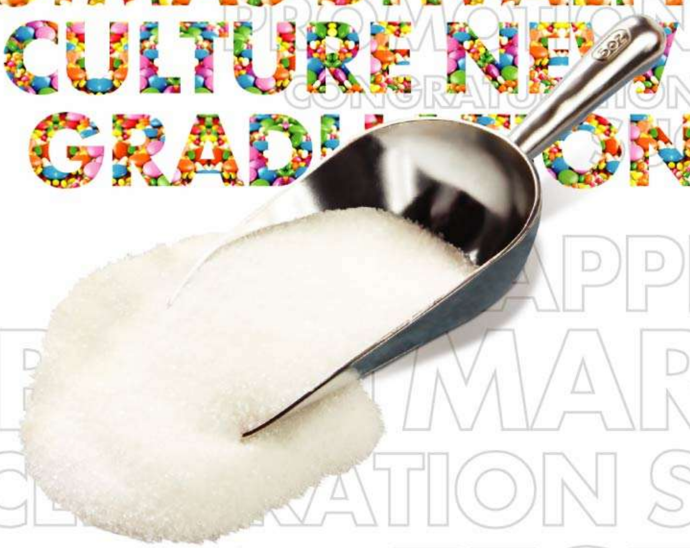
CELEBRATING SUGAR!



ANNUAL REPORT 2010

Mirpurkhas Sugar Mills Limited

A Ghulam Faruque Group Company

Across the world, in almost every culture, religion and tradition, joy and celebration is marked with the distribution of something sweet.

Sweetmeats likely first began as a way of preserving fruit and/or nuts with sugar. Since sugars act as a preservative, the process of making candied fruit or nuts aided in keeping food items edible. Archaeological evidence suggests that Ancient Egyptians may have been the first culture to make sweetmeats or candy. Sweetmeats for pleasurable consumption date back to the 17th century in Europe.

When sugar became more commercially available, large-scale manufacture of sweetmeats began. The word desserts is derived from a French word *desservir* which means to clear the table. It was custom to serve sweets to remove the aftertaste of a meal.

Sweets are intrinsic to the culture, religious rituals and traditions of the Sub-Continent. Some recipes are from royal cuisines, some localised from the Raj, many handed down through generations. Whatever the origins, sweet is celebration and we celebrate sugar.

contents

Mirpurkhas Sugar Mills Limited
A Ghulam Faruque Group Company

celebrating birth

The very first ceremony, *Azaan*, is performed when a baby is barely hours old. The traditional Islamic call to prayer is said in the baby's ear by his grandfather or some other venerable relative or friend. To commemorate this occasion and to announce the birth sweets are distributed among family and friends.

Traditionally *Laddu* is distributed to announce the birth of a boy and *Barfi* for a girl.

celebrating success

Be it a college selection, graduation, first job or success in any field, the mouth is always sweetened.

The joy of success is expressed in many ways, be it eastern or western treats, homemade or commercially purchased, but sweet is always distributed. By sending sweet the community is informed of the achievement.

celebrating union

In almost every culture the ritual of marriage is crowned with the sharing of sweets.

Be it a *patasha* or sweetmeat in Pakistan, a multi-layer wedding cake in Europe, Chinese mooncakes or even a sweetened beverage in the Middle East, sugar is at the heart of every celebration.

celebrating life

If you recollect the memories of growing up there will be many happy moments that cross your mind which are linked with sugar.

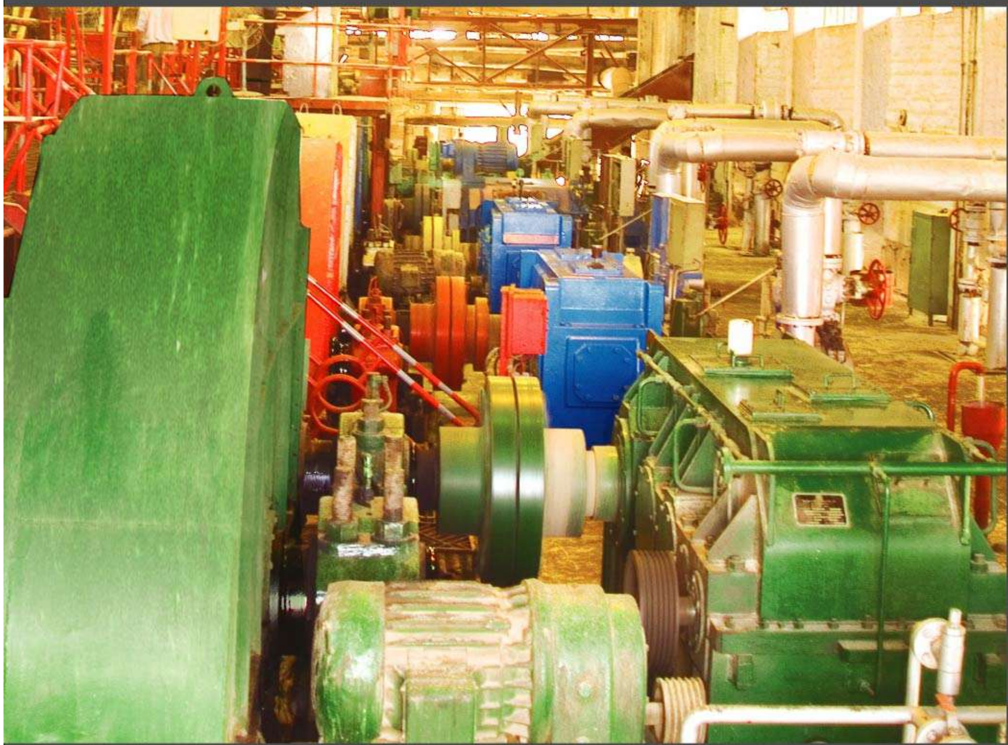
Your first taste of icy sweet *gola ganda*, the delight of hearing the *kulfi* cart bell, melt in the mouth candy floss and sticky toffee.

Sugar makes up the simple little joys that envelope childhood. No wonder the past is always referred to as sweet memories.

vision

We aim to be a leading producer and supplier of high quality sugar in Pakistan. We aspire to be known for the quality of our product. We intend to play a pivotal role in the economic and social development of Pakistan thereby improving the quality of life of its people.

mission



As a leading producer of quality sugar in Pakistan, we shall build on our core competencies and achieve excellence in performance. In doing so, we aim to meet or exceed the expectations of all our stakeholders.

In striving to serve our stakeholders better, our goal is not only to attain technological advancements in the field of sugar technology, but also to inculcate the most efficient, ethical and time tested business practices in our management.

We shall continue to look for innovative ways to introduce alternate uses of sugar to broaden our customer base.

strategic objectives

Effective use of resources and management of operating cost:

- Effective use of resources and optimized capacity utilization;
- Modernization of production facilities to ensure the most efficient processing of sugar cane and better sucrose recovery;
- Sustaining costs, based on strong skills of continuous improvement in operations, development and implementation of effective technical solutions;
- Further improvement in corporate governance through optimization of management processes.

Development of sugar cane and growth in sugar and allied businesses:

- Active participation in developing new varieties of sugar cane in adjoining areas;
- Search for growth opportunities for existing business through strategic acquisitions and establishing partnerships in prospective sectors of sugar and allied industry.

Sustainable development in the region in which the Company operates:

- Personnel development, creating a proper environment for growth of highly skilled professionals, ensuring safe labor environment, competitive staff remuneration and social benefits in accordance with the scope and quality of their work;
- Compliance with environmental standards, both local and at the international level;
- Helping and implementing projects that lead to social and economic development of communities.

core values

- Strive for excellence and build on our core competencies.
- Keep up with technological advancements and continuously update ourselves in the field of sugar technology.
- Meet & exceed the expectations of our stakeholders.
- Inculcate efficient, ethical and time tested business practices in our management.
- Work as a team and support each other.
- Keep the interest of the Company before that of the individual.

company information

BOARD OF DIRECTORS

Mr. Mahmood Faruque	Chairman
Mr. Aslam Faruque	Chief Executive
Mr. Mohammed Faruque	Director
Mr. Akbarali Pesnani	Director
Mr. Arif Faruque	Director
Mr. Tariq Faruque	Director
Mr. Maqbool H. H. Rahimtoola (NIT)	Director
Mr. Muhammad Iqbal Hussain (NIT)	Director
Mr. Naeemuddin Butt	Director

AUDIT COMMITTEE

Mr. Akbarali Pesnani	Chairman
Mr. Arif Faruque	Member
Mr. Tariq Faruque	Member

CHIEF FINANCIAL OFFICER
Mr. Wasif Khalid

COMPANY SECRETARY
Mr. Abid A. Vazir

AUDITORS
Hyder Bhimji & Co.
Chartered Accountants

LEGAL ADVISOR
K.M.S. Law Associates

SHARE REGISTRAR
Central Depository Company of Pakistan
CDC House, 99 - B, Block - B, S.M.C.H.S.
Main Shahrah-e-Faisal, Karachi.

BANKERS
Allied Bank Ltd.
Bank Alfalah Ltd.
Bank Al Habib Ltd.
Habib Bank Ltd.
MCB Bank Ltd.
Meezan Bank Ltd.
National Bank of Pakistan
NIB Bank Ltd.
Soneri Bank Ltd.
United Bank Ltd.

REGISTERED OFFICE
Modern Motors House
Beaumont Road
Karachi - 75530.

FACTORY
Post Office Jamrao
District Mirpurkhas
Sindh

notice of
annual general meeting

Notice is hereby given that the 46th Annual General Meeting of the Company will be held on Thursday, December 30, 2010 at 11:00 a.m. at the Registered Office of the Company at Modern Motors House, Beaumont Road, Karachi to transact the following business:

1. To receive and consider the Audited Accounts of the Company for the year ended September 30, 2010 and the Reports of the Directors and the Auditors thereon.
2. To consider and approve the payment of cash dividend @ 15% (Rs. 1.50/- per share) for the financial year ended September 30, 2010 as recommended by the Board of Directors.
3. To approve the issuance of bonus shares @ 20% i.e. in the ratio of twenty (20) bonus shares for every hundred (100) shares held.
4. To elect nine (9) directors of the Company as fixed by the Board of Directors u/s 178(1) of the Companies Ordinance, 1984. The names of the retiring directors are :
   (1) Mr. Mahmood Faruque (2) Mr. Mohammed Faruque
   (3) Mr. Akbarali Pesnani (4) Mr. Aslam Faruque
   (5) Mr. Arif Faruque (6) Mr. Tariq Faruque
   (7) Mr. Naeemuddin Butt
   (8) Mr. Muhammad Iqbal Hussain - NIT
   (9) Mr. Maqbool H. H. Rahimtoola - NIT
5. To appoint Auditors for the year 2010/11 and to fix their remuneration.
6. To transact any other business with the permission of the Chair.

By Order of the Board of Directors

Abid A. Vazir
Company Secretary

Karachi: November 30, 2010

NOTES:

1. The register of members of the Company will be closed from Thursday, December 16, 2010 to Thursday, December 30, 2010 (both days inclusive) and no transfers will be registered during that time. Shares received at the office of the Share Registrar of the Company M/s. Central Depository Company of Pakistan, CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi at the close of business on Wednesday, December 15, 2010 will be treated in time for the entitlement of 15% cash dividend and 20% bonus shares. The payment of dividend will be made on the existing paid-up capital of Rs. 70,276,800/-.
2. A member of the Company eligible to attend and vote at the Annual General Meeting may appoint another member as his/her proxy to attend and vote in his/her stead. Proxies to be effective must be in writing and must be received by the Company 48 hours before the Meeting.
3. Any person, who intends to contest the election to the office of the Director or otherwise, file with the Company at its Registered Office not later than fourteen (14) days before the date of Annual General Meeting, a notice of his/her intention to offer himself/herself for election as Director.
4. The shareholders of the Company whose shares are registered in their account/sub-account with Central Depository System (CDS) are requested to bring original computerized National Identity Card along with their account number in CDS and participant's ID number for verification. In case of appointment of proxy by such account holders and sub-account holders, the guidelines as contained in the SECP's circular of 26th January 2000 are to be followed.
5. The shareholders of the Company are requested to immediately notify any change in their addresses to our share registrar M/s. Central Depository Company of Pakistan, CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi.

Ordinary Business - Item no. 3

It is proposed that the following resolution be passed with regard to the issuance of bonus shares:

"Resolved that a sum of Rs.14,055,360/- be capitalized out of the un-appropriated profits of the Company for the year 2009-10 to issue at par 1,405,536 ordinary shares of Rs. 10 each. Such shares shall be distributed as bonus shares to those members whose names appear in the register of members of the Company on December 16, 2010 @ 20% (20 shares for every 100 shares held); that the new shares shall rank pari passu with the existing shares of the Company for all purposes; that fraction shares arising thereof shall be disregarded and whole shares representing such fractions shall be disposed off in such manner as the Directors of the Company think fit and the proceeds shall be distributed in due proportion among the members of the Company entitled thereto in accordance with their respective rights; that the Directors be and are hereby authorized to sign the new share certificates and the common seal of the Company may be affixed in the presence of any two Directors; that the Directors be and are hereby authorized to give effect to this resolution and to do all such acts, deeds and things that may be necessary or required for the issuance, allotment or distribution of ordinary shares."

Status of Investment in Unicol Limited

The Company had obtained the approval of its shareholders for investment of Rs. 128.67 million in Unicol Limited. Keeping in view the financial requirements of Unicol Limited and the availability of credit facilities from banks, the Company has so far invested Rs. 104.99 million only. The remaining amount will be invested by Mirpurkhas Sugar Mills Limited (MSM) as and when required by Unicol Limited.

highlights of the year

- Highest sales revenue of approximately Rs.3 billion achieved during the year
- The Company actively participates in various social and welfare initiatives The Company has always stood by the people of Pakistan in their hour of need and shall always continue to do so. During the year, the country was hit by unprecedented floods, which caused wide spread devastation to the lives and properties of the people of Pakistan. As a conscientious member of business community, the Company launched relief efforts in various parts of the country, which were affected by the floods. Cooked food, drinking water, dry rations, life-saving medicines, tents, clothes and other related items were provided on a daily basis in the relief camps. The Company earmarked an amount of Rs. 2.5 million for carrying out the relief activities. The employees of the Company also contributed their one day salary to the cause.

Management Team

- In order to streamline its business processes and improve system controls, your Company had last year entered into a contract with IBM Pakistan to implement SAP-ERP system. The decision is also aimed at further sharpening the decision making capabilities and analytical skills of the management. We are pleased to inform you that the Company has successfully implemented all modules within the planned time frame and has gone live. The use of SAP will allow the Company to further leverage its capabilities by analyzing the impact of its decisions, optimize performance and enhance its efficiencies to the next level.

From left to right

Mr. Akbarali Pesnani
Director

Mr. Aslam Faruque
Chief Executive

Mr. Maqbool H. H. Rahimtoola
Director

Mr. Mahmood Faruque
Chairman

Mr. Mohammed Faruque
Director

Mr. Muhammad Iqbal Hussain
Director

Mr. Arif Faruque
Director

Mr. Tariq Faruque
Director

directors' report to the members

for the year ended September 30, 2010

The Board of Directors place before you the annual report of the Company together with the audited accounts for the year ended September 30, 2010.

