MIRZA SUGAR MILLS LTD.

20TH ANNUAL REPORT
2009

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
MCB BANK LIMITED
ALLIED BANK LIMITED
NATIONAL BANK OF PAKISTAN
NIB 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 20th Annual General Meeting of the Company will be held on Saturday, January 30, 2010 at 12:30 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 19th Annual General Meeting of the Company held on January 29, 2009.
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, 2009.
3. To appoint Auditors of the Company for the year ending September 30, 2010 and fix their remuneration. The retiring Auditors, M/s. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, being eligile, have offered themselves for re-appoinment.
4. To transact any other ordinary business with the permision of the Chair.

By Order of the Board,

TARIQ MAHMOOD
Company Secretary

Karachi, January 06, 2010

NOTES:

1. The Shares Transfer Books of the Company will remain closed and no transfer of shares will be accepted for registration from January 21, 2010 to January 30, 2010 (both days inclusive).
2. 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.
3. 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.
4. 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 with Auditors' Report thereon for the year ended September 30, 2009.

GENERAL

International Sugar Journal in its May 2009 issue reported world sugar deficit of 10.00 million tons to 10.70 million tons of sugar for the year 2008-09 : major shortage occurring in India and China. India, which had produced 26.30 million tons of sugar in 2007-08, could produce only 14.70 million tons during 2008-09, signalling huge import requirement from July 2009 and onwards.

Shortage forecast of sugar in Pakistan during 2008-09 was also on cards. From a record sugar production of 4.50 million tons plus during 2007-08, Pakistan was expected to produce 3.50 million tons during 2008-09, primarily because of lesser sugarcane sowing with farmers opting to cultivation of other crops i.e. rice, cotton etc.

Therefore Season 2008-09 commenced under the fear of severe sugarcane shortage. Government of Sindh had announced sugarcane support price of Rs.81/- per 40 kg in Sindh. In view of cane shortage and immature cane, the Government relaxed the starting date of crushing season 2008-09 by about a month. Accordingly, most of the mills in Sindh fired their boilers in the first week of November, 2009. Our mill also lighted boilers on November 10, 2009 but crushing could not be started till December 15, 2009.

Season 2008-09 proved to be a very difficult season because of cane shortage and soaring cane prices. Sugarcane prices rose to Rs.130 to Rs.135 per 40 kg during the peak season. Last shout of cane price was heard at Rs.150 per 40 kg at the end of the season. Mills in Sindh closed crushing within March, 2009 barely averaging 90 days season during 2008-09. On Sindh basis, sugar mills crushed only 10,148,602 tons of sugarcane during 2008-09 compared to 16,637,007 tons during 2007-08. Total production of sugar during the season 2008-09 in Sindh was 976,552 tons compared to 1,561,378 tons during 2007-08.

Through prudence and judicious planning, our company managed to contain the average sugarcane price to Rs.106 per 40 kg during the season. Sucrose recovery achieved during the season was improved to 10.18% compared to 9.28% during previous year.

Market price of sugar remained depressed initially i.e. Rs.27 per kg during December, 2008. But from close of January 2009 and onwards prices kept on increasing and reached Rs.38 per kg in May, which further increased to Rs.40 per kg during June, 2009.

Due to India's huge import requirements of about 7.0 million tons, world prices of sugar substantially increased. TCP tender to import sugar of 50,000 tons from Dubai (Al-Khaleej) was quoted at $ 514 per ton ex-Dubai; landed Karachi price of imported sugar was Rs.65 per kg. From July and August, 2009 and onwards sugar prices increased further close to Rs.50 per kg.

On overall basis, however, our company performed satisfactorily during the difficult season 2008-09 which are also reflected in financial statements.

The Company has started construction of a new sugar godown adjacent to the old one. Old godown is now totally dilapidated beyond repairs. New godown will soon be completed which can store sugar upto 6,000 tons.

PSMA Sindh Zone and our company remained engaged with Government Quality Control Department and Sindh Ministry of Environment with regard to issues of maintaining quality of sugar produced and avoiding of environmental degradation. PSMA Centre and PSMA Sindh Zone participated in all those deliberations with concerned departments. However, final issue of notices are still awaited. The company has submitted environmental management plan to the concerned Ministry of Sindh Government and their comments are awaited.

OPERATING RESULTS

Our mills operated for 89 days during the season of 2008-09 compared to 148 days of previous season. A total quantity of 176,738 tons of cane was crushed compared to 334,735 tons crushed during previous season showing a decline of 47.20%. Sugar produced by our mill during the season was 18,000 tons compared to 31,090 tons produced during the previous year showing a decline of 42.10% compared to last year. Sucrose recovery achieved, however, improved to 10.18% compared to 9.28% achieved during last year. Total molasses production was 8,198 tons during the season with recovery of 4.638% compared to 17,520 tons produced during last season with a recovery of 5.237%.

The operating results of your Company for the season are as under :-

		2008-2009	2007-2008
Season started		15-12-2008	19-11-2007
Season closed		13-03-2009	14-04-2008
Days worked		89	148
Sugarcane crushing	(Tons)	176,738	334,735
" "	(Maunds)	4,418,450	8,368,386
Sugar recovery	(%)	10.180	9.280
Sugar production	(Tons)	18,000	31,090
Molasses recovery	(%)	4.638	5.230
Molasses production	(Tons)	8,198	17,520

FINANCIAL RESULTS

The Company's financial results are appended below :-

	2008-2009	2007-2008 (Restated)
	Rs.	Rs.
Profit before taxation	166,795,654	31,726,210
Provision for taxation	(4,711,230)	-
Profit after taxation	162,084,424	31,726,210
Accumulated loss brought forward	(939,241,732)	(970,967,942)
Accumulated loss carried forward	(777,157,307)	(939,241,732)
	==========	===========
Earning per share – basic & diluted	11.50	2.25
Earning per share – net of reversal of liability	2.89	(2.18)

Auditors have reviewed the accounts for the year ended September 30, 2009 which showed a profit of Rs.166,795,654 before taxation compared to Rs.31,726,210 (restated) of previous year. After adjusting provision for taxation of Rs.4,711,230, profit after taxation during the period under review was Rs.162,084,424 compared to profit after taxation of Rs.31,726,210 (restated) during previous year. Major component contributing to net profitability is attributable to reversal of deferred liability as a result of settlement of banks loans. Healthy financial performance of the company during second year in a row, dispels the doubt that company is not a going concern.

SEASON 2009-2010

From the Autumn 2009 sowing, it appears that interests of farmers in sugarcane seems to have been revived. Farmers are also showing interests in sowing improved varieties of cane. Our company has also provided improved varieties to the farmers, on selective basis, which may become available during 2010-2011. On overall basis, shortage of sugarcane during 2009-10 may persist.

The law to bring sugar under mandatory list of standards has not yet been put into practice. There seems to be delay after reversal of the decision to relax BOD and COD contents by PSQCA. PSMA-Centre has taken strong exception to withdraw the relaxations and requesting to modify the law before implementation.

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 cope with the requirements of technological advancement in this field.

AUDIT REPORT

While auditors have expressed doubt as to company's abilities to qualify as a going concern, but the ground realities are in favour of the company. During the year under review, there was a reduction of Rs.162.084 million in accumulated loss (for details refer Note No. 1.2 to the accounts). The accumulated losses and liabilities will be further reduced, if the company gets a few good seasons. It is a matter of great satisfaction that company is repaying its liabilities from its own resources. During the coming season, company expects to do a good business and will be able to liquidate substantial liabilities.

