	–
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and mutual funds:		
Muslim Commercial Bank Ltd	9,000	0.06
Industrial Development Bank Of Pakistan	4,396	0.03
The Bank of Punjab	17,500	0.12
State Life Insurance Corp. of Pakistan	172,277	1.24
National Insurance Company Ltd.	100,000	0.71
EFU General Insurance Limited	7,500	0.05
	313,673	**2.22**
Shareholders holding ten percent or more voting interest in the company.	–	–
Capital Industries (Pvt) Limited	**1,941,224**	**13.77**
Joint Stock Companies		
M/s.Asonix Ind. (Pvt) Ltd.	700	0.00
M/s. Sarfaraz Mahmood (Pvt) Ltd.	500	0.00
Y.S. Securities & Services (Pvt) Ltd.	6,198	0.04
128 Securities (Pvt) Ltd.	500	0.00
Darson Securities (Pvt) Ltd. (LHR)	2,000	0.01
Darson Securities (Pvt) Ltd. (KHI)	14,283	0.10
Ace Securities (Pvt) Ltd.	18,500	0.13
Excel Securities (Pvt) Ltd.	8,500	0.06
Mian Mohammad Akram Sec. (Pvt) Ltd.	2,000	0.01
Stock Master Securities (Pvt) Ltd.	4,500	0.03
Kai Securities (Pvt) Ltd.	500	0.00
M.R Securities (SMC-Pvt) Ltd.	1	0.00
	58,182	**0.41**
Individuals	**9,814,221**	**69.60**
TOTAL	**14,100,000**	**100.00**

CORPORATE VISION / MISSION STATEMENT

VISION

The Company, one of the leading sugar mills in Sindh, aims at producing international quality white refined sugar for local consumption and export purpose. Our vision is to transform MSML into a modern and dynamic industry, highly indulgent in the well being of the investors, workforce and the agriculture community of the area. We want to fully equip the company to play a meaningful role on sustainable basis in the economic and social development of the country and protect the environment.

MISSION

Our mission is to promote agriculture and to achieve operating & financial stability for our company. This would help us to have meaningful role for a sound and dynamic industrial system to achieve sustainable and equitable economic growth of the Country. We would like to transform the agriculture community of the area into an exemplary force to become a role model for others. We would endeavor to enhance the value of our shareholders, to provide a secure place of work to our employees and to be an ethical partner to all our business associates.

SIX YEARS DATA AT A GLANCE

Rupees in Thousand

PARTICULARS		2010	2009	2008 Restated	2007	2006	2005
FINANCIAL DATA							
1 **Financial Position**							
Paid up Capital	Rs.	141,000	141,000	141,000	141,000	141,000	141,000
Accumlated (loss)/Protif	Rs.	(637,962)	(777,157)	(939,242)	(970,968)	(923,723)	(903,094)
Long term Loan	Rs.	64,110	143,773	261,997	319,294	357,867	424,659
Deferred Liablities	Rs.	386,698	386,698	191,691	153,301	153,301	153,301
Fixed Assets (At Cost)	Rs.	720,294	692,765	694,223	689,506	688,212	688,058
Accumulated Depreciation	Rs.	513,838	493,560	473,103	450,157	425,373	398,067
Long term Advance/Deposits	Rs.	1,427	1,427	1,427	1,427	1,427	1,427
Current Assets	Rs.	171,537	100,351	86,858	51,145	43,474	164,549
Current Liabilities	Rs.	425,573	421,886	653,958	649,293	579,295	640,102
2. **INCOME**							
Sales	Rs.	1,328,623	649,457	627,212	484,426	557,272	197,756
Gross Profit/(Loss)	Rs.	221,042	93,295	26,105	(3,850)	36,189	(49,985)
Other Income	Rs.	357	140,055	62,490	7,653	62	68
Pre-Tax (Loss)/Profit	Rs.	152,482	166,796	31,726	(44,745)	(17,828)	(111,835)
Taxation	Rs.	(13,286)	(4,711)	-	(2,500)	(2,800)	(982)
3. **STATISTICS AND RATIOS**							
Gross Profit/(Loss) to Sales	%	16.64	14.37	4.16	(0.79)	6.49	(25.28)
Pre-Tax Profit/(Loss) to Sales	%	11.48	25.68	5.06	(9.24)	(3.20)	(56.55)
Pre-Tax Profit/(Loss) to Capital	%	108.14	118.29	22.50	(31.73)	(12.64)	(79.32)
Current Ratio		1:2.48	1:4.20	1:7.52	1:12.69	1:13.32	1:3.89
Paid - up Value per Share	Rs.	10	10	10	10	10	10
Earnings per Share	Rs.	9.87	2.89	(2.18)	(3.35)	(1.46)	(8.00)
Cash Dividend	Rs.	5,860	-	-	-	-	-
Market Value Per Share	Rs.	4.85	5.50	1.81	3.15	2.85	2.95
OPERATING DATA							
Season Started		16-11-2009	15-12-2008	19-11-2007	20-11-2006	05-12-2005	20-12-2004
Season Closed		06-03-2010	13-03-2009	14-04-2008	05-04-2007	06-30-2006	21-02-2005
Days Worked		111	89	148	137	92	94
Sugarcane Crushed	M.T	208,921	176,738	334,735	210,622	147,279	145,189
Sugarcane Crushed	Mds	5,223,025	4,418,450	8,368,386	5,265,559	3,681,973	3,889,940
Sugar Recovery	%	10.075	10.180	9.280	9.563	9.869	9.300
Sugar Production	M.T.	21,055	18,000	31,090	20,131	14,612	13,426
Molasses Recovery	%	4.719	4.638	5.230	4.909	4.912	5.002
Molasses Production	M.T.	9,861	8,198	17,520	10,335	7,254	7,237

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CORPORATE GOVERNANCE
(See Clause XLV)

Name of Company	:	**MIRZA SUGAR MILLS LIMITED**
Year Ended	:	**30th September, 2010**

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35, Chapter XI of Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited for the purpose of establishing a frame-work of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes 5 non-executive directors and 2 executive directors including the CEO.

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 Development Financial Institution or a Non-banking Financial Institution. None of the directors of the company are member of any Stock Exchange.

4. No casual vacancy occurred in the Board of Directors during the year under review.

5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with 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 Chairperson and, in her absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. The Board held four meetings during the year. 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 meeting were appropriately recorded and circulated.

9. The Board arranged an orientation course for its directors to apprise them of their duties and responsibilities. The directors of the company have given declaration that they are aware of their duties, powers and responsibilities under the Companies Ordinance, 1984 and the listing regulations of Stock Exchanges.

10. There was no new appointment of C.F.O., Company Secretary and Chief Internal Auditors during the year under review.

11. The directors' report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The CEO and CFO have duly endorsed the financial statements of the Company before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an audit committee. It comprises 3 (three) members including the Chairman of whom 2 (two) are non-executive directors. Names of Committee Members are :

Name	**Designation**
Mirza Saulat Raza	Chairman
Ms. Farida Abbasi	Member
Mr. Irshad Hussain Mirza	Member

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been determined and approved by the Board of Directors and advised to the committee for compliance.

17. The Board has set-up an effective internal audit function.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review 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.

19. 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.

20. The Company has complied with the requirements of Sub-Regulation (xiii-a) of Regulation 35 (Previsouly Regulation 37) of the amended Listing Regulations of the Karachi & Lahore Stock Exchanges (G) Ltd. for approval of transcations with related parties.

21. We confirm that all other material principles contained in the Code have been complied with.

December 09, 2010 **DIRECTOR** **DIRECTOR**

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended **September 30, 2010** prepared by the Board of Directors of **Mirza Sugar Mills Limited** ("the Company") to comply with Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, 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 the audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company corporate governance procedures and risks and the effectiveness of such internal controls.

Further, Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited 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 the 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 audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, except for the non-compliance observed against serial No. 17 of the statement of compliance, 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.

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
Engagement Partner: **Muhammad Rafiq Dosani**

Karachi:
Dated: December 09, 2010

AUDITORS' REPORT TO THE MEMBERS

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

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

Except as discussed in paragraph (a) below, we conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit included 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) We did not receive responses to our letters confirming balances outstanding in the Company's books against a bank and a financial institution namely NIB Bank Limited (formerly Pakistan Industrial Credit and Investment Corporation) and Investment Corporation of Pakistan disclosed in note 11.1 and note 11.2 respectively. We could not satisfy ourselves as to the accuracy and completeness of the balances appearing in the Company's books against them through alternative audit procedures. Therefore, we are unable to determine as to whether any adjustments are required to related carrying values appearing in the Company's books of account and financial statements thereof.