Overview

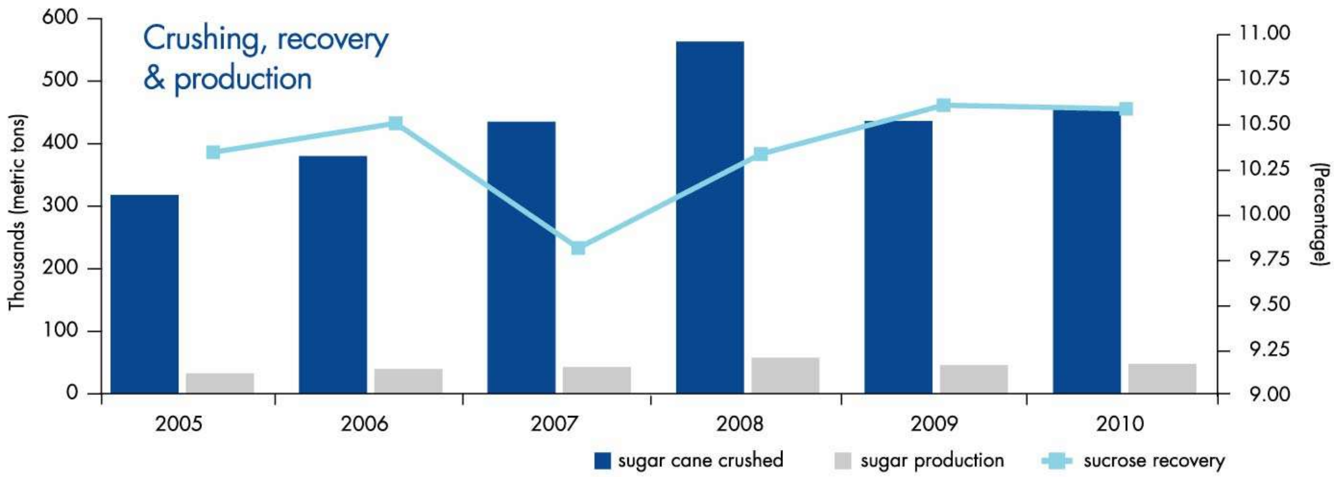
Limited availability of sugar cane in Sindh due to reduction in area under cultivation and its high price fixed by the Sind Government for the season 2009/10 led to competition amongst the sugar mills. This resulted in substantial increase in price of sugar cane and hence the cost of production during the year 2009/10.

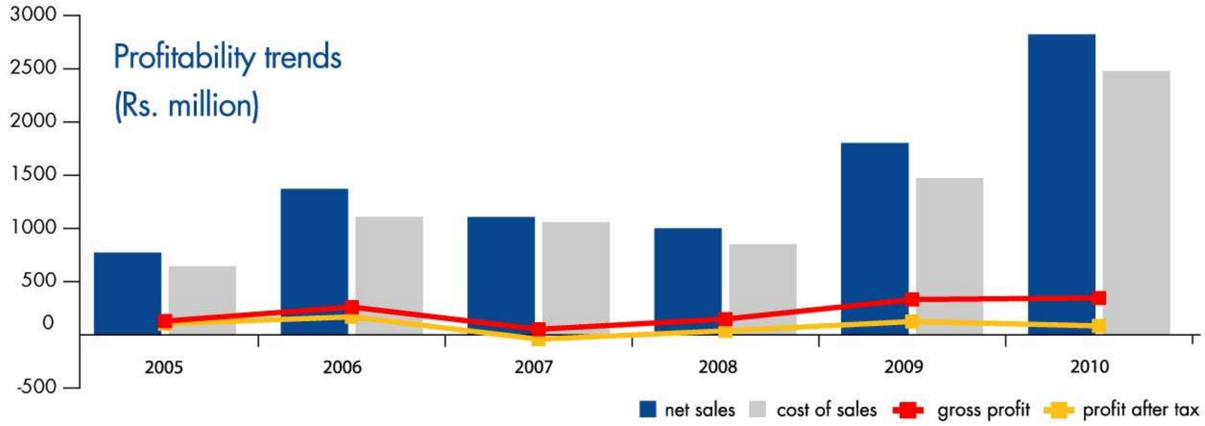
Operating performance

Your Company operated for 121 days and was able to crush 455,129 metric tons of sugar cane to produce 48,202 metric tons of sugar. This compares favorably from last season when the Company crushed 435,690 metric tons of sugar cane to produce 46,235 metric tons sugar. During the season under review, the sucrose recovery was virtually unchanged from last year. Due to efficient plant management, improvements were witnessed in various key areas of the factory operations. During the year 2009/10, the Company sold 53,603 metric tons of sugar compared with 59,744 metric tons last year.

Key comparative data for the current year and that of previous year is as follows:

	2010	2009
Sugar cane crushed (metric tons)	455,129	435,690
Sugar production (metric tons)	48,202	46,235
Molasses production (metric tons)	22,180	22,509
Sucrose recovery	10.59%	10.61%





Financial performance

There was 57% rise in the turnover of the Company from last year as the net sales of the Company increased to PKR 2,823.67 million. The increase in turnover was mainly on account of upward adjustment in selling prices of sugar made necessary by exorbitant increase in the cost of production due to higher price of cane fixed by the Sind Government and competition amongst sugar mills. There was an increase in the finance cost of the Company due to higher working capital requirement to procure expensive sugar cane during the season. During the year, the Company accounted for its one-third share of profit in the joint venture distillery - Unicol Limited amounting to PKR 8.29 million and adjusted its investment in the associate by the amount. Taking into consideration these factors, the Company was able to register an after tax profit of PKR 84.30 million for the year 2009/10.

	2010	2009
	(Rupees in '000)	
Net sales	2,823.67	1,803.23
Cost of sales	(2,477.78)	(1,471.62)
Gross profit	345.89	331.61
Other income	2.07	5.97
Share of profit in associate	8.29	32.53
Other expenses & taxes	(271.95)	(244.67)
Net profit	84.30	125.44

Unicol Limited

The joint venture distillery project is operating at optimum capacity and is producing high quality ethanol for export. The distillery, during the year under review, exported 22,780 tons of ethanol and made an after tax profit of PKR 24.87 million. We are hopeful that Unicol will bring further financial benefits to the Company and its shareholders in the years to come.

ERP system

In order to streamline its business processes and improve system controls, your Company had last year entered into a contract with IBM Pakistan to implement SAP - ERP system. The decision is also aimed at further sharpening the decision making capabilities and analytical skills of the management. We are pleased to inform you that the Company has implemented all modules within the planned time frame and has gone live. The use of SAP will allow the Company to further leverage its capabilities by analyzing the impact of its decisions, optimize performance and enhance its efficiencies to the next level.

Corporate social responsibilty

Your Company actively participates in various social and welfare initiatives. During the year under review, despite difficult circumstances for business, the Company as a conscientious member of the corporate community, contributed generously to various social and charitable causes. Most notably, the Company contributed towards the health and education sectors. The Company also extended its complete support in carrying out various relief activities in the camps set up last year for the internally displaced people of Swat.

During the year, the country was hit by unprecedented floods, which caused wide spread devastation to the lives and properties of the people of Pakistan. Responsive to the sufferings of the people in this hour of grief, the Company launched relief efforts in various parts of the country, which were affected by the floods. Cooked food, drinking water, dry rations, life-saving medicines, tents, clothes and other related items were provided on a daily basis in the relief camps. The Company earmarked an amount of PKR 2.5 million for carrying out the relief activities. The employees of the Company also contributed their one day salary to the cause. The Company has always stood by the people of Pakistan in their hour of need and shall always continue to do so.

Safety, health and environment

Being a responsible corporate citizen, the Company remained committed to continuous improvement in Health and Safety aspects. The production facility remained fully compliant with industry standards and safety requirements. Furthermore, the Company strongly believes in its environmental responsibilities and has been taking measures on an ongoing basis to improve the same.

Statement on corporate and financial reporting framework

- The financial statements prepared by the Company fairly present its state of affairs, the result of operations, cash flows and changes in equity.
- Proper books of account have been maintained by the Company.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- Applicable International Accounting Standards have been followed in preparation of financial statements and there has been no departure therefrom.
- The system of internal control has been effectively implemented and is continuously reviewed and monitored.
- The Company is a going concern and there are no doubts about its ability to continue.
- There has been no material departure from the best practices of the code of corporate governance, as detailed in the listing regulations.
- Key operating and financial data for the last six (6) years in summarized form is attached.
- The Company has been declaring regular dividends to its shareholders. However, it could not do so for the year 2003/04 and 2006/07 due to operational losses.
- There is nothing outstanding against your Company on account of taxes, duties, levies and other charges except for those which are being made in the normal course of business.
- The Company maintains Provident and Gratuity Fund accounts for its employees. Stated below are the values of the investments of the fund as on September 30, 2010.

• Provident Fund	PKR 107.89 million
• Gratuity Fund	PKR 14.04 million

- During the year, four meetings of the Board of Directors were held. The attendance record of each Director is as follows:

Name of Director	Meetings attended
Mr. Mahmood Faruque	3
Mr. Mohammed Faruque	3
Mr. Akbarali Pesnani	3
Mr. Aslam Faruque	4
Mr. Arif Faruque	1
Mr. Tariq Faruque	4
Mr. Maqbool H.H. Rahimtoola	3
Mr. Muhammad Iqbal Hussain	4
Mr. Naeemuddin Butt	-

- Pattern of shareholding is annexed with the report.
- No trading in the shares of the Company was made by the Chief Executive, Directors, Chief Financial Officer and Company Secretary.
- Earnings per share during the year is PKR 11.99 per share compared with PKR 17.85 last year.

Contribution to national exchequer

The Company contributed around PKR 200 million to the Government treasury in shape of taxes, excise duty, income tax and sales tax.

Future prospects

The sugar cane crop is expected to be higher by approximately 15% during season 2010/11 because of higher land under cultivation and yield in our area. However, unprecedented floods in the country may have an impact on the overall cane production. The Sind Government has fixed the price of sugar cane at PKR 127 per maund up from PKR 102 per maund last season, which will have an impact on the cost of production and resultantly its selling prices. Furthermore, inflationary pressure on input items will also drive up the costs of production. The Government has been disregarding the proposal of the PSMA to link the price of sugar cane with the selling price of sugar.

Sufficient availability of sugar cane and stability in sugar prices will shape the future prospects of the industry. The increase in sugar prices is a world wide phenomenon and needs to be handled accordingly. Subsequent to year end, the Company imported 3,900 metric tons of raw sugar to ease the pressure on the availability of the commodity in the local markets. In its efforts to further improve its operational efficiencies and increase production volumes, the Company has undertaken several measures involving major capital expenditure. We take this opportunity to request the Government of Sind to resolve other critical issues like Market Committee Fee and Quality Premium on a permanent basis.

Auditors

The present auditors M/s. Hyder Bhimjee and Co. (Chartered Accountants) retire and being eligible, offer themselves for reappointment.

Acknowledgment

We would like to thank all the financial institutions having business relationship with us and our customers for their continued support and cooperation. We would also like to share our deepest appreciation for our staff for their dedication, loyalty and hard work.

On behalf of the Board of Directors

Mahmood Faruque
Chairman

Karachi: November 30 , 2010

statement of compliance
with the best practices of code of corporate governance

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of the Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the Best Practices of Corporate Governance.

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors. At present, the Board includes six non-executive directors, of whom two are independent.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a Banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the Board during the year.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been approved by the Board of Directors and signed by the employees of the Company.
6. The Board has developed vision and mission statement / overall corporate strategy and significant policies of the Company.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Directors of Mirpurkhas Sugar Mills Ltd. are professionally qualified and experienced persons and are well aware of their duties and responsibilities. Further, an orientation course for Directors had been arranged by the Company to apprise Directors of their duties and responsibilities.
10. The Board has approved the appointment of the Chief Financial Officer, Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment, as determined by the CEO.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by the CEO and the CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It presently comprises of three members, two of whom are non-executive directors including the Chairman of the Committee.

16. The meetings of the audit committee were held at least once every quarter prior to the approval of interim and final results of the Company, as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function which is working on a full time basis.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. The Related Party transactions have been placed before the Audit Committee and approved by the Board of Directors alongwith pricing methods for such transactions.
21. We confirm that all other material principles contained in the Code of Corporate Governance have been complied with.

For and on behalf of the Board of Directors

Mahmood Faruque
Chairman

Karachi: November 30, 2010

statement of compliance
with the best practices of transfer pricing

The Company has fully complied with the Best Practices of Transfer Pricing as contained in the Listing Regulations of the Karachi Stock Exchange.

For and on behalf of the Board of Directors

Mahmood Faruque
Chairman

Karachi: November 30 , 2010

review report to the members
on statement of compliance with the best practices of code of corporate governance

HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS

A member of
KRESTON INTERNATIONAL
With affiliated offices worldwide

2nd Floor Standard Insurance House
I.I. Chundrigar Road, Karachi
Phone: 021-32417585-87
Fax: # 021-32423954
Website: www.hyderbhimji.com

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 MIRPURKHAS SUGAR MILLS LIMITED to comply with the listing Regulations No. 35 (previously no.37) of the Karachi Stock Exchanges (Guarantee) Limited respectively 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, where the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

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

Further, Sub-Regulation (xiii a) of Listing Regulations 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular No. KSE/N-269 dated January 19, 2009 requires the Company to place before the Board of Directors for their consideration and approval of related party transactions distinguished between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording prior 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 requirements to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review nothing has come to our attention which causes us to believe that the statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended September 30, 2010.

Hyder Bhimji & Co.

HYDER BHIMJI & Co.
Chartered Accountants
Engagement Partner: Hyder Ali Bhimji

Karachi: November 30 , 2010

Lahore: Amin Building 65-The Mall
Phone: 042-37352661-37321043
Fax # 042-37359515

Faisalabad: 206, 1st Floor, Business Centre
New Civil Lines
Phone: 041-2615632-041-2615650
Fax # 041-2617902

URL: http://www.hyderbhimji.com
E-mail: bhimji@cyber.net.pk

statement of ethics & business practices

Mirpurkhas Sugar Mills Limited was established with an aim of producing high quality sugar for its customers and meeting the expectations of its stakeholders. We ensure transparency and professionalism at every step of our dealings, and look after the interests of our stakeholders.

This statement of the Company is based on the following principles:

Quality of product

- We strive to produce the highest quality of sugar for our customers.
- We believe in technology and innovation and strive to implement innovative ideas in the Company.
- We maintain all relevant technical and professional standards to be compatible with the requirements of the trade.

Dealing with employees

- We recognize and reward employees for their performance.
- We measure the performance of our employees by their ability to meet their objectives, their conduct at work, dealings with others both within and outside the organization, their contribution towards training people and succession planning, and innovation at their work place.
- We provide a congenial work atmosphere where all employees are treated with respect and dignity and work as a team for a common goal.
- Unless specifically mentioned, all rules and regulations prevailing in the Company apply to all levels of employees of the Company.

