Annual Report
for the year ended 30 September 2009

Continued Excellence

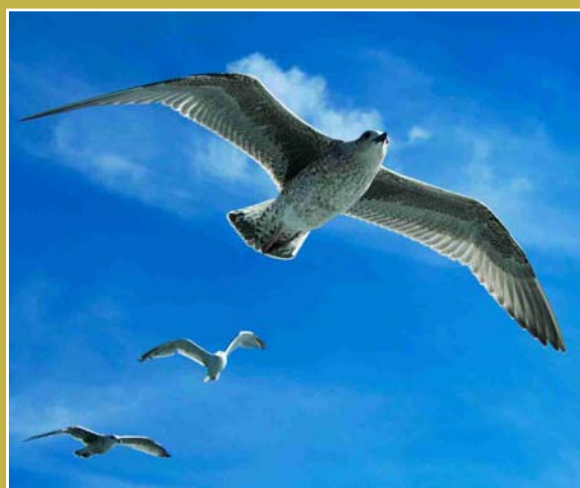
Corporate Social Responsibility

Innovative Corporate Farming

Bond with Growers

Community Empowerment

JDW Sugar Mills Limited



Moving Ahead Together

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

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

Contents

Corporate Information

Directors

Syed Ahmed Mahmud
Director/Chairman

Mr. Jahangir Khan Tareen
Director/Chief Executive

Mr. Ijaz Ahmed Phulpoto
Mr. Asim Nisaar Bajwa
Mr. Imtiaz Ali
Mr. Muhammad Ismail
Mr. Abdul Ghaffar

CFO & Company Secretary

Mr. Muhammad Rafique

Audit Committee

Mr. Jahangir Khan Tareen
Chairman

Syed Ahmed Mahmud
Secretary

Mr. Muhammad Ismail
Member

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Registrar

Corplink (Pvt.) Ltd.

Legal Advisor

Cornelius, Lane & Mufti

Bankers

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

Registered Office

17-Abid Majeed Road,
Lahore Cantonment, Lahore.

Mills

Unit-I
Mauza Shirin, Jamal Din Wali,
Distt. Rahim Yar Khan.
Unit-II
Machi Goth, Bakshabad,
Sadiqabad.

Mission & Strategy

Mission

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

Strategy

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

Notice of Annual General Meeting

Notice is hereby given that 20th Annual General Meeting of JDW Sugar Mills Limited (the "Company") will be held at Fairways Hall, Royal Palm, Golf & Country Club, 52-Canal Bank Road, Lahore on Saturday, 30th January, 2010 at 9:00 a.m. to transact the following business:

Ordinary Business:

1. To confirm the minutes of the Extra Ordinary General Meeting held on November 1, 2009.

2. To receive, consider and adopt the audited accounts of the company for the financial year ended on 30th September, 2009 together with Directors' and Auditors' Reports thereon.

3. To approve final cash dividend @ 40 % i.e Rs. 4 per share for the year ended September 30, 2009 as recommended by the Board of Directors.

4. To appoint Auditors of the Company for the next financial year 2009-10 and fix their remuneration. The retiring Auditors M/s KPMG Taseer Hadi & Co. Chartered Accountants, being eligible, have offered themselves for reappointment as Auditors of the Company.

Special Business:

5. Equity Investment in Associated Company - JK Dairies (Private) Limited

   To consider and if deemed fit to pass the following resolutions with or without modification, addition or deletion, as special resolutions:

   a) "Resolved that consent and approval of the members of the Company be and is hereby accorded under Section 208 of the Companies Ordinance, 1984 for an investment of up to an aggregate sum of Rs. 200,000,000 in the equity of JK Dairies (Private) Limited, an associated Company, by subscription of up to 10,000,000 shares of Rs. 10/- each at price of Rs. 20/- per share.

   b) Further resolved that Mr. Muhammad Rafique, Company Secretary of the Company be and is hereby authorized to make the aforesaid investment in shares as and when he deems fit and to give effect to the above resolutions and take all necessary steps as required under law or otherwise and to sign and execute any agreement, documents etc. for and on behalf of the Company in relation to the above."

6. Issuance of shares other than right shares to Rana Nasim Ahmed and Mr. Muhammad Rafique.

a) “Resolved that, subject to the approval and sanction of the Securities & Exchange Commission of Pakistan, approval of members be and is hereby granted to issue 690,000 ordinary shares of Rs. 10 each to Rana Nasim Ahmed (ex-senior employee of the company) and 48,300 ordinary shares to Mr. Muhammad Rafique, Company Secretary, otherwise than right issue under the first proviso of section 86 of the Companies Ordinance, 1984, for a consideration of Rs. 10/- per share, total 738,300 shares of Rs. 10/- each being issued against a consideration amounting to Rs. 7,383,000”.

b) “Further resolved that Mr. Muhammad Rafique, Company Secretary be and is hereby authorised and empowered to give effect to the above resolution and to take all necessary steps as required under law or otherwise and to sign and execute any petitions, applications, documents, letters of authorities etc. for and on behalf of the Company in relation to the foregoing and to further sub-delegate any or all of his powers hereunder”.

7. Issuance of shares other than right shares to consultants / advisors

a) “Resolved that, subject to the approval and sanction of the Securities & Exchange Commission of Pakistan, approval of members be and is hereby granted to the Board of Directors to issue, from time to time, upto an aggregate number of 1.5 million ordinary shares of Rs. 10 each, to consultants and advisors (not being full time employees) of the Company, otherwise than right issue under the first proviso of section 86 of the Companies Ordinance, 1984, for a consideration of Rs. 10/- per share, with upto a total 1.5 million shares of Rs. 10/- each being issued against a consideration amounting to Rs. 15 million”.

b) “Further resolved that Mr. Muhammad Rafique, Company Secretary be and is hereby authorised and empowered to give effect to the above resolution and to take all necessary steps as required under law or otherwise and to sign and execute any petitions, applications, documents, letters of authorities etc. for and on behalf of the Company in relation to the foregoing and to further sub-delegate any or all of his powers hereunder”.

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

By Order of the Board

Lahore:
January 09, 2010

(Muhammad Rafique)
Company Secretary

NOTES:

1. The share transfer books of the company will remain closed and no transfer of shares will be accepted for registration from 24th January, 2010 to 30th January, 2010 (both days inclusive). Share transfers received upto close of business on 23 January , 2010 shall entitle the transferees to the aforesaid cash dividend.

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

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

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

Explanatory Statement

Required By Section 160 (1) (b) Of The Companies Ordinance, 1984

Agenda Item No. 5

i) **Name of Investee Company or associated undertaking:**

JK Dairies (Private) Limited: JK Dairies (Private) Limited ("JKDPL") is an associated company of JDW Sugar Mills Limited (the "Company"). JKDPL was incorporated on February 26, 2007 and principally engaged in production and supply of milk.

ii) **Nature, amount and extent of investment:**

Equity investment upto Rs.200,000,000 (Rupees: two hundred million).

iii) **Average market price of the shares intended to be purchased during preceding six months in case of listed companies:**

N.A. as the Investee Company is a private limited company

iv) **Break up value of shares intended to be purchased on the basis of last published accounts:**

Per shares break-up value as per audited accounts for the year ended on June 30, 2009 is Rs. (5.54).

v) **Price at which shares will be purchased**

Total 10,000,000 ordinary shares will be purchased at Rs.20 per share inclusive of premium of Rs. 10 per share.

vi) **Earnings/(loss) per share of Investee Company in last three years**

Earnings/(loss) per share as per audited accounts for the last three years are:

A. June 30, 2009 Rs. (7.89) B. June 30, 2008 Rs. (6.52). C. June 30, 2007 Rs. (10,101).

vii) **Source of funds from where shares will be purchased:**

Funds will be arranged from available distributable profits of the company.

viii) **Period for which investment will be made:**

Long term equity investment

ix) **Purpose of investment:**

To create new profit avenues for the company and diversify business.

x) **Benefit likely to accrue to the company and the shareholders from the proposed investment:**

Expected dividend returns from the Investee Company will enhance profitability of the company , which resultantly will strengthen/consolidate its share price and confidence of investors and creditors.

xi) **Interest of Directors and their relatives in the Investee Company:**

The Directors of the Company are interested in the business to the extent that two Directors, namely Syed Ahmed Mahmud and Mr. Jahangir Khan Tareen, own 100 % of the existing issued & paid-up capital of the Investee Company. The total paid up capital is 15,000,000 shares of Rs. 10 each, out of which 6,000,000 shares had been issued to Mr. Jahangir Khan Tareen on Rs. 10 premium for each share of Rs. 10.

Agenda Item No. 6

An Employees Stock Option Scheme ("Old Scheme") was approved under the Public Companies (Employee Stock Option Scheme) Rules, 2001 (the "Rules") by the members of the company in their Annual General Meeting held on December 31, 2005 through a special resolution. Prior to that, Board of Directors also approved the Old scheme on December 12, 2005. However, the Old Scheme was inadvertently not got approved by Securities & Exchange Commission of Pakistan ("SECP") prior to issuance of shares thereunder. By virtue of said Old Scheme the Company has to date issued 738,300 ordinary shares (i.e. 300,000 and 235,000 ordinary shares on 15.02.2007 and 27.11.2007 respectively and subsequently bonus for 2007 @ 20% of 535,000 shares i.e. 107,000 and bonus for 2008 @ 15% of 642,000 shares i.e. 96,300) to its senior employees. On becoming aware, through correspondence with the Central Depository Company of Pakistan Limited, that approval of SECP had inadvertently not been obtained, the Company immediately brought the matter to the notice of SECP vide its application dated May 12, 2008 and sought rectification of the oversights including obtaining post facto sanction to the Scheme, and all options granted/exercised thereunder. SECP has vide its letter dated May 22, 2009 informed the Company that post facto sanction of the Old Scheme is not possible. Therefore, the Company proposed to terminate the Old Scheme and replace it with a proposed new Employees Stock Option Scheme ("New Scheme"). The shareholders of the Company have approved the termination of the Old Scheme and replacement with New Scheme vides special resolution dated November 1, 2009. An application has been made by the Company with SECP for approval of the New Scheme, which application is pending.

As stated above, 690,000 ordinary shares were issued to Rana Nasim Ahmed (former senior employee of the Company) and 48,300 ordinary shares were issued to Mr. Muhammad Rafique, Company Secretary in 2007, ostensibly under the Company's Old Scheme. Subsequently, the Company discovered that the Old Scheme had inadvertently not got approved by the SECP and applied for post-facto approval, which SECP has declined. Hence, the shares issued to employees ostensibly under the Old Scheme have been treated by SECP as shares issued in contravention of Section 86 of the Companies Ordinance, 1984 for which the SECP issued show cause notice dated January 9, 2008. The matter was disposed off with a fine imposed on the Chief Executive of the company. Subsequently, SECP has on November 6, 2009 issued a direction under Section 472 of the Companies Ordinance, 1984 directing the Company to cancel the aforementioned irregularly issued shares.

The Company is in the process of complying with such directions.

It is pertinent to note that the issuance of the said shares to the aforementioned employees was intended as a recognition of their hard work and performance, and was intended to motivate and retain such employees. Therefore, issuance of such shares to the said employees was for the greater interest and benefit of the Company and its shareholders. Any violations of the Rules and/or said Section 86 was inadvertent and not intended to cause any harm or damage to any shareholder. It is the management's intention that aforementioned employees not suffer as a result of such oversights. The overall impact of the shares issued was negligible, as the total issued shares (738,300 shares) do not constitute a substantial percentage of the paid-up capital of the Company.

For the aforementioned reasons, and in lieu of the irregularly shares to be cancelled on direction of the SECP, the Company now proposes to issue, subject to sanction of SECP, 690,000 ordinary shares of Rs. 10 each to Rana Nasim Ahmed (ex-senior employee of the company) and 48,300 ordinary shares to Mr. Muhammad Rafique, Company Secretary, otherwise than right issue under the first proviso of section 86 of the Companies Ordinance, 1984, for a consideration of Rs. 10/- per share, i.e. total 738,300 shares of Rs. 10/- each being issued against a consideration amounting to Rs. 7,383,000.

The latest market value of share of the Company is Rs. 56. The aforementioned shares are proposed to be issued at par, i.e. at a discount of Rs. 46 to this market value, to restore Rana Nasim Ahmed and Mr. Muhammad Rafique to same position as if the shares issued under the Old Scheme had been validly issued. As discussed above, the shares were earlier issued in recognition of hard work and efforts of Rana Nasim Ahmed and Mr. Muhammad Rafique in achieving the sterling performance which has greatly benefited the shareholders. It is the management's intention to ensure that they do not suffer as a result of inadvertent oversights. Therefore, shares are proposed to be issued as other than right. Additionally, issuance of new shares would protect the Company from any legal action for damages or claims on account of cancellation of aforementioned shares. The overall impact of the share issue is negligible, as the total number of shares (738,300 shares) proposed to be issued does not constitute a substantial percentage of the paid-up capital of the Company. Once the shares are issued, the overall shareholding and shareholding pattern of the Company would be the same as existing immediately prior to the cancellation of aforementioned shares, with Rana Nasim and Mr. Muhammad Rafique holding in aggregate 1,144,250 shares and 79,000 shares respectively in the Company (which would respectively constitute 2.58% and 0.17 % of paid-up capital of 44,284,057 shares of the Company. The proceeds of issue would be utilized by the Company in ordinary course of business. The new shares would rank pari passu with existing shares. Written consent from Rana Nasim Ahmed and Mr. Muhammad Rafique would be obtained prior to issuance of shares. The issuance of shares as other than right issue requires approval of SECP.