(b) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;

(c) in our opinion;

   (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for changes resulted from adoption of new or amended standards explained in note 2.2.4(a) to the financial statements with which we concur;

   (ii) the expenditure incurred during the period was for the purpose of the company's business; and

   (iii) the business conducted and the expenditure incurred during the period were in accordance with the objects of the company;

(d) except for the effect of the adjustments that might have been determined to be necessary had we been able to satisfy ourselves as to the matter described in paragraph (a) above, 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, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at **September 30, 2010,** of the profit, its changes in equity and cash flows for the year then ended; and

(e) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Without further qualifying our opinion, we draw attention to note 1.2 in the financial statements which indicates that the Company's equity is negative by Rs.496.96 million (2009: 636.15 million), accumulated losses amounted to Rs. 637.96 million (2009: 777.157 million) and current liabilities exceeded current assets by Rs. 264.04 million (2009: 321.535 million) as at the balance sheet date. These conditions, along with other matters as set forth in note 1.2, indicate the existence of a material uncertainty that may cause significant doubt about the Company's ability to continue as a going concern. The going concern assumption used by the management in these financial statements is dependent on the ultimate outcome of the matters disclosed in not 1.2.

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
Engagement Partner: **Muhammad Rafiq Dosani**

Karachi.
Dated: December 09, 2010

BALANCE SHEET AS AT SEPTEMBER 30, 2010

ASSETS	Note	2010	2009
NON-CURRENT ASSETS		Rupees	
Property, plant and equipment	4	**206,455,303**	214,422,967
Long term deposits		**1,426,886**	1,426,886
CURRENT ASSETS			
Stores, spares and loose tools	5	**23,621,522**	13,998,988
Stock-in-trade	6	**77,649,506**	65,590,242
Trade debts	7	**1,749,262**	-
Prepayments, loan and advances	8	**50,240,744**	18,188,855
Other recievables	9	**-**	85,000
Cash and bank balances	10	**18,275,800**	2,487,587
		171,536,834	100,350,672
TOTAL ASSETS		**379,419,023**	316,200,525
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized Capital			
15,000,000 (2009: 15,000,000) Ordinary Shares of Rs10/- each.		**150,000,000**	150,000,000
Issued, Subscribed and Paid up Capital			
14,100,000 (2009: 14,100,000) Ordinary Shares of Rs. 10/- each fully paid in cash		**141,000,000**	141,000,000
Accumulated losses		**(637,961,903)**	(777,157,307)
		(496,961,903)	(636,157,307)
NON-CURRENT LIABILITIES			
Long-term finances	11	**64,109,934**	143,773,187
Deferred liabilities	12	**386,698,201**	386,698,201
CURRENT LIABILITIES			
Current portion of long-term finances	11	**331,354,806**	291,438,725
Trade and other payables	13	**58,639,808**	108,155,792
Accrued markup on finances		**18,991,927**	18,991,927
Provision for taxation		**16,586,250**	3,300,000
		425,572,791	421,886,444
TOTAL EQUITY AND LIABILITIES		**379,419,023**	316,200,525
CONTINGENCIES AND COMMITMENTS	14	**-**	-

The annexed notes from 1 to 33 form an integral part of these financial statements.

Note: As required under section 241(2) of the Companies Ordinance, 1984, these financial statements have been signed by two Directors in absence of Chief Executive of the Company who is for the time being out of station.

DIRECTOR **DIRECTOR** **CHIEF FINANCIAL OFFICER**

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Note	2010	2009
		Rupees	
Sales - net	15	1,328,623,472	649,456,562
Cost of sales	16	(1,107,581,793)	(556,161,162)
Gross profit		221,041,679	93,295,400
Operating expenses			
Administrative expenses	17	43,780,352	37,727,646
Selling and distribution costs	18	1,009,983	834,753
		(44,790,335)	(38,562,399)
Operating profit		176,251,343	54,733,001
Finance costs	19	(12,825,951)	(6,822,048)
Other income	20	357,264	140,054,686
Other charges	21	(11,301,003)	(21,169,984)
		(23,769,690)	112,062,654
Profit before taxation		152,481,654	166,795,655
Taxation			
Current - for the year	23	(13,286,250)	(3,300,000)
- for prior years	23	-	(1,411,230)
		(13,286,250)	(4,711,230)
Profit after taxation		139,195,404	162,084,425
Earnings per share - basic & diluted	22	9.87	11.50

The annexed notes from 1 to 33 form an integral part of these financial statements.

DIRECTOR **DIRECTOR** **CHIEF FINANCIAL OFFICER**

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	2010	2009
	Rupees	
Profit after taxation	**139,195,404**	162,084,425
Other comprehensive income	**-**	-
Total comprehensive income for the year transferred to equity	**139,195,404**	162,084,425

The annexed notes from 1 to 33 form an integral part of these financial statements.

DIRECTOR **DIRECTOR** **CHIEF FINANCIAL OFFICER**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Issued, subscribed & paid up capital	Accumulated losses	Total
		Rupees	
Balance as at October 01, 2008	141,000,000	(939,241,732)	(798,241,732)
Comprehensive income for the year	-	162,084,425	162,084,425
Balance as at September 30, 2009	141,000,000	(777,157,307)	(636,157,307)
Balance as at October 01, 2009	141,000,000	(777,157,307)	(636,157,307)
Comprehensive income for the year	-	139,195,404	139,195,404
Balance as at September 30, 2010	**141,000,000**	**(637,961,903)**	**(496,961,903)**

The annexed notes from 1 to 33 form an integral part of these financial statements.

DIRECTOR **DIRECTOR** **CHIEF FINANCIAL OFFICER**

CASH FLOW STATEMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	2010	2009
	Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**152,481,654**	166,795,655
Adjustments for :		
Depreciation	**20,278,150**	21,553,718
Income recognized on debt extinguishment	**-**	(121,324,183)
Unrealized income on amortization of long term finance -net	**-**	(11,499,677)
Provision against slow moving stores	**-**	2,460,453
Provision against advances	**-**	6,347,662
Reversal of unclaimed liability - creditors	**-**	(7,164,733)
Gain on sale of property, plant & equipment	**-**	(62,019)
Finance costs	**12,825,951**	6,822,048
	33,104,101	(102,866,731)
Operating cash inflows/(outflows) before working capital changes	**185,585,755**	63,928,924
Changes in working capital		
(Increase)/Decrease in current assets		
Stores, spares and loose tools	**(9,622,534)**	(4,364,696)
Stock in trade	**(12,059,264)**	(20,733,925)
Loans and advances	**(28,254,189)**	(8,748,471)
Prepayments and other receivables	**85,000**	825,997
Trade debtors - unsecured	**(1,749,262)**	1,591,577
Increase / (Decrease) in current liabilities		
Trade and other payables	**(49,515,984)**	10,844,051
	(101,116,233)	(20,585,467)
Cash generated from operations	**84,469,522**	43,343,457
Taxes paid	**(3,797,700)**	(1,314,637)
Financial cost paid	**(2,483,659)**	(1,217,047)
	(6,281,359)	(2,531,684)
Net cash generated from operating activities - carried forward	**78,188,163**	40,811,773

	2010	2009
	Rupees	
Net cash generated from operating Activities - brought forward	**78,188,163**	40,811,773
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant & equipment	**(12,310,483)**	(15,218,620)
Sale proceeds from sale of property, plant & equipment	**-**	423,500
Net cash used in investing activities	**(12,310,483)**	(14,795,120)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term finances	**(50,089,467)**	(24,865,617)
Net cash used in financing activities	**(50,089,467)**	(24,865,617)
Net increase in cash and cash equivalents	**15,788,213**	1,151,036
Cash and cash equivalents at beginning of the year	**2,487,587**	1,336,551
Cash and cash equivalents at end of the year	**18,275,800**	2,487,587

The annexed notes from 1 to 33 form an integral part of these financial statements.