Responsibility to society / interested parties

- We have an important role towards our society, shareholders, creditors, the Government and public at large. We are objective and transparent in our dealings with all our stakeholders so as to meet the expectations of the people who rely on us.
- We meet all our obligations and ensure timely compliance.

Financial reporting & internal controls

- To meet the expectations of the wide spectrum of society and Government agencies, we have implemented an effective, transparent and fair system of financial reporting and internal controls.
- To ensure efficient and effective utilization of Company's resources, we have placed financial planning and reporting at the heart of management practice as this not only serves to facilitate viable and timely decisions, but also makes Company dealings more transparent and objective oriented.
- We have a sound and efficient Internal Audit department to enhance the reliability of the financial information and data generated by the Company. It also helps in building the confidence of our external stakeholders.

Purchase of goods & timely payment

- To ensure cost effectiveness, we only purchase goods and services that meet our specifications and are priced appropriately. To gauge the market conditions and availability of substitute products or services, we obtain quotations from various sources before finalizing our decision.
- We ensure timely payments, which over the years, has built trust and reliability amongst our suppliers.

Conflict of interest

- Activities and involvements of the directors and employees of the Company in no way conflict with the interest of the Company. All acts and decisions of the management are made in the interest of the Company.

Observance to laws of the country

- The Company fulfills all statutory requirements of the Government and follows all applicable laws of the country.

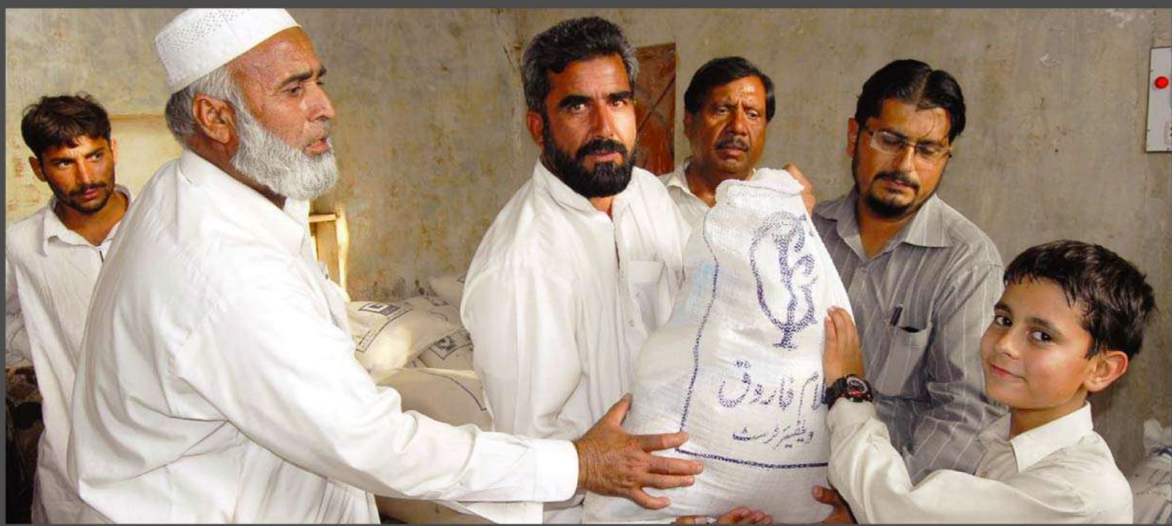
Environmental protection

- The Company uses all means to protect the environment and to ensure health and safety of the work force. We have, and will continue to attain, necessary technology to ensure protection of the environment and well being of the people living in adjoining areas of our plant.

Objectives of the Company

- We at Mirpurkhas Sugar Mills Limited, recognize the need of working at the highest standards to meet the expectations of all our stakeholders.
- We conduct the business of the Company with integrity and supply only quality and credible information.
- We produce and supply goods and information with great care and competence, to ensure that customers and creditors receive the best quality and care.
- We respect the confidentiality of the information acquired during the course of our work with our business associates, and refrain from acting in any manner which could discredit the Company.
- Our organization is free of all vested interests that could affect its integrity, objectivity and independence.


FLOOD RELIEF AID
GHULAM FARUQUE WELFARE TRUST
MSM
GHULAM FARUQUE
GROUP
امداد



six years' statistics

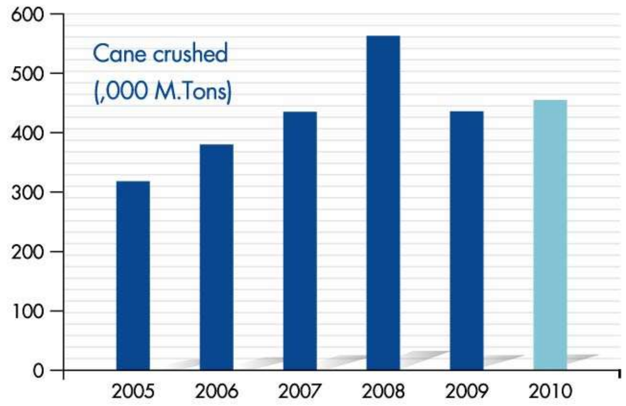
		2010	2009	2008	2007	2006	2005
Production data							
Sugar cane crushed	(M. Tons)	455,129	435,690	563,057	434,778	379,618	317,931
Sucrose recovery	(%)	10.59	10.61	10.34	9.82	10.51	10.35
Sugar production	(M. Tons)	48,202	46,235	58,224	42,685	39,910	32,913
Molasses production	(M. Tons)	22,180	22,509	28,770	21,450	18,437	15,353
Operating results							
Net sales	(Rs. '000)	2,823,671	1,803,234	1,001,635	1,108,436	1,371,398	774,017
Cost of sales	(Rs. '000)	2,477,780	1,471,620	853,136	1,056,801	1,109,903	645,194
Gross profit	(Rs. '000)	345,891	331,614	148,499	51,635	261,495	128,823
Operating profit	(Rs. '000)	252,018	268,278	83,154	15,200	266,862	136,730
Profit / (loss) before tax	(Rs. '000)	156,346	214,218	62,882	(50,519)	211,687	101,942
Profit / (loss) after tax	(Rs. '000)	84,299	125,440	37,350	(40,610)	169,252	104,005
Proposed dividend*							
Cash	(Rs. '000)	10,542	15,972	6,389	-	14,375	7,986
Bonus shares	(Rs. '000)	14,055	6,389	-	-	-	-
Valuation							
Earnings per share (before tax)**	(Rupees)	22.25	30.48	8.95	(7.19)	30.12	14.51
Earnings per share (after tax)**	(Rupees)	11.99	17.85	5.31	(5.78)	24.08	14.80
Cash dividend per share*	(Rupees)	1.50	2.50	1.00	-	2.25	1.25
Bonus issue*	(%)	20.00	10.00	-	-	-	-
Dividend yield ratio	(%)	6.01	4.93	0.97	-	2.93	5.90
Dividend payout ratio	(%)	29.18	17.83	17.11	-	8.49	7.68
Market price per share	(Rupees)	58.19	71.00	102.60	170.00	76.90	21.20
Price earning ratio	(Times)	4.86	3.98	19.31	(29.42)	3.19	1.43
Break-up value per share**	(Rupees)	54.30	45.60	31.00	44.46	50.84	35.38
Financial position							
Reserves	(Rs. '000)	311,318	256,592	153,942	248,579	293,371	184,765
Current assets	(Rs. '000)	501,201	559,658	699,305	511,186	463,083	364,007
Current liabilities	(Rs. '000)	594,558	524,513	620,048	540,053	461,999	357,746
Working capital	(Rs. '000)	(93,357)	35,145	79,257	(28,867)	1,084	6,261
Property, plant & equipment	(Rs. '000)	807,230	584,948	417,044	398,069	322,115	308,051
Total assets	(Rs. '000)	1,487,440	1,313,135	1,252,409	1,004,232	1,067,982	940,254
Long term debt	(Rs. '000)	88,890	133,334	177,778	31,826	114,880	217,314
Shareholders' equity	(Rs. '000)	381,595	320,480	217,830	312,467	357,259	248,653
Share capital	(Rs. '000)	70,277	63,888	63,888	63,888	63,888	63,888
Financial performance							
Profitability							
Gross margin	(%)	12.25	18.39	14.83	4.66	19.07	16.64
Operating margin	(%)	8.93	14.88	8.30	1.37	19.46	17.66
Pre tax margin	(%)	5.54	11.88	6.28	(4.56)	15.44	13.17
Net margin	(%)	2.99	6.96	3.73	(3.66)	12.34	13.44
Return on equity	(%)	22.09	39.14	17.15	(13.00)	47.38	41.83
Return on assets	(%)	5.67	9.55	2.98	(4.04)	15.85	11.06
Increase / (decrease) in net sales	(%)	56.59	80.03	(9.64)	(19.17)	77.18	55.79
Sugar cane cost to cost of goods manufactured	(%)	96.91	93.38	92.63	91.41	88.48	89.36
Labour cost to net sales	(%)	4.63	5.78	8.52	6.02	4.13	5.82
Administrative expenses to net sales	(%)	2.81	2.92	4.51	3.80	2.25	3.29
Distribution cost to net sales	(%)	0.18	0.14	3.26	0.13	0.15	0.13
Finance cost to net sales	(%)	3.68	4.80	5.62	5.41	4.02	4.49
Other operating expenses to net sales	(%)	0.42	0.78	0.23	0.03	0.91	1.12
Operating performance / liquidity							
Total assets turnover	(Times)	1.90	1.37	0.80	1.10	1.28	0.82
Fixed assets turnover	(Times)	3.50	3.08	2.40	2.78	4.26	2.51
Inventory turnover	(Times)	15.07	4.67	2.80	4.06	4.15	2.80
Current ratio	(Times)	0.84	1.07	1.13	0.95	1.00	1.02
Quick ratio	(Times)	0.44	0.45	0.31	0.50	0.16	0.34
Leverage							
Long term debt to equity	(Times)	0.23	0.42	0.82	0.10	0.32	0.87
Total debt to total assets	(%)	62.71	65.77	78.89	64.25	62.19	68.97
Interest coverage	(Times)	2.50	3.47	2.12	0.16	4.84	3.93

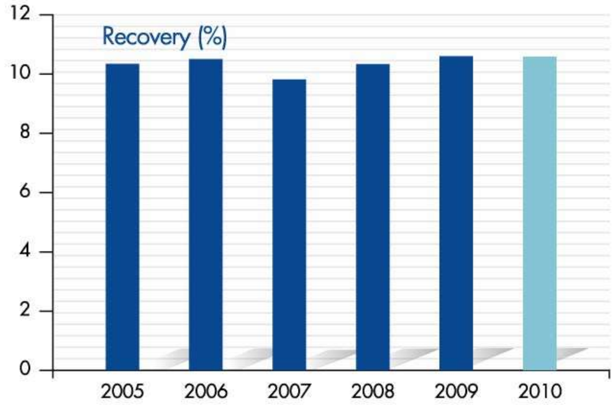
* *post balance sheet event*

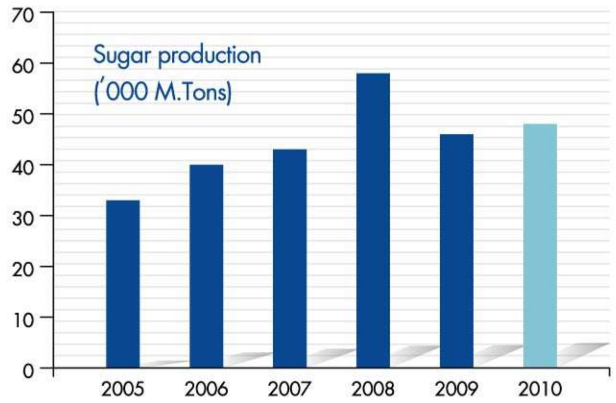
** *restated based on weighted average number of ordinary shares in issue*