The directors are not interested in this business.

Agenda Item No. 7

The Company regularly engages consultants and advisors who do not qualify as full-time employees and hence are not eligible for stock options under the New Scheme proposed to be implemented by the Company. It is the intention of the Company to partially compensate such consultants and advisors, from time to time, by issuance of shares in the Company. Not only would this be a reward / bonus for such consultants and advisors, it would increase their interest and participation in the affairs of the Company and would come at no financial cost to the Company. Rather, the subscription money paid to the Company would in fact be utilized by the Company for its business activities. Therefore, 1.5 million shares of Rs. 10/- each are proposed to be issued by the Company, subject to sanction of SECP to such consultants and advisors from time to time as other than right shares, under the first proviso of section 86 of the Companies Ordinance, 1984, for a consideration of Rs. 10/- per share, i.e. total 1.5 million shares of Rs. 10/- each being issued against a consideration amounting to Rs. 15 million.

The latest market value of shares of the Company is Rs. 56. The aforementioned shares are proposed to be issued at par, i.e. at a discount of Rs. 46 to this market value. Shares are proposed to be issued as other than right for reasons stated above. The overall impact of the share issue is negligible, as the total number of shares (1.5 million shares) proposed to be issued from time to time does not constitute a substantial percentage of the paid-up capital of the Company. Identity and post-issue shareholding of proposed allottees is not available at present and will be determined from time to time by the Board of Directors, subject to maximum number of shares approved by the Company and SECP. The new shares would rank pari passu with existing shares. Written consent from consultants / advisors would be obtained prior to issuance of shares. The issuance of shares as other than rights issue requires approval of SECP.

The directors are not interested in this business.

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

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

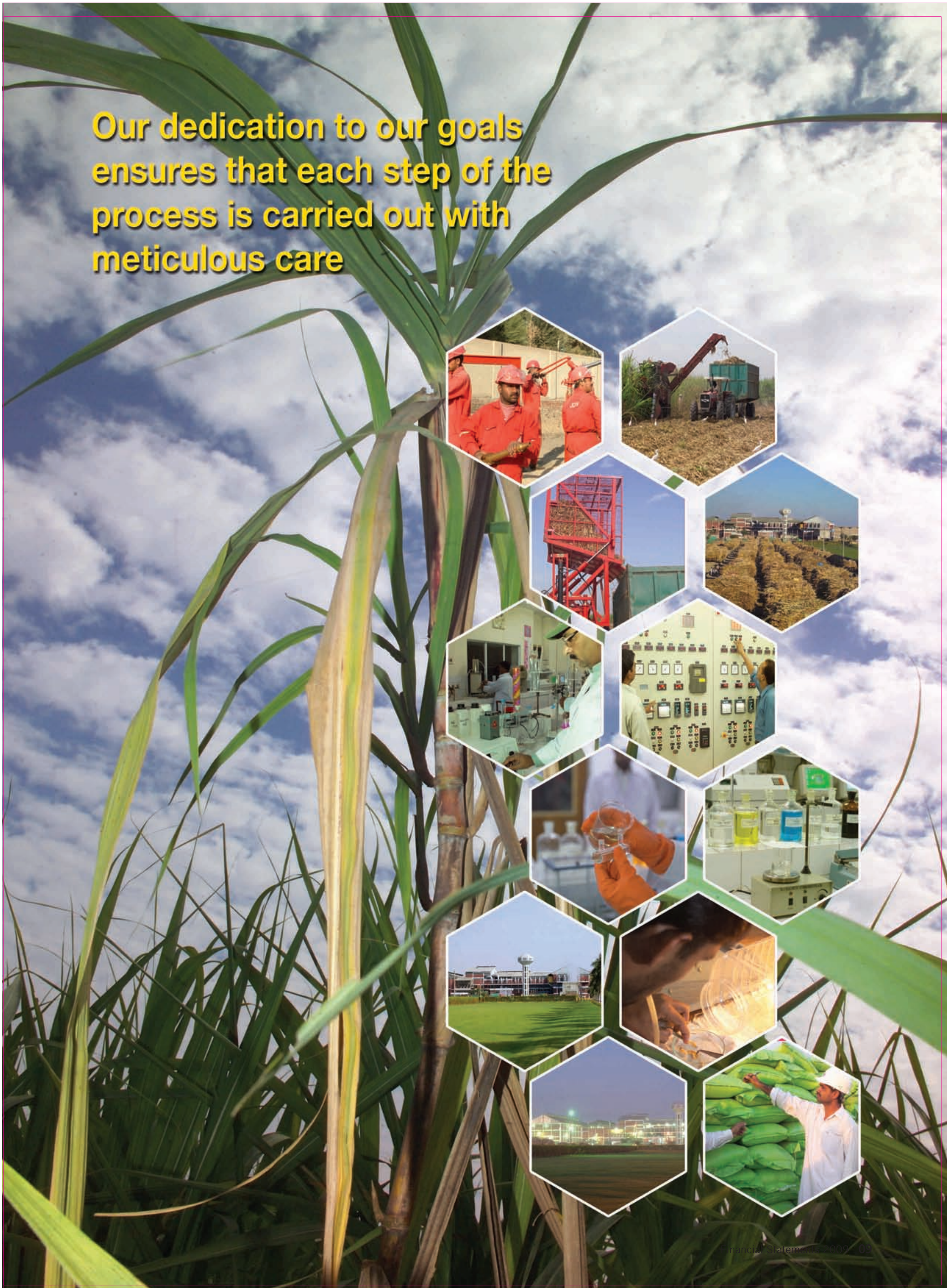
By virtue of said approval the company was authorized to subscribe up to 50,000,000 ordinary shares of Rs. 10/- each at par value of JDWPL as and when were offered by JDWPL, which to date have not been offered by JDWPL. To the Company's knowledge, there has been no major change in financial position of JDWPL since the date of last special resolution.

Operating Highlights

Production Data Unit - I		2004	2005	2006	2007	2008	2009
Season Started	Date	11-Nov-03	31-Oct-04	14-Nov-05	17-Nov-06	19-Nov-07	23-Nov-08
Season Closed	Date	25-Apr-04	23-Mar-05	18-Mar-06	12-Apr-07	1-May-08	9-Mar-09
Days Worked	Days	167	143	125	147	165	107
Average daily crushing	M.Tons	7,089	9,069	10,510	12,860	17,239	13,911
Sugar cane crushed	M.Tons	1,183,944	1,296,893	1,313,812	1,890,482	2,844,395	1,488,463
Sugar recovery	% age	10.55	10.45	10.44	10.35	10.16	11.15
Sugar production	M.Tons	124,856	135,490	152,256	195,586	288,949	165,968
Molasses recovery	% age	4.56	4.56	4.20	4.09	4.74	4.03
Molassed production	M.Tons	53,984	54,154	55,655	77,311	134,817	60,021

Production Data Unit - II		2004	2005	2006	2007	2008	2009
Season Started	Date	14-Nov-03	3-Nov-04	15-Nov-05	17-Nov-06	19-Nov-07	23-Nov-08
Season Closed	Date	1-Apr-04	15-Mar-05	9-Mar-06	1-Apr-07	18-Apr-08	5-Mar-09
Days Worked	Days	140	133	115	136	152	103
Average daily crushing	M.Tons	4,921	4,601	4,460	5,274	6,551	5,784
Sugar cane crushed	M.Tons	688,944	611,895	512,844	717,230	995,700	595,765
Sugar recovery	% age	9.16	9.47	9.80	10.22	10.15	11.25
Sugar production	M.Tons	63,110	57,948	50,256	73,315	101,082	67,044
Molasses recovery	% age	4.50	4.40	4.53	4.48	5.11	4.21
Molassed production	M.Tons	31,041	26,940	23,235	32,151	50,864	25,083

Operating Results		2004	2005	2006	2007	2008	2009
Gross sales		3,084,588	4,420,956	6,489,766	6,144,673	10,069,182	8,630,340
Net sales		2,776,164	3,854,741	5,635,918	5,344,241	8,718,072	7,572,724
Cost of sales		2,302,093	2,933,362	4,401,380	4,453,433	7,082,728	5,670,105
Administrative, distribution & marketing expenses		82,868	92,671	147,542	147,654	277,133	192,472
Finance cost		105,453	205,650	495,060	697,960	662,328	870,430
Other operating expenses		3,051	43,617	207,121	14,153	81,786	103,134
Other operating income		(3,102)	(12,357)	(18,351)	(102,275)	(54,005)	(23,290)
Profit before taxation		271,525	572,573	403,167	132,957	668,101	759,873
Profit after taxation		261,260	435,438	357,971	97,647	436,645	502,053
Basic earnings per share	Rs.	10.19	15.00	10.37	2.37	9.86	11.34
Dividend - cash	%	25	30	30	-	35	40
- bonus	%	10	15	20	20	15	–


Our dedication to our goals ensures that each step of the process is carried out with meticulous care

Social Responsibility

The unique socio-economic programs created by JDW Sugar Mills to raise income and standard of living of local communities, have continued in 2009. Programs that were originally initiated as pilot projects, now play a key role in sustaining economic development of the immediate agricultural region. The programs utilize strong social & cultural bonds to harness the true potential of communities living in the rural areas.

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

Programs

1. Sugarcane Productivity Enhancement Project (SPEP)

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

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

With continued support from JDW Sugar Mills, NRSP expanded its operation from 19 to 44 union councils. The number of active Community Organizations (COs) has now grown in 2009 to 1,362 with a membership of 17,458 farmers.

The main features of the SPEP include: -

- Social mobilization and organization of the rural poor into Community Organizations.
- Provision of agricultural extension services. Agricultural graduates employed by JDW Sugar Mills provide services through direct advice in CO meetings, published literature and farm visits.

Social Responsibility

- Credit facility from JDW Sugar Mills and NRSP for purchase of seed and other agricultural inputs on guarantee of the CO.

- Small farmers have access to farm machinery provided by JDW Sugar Mills on subsidy and credit.

  JDW Sugar Mills invested Rs 13.1 million in 2008-2009 to support this program. In addition, credit to the tune of Rs 160.4 million has been disbursed by the NRSP to raise the productivity & income of the farming communities.

2. Livestock Development Program (LDP)

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

The approach used in this project has been replicated in the "Prime Minister's Special Initiative for Livestock" by the federal departments for national implementation under various RSPs. At present seven Veterinary Clinics under this project are working in Rahim Yar Khan region.

3. Women Development Program (WDP)

The Women's Development Program was initiated in the rural areas of SPEP to develop small business skills. Women in these rural areas can now benefit from the various programs run by NRSP. The project, which has so far organized 215 COs and encouraged membership of 2,262 women, has enabled women to access credit (Rs 124.5 million) and small business training facilities. Through these programs, women have been able to provide significantly improved income support to their households.

JDW Sugar Mills has a continuous focus on women's development programs. To encourage women empowerment, JDW Sugar Mills has a special focus on women community organization (COs). In these COs women learn managerial and leadership skills, and many women obtain vocational training from Islamabad. These women also develop small micro credit programs that further enhances entrepreneur skills and self reliance, and which ultimately uplifts their whole family.

4. Support to Vocational Training Institutes

JDW Sugar Mills has financially contributed in two Vocational Training Institutes (VTIs) in Jamal Din Wali and in Rajan Pur Kalan. Up till now, JDW Sugar Mills has funded Rs. 4.6 million to following VTIs. Moreover, a very exemplary initiative was taken by JDW Sugar Mills in JDW; the VTI is to arrange a special Dress Making Course in Japan (12 Days) for the two shining students Asia and Saima. All the expenses beard by JDW Sugar Mills.

Table 1 : Vocational Training Institute progress 2008-2009

Jamal Din Wali - VTI						
Trades	**Admitted Students**			**Pass out Students**		
	Boys	**Girls**	**Total**	**Boys**	**Girls**	**Total**
Computer Operator/Office Assistant	131	23	154	95	21	116
Dress Making	–	149	149	–	129	129
Embroidery	–	149	149	–	119	119
Repair & Maintenance of Electrical	148	–	148	127	–	127
Tractor Mechanic	143	–	143	114	–	114
Total	422	321	743	336	269	605

Rajan Pur Kalan - VTI						
Computer Operator/Office Assistant	130	38	168	119	36	155
Dress Making	–	120	120	–	100	100
Embroidery	–	117	117	–	104	104
Repair & Maintenance of Electrical	116	–	116	99	–	99
Total	246	275	521	218	240	458

JDW Sugar Mills actively supported the establishment of vocational training Institutes in Jamal Din Wali, Roshan Bhait and Rajan Pur Kalan.

JDW Sugar Mills provided Rs. 6 million for setting up of these Institutes. These Institutes are currently providing training in trades that include dress making, embroidery, repair and maintenance of electrical home appliances, tractor mechanic and computer operator. Most of the graduates now have an opportunity to generate income through self employment in the market.