DIRECTOR **DIRECTOR** **CHIEF FINANCIAL OFFICER**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2010

1 STATUS AND NATURE OF BUSINESS

1.1 The Company was incorporated in Pakistan as a Public Limited Company on January 16, 1990. Its shares are listed at Karachi and Lahore Stock Exchanges. The registered office of the company is situated at 10th Floor, Portion B, Lakson Square Building No.1, Sarwar Shaheed Road, Karachi. The Company is mainly engaged in the production and sale of sugar and molasses.

1.2 As of the reporting date, company's equity is negative by Rs.496.96 million (2009: Rs.636.157 million), its accumulated loss amounted to Rs.637.96 million (2009: Rs.777.157 million) and its current liabilities exceeded its current assets by Rs.254.04 million (2009: Rs.321.535 million).

The Company's borrowings matured several years ago. As regards matter of settlement of liability of NIB Bank Limited (Formerly PICIC) which is pending and currently contested in court whereby proceedings of recovery suit filed by NIB Bank Ltd and counter claim filed by the company against the bank are continuing for detail refer note 11.1 and 14.3. There are contingecies disclosed in the note 14 of the financial statements, the ultimate outcome of which can not be presently determinable.

These conditions indicate existence of material uncertainty which may cast significant doubt about the ability of the Company to continue on a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business.

As discussed in note 11.3, the company has paid Rs. 25.089 million to Habib Bank Limited as per the revised terms of rescheduled terms of the finance and Rs. 25 million to related party loan during the year. The company expects that it shall be able to meet its obligations, if any, as and when that would arise at the end of proceeding or earlier through negotiations with the bank based on returns from its operations and other sources. Furthermore, as discussed in the said note company's negative equity would be substantially reduced by an amount of Rs. 285.821 million by the year 2012. The management intends to start activity for the current season and has made necessary arrangement for this purpose.

In view of the above, these financial statements have been prepared using going concern assumption.

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. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 have been followed.

2.2 Accounting convention

2.2.1 Basis of measurement

These financial statements have been prepared under the basis of 'historical cost' convention.

2.2.2 Functional and Presentation Currency

These Financial statements are presented in Pakistani Rupee which is the company's functional currency.

2.2.3 Significant Estimates

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the 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 are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about the 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. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of Accounting Standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with significant risk of material judgment in the next year are as followes:

	Note
a) Useful life and residual values of property, plant and equipment	3.1
b) Provision for obsolete and slow moving inventories	3.3
c) Provision for slow moving stores and spares	3.2
d) Provision for taxation	3.8
e) Impairment in respect of financial assets	3.12.2

2.2.4 Standards, amendments to published approved accounting standards and interpretations effective and relevant to the Company

(a) Changes in accounting policies and disclosures as a result of adoption of new and amended accounting standards

Starting 1 January 2009, the Company has changed its accounting policies in the following areas:

- IAS 1 (revised), 'Presentation of financial statements' (effective from January 1, 2009). The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated balance sheet as at the beginning of comparative period in addition to the current requirement to present balance sheet at the end of the current period and comparative period.

The Company has preferred to present two statements; a profit and loss account (income statement) and a statement of other comprehensive income. Comparative information has also been represented so that it is in conformity with the revised standard. As this change only impacts presentation aspects, there is no impact on profit for the year.

- IAS 36 (Amendment), 'Impairment of assets' (effective from January 1, 2009). In accordance with new requirements, disclosures equivalent to those for value-in-use calculation should be made where fair value less costs to sell is calculated on the basis of discounted cash flows. Adoption of the amendment is not expected to have any effect on the Company's financial statements.

- The Company has applied Improving Disclosures about Financial Instruments (Amendments to IFRS 7), issued in March 2009, that require enhanced disclosures about fair value measurements and liquidity risk in respect of financial instruments. The amendments require that fair value measurement disclosures use a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values of financial instruments. Specific disclosures are required when fair value measurements are categorized as Level 3 (significant unobservable inputs) in the fair value hierarchy. The amendments require that any significant transfers between Level 1 and Level 2 of the fair value hierarchy be disclosed separately, distinguishing between transfers into and out of each level.

  Furthermore, changes in valuation techniques from one period to another, including the reasons therefor, are required to be disclosed for each class of financial instruments. Further, the definition of liquidity risk has been amended and it is now defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. As the change in accounting policy only results in additional disclosures, there is no impact on profit for the year.

(b) Others

IAS 23 (amendment), 'Borrowing costs' (effective from January 1, 2009). The amendment requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The option of immediately expensing those borrowing costs is removed. The Company’s current accounting policy is in compliance with this amendment, and therefore there is no effect on the Company's financial statements.

2.2.5 Standards, amendments to published approved accounting standards and interpretations effective but not relevant

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the year and are mandatory for accounting periods beginning on or after July 1, 2009 but are considered not to be relevant or have any significant effect on the company's operations and are, therefore, not detailed in these financial statements.

2.2.6 Standards, amendments to published approved accounting standards and interpretations not yet effective

The following standards, amendments and International Financial Reporting Interpretations

Committee (IFRIC) interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after January 1, 2010 or later periods:

- Improvements to IFRSs 2009 – Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the required disclosures for non-current assets (or disposal groups) classified as held for sale or discontinued operations are specified in IFRS 5. These amendments are unlikely to have an impact on the Company's financial statements.

- Improvements to IFRSs 2009 – Amendments to IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2010) . The amendments clarify that segment information with respect to total assets is required only if such information is regularly reported to the chief operating decision maker. The amendment is not relevant to the Company's operations.

- Improvements to IFRSs 2009 – Amendments to IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the classification of the liability component of a convertible instrument as current or non-current is not affected by terms that could, at the option of the holder of the instrument, result in settlement of the liability by the issue of equity instruments. These amendments are unlikely to have an impact on the Company's financial statements.

- Improvements to IFRSs 2009 – Amendments to IAS 7 Statement of Cash Flows (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that only expenditures that result in the recognition of an asset can be classified as a cash flow from investing activities. These amendments are unlikely to have a significant impact on the Company's financial statements other than increase in disclosures.

- Improvements to IFRSs 2009 – Amendments to IAS 17 Leases (effective for annual periods beginning on or after 1 January 2010). The IASB deleted guidance stating that a lease of land with an indefinite economic life normally is classified as an operating lease, unless at the end of the lease term title is expected to pass to the lessee. The amendments clarify that when a lease includes the land and building elements, an entity should determine the classification of each element based on paragraphs 7 – 13 of IAS 17, taking account of the fact that land normally has an indefinite economic life. The amendment is not relevant to the Company's operations.

- Improvements to IFRSs 2009 – Amendments to IAS 36 Impairment of Assets (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the largest unit to which goodwill should be allocated is the operating segment level as defined in IFRS 8 before applying the aggregation criteria of IFRS 8. The amendments apply prospectively. The amendment is not relevant to the Company's operations.

- Improvements to IFRSs 2009 – Amendments to IAS 39 Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 1 January 2010). The amendments provide additional guidance on determining whether loan prepayment penalties result in an embedded derivative that needs to be separated; clarify that the scope exemption in IAS 39 paragraph 2(g) is restricted to forward contracts, i.e. not options, between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date within a reasonable period normally necessary to obtain any required approvals and to complete the transaction; and clarify that the gains or losses on a cash flow hedge should be reclassified from other comprehensive income to profit or loss during the period that the hedged forecast cash flows impact profit or loss. The amendments apply prospectively to all unexpired contracts from the date of adoption. These amendments are unlikely to have an impact on the Company's financial statements.

- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters (effective for annual periods beginning on or after 1 January 2010). The IASB provided additional optional exemptions for first-time adopters of IFRSs that will permit entities to not reassess the determination of whether an arrangement contains a lease if the same assessment as that required by IFRIC 4 was made under previous GAAP; and allow entities in the oil and gas industry to use their previous GAAP carrying amounts as deemed cost at the date of transition for oil and gas assets. The amendment is not relevant to the Company's operations.

- Amendments to IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010). The IASB amended IFRS 2 to require an entity receiving goods or services (receiving entity) in either an equity-settled or a cash-settled share-based payment transaction to account for the transaction in its separate or individual financial statements. This principle even applies if another group entity or shareholder settles the transaction (settling entity) and the receiving entity has no obligation to settle the payment. Retrospective application is subject to the transitional requirements in IFRS 2.

- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after 1 January 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. These amendments are unlikely to have an impact on the Company's financial statements.