In view of the above, the Going Concern assumption used in the preparation of the financial statements is based on valid ground.

There is another qualification regarding non-receipt of balance confirmation from some of the banks / DFIs for their respective loans. We are in litigation with these banks / DFIs in the court of law and this may be the reason for their not confirming the loan balances directly to the Auditors.

BOARD OF DIRECTORS

Casual vacancies occurring in the Board of Directors during the year were filled up by appointing Ms. Farida Abbasi on 05-08-2009 as Director in place of Mir Ghulamullah Talpur and Dr. Zulfiqar Ali Mirza on 18-08-2009 in place of Mir Furqan Ali Talpur.

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, 2010. 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 controls 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.162.084 million compared to net profit of Rs.31.726 million (restated) last year. The profit contains a reasonable amount of deferred liability of MCB, ZTBL and Saudi Pak (Presently Silk Bank) which have been reversed after settlement of their dues in full. It will reduce 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. Because of the accumulated losses, the Company has not declared any dividend or issued bonus shares for the year.

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. 17.473 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	-
Mir Ghulamullah Talpur	4
Mr. Arshad Abid Abbasi	-
Ms. Fareha Abid Kazi	-
Mir Furqan Ali Talpur	4
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 seems to be bright. The industry has just come out of a big crisis. Sugar Advisory Board has been constituted at Federal level with Minister for Industries and Production as its Chairman. There are 30 members on this Board including PSMA and PSST. The Board, among other things, is engaged in framing a Sugar Policy for the Industry for 2009-10. Once this policy is on the ground, the industry will benefit immensely as all controversial and disputed matters will be resolved under the directives of this Board including sugar and sugarcane pricing.

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
Director

IRSHAD HUSSAIN MIRZA
Director

Karachi
December 22, 2009

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 1, 2009
Ms. Farida Abbasi Director	-	780,000	August 5, 2009

Monthly remunerations paid to Chief Executive and Executive Directors :

	Monthly Remuneration w.e.f December 2008 Rs.	Monthly Remuneration Rs.	w.e.f
Dr. (Mrs.) Fehmida Mirza Chairperson & Chief Executive	128,650	175,000	June 1, 2009
Ms. Farida Abbasi Director	-	30,000	August 5, 2009

PATTERN OF SHAREHOLDINGS
AS AT 30TH SEPTEMBER 2009

No. Of Share Holders	Shareholding From	To	Total Shares Held	Percentage
435	1	100	40,689	0.29
677	101	500	332,534	2.36
147	501	1,000	143,384	1.02
251	1,001	5,000	761,072	5.40
71	5,001	10,000	578,699	4.10
18	10,001	15,000	237,929	1.69
24	15,001	20,000	451,746	3.20
15	20,001	25,000	368,800	2.62
4	25,001	30,000	112,499	0.80
2	30,001	35,000	67,000	0.48
3	35,001	40,000	113,899	0.81
4	40,001	45,000	171,491	1.22
15	45,001	50,000	741,000	5.26
2	50,001	55,000	105,900	0.75
6	55,001	60,000	359,000	2.55
1	60,001	65,000	61,923	0.44
4	65,001	70,000	279,000	1.98
3	75,001	80,000	239,502	1.70
1	80,001	85,000	83,986	0.60
1	90,001	95,000	90,900	0.64
14	95,001	100,000	1,400,000	9.93
1	100,001	105,000	104,000	0.74
1	120,001	125,000	122,500	0.87
2	135,001	140,000	275,600	1.95
3	145,001	150,000	450,000	3.19
1	175,001	180,000	175,277	1.24
1	195,001	200,000	200,000	1.42
1	240,001	245,000	245,000	1.74
2	245,001	250,000	495,500	3.51
1	260,001	265,000	262,090	1.86
3	375,001	380,000	1,140,000	8.09
1	495,001	500,000	499,220	3.54
1	745,001	750,000	748,800	5.31
1	1,260,001	1,265,000	1,261,060	8.94
1	1,375,001	1,380,000	1,380,000	9.79
1718			14,100,00	100.00

CATEGORIES OF SHAREHOLDINGS (30-09-2009)
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
Executives	–	–
Public sector companies and corporations	–	–
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and mutual funds:		
MCB 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	175,277	1.24
National Insurance Company Ltd.	100,000	0.71
EFU General Insurance Limited	7,500	0.05
Premier Insurance Company Limited	241	0.00
Shareholders holding ten percent or more voting interest in the company	–	–
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.	25,499	0.18
Time Securities (Pvt) Ltd.	2,000	0.01
128 Securities (Pvt) Ltd.	500	0.00
Darson Securities (Pvt) Ltd. (LHR)	2,000	0.01
Darson Securities (Pvt) Ltd. (KHI)	79,502	0.56
Ace Securities (Pvt) Ltd.	18,500	0.13
Live Securities Ltd.	1,000	0.01
Durvesh Securities (Pvt) Ltd.	50,000	0.35
Hum Securities Ltd.	2,000	0.01
Invest Forum (SMC-Pvt) Ltd.	5,000	0.04
Highlink Capital (Pvt) Ltd.	2,000	0.01
Excel Securities (Pvt) Ltd.	37,500	0.27
Pace Investment & Securities (Pvt) Ltd.	4,500	0.03
Azee Securities (Pvt) Ltd	500	0.00
Mian Mohammad Akram Sec. (Pvt) Ltd.	2,000	0.01
H.S.Z. Securities (Pvt) Ltd	500	0.00
Apex Capital Securities (Pvt) Ltd	5,100	0.04
United Capital Securities (Pvt) Ltd	5,000	0.04
Salim Sozer Securities (Pvt) Ltd	10,001	0.07
M.R. Securities (SMC-Pvt) Ltd	61,923	0.44
Individual	11,497,161	81.54
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		2009	2008 Restated	2007	2006	2005	2004
FINANCIAL DATA							
1 Financial Position							
Paid up Capital	Rs.	141,000	141,000	141,000	141,000	141,000	141,000
Accumulated(Loss)/Profit	Rs.	(777,157)	(939,242)	(970,968)	(923,723)	(903,094)	(790,277)
Long term Loan	Rs.	143,773	261,997	319,294	357,867	424,659	573,060
Deferred Liability	Rs.	386,698	191,691	153,301	153,301	153,301	–
Fixed Assets (At Cost)	Rs.	692,765	694,223	689,506	688,212	688,058	689,395
Accumulated Depreciation	Rs.	493,560	473,103	450,157	425,373	398,067	369,047
Long term Advance/Deposits	Rs.	1,427	1,427	1,427	1,427	1,427	1,427
Current Assets	Rs.	100,351	86,858	51,145	43,474	164,549	85,514
Current Liabilities	Rs.	421,886	653,958	649,293	579,295	640,102	483,506
2 Income							
Sales	Rs.	649,457	627,212	484,426	557,272	197,756	331,961
Gross Profit/(Loss)	Rs.	93,295	26,105	(3,850)	36,189	(49,985)	(45,484)
Other Income	Rs.	140,055	62,490	7,653	62	68	481
Pre-Tax (Loss)/Profit	Rs.	166,796	31,726	(44,745)	(17,828)	(111,835)	(125,170)
Taxation	Rs.	(4,711)	-	(2,500)	(2,800)	(982)	(1,693)
3 Statistics and Ratios							
Gross Profit/(Loss) to Sales	%	14.37	4.16	(0.79)	6.49	(25.28)	(13.70)
Pre-tax Profit/(Loss) to Sales	%	25.68	5.06	(9.24)	(3.20)	(56.55)	(37.71)
Pre-Tax Profit/(Loss) to Capital	%	118.29	22.50	(31.73)	(12.64)	(79.32)	(88.77)
Current Ratio		1:4.20	1:7.52	1:12.69	1:13.32	1:3.89	1:5.65
Paid-up Value per Share	Rs.	10	10	10	10	10	10
Earning per Share	Rs.	2.89	(2.18)	(3.35)	(1.46)	(8.00)	(8.65)
Market Value per Share	Rs.	5.50	1.81	3.15	2.85	2.95	4.50
OPERATING DATA							
Season Started		15-12-2008	19-11-2007	20-11-2006	05-12-2005	20-11-2004	30-11-2003
Season Closed		13-03-2009	14-04-2008	05-04-2007	06-03-2006	21-02-2005	09-03-2004
Days Worked		89	148	137	92	94	101
Sugarcane Crushed	M.T	176,738	334,735	210,622	147,279	145,189	269,560
Sugarcane Crushed	Mds	4,418,450	8,368,386	5,265,559	3,681,973	3,889,940	7,222,118
Sugar Recovery	%	10.180	9.280	9.563	9.869	9.300	9.985
Sugar Production	M.T	18,000	31,090	20,131	14,612	13,426	26,928
Molasses Recovery	%	4.638	5.230	4.909	4.912	5.002	5.092
Molasses Production	M.T	8,198	17,520	10,335	7,254	7,237	13,728