5. Education

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

In 2002-03, the District Government Rahim Yar Khan took a bold initiative in education sector and handed over the management of all the primary schools of Rasool Pur Union Council to NRSP. JDW Sugar Mills fully supported this initiative and provided operational, financial and

Social Responsibility

logistic support to the project. The local community was mobilized & fully involved in the management of schools. The following additional tasks were given to them:-

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

The project has been a resounding success in terms of efficient management of schools, increase in student enrolment, and reduction in drop out ratio, provision of basic facilities and involvement of local communities in monitoring performance of school administration. Since initiative commenced, an amount of Rs 40 million has been provided by JDW Sugar Mills for the up gradation of schools. The officers of the World Bank and Government of the Punjab visited these schools and appreciated the “New School Management Approach” adopted in “Rasool Pur Union Council”. The Punjab Education Sector Reforms Project (PESRP) launched in 2005-06 has been modeled on the lessons learnt from “Rahim Yar Khan Model”.

Since inception JDW funded education program expanded from 37 schools to 104 schools. This is just to address quality education issue in rural areas of district Rahim Yar Khan, JDW Sugar Mills with the strong collaboration of NRSP is managing 104 schools both for girls and boys. These schools are completely functional and each school has been addressed in fulfilling its missing facilities (109 teachers, new buildings, class rooms, boundary walls, furniture for students and teachers, toilets, sheds, water supplies, electricity & electrification, IT labs, supports material, walking bridge, and white wash) by operational support of JDW Sugar Mills with Rs. 40 million.

Table 2: The JDW Sugar Mills sponsored Quality Education Program Progress

Sr. No	Programmes	Boys	Girls	Total
1	**Rasool Pur**			
	No. of Schools	26	24	50
	Enrollment	3,559	2,273	5,832
	No. of Teachers	69	68	137
2	**Kot Karam Khan**			
	No. of Schools	13	5	18
	Enrollment	1,939	688	2,627
	No. of Teachers	28	12	40
3	**Non Formal (NEF)**			
	No. of Schools	14	11	25
	Enrollment	1,747	1,401	3,148
	No. of Teachers	16	26	42
4	**Ghotki**			
	No. of Schools	11	–	11
	Enrollment	523	93	616
	No. of Teachers	11	–	11
	Grand Total			
	No. of Schools	64	40	104
	Enrollment	7,768	4,455	12,223
	No. of Teachers	124	106	230

Social Responsibility

JDW Sugar Mills is using its valuable linkages with the district education department to make another contribution in educational institutes i.e. to raise gradation of rural community schools in elementary and high. In this respect, total 58 schools have been up graded in following grades;

No. Institutions	Previous Status	Up-gradation/ Establishment
55	Masjid Maktib Schools	Primary Schools
15	Primary Schools	Elementary/Middle Schools
05	Elementary/Middle Schools	High Schools
02	Secondary School	High Secondary School
02	-	Establishment of Boys & Girls Degree Colleges
01	-	Establishment of Community Primary Model School

Social Responsibility

6. Helping Students for Education Continuity:

With a strong focus to promote education, JDW sugar mills has undertaken another initiative to financially support students who want to continue their studies further after passing their intermediate qualification. Currently 14 boys and one girl of Jamal Din W ali city have benefited (Rs. 2.79 million) to continue their education in graduate and post graduate classes.

7. School Milk Project:

The "School Milk Project" is a combined pilot project of Pakistan Poverty Alleviation Fund, NRSP, Shakarganj Foods and Tetra Pak to impr ove the health of school going children. Initially this project was launched in fifty schools of UC Rasool Pur of Dist. RYK with each student receiving a 250ml flavored milk pack on a daily basis. In an attempt to measure the impact of this health initiative, anthropometric measurements (Height, Weight and Blood tests) will be taken from 1,000 children before and after the project.

JDW-SM is also helping to facilitate the project by providing vehicles for distribution of milk to all the schools. The expenses of vehicles has been born by JDW-SM for the period of health project.

8. Healthcare and creating healthy environment Playgrounds

In order to create healthy environment in thickly populated rural area (Basti Shah Pur) Union Council Jamal Din Wali. The JDW Gr oup converted agricultur e land into play ground one each for Boys & Girls. The worth including investment & cost of land is Rs. 39.23 million.

Water Filtration Plants

In the brackish zone JDW Sugar Mills Ltd. has established 2 water filtration plants one in Lakar Wali & other in Awami Colony Tehsil Sadiq Abad. Both plants are operated and maintained by JDW staff Periodical water tests are also arranged to maintain the quality of water Yearly expenditure is Rs. 200,000.

Lodhran Pilot Project (LPP)

In order to provide a healthy envir onment, JDW Sugar Mills has provided approximately Rs. 3 million to the LPP to rehabilitate the sewerage system of Rajan Pur Kalan and Kot Karam Khan. Public involvement is encouraged to ensure the system is maintained on a daily basis.

Biogas Plants

Currently the world is experiencing a growing fuel crisis, with the developing countries most severely affected. Understanding the need to develop a cheap renewable and sustainable energy source, NRSP with financial support from Jamal Din Wali Sugar Mills (JDW-SM), has introduced an innovative technology for producing biogas fuel at the household level. The biogas system is likely to replace the currently unaffordable kerosene oil and cylinder gas option as cooking fuel for the poor rural households. It is also expected that the 'eco-friendly' biogas system will, in time, replace the traditional fire-wood fuel systems that are both damaging to the environment and to people's health.

Biogas Plant Cost

Biogas Plants	Community Share	JDW-Sugar Mills Share
100	820,000	3,700,000

9. Free Eye Camps

NRSP/JDW Sugar Mills took another initiative in the health sector and organized eleven free eye camps. JDW Sugar Mills entusiastically participated in this program by providing both financial and logistical support. These new successful eye camps, which are focused on integrated and concentrated eye care, have become an ongoing initiative for the poor rural community.

Initially cataract surgery was conducted in Al-Shifa Eye Trust Sukkur, however over time the surgery was facilitated in local premises. Conseqently, in the last four camps, cataract surgeries were successfully operated at JDW-SM and it is expected that this practice will be continue in future.

Features of Eye Camp Program:

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

Achievements:

A series of eleven eye camps have remained productive. As a result, JDW-SM and NRSP have decided to continue the program periodically for the poor rural community.

Social Responsibility

Table 3: Eye Camp Program Development

Description	Benefit to Community				
	Men	Women	Total	Unit Cost Rs.	Total Rs
Total No. of Patients OPDs	3,598	3,482	7,080	400	2,832,000
Medicines	N/A	N/A	N/A	N/A	567,306
No. of Optics Issued to Patients	315	210	525	300	157,500
Total No. of Patients for Cataract Surgery	338	246	584	15,000	8,760,000
Admission Cost	170	111	281	520	146,120
Operational Expenses (Logistics + Refreshment + Transportation)	N/A	N/A	N/A	N/A	729,380
Cumulative Benefit Transferred to Community (at market value)					13,192,306
Actual Expenses					2,248,000

10. Free Limbs Camp

Generally poor health and poverty are interrelated issues in rural areas, and NRSP and JDW Sugar Mills are combating both problems. NRSP have always focused on health and disease prevention strategies for poor, while JDW-SM have always been available to collaborate in such health initiatives.

In November, 2009 NRSP under its wing "Naya Qadam Trust", organized a free prosthetic (artificial limbs) camp for disable members of the community. The fourteen day camp, which was organized at JDW-SM, ensured that a total of 110 disabled people were provided 113 prosthetic limbs. The beneficiaries of this limbs camp were a mixture of all groups of people....children, adolescents, and adults of both sex. The beneficiaries came not only from RYK district but also from Bahawalpur, Lodhran, Rajanpur, Sukkur, Jackababad, Larkana and Dehrki.

Corporate Farming in Pakistan

The corporate farming operations of JDW Sugar Mills Ltd continued to develop in 2009. This large and expanding corporate farming identity, comprising of JK Agri Farms and AK Agri farms, is now a farming leader within the Asian subcontinent.

The corporate farms function as separate entities and supply cane to the mills under a contractual agreement. The combined corporate farms will harvest over 18,000 acres in the 2009/2010 season, with an expected yield exceeding 550,000 tonnes.

Innovative science and the continual adoption of new technology has helped drive the successful expansion of the corporate farms. This br oadminded approach to farming is based on ef forts to continually benchmark farming operations against inter national "Best Management Practices".

Farming practices are focused on achieving yields that are both sustainable and profitable. An understanding of the cropping potential of each farm drives the agronomy strategies of the corporate farms. The successful strategies pioneered on the corporate farms ar e extended to the surrounding farming communities, which is impr oving farmer profitability and therefore reliability of cane supply to JDW Sugar Mills.

Corporate Farm Activities

Research and Development

- Varietal Screening and Selection program
- Soil and Water Testing Laboratory
- Bio-laboratory Facility
- Transfer of Technology
- New agronomic techniques
- GIS (Computerized Geographic Information System)

Agronomy Development

The adoption of new technology and the pr ogressive modification of this technology and agronomic strategies to suit local conditions is essential to the corporate farm's success.

Agronomic Strategies are focused on;

- maximizing sugar production
- extending ratoon life
- minimizing lodging
- improving irrigation efficiency
- rationalizing tillage operations
- improving harvest and transport systems

Corporate Farming in Pakistan

Mechanization

The operation of large corporate farms cannot be managed efficiently unless key operations are either mechanized or supplemented with mechanization. Mechanization has required an increase in tractor horsepower. The progressive upgrade of tractors to higher capacity 4WD models is essential in order to operate the larger and more efficient farming equipment. Improving farm layout design is essential to achieving farming efficiencies with new technologies such as mechanized harvesting and the larger tractor operations. The corporate farm continues to investigate the best available mechanized technologies in the world to create synergies with the corporate farm's manual labour force.

Mechanised operations include;

- Planting: semi-mechanized planting techniques.
- Fertilizing (2 and 3 row coulter applicators)
- Gypsum Spreading
- Interrow herbicide spraying
- High clearance tractor spraying
- Carbofuran application
- Harvesting

JK Agri Farms currently operates 9 harvesters and has the capacity to mechanically harvest over 300,000 tonnes of cane or over 10,000 acres per season. In late season harvesting the green cane trash is retained to enable zero tillage ratooning programs. The mechanical harvest and transport system continues to evolve into a world class operation as efficiencies improve with new innovations, improved infrastructure and improved farm designs.
JK Agri Farms has a strong focus on improving irrigation efficiency. Over irrigation in Pakistan with poor quality tube well water has historically lead to serious soiled gradation. All ground water sources are constantly tested at the JDW Laboratory to ensure only fit irrigation water is applied. Farm blocks are laser levelled with slope to enable improved irrigation efficiencies, significantly longer row lengths without bunds, and increased yield potential.

Mechanical Harvesting Operations

The use of mechanical harvesters is becoming more critical to the harvest success at JDW Sugar Mills. The lack of available labour in many farm locations, particularly at distance from the sugar mills, has necessitated the full adoption of new farming systems to suit mechanical harvesting and the adoption of prime mover cane transport systems. The cane supply from the JK Agri Farms significantly supplements the total mill supply and ensures continuous milling operations.

Directors' Report

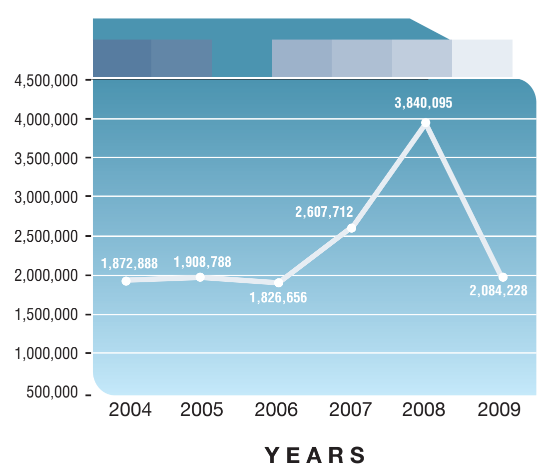
It gives me pleasure in presenting you the company's 20th Annual Report and Audited Accounts for the year ended 30th September, 2009.

During the period under review process of merger of United Sugar Mills being subsidiary of the Company was initiated and after completing all the pre merger formalities including sanction from The Lahore High Court, the United Sugar Mills was merged into the Company with effect from October 01, 2008 so the accounts being presented to the members are merged accounts for both the units and comparative figures have been re-stated accordingly. All post merger formalities have also been completed. United Sugar Mills has been renamed as JDW Sugar Mills Ltd - Unit II.