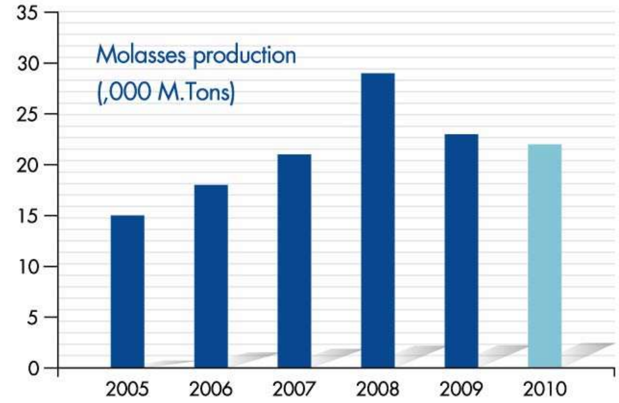
production and financial highlights

Production highlights

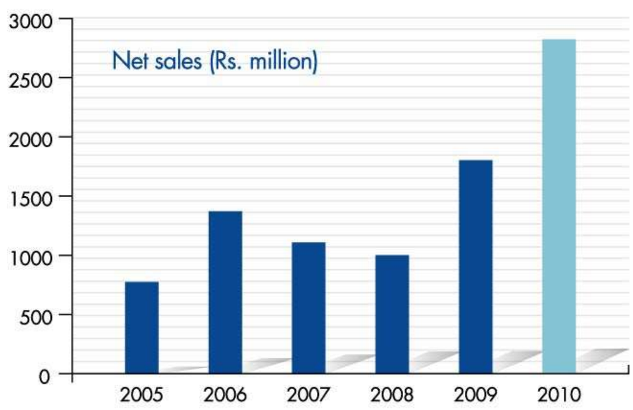


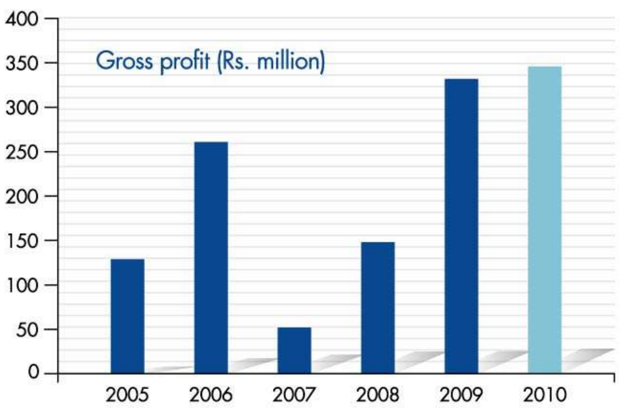


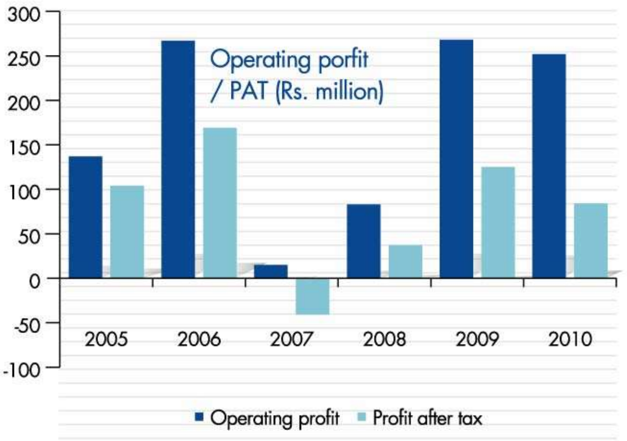


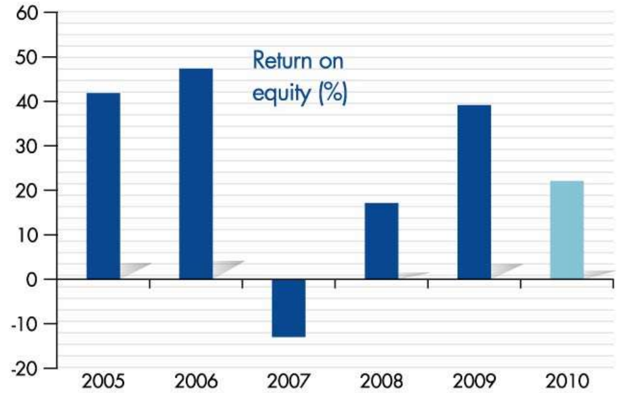


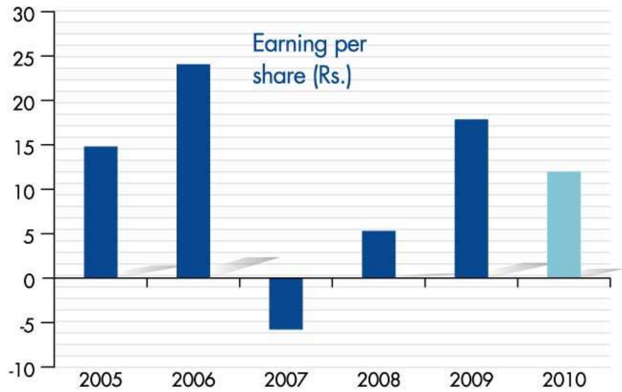
Financial highlights

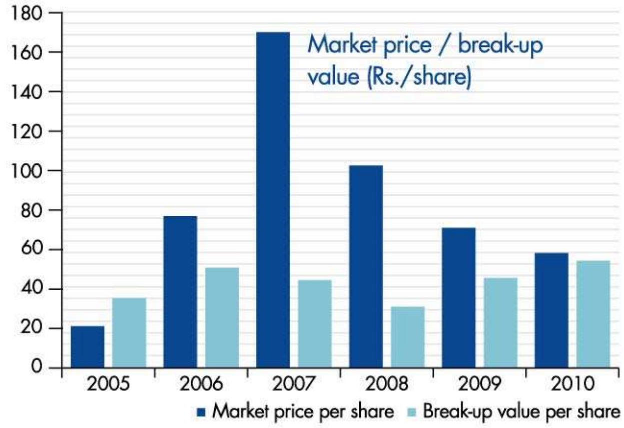




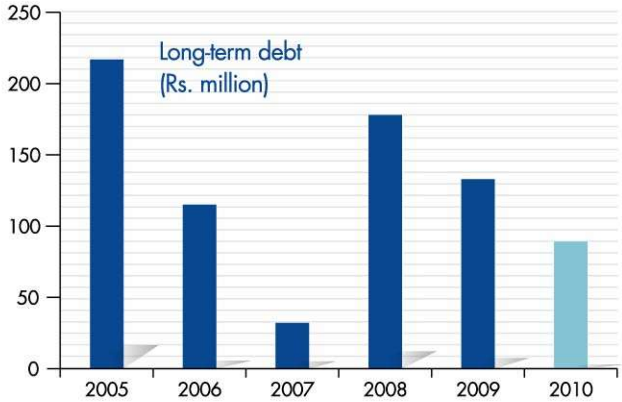

Operating porfit / PAT (Rs. million)
300
250
200
150
100
50
0
-50
-100
2005
2006
2007
2008
2009
2010
Operating profit
Profit after tax

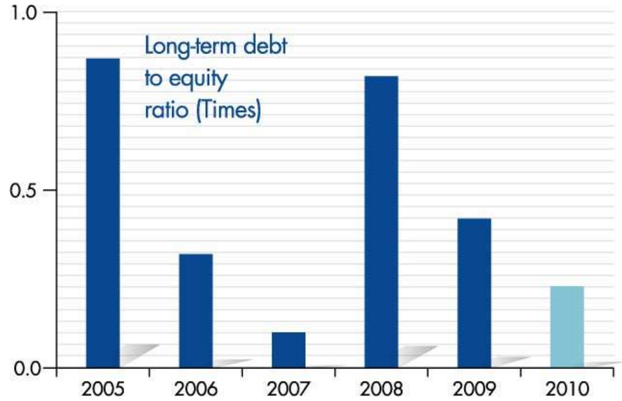

Return on equity (%)
60
50
40
30
20
10
0
-10
-20
2005
2006
2007
2008
2009
2010

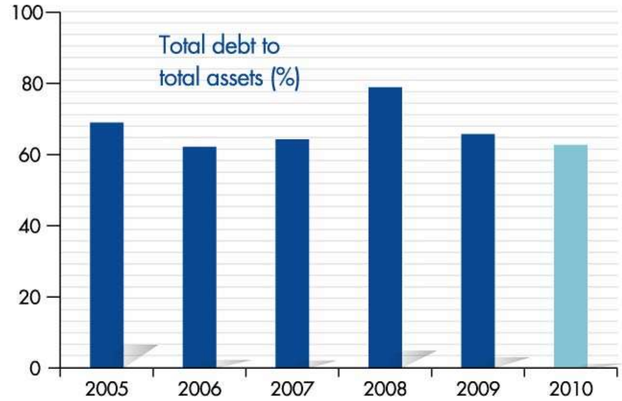

Earning per share (Rs.)
30
25
20
15
10
5
0
-5
-10
2005
2006
2007
2008
2009
2010

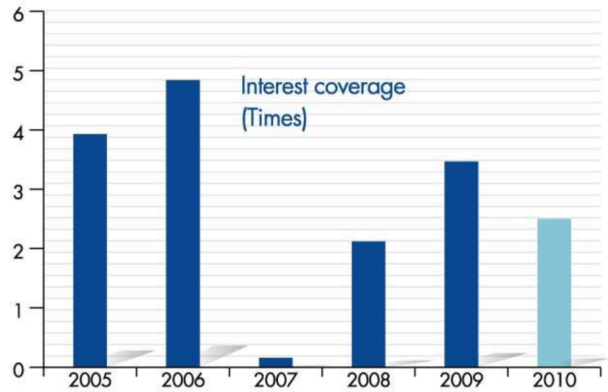

Market price / break-up value (Rs./share)
180
160
140
120
100
80
60
40
20
0
2005
2006
2007
2008
2009
2010
Market price per share
Break-up value per share

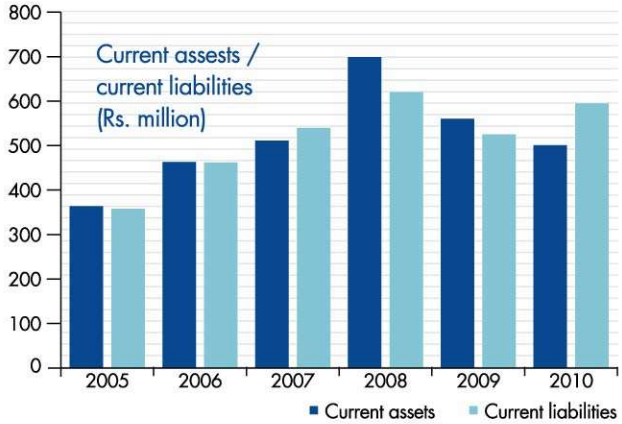

Shareholder,s equity / reserves (Rs. million)
450
400
350
300
250
200
150
100
50
0
2005
2006
2007
2008
2009
2010
Shareholder's equity
Reserves

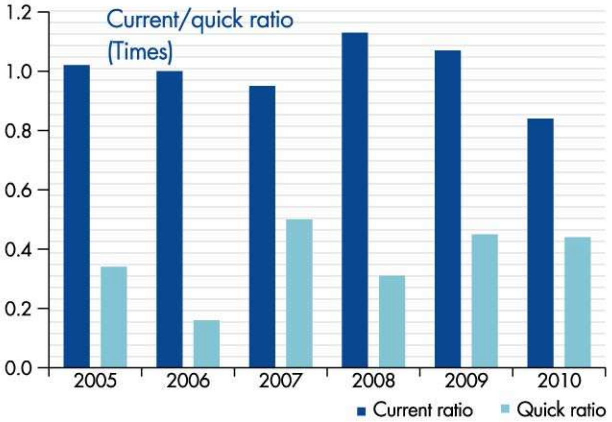

Long-term debt (Rs. million)
250
200
150
100
50
0
2005
2006
2007
2008
2009
2010

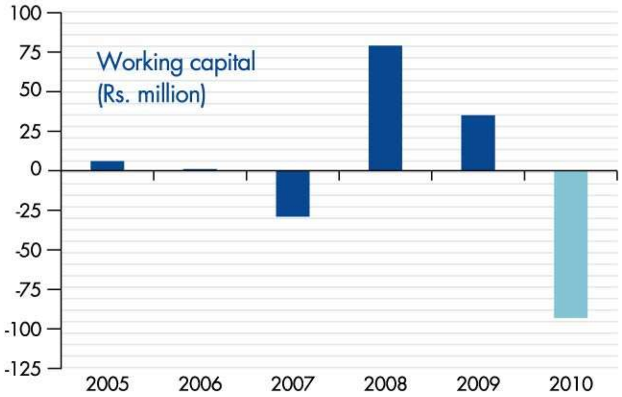

Long-term debt to equity ratio (Times)
1.0
0.5
0.0
2005
2006
2007
2008
2009
2010

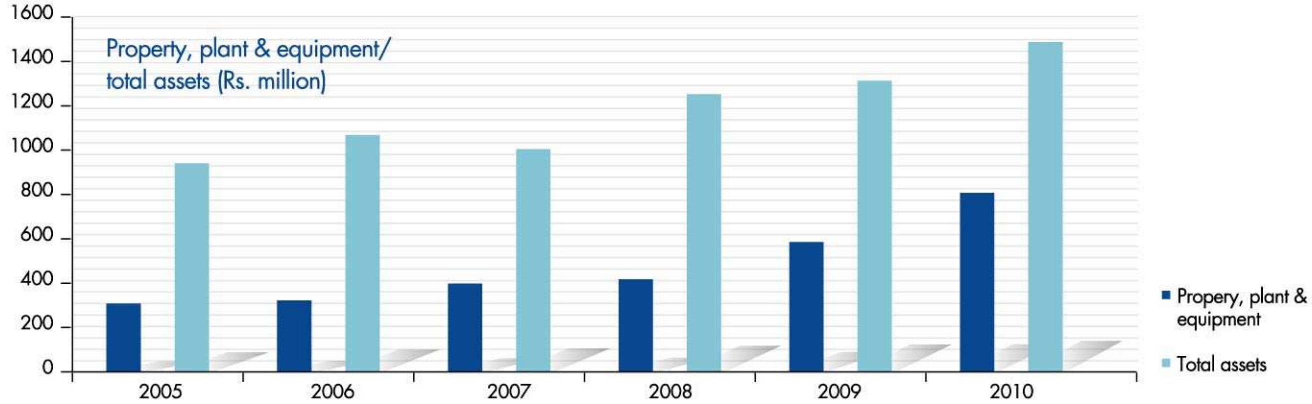

Total debt to total assets (%)
100
80
60
40
20
0
2005
2006
2007
2008
2009
2010

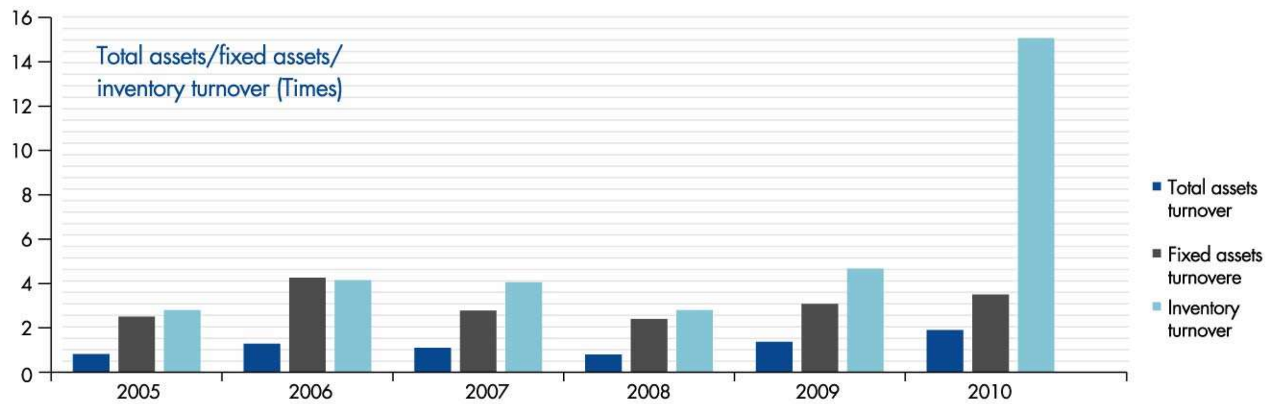

Interest coverage
(Times)
0
1
2
3
4
5
6
2005
2006
2007
2008
2009
2010


Current assests /
current liabilities
(Rs. million)
0
100
200
300
400
500
600
700
800
2005
2006
2007
2008
2009
2010
Current assets
Current liabilities


Current/quick ratio
(Times)
0.0
0.2
0.4
0.6
0.8
1.0
1.2
2005
2006
2007
2008
2009
2010
Current ratio
Quick ratio


Working capital
(Rs. million)
100
75
50
25
0
-25
-50
-75
-100
-125
2005
2006
2007
2008
2009
2010


Property, plant & equipment/
total assets (Rs. million)
0
200
400
600
800
1000
1200
1400
1600
2005
2006
2007
2008
2009
2010
Propery, plant & equipment
Total assets


Total assets/fixed assets/
inventory turnover (Times)
0
2
4
6
8
10
12
14
16
2005
2006
2007
2008
2009
2010
Total assets turnover
Fixed assets turnovere
Inventory turnover

Mill Management

Finance Team

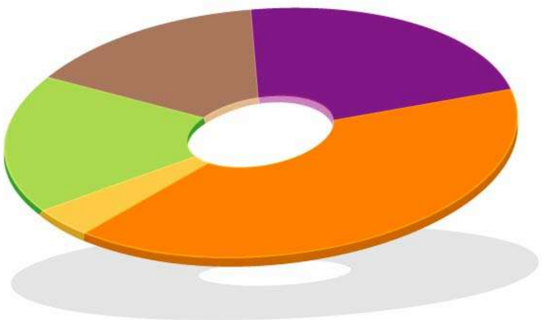
statement of value addition

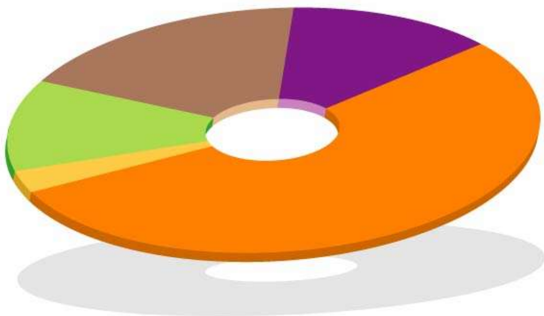
	2010		2009	
	(Rupees in '000)			
Value added				
Gross sales	2,966,831		2,062,055	
Material and services	(2,386,917)		(1,407,947)	
	579,914		654,108	
Other income	2,074		5,973	
Share of profit in an associate	8,286		32,534	
	590,274		692,615	
Distribution				
Employees remuneration	128,338	22%	89,264	13%
Government as:				
Sales tax, special excise duty, & Company taxation	231,720		359,096	
Workers' funds	10,974		13,465	
	242,694	41%	372,561	54%
Charity & donations	389	*	318	*
Shareholders as:				
Cash dividend**	10,542		15,972	
Bonus shares**	14,055		6,389	
	24,597	4%	22,361	3%
Finance cost	103,958	18%	86,594	12%
Retained in business:				
Depreciation	30,596		18,438	
Retained profit	59,702		103,079	
	90,298	15%	121,517	18%
	590,274	100%	692,615	100%

**negligible*

***post balance sheet event*

distribution 2010	distribution 2009





	Employees	Government	Shareholders	Finance cost	Retained in business
2010	22%	41%	4%	18%	15%
2009	13%	54%	3%	12%	18%

auditors' report to the members

HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS

A member of
KRESTON INTERNATIONAL
With affiliated offices worldwide

2nd Floor Standard Insurance House
I.I. Chundrigar Road, Karachi
Phone: 021-32417585-87
Fax: # 021-32423954
Website: www.hyderbhimji.com

We have audited the annexed balance sheet of M/s. MIRPURKHAS SUGAR MILLS LIMITED as at September 30, 2010 and related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with 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 test basis evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

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

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied except for the changes as described in note 3.2 with which we concur;

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

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

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

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

Hyder Bhimji & Co.