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for accounting periods beginning on or after 1 July 2010). This interpretation provides guidance on the accounting for debt for equity swaps. The amendment is not relevant to the Company's operations.

- Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective for accounting periods beginning on or after 1 July 2010). The amendment provides the same relief to first-time adopters as was given to current users of IFRSs upon adoption of the Amendments to IFRS 7. The amendment also clarifies the transitional provisions of the Amendments to IFRS 7. The amendment is not relevant to the Company's operations.

- **Improvements to IFRSs 2010 (effective for annual periods beginning on or after 1 July 2010). The IASB issued amendments to various standards effective. Below is a summary of the amendments that are effective for either annual periods beginning on or after 1 July 2010 or annual periods beginning on or after 1 January 2011:**

- Improvement to IFRSs 2010 - Amendments to IFRS 3 Business Combinations (effective for accounting periods beginning on or after 1 July 2010). The amendment clarify that contingent consideration arises in a business combinaiton previously accounted for in accordance with IFRS 3 (2004) that remains outstanding at the adoption date of IFRS 3 (2008) continues to be accounted for in accordance with IFRS 3 (2004); limit the accounting policy choice to measure non controlling interest upon initial recognition at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets to instruments that give rise to a present ownership interest and that currently entitles the holder to a share of net asset in the event of liquidation; and expand the current guidance on the attribution of the market - based measure of an acquiree's share-based payment awards issued in exchange for acquiree's awards between consideration transferred and post-combination compensation cost when an acquiree is obliged to replace the acquiree's existing awards to encompass voluntarily replaced unexpired acquiree awards.

These amendments are unlikely to have an impact on the Company's financial statements.

- Improvement to IFRSs 2010 - Amendments to IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2010). The amendments clarify that the consequential amendment to IAS 21. The effects of changing in Foreign Exchange Rates, IAS 28 and IAS 31 resulting from IAS 27 (2008) should be applied prospectively with the exception of amendments resulting from renumbering. These amendments are unlikely to impact on the Company's financial statements.

- IAS 24 Related Party Disclosures (revised 2009) (effective for accounting periods beginning on or after 1 January 2011). The revised IAS 24 Related Party Disclosures amend the definition of a related party and modifies certain related party disclosure requirements for government-related entities. These amendments are unlikely to have an impact on the Company's financial statements.

- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for accounting periods beginning on or after 1 January 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayment of contribution in certain circumstances being recognized as an asset rather than an expense. These amendments are unlikely to have an impact on the Company's financial statements.

- Improvement to IFRSs 2010 - IFRS 1 First-time Adoption of IFRSs (effective for accounting periods beginning on or after 1 January 2011). The amendment clarify that IAS 8 is not applicable to changes in accounting policies occuring during the period covered by an entity's first IFRS financial statements; introduce guidance for entities that publish interim financial information under IAS 34 Interim Financial Reporting and change either their accounting policies or use the IFRS 1 exemption during the period covered by their first IFRS financial statements; extend the scope of paragraph D8 of IFRS 1 so that an entity is permitted to use an event-driven fair value measurement as deemed cost for some or all of its assets when such revaluation occured during the reporting periods covered by its first IFRS financial statements; and introduce an additional optional deemed cost exemption for entities to use the carrying amounts under previous GAAP as deemed cost at the date of transition to IFRSs for items of property, plant and equipment or intangible assets used in certain rate-regulated activities. The amendment is not relevent to Company's operation.

- IFRS 7 Financial Instruments: Disclosures (effective for accounting periods beginning on or after 1 January 2011). The amendments add an explicit statement that qualitative disclosure should be made in the contact of quantitative disclosure to better enable users to evaluate an entity's exposure to risk arising from financial instruments. In addition the IASB amended and removed existing disclosure requirements. These amendments would result in increase in disclosures in the financial statements of the Company.

- Improvement to IFRSs 2010 - IAS 1 Presentation of Financial Statements (effective for accounting periods beginning on or after 1 January 2011). The amendments clarify that disaggregation of changes in each component of equity arising from transactions recognized in other comprehensive income is also required to be presented, but may be presented either in the statement of changes in equity or in the notes. The amendment is not likely to have an impact on Company's financial statements other than increase in disclosure.

- Improvement to IFRSs 2010 - IAS 34 Interim Financial Reporting (effective for accounting periods beginning on or after 1 January 2011). The amendments add examples to the list of events or transactions that require disclosure under IAS 34 and remove references to materiality in IAS 34 that describes other minimum disclosures. The amendment is not likely to have an impact on Company's financial statements other than increase in disclosure.

- Improvement to IFRSs 2010 - IFRIC 13 Customer Loyalty Programmes (effective for accounting periods beginning on or after 1 January 2011). The amendments clarify that the fair value of award credits take into account the amounts of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. The amendment is not relevant for the Comapny's financial operation.

- IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2013).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant & equipment

Operating assets

These are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is charged to profit & loss account applying the reducing balance method whereby the cost of an asset is written off over its useful life at the rates specified in note 4.1 to the financial statements. Depreciation on additions is charged for the quarter in which an asset is put to use and no depreciation is charged in the quarter in which assets are disposed.

Subsequent costs are included in the asset's carrying amounts or recognized as a separate assets, as appropriate, only when it is probable that future benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Gains and losses on disposal of assets, if any, are taken to the profit and loss account.

The assets' residual values, useful lives methods are reviewed and adjusted if appropriate, at each financial year. The Company's estimate of residual values of property, plant and equipment as at 30 September 2010 did not require any adjustment as its impact is considered insignificant.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss in the year asset is derecognized.

Capital work in progress

Capital work-in-progress is stated at cost less impairment, if any. It consists of expenditure incurred and advances made in respect of tangible and intangible assets in the course of their construction and installation. Transfers are made to relevant category as and when assets are available for use.

3.2 Stores, spares and loose tools

Stores, spares and loose tools excluding items in transit are valued at lower of moving average cost and net realizable value. Provision is made for slow moving and obsolete items.

Items in transit are valued at cost comprising invoice values plus other charges incurred thereon to the reporting date.

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

Provisions are made in the financial statements for obsolete and slow moving stores and spares based on management's best estimate regarding their future useability.

3.3 Stock in trade

All stock in trade except molasses are valued at lower of cost and net realizable value where cost is determined by applying the following basis:

- Finished sugar at average manufacturing cost;

- Sugar in process at average manufacturing cost;

- Molasses at contracted price / net realizable value;

Average cost in relation to work in process and finished goods signifies the cost of sugar including a portion of related direct overheads.

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

Provisions are made in the financial statements for obsolete and slow moving inventory based on management's best estimate regarding their future useability.

3.4 Trade and other receivables

Trade and other receivables are carried at original invoice amount/cost, which is the fair value of the consideration to be received, less an estimate made for doubtful receivables which is determined based on management review of outstanding amounts and previous repayment pattern. Balance considered bad and irrevocable are written off.

3.5 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows includes cash in hand, balance with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts / short term borrowings. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

3.6 Staff retirement benefits

The company operates an approved provident fund for eligible employees. The Company contributes equal amount of employees contribution i.e. 8.33% of basic salary.

3.7 Deferred income

Deferred income primarily relates to restructuring/rescheduling of the finances with the banks/financial institutions expected to be earned on meeting the specified obligations against such restructuring/rescheduling arrangements.

Deferred income is generally taken to profit and loss account, after final waiver of the related obligations by the corresponding banks/financial institutions.

3.8 Current and deferred income tax

Income tax expense comprises of current and deferred tax. Income tax expense is recognized in profit and loss account except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current

Current tax is the amount of tax payable on taxable income for the year, using tax rate enacted or subsequently enacted by the reporting date, and any adjustment to the tax payable in respect of previous year. Provision for current tax is based on higher of the taxable income at current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any or 1% of turnover. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

Deferred

Deferred tax is accounted for using the balance sheet liability method providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purpose and the amounts used for tax purposes. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is not recognized for timing differences that are not expected to reverse and for the temporary differences arising from the initial recognition of goodwill and initial recognition of assets and liabilities in a transaction that is not a business combination and that at the time of transaction affects neither the accounting nor the taxable profits.

3.9 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, whether or not billed to the company.