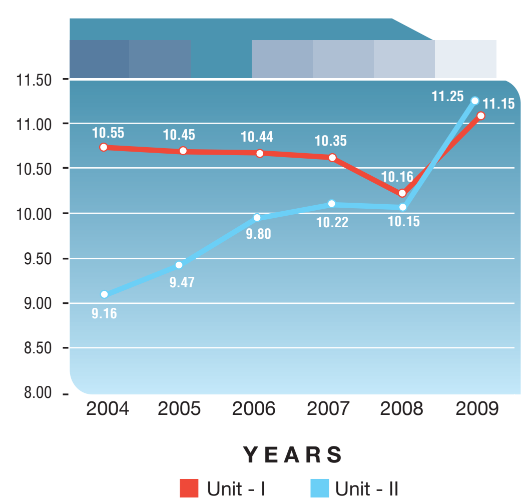
The operating and financial results for the year under review are summarized below:

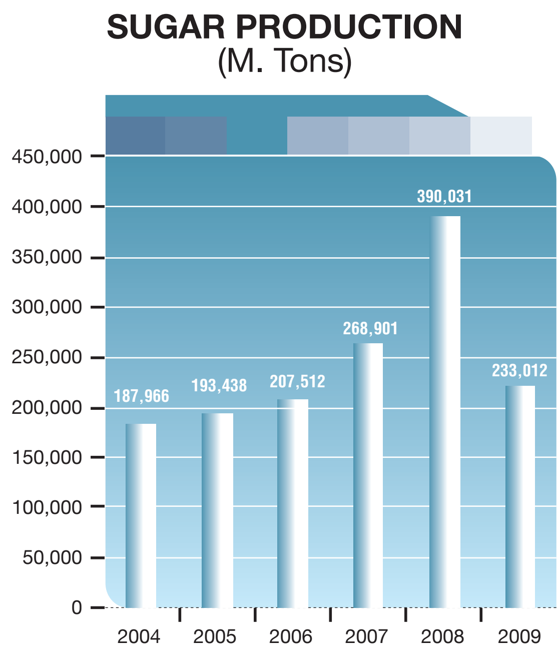
		2008-09			2007-08		
		JDW	**JDW -II**	**Combined**	**JDW**	**JDW-II**	**Combined**
Crushing	Days	107	103	105	165	152	159
Cane crushed	Tons	1,488,463	595,765	2,084,228	2,844,395	995,700	3,840,095
Avg. crushing per day	Tons	13,911	5,784	19,850	17,239	6,551	24,152
Sucrose recovery	%age	11.15	11.25	11.17	10.16	10.15	10.15
Sugar produced	Tons	165,968	67,044	233,012	288,949	101,082	390,031
Molasses recovery	%age	4.03	4.21	4.08	4.74	5.11	4.83
Molasses production	Tons	60,021	25,083	85,104	134,817	50,864	185,681

SUGAR CANE CRUSHED
(M. Tons)



SUCROSE RECOVERY
(%age)





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

- The combined crushing capacity of both units is now 28,000 TCD. With average combined crushing of 19,695 tons per day the Mills on the average were operated for 105 days during the period under review as against 159 days with average crushing of 24,152 tons per day last year.

- Sugar production achieved this season was 40 % lower than the last season. The availability of sugarcane during the season was lower due to reduction in area under cultivation and adverse climatic conditions including scarcity of water. Last crushing season was the bumper sugarcane crop year in which highest ever sugar production was achieved in the country and growers could not get any thing over and above the support price of sugarcane resultantly they switched over to other competing crops like wheat and cotton. The support prices of competing crops were far better than the sugarcane. Increase in sucrose recovery compensated a little bit in terms of production otherwise there would have been more reduction in sugar production.

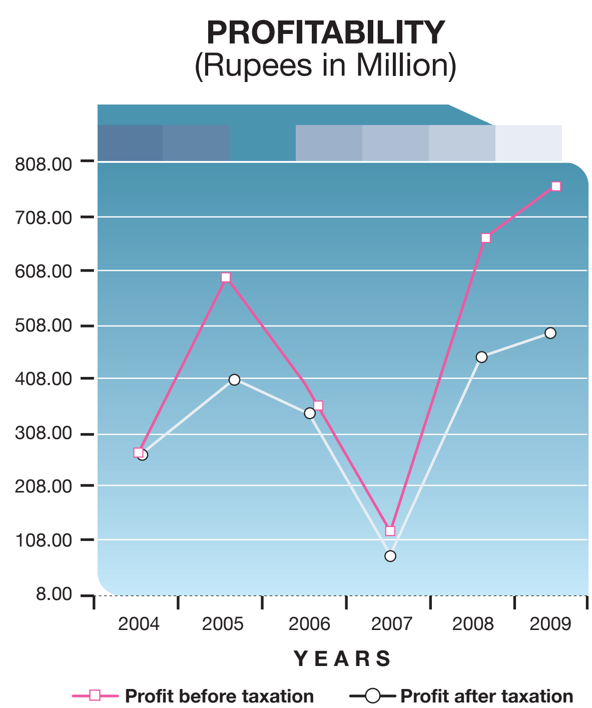
- The combined sucrose recovery achieved this year was 11.17 % as compared with 10.15 % last year. Sucrose recoveries individually achieved were the highest ever achieved since inception of both units. Reduction in molasses recovery was due to the shortest ever season which started and concluded in the peak winter timings.

With sale of 83% (Last year 88 %) of the opening stock plus current year's sugar production the Company has earned a net profit after tax amounting to Rs. 502 million as against profit of Rs. 437 million last year. Decrease in sugar production was 40% as stated above whereas decrease in net sales was 13%. The basic earnings per share have increased from Rs. 9.86 to Rs. 11.34. The gross profit ratio has also increased to 25% from 19%. Despite decrease in sugar production & turnover and substantial increase in financial and depreciation charges the operating and after tax profits have improved as compared to last year which can be attributable to increase in sucrose recovery, better prices for sugar & molasses and sale of carryover sugar stocks.

Financial Indicators

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

	30 September 2009	30 September 2008
		Restated
	(Rs. in million)	
Gross Sales	8,630	10,069
Net Sales	7,573	8,718
Operating Profit	1,630	1,330
Profit Before Tax	760	668
Profit After Tax	502	437
Basic Earnings Per Share	11.34	9.86

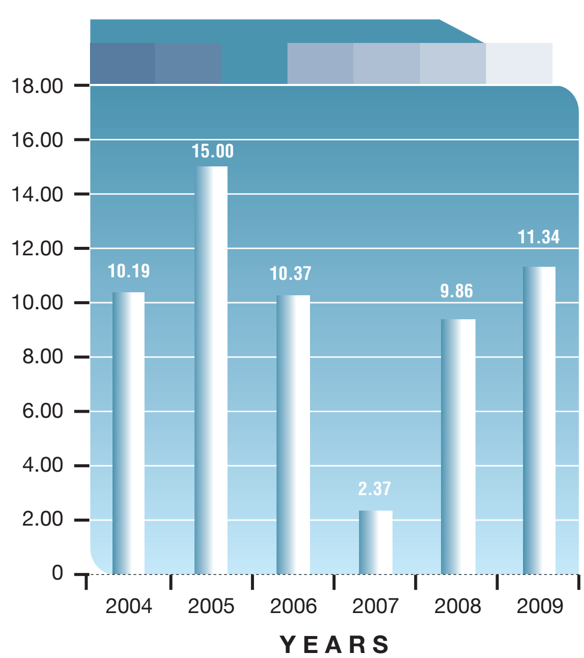


Other points of your interest are summarized below:

- For crushing season 2009-10 mills were started on 15 November 2009. In-spite of significant reduction in sucrose recovery and no increase in area under sugarcane cultivation Company will still be able to achieve sugar production as was produced last year only because of substantial increase in yield per acre.

- As compared to the corr esponding period the balance sheet size of the company has increased from Rs. 8.6 billion to Rs. 10.4 billion mainly because of merger of United Sugar into the Company.
- Ghotki Sugar Mills being subsidiary of the Company achieved sucrose recovery of 11.30 % which was the highest achieved by any sugar mills for the crushing season 2008-09.
- The company continued its policy of pr ompt payment to growers. Immediately after the close of the crushing season 2008-09 the company had fully paid the balance payment of the cane procurement.
- The debt equity ratio has improved whereas there has been slight deterioration in current ratio despite combined results which is due to classification of certain portion of long term financial obligations as current maturity under curr ent liabilities. The company is fulfilling its financial obligations on time with all the financial institutions.
- Politicization of sugar issue prior to Ramazan, and subsequent judicial proceedings, adversely affected the sugar supply chain. Matters stabilized somewhat after decision dated 30th October , 2009 of the Honourable Supreme Court, pursuant to which 30% of sugar stock was sold by the Company at fixed price of Rs. 36 per kg. The situation has further normalized after commencement of new sugar season. However , possibility of similar occurrences/disturbances in next financial year cannot be precluded.

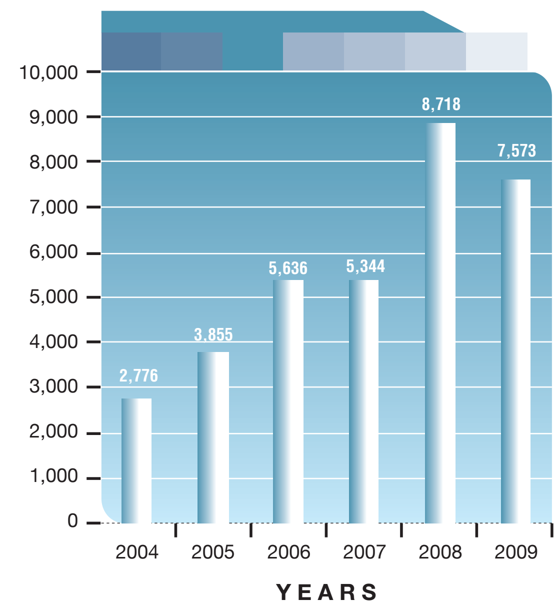
EARNINGS PER SHARE
(Rupees)



Dividend

In view of the continuing good profitability of the company the Board of Directors has recommended 40 % cash dividend subject to approval of the shareholders in the annual general meeting.

NET SALES
(Rupees in Million)

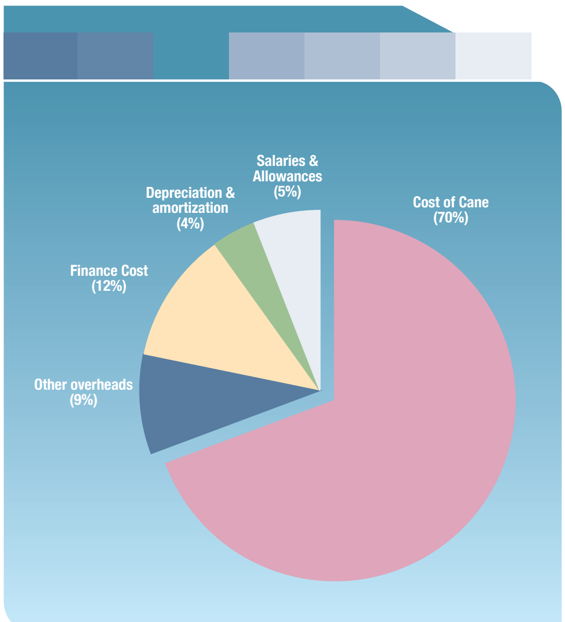


Appropriation of Profit

The following appropriations were made during the current year.

	2009 (Rs. in thousand)
Profit after taxation	502,053
Un-appropriated profit as at 01 October 2008 (Re-stated)	1,044,300
	1,546,353
Appropriations during the Year	
Final cash dividend 35 % for the year ended 30 September 2008	(133,439)
Bonus shares issued at the rate of 15%	(57,188)
Balance as at 30 September 2009	1,355,726
Subsequent Effects	
The Board of Directors of the Company in their meeting held on 08 January 2010 has proposed the following:	
Final cash dividend for the year ended 30 September 2009 of Rs. 4.00 (2008: Rs. 3.50) per share	(177,136)
	1,178,590

EXPENDITURES' ALLOCATION



Relationship with Growers

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

- Consistently follow the policy of timely payments of sugarcane to growers.
- Fulfill farmers' financial requirements by providing them loans from own sources & by arranging loans for them from banks and also through different financial schemes of National Rural Support Programme (NRSP). During period under review approximately Rs. 1 billion was advanced to growers in the form of cash, seed, agricultural implements, turbines & tube wells, fertilizers and pesticides
- Procure and provide latest agricultural equipments on subsidized rates to growers on easy installment basis.
- Enhance technical skills through various extension and advisory programmers.
- Provide better quality and better yield varieties of sugarcane resulting in increased productivity in sugarcane yield per acre.

Future Outlook

For crushing season 2009-10 the company has already started crushing on 15th November. The crop size is almost the same as was last year but due to competition amongst the mills there has been substantial increase in the prices of sugarcane. The average sugarcane price this crushing season will be the all times high as against the support price of Rs. 100 per 40 kgs. The sugarcane is being purchased around Rs. 160 per 40 kg which is expected to increase further. Sucrose recovery has dropped substantially due to pest (Pyrilla) attack on the sugarcane crop in our area. The Company expects that the impact of higher sugarcane prices & decrease in sucrose recovery will hopefully be mitigated by better prices of sugar and molasses. In view of this anticipation Company does not foresee any major shortfall in the revenue this year.

Farmers are getting better prices for sugarcane during on going crushing season which will result in increase in the area under cultivation by at-least 25 to 30 %.

The Company is still highly leveraged. The management is working on consolidating the financial position by focusing on reduction of finance cost. This is an area where substantial savings can be made.

In view of the above stated circumstances, we are operating in a challenging environment with unstable & unsustainable sugarcane and sugar prices, intervention of the Government and its agencies, high sugarcane prices and huge volume of loans causing higher finance cost. In future the main focus would be on reduction of financial charges of the company. With merger of United Sugar the Company's revenue would increase which will help in reducing the debt burden of the Company.

Code of Corporate Governance

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

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

Audit Committee

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

Value of Provident Fund Investment

The company operates a recognized provident fund scheme covering all its permanent employees. Equal monthly contributions to the fund are made both by the company and its employees in accordance with fund rules. As per audited accounts of the Employees Provident Fund the value of its investments as at June 30, 2009 aggregates to Rs. 122.70 million (2007-08: Rs. 103.43 million).