HYDER BHIMJI & Co.
Chartered Accountants
Engagement Partner: Hyder Ali Bhimji

Karachi: November 30, 2010

Lahore: Amin Building 65-The Mall,
Phone: 042-37352661-37321043,
Fax # 042-37359515

Faisalabad: 206-1st Floor, Business Centre,
New Civil Lines,
Phone: 041-2615632-041-2615650
Fax # 041-2617902

URL: http://www.hyderbhimji.com
E-mail: bhimji@cyber.net.pk

balance sheet
as at september 30, 2010

	Note	2010	2009
		(Rupees in '000)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	807,230	584,948
Intangible asset	5	2,200	-
Long-term investment	6	176,077	167,791
Long-term deposits	7	732	738
		986,239	753,477
CURRENT ASSETS			
Stores, spare parts and loose tools	8	111,144	120,192
Stock-in-trade	9	125,715	203,171
Trade debts	10	90,979	84,050
Loans and advances	11	77,412	22,511
Short-term prepayments	12	1,380	2,771
Other receivables	13	6,803	19,953
Short-term investments	14	56,616	63,828
Taxation - net		-	8,146
Cash and bank balances	15	31,152	35,036
		501,201	559,658
TOTAL ASSETS		1,487,440	1,313,135
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	16	70,277	63,888
Reserves	17	311,318	256,592
		381,595	320,480
SURPLUS ON REVALUATION OF FIXED ASSETS	18	173,056	129,056
NON-CURRENT LIABILITIES			
Long-term financing	19	88,890	133,334
Deferred liabilities	20	249,341	205,752
		338,231	339,086
CURRENT LIABILITIES			
Trade and other payables	21	365,993	291,740
Accrued mark-up	22	14,843	18,089
Taxation - net	23	7,400	-
Short-term borrowings	24	161,878	170,240
Current portion of long-term financing	19	44,444	44,444
		594,558	524,513
CONTINGENCIES AND COMMITMENTS	25		
TOTAL EQUITY AND LIABILITIES		1,487,440	1,313,135

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

ASLAM FARUQUE
Chief Executive

TARIQ FARUQUE
Director

profit and loss account

for the year ended september 30, 2010

	Note	2010	2009
		(Rupees in '000)	
Turnover - net	26	2,823,671	1,803,234
Cost of sales	27	(2,477,780)	(1,471,620)
Gross profit		345,891	331,614
Distribution cost	28	(4,985)	(2,571)
Administrative expenses	29	(79,213)	(52,647)
Other operating expenses	30	(11,749)	(14,091)
		(95,947)	(69,309)
Other operating income	31	2,074	5,973
Operating profit		252,018	268,278
Finance cost	32	(103,958)	(86,594)
		148,060	181,684
Share of profit in an associate		8,286	32,534
Profit before taxation		156,346	214,218
Taxation			
Current		(30,734)	(10,860)
Prior		-	(278)
Deferred		(41,313)	(77,640)
	33	(72,047)	(88,778)
Profit after taxation		84,299	125,440
Earnings per share - basic	34	Rs.11.99	Rs. 17.85

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

ASLAM FARUQUE
Chief Executive

TARIQ FARUQUE
Director

statement of comprehensive income
for the year ended september 30, 2010

	2010	2009
	(Rupees in '000)	
Profit after taxation	84,299	125,440
Fair value loss on available-for-sale securities	(7,212)	(16,401)
Total comprehensive income for the year	77,087	109,039

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

ASLAM FARUQUE
Chief Executive

TARIQ FARUQUE
Director

cash flow statement

for the year ended september 30, 2010

	Note	2010	2009
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		156,346	214,218
Adjustments for:			
Depreciation	4.1.1	31,866	21,632
Dividend income from a related party	31	-	(486)
Share of profit in an associate	6.1.2	(8,286)	(32,534)
Gain on disposal of operating property, plant and equipment	31	(23)	(1,764)
Finance cost	32	103,958	86,594
		127,515	73,442
Operating profit before working capital changes		283,861	287,660
Decrease / (increase) in current assets			
Stores, spare parts and loose tools		9,048	(38,080)
Stock-in-trade		77,456	223,424
Trade debts		(6,929)	(68,014)
Loans and advances		(54,901)	4,540
Short-term prepayments		1,391	14,777
Other receivables		13,150	11,333
		39,215	147,980
Increase / (decrease) in current liabilities			
Trade and other payables		73,927	(164,919)
Short-term borrowings		(8,362)	70,486
		65,565	(94,433)
Cash generated from operations		388,641	341,207
Income tax paid - net		(15,188)	(7,504)
Decrease in long-term deposits		6	65
Increase / (decrease) in deferred liabilities		2,276	(62,082)
		(12,906)	(69,521)
Net cash generated from operating activities		375,735	271,686
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	4.1	(178,516)	(27,623)
Additions to capital work in progress	4.3	(31,673)	(91,608)
Intangible asset acquired		(2,200)	-
Sale proceeds of operating property, plant and equipment		64	7,327
Dividend received from a related party	31	-	486
Net cash used in investing activities		(212,325)	(111,418)
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance cost paid		(107,204)	(78,234)
Long-term financing-net		(44,444)	(54,048)
Payment of dividend		(15,646)	(6,247)
Net cash used in financing activities		(167,294)	(138,529)
Net (decrease) / increase in cash and cash equivalents		(3,884)	21,739
Cash and cash equivalents at the beginning of the year		35,036	13,297
Cash and cash equivalents at the end of the year		31,152	35,036

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

ASLAM FARUQUE
Chief Executive

TARIQ FARUQUE
Director

statement of changes in equity
for the year ended september 30, 2010

	Issued subscribed and paid-up capital	Reserves				Total
		General reserves	Unappropriated profit	Fair value gain / (loss) on available-for-sale securities	Total	
	(Rupees in '000)					
Balance as at October 01, 2008	63,888	14,250	70,310	69,382	153,942	217,830
Total comprehensive income	-	-	125,440	(16,401)	109,039	109,039
Cash dividend for the year ended Sep. 30, 2008 @ Re.1 per share (10%)	-	-	(6,389)	-	(6,389)	(6,389)
Transfer to General reserve	-	20,000	(20,000)	-	-	-
Balance as at September 30, 2009	63,888	34,250	169,361	52,981	256,592	320,480
Balance as at October 01, 2009	63,888	34,250	169,361	52,981	256,592	320,480
Total comprehensive income	-	-	84,299	(7,212)	77,087	77,087
Cash dividend for the year ended Sep. 30, 2009 @ Rs.2.50 per share (25%)	-	-	(15,972)	-	(15,972)	(15,972)
Issue of bonus shares @ 10% i.e 01 share for every 10 shares held	6,389	-	(6,389)	-	(6,389)	-
Balance as at September 30, 2010	70,277	34,250	231,299	45,769	311,318	381,595

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

ASLAM FARUQUE
Chief Executive

TARIQ FARUQUE
Director

notes to the financial statements
for the year ended september 30, 2010

1. Status and nature of business

Mirpurkhas Sugar Mills Limited (the Company) was incorporated in Pakistan on May 27, 1964 as a public limited company and its shares are quoted on Karachi Stock Exchange. Principal activity of the Company is manufacturing and selling sugar.

The registered office of the Company is situated at Modern Motors House, Beaumont Road, Karachi.

2. Statement of compliance

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

3. Significant accounting policies

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention without any adjustments for the effect of inflation or current values, except for derivatives financial instruments and investments which are stated at their fair value, certain inventories which are valued at Net Realizable Value (NRV), certain employees retirement benefits that are based on actuarial valuation and free hold land which stands at revalued amount.

3.2 Changes in accounting policy and estimates

a) During the current year, the Company has adopted the following new and amended IFRSs as of October 01, 2009, which has resulted in extended disclosures as described below:

IAS-1 - Presentation of Financial Statements (Revised)
IFRS-7 - Financial Instruments: Disclosures (Amended)

IAS-1 - Presentation of Financial Statements (Revised)

The revised IAS-1 was issued in September 2007 and became effective for financial years beginning on or after January 01, 2009. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard has introduced a statement of comprehensive income, which presents all items of recognized income and expense, either as a single statement, or in two linked statements. The Company has opted to present two linked statements and accordingly has presented a separate statement of comprehensive income in these financial statements.

IFRS 7 - Financial Instruments: Disclosures (Amended)

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognized at fair value. The fair value measurement disclosures are presented in note 35.4 to the financial statements. The liquidity risk disclosures are not significantly impacted by the amendments and are also presented in note 35.3 to the financial statements.

b) Previously on all significant additions, depreciation was charged from the quarter of the year in which addition / capitalization occurred. Similarly, no depreciation was charged in the quarter of the year in which an asset was disposed off. During the year, the management has reviewed this accounting policy and now, on all assets, depreciation is charged from the month in which addition / capitalization occurs and no depreciation is charged in the month in which an asset is disposed off.

Had there been no change in accounting policy, the depreciation charge would have been higher by Rs.1.03 million and profit before tax for the year ended September 30, 2010 would have been lower by Rs.1.03 million and the carrying amount of operating property, plant and equipment would have been lower by Rs.1.03 million.

During the year the management carried a review of the useful lives of certain fixed assets, which resulted in the following changes:

Assets Class	Previous depreciation rate at W.D.V.	Revised depreciation rate at S.L.M.	Revised useful life in years
Furniture and fittings	10%	20%	5
Office and other equipment	10%	20%	5
Computers and accessories	25%	33.33%	3

The management believes that the above change reflects a more systematic allocation of the depreciable amount of these assets over their useful lives. This change has been accounted for prospectively in accordance with the requirement of IAS 8-Accounting Policies, Change in Accounting Estimates and Errors.

Had there been no change in the estimated useful lives of the above mentioned assets, the depreciation charge would have been lower by Rs. 2.84 million and profit before tax for the year ended September 30, 2010 would have been higher by Rs. 2.84 million and the carrying amount of property, plant and equipment would have been higher by Rs. 2.84 million.

3.3 Significant accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any periods affected.

In the process of applying the accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

a) Employees retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 3.5 to the financial statements for valuation of present value of defined benefit obligation and fair value of plan assets. Any changes in these assumptions in future years might affect gains and losses in those years. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases and mortality rates.

b) Property, plant and equipment and Intangible assets

The Company reviews appropriateness of the rate of depreciation / amortization, useful life and residual value used in the calculation of depreciation / amortization. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. In making these estimates, the Company uses technical resources available with the Company. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment and Intangible assets, with corresponding effects on the depreciation / amortization charge and impairment.

c) Classification of investments

The management has exercised its judgment in respect of classification of investments as disclosed in note 6 and 14 to the financial statements. Any change in such judgment might materially affect the accounting policy applied in respect of such investments.

d) Stock-in-trade, stores, spare parts and loose tools

The Company reviews the net realizable value of stores and spares to assess any diminution in the respective carrying values. Net realizable value is estimated with reference to the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

e) Trade debts

The Company reviews its doubtful trade debts at each reporting date to assess whether provision should be recorded in the profit and loss account. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provision.

f) Taxation

In making the estimate for income tax payable by the Company, the Company takes into account the applicable tax laws and decision by appellate authorities on certain issues in past.

Deferred tax assets are recognized for all unused tax losses and credits to the extent that it is probable that taxable profit will be available against such losses and credits can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

g) Provision for impairment

The Company reviews carrying amount of assets annually to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated and impairment losses are recognized in the profit and loss account.

3.4 Taxation

a) Current

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account applicable tax credits, rebates and exemptions available, if any or one percent of turnover under section 113 of the income tax ordinance, 2001 whichever is higher. The Company falls under the final tax regime under sections 150, 154 and 169 of the Income Tax Ordinance, 2001 to the extent of dividend income and direct export sales.

b) Deferred

Deferred tax is recognized using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying values for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that the deductible temporary differences will reverse in the future and sufficient taxable income will be available against which the deductible temporary differences can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be utilized.

Deferred income tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. In this regard, the effects on deferred taxation of the portion of income expected to be subject to final tax regime is adjusted in accordance with the requirement of Accounting Technical Release - 27 of the Institute of Chartered Accountants of Pakistan (ICAP), if considered material.

c) Sales tax

Revenues, expenses and assets are recognized net off amount of sales tax except:

- Where sales tax incurred on a purchase of asset or service is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables or payables that are stated with the amount of sales tax included.
- The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

3.5 Employees retirement benefits

a) Provident fund scheme

The Company operates an approved defined contribution provident fund scheme for its eligible permanent employees who opted for the benefits. Equal monthly contributions are made, both by the Company and the employees to the fund at the rate of 8.33 % of basic salary.

b) Gratuity scheme

The Company operates an approved and funded gratuity scheme for all of its eligible permanent employees who have completed the minimum qualifying period of service. The scheme is administered by the trustees nominated under the trust deed. The contributions to the scheme are made in accordance with the actuarial valuation using Projected Unit Credit (PUC) method.

The PUC method used the following significant assumptions for the valuation of the scheme.

Principal actuarial assumptions used are as follows:

	2010	2009
	(% per annum)	
Valuation discount rate	12.50	12.00
Expected rate of return on plan assets	12.00	14.00
Expected rate of salary increase	11.50	11.00

Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gains or losses exceed 10 percent of the higher of defined benefit obligation and the fair value of plan assets as of the end of the previous reporting period. These gains or losses are recognized over the expected remaining working lives of the employees participating in the scheme.