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

Name of Company	:	MIRZA SUGAR MILLS LIMITED
Year Ended	:	30th September, 2009

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 members of any Stock Exchange.

4. Casual vacancies occurred in the Board of Directors during the year were filled up by appointing Ms. Farida Abbasi on 05-08-2009 in place of Mir Ghulamullah Talpur and Dr. Zulfiqar Ali Mirza on 18-08-2009 in place of Mir Furqan Ali Talpur.

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 chaired by the Chairperson and, in her absence, by a director elected by the Board for this purpose and the Board meets 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 arranges 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 Exchange.

10. There was no new appointment of C.F.O. and Company Secretary during the year under review. The Board approved the remuneration and terms & conditions of Chief Internal Auditor, as determined by the CEO, who was appointed on 25th November, 2008.

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 share 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 of 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 in every quarter prior to approval of interim and final results of the Company 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 the Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with 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-regulations (XIIIa) of regulation No. 35 of the amended listing regulation of Karachi Stock Exchange (Guarantee) Ltd, for approval of transactions with related parties.

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

December 22, 2009 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 prepared by the Board of Directors of Mirza Sugar Mills Limited to comply with the Listing Regulations of the Stock Exchanges of Pakistan, 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub-Regulation (xiiia) of Listing Regulations 35 (formerly listing regulations 37) notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in 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. 17of 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 as applicable to the Company for the year ended September 30, 2009

Karachi. Rahman Sarfaraz Rahim Iqbal Rafiq
Date: December 22, 2009 Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of MIRZA SUGAR MILLS LIMITED as at September 30, 2009, and the related profit & loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

Except as discussed in the following paragraphs we conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by the 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:

1. The financial statements of the Company reflect huge amount of accumulated loss of Rs.777.157 million (2008: Rs. 939.241 million), equity is negative by Rs.636.157 million (2008: Rs. 798.241 million), current liability exceeds current assets by Rs.321.535 million (2008: Rs. 567.100 million) and total liabilities exceeded total assets by Rs.636.157 million (2008: 798.241 million). The Company's financing arrangement expired several years ago and it is defendant in suits filed by financial institutions for recovery of loans as referred to in detail in notes 5.1 to 5.7. There are contingencies disclosed in note 9 in detail, the ultimate outcome of which cannot presently be determined. These conditions indicate existence of material uncertainties, which may cast significant doubt on the Company's ability to continue as a going concern. The going concern assumption used in the preparation of these financial statements is dependent on the ultimate outcome of the matters disclosed in note 1.2. No adjustment has been made in the financial statements that may be required should the Company be unable to continue as a going concern.

2. We did not receive direct confirmation in respect of long term loans from banks and financial institutions namely NIB Bank Limited (formerly PICIC), Investment Corporation of Pakistan, refer note 5

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

(b) in our opinion—

   (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accountsand are further in accordance with accounting policies consistently applied;

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

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

(c) except for the effect of omission of the information in the matters referred to in paragraphs 1 and 2 above and those disclosed in note 10 to the financial statements of the company, in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit & loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at September 30, 2009 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The financial statements of the prior year were audited by another firm of auditors that expressed qualified opinion thereon in their report dated December 24, 2008.

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants
Name of Engagement Partner: M.Rafiq Dosani

Karachi.
Dated: December 22, 2009

BALANCE SHEET AS AT

	Note	2009 Rupees	2008 Rupees Restated
SHARE CAPITAL			
Authorised Capital			
15,000,000 (2008: 15,000,000) Ordinary shares of Rs. 10/= each		150,000,000	150,000,000
Issued, subscribed and paid up capital			
14,100,000 (2008: 14,100,000) Ordinary shares of Rs. 10/- each fully paid in cash		141,000,000	141,000,000
Accumulated loss		(777,157,307)	(939,241,732)
		(636,157,307)	(798,241,732)
NON-CURRENT LIABILITIES			
LONG TERM FINANCING	5	143,773,187	261,996,796
DEFERRED LIABILITY	6	386,698,201	191,691,138
CURRENT LIABILITIES			
Current portion of long term Finances	7	291,438,725	520,540,427
Trade and other payables	8	108,155,792	104,242,702
Accrued Mark up on loans		18,991,927	18,991,927
Taxation		3,300,000	10,183,279
		421,886,444	653,958,335
CONTINGENCIES & COMMITMENTS	9	–	–
		316,200,525	309,404,537

The annexed notes from 1 to 35 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.