Pattern of Shareholding

There were 1,029 shareholders of the company as of September 30, 2009. A statement of pattern of shareholding is enclosed in this report.

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

Auditors

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

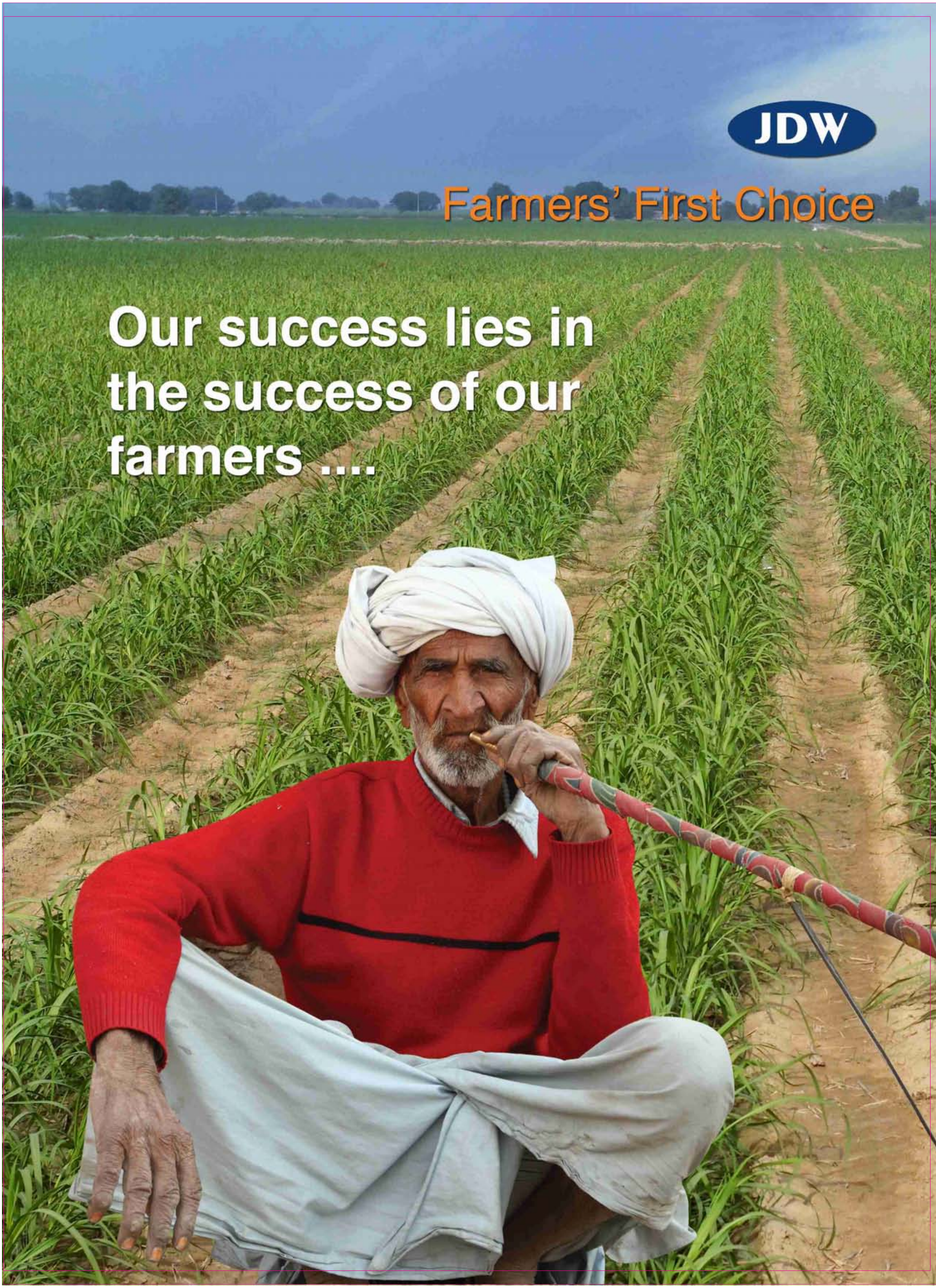
Acknowledgement

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

On behalf of the board of directors

Lahore:
08 January, 2010

JAHANGIR KHAN TAREEN
CHIEF EXECUTIVE


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

Annual Report for the year ended 30 September 2009

JDW Sugar Mills Limited
Head Office: 17-Abid Majeed Road,
Lahore Cantt, Pakistan.

vantagepakistan.com

Financial Statements

For the year ended 30 September 2009

Statement of Compliance
with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Board of Directors comprised of seven (07) Directors. The Company encourages representation of independent non-executive Directors on its Board of Directors. At present the Board includes five independent non-executive directors.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI. No one is a member of any Stock Exchange.

4. All casual vacancies occurring in the Board were filled up by the directors within 14 days thereof.

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

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board arranged orientation courses for its Directors during the year to apprise them of their duties and responsibilities.

10. The Board has approved appointment of CFO, 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 CEO and 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 comprises three members, of whom one is non-executive director.

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

17. The Board has set-up an effective internal audit function/ or has outsourced the internal audit function having suitable qualified and experienced personal who are conversant with the policies and procedures of the Company.

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 to comply with the requirements of listing regulations of Karachi and Lahore Stock Exchanges. All transactions with related parties were made on an arm's length basis.

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

Lahore:
08 January 2010

Jahangir Khan Tareen
Chief Executive

Review Report to the Members

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

KPMG Taseer Hadi & Co.
Chartered Accountants

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

Telephone +92 (42) 578 1751–6
Fax +92 (42) 578 1757
Internet www.kpmg.com.pk

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

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code. As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub- Regulation (xiii a) of Listing Regulation No. 35 (previously Regulation No. 37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all Such transactions are also required to be separately placed before the audit committee.

We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price.

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

KPMG Taseer Hadi & Co

Lahore:
08 January 2010

KPMG Taseer Hadi & Co.
Chartered Accountants
(Bilal Ali)

Auditors' Report to the Members

KPMG Taseer Hadi & Co.
Chartered Accountants

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

Telephone +92 (42) 578 1751–6
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We have audited the annexed balance sheet of JDW Sugar Mills Limited ("the Company") as at 30 September 2009 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

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

b) in our opinion:

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

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 September 2009 and of the profit, its cash flows and changes in equity for the year then ended and

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

KPMG Taseer Hadi & Co

Lahore:
08 January 2010

KPMG Taseer Hadi & Co.
Chartered Accountants
(Bilal Ali)

Balance Sheet

	Note	2009 (Rupees)	2008 (Rupees) Restated
SHARE CAPITAL AND RESERVES			
Share capital	5	442,840,570	381,254,260
Reserves		1,414,607,009	1,081,990,922
		1,857,447,579	1,463,245,182
NON CURRENT LIABILITIES			
Subordinated loan from Director – unsecured	6	260,900,000	260,900,000
Long term loans – secured	7	2,077,777,778	2,200,000,000
Liabilities against assets subject to finance lease	8	329,960,452	353,881,872
Deferred liabilities	9	718,563,062	511,015,688
Deferred income	10	3,945,104	7,890,204
		3,391,146,396	3,333,687,764
CURRENT LIABILITIES			
Short term borrowings – secured	11	3,671,524,912	1,970,380,636
Current portion of non current liabilities	12	591,564,179	154,934,612
Trade and other payables	13	667,632,408	1,482,414,210
Interest and mark–up accrued		172,466,649	95,254,218
Provision for taxation		58,879,777	60,156,306
		5,162,067,925	3,763,139,982
CONTINGENCIES AND COMMITMENTS	14		
		10,410,661,900	8,560,072,928

The attached notes from 1 to 40 form an integral part of these financial statements.

Lahore:
08 January 2010

As at 30 September 2009

	Note	2009 (Rupees)	2008 (Rupees) Restated
NON CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	15	4,726,936,432	4,297,051,727
Capital work in progress		11,579,549	25,224,347
		4,738,515,981	4,322,276,074
Investment property	17	350,753,636	212,290,716
Investments	18	1,313,567,500	867,875,000
Goodwill	19	568,545,391	542,166,275
Long term deposits	20	48,445,899	37,299,779
CURRENT ASSETS			
Stores, spares and loose tools	21	283,562,979	264,946,286
Stock in trade – finished goods		1,436,296,905	876,391,873
Trade debts – unsecured, considered good	22	36,588,056	130,215,609
Advances, deposits, prepayments and other receivables	23	1,629,416,909	1,301,807,175
Tax refunds from Government		1,431,700	1,431,700
Cash and bank balances	24	3,536,944	3,372,441
		3,390,833,493	2,578,165,084
		10,410,661,900	8,560,072,928

Chief Executive Director

Profit and Loss Account

For the year ended 30 September 2009

	Note	2009 (Rupees)	2008 (Rupees) Restated
Sales – net	25	7,572,724,395	8,718,071,713
Cost of sales	26	(5,670,105,049)	(7,082,728,496)
Gross profit		1,902,619,346	1,635,343,217
Administrative expenses	27	(177,689,911)	(199,673,087)
Distribution and marketing expenses	28	(14,781,631)	(77,459,843)
Other operating expenses	29	(103,133,734)	(81,786,432)
Other operating income	30	23,289,816	54,005,094
		(272,315,460)	(304,914,268)
Operating profit		1,630,303,886	1,330,428,949
Finance cost	31	(870,430,469)	(662,328,144)
Profit before taxation		759,873,417	668,100,805
Taxation	32	(257,820,317)	(231,455,351)
Profit after taxation		502,053,100	436,645,454
Basic and diluted earnings per share	37	11.34	9.86

The attached notes from 1 to 40 form an integral part of these financial statements.

Lahore:
08 January 2009

Chief Executive

Director

Cash Flow Statement

For the year ended 30 September 2009

	Note	2009 (Rupees)	2008 (Rupees) Restated
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		759,873,417	668,100,805
Adjustments for non cash and other items:			
Finance cost		870,430,469	662,328,144
Depreciation		310,049,148	299,013,496
Workers' profit participation fund		40,992,940	39,835,826
Workers' welfare fund		15,577,317	21,535,515
Staff retirement benefits		16,014,380	23,539,520
Amortization of deferred income		(3,945,100)	(4,242,205)
Provision for doubtful debts		–	19,424,107
Profit on disposal of property, plant and equipment		(5,198,049)	(2,440,987)
		1,243,921,105	1,058,993,416
Operating profit before working capital changes		2,003,794,522	1,727,094,221
(Increase) / decrease in current assets			
Stores, spares and loose tools		(18,616,693)	(42,815,456)
Stock in trade		(559,905,032)	38,582,318
Advances, deposits, prepayments and other receivables		(315,433,708)	(639,508,514)
Trade debts		93,627,553	41,498,243
		(800,327,880)	(602,243,409)
(Decrease)/Increase in current liabilities			
Trade and other payables		(834,638,621)	930,630,861
Cash generated from operations		368,828,021	2,055,481,673
Finance cost paid		(732,277,161)	(669,068,158)
Workers' profit participation fund paid		(43,570,248)	(7,299,902)
Workers' welfare fund paid		–	(8,532,916)
Income tax paid		(57,182,573)	(70,072,801)
Staff retirement benefits paid		(9,795,821)	(17,817,302)
		(842,825,803)	(772,791,079)
Net cash (used in) / generated from operations		(473,997,782)	1,282,690,594
CASH FLOW FROM INVESTING ACTIVITIES			
Investments made during the year		(446,483,327)	(284,271,191)
Additions to property, plant and equipment		(716,991,273)	(369,029,844)
Proceeds realized from sale and lease back transactions		4,077,000	88,520,795
Proceeds realized from sale of property, plant and equipment		15,129,293	5,065,653
Long term deposits		(11,146,120)	(3,057,365)
Net cash used in investing activities		(1,155,414,427)	(562,771,952)
CASH FLOW FROM FINANCING ACTIVITIES			
Long term loans		280,000,000	(214,166,669)
Short term borrowings		1,701,144,276	(346,372,167)
Lease rentals paid		(219,491,663)	(187,454,869)
Dividend paid		(132,075,901)	(515,031)
Net cash generated from / (used in) financing activities		1,629,576,712	(748,508,736)
Net increase / (decrease) in cash and cash equivalents		164,503	(28,590,094)
Cash and cash equivalents at the beginning of the year		3,372,441	31,962,535
Cash and cash equivalents at the end of the year	24	3,536,944	3,372,441

The attached notes from 1 to 40 form an integral part of these financial statements.

Lahore:
08 January 2009

Chief Executive

Director

Statement of Changes in Equity

For the year ended 30 September 2009

	Share capital	Capital Reserves: Share premium	Capital Reserves: Share option reserve	Capital Reserves: Fair value ajustment on available for sale investment	Accumulated profit	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at 30 September 2007 – as reported	315,361,900	21,300,000	16,071,264	–	855,914,158	1,208,647,322
Effect of merger	–	–	–	–	(184,717,580)	(184,717,580)
Balance as at 30 September 2007 – as restated	315,361,900	21,300,000	16,071,264	–	671,196,578	1,023,929,742
Share based option	–	–	2,669,986	–	–	2,669,986
Share option exercised	2,350,000	16,391,250	(18,741,250)	–	–	–
Bonus shares issued at the rate of 20 %	63,542,360	–	–	–	(63,542,360)	–
Profit for the year	–	–	–	–	436,645,454	436,645,454
Balance as at 30 September 2008	381,254,260	37,691,250	–	–	1,044,299,672	1,463,245,182
Final dividend @ Rs. 3.50 per shares	–	–	–	–	(133,438,991)	(133,438,991)
Bonus shares issued at the rate of 15%	57,188,130	–	–	–	(57,188,130)	–
Shares issued during the year	4,398,180	21,247,608	–	–	–	25,645,788
Fair value adjustment during the year	–	–	–	(57,500)	–	(57,500)
Profit for the year	–	–	–	–	502,053,100	502,053,100
Balance as at 30 September 2009	442,840,570	58,938,858	–	(57,500)	1,355,725,651	1,857,447,579

The attached notes from 1 to 40 form an integral part of these financial statements.