3.10 Provisions

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

3.11 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3.12 Financial assets

3.12.1 Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, held to maturity, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'loans and deposits', 'trade debts and other receivables' and 'cash and cash equivalents' in the balance sheet.

c) Held to maturity financial assets

Held to maturity financial assets are non derivative financial assets with fixed or determinable payments and fixed maturity with a positive intention and ability to hold to maturity. There were no held to maturity financial assets at the balance sheet date.

d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting date.

3.12.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss account within 'other operating income/expenses' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit and loss account as part of other income when the Company's right to receive payments is established.

Changes in fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit and loss account as part of other income. Dividends on available for sale equity instruments are recognised in the profit and loss account as part of other income when the Company's right to receive payments is established.

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment testing of trade debts and other receivables is described in relevent notes.

3.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle either on a net basis, or realise the asset and settle the liability simultaneously.

3.14 Foreign currency translation

Foreign currencies are translated into reporting currency at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into reporting currency equivalents using year-end spot foreign exchange rates. Non-monetary assets are translated using exchange rates that existed when the values were determined. Exchange differences on foreign currency translations are included in income currently.

3.15 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets carried at cost are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss, if any. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment losses are recognized in profit and loss account.

3.16 Basic and diluted earnings per share

The company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period / year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

3.17 Related Party Transactions

Transactions with related parties are carried out on commercial terms and conditions.

3.18 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and is reduced for marketing allowances. Revenue is recognised on the following basis:

- Sales of goods are recognized when goods are delivered to the customer.

- Income on deposits and other financial assets is recognised on accrual basis.

3.19 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which case such costs are capitalised as part of the cost of that asset.

4. PROPERTY, PLANT AND EQUIPMENT

	2010	2009
	Rupees	
Operating assets (Note 4.1)	**206,455,303**	199,204,347
Capital work in progress (Note 4.2)	**-**	15,218,620
	206,455,303	214,422,967

4.1 Operating assets

	Freehold land	Factory building	Non factory building	Plant and machinery	Office equipment	Arms and Ammunition	Furniture and fixture	Vehicles	Total
					Rupees				
As at October 01, 2008									
Cost	8,612,324	87,520,209	1,523,712	580,757,509	4,205,842	298,700	2,362,684	8,941,548	694,222,528
Accumulated depreciation	-	(66,526,405)	(1,014,900)	(396,170,156)	(2,436,636)	(115,978)	(1,469,532)	(5,369,374)	(473,102,981)
Net book value	8,612,324	20,993,804	508,812	184,587,353	1,769,206	182,722	893,153	3,572,174	221,119,547
Year ended September 30, 2009									
Opening net book value	8,612,324	20,993,804	508,812	184,587,353	1,769,206	182,722	893,153	3,572,174	221,119,548
Additions during the year	-	-	-	-	-	-	-	-	-
Disposals / transfers									
Cost	-	-	-	-	-	-	-	(1,458,000)	(1,458,000)
Accumulated depreciation	-	-	-	-	-	-	-	1,096,519	1,096,519
Net book value	-	-	-	-	-	-	-	(361,481)	(361,481)
Depreciation for the year	-	(2,099,380)	(50,881)	(18,458,735)	(176,921)	(18,272)	(89,315)	(660,213)	(21,553,717)
Closing net book value	**8,612,324**	**18,894,424**	**457,931**	**166,128,618**	**1,592,284**	**164,450**	**803,838**	**2,550,480**	**199,204,347**
As at October 01, 2009									
Cost	8,612,324	87,520,209	1,523,712	580,757,509	4,205,842	298,700	2,362,684	7,483,548	692,764,528
Accumulated depreciation	-	(68,625,785)	(1,065,781)	(414,628,891)	(2,613,557)	(134,250)	(1,558,847)	(4,933,068)	(493,560,179)
Net book value	**8,612,324**	**18,894,424**	**457,931**	**166,128,618**	**1,592,284**	**164,450**	**803,838**	**2,550,480**	**199,204,347**
Year ended September 30, 2010									
Opening net book value	8,612,324	18,894,424	457,931	166,128,618	1,592,284	164,450	803,838	2,550,480	199,204,347
Additions(including transfers) during the year	-	22,594,103	-	105,000	180,000	-	-	4,650,000	27,529,103
Disposals / transfers									
Cost	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-
Net book value	-	-	-	-	-	-	-	-	-
Depreciation for the year	-	(2,454,295)	(45,793)	(16,615,487)	(177,150)	(16,445)	(80,384)	(888,596)	(20,278,150)
Closing net book value	**8,612,324**	**39,034,232**	**412,138**	**149,618,131**	**1,595,134**	**148,005**	**723,454**	**6,311,884**	**206,455,300**
As at September 30, 2010									
Cost	8,612,324	110,114,312	1,523,712	580,862,509	4,385,842	298,700	2,362,684	12,133,548	720,293,631
Accumulated depreciation	-	(71,080,080)	(1,111,574)	(431,244,378)	(2,790,707)	(150,695)	(1,639,231)	(5,821,664)	(513,838,329)
Net book value	**8,612,324**	**39,034,232**	**412,138**	**149,618,131**	**1,595,135**	**148,005**	**723,453**	**6,311,884**	**206,455,303**
Annual rates of depreciation	**0%**	**10%**	**10%**	**10%**	**10%**	**10%**	**10%**	**20%**	

4.1.2 Allocation of Depreciation

	2010	2009
	Rupees	
Cost of sales	19,069,782	20,558,116
Administrative expenses	1,208,368	995,602
	20,278,150	21,553,718

4.2 Capital Work in progress

	2010	2009
Balance as at beginning of the year	15,218,620	-
Add: additions during the year	7,375,483	15,218,620
	22,594,103	15,218,620
Less: transfers to operating assets, on completion	(22,594,103)	-
Closing balance	-	15,218,620

4.2.1 The capital work-in-progress represents construction of sugar godown in the factory premises, initiated in prior year and was completed during this year and transferred to the operating assets on completion thereof.

		2010	2009
		Rupees	
5	**STORES, SPARES AND LOOSE TOOLS**		
	Stores	**14,508,928**	10,397,245
	Spares	**11,231,681**	5,877,424
	Loose tools	**341,366**	184,772
		26,081,975	16,459,441
	Less: Provision for slow moving stores	**(2,460,453)**	(2,460,453)
		23,621,522	13,998,988
6	**STOCK IN TRADE**		
	Finished sugar	**76,675,587**	65,590,242
	Sugar in process	**973,919**	-
		77,649,506	65,590,242
7	**TRADE DEBTS - Unsecured**		
	Considered good	**1,749,262**	-
	Considered doubtful	**-**	34,899,171
		1,749,262	34,899,171
	Amount written off against provision for doubtful debts	**-**	(34,899,171)
		1,749,262	-
8	**LOANS, PREPAYMENTS AND ADVANCES**		
	Unsecured and considered good		
	Advances		
	- To suppliers	**20,388,172**	7,132,598
	- To contractors	**2,109,956**	1,917,899
	- To growers	**12,822,792**	1,516,223
	- Income tax	**8,443,918**	4,646,218
		43,764,838	15,212,938
	Advances for expenses		
	- Staff	**3,771,968**	2,975,917
	Prepaments	**2,703,938**	-
	Considered Doubtful Advances		
	- To contractors & suppliers	-	41,257,678
	- For expenses	-	641,308
	- To growers	-	8,296,038
		-	50,195,024
		50,240,744	68,383,879
	Amount written off against provision for doubtful debts	**-**	(50,195,024)
		50,240,744	18,188,855
9	**OTHER RECEIVABLES**		
	Other receivables	**-**	85,000
10	**CASH AND BANK BALANCES**		
	Cash in hand	**115,670**	95,827
	Cash at banks in current accounts	**18,160,130**	2,391,760
		18,275,800	2,487,587