SEPTEMBER 30, 2009

	Note	2009 Rupees	2008 Rupees Restated
NON CURRENT ASSETS			
PROPERTY, PLANT & EQUIPMENT	10	214,422,967	221,119,546
LONG TERM DEPOSITS		1,426,886	1,426,886
CURRENT ASSETS			
Stores, spares and loose tools	11	13,998,988	12,094,745
Stock in trade	12	65,590,242	44,856,317
Trade debtors - unsecured	13	-	1,591,577
Loans and advances	14	18,188,855	26,067,919
Deposits, prepayments and other receivable	15	85,000	910,997
Cash and bank balances	16	2,487,587	1,336,551
		100,350,672	86,858,105
		316,200,525	309,404,537

DIRECTOR DIRECTOR

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Note	2009 Rupees	2008 Rupees Restated
Sales - net	17	649,456,562	627,211,961
Cost of sales	18	(556,161,162)	(601,107,148)
Gross profit		93,295,400	26,104,813
Operating expenses			
Administrative	19	37,727,646	35,387,301
Distribution cost	20	834,753	2,360,370
		(38,562,399)	(37,747,671)
Operating profit/(loss)		54,733,000	(11,642,589)
Finance cost	21	(6,822,048)	(17,451,240)
Other Income	22	140,054,686	62,490,110
Other charges	23	(8,808,115)	-
Workers' Profit Participation Fund		(8,957,876)	(1,669,801)
Workers' Welfare Fund		(3,403,993)	-
		112,062,654	43,369,069
Profit/(loss) before taxation		166,795,654	(31,726,069)
Provision for taxation:			
Current	25	(3,300,000)	-
Prior		(1,411,230)	-
		(4,711,230)	-
Profit/(loss) after taxation		162,084,424	31,726,210
Earning per share-Basic & Diluted	24	11.50	2.25
Earninig/(loss) per share after exculding the effect of debt extinguishment.	24	2.89	(2.18)

The annexed notes from 1 to 35 form an integral part of these financial statements.

DIRECTOR DIRECTOR

CASH FLOW STATEMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	2009 Rupees	2008 Rupees Restated
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	166,795,654	31,726,210
Adjustment for :		
Depreciation	21,553,718	22,945,531
Income recognized on debt extinguishment.	(121,324,183)	(62,487,062)
Unrealized income on amortization of Long Term Loan (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 & Equipments	(62,019)	
Finance cost	6,822,048	17,451,240
	(102,866,731)	(22,090,291)
Operating cash inflows/(outflows) before working capital changes	63,928,923	9,635,919
Changes in working capital		
(Increase)/Decrease in current assets		
Stores, spares and loose tools	(4,364,696)	(2,543,517
Stock in trade	(20,733,925)	(37,648,604)
Loans and advances	(8,748,471)	1,517,656
Prepayments and other receivables	825,997	(35,233)
Trade debtors - unsecured	1,591,577	6,607,467
Increase / (Decrease) in current liabilities		
Trade and other payables	10,844,051	34,030,805
	(20,585,467)	1,928,574
Cash generated from operations	43,343,456	11,564,493
Taxes paid	(1,314,636)	(3,344,616)
Financial cost paid	(1,217,047)	(1,254,222)
	(2,531,683)	(4,598,838)
Net cash generated from operating activities - carried forward	40,811,772	6,965,655

	2009 Rupees	2008 Rupees
Net cash generated from operating activities - brought forward	40,811,772	6,965,655
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Property, Plant & Equipment	(15,218,620)	(4,716,550)
Sale Proceeds from sale of Property, Plant & Equipment	423,500	-
Net cash (used in) investing activities	(14,795,120)	(4,716,550)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of long term loans	(24,865,617)	(2,583,750
Net cash used in financing activities	(24,865,617)	(2,583,750)
Net - Increase \ (Decrease) in cash and cash equivalent	1,151,035	(334,645)
Cash and cash equivalent at beginning of the year	1,336,551	1,671,196
Cash and cash equivalent at end of the year	2,487,587	1,336,551

The annexed notes from 1 to 35 form an integral part of these financial statements.

DIRECTOR

DIRECTOR

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Share Capital Rupees	Accumulated Loss Rupees	Total Rupees
Balance as at September 30, 2007	141,000,000	(970,967,942)	(829,967,942)
Profit for the year	–	31,726,210	31,726,210
Balance as at September 30, 2008	141,000,000	(939,241,732)	(798,241,732)
Profit for the year	–	162,084,424	162,084,424
Balance as at September 30, 2009	141,000,000	(777,157,307)	(636,157,307)

The annexed notes from 1 to 35 form an integral part of these financial statements.

DIRECTOR

DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

1 STATUS AND NATURE OF BUSINESS

1.1 The company was incorporated in Pakistan as a Public Limited Company on January 16, 1990 and 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 date of balance sheet, company's equity is negative by Rs 636.157 million (2008: Rs.798.541 million), its accumulated loss amounted to Rs.777.157 million (2008: Rs.939.241 million) and its current liabilities exceeded its current assets by Rs.321.535 million (2008: Rs.567.100 million).

The improved status of the company resulted from liabilities of all the banks settled / repaid by it during the year, except that of NIB Bank Limited (formerly PICIC) (refer details in note 5). The matter of settlement of liability of NIB is pending and currently contested in Court as proceedings of recovery suit filed by the PICIC and counter claim filed by the company against the bank are continuing (see note 5.1 and 9.4 for details). The company expects that it shall be able to meet its obligation, if any, as and when that would arise at the end of proceedings or earlier through negotiations with the bank based on returns from its operations and other sources. 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 by using going concern assumption.

2 STATEMENT OF COMPLIANCE

2.1 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 shall prevail.

2.2 Amendments to published standards and new interpretations effective in current year

The Company has adopted the following new and amended IFRS and IFRIC interpretations as of October 01, 2008:

- IFRS 7 - Financial Instruments: Disclosures
- IFRIC 12 - Service concession arrangements
- IFRIC 13 - Customer loyalty programmes;
- IFRIC 14 - IAS 19 – The limit on defined benefit asset, minimum funding requirement and their Interactions; and
- IFRIC 16 - Hedge of Net Investment in a Foreign Operation

Adoption of these standards and interpretations did not have any material effect on the financial statements of the Company except for certain additional disclosures in respect of IFRS 7 included in the relevant notes to the financial statements.

2.3 New accounting standards, interpretation and amendments that are not yet effective

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

Standard or Interpretation	Effective date (accounting period beginning on or after)
- IAS 1 - Presentation of Financial Statements (Revised)	January 01, 2009
- IAS 23 - Borrowing Costs (Revised)	January 01, 2009
- IAS 27 - Consolidated and Separate Financial Statements (Revised)	January 01, 2009
- IAS 32 - Financial Instruments (Amended)	January 01, 2009
- IAS 39 - Financial Instruments: Recognition and Measurement (Amended)	January 01, 2009
- IFRS 2 - Share-based Payment (Amended)	January 01, 2009
- IFRS 3 - Business Combinations (Revised)	July 01, 2009
- IFRS 4 – Insurance Contracts	January 01, 2009
- IFRS 5 – Non- current assets held-for-sale and discontinued operations (Amended)	July 01, 2009
- IFRS 7 - Financial Instruments: Disclosures (Amended)	January 1, 2009
- IFRIC 15 - Agreement for the Construction of Real Estate	January 01, 2009
- IFRIC 17 - Distribution of Non-Cash Assets to Owners	July 01, 2009
- IFRIC 18 - Transfer of Assets from Customers	July 01, 2009

The Company expects that the adoption of the above standards and interpretations will have no material impact on the Company's financial statements in the period of initial application other than certain changes and / or enhancements in the presentation and disclosures of financial statements.

3 BASIS OF PRESENTATION

3.1 Basis of measurement

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

3.2 Functional and presentation currency

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

3.3 Use of estimates and judgments

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 approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the future periods are as follows:

	Note No.
a) Useful life and residual values of property, plant and equipment	4.3 and 4.13
b) Provision for taxation	4.2
c) Employee retirement benefits	4.1
d) Estimation for impairment in respect of trade and other receivables	4.6
e) Provision for obsolete Stock in trade & Stores, Spares and loose tools	4.4 and 4.5

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Staff retirement benefits

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

4.2 Taxation

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 0.5% 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 profit.