Lahore:
08 January 2009

Chief Executive

Director

Notes to the Financial Statements

For the year ended 30 September 2009

1 STATUS AND NATURE OF BUSINESS

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

1.2 United Sugar Mills Limited ("USML") a subsidary of the Company was merged into the Company under the scheme of amalgamation approved with effect from 01 October 2008 by Honorable Lahore High Court, vide its order dated 30 September 2009. Details of amalgamagtion are as follows:

a) Former USML was incorporated in Pakistan on 5 February 1970 and listed on Karachi Stock Exchange until 14 September 2008. However, on the application of the management of former USML in the year 2008 it was delisted with effect from 15 September 2008. USML was engaged in the production and sale of crystalline sugar.

b) On 11 May 2009, the Board of Directors of the Company and former USML in their separate meetings approved a scheme of arrangement under section 284 and section 287 of the Companies Ordinance, 1984 for the amalgamation of the former USML into the Company.

c) The scheme was approved by the shareholders of the Company and former USML at their respective Extra Ordinary General Meetings held on 22 August 2009. The scheme was also sanctioned by the Honorable Lahore High Court on 30 September 2009.

d) The scheme envisages:

i) The transfer to and vesting in the Company of the whole undertaking of former USML (other than JDWSML) inclusive of all its properties, assets, rights, liabilities, debts and obligations as subsisting on 01 October 2008 (hereinafter referred to as 'effective date')

ii) The issue of 439,818 shares of the Company to the shareholders of the former USML in the ratio of 6 ordinary shares of Rs. 10/– each credited as fully paid up for every 1 ordinary share held by them in the capital of former USML. These ordinary shares shall rank pari passu with the existing ordinary shares of the Company in all respects and shall be entitled to all dividends declared after the effective date.

iii) The dissolution, without winding up, of former USML.

1.3 Comparative presented in these financial statements reflect the effect of the merger as if the merger have taken place from the date of acquisition.

2 STATEMENT OF COMPLIANCE

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

2.2 Standards, interpretations and amendments to published approved accounting standards

Effective in current year

IFRS 7 – "Financial Instrument : Disclosures", requires extensive disclosures about the significance of the financial instruments for the Company's financial position and performance, and nature and extent of risk arising from financial instruments to which the company is exposed during the year and at the end of the reporting period, and how the company manages those risks. Adoption of this standard has resulted in additional disclosures given in note 34 to the financial statements.

Relevant but not yet effective

IAS 1 “Presentation of Financial Statements” effective for annual periods beginning on or after 01 January 2009 revises the existing IAS 1 and requires apart from changing the names of certain components of financial statements, presentation of transactions with owners in statement of changes in equity and with non–owners in comprehensive Income Statement. Adoption of the above standard will only effect the presentation of financial statements.

Amendment to IFRS 7 – Improving disclosures about Financial Instruments (effective for annual periods beginning on or after 01 January 2009). The amendments introduce a three–level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements. The amendment is not likely to have an effect on Company’s financial statements other than certain increased disclosures only.

Amendment to IFRS 2 – Share–based Payment – Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009) clarifies the definition of vesting conditions, introduces the concept of non–vesting conditions, requires non–vesting conditions to be reflected in grant–date fair value and provides the accounting treatment for non–vesting conditions and cancellations. The application of this standard is not likely to have any effect on the Company’s financial statements.

Not relevant and not yet effective

The following standards, amendments and interpretations to approved accounting standards, effective for accounting periods beginning on or after 1 July 2009 are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain increased disclosures only:

- Revised IAS 23 – Borrowing costs
- IFRS 3 (amendment) – Business Combinations
- IFRS 8 – Operating Segments
- IAS 27 – Consolidated and separate financial statements
- IAS 32 (amendment) – Financial instruments: Presentation and consequential amendment to
- IAS 1– Presentation of Financial Statements
- IFRIC 15 – Agreements for the Construction of Real Estate
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation

In addition to above, International Accounting Standards Board made certain amendments to existing standards and interpretations as part of its first and second annual improvements projects. These amendments are unlikely to have impact on the company's financial statements.

3 BASIS OF MEASUREMENT

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

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision effects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to Company's financial statements or where judgments were exercised in application of accounting policies are:

– Residual value and useful lives of depreciable assets
– Retirement benefits
– Taxation
– Provisions

4 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Property, plant and equipment

Owned

Property, plant and equipment, except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land and capital work in progress are stated at cost less any identified impairment loss. Cost includes direct cost, related overheads, interest and mark up referred to in note 4.12.

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

Depreciation is charged to profit on reducing balance method so as to write off the written down value of assets over their estimated useful lives at rates disclosed in note 15.

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

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

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

Leased

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

The related rental obligations, net of finance costs, are included in liabilities against assets subject to finance lease as referred to in note 8. The liabilities are classified as current and non–current depending upon the timing of the payment.

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

Assets acquired under a finance lease are depreciated over the estimated useful life of the assets on reducing balance method at the rates disclosed in note 15. Depreciation of leased assets is charged to profit and loss account.

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

4.2 Stores, spares and loose tools

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

4.3 Stock in trade

Finished goods

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

Cost is determined as follows:

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

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

4.4 Trade debts

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

4.5 Employee benefits

Defined contribution plan

The Company operates approved contributory provident fund for all its permanent employees excluding employees of former United Sugar Mills Limited. Equal monthly contribution is made both by the Company and employees to the fund at the rate of 10% of basic salary.

Defined benefit plan

The Company also operate an unfunded gratuity scheme covering employees of former United Sugar Mills Limited (Unit II of the Company) who have completed their qualifying period. Provision is made annually to cover current obligation under the scheme. Contributions under the scheme are made on the basis of actuarial recommendation and are charged to profit and loss account.

The most recent valuation was carried out as at 30 September 2009 using the "Projected unit credit method". Following significant assumptions are used for valuation of the scheme:

	2009	2008
Discount rate	13%	12%
Expected increase in eligible pay	11%	12%
Expected average working life of employee	12 years	13 years

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

Shared based payment transactions

The Company established a share option programme that entitles senior executive level of the Company to receive shares of the Company at 100% discount or such other discount rates as may be decided by the Board from time to time. The shares issued to the employees under the above scheme will not be transferable for a period of two years starting from the date of issue.

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

As explained in note 38.2, subsequent to year end Securities and Exchange Commission of Pakistan have cancelled the shares issued under the share option scheme of the Company.

4.6 Taxation

Income tax expense comprises current and deferred tax.

Current

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

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

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

4.7 Revenue recognition

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

Interest and rental income are recognized on accrual basis.

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

4.8 Cash and cash equivalents

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

4.9 Provisions

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

4.10 Financial instruments

Financial assets

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

Financial liabilities

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

Recognition and derecognition

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

4.11 Offsetting

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

4.12 Borrowing cost

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

4.13 Trade and other payables

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

4.14 Foreign currency transactions

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

4.15 Deferred income

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

4.16 Investment

Investment in equity instruments of subsidiary company

Investment in subsidiary company is measured at cost as per the requirements of IAS–27 "Consolidated and Separate Financial Statements". However, at subsequent reporting dates, the Company reviews the carrying amount of the investment and its recoverability to determine whether there is an indication that such investment has suffered an impairment loss. If any such indication exists the carrying amount of the investment is adjusted to the extent of impairment loss. Impairment losses are recognized as an expense.

Investments in equity instruments of associated company

Investments in associates where the company has significant influence are measured at cost in the company's separate financial statements.

The company is required to issue consolidated financial statements along with its separate financial statements, in accordance with the requirements of IAS 27 'Consolidated and Separate Financial Statements'. Investments in associated undertakings, in the consolidated financial statements, are being accounted for using the equity method.

Available for sale

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

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

4.17 Investment Property

Property not held for own use or for sale in the ordinary course of business is classified as investment property. The investment property of the company comprises land and is valued using the cost method, at cost less any identified impairment loss, if any.

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

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

4.18 Related party transactions

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

4.19 Goodwill

Goodwill represent the excess of the cost of an acquisition over the fair vlaue of the net identifiable assets of the merged subsidiary at the date of acquisition. Goodwill recognized is tested annually for impairment and carried at cost less accumulated impairment losses.

4.20 Dividend

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

	2009 (Number)	2008 (Number)	**2009 (Rupees)**	2008 (Rupees)
5. SHARE CAPITAL				
5.1 Authorized capital				
Ordinary shares of Rs. 10 each	**55,000,000**	40,000,000	**550,000,000**	400,000,000
5.2 Issued, subscribed and paid up capital				
Ordinary shares of Rs. 10 each fully paid in cash	20,577,200	20,577,200	205,772,000	205,772,000
Ordinary shares of Rs. 10 each issued as fully paid bonus shares	22,732,039	17,013,226	227,320,390	170,132,260
Ordinary shares of Rs 10 each issued against share option exercised	535,000	535,000	5,350,000	5,350,000
Issued during the year under scheme of merger	439,818	–	4,398,180	–
	44,284,057	38,125,426	442,840,570	381,254,260

6. SUBORDINATED LOAN FROM DIRECTOR – UNSECURED

This loan is unsecured and subordinated to the syndicated loans. Mark up at the rate of 6 months KIBOR plus 300 bps (2008: 6 months KIBOR plus 300 bps) per annum is payable on quarterly basis.

	Note	2009 (Rupees)	2008 (Rupees)
7. LONG TERM LOANS – SECURED			
Privately placed term finance certificates "PPTFC's"	7.1	1,700,000,000	1,700,000,000
Privately placed SUKUK certificates (PPSC's)	7.2	500,000,000	500,000,000
Habib Bank Limited – Term loan	7.3	280,000,000	–
		2,480,000,000	2,200,000,000
Less: Current maturity			
PPTFC's		264,444,444	–
PPSC's		77,777,778	–
Habib Bank Limited – Term loan		60,000,000	–
		402,222,222	–
		2,077,777,778	2,200,000,000
7.1 Privately placed term finance certificates "PPTFC's"			
MCB Bank Limited		225,000,000	225,000,000
Faysal Bank Limited		300,000,000	300,000,000
Saudi Pak Industrial and Agricultural Investment Co. (Pvt) Ltd.		50,000,000	50,000,000
The Bank of Punjab		400,000,000	400,000,000
AKD Income Fund		31,230,000	70,000,000
AKD Opportunity Fund		40,000,000	40,000,000
Golden Arrow Selected Stock Fund Limited		40,000,000	40,000,000
MCB Dynamic Cash Fund		90,000,000	100,000,000
National Bank of Pakistan		200,000,000	200,000,000
Soneri Bank Limited		83,000,000	83,000,000
Silk Bank Limited		192,000,000	192,000,000
Others		48,770,000	–
	7.4	1,700,000,000	1,700,000,000
7.2 Privately placed SUKUK certificates (PPSC's)			
MCB Bank limited		175,000,000	175,000,000
Askari Bank Limited		200,000,000	200,000,000
The Bank of Khyber Limited		125,000,000	125,000,000
	7.5	500,000,000	500,000,000
7.3 Habib Bank Limited – Term loan	7.6	280,000,000	–
		2,480,000,000	2,200,000,000

7.4 PPTFC's

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

Terms of repayment

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

Rate of return

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

Trustee

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

Security

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

7.5 PPSC's

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

Terms of repayment

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

Rate of return

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

Trustee

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

Security

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

7.6 Habib Bank Limited - Term loan

It is repayable in 20 unequal quarterly instalments ending on 31 March 2014. The interest is payable quarterly at a rate of 3 months KIBOR plus 275 bps per annum. This finance is secured by first pari passu charge on fixed assets of the Company (including land, building, plant and machinery) worth PKR 400 million and token registered mortgage of PKR 100,000/- on personal property and personal guarantees of directors of the Company.

8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

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

	Note	2009		
		Minimum lease payments	Finance cost for future periods	Present value
		(Rupees)	(Rupees)	(Rupees)
Not later than one year	12	252,054,126	62,712,169	189,341,957
Later than one year and not later than five years		384,615,587	54,655,135	329,960,452
		636,669,713	117,367,304	519,302,409
		2008		
		Minimum lease payments	Finance cost for future periods	Present value
		(Rupees)	(Rupees)	(Rupees)
Not later than one year	12	222,493,946	67,559,334	154,934,612
Later than one year and not later than five years		421,090,760	67,208,888	353,881,872
		643,584,706	134,768,222	508,816,484

The Company has entered into various lease agreements with financial institutions for plant and machinery, implements and vehicles. Lease rentals are payable on quarterly/monthly basis and include finance cost ranging from 6 months KIBOR plus 250 bps to 6 months KIBOR plus 375 bps (2008: 6 months KIBOR plus 250 bps to 6 months KIBOR plus 325 bps) per annum which has been used as the discounting factor. The Company has the option to purchase the assets upon completion of lease period and has the intention to exercise such option. There are no financial restrictions imposed by lessors.