11 LONG TERM FINANCINGS

Secured

	Note	Mark - up rate p.a.	Contracted Cash flows	Installments Number	Installments Commencing from	2010 (Rupees)	2009 (Rupees)
Long term finance utilised under mark-up arrangements:							
NIB Bank Limited - locally manufactured machinery 1	11.1	6.0% p.a	25,570,579	19 quarterly	April 1, 2001	**25,570,579**	25,570,579
NIB Bank Limited - locally manufactured machinery 2	11.1	6.0% p.a	26,033,368	19 quarterly	April 1, 2001	**26,033,368**	26,033,368
NIB Bank Limited - overdue 1	11.1	14.0% p.a	129,009,205	46 quartery	April 1, 2001	**127,607,667**	125,757,622
NIB Bank Limited - overdue 2	11.1	14.0% p.a	127,859,708	46 quartery	April 1, 2001	**126,432,804**	124,549,276
NIB Bank Limited - interest account	11.1	Mark up free	27,124,224	46 quartery	April 1, 2001	**27,124,224**	27,124,224
Investment Corporation of Pakistan	11.2	14.0% p.a	6,890,906	46 quartery	April 1, 2001	**6,890,906**	6,890,906
Habib Bank Limited - AGF & DF	11.3	Mark up free	44,496,025	12 quartery	August 21, 2009	**39,016,710**	57,497,456
Loans from related party	11.4	Mark up free	16,788,482	-	-	**16,788,482**	41,788,482
						395,464,740	435,211,913
Less: Current portion shown under current liabilities						**54,286,086**	51,262,980
Overdue portion shown under current liabilities						**277,068,720**	240,175,745
						331,354,806	291,438,725
						64,109,934	143,773,188

11.1 NIB Bank Ltd (formerly PICIC)

The loan is secured by:

i) First charge by way of an equitable mortgage on all the immovable properties, hypothecation of stock and a floating charge on all other assets.

ii) A demand promissory note duly signed by the directors for the purchase price.

This reflects the balance of principal amount of LMM finance including the balance of mark up/interest accrued and capitalized thereon.

These are based on repayment schedule and terms and conditions of restructuring approved by the CRSIU in the year 2000. As per the approved terms, the mark up thereon is accrued and capitalized regularly. The mark up was fixed @14% per annum and the principal and mark up was to be repaid in 47 quarterly installments during 1.4.2001 to 1.7.2012. The installments as per the schedule were paid by the company till the year 2003.

In the year 2003 the bank preferred to file suit for recovery of Rs.355.3 million which is contested by the company in High Court. The company also filed a counter claim in response seeking refund of Rs.38 million based on damages of Rs.129 million and amount of liability repaid by it to the bank till the year 2003 of about Rs.187 million. Both the cases are proceeding in the Court.

Subsequently in the year 2004, the liability was considered and approved for settlement with that of other bank liabilities in terms of SBP Circular 29 using FSV of the fixed assets of the company determined by PBA valuation. This remained unimplemented owing to preconditions set by bank and FSV disputed by the company. In terms of the approval by SBP Committee, the Bank conveyed its willingness to settle its share of 58.82% at Rs.205 million with a precondition to drop all proceedings in court, while the company sought settlement at lower FSV. The dispute remained unresolved. The matter continues to be contested in Court.

11.2 Investment Corporation of Pakistan (ICP)

The loan is secured by:

i) First charge by way of an equitable mortgage on all the immovable properties, hypothecation of stock and floating charge on all other assets.

ii) Floating charge on all other assets and properties of the Company ranking pari passu with the charge created in favor of other secured creditors.

iii) A demand promissory note for the purchase price.

iv) Personal guarantees of all directors.

This is made up of balance of principal of Rs.4.345 million and mark up of Rs.2.526 million of LMM finance remaining after the company had complied with the decree of the Banking Court in suit filed by ICP for making payment of Rs.10.990 million in 24 monthly installments of Rs.457,908/=each with effect from 1st July, 2002 and 8% p.a. as cost of the fund. The company paid the last installment of Rs 1.313 million on February 23, 2007, along with cost of funds demanded by ICP of Rs.1.32 million. Further intrest not accrued since the year 2002 as result of full and final settlment made and the above liability exceeds the amount of Rs.0.94 million additionally claimed by bank subject to reconcilation. The court vide its order dated August 26, 2010 has appointed M/s. Afzal Muneer & Co., Chartered Accountants, to examin the books of account of both the company and ICP to settle the account between them. As a result, the liability to the extent extinguished shall be taken to income when the condition set by the court is fully met.

11.3 Habib Bank Limited (HBL)

The loan is secured by:

i) Legal / equitable mortgage on assets of the company ranking pari passu with the charge created in favor of other secured creditors.

ii) Personal guarantees of the directors.

iii) Deposit of sponsors' shares at the face value of Rs. 22 million.

iv) Deposit of title deeds in respect of machinery imported from M/s Nisho Iwai Corporation.

This represents outstanding principal of Rs 151.379 million and frozen mark up of Rs 219.385 million against Demand Finance (supplier's credit guarantee) and agricultural finance that were contested in court. The bank offered settlement of Demnad Finance at Rs 73.144 million and of Agricultural Finance at Rs 11.800 million subject to down payment of 10% and 12 equal quarterly installments of Rs 6.272 million each with the last installment falling on 20th May 2012. The company made down payment as well as five installment up to the date of the balance sheet. The remaining balance of Rs 285.821 million as per books has been transferred to deferred liability for recognition as income from debt extinguishment after the last and final installment is paid by the year 2012 on account of principal of Rs 66.435 million and accrued mark up of Rs 219.385 million.

The company has recorded the loans on amortized cost / present value using the effictive intrest rate of 14.45% (3 Year KIBOR) prevail on the date of settlment. Company has accordingly recognized unrealized net income of Rs.11.499 million which is to be charged to income over the 3 year terms of agreement.

11.4 Loans from Related Parties

These represents unsecured and interest free loans with no fixed term for repayment.

12 DEFERRED LIABILITY	**Note**	**2010**	**2009**
		Rupees	
Deferred income	**12.1**	**285,821,063**	285,821,063
Quality premium	**12.2**	**100,877,138**	100,877,138
		386,698,201	386,698,201

12.1 This represents balance of income pending for recognition subject to fulfillment of condition of Bank's liability in accordance with the agreed repayment schedules on HBL loan amounting to Rs 285.821 million was accordingly deferred till the payment of last and final installment as per conditions disclosed in the note 11.3.

12.2 This represents liability of Rs.100.877 million made in respect of quality premium to growers for the period from 1998-99 to 2002-2003. The matter of payment of quality premium to growers is currently subjudiced. Appeals filed in this matter are pending before the Supreme Court of Pakistan. Supreme Court granted injunction on the appeal citing conflicting judgment of the High Court of Sindh and the High Court of Punjab in the issue of validity of QP restrained recovery of QP till the matter is disposed off. The management maintains that subsequent to the year 2003 it has fulfilled its obligations of QP (Refer details in note 14.4).

13 TRADE AND OTHER PAYABLES

	Note	2010 Rupees	2009 Rupees
Creditors			
For sugarcane		**32,740,063**	76,805,856
For stores and spares		**2,351,642**	10,726,388
		35,091,705	87,532,244
Accrued Liabilities			
Accrued expenses		**4,570,475**	3,523,816
Road cess		**1,196,526**	1,196,519
		5,767,001	4,720,335
Other Liabilities			
Advance from customers		**521,714**	5,454,189
Employees provident fund		**8,942**	279,909
Sales tax payable		**2,942,211**	1,191,869
Federal excise duty payable		**195,561**	-
Income tax withheld payable		**327,593**	337,904
Retention money		**1,149,124**	18,638
Workers' profits participation fund	**13.1**	**8,189,133**	10,861,448
Workers' welfare fund		**3,111,870**	3,403,993
Others		**1,334,954**	1,519,995
		17,781,102	23,067,945
		58,639,808	115,320,524
Less: Reversal of liability - Creditors		**-**	(7,164,733)
		58,639,808	108,155,792

13.1 Workers' profits participation fund

	2010	2009
Opening balance	**10,861,449**	1,669,801
Allocated during the year (note 19)	**(8,189,133)**	8,957,876
Interest accrued during the year	**553,905**	233,772
	(7,635,228)	9,191,648
Paid during the year	**11,415,354**	-
Closing balance	**(8,189,133)**	10,861,449

14 CONTINGENCIES AND COMMITMENTS

CONTINGENCIES

14.1 The company is contesting a suit filed in the High Court in the Year 1998 by M/s. Indian Sugar & General Industry for recovery of Rs. 14.227 million (US$ 240,692) representing the balance amount due and interest thereon against the import of 1,645 M. Tons of sugar made by the Company. The suit is pending for evidence. The company does not recognize this as its debt and has accordingly made no provision.