4.3 Property, Plant & Equipment

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 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 value of property and equipment as at 30 September 2009 did not require any adjustment as its impact is considered insignificant.

An item of fixed assets 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 fixed assets category as and when assets are available for use.

4.4 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 balance sheet 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 there future useability.

4.5 Stock in trade

These are valued at lower of average manufacturing cost and net realizable value 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 signifies in relation to work in process and finished goods, 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.

4.6 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 irrecoverable are written off.

4.7 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.

4.8 Provisions

Provision is recognized when, as a result of past event, the company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Subsequently, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.9 Borrowing cost

Borrowing cost is recognized as an expense in the period in which they are incurred except borrowing cost that are directly attributable to acquisition, construction or production of qualifying asset is capitalized as a part of the cost of that asset.

4.10 Financial instruments

Financial assets and financial liabilities are recognized at fair value or amortized cost when the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the contractual right to the cashflow from the financial assets expire or is transferred. Financial liabilities are derecognized when they are extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires. Financial instruments carried on the balance sheet include trade debts and other receivables, loans and advances, cash and bank balances, long term finances (at fair value or amortized cost), trade and other payables and accrued and other liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.11 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are off set and the net amount is reported in the balance sheet only when the company has a legally enforceable right to offset the recognized amount and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

4.12 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.

4.13 Impairment

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.

4.14 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.

4.15 Related Party Transactions

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

4.16 Revenue recognition

Sales of goods are recognized when goods are delivered and title has passed.

5 LONG TERM FINANCING

PARTICULARS	SECURED													
	Locally Manufactured Machinery													
	PICIC-LMMI	PICIC-LMM2	P.I.C.I.C OVER DUE 1	P.I.C.I.C - OVER DUE 2	P.I.C.I.C INTEREST A/C	I.C.P-TFC	M.C.B (LMM)	S.P.C.B (RF-I)	S.P.C.B (RF-II)	Z.T.B.L	I.B.L-DF & AGF (Principal / Capitalized Mark Up)	Loans from Related Parties	2009	2008
	R	U	P	E	E	S								
Opening balance	25,570,579	26,033,368	123,096,092	121,839,576	27,124,224	6,890,906	5,418,750	20,794,510	12,464,923	750,750	370,765,063	41,788,482	782,537,223	768,923,955
Mark Up capitalized	-	-	2,661,530	2,709,700	-	-	-	-	-	-		-	5,371,229	16,197,018
	25,570,579	26,033,368	125,757,622	124,549,276	27,124,224	6,890,906	5,418,750	20,794,510	12,464,923	750,750	370,765,063	41,788,482	787,908,452	785,120,973
Transferred to deferred Liability	-	-	-	-	-	-	-	-			(285,821,063)	-	(285,821,063)	-
	25,570,579	26,033,368	125,757,622	124,549,276	27,124,224	6,890,906	5,418,750	20,794,510	12,464,923	750,750	84,944,000		502,087,389	785,120,973
Debt Extinguishment recognized	-	-	-	-	-	-	-	(17,294,510)	(12,464,923)	(750,750)	-		(30,510,183)	
Affect of amortization of Loan	-	-	-	-	-	-	-	-	-	-	(11,499,677)	-	(11,499,677)	-
Paid during the year	-	-	-	-	-	-	(5,418,750)	(3,500,000)	-	-	(15,946,867)	-	(24,865,617)	(2,583,750)
	25,570,579	26,033,368	125,757,622	124,549,276	27,124,224	6,890,906	-	-	-	-	57,497,456	41,788,482	435,211,912	782,537,223
Current/ overdue portion shown under current liabilities														
Current maturity	-	-	14,365,442	14,271,049	2,759,509	1,664,117	-	-	-	-	18,202,863		(51,262,980)	(73,962,300)
Over due portion	25,570,579	26,033,368	84,263,051	83,349,539	19,211,090	1,748,118	-	-	-	-	-	-	(240,175,745)	(446,578,127)
	(25,570,579)	(26,033,368)	(98,628,493)	(97,620,588)	(21,970,599)	(3,412,235)	-	-	-	-	(18,202,863)	-	(291,438,725)	520,540,427
Closing balance	-	-	27,129,129	26,928,688	5,153,625	3,478,671	-	-	-	-	39,294,593	41,788,482	143,773,187	261,996,796
Significant terms and conditions														
No. of installments	19	19	46	46	46	46	12	-	-	-	12	-		
Installment payment rest	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	-	-	-	Quarterly	-		
Amount of installment in million)	Various	Various	Various	Various	Various	Various	1.08	-	-	-	various	-		
Date of first installment	1/4/2001	1/4/2001	1/4/2001	1/4/2001	1/4/2001	1/4/2001	25/8/2005	-	-	-	21/08/2009	-		
Date of last installment	01/10/2005	01/10/2005	01/07/2012	01/07/2012	01/07/2012	01/07/2012	19/01/2009	-						
Rate of Interest/Mark up	6% p.a.	6% p.a.	14% p.a.	14% p.a.	Mark up Free	14% p.a.	Mark up Free	-	-	Mark up Free	Mark up Free	Mark up Free		
Sub Note no	5.1 *	5.1	5.1	5.1	5.1	5.2 **	5.3	5.4	5.4	5.5	5.6 ***	5.7		

* Interest accrued and capitalized till last installment in terms of agreement.

** Further interest not accrued since the year 2002 as result of full and final settlement made and the above liability exceeds the amount of 0.94 million additionally claimed by bank subject to reconciliation.

*** The company has recorded the loans on amortize cost / present value using the effective interest rate of 14.45% [3 Year KIBOR] prevail on the date of settlement. Company has accordingly recognized unrealized net income amounting to Rs. 11.499 million which to be charged to income over the 3 year term of the agreement.

5.1 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.

5.2 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 23/02/2007, along with cost of funds demanded by ICP of Rs.1.32 million. The suit is pending for disposal as the bank and the company are reconciling their books for submitting NOC to the Court in this respect. In view of the above, the liability to the extent extinguished shall be taken to income when the condition set by the court is fully met.

5.3 MCB Bank Limited (MCB)

During the period, the company paid the balance amount of Rs 5.418 million in five equal installments of Rs 1.083 million each. The bank issued a letter SAMG/JP/CUS/15 dated 13th February 2009 acknowledging the full and final settlement of the liability made by the company and also released the mortgage securities. The company has transferred remaining balance amount of Rs 76.27 to deferred liability for recognition as income after the last and final installment is paid. The said amount has been recognized as income during the current year, in terms of SBP Circular 29 resulting from reversal of principal amount of Rs.41.431 million and mark up amounting to Rs. 34.840 million.

5.4 Saudi Pak Commercial Bank Limited (SPCB)

During the period the bank approved a settlement of liabilities at an amount of Rs 3.5 million and proceeded with the withdrawal of suit filed in year 2006 for recovery of running finance with mark up of Rs 19.406 Million. The company has made full and final payment in March 2009 in response to the settlement, the company recognized income from debt extinguishment of Rs 29.759 million comprising of principal amounting to Rs 16.382 million and accrued mark up of Rs 13.376 million.