9. DEFERRED LIABILITIES

	Note	2009 (Rupees)	2008 (Rupees) Restated
Deferred taxation	9.1	698,040,386	496,126,110
Staff retirement benefits	9.2	20,522,676	14,889,578
		718,563,062	511,015,688

		Note	2009 (Rupees)	2008 (Rupees) Restated
9.1	**Deferred taxation**			
	The liability for deferred taxation comprises temporary differences relating to:			
	Accelerated tax depreciation		713,249,978	762,685,544
	Leased assets		206,405,271	162,959,232
	Liabilities against assets subject to finance lease		(181,755,843)	(164,248,504)
	Provision for doubtful debts		(17,580,361)	(17,666,626)
	Employee retirement benefits		(7,931,129)	(5,211,352)
	Unused tax credits and losses		–	(237,006,390)
	Other timing differences		(14,347,530)	(5,385,794)
			698,040,386	496,126,110
9.2	**Staff retirement benefits – gratuity**			
	Present value of defined benefit obligations		23,901,536	21,299,768
	Unrecognised actuarial losses		(3,378,860)	(6,410,190)
	Liability as at 30 September		20,522,676	14,889,578
	Balance as at 01 October		14,889,578	10,961,946
	Charge to profit and loss account		6,938,304	5,207,930
	Payments		(1,305,206)	(1,280,298)
	Liability as at 30 September		20,522,676	14,889,578
	Charge to profit and loss account for the year comprises:			
	Current service cost		4,053,085	3,451,448
	Interest cost for the year		2,555,972	1,499,202
	Actuarial losses recognised		329,247	257,280
			6,938,304	5,207,930

Historical information comparison for five years

	2009 Rupees	2008 Rupees	2007 Rupees	2006 Rupees	2005 Rupees
Present value of defined obligations	23,901,536	21,300,000	16,182,081	10,911,207	8,846,455
Experience adjustment (loss)	(2,702,083)	(1,447,000)	(2,730,000)	(543,000)	(1,132,000)

10 DEFERRED INCOME

This represents the unamortized balance of excess of sale proceeds over carrying amount of plant and equipment on sale and lease back transaction with financial institutions. The deferred income is being amortized each year over the respective period of the lease term. The amount credited to the profit and loss account is Rs. 3.95 million (2008 : Rs. 4.24 million).

		Note	2009 (Rupees)	2008 (Rupees) Restated
11	**SHORT TERM BORROWINGS – SECURED**			
	Banking and Financial Institutions			
	Cash finances	11.1	2,148,483,632	962,351,050
	Running finances	11.2	1,523,041,280	808,029,586
	Morabaha facility		–	200,000,000
			3,671,524,912	1,970,380,636

11.1 The Company has obtained cash finance facilities aggregating to Rs. 5,820 million (2008: Rs. 5,620 million). The mark up rates applicable during the year ranges from 13.87% to 18.00% per annum (2008:10.80% to 15.58% per annum). These are secured against pledge of sugar bags of the Company and personal guarantees of the Directors of the Company.

11.2 The Company has obtained running finance facilities aggregating to Rs. 1,800 million (2008: Rs. 887 million). The mark up rates applicable during the year ranges from 13.87% to 19.52% per annum (2008: 11.05% to 16.99% per annum). These are secured against present and future current assets of the Company and personal guarantees of the Directors of the Company.

		Note	2009 (Rupees)	2008 (Rupees) Restated
12	**CURRENT PORTION OF NON CURRENT LIABILITIES**			
	Current portion of long term loans from banking companies and financial institutions	7	402,222,222	–
	Current portion of liabilities against assets subject to finance lease	8	189,341,957	154,934,612
			591,564,179	154,934,612
13	**TRADE AND OTHER PAYABLES**			
	Advances from customers		364,599,319	778,400,131
	Trade creditors		114,749,164	207,755,697
	Sales tax payable		59,916,747	393,882,424
	Workers' profit participation fund payable	13.1	40,992,940	39,993,539
	Workers' welfare fund		33,426,559	17,849,242
	Accrued expenses		31,523,424	6,543,166
	Unclaimed dividend		6,293,181	4,930,092
	SED Payable		5,846,773	25,231,018
	Retention money		1,861,994	902,879
	Tax deducted at source		177,084	425,742
	Other payables		8,245,223	6,500,280
			667,632,408	1,482,414,210
	13.1 Workers' profit participation fund			
	Balance as at 01 October		39,993,539	7,152,207
	Add: Allocation for the year		40,992,940	39,835,826
	Interest on funds utilized during the year		3,576,709	305,408
			84,563,188	47,293,441
	Less: Paid during the year		43,570,248	7,299,902
	Balance as at 30 September		40,992,940	39,993,539

14 CONTINGENCIES AND COMMITMENTS

Contingencies

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

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

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

		2009 (Rupees)	2008 (Rupees) Restated
	Commitments in respect of:		
14.4	Counter guarantee given on account of agricultural loan to growers:		
	Habib Bank limited	250,000,000	–
	Faysal Bank Limited	450,000,000	150,000,000
14.5	Letters of credit for Import of machinery and its related components	3,930,934	97,351,399
14.6	Letters of guarantee for purchase of oil & lubricants in favour of		
	Shell Pakistan Limited	60,000,000	60,000,000
	Pakistan State Oil Limited	1,000,000	–
14.7	Letters of guarantee for sugar tenders in favour of Trading Corporation of Pakistan	–	69,661,565
14.8	Cost of boiler under erection	–	18,846,000

15. PROPERTY, PLANT AND EQUIPMENT

	COST				DEPRECIATION					Net book value
	As at 01 October 2008	Additions / (deletions) during the year	Transfers to / (from) during the year	As at 30 September 2009	Rate	As at 01 October 2008	For the year	Adjustments	As at 30 September 2009	Net book value as at 30 September 2009
	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(%)	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)
Owned										
Freehold land	71,374,963	143,904,450	(141,850,450)	73,428,963		–	–	–	–	73,428,963
Factory building on freehold land	442,657,198	9,424,628	–	452,081,826	10	152,238,496	29,166,845	–	181,405,341	270,676,485
Non factory building on freehold land	378,426,286	18,788,263	–	397,214,549	5	64,971,090	15,961,243	–	80,932,333	316,282,216
Plant and machinery	3,861,142,185	130,981,534	24,900,000	4,015,365,688	5	974,075,973	175,041,460	3,522,952	1,151,885,324	2,863,480,364
		(1,658,031)						(755,061)		
Motor vehicles	179,522,370	12,120,896	4,093,500	169,642,700	20	116,358,812	7,931,283	2,462,013	110,918,485	58,724,215
		(26,094,066)	–					(15,833,623)		
Electrical installation	35,556,222	72,506	–	35,628,728	10	26,169,369	943,155	–	27,112,524	8,516,204
Office equipment	43,571,709	2,473,978	–	46,045,687	10–20	24,321,790	3,393,435	–	27,715,225	18,330,462
Tools and equipment	47,517,243	1,945,869	–	49,463,112	10	20,844,224	2,835,152	–	23,679,376	25,783,736
Agri implements	157,484,828	11,573,894	–	169,058,722	10–25	62,948,011	10,287,836	–	73,235,847	95,822,875
Furniture and fixture	19,244,031	3,016,811	–	22,260,842	10	10,876,222	1,048,804	–	11,925,026	10,335,816
Weighbridge	9,717,830	–	–	9,717,830	10	7,046,101	267,173	–	7,313,274	2,404,556
Roads and boundary wall	7,098,931	–	–	7,098,931	10	5,542,564	155,637	–	5,698,201	1,400,730
Arms and ammunitions	3,528,650	–	–	3,528,650	10–20	1,214,483	252,939	–	1,467,422	2,061,228
Aircraft	–	398,645,628	–	398,645,628	10	–	12,341,632	–	12,341,632	386,303,996
Tubewell	1,498,146	–	–	1,498,146	10–25	940,559	70,902	–	1,011,461	486,685
Refrigerator & air conditioners	3,543,026	–	–	3,543,026	10	2,460,909	108,212	–	2,569,121	973,905
Computers	1,056,508	2,406,694	–	3,463,202	30–33	702,654	566,170	–	1,268,824	2,194,378
Fire fighting equipments	344,000	–	–	344,000	20	343,662	66	–	343,728	272
	5,263,284,126	735,355,151	(112,856,950)	5,858,030,230		1,471,054,919	260,371,944	5,984,965	1,720,823,144	4,137,207,086
		(27,752,097)						(16,588,684)		
Leased										
Plant and machinery	312,414,625	103,558,700	(24,900,000)	391,073,325	5	35,581,789	13,855,828	(3,522,952)	45,914,665	345,158,660
Implements	164,173,308	36,627,701	–	200,801,009	10	27,697,679	16,426,301	–	44,123,980	156,677,029
Motor vehicles	113,073,280	16,174,000	(4,093,500)	125,153,780	20	21,559,226	19,395,075	(3,694,178)	37,260,123	87,893,657
	589,661,213	156,360,401	(28,993,500)	717,028,114		84,838,694	49,677,204	(7,217,130)	127,298,768	589,729,346
	5,852,945,339	891,715,552	(141,850,450)	6,575,058,344		1,555,893,613	310,049,148	(1,232,165)	1,848,121,912	4,726,936,432
		(27,752,097)						(16,588,684)		

15.1

	COST					DEPRECIATION				Net book value as at 30 September 2008
	As at 01 October 2007	Additions / (deletions) during the year	Transfers to / (from) during the year	As at 30 September 2008	Rate	As at 01 October 2007	For the year	Adjustments	As at 30 September 2008	
	(Rupees) Restated	(Rupees) Restated	(Rupees) Restated	(Rupees) Restated	(%)	(Rupees) Restated	(Rupees) Restated	(Rupees) Restated	(Rupees) Restated	(Rupees) Restated
Owned										
Freehold land	264,417,989	19,247,690	(212,290,716)	71,374,963		–	–	–	–	71,374,963
Factory building on freehold land	433,888,146	8,769,052	–	442,657,198	10	120,371,493	31,867,003	–	152,238,496	290,418,701
Non factory building on freehold land	358,068,387	20,357,899	–	378,426,286	5	49,295,941	15,675,149	–	64,971,090	313,455,195
Plant and machinery	3,649,303,997	247,817,903	(35,979,715)	3,861,142,185	5	794,922,446	179,153,527	–	974,075,973	2,887,066,214
Motor vehicles	117,254,916	28,082,164	67,188,500	179,522,370	20	76,599,130	10,073,737	38,131,088	116,358,812	63,163,558
		(10,552,210)	(22,451,000)				(8,445,143)	–		
Electrical installation	35,158,727	397,495	–	35,556,222	10	25,170,552	998,817	–	26,169,369	9,386,853
Office equipment	39,282,712	4,323,197	–	43,571,709	10–20	20,959,696	3,373,024		24,321,790	19,249,919
		(34,200)					(10,930)			
Tools and equipment	43,752,116	3,765,127	–	47,517,243	10	18,102,911	2,741,313	–	20,844,224	26,673,019
Agri Implements	21,067,398	38,353,510	128,154,000	157,484,828	10–25	9,924,502	3,041,504	49,982,005	62,948,011	94,536,817
			(30,090,080)							
Furniture and fixture	17,817,069	1,442,312	–	19,244,031	10	10,032,869	848,163	–	10,876,222	8,367,809
		(15,350)					(4,810)			
Weighbridge	9,717,830	–	–	9,717,830	10	6,749,239	296,862	–	7,046,101	2,671,729
Roads and boundary wall	7,098,931	–	–	7,098,931	10	5,369,634	172,930	–	5,542,564	1,556,367
Arms and ammunitions	3,528,650	–	–	3,528,650	10–20	927,461	287,022	–	1,214,483	2,314,167
Tubewell	1,398,146	100,000	–	1,498,146	10–25	861,680	78,879	–	940,559	557,587
Refrigerator & air conditioners	3,543,026	–	–	3,543,026	10	2,340,674	120,235	–	2,460,909	1,082,117
Computers	839,118	295,830	–	1,056,508	30–33	674,832	98,050	–	702,654	353,854
		(78,440)					(70,228)			
Fire fighting equipments	344,000			344,000	20	343,577	85		343,662	338
	5,006,481,158	372,952,179	195,342,500	5,263,284,126		1,142,646,637	181,671,301	88,113,093	1,471,054,919	3,792,229,208
		(10,680,200)	(300,811,511)				(8,531,111)			
Leased										
Plant and machinery	317,613,910	–	35,979,715	312,414,625	5	29,735,811	14,444,957	(8,598,979)	35,581,789	276,832,836
			(41,179,000)							
Implements	183,980,178	–	30,090,080	164,173,308	10	29,212,707	15,093,710	(16,510,296)	27,697,679	136,475,629
		(517,950)	(49,379,000)				(98,442)	–		
Motor vehicles	168,323,780	27,683,000	22,451,000	113,073,280	20	64,050,983	20,648,529	–	21,559,226	91,514,054
		(600,000)	(104,784,500)				(136,468)	(63,003,818)		
	669,917,868	27,683,000	88,520,795	589,661,213		122,999,501	50,187,196	(88,113,093)	84,838,694	504,822,519
		(1,117,950)	(195,342,500)				(234,910)			
	5,676,399,026	400,635,179	(212,290,716)	5,852,945,339		1,265,646,138	299,013,496	–	1,555,893,613	4,297,051,727
	–	(11,798,150)	–	–		–	(8,766,021)	–	–	–