Past service cost is recognized as an expense on a straight line basis over the average period until the benefit become vested. If benefits already have been vested, immediately following the introduction of, or change to the scheme, past service costs are recognized immediately.

The amount recognized in balance sheet represents the present value of defined benefit obligations as adjusted for unrecognized actuarial gains and losses and as reduced by the fair value of plan assets.

Based on the actuarial valuation of gratuity scheme as of September 30, 2010, the fair value of scheme's assets and the present value of obligation under the scheme at the balance sheet date were as follows:

	2010	2009
	(Rupees in '000)	
Staff gratuity fund liability:		
Present value of defined benefit obligation	30,298	17,599
Fair value of plan assets	(14,037)	(16,582)
Unrecognized actuarial loss	(5,862)	(769)
Liability recognized as at September 30	10,399	248
Amounts charged to profit and loss account:		
Current service cost	12,430	1,245
Interest cost	2,112	2,069
Expected return on plan assets	(1,990)	(2,421)
Actuarial gain recognized during the year	-	(111)
	12,552	782
Movement in the liability recognized in the balance sheet:		
Balance as at October 01	248	-
Net charge for the year	12,552	782
Contribution to the fund	(2,401)	(534)
Balance as at September 30	10,399	248

	2010	2009
	(Rupees in '000)	
Movement in the present value of defined benefit obligation:		
Balance as at October 01	17,599	14,781
Current service cost	12,430	1,245
Interest cost	2,112	2,069
Benefits paid during the year	(2,401)	(1,201)
Actuarial losses	558	705
Balance as at September 30	30,298	17,599
Movement in the fair value of plan assets:		
Balance as at October 01	16,582	17,291
Expected return	1,990	2,421
Contributions	2,401	534
Benefits paid during the year	(2,401)	(1,201)
Actuarial losses	(4,535)	(2,463)
Balance as at September 30	14,037	16,582
Composition of plan assets are as follows :		
Special Saving Certificates (SSC's)	4,872	4,114
Listed securities	8,796	12,136
Amount in bank	369	332
	14,037	16,582

The expected return on plan assets was based on the market expectations and depends upon the asset portfolio of the Company, at the beginning of the period, for returns over the entire life of related obligation.

The return on plan assets was assumed on the basis of market conditions. Actual return on plan assets during 2010 was Rs.2.54 million (2009: Rs.(0.041) million)

Comparison with past years :

	2010	2009	2008	2007	2006
			(Rupees in '000)		
Present value of defined benefit obligation	30,298	17,599	14,781	13,494	19,370
Fair value of plan assets	(14,037)	(16,582)	(17,291)	(35,011)	(23,865)
	16,261	1,017	2,510	(21,517)	(4,495)
Experience adjustments arising on plan liabilities	558	705	340	1,632	(604)
Experience adjustments arising on plan assets	(4,535)	(2,463)	(6,165)	9,926	(180)
	(3,977)	(1,758)	(5,825)	11,558	(784)

3.6 Property, plant and equipment

a) Owned assets

These are stated at cost less accumulated depreciation except for free hold land which is stated at revalued amount and capital work-in-progress, which is stated at cost. The revaluation of free hold land is carried out once in every three years.

Depreciation is charged, on systematic basis over the useful life of the assets, to income applying reducing balance method, which reflects the patterns in which the asset's economic benefits are consumed by the enterprise. Additions to fixed assets are depreciated monthly while no depreciation is charged on fixed assets disposed off during the month.

Maintenance and normal repairs are charged to income, when incurred. Major renewals and improvements which increase the asset's remaining useful economic life or the performance beyond the current estimated levels are capitalized and the assets so replaced, if any, are retired.

Gains or losses on disposal of assets, if any, are recognized when incurred.

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If such indications exist and where the carrying values exceed the estimated recoverable amounts, the assets are written down to the recoverable amount.

b) Assets subject to finance lease

Assets held under finance lease are stated at cost less accumulated depreciation and accumulated impairment losses, if any. These are accounted for by recording the asset at the lower of present value of minimum lease payments under the lease agreements and the fair value of asset acquired. The related obligation under the lease is accounted for as liability. Financial charges are allocated to the accounting period in a manner so as to provide a constant periodic rate of change on the net standing liability.

Depreciation is charged to the profit and loss using the same basis as for owned assets.

c) Intangible assets

Computer software costs that are directly associated with the computer and computer controlled machines which can not operate without the related specific software, are included in the cost of respective assets. Software which are not an integral hardware are classified as intangible assets.

3.7 Investments

a) In associate

Investment in an associate is accounted for using the equity method. Under this method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss of the investee after the date of acquisition which is recognized in the profit and loss account. Dividend received, if any, reduces the carrying amount of investment. Changes in associate's equity including those arising from the revaluation of property, plant and equipment are recognized directly in the Company's equity in proportion of the equity held. Profit / loss from material transactions with associate is eliminated. The reporting dates of the associate and the Company are identical and the associate's accounting policies conform to those used by the Company for like transactions and events in similar circumstances.

b) Available-for-sale securities

Investments which are intended to be held for an indefinite period but may be sold in response to the need for liquidity or changes in interest rates are classified as available-for-sale.

They are initially measured at fair value plus directly attributable transaction costs. After initial measurement, these are stated at fair value (except for un-quoted investment where active market does not exist) with unrealized gains or losses recognized directly in equity until the investment is disposed or determined to be impaired. At the time of disposal, the cumulative gain or loss previously recorded in equity is recognized in the profit and loss account.

c) Held-to-maturity investments

These represent non-derivative financial assets with fixed or determinable payments and fixed maturities in respect of which the Company has the positive intent and ability to hold till maturity. These investments are recognized initially at fair value plus directly attributable cost and are subsequently measured at amortized cost using effective interest rate method. Gains and losses are recognized in profit and loss account when theinvestments are derecognized or impaired, as well as through the amortization process.

d) Designated investments at fair value through profit or loss

Designated investments at fair value through profit or loss are initially recognized at fair value. Subsequently, these are measured at fair value whereas effects of changes in fair value are taken to profit and loss account. Transaction costs are charged to profit and loss when incurred.

3.8 Stores, spare parts and loose tools

These are valued at lower of moving average cost and net realizable value. Provision is made for slow moving items where necessary to bring these down to approximate net realizable value and is recognized in profit and loss. Net realizable value is estimated with reference to the estimated selling price in the ordinary course of business less the estimated cost necessary to make sale. Loose tools are recorded at actual cost.

3.9 Stock-in-trade

Stock in trade is valued at the lower of average manufacturing cost and NRV. The cost of sugar in process includes cost of sugarcane and proportionate manufacturing expenses.

NRV signifies the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

3.10 Trade debts

Trade debts originated by the Company are recognized and carried at original invoice amount less provision for any uncollectible amounts. Provision for doubtful debts is based on the management's assessment of customer's outstanding balances and credit worthiness. Bad debts are written-off , when there is no realistic prospect of recovery.

3.11 Trade and other payables

Liabilities for Trade and other payables are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

3.12 Revenue recognition

- Sales are recorded on dispatch of goods to customers.
- Income / return on investments, loans, advances and bank deposits is recognized on an accrual basis.
- Dividend income on equity investment is recognized, when the right to receive the same is established.
- Capital gains or losses on sale of investments are recognized in the period in which they arise.
- Mark-up on growers' loans is accounted for in line with the recovery of the respective loan due to exigencies involved in such matters.

3.13 Foreign currency transactions and translations

The financial statements are presented in Pak. Rupees, which is the Company's functional and presentation currency. Transactions in foreign currencies are translated into Pak. Rupees at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into Pak. Rupees at the rate of exchange ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end exchange rates to monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

3.14 Provisions

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

3.15 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.16 Related party transactions

Transactions with related parties are based on the policy that all transactions between the Company and the related parties are carried out at arm's length.

3.17 Financial instruments

All financial assets and liabilities are recognized at the time when the Company becomes party to the contractual provisions of the instrument and are derecognized in case of assets, when the contractual rights under the instrument are realized, expired or surrendered and in case of liability, when the obligation is discharged, cancelled or expired.

Any gain / loss on the recognition and derecognition of the financial assets and liabilities is recorded in the profit and loss account for the period in which it arises.

3.18 Offsetting of financial assets and liabilities

A financial asset and financial liability is only offset and the net amount is reported in the balance sheet, if the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Incomes and expenses arising from such assets and liabilities are also offset accordingly.

3.19 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and balances in current, deposit and PLS accounts with the commercial banks.

3.20 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognized in the financial statements in the period in which these are approved.

3.21 Impairment

The carrying amounts of Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are charged to profit & loss in the period in which they arise.

	Note	2010	2009
		(Rupees in '000)	
4. Property, plant and equipment			
Property, plant and equipment - owned	4.1	683,949	493,340
Capital work in progress	4.3	123,281	91,608
		807,230	584,948

4.1 Following are statements of property, plant and equipment for current & prior year:

2010 Description	COST / REVALUATION			DEPRECIATION				Book value as at Sep. 30, 2010	Depreciation rate % per annum
	As at Oct. 01, 2009	Additions / revaluation / (disposals) / transfers	As at Sep. 30, 2010	As at Oct. 01, 2009	Adjustment for depreciation on (disposals) / (transfers)	For the year	As at Sep.30, 2010		
	(Rupees in '000)								
OWNED ASSETS									
Free hold land (Note 4.2)	135,154	7,544 44,000	186,698	-	-	-	-	186,698	-
Building on free hold land:									
-Factory	23,274	4,116 (888)	26,502	19,352	(74)	448	19,726	6,776	10
-Non factory	21,521	888	22,409	16,094	74	624	16,792	5,617	10
Plant & machinery	674,219	155,392	829,611	346,403	-	21,292	367,695	461,916	5
Furniture & fittings	3,543	247 (3,452)	338	2,935	(3,452)	601	84	254	20
Vehicles	34,907	5,694 (1,948)	38,653	20,466	(1,907)	3,661	22,220	16,433	20
Office & other equipment	12,666	2,172 (4,913)	9,925	8,810	(4,913)	3,041	6,938	2,987	20
Computers & accessories	11,398	3,351 (8,380)	6,369	9,282	(8,380)	2,199	3,101	3,268	33.33
	916,682	178,516 44,000 (18,693)	1,120,505	423,342	(18,652)	31,866	436,556	683,949	

2009 Description	COST / REVALUATION			DEPRECIATION				Book value as at Sep. 30, 2009	Depreciation rate % per annum
	As at Oct. 01, 2008	Additions / revaluation / (disposals) / transfers	As at Sep. 30, 2009	As at Oct. 01, 2008	Adjustment for depreciation on (disposals) / (transfers)	For the year	As at Sep.30, 2009		
				(Rupees in '000)					
OWNED ASSETS									
Free hold land (Note 4.2)	48,157	3,500 82,497 1,000	135,154	-	-	-	-	135,154	-
Building on free hold land:									
- Factory	23,274	-	23,274	18,916	-	436	19,352	3,922	10
- Non factory	21,176	1,345 (1,000)	21,521	16,463	(939)	(369)	16,094	5,427	10
Plant & machinery	670,226	19,634 (7,026) (8,615)	674,219	332,673	(1,518) (1,986)	17,234	346,403	327,816	5
Furniture & fittings	3,543	-	3,543	2,868	-	67	2,935	608	10
Vehicles	32,844	2,283 (220)	34,907	17,397	(165)	3,234	20,466	14,441	20
Office & other equipment	12,609	57	12,666	8,381	-	429	8,810	3,856	10
Computers & accessories	10,594	804	11,398	8,681	-	601	9,282	2,116	25
	822,423	27,623 82,497 (7,246) (8,615)	916,682	405,379	(4,608)	21,632	423,342	493,340	

	Note	2010	2009
		(Rupees in '000)	
4.1.1 Depreciation charged for the year has been allocated as follows:			
Manufacturing expenses	27	25,400	19,964
Administrative expenses	29	6,466	1,668
		31,866	21,632
4.1.2 Reconciliation of carrying amount:			
Carrying amount at beginning of the year		493,340	417,044
Additions during the year		178,516	27,623
Revaluation of land		44,000	82,497
Depreciation for the year		(31,866)	(21,632)
Disposals / transfers during the year at carrying amount		(41)	(12,192)
		683,949	493,340

4.2 This includes Rs.173.05 million (2009: Rs. 129.05 million) in respect of revaluation surplus (Refer note no.18). Had the revaluation not been carried out the freehold land would have been stated at Rs.1.39 million (2009 : Rs.1.39 million).

	Note	2010	2009
		(Rupees in '000)	
4.3 Capital work-in-progress			
Civil work		2,268	691
Plant and machinery		121,013	90,917
		123,281	91,608

5. Intangible asset

This represents portion of the implementation cost of SAP - ERP system under development. Accordingly no amortization has been charged for the year.

6. Long-term investment - in associate

	Note	2010	2009
Unicol Limited 10,499,998 (2009: 10,499,998) fully paid ordinary shares of Rs.10/- each Equity held : 33.33% (2009 : 33.33%)	6.1	167,791	135,257
Share of profit	6.1.2	8,286	32,534
		176,077	167,791

6.1 Unicol Limited

The Company holds 33.33 % (Sep. 2009: 33.33 %) interest in Unicol Limited, which is a public limited (Un-quoted) company. Share of profit / (loss) arising from the associate has been taken to profit and loss account in accordance with the accounting policy as mentioned in note no.3.7(a). The share of Company in the net assets has been determined on the basis of the un-audited financial statements for the year ended September 30, 2010.

6.1.1 The Company's interest in assets and liabilities of Unicol Ltd is as follows:

	2010	2009
Tangible fixed assets	258,726	277,266
Other long-term assets	19,651	19,754
Current assets	265,130	140,669
	543,507	437,689
Long-term liabilities	(84,731)	(82,998)
Current liabilities	(282,699)	(186,900)
	(367,430)	(269,898)
Net assets	176,077	167,791

6.1.2 The Company's share in profit and loss of Unicol Ltd is as follows:

	2010	2009
Sales	504,236	420,861
Cost of goods sold	(449,103)	(345,385)
	55,133	75,476
Other expenses, income and taxes	(46,847)	(42,942)
	8,286	32,534

7. Long term deposits

These represent deposits paid by the Company for obtaining various services.