5.5 Zarai Tarqiyati Bank Limited (ZTBL)

This represents unsecured facility granted to the company for which the bank agreed to settle in terms of SBP Circular 29 at an amount of Rs 1.430 million with a down payment of 10% and remaining in 12 equal installments. The company accordingly transferred the remaining balance amount of Rs 14.453 million to deferred liability pending for recognition as income after the last and final installment was paid. The company paid the final installment during the year and accordingly recognized Rs 14.543 million (note 6) as income from debt extinguishment of principal amounting to Rs 6.850 million and mark up accrued amounting to Rs 7.693 million.

5.6 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 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 guarentee) and agricultural finance that were contested in court. The company had filed appeal against decree given to the bank in recovery suit in year 2001 for the said liability. The proceedings had been continuing. During the year, the bank offered settlement of Demand 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 first installment during the period. The remaining balance of Rs 285 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.

5.7 Loans from Related Parties

- Loan of Rs. 25 million payable to a related party. The loan is unsecured, interest free and payable on demand with 13 month prior notice is required for the request of repayment.

- Other loan represents unsecured and interest free loans with no fixed term for repayment.

6. DEFERRED LIABILITY

		2009 Rupees	2008 Rupees
Deferred income	6.1	285,821,063	90,814,000
Quality Premium	6.2	100,877,138	100,877,138
		386,698,201	191,691,138

6.1 This represents balance of income pending for recognition subject to fulfillment of condition of Bank's liability in accordance with the agreed repayment schedules, accordingly income deferred previously amounting to Rs 90.814 million against loan liability of MCB and ZTBL were recognized as income during the year. Furthermore income on HBL loan amounting to Rs 285 million for the year was accordingly deferred till the payment of last and final installment as per conditions disclosed in the note 5.6.

6.2 This represents provision 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 restraining recovery of QP till the matter is disposed of. The management maintains that subsequent to the year 2003 it has fulfilled its obligations of QP (Refer details in note no. 9.5).

7. CURRENT PORTION OF NON-CURRENT LIABILITES

Current Maturity			
Long term financing	5	51,262,980	73,962,300
Overdue			
Long term financing	5	240,175,745	446,578,127
		291,438,725	520,540,427

8. TRADE AND OTHER PAYABLES

Creditors		
For sugarcane	76,805,856	90,215,537
For stores and spares	10,726,388	4,910,450
	87,532,244	95,125,987
Accrued liabilities		
Accrued expenses	3,523,816	1,583,406
Road cess	1,196,519	1,474,000
	4,720,335	3,057,406

	Note	2009 Rupees	2008 Rupees Restated
Other Liabilities			
Advance from customers		5,454,189	887,774
Employees provident fund		279,909	-
Sales tax payable		1,191,869	1,699,684
Income tax withheld payable		337,904	308,813
Zakat payable		-	107,169
Retention money		18,638	24,003
Workers' Profit Participation Fund	8.1	10,861,449	1,669,801
Workers' Welfare Fund		3,403,993	-
Others		1,519,995	1,362,065
		23,067,946	6,059,309
		115,320,525	104,242,702
Less: Reversal of liability - Creditors	8.2	(7,164,733)	-
		108,155,792	104,242,702

8.1 Workers' Profit Participation Fund

	2009	2008
Opening balance	1,669,801	-
Allocated during the year	8,957,876	1,669,801
Interest accrued during the year	233,772	-
	9,191,648	1,669,801
Paid during the year	-	-
Closing balance	10,861,449	1,669,801

This has been worked out @ 5% on profit before taxation including other income / other charges in accordance with the Technical release of ICAP (Selected Opinions Volume V opinion # 1.24).

8.2 This represents various balances due to suppliers of Stores amounting to Rs. 7,164,733/- (refer note 22) that remained unclaimed and outstanding for more than 5 years (ranging from Rs. 925,000 of different suppliers) have been transferred to other income.

9. CONTINGENCIES AND COMMITMENTS

9.1 '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.

9.2 The company is contesting a suit filed by Petro Commodities in 1999 in the High Court of Sindh for recovery of Rs. 98.493 million in respect of refined sugar jointly imported by the two parties. The Company has filed written statement and made a counter claim of Rs. 10.347 million. The suit is pending for evidence. No provision has been made in this respect in the accounts as in the opinion of its legal counsel, the Company has a strong case on merit and no financial implications are expected to arise.

9.3 The department demanded further tax of Rs.4.88 millions from the company that was not charged by it from its customers owing to ambiguity in section 2(23) which states 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 judgement was passed in favour of the company .The collectorate preferred appeal with the Supreme Court of Pakistan that accepted the plea and set aside the judgement 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.

9.4 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 the ground that it has overpaid the liabilities by the said amount.

9.5 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 2004-2009 except for 2007-08 and the resultant aggregate extra liability on account of various subsidies born by it amounted to Rs.238.511million that absorbed the quality premium for the said years of Rs.154.492 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.

10 PROPERTY, PLANT & EQUIPMENT

		2009	2008
Operating assets	10.1	199,204,347	221,119,546
Capital work in progress	10.2	15,218,620	-
		214,422,967	221,119,546

10.1 Operating assets

September 30, 2009

PARTICULARS	COST			RATE	DEPRECIATION			W.D.V.
	AS ON 01-10-2008	ADDITION/ (DELETIONS)	AS ON 30-09-2009	%	AS ON 01-10-2008	FOR THE YEAR	AS ON 30-09-2009	AS ON 30-09-2009
OWNED:								
Land - Freehold	8,612,324	-	8,612,324	-	-	-	-	8,612,324
Factory building on freehold land	87,520,209	-	87,520,209	10	66,526,405	2,099,380	68,625,785	18,894,424
Non-factory building	1,523,712	-	1,523,712	10	1,014,900	50,881	1,065,781	457,931
Plant and machinery	580,757,509	-	580,757,509	10	396,170,156	18,458,735	414,628,891	166,128,618
Office equipment	4,205,842	-	4,205,842	10	2,436,636	176,921	2,613,557	1,592,284
Furniture and fixture	2,362,684	-	2,362,684	10	1,469,532	89,315	1,558,847	803,838
Arms and ammunition	298,700	-	298,700	10	115,978	18,272	134,250	164,450
Vehicles	8,941,548	(1,458,000)	7,483,548	20	5,369,374	660,213 (1,096,519)	4,933,068	2,550,480
RUPEES 2009	694,222,528	(1,458,000) -	692,764,528		473,102,981	21,553,718 (1,096,519)	493,560,180	199,204,347

September 30, 2008

PARTICULARS	COST			RATE	DEPRECIATION			W.D.V.
	AS ON 01-10-2007	ADDITION/ (DELETIONS)	AS ON 30-09-2008	%	AS ON 01-10-2007	FOR THE YEAR	AS ON 30-09-2008	AS ON 30-09-2008
OWNED:								
Land - Freehold	8,612,324	-	8,612,324	-	-	-	-	8,612,324
Factory building on freehold land	87,520,209	-	87,520,209	10	64,288,954	2,237,451	66,526,405	20,993,804
Non-factory building	1,523,712	-	1,523,712	10	960,673	54,227	1,014,900	508,812
Plant and machinery	578,716,359	2,041,150	580,757,509	10	376,520,899	19,649,257	396,170,156	184,587,353
Office equipment	4,068,992	136,850	4,205,842	10	2,247,521	189,115	2,436,636	1,769,205
Furniture and fixture	2,208,834	153,850	2,362,684	10	1,380,788	88,744	1,469,532	893,153
Arms and ammunition	298,700	-	298,700	10	96,504	19,474	115,978	182,722
Vehicles	6,556,848	2,384,700	8,941,548	20	4,662,111	707,263	5,369,374	3,572,174
RUPEES 2008	689,505,978	4,716,550 -	694,222,528		450,157,450 -	22,945,531	473,102,981	221,119,546