14.2 The department demanded further tax of Rs.4.88 million from the company that was not charged by it from its customers owing to ambiguity in section 2 (23) which stated that an unregistered person liable to be registered was to be treated at par with a registered person and hence further tax was not to be charged. The Additional Collector stayed the said demand in the year 2003.The matter was contested by the Collector of Custom & Sales Tax in the High Court and judgment was passed in favor of the company. The collect orate preferred appeal with the Supreme Court of Pakistan that accepted the plea and set aside the judgment of the High Court in March 2006. The company has not received any fresh demand and has not made any provision there against. The legal counsel of the company is of the opinion that based on the merit of the case no tax liability is likely to arise in future in this case.

14.3 The company has not recorded further liability of Rs. 27 million of long term finance of NIB Bank (formerly PICIC) being the difference between the amount of loan liabilities reflected in the books as Rs. 328 million and that claimed by NIB Bank (formerly PICIC) in recovery suit of Rs. 355 million for the reasons that it has filed counter claim of Rs. 39 million in Suit No. 30 of 2003 based on its workings reflecting that it has overpaid the liabilities by the said amount.

14.4 The matter of quality premium continues to be pending with the Honorable Supreme Court of Pakistan since the year 2004 after it granted leave to defend on the question of issue of quality premium. The Apex court also ordered that no coercive action for recovery of quality premium shall be taken against the mills till the case is decided. The Company purchased sugar cane at market rate, which was higher than minimum support price fixed by the government during the period from 2004-2010 except for 2007- 08 and 2003 - 04 and the resultant aggregate extra liability on account of various subsidies born by it amounted to Rs. 676.096 million that absorbed the quality premium for the said years of Rs. 190.374 million. It also holds the view that uniform formula being developed by MINFAL for mills and cane growers would be applicable prospectively. In view of above, the company has not recorded any obligation with respect to quality premium.

		Note	2010	2009
			Rupees	
15	**SALES - NET**			
	Sugar		**1,294,754,950**	680,239,700
	Molasses		**90,766,000**	57,953,460
			1,385,520,950	738,193,160
	Brokerage		**(621,990)**	(558,210)
	Sales tax		**(56,275,488)**	(88,178,388)
			(56,897,478)	(88,736,598)
			1,328,623,472	649,456,562
16	**COST OF SALES**			
	Raw material consumed (including procurement and development expenses)		**1,007,155,836**	473,537,747
	Manufacturing expenses	**16.1**	**112,485,221**	103,357,340
			1,119,641,057	576,895,087
	Opening stock: Finished stock - sugar		**65,590,242**	44,856,317
			1,185,231,299	621,751,404
	Closing stock: Finished stock - sugar	**6**	**(76,675,587)**	(65,590,242)
	Sugar-in-process	**6**	**(973,919)**	-
			(77,649,506)	(65,590,242)
			1,107,581,793	556,161,162

	Note	2010	2009
		Rupees	
16.1 Manufacturing expenses			
Stores and spares consumed		**5,567,295**	5,286,542
Packing material consumed		**6,668,057**	4,539,336
Salaries and allowances	**16.1.1**	**35,598,401**	28,594,835
Repair and maintenance		**30,778,553**	32,319,817
Fuel and power		**7,500,938**	5,231,089
Insurance		**3,893,838**	3,693,598
Freight and handling		**1,515,363**	1,311,056
Depreciation	**4.2**	**19,069,782**	20,558,116
Others		**1,892,994**	1,822,951
		112,485,221	103,357,340

16.1.1 This includes Rs. 711,345 (2009 : Rs.655,580) in respect of defined contributory provident fund.

17 ADMINISTRATIVE EXPENSES	Note	2010	2009
		Rupees	
Salaries, bonus and staff amenities	**17.1.**	**23,118,230**	22,091,614
Directors' remuneration		**2,569,550**	1,974,950
Traveling and conveyance		**994,900**	779,342
Printing and stationery		**567,752**	539,052
Legal and professional		**1,138,150**	569,750
Auditors' remuneration	**17.2**	**713,530**	546,000
Telephone and postage		**1,059,869**	749,793
Electricity, water and gas		**1,660,822**	818,115
Vehicle maintenance		**5,310,337**	3,913,475
News papers, books and periodicals		**13,531**	14,966
Repairs and maintenance		**2,377,164**	2,128,401
Rent, rates and taxes		**122,000**	169,174
Insurance		**227,567**	224,950
Charity and donations	**17.3**	**14,500**	38,700
Fees and subscription		**741,072**	854,716
Depreciation	**4.1**	**1,208,368**	995,602
Entertainment		**169,116**	242,241
Sanitation charges		**213,898**	180,117
Shares department expenses		**82,360**	85,700
Miscellaneous		**1,477,638**	810,988
		43,780,352	37,727,646

17.1 This includes Rs.358,369 (2009: Rs.307,557) in respect of defined contributory provident fund.

17.2 Auditors' remuneration

	2010	2009
Fee for the		
- audit of annual financial statements	**500,000**	300,000
- review of half yearly financial statements	**150,000**	120,000
- review of compliance with Code of Corporate Governance	**50,000**	50,000
Out of pocket expenses	**13,530**	76,000
	713,530	546,000

17.3 Charity and donations

None of the directors or their spouse had any interest in these charity and donations.

		Note	2010	2009
			Rupees	
18	**SELLING AND DISTRIBUTION COSTS**			
	Advertisement		**58,200**	60,600
	Loading and stacking		**929,343**	757,483
	Others		**22,440**	16,670
			1,009,983	834,753
19	**FINANCE COSTS**			
	Interest on long term financing		**10,342,295**	5,371,229
	Interest on workers' profits participation fund	**13.1**	**553,905**	233,772
	Bank and other charges		**1,929,751**	1,217,047
			12,825,951	6,822,048
20	**OTHER INCOME**			
	Income recognized upon debt extinguishment		**-**	121,324,183
	Unrealized income on amortization of Long term loan (Net)		**-**	11,499,677
			-	132,823,860
	Reversal of unclaimed liability - Creditors	**13**	**-**	7,164,733
	Gain on sale of Property, Plant & Equipments		**-**	62,019
	Scrap sales		**357,264**	4,074
			357,264	140,054,686
21	**OTHER CHARGES**			
	Contribution to:			
	-workers' profits participation fund		**8,189,133**	8,957,876
	-workers' welfare fund		**3,111,870**	3,403,993
	Provision for slow moving stores		**-**	2,460,453
	Provision for doubtful advances		**-**	6,347,662
			11,301,003	21,169,984

22 EARNINGS PER SHARE

BASIC

	2010	2009
Profit after taxation (Rupees)	**139,195,404**	162,084,425
Weighted average number of ordinary shares	**14,100,000**	14,100,000
Earnings per share (Rupees)	**9.87**	11.50

DILUTED

There is no dilution effect on the basic earnings per share of the Company as the Company has no convertible instruments in issue at the end of the reporting period.

23 TAXATION

	2010	2009
	Rupees	
Current		
- for the year	**13,286,250**	3,300,000
- for prior years	**-**	1,411,230
	13,286,250	**4,711,230**

Current - for the year

In view of availability of brought forward tax losses, the provision for current taxation has been computed based on the minimum tax payable under section 113 of the Income Tax Ordinance, 2001. Tax assessment of the company is deemed to be finalized up to Tax Year 2010 (Income year September 30, 2009).

Deferred

Deferred tax asset amounting to Rs.12.393 million on account of deductible temporary differences resulting from brought forward tax losses and tax paid under section 113 of the Income Tax Ordinance, 2001, at the end of the reporting period, has not been recognized as it is not probable that sufficient taxable profits will be available in the foreseeable future against which such an asset may be realised.

23.1 TAX CHARGE RECONCILIATION

As stated above, the current income tax provision is computed based on the requirements of section 113 of the Income Tax Ordinance, 2001. Therefore, it is impracticable to prepare the reconciliation of tax charge based on accounting profit and taxable income for the year.

24 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

PARTICULARS	2010				2009			
	Chief Executive	Director	Executive	Total	Chief Executive	Director	Executive	Total
Remuneration	**2,209,550**	**360,000**	**-**	**2,569,550**	1,736,950	238,000	-	1,974,950
Perquisites, benefits and utilities	**1,769,987**	**-**	**-**	**1,769,987**	1,479,646	-	-	1,479,646
TOTAL	**3,979,537**	**360,000**	**-**	**4,339,537**	3,216,596	238,000	-	3,454,596
NO. OF PERSONS	**1**	**1**	**-**	**2**	1	1	-	2

24.1 The Chief Executive and Directors are entitled to free use of Company maintained cars. The Chief executive is also provided telephone and utility facilities.