	Note	2010	2009
		(Rupees in '000)	

8. Stores, spare parts and loose tools

		2010	2009
Stores		47,361	27,357
Spare parts		69,193	98,343
Loose tools		590	492
		117,144	126,192
Provision for obsolescence		(6,000)	(6,000)
		111,144	120,192

9. Stock-in-trade

	Note	2010	2009
Sugar	27	122,921	198,540
Sugar-in-process	27	2,794	1,693
Molasses		-	2,938
		125,715	203,171

10. Trade debts - unsecured

		2010	2009
Unicol Limited		87,105	77,476
Others		3,874	6,574
		90,979	84,050

10.1 Trade receivable are non-interest bearing and aging analysis of trade debts is as follows:

		2010	2009
Neither past due nor impaired		90,979	84,050

11. Loans and advances - unsecured

		2010	2009
Considered good:			
Against expenses		18	33
To suppliers		68,767	16,794
To employees classified as recoverable within next twelve months		244	461
To provident fund trust		3,658	1,171
Against letters of credit		884	78
To sugar cane growers		763	1,964
To transport contractors		3,078	2,010
		77,412	22,511
Considered doubtful:			
Sugar cane growers		5,400	5,400
Provision there against		(5,400)	(5,400)
		-	-
		77,412	22,511

12. Short-term prepayments

		2010	2009
Prepayments		1,380	2,771

13. Other receivables

		2010	2009
Sales tax on sale of sugar		5,896	15,930
Special excise duty on sale of sugar		737	2,053
Miscellaneous		170	1,970
		6,803	19,953

14. Short-term investments

	Note	2010	2009
		(Rupees in '000)	
Available-for-sale securities - Related party			
Quoted:			
Cherat Cement Company Limited 3,427,502 (2009: 3,427,502) fully paid ordinary shares of Rs.10/- each Equity held: 3.58% (2009: 3.58%)		37,565	52,269
Cherat Papersack Limited 405,000 (2009: 405,000) fully paid ordinary shares of Rs.10/- each Equity held: 4.4% (2009: 4.41%)		19,051	11,559
		56,616	63,828

15. Cash and bank balances

	Note	2010	2009
With banks in:			
Current accounts		26,865	26,607
PLS accounts	15.1	3,077	7,097
		29,942	33,704
Cash in hand		1,210	1,332
		31,152	35,036

15.1 Effective profit rate in respect of PLS accounts is 5% per annum (2009: 5% per annum).

16. Share capital

16.1 Authorized capital

2010	2009		2010	2009
Number of Shares			(Rupees in '000)	
15,000,000	15,000,000	Ordinary shares of Rs. 10/- each	150,000	150,000

16.2 Issued, subscribed and paid-up capital
Fully paid ordinary shares of Rs. 10/- each

1,770,000	1,770,000	Issued for cash	17,700	17,700
		Issued as fully paid bonus shares :		
4,618,800	4,618,800	-Opening balance	46,188	46,188
638,880	-	-Issued during the year	6,389	-
5,257,680	4,618,800		52,577	46,188
7,027,680	6,388,800		70,277	63,888

16.3 Following is the detail of shares held by the related parties.

Name of related parties	Number of Shares	
Faruque (Private) Limited	2,911,150	2,646,500
Greaves Pakistan (Private) Limited	167,691	152,446
	3,078,841	2,798,946

17. Reserves

The detailed reconciliation of reserves is disclosed in the statement of changes in equity.

	Note	2010	2009
		(Rupees in '000)	

18. Surplus on revaluation of fixed assets

Surplus on revaluation of free hold land		173,056	129,056

It represents revaluation of free hold land which has been carried out by independent valuers M/s Engineering Pakistan Int'l (Pvt.) Limited as of July 21, 2009 to determine the present (realizable) market value by enquiring from local active realtors. Revaluation surplus was credited to surplus on revaluation of fixed assets account.

19. Long-term financing - secured

	Note	2010	2009
Term finance	19.1	133,334	177,778
Less: Current maturity		44,444	44,444
		88,890	133,334

19.1 This represents loan obtained from a commercial bank and carries mark-up at 6 months average KIBOR + 1% and is chargeable and payable quarterly. The term loan had a grace period of one year and is repayable in 9 semi-annually installments which commenced from September 23, 2009 and is secured by registered pari passu equitable hypothecation charge over plant and machinery of the Company.

20. Deferred liabilities

	Note	2010	2009
Quality premium	25.1.2 and 25.1.3	78,985	78,985
Market committee fee	25.1.4	23,026	20,750
Surcharge on cess payable		3,547	3,547
Deferred tax liability - net	20.1	143,783	102,470
		249,341	205,752

20.1 Deferred tax liability - net

	2010	2009
Taxable temporary differences arising in respect of :		
- Accelerated tax depreciation allowance	188,898	136,227
Deductible temporary differences arising in respect of :		
- Unabsorbed tax losses	-	(9,133)
- Liabilities written back	(1,575)	(1,575)
- Turnover tax	(43,540)	(23,049)
	(45,115)	(33,757)
	143,783	102,470

21. Trade and other payables

	Note	2010	2009
Creditors			
- For goods supplied		132,175	82,086
- Others		6,800	57
Accrued liabilities		11,838	9,204
Advances from customers			
- Trading Corporation of Pakistan		3	8
- Others		179,600	173,436
Deposits		145	165
Unclaimed dividend		2,694	2,368
Other liabilities	21.1	32,738	24,416
		365,993	291,740

	Note	2010	2009
		(Rupees in '000)	

21.1 Other liabilities

	Note	2010	2009
Suppliers income tax		94	107
Staff income tax		661	104
Sales tax		6,572	6,937
Special excise duty		911	1,538
Workers' profit participation fund	21.1.1	7,952	9,757
Workers' welfare fund		3,022	3,708
Others		13,526	2,265
		32,738	24,416

21.1.1 Workers' profit participation fund

	2010	2009
Balance as on October 01	9,757	1,444
Interest there on	345	-
	10,102	1,444
Less: Payment during the year	10,102	1,444
	-	-
Add: Contribution for the year	7,952	9,757
	7,952	9,757

22. Accrued mark-up

	2010	2009
On long-term financing	5,177	6,907
On short-term borrowings	9,666	11,182
	14,843	18,089

23. Taxation - net

	2010	2009
Income tax - net of provision	7,400	-

24. Short-term borrowings - secured

This represents utilised portion of running finance facilities aggregating Rs. 1,199 million (2009 : 749 million) obtained from various commercial banks. These carry mark-up ranging from 1month KIBOR + 1.75% to 3 month KIBOR + 0.90% per annum. The facilities are secured against registered first pari passu hypothecation charge over various assets of the Company. These facilities are repayable / renewable annually.

25. Contingencies and commitments

25.1 Contingencies:

25.1.1 The Company has filed suits before the Honourable High Court of Sindh against the arbitrary action of Collector of Customs and Central Excise for denying the rebate claim related to the financial years 1991-92 and 1992-93. The Company is entitled to get 50% rebate in Excise Duty which amounts to Rs.11.15 million and Rs.1.14 million respectively on account of excess production during the years over the preceding years production. The Company has paid the amount demanded by the Government. The amount has already been charged off in the accounts. The management of the Company is of the view that outcome of the suits would be in favour of the Company.

25.1.2 The sugar mills in Sindh are required to pay quality premium to the cane growers at the rate of fifty (50) paisas per forty (40) Kg cane for each 0.1% of excess sucrose recovery above the benchmark of 8.7% determined on over all sucrose recovery of each mill. The Company challenged the levy of quality premium before the Honorable High Court of Sindh, which decided the matter against the Company. Aggrieved with the judgment, the Company has filed an appeal with the Honorable Supreme Court of Pakistan. While admitting the appeal against the impugned judgment of the Honorable High Court, the Honorable Supreme Court granted stay. The Punjab government is not charging any quality premium in view of an earlier decision of Lahore High Court in a similar case in which the Court had declared the demand of quality premium as unlawful. The Company has recognised the financial impact upto September 30, 2008, as a matter of prudence as described in note 25.1.3.

25.1.3 The Company has challenged in the Honorable High Court of Sindh, the issue of Notification No. 8 (142) SO (EXT) / 95 – XXI dated 24th December, 2002 issued by the Secretary to the Government of Sindh, Agriculture Department in connection with the fixation of sugar cane price and payment of quality premium. Pending judgement of the Sindh High Court, the Company has provided the liability in this regard, As judgement is still pending the government has suspended the levy of quality premium for crushing season 2008-09 & 2009-10.

25.1.4 The Company has filed a case in the Honourable High Court of Sindh against the levy of market committee fee by the Government of Sindh on sugarcane purchased at the factory. The Sindh High Court has granted status quo. Full provision of Rs.23.03 million (2009: Rs.20.75 million) has been made as a matter of prudence, which includes Rs.2.28 million for the crushing season 2009-10.

25.1.5 a) The Company challenged levy of further sales tax @1.5% under the Sales Tax Act 1990, amounting to Rs.4.89 million in the Sindh High Court, for which relief was granted. Against the judgment, the department preferred appeal with the Honourable Supreme Court, and got stay order. The Honourable Supreme Court of Pakistan has set aside the case and referred it to the lower level. No provision is made in this regard since the management is confident that the outcome would be in Company's favour.

b) The amendment brought in vide Finance Ordinance 2001 in the Sales Tax Act with the intention to nullify the decision of the High Court on levy of further tax @ 3% w.e.f 18 June 2001 does not change the legal position of further tax. However, the Company made the payment of 3% further tax under protest in order to avoid the Additional Tax and penalties. In previous years, Honourable Supreme Court of Pakistan had set asided the case and referred it to the tribunal level, where the Company appeal is pending. In view of the contingencies involved in this case, the Company has not accounted for as refund an amount of Rs. 50.97 million being the further Sales Tax paid in this behalf.

25.1.6 The Company challenged levy of professional tax under Finance Act 1999 in the Sindh High Court. Accepting Company's contention, the Honourable High Court granted relief. The Government has filed appeal against the judgment in the Honourable Supreme Court of Pakistan. No provision has been made since 1999-2000 for levy totaling Rs. 0.85 million (2009: Rs. 0.77 million). The Company is confident that the same is not likely to materialize.

25.1.7 During the year the Company has filed a petition in the Honourable Supreme Court of Pakistan against a show cause notice issued by Competition Commission of Pakistan (CCP), challenging the vary jurisdiction of the Competition Commission. The Honourable Supreme Court of Pakistan has disposed the petition on the ground that this matter is already under proceedings with Honourable High Courts and refrained CCP from passing any final / penal order till a final decision is achieved at Honourable High Courts. Therefore, there are no financial implications related to this at the moment.

25.1.8 During the year the Company has filed a suit before the Honourable High Court of Sindh against Pakistan Standards and Quality Control Authority (the Authority) challenging the levy of marking fee under PSQCA Act-VI of 1996. The Authority has demanded a fee payment @ 0.1% of ex-factory price for the year 2008-09 amounting to Rs. 1.40 million. The Company is of the view that demand notifications so raised are without any lawful authority under the PSQCA Act-VI of 1996 and are in violation of the constitution. The Honourable High Court of SIndh has accepted the petition and termed that the impugned notifications have been issued without lawful authority and suspended the operation of the impugned notifications. No provision has been made in this regard since the management is confident that the outcome would be in Company's favor as the amount is insignificant and is not likely to materialize.

	2010	2009
	(Rupees in '000)	
25.2 Commitments		
25.2.1 Letters of credit issued by commercial banks	2,775	-
25.2.2 Corporate guarantee issued on behalf of Unicol Limited.	138,000	138,000

26. Turnover - net

	Note	2010	2009
		(Rupees in '000)	
Local Sales		2,966,831	2,062,055
Less: Sales tax		122,850	240,789
Special excise duty		20,310	18,032
		143,160	258,821
		2,823,671	1,803,234

27. Cost of sales

		Note	2010	2009
Sugar cane cost (including procurement and development expenses)			2,327,959	1,162,321
Stores and spare parts consumed			62,927	67,075
Packing material and expenses			16,744	16,718
Salaries, wages and other benefits		27.1	130,608	104,254
Water, fuel and power			13,705	10,990
Insurance			3,424	2,384
Repairs and maintenance			10,677	8,551
Vehicles expenses			7,824	6,458
Sugar handling expenses			1,018	1,497
Other expenses			5,545	5,807
Depreciation		4.1.1	25,400	19,964
			2,605,831	1,406,019
Sugar-in-process	- opening		1,693	1,135
	- closing	9	(2,794)	(1,693)
			(1,101)	(558)
			2,604,730	1,405,461
Less:	- sale of molasses	27.2	152,332	143,203
	- stock adjustment		(2,938)	2,938
	- sale of bagasse	27.2	53,175	14,620
			202,569	160,761
Cost of goods manufactured			2,402,161	1,244,700
Finished goods	- opening		198,540	425,460
	- closing	9	(122,921)	(198,540)
			75,619	226,920
			2,477,780	1,471,620

27.1 This includes Rs. 8.85 million (2009: Rs.2.15 million) in respect of staff retirement benefits.

27.2 These figures are net off sales tax and special excise duty of Rs. 4.60 million (2009: Rs.6.29 million) in respect of molasses and Rs. 9.19 million (2009: Rs. 2.49 million) in respect of bagasse.

	Note	2010	2009
		(Rupees in '000)	

28. Distribution cost

	Note	2010	2009
Salaries, wages and other benefits	28.1	1,672	1,078
Insurance		2,703	688
Sugar dispatch expenses		43	400
Forwarding expenses		472	323
Brokerage and commission		95	82
		4,985	2,571

28.1 This includes Rs. 0.068 million (2009: Rs. 0.049 million) in respect of staff retirement benefits.

29. Administrative expenses

	Note	2010	2009
Salaries, wages and other benefits	29.1	43,448	32,141
Directors' fee		160	120
Rent, rates and taxes		2,159	937
Communication expense		1,979	1,177
Conveyance and travelling		5,628	4,001
Printing and stationery		1,149	951
Entertainment		687	430
Vehicles expenses		3,133	2,185
Insurance		1,443	1,069
Repairs and maintenance		3,519	2,824
Subscription		504	340
Legal and professional charges		6,341	2,960
General expenses		486	233
Utilities		2,111	1,611
Depreciation	4.1.1	6,466	1,668
		79,213	52,647

29.1 This includes Rs. 7.38 million (2009: Rs. 1.89 million) in respect of staff retirement benefits.

30. Other operating expenses

	Note	2010	2009
Auditors' remuneration	30.1	386	308
Workers' profit participation fund	21.1	7,952	9,757
Workers' welfare fund	21.1	3,022	3,708
Charity and donation	30.2	389	318
		11,749	14,091

30.1 Auditors' remuneration

	2010	2009
Annual audit fee	190	173
Other services	75	50
Out of pocket expenses	121	85
	386	308

30.2 None of the Directors or their spouses had any interest in the donees.

31. Other operating income

	2010	2009
Income from financial assets		
Dividend income from a related party	-	486
Profit on PLS and deposit accounts with banks	855	2,543
Mark-up on provident fund balance	195	232
Mark-up on growers' loans	191	87
	1,241	3,348
Income from non-financial assets		
Gain on disposal of operating property, plant and equipment	23	1,764
Other		
Miscellaneous	810	861
	2,074	5,973

	Note	2010	2009
		(Rupees in '000)	

32. Finance cost

	Note	2010	2009
Mark-up on long-term financing		22,395	31,762
Mark-up on short-term borrowings		79,760	54,076
Interest on workers' profit participation fund	21.1.1	345	-
Bank charges		1,458	756
		103,958	86,594

33. Provision for taxation

The assessments of the Company for and upto the tax year 2010 have been completed or deemed to be assessed. The Company is only liable to pay minimum tax for the current year, therefore, no numerical tax reconciliation is given.

34. Earnings per share- basic

	2010	2009
Profit after taxation	84,299	125,440
	Number of shares	
Weighted average number of ordinary shares in issue during the year	7,027,680	7,027,680
Earnings per share - basic	Rs. 11.99	Rs.17.85*

**restated*

35. Financial risk management objectives and policies

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

- Market risk including currency risk, interest rate risk and price risk.
- Credit risk
- Liquidity risk.