10.1.1 **Allocation of Depreciation**

	2009 Rupees	2008 Rupees
Cost of sales	20,558,116	21,886,708
Administrative expenses	995,602	1,058,823
	21,553,718	22,945,531

10.1.2 **Disposal During the Year**

Description of assets	Cost	Accumulated Depreciation	Written Down Value	Sale Proceed	Profit	Mode of Disposal	Particulars of Buyers
Toyota Corolla (AES-929)	1,363,000	1,005,698	357,302	373,500	16,198	Negotiation	Mr. Farman Ali Khan
Suzuki Jeep (BA-3121)	95,000	90,821	4,179	50,000	45,821	Negotiation	Mr. Zahid Iqbal
2009 Rupees	1,458,000	1,096,519	361,481	423,500	62,019		

			2009 Rupees	2008 Rupees
10.2	Capital Work in Progress			
	Civil Works			
	Advance to contractor		2,014,375	-
	Building		12,904,245	-
	Consultant fee		300,000	-
			15,218,620	-
11.	STORES, SPARES AND LOOSE TOOLS			
	Stores		10,397,245	8,016,389
	Spares		5,877,424	3,972,187
	Loose tools		184,772	106,169
	Less: Provision for slow moving stores		(2,460,453)	-
			13,998,988	12,094,745
12.	STOCK IN TRADE			
	Finished Sugar		65,590,242	44,856,317
			65,590,242	44,856,317
13.	TRADE DEBTORS-Unsecured			
	Considered good		-	1,591,577
	Considered doubtful		34,899,171	34,749,355
	Provision for doubtful debts	13.1	(34,899,171)	(34,749,355)
			-	
			-	1,591,577

13.1 During the year the company has written off all its long outstanding balances assessed as irrecoverable being outstanding for more than 3 years since their due date, amounts ranging from Rs. 149,000 to Rs. 15,400,000 of different parties.

14. LOANS AND ADVANCES

Unsecured and Considered good

	Note	2009 Rupees	2008 Rupees
Advances			
- To suppliers		7,132,598	4,376,593
- To contractors		1,917,899	3,258,764
- To growers		1,516,223	1,741,468
- Income tax		4,646,218	14,926,091
		15,212,938	24,302,916
Advances for expenses			
- Staff		2,975,917	1,765,003
Considered Doubtful Advances			
- To contractors & suppliers		41,257,678	35,398,419
- For expenses		641,308	220,077
- To growers		8,296,038	8,296,038
		50,195,024	43,914,534
		68,383,879	69,982,453
Amount written off against provision for doubful debts	14.1	(50,195,024)	(43,914,534)
		18,188,855	26,067,919

14.1 Amount written off against provision for doubtful debts.

During the year the company has written off all its long outstanding balances assessed as irrecoverable being outstanding for more than 3 years since their due date, varying amounts ranging from Rs. 200 to Rs. 1,000,000 of different parties.

15. DEPOSIT, PREPAYMENTS AND OTHER RECEIVABLES

	2009 Rupees	2008 Rupees
Provident fund	-	601,111
Other receivables	85,000	309,886
	85,000	910,997

16. CASH AND BANK BALANCES

	2009 Rupees	2008 Rupees
Cash in hand	95,827	86,942
Cash at banks in current accounts	2,391,760	1,249,609
	2,487,587	1,336,551

17. SALES - NET

	Note	2009 Rupees	2008 Rupees
Sugar	17.1	680,239,700	649,384,058
Molassess		57,953,460	82,958,728
		738,193,160	732,342,786
Brokerage		(558,210)	-
Sales tax		(88,178,388)	(105,130,825
		(88,736,598)	(105,130,825)
		649,456,562	627,211,961

17.1 This includes amount of Rs. NIL (2008 : 29.226 million) in recpect of export sales made during the period.

18. COST OF SALES

Raw material consumed (including procurement and development expenses)		473,537,747	539,579,463
Manufacturing expenses	18.1	103,357,340	99,176,289
		576,895,087	638,755,752
Opening stock			
Finished stock		44,856,317	5,961,782
Sugar-in-process		-	1,245,931
		44,856,317	7,207,713
		612,751,404	645,963,465
Closing stock			
Finished stock - sugar		65,590,242	44,856,317
		(65,590,242)	(44,856,317)
		556,161,162	601,107,148

18.1 Manufacturing expenses

Stores and spares consumed		5,286,542	9,000,708
Packing material consumed		4,539,336	8,474,706
Salaries and allowances	18.1.1	28,594,835	28,431,055
Repair and maintenance		32,319,817	19,944,725
Fuel and power		5,231,089	4,550,686
Insurance		3,693,598	3,519,314
Freight and handling		1,311,056	1,108,779
Depreciation	10.1	20,558,116	21,886,708
Others		1,822,951	2,259,608
		103,357,340	99,176,289

18.1.1 This includes Rs. 711,345 (2008: Rs. 655,580) in respect of defined contributory provident fund.

		2009 Rupees	2008 Rupees

19. ADMINISTRATION EXPENSES

	Note	2009 Rupees	2008 Rupees
Salaries, bonus and staff amenities	19.1.1	22,091,614	20,168,615
Directors' remuneration		1,974,950	1,693,800
Traveling and conveyance		779,342	797,753
Printing and stationery		539,052	557,490
Legal and professional		569,750	1,051,500
Auditors' remuneration	19.2	546,000	413,189
Telephone and postage		749,793	971,184
Electricity, water and gas		818,115	678,121
Vehicle maintenance		3,913,475	3,791,276
News papers, books and periodicals		14,966	13,474
Repair and maintenance		2,128,401	1,414,262
Rent, rates and taxes		169,174	153,500
Insurance		224,950	107,264
Charity and donations	19.3	38,700	28,500
Fees and subscription		854,716	674,379
Depreciation	10.1.1	995,602	1,058,822
Entertainment		242,241	209,140
Sanitation charges		180,117	173,209
Shares department expenses		85,700	13,645
Miscellaneous		810,988	1,418,178
		37,727,646	35,387,301

19.1.1 This includes Rs. 358,369 (2008: Rs. 307,557) in respect of defined contributory provident fund.

19.2 Auditors' remuneration

	2009 Rupees	2008 Rupees
Audit fee	300,000	200,000
Fee for half yearly review	120,000	90,000
Fee for review of compliance with code of corporate governance	50,000	50,000
Out of pocket expenses	76,000	73,189
	546,000	413,189

19.3 Charity and donations

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

20. DISTRIBUTION COST

	2009 Rupees	2008 Rupees
Advertisement	60,600	35,600
Loading and stacking	757,483	718,037
Freight and forwarding charges	-	1,606,733
Others	16,670	-
	834,753	2,360,370