25 TRANSACTIONS WITH RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party and exercise significant influence over other party in making financial and operating decisions.

The related parties comprise of major shareholders, directors of the company and key management personnel and staff/workers funds. Remuneration and benefits to executives of the company are in accordance with the terms of the employment while contribution to the provident fund and gratuity are in accordance with staff service rules.

Details of transactions with related parties are as follows:	**2010**	**2009**
	Rupees	
Transactions during the year		
Contribution to staff provident fund	**1,069,714**	802,552
Payment against long term finance from related party	**25,000,000**	-
Payable / (Receivable) as on balance sheet date with:		
Workers' profit participation fund	**8,189,133**	10,861,448
Employees' provident fund trust	**8,942**	279,909

The remuneration of Chief Executive, Directors and Executives is disclosed in Note 24 to the financial statements.

26 FINANCIAL INSTRUMENTS

	2010	**2009**
Financial instruments by category	**Rupees**	
FINANCIAL ASSETS		
Loans and receivables		
Long term deposits	**1,426,886**	1,426,886
Trade debts	**1,749,262**	-
Prepayments, loan and advances	**-**	13,542,637
Other recievables	**-**	85,000
Cash and bank balances	**18,275,800**	2,487,587
	21,451,948	17,542,110
FINANCIAL LIABILITIES AT AMORTIZED COST		
Long-term finances	**395,464,740**	435,211,912
Trade and other payables	**42,676,914**	108,155,792
Accrued markup on finances	**18,991,927**	18,991,927
	457,133,581	562,359,631

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks: capital risk, credit risk, liquidity risk and market risk (including foreign exchange or currency risk, interest/mark-up rate risk and price risk). The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall risks arising from the Company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risk without any material change from previous period in the manner described in notes below.

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. All treasury related transactions are carried out within the parameters of these policies.

27.1 Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Due to the company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non–performance by these counter parties on their obligations to the company. To manage exposure to credit risk, Company applies credit limits and deals with credit worthy parties. It makes full provision against those balances considered doubtful by dealing with variety of major banks and financial institutions. All the balances are recoverable / deposited in Pakistan. The carrying amounts of financial assets against which the Company did not hold any collateral represent the maximum credit exposure, as specified below:

	2010	2009
	Rupees	
Trade debts	**1,749,262**	-
Prepayments, loan and advances	**50,240,744**	68,383,879
Other recievables	**-**	85,000
Bank balances	**18,160,130**	2,391,760
	70,150,136	70,860,639

27.1.1 Impairment losses

The aging of Trade debts at the reporting date was:

	2010		2009	
	Gross value	Impairment	Gross value	Impairment
		Rupees		
Not past due	**1,749,262**	**-**	-	-

The company believes that no impairment allowance is necessary in respect of trade debts past due other than amount provided.

27.1.2 Credit quality of bank balance

	2010	2009
	Rupees	
Short term credit rating		
- A1+	**15,783,020**	1,931,971
- A-1+	**2,377,110**	459,829
	18,160,130	2,391,800

27.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities 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, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities (including interest payments):

2010

Non-Derivative Financial liabilities	Carrying Amount	Contractual cash flows	Twelve months or less	Two to Five years
	Rupees			
Long-term finances	395,464,740	403,772,497	337,779,342	65,993,155
Trade and other payables	42,676,914	42,676,914	42,676,914	-
Accrued markup on finances	18,991,927	18,991,927	18,991,927	-
	457,133,581	465,441,338	399,448,183	65,993,155

2009

Non-Derivative Financial liabilities	Carrying Amount	Contractual cash flows	Twelve months or less	Two to Five years
	Rupees			
Long-term finances	435,211,912	454,892,243	310,069,003	144,823,240
Trade and other payables	108,155,792	108,155,792	108,155,792	-
Accrued markup on finances	18,991,927	18,991,927	18,991,927	-
	562,359,631	582,039,962	437,216,722	144,823,240

27.3 Market risk

Market risk means that the future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates and interest rates. The objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company's market risk may comprise of two types of risk: foreign exchange or currency risk and interest/mark up rate risk. The market risks associated with the Company's business activities are discussed as under:

27.3.1 Currency risk

Currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. As at the balance sheet date the company is not exposed to foreign currency risk as there is no receivable / payable or commitment other than local currency.

27.3.2 Interest/mark up rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company is not exposed to Interest / mark up rate risk as there is no variable rate financing as at the balance sheet date. At the balance sheet date, the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	2010	2009	**2010**	2009
	Effective interest rate (%)		Carrying amount	
Fixed rate instruments			Rupees	
Long term financing	6% - 14.48%	6% - 14.48%	**395,464,740**	435,211,912

No sensitivity analysis has been performed and disclosed in these financial statements since the company has no outstanding financial instruments at year end with variable interest rates.

27.4 Fair value of financial instruments

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

Underlying the definition of fair value is the presumption that the company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Fair value of all financial assets and financial liabilities are estimated to approximate their respective carrying amount.

28 CAPITAL RISK MANAGEMENT

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

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectation of the shareholders. Debt is calculated as total borrowings.

There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

29 NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors in its meeting held on December 09, 2010 has proposed a final cash dividend of 10% (i.e. Rs. 1/- per share) for minority shareholders (2009: Nil) for approval of the members at the Annual General Meeting to be held on January 31, 2011.

The financial statements for the year ended September 30, 2010 do not include the effect of the proposed cash dividends, which will be accounted for in the financial statements for the year ending September 30, 2011.

30 RECLASSIFICATION

Corresponding figures have been rearranged and reclassified to reflect more appropriate presentation of events and transaction for the comparison. Significant reclassifications made are as follows:

RECLASSIFICATION FROM COMPONENT	RECLASSIFICATION TO COMPONENT	Amount Rupees
Workers' profit participation fund	Other charges	8,957,876
Workers' welfare fund	Other charges	3,403,993

The above rearrangements/ reclassifications do not affect retained earnings for the year ended 30 September 2008. Therefore, the balance sheet for the year ended 30 September 2008 has not been presented.

31 CAPACITY AND PRODUCTION

	2010	2009
Crushing capacity (Metric Tons based on 180 days of production)	626,400	626,400
Actual crushing (Metric Tons)	208,920	176,738
Sugar capacity (Metric Tons based on 180 days of production)	62,640	62,640
Actual Production of sugar (Metric Tons)	21,055	18,000
Number of days of production	111	89
Percentage of capacity attained	33.61%	28.74%

The reason for under utilization of installed capacity is due to limited availability of sugarcane.

32 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized by the Board of Directors of the Company for issue on December 09, 2010.

33 GENERAL

Figures have been rounded off to the nearest rupee.

DIRECTOR **DIRECTOR** **CHIEF FINANCIAL OFFICER**

FORM OF PROXY

The Secretary,
MIRZA SUGAR MILLS LIMITED
10th Floor, Portion "B", Building No. 1,
Lakson Square, Sarwar Shaheed Road,
Karachi-74200.

I/We____

of____

being a member of **MIRZA SUGAR MILLS LIMITED** and holder of_______________

Ordinary Shares, as per Register Folio No./CDC A/c No._______________________

hereby appoint____

of____

____

who is also a member of the Company as my/our Proxy to vote for me/us and on my/our behalf at the **21st Annual General Meeting** of the Company to be held on **January 31, 2011** and at any adjournment thereof.

Signed:_______________day of_______________________2011.

Witness

1) Name_______________________
C.N.I.C No.____________________
Address_______________________
Signature_____________________

2) Name_______________________
C.N.I.C No.____________________
Address_______________________
Signature_____________________

Five Rupees Revenue Stamp

(Signature should agree with the specimen signature registered with the company)

NOTE:

1. This form of proxy duly completed and signed, must be deposited at the company's Registered Office not later than 48 hours before the meeting.

2. This form should be signed by the Member or by his/her attorney duly authorised in writing. If the member is a corporation, its common seal should be affixed to the instrument.

3. A Member entitled to attend and vote at the meeting may appoint any other Member as his/her proxy to attend and vote on his/her behalf except that a corporation may appoint a person who is not a member.