This note presents information about the Company's exposure to each of the above risk, the Company's objectives, policies and procedures for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Company risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Company overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

The Company's senior management provides policies for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, financial instruments and investment of excess liquidity. It is the company policy that no trading in derivatives for speculative purpose shall be undertaken.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below :

35.1 Market risk

Market risk is the risk that fair value of future cash flows will fluctuate because of changes in market prices The Company has exposed to market risks such as interest rate risk and price risk.

Financial instruments affected by market risk include short-term investments (available- for- sale), long-term financing and short-term borrowings.

a) Foreign currency risk

Foreign currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of the change in foreign exchange rates. The Company's exposure to the risk arises mainly from future economic transactions or receivables and payables that exist due to transaction in foreign exchange.

b) Interest rate risk

Interest rate risk is the risk that fair value or future cash flows of the financial instruments will fluctuate due to change in the market interest rates. The Company interest rate risk arises from long-term and short-term borrowings obtained with floating rates. All the borrowings of the Company are obtained in functional currencies. Applicable interest rates of financial instruments are given in respective notes.

Change in interest rate by 2% may have a positive or negative impact of approximately Rs. 13.86 million (2009: Rs.10.05 million) in profit & loss account before taxation. The analysis made based on the assumption that all other variable remains constant.

c) Price risk

Price risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of change in market prices (other then those arising from interest rate risk). The Company has exposed to other price risk like equity risk that arise from Company's investment in listed securities that are classified as available-for-sale investments. Listed securities are susceptible to market price risk arising from uncertainties about future returns of the investment securities.

At the balance sheet date, the exposure to listed equity securities at fair value was Rs. 56.62 million (2009: Rs.63.83 million). A decrease in 10% in the share price of the listed securities would have an impact of approximately Rs.5.66 million on the equity or income depending whether or not the decline is significant and prolonged. An increase of 10% in the share price of the listed securities would impact equity in the similar amount but will not have an effect on income unless there is an impairment charge associated with it.

35.2 Credit risk

Credit risk is the risk of financial loss to the Company if counter parties to a financial instrument fails to meet its contractual obligations. The Company does not have significant exposure in relation to individual customers. Aging analysis of trade debts is disclosed in note no.10 of this financial statements. The Company exposure to credit risk is minimal as the Company receives advance against sale of goods to customers.

The maximum exposure to credit risk at the reporting date is as follows :

	2010	2009
	(Rupees in '000)	
Long-term deposits	732	738
Trade debts	90,979	84,050
Advances	72,608	20,768
Short-term investments	56,616	63,828
Bank balances	29,942	33,704
	250,877	203,088

a) Credit quality of financial assets

The credit policy of financial assets that are neither past nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates:

	2010	2009
Trade debts		
Customers with no default in the past one year	90,979	84,050
Advances		
Counter parties without credit rating	72,608	20,768
Short-term investments		
Counter parties without credit rating	56,616	63,828
Cash at bank		
A1 +	29,942	33,704

35.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligation as they fall due.

The Company applies prudent liquidity risk management by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. As at balance sheet date, the Company has unused credit facilities of Rs.1,037 million (2009 : Rs.579 million)

Table below summarises the maturity profile of the Company's financial liabilities at the following reporting dates based on contractual undiscounted payments. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Interest bearing			Non-interest bearing			2010	2009
	Less than one year	One to five years	Sub total (a)	Less than one year	One to five years	Sub total (b)	Total (a+b)	
	(Rupees in '000)							
Financial liabilities:								
Long term financing	44,444	88,890	133,334	-	-	-	133,334	177,778
Deferred liabilities	-	-	-	-	105,558	105,558	105,558	103,282
Short-term borrowings	161,878	-	161,878	-	-	-	161,878	170,240
Trade & other payables	-	-	-	347,536	-	347,536	347,536	269,800
Accrued mark-up	-	-	-	14,843	-	14,843	14,843	18,089
	206,322	88,890	295,212	362,379	105,558	467,937	763,149	739,189

Effective interest rates for the monetary financial assets and liabilities are mentioned in the respective notes to the financial statements.

35.4 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.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value.

The following table shows financial instruments recognized at fair value, analysed between those whose fair value is based on:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: Those whose inputs for the asset or liability that are not based on observable market date (unobservable inputs)

	Total	Level 1	Level 2	Level 3
	(Rupees in '000)			
Financial assets measured at fair value				
September 30, 2010				
Investment at fair value (available-for-sale securities)	56,616	56,616	-	-
September 30, 2009				
Investment at fair value (available-for-sale securities)	63,828	63,828	-	-

35.5 Capital risk management

The Company's objective when managing capital are to safeguard the Company's ability to continue as going concern in order to provide returns for share holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is not subject to any externally imposed capital requirements.

The Company manages its capital structure and makes adjustment to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares.

The gearing ratios as at September 30, 2010 and 2009 were as follows

	2010	2009
	(Rupees in '000)	
Total long-term debt	133,334	177,778
Share capital	70,277	63,888
Reserves	311,318	256,592
Total equity	381,595	320,480
Total equity and long-term debt	514,929	498,258
Gearing ratio	25.89%	35.68%

36. Remuneration of Chief Executive, Directors & Executives

Particulars	2010 Chief Executive	2010 Directors	2010 Executives	2009 Chief Executive	2009 Directors	2009 Executives
	(Rupees in '000)					
Remuneration & bonus	14,175	17,711	9,540	10,340	13,534	7,656
Housing allowance	1,303	2,894	2,841	1,204	2,641	2,509
Utilities	250	604	631	250	569	557
Leave fare assistance	780	780	-	625	625	-
Retirement benefits	1,635	1,635	1,252	1,444	1,444	582
	18,143	23,624	14,264	13,863	18,813	11,304
No. of persons	1	2	9	1	2	6

The Chief Executive, Directors and Executives are provided with the use of Company maintained cars and are also provided with the residential telephone facility which is reimbursed at actual to the extent of their entitlements.

37. Transactions with related parties

Related parties comprise of related group companies, associated companies, directors and executives. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties, contribution to staff benefit funds, mark-up on loans, amount due from executives and remuneration of directors and executives are disclosed in the relevant notes. Other material transactions with related parties are given below :

Relationship	**Nature of transaction**	**2010**	**2009**
		(Rupees in '000)	
Group companies	Services received	2,473	1,563
	Goods purchased	1,619	2,976
	Goods sold	203,299	161,272
	Dividend received	-	486
	Dividend paid	6,997	2,799
Other related parties	Insurance premium	1,609	1,428
	Contribution to staff provident and gratuity funds	16,298	4,089

In addition, certain actual administrative expenses are being shared amongst the group companies.

38. Recent accounting developments

38.1 Standards and interpretations that become effective but not relevant to the Company

The following standards (revised or amended) and interpretations became effective for the current financial year but are either not relevant or do not have any material effect on the financial statements of the Company:

IAS	23	Borrowing Costs (Revised)
IAS	27	Consolidated and Separate Financial Statements (Revised)
IAS	32	Financial Instruments (Amended for puttable instruments and obligations arising on liquidation)
IAS	39	Financial Instruments: Recognition and Measurement (Amended)
IFRS	3	Business Combinations (Revised)
IFRS	8	Operating Segments
IFRIC	15	Agreements for the Construction of Real Estate
IFRIC	16	Hedges of a Net Investment in a Foreign Operation
IFRIC	17	Distributions of Non-cash Assets to Owners
IFRIC	18	Transfers of Assets from Customers

38.2 Standards, interpretation and amendments to approved accounting standards 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:

Standards or interpretation		Effective date (accounting periods beginning on or after)
IAS 24	Related Party Disclosures (Revised)	January 01, 2011
IAS 32	Financial Instruments: Presentation-Amendments relating to Classification of Rights Issues	February 01, 2010
IFRS 2	Share-based Payment: Amendments relating to Group-settled Share-based Payment transactions	January 01, 2010
IFRIC 14	IAS 19 - The Limit on Defined Benefit Asset, Minimum Funding Requirement and their Interactions (Amendment)	January 01, 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

The Company expects that the adoption of the above revision, amendments and interpretations of the standards will not have any material impact on the Company's financial statements in the period of initial application except for the implication of IAS 24 - Related Party Disclosures (revised), which may effect certain disclosures.

In addition to above addition to various accounting standards have also been issued by the IASB as a result of its annual improvement project in April 2009. Such improvements are generally effective for accounting periods beginning on or after 01 January 2010. The Compay expects that such improvements of the standards will not have any material impact on the Company's financial statements in the period of initial application.

39. Capacity and production

	2010	2009
No. of days mill operated	121	115
Crushing capacity per day (M. Tons)	4,500	4,500
Total crushing capacity on the basis of no. of days (M. Tons)	544,500	517,500
Actual crushing (M. Tons)	455,129	435,690
Sugar production (M.Tons)	48,202	46,235

The sugar production plant capacity is based on crushing sugar cane on daily basis and the sugar production is dependent on certain factors which include sucrose recovery. The short fall in actual crushing is mainly on account of shortage of sugar cane.

40. Date of authorization for issue

These financial statements have been authorized for issue on November 30, 2010 by the Board of Directors of the Company.

41. Dividend and appropriations

Subsequent to the year ended September 30, 2010, the Board of Directors has approved / proposed the following in its meeting held on November 30, 2010 for the approval of the members at the Annual Genaral Meeting.

	2010	2009
	(Rupees in '000)	
Proposed cash dividend @ Rs.1.50 per share (2009: @ Rs.2.50 per share)	10,542	15,972
Proposed bonus shares @ 20% (2009: 10%)	14,055	6,389

42. Corresponding figures

There were no material reclassifications that could affect the financial statements materially.

43. General

Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

ASLAM FARUQUE
Chief Executive

TARIQ FARUQUE
Director

pattern of shareholding
as at september 30, 2010

Number of shareholders	Shareholding From	To	Shares held	%
1,034	1	100	21,565	0.3069
350	101	500	85,057	1.2103
107	501	1000	74,861	1.0652
129	1001	5000	287,648	4.0931
30	5001	10000	205,407	2.9228
3	10001	15000	37,098	0.5279
4	15001	20000	71,192	1.0130
3	20001	25000	65,460	0.9315
1	25001	30000	26,950	0.3835
1	90001	95000	91,374	1.3002
4	125001	130000	519,200	7.3879
2	145001	150000	293,212	4.1722
1	150001	155000	154,770	2.2023
1	165001	170000	167,690	2.3861
1	180001	185000	180,177	2.5638
2	190001	195000	387,469	5.5135
1	545001	550000	545,475	7.7618
1	900001	905000	901,925	12.8339
1	2910001	2915000	2,911,150	41.4241
1,676			7,027,680	100.0000

categories of shareholders
as at september 30, 2010

Categories	Number of shareholders	Number of shares held	%
Individuals	1,622	1,662,650	23.8180
Financial institutions	23	1,849,710	26.3269
Insurance company	1	180,177	2.5703
Investment companies	3	711	0.0139
Charitable trusts	3	12,215	0.1740
Joint stock companies	22	3,124,570	44.0542
Others	2	197,647	3.0427
	1,676	7,027,680	100.0000

pattern of shareholding
as at september 30, 2010

ADDITIONAL INFORMATION

Shareholders' category	Shares held
Associated companies	
Faruque (Private) Limited	2,911,150
Greaves Pakistan (Private) Limited	167,690
Government institutions	
National Bank of Pakistan (Trustee of NIT)	901,925
Investment Corporation of Pakistan (ICP)	387
Directors and Chief Executive and their spouses	
Mr. Mahmood Faruque	91,374
Mr. Mohammed Faruque	1
Mr. Aslam Faruque	5,225
Mr. Akbarali Pesnani	21,571
Mr. Arif Faruque	15,500
Mr. Tariq Faruque	7,256
Mr. Naeemuddin Butt	26,950
Mrs. Chaman Faruque W/o Mr. Mahmood Faruque	11,436
Executives	-
Banks, Development Financial Institutions, Non-banking Finance Institutions, Insurance Companies Modarabas and Mutual Funds	1,128,662
Shareholders holding 10% or more voting interest	
Faruque (Private) Limited	2,911,150
National Bank of Pakistan (Trustee of NIT)	901,925

Proxy Form

MIRPURKHAS SUGAR MILLS LTD
46th Annual General Meeting
2010

IMPORTANT
Instrument of Proxy will not be considered as valid unless it is deposited or received at the Company's Registered Office at Modern Motors House, Beaumont Road, Karachi-75530 not later than 48 hours before the time of holding the meeting.

Registered Folio/ Participant's
ID No. & A/c No. ______________________
____
No. of Shares held ______________________

I / We ____

of ____

being member of Mirpurkhas Sugar Mills Limited, hereby appoint ______________________

______________________ of ______________________

another member of the Company as my / our proxy to attend & vote for me / us and on my / our behalf at the 46th Annual General Meeting of the Company to be held on Thursday, December 30, 2010 at 11:00 a.m. and at any adjournment thereof.

WITNESSES:

1. Signature ______________________
   Name ______________________
   Address ______________________
   ____
   CNIC or Passport No. ______________________

2. Signature ______________________
   Name ______________________
   Address ______________________
   ____
   CNIC or Passport No. ______________________

Signature of Shareholder

Please affix Five Rupees Revenue Stamp

Note: SECP's Circular of January 26, 2000, is on the reverse side of this form.

Securities and Exchange Commission of Pakistan

STATE LIFE BUILDING # 7, BLUE AREA, ISLAMABAD

Islamabad, January 26, 2000.

Circular No.1 of 2000

Sub : GUIDELINES FOR ATTENDING GENERAL MEETINGS AND APPOINTMENT OF PROXIES

The shares of a number of listed companies are now being maintained as "book entry security"on the Central Depository System (CDS) of the Central Depository Company of Pakistan Limited (CDC). It has come to the notice of the Commission that there is some confusion about the authenticity of relevant documents in the matter of beneficial owners of the shares registered in the name of CDC for purposes of attending the general meetings and for verification of instruments of proxies. The issue has been examined and pending the further instructions to be issued in this regard the following guidelines for the convenience of the listed companies and the beneficial owners are laid down :

A. Attending of meeting in person by account holders and/or sub-account holders and persons whose securities are in group account and their registration details are uploaded to CDS :

(1) The Company shall obtain list of beneficial owners from the CDC as per regulation # 12.3.5 of the CDC Regulations.

(2) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are up loaded as per the regulations, shall authenticate his identity by showing his orignal National Identity Card (NIC) or original Passport at the time of attending the meeting.

(3) In case of Corporate entity, the Board of Directors' resolution /power of attorney with specimen signature of the nominee shall be produced at the time of the meeting.

B. Appointment of Proxies :

(1) In case of individual, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per requirement notified by the Company.

(2) The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.

(3) Attested copies of NIC or the Passport of the beneficial owners and the proxy shall be furnished with the Proxy Form.

(4) The proxy shall produce his orignal NIC or original Passport at the time of the meeting.

(5) In case of Corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted alongwith Proxy Form to the Company.

sd.
(M. Javed Panni)
Chief (Coordination)

GHULAM FARUQUE
GROUP

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ThinkTank