			2009 Rupees	2008 Rupees
21.	FINANCE COST			
	Interest on long term financing		5,371,229	16,197,017
	Interest on Workers' Profit Participation Fund	8.1	233,772	-
	Bank and other charges		1,217,047	1,254,223
			6,822,048	17,451,240
22.	OTHER INCOME			
	Income recognized upon debt extinguishment	5.4,5.5&6	121,324,183	62,487,062
	Unrealized income on amortization of Long Term Loan (Net)	5.6	11,499,677	-
			132,823,860	62,487,062
	Reversal of unclaimed liability - Creditors	8.2	7,164,733	-
	Gain on sale of Property, Plant & Equipments	10.1	62,019	-
	Scrap sales		4,074	3,048
			140,054,686	62,490,110
23.	OTHER CHARGES			
	Provision against slow moving stores		(2,460,453)	-
	Provision against advance		(6,347,662)	-
			(8,808,115)	-
24.	EARNING PER SHARE			Restated
	Profit after taxation	Rs.	162,084,424	31,726,210
	Weighted average number of ordinary shares	Nos.	14,100,000	14,100,000
	Earning per share-Basic	Rs.	11.50	2.25
	Earning/(Loss) after taxation excluding the effect of debt extinguishment.	Rs.	40,760,241	(30,760,852)
	Weighted average number of ordinary share	Nos.	14,100,000	14,100,000
	Earning / (loss) per share excluding the income recognized as a result of reversal of long term finance	Rs.	2.89	(2.18)

DILUTED

There is no dilution effect on the basic earnings per share of the company as the company has no such commitments.

		2009 Rupees	2008 Rupees
25.	TAXATION		
	Current	(3,300,000)	-
	Prior	(1,411,230)	-
		(4,711,230)	-

Current

The provision for current taxation has been computed on One Half Percent of turnover which represents 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 2009 (Income year September 30, 2008).

Prior

Excess prior years balances of provision and advance tax has been reversed in the current year in view of completed tax assessments as stated above and no pending tax demands.

Deferred

Deferred tax assets of Rs.65.55 million on deductible temporary differences at the balance sheet date. The deductible temporary difference has not been recognized as deferred tax asset as it is not probable that future taxable profit will be available.

25.1 TAX CHARGE RECONCILIATION

Since the company is in tax losses, the current tax provision represents the tax under section 113 of the Income Tax Ordinance, 2001, therefore it is impracticable to prepare the tax charge reconciliation.

26. REMUNERATION OF CHIEF EXECUTIVE & DIRECTOR

PARTICULARS	2009			2008		
	Chief Executive	Directors	Total	Chief Executive	Directors	Total
Remuneration	1,121,000	157,500	1,278,500	1,450,800	243,000	1,693,800
Perquisites, benefits and utilities	1,541,196	80,500	1,621,696	1,221,719	–	1,221,719
TOTAL	2,662,196	238,000	2,900,196	2,672,519	243,000	2,915,519
NO. OF PERSONS	1	1	–	1	1	–

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

27 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:

	2009	2008
<u>Transactions during the year</u>	<u>Rupees</u>	<u>Rupees</u>
Contribution to staff provident fund	1,069,714	802,552
<u>Payable / (Receivable) as on balance sheet date with:</u>		
Workers' profit participation fund trust	10,861,449	1,669,801
Employees' provident fund trust	279,909	(601,111)

The remuneration of Chief Executive, Directors and Executives is disclosed in Note 26 to the Financial statement.

	2009 Rupees	2008 Rupees
28. FINANCIAL INSTRUMENTS		
Financial instruments by category		
FINANCIAL ASSETS		
Long term deposit	1,426,886	1,426,886
Trade debts	-	1,591,577
Loans and advances	13,542,637	11,141,828
Other receivables	85,000	910,997
Cash and bank balances	2,487,587	1,336,551
	17,542,110	16,407,839
FINANCIAL LIABILITIES AT AMORTIZED COST		
Long term financing	435,211,912	782,537,223
Trade and other payables	108,155,792	104,242,702
Accured mark up on loans	18,991,927	18,991,927
	562,359,631	905,771,852

29 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 parareters of these policies.

29.1 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 recovered / 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:

	2009 Rupees	2008 Rupees
Trade debts	-	36,340,932
Loans and advances	68,383,879	69,982,453
Other receivables	85,000	910,997
Bank balances	2,391,760	1,249,609
	70,860,639	108,483,991

29.1.1 Impairment losses

The aging of Trade debts at the reporting date was:

	2009		2008	
	Gross value	Impairment	Gross value	Impairment
Not past due	-	-	1,441,761	-
Past due 1-1 year	-	-	-	-
Past due 1 year to 2 years	-	-	-	-
More than 3 years	-	-	34,899,171	34,749,355
Total	-	-	36,340,932	34,749,355

The company believes that no impairment allowance is necessary in respect of trade debts past due other than amount provided. Trade debts are essentially due from credit worthy parties. The company is actively pursuing for recovery of debts and the company does not expect these parties to fail to meet their obligations.

29.2 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):

	2009			
	Carrying Amount	Contractual cash flows	Twelve months or less	Two to Five Years
Non-Derivative Financial liabilities				
Long term financing	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 mark up on loans	18,991,927	18,991,927	18,991,927	-
	562,359,631	582,039,962	437,216,722	144,823,240

	2008			
	Carrying Amount	Contractual cash flows	Twelve months or less	Two to Five Years
Non-Derivative Financial liabilities				
Long term financing	782,537,223	812,583,786	558,895,918	253,687,868
Trade and other payables	104,242,702	104,242,702	104,242,702	-
Accrued mark up on loans	18,991,927	18,991,927	18,991,927	-
	905,771,852	935,818,415	682,130,547	253,687,868

29.3 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:

29.3.1 Foreign exchange risk management

Foreign 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.

29.3.2 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:

	2009	2008	2009	2008
	Effective interest rate (%)		Carrying amount	
Fixed rate instruments				
Long term financing	6% - 14.48%	6% - 14%	435,211,912	782,537,223
			435,211,912	782,537,223

29.4 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.

30 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.

31 RECLASSIFICATION

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

RECLASSIFICATION FROM COMPONENT	RECLASSIFICATION TO COMPONENT	AMOUNT
Trade and other payables (Note No. 8)	Other receivable (Note No. 15)	601,111
Trade and other payables (Note No. 8)	Deferred liability (Note No. 6)	100,877,138

32 CORRECTION OF PRIOR PERIOD ERRORS

The company has recorded an amount of Rs. 1.67 million on account of Workers' Profit Participation Fund which was erroneously not booked in 2008. There is no tax effect of the provision on the profit due to assessed tax losses.

33. CAPACITY AND PRODUCTION

Years	CAPACITY		PRODUCTION		% of Capacity Attained
	Metric Tons	Days	Metric Tons	Days	
2009	62,640	180	18,000	89	28.74%
2008	62,640	180	31,090	148	49.63%

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

34 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized by the Board of Directors of the Company for issue on December 22, 2009.

35 FIGURES

- Figures have been rounded off to the nearest rupee.

DIRECTOR **DIRECTOR**

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 a 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 20th Annual General Meeting of the Company to be held on January 30, 2010 and at any adjournment thereof.

Signed:_____________________day of_____________________2010.

Witness

1) Name_____________________
N.I.C. No._____________________
Address_____________________
Signature_____________________

2) Name_____________________
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.