		Note	2009 (Rupees)	2008 (Rupees) Restated
15.2	Depreciation charge for the year has been allocated as follows:			
	Cost of goods manufactured	26.1	272,508,064	274,822,805
	Administrative expenses	27	19,896,747	8,073,372
	Other operating expenses	29.1	17,644,337	16,117,319
			310,049,148	299,013,496

16. DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Description	Particulars of buyer	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
		(Rupees)	(Rupees)	(Rupees)	(Rupees)	
	Employees					
Vehicles	Employees	16,400,884	9,386,934	7,013,950	8,301,550	Negotiation
Motor Cycles	Employees	4,134,292	3,244,139	890,153	2,079,251	Negotiation
	Insurance claim					
Vehicle	EFU	560,000	294,957	265,043	500,000	Insurance claim
	Others parties					
Vehicles	Sama Motors	4,626,190	3,823,715	802,475	3,293,492	Negotiation
Vehicles	Gul Autos	372,700	316,047	56,653	155,000	Negotiation
Plant and machinery	Comfort Diesel	1,658,031	755,061	902,970	800,000	Negotiation
2009		27,752,097	17,820,853	9,931,244	15,129,293	
2008 – Restated		100,318,645	8,766,022	91,552,623	93,586,448	

	Note	2009 (Rupees)	2008 (Rupees) Restated
17. INVESTMENT PROPERTY			
Balance as at 01 October		212,290,716	–
Transferred to investment property		138,462,920	212,290,716
Balance as at 30 September		350,753,636	212,290,716

It represent agricultural land given on lease. The fair value of investment property is Rs. 560,000,000 as at 30 September 2009

	Note	2009 (Rupees)	2008 (Rupees) Restated
18. INVESTMENTS			
Investment in subsidiary company	18.1	1,002,500,000	867,500,000
Investment in associated company	18.2	310,750,000	–
Available for sale	18.3	317,500	375,000
		1,313,567,500	867,875,000

Notes to the Financial Statements

For the year ended 30 September 2009

	2009 (Rupees)	2008 (Rupees) Restated
18.1 Investment in subsidiary company		
Un quoted		
Ghotki Sugar Mills (Private) Limited (GSML)		
100,000,000 (2008 : 86,500,000) fully paid ordinary shares of Rs. 10 each.	1,002,500,000	867,500,000
Equity held 100% (2008 : 100%)		
18.2 Investment in associated company		
Un quoted		
Faruki Pulp Mills Limited		
27,500,000 (2008: nil) fully paid shares of Rs. 10 each	310,750,000	–
Equity held 38.4 % (2008 : nil)		
18.3 Available for sale		
Quoted		
Taha Spinning Mills Limited		
50,000 fully paid ordinary shares of Rs. 10 each.	317,500	375,000
(2008: 50,000 Shares)		
Market value – Rs. 6.35 per share (2008: Rs. 7.50)		

19. INTANGIBLE ASSET – GOODWILL

It represent the excess of cost of an acquisition over the fair value of the net identifiable assets of the merged company at the date of acquisition.

20. LONG TERM DEPOSITS

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

	2009 (Rupees)	2008 (Rupees) Restated
21. STORES, SPARES AND LOOSE TOOLS		
Spares	171,968,355	188,348,760
Stores	79,036,378	50,493,953
Loose tools	6,254,117	6,269,651
Oil and lubricants	21,277,084	14,149,480
Packing materials	2,715,875	3,498,790
Civil stores	2,311,170	2,185,652
	283,562,979	264,946,286
22. TRADE DEBTS – UNSECURED		
Trade debts – unsecured,	51,074,197	144,701,750
Less: Provision for doubtful debts	(14,486,141)	(14,486,141)
	36,588,056	130,215,609

Notes to the Financial Statements

For the year ended 30 September 2009

		Note	2009 (Rupees)	2008 (Rupees) Restated
23.	**ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**			
	Advances unsecured and considered good;			
	– to growers	23.1	1,456,571,661	1,062,424,113
	Less: Provision for doubtful advances		(35,510,826)	(35,510,826)
			1,421,060,835	1,026,913,287
	– to suppliers and contractors		159,831,953	146,146,150
	Less: Provision for doubtful advances		(479,108)	(479,108)
			159,352,845	145,667,042
	Prepaid expenses		15,962,080	9,942,892
	Excise duty receivable	23.2	9,888,364	9,888,364
	Advances to staff – Unsecured, considered good		7,402,799	9,096,960
	Letters of credit		5,543,104	97,351,399
	Other receivables	23.3	10,206,882	2,947,231
			1,629,416,909	1,301,807,175

23.1 Advances to growers includes Rs. 1,110,277,013 (2008: Rs. 851,627,643) given to JK Agri Farms, (a related party) for procurement of sugarcane.

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

23.3 This includes amount of Rs. 9,121,676 (2008: Rs. nil) receivable from Ghotki Sugar Mills (Private) Limited, a subsidiary company.

		Note	2009 (Rupees)	2008 (Rupees) Restated
24	**CASH AND BANK BALANCES**			
	At banks:			
	Current accounts		1,812,045	2,542,282
	Saving accounts	24.1	972,258	–
			2,784,303	2,542,282
	Cash in hand		752,641	830,159
			3,536,944	3,372,441

24.1 The balances in saving accounts carry mark–up which ranges from 8% to 12% per annum (2008: nil).

	Note	2009 (Rupees)	2008 (Rupees) Restated
25. SALES – NET			
Sugar		8,185,839,072	9,521,766,645
Molasses & Bagasse		407,266,791	547,415,123
Electricity		37,233,707	–
		8,630,339,570	10,069,181,768
Less: Sales tax		989,943,051	1,276,406,034
Special excise duty		66,322,124	73,142,511
Brokerage charges		1,350,000	1,561,510
		1,057,615,175	1,351,110,055
		7,572,724,395	8,718,071,713
26. COST OF SALES			
Opening stock – Sugar		876,391,873	914,974,191
Cost of goods manufactured	26.1	6,230,010,081	7,044,146,178
Less: Closing finished goods – Sugar		(1,436,296,905)	(876,391,873)
		5,670,105,049	7,082,728,496
26.1 Cost of goods manufactured			
Cost of sugarcane consumed (including procurement and other costs)		5,177,349,936	5,956,040,976
Salaries, wages and other benefits	26.1.1	339,090,710	319,563,129
Depreciation	15.1	272,508,064	274,822,805
Stores and spares consumed		150,960,349	158,173,022
Packing materials consumed		77,667,683	116,719,209
Oil, lubricants and fuel consumed		52,067,036	47,996,991
Chemicals consumed		41,549,460	44,920,304
Vehicle running expenses		35,681,556	34,587,526
Insurance		24,129,057	23,754,287
Electricity and power		17,721,469	14,103,773
Repairs and maintenance		17,619,921	9,754,972
Mud and bagasse shifting expenses		6,683,370	5,468,615
Freight and octroi		5,184,302	12,889,462
Printing and stationery		3,264,293	3,799,192
Traveling and conveyance		1,962,925	3,111,015
Handling and storage		1,308,495	9,821,061
Telephone and fax		739,472	763,877
Other expenses		4,521,983	7,855,962
		6,230,010,081	7,044,146,178

26.1.1 Salaries, wages and other benefits include Rs. 7,372,872 (2008: Rs. 6,297,345) in respect of provident fund and Rs.4,856,813 (2008: 3,645,551) in respect of gratuity and Rs. nil (2008: 2,272,329) in respect of share option scheme.

		Note	2009 (Rupees)	2008 (Rupees) Restated
27	**ADMINISTRATIVE EXPENSES**			
	Salaries, wages and other benefits	27.1	63,427,578	54,662,517
	Charity and donations	27.2	27,337,250	23,738,221
	Traveling and conveyance		21,369,219	33,944,116
	Depreciation	15.1	19,896,747	8,073,372
	Office rent and renovation		8,827,542	10,112,917
	Legal and professional services		7,262,152	18,601,066
	Vehicle running and maintenance		5,071,055	7,284,329
	Fee and taxes		3,825,824	4,007,563
	Advertisement		3,243,535	2,923,805
	Insurance		2,291,809	2,807,463
	Consultancy and advisory		2,250,000	–
	Telephone and fax		2,055,657	2,627,383
	Printing and stationery		2,191,434	2,084,009
	Subscription and renewals		1,500,880	780,464
	Auditors' remuneration	27.3	1,245,000	940,000
	Electricity and power		1,252,947	893,648
	Computer software and maintenance		607,665	401,411
	Postage		436,530	251,182
	Entertainment		383,030	441,402
	Newspapers, books and periodicals		62,084	80,212
	Provision for doubtful debts		–	19,424,107
	Other expenses		3,151,973	5,593,900
			177,689,911	199,673,087

27.1 Salaries, wages and other benefits include Rs. 1,580,241 (2008: Rs. 1,316,956) in respect of provident fund and Rs. 2,081,491 (2008: 1,562,379) in respect of gratuity and Rs. nil (2008: 397,658) in respect of share option scheme.

27.2 None of the Directors of the Company or their spouses have any interest in, or are otherwise associated with any of the recipients of donations made by the Company during the year.

		Note	2009 (Rupees)	2008 (Rupees) Restated
27.3	**Auditors' remuneration**			
	KPMG Taseer Hadi & Co.			
	Statutory audit		1,000,000	500,000
	Half yearly review		125,000	90,000
	Out of pocket expenses		–	15,000
	Others certifications		120,000	35,000
			1,245,000	640,000
	Hyder Bhimji & Co.			
	Statutory audit		–	200,000
	Half yearly review		–	75,000
	Out of pocket expenses		–	25,000
			–	300,000

		Note	2009 (Rupees)	2008 (Rupees) Restated
28.	**DISTRIBUTION AND MARKETING EXPENSES**			
	Salaries, wages and other benefits	28.1	7,376,953	7,378,567
	Sugar loading expenses		1,929,672	3,233,724
	Freight and handling charges		3,726,240	66,847,552
	Others selling expenses		1,748,766	–
			14,781,631	77,459,843

28.1 Salaries, wages and staff benefits include Rs. 122,963 (2008: Rs. 103,587) in respect of provident fund.

		Note	2009 (Rupees)	2008 (Rupees) Restated
29.	**OTHER OPERATING EXPENSES**			
	Harvesting loss	29.1	43,148,345	20,415,091
	Workers' Profit Participation Fund		40,992,940	39,835,826
	Workers' Welfare Fund		15,577,317	21,535,515
	Loss on sale of operating asset		3,415,132	–
			103,133,734	81,786,432

29.1 Harvesting loss includes Rs. 17,644,337 (2008: Rs. 16,117,319) in respect of depreciation on agricultural implements.

		Note	2009 (Rupees)	2008 (Rupees) Restated
30.	**OTHER OPERATING INCOME**			
	Income from financial assets			
	Profit on bank deposit		253,256	–
	Income from non financial assets			
	Profit on sale of property, plant and equipment		5,198,049	2,440,987
	Rental income		11,193,696	9,358,149
	Scrap sales		2,144,338	12,640,491
	Amortization of deferred income		3,945,100	4,242,205
	Gain on foreign exchange transactions		–	12,239,758
	Insurance claim		–	11,742,000
	Others		555,377	1,341,504
			23,036,560	54,005,094
			23,289,816	54,005,094
31.	**FINANCE COST**			
	Interest and mark–up on:			
	Long term loans – secured		195,551,796	227,890,669
	Short term borrowings – secured	31.1	554,116,934	315,283,970
	Finance leases		57,364,164	50,091,715
	Subordinated loan from Director – unsecured		42,690,150	34,467,622
	Workers' profit participation fund	13.1	3,576,709	305,408
	Bank charges and commission		17,130,716	21,058,760
	Arrangement fee		–	13,230,000
			870,430,469	662,328,144

31.1 Mark up on short term borrowings is net of mark up from related parties amounting to Rs. 1.09 million (2008: Rs. nil) on receivable from Ghotki Sugar Mills (Private) Limited. This receivable has been made from the proceeds of short term borrowings from banks.

	Note	2009 (Rupees)	2008 (Rupees) Restated
32. TAXATION			
Income tax – current	32.1	62,064,353	27,446,303
Income tax – Prior years		(6,158,310)	82,955,170
Deferred tax	32.2	201,914,274	121,053,878
		257,820,317	231,455,351

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

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

	Note	2009 (%age)	2008 (%age) Restated
32.3 Reconciliation of tax charge for the year			
Applicable tax rate		35.00	35.00
Tax effect of amounts chargeable at reduced tax rates		–	(2.96)
Tax losses and credits utilized		–	(9.82)
Tax effect of prior years		(1.07)	12.42
Average effective rate charged to profit and loss account		33.93	34.64

33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Chief Executive		**Directors**		**Executives**	
	2009	2008	2009	2008	2009	2008
	(Rupees)	(Rupees) Restated	(Rupees)	(Rupees) Restated	(Rupees)	(Rupees) Restated
Managerial remuneration	7,200,000	4,400,000	–	–	28,564,906	19,828,510
House allowance	2,880,000	1,760,000	–	–	11,426,058	7,931,404
Utilities	720,000	440,000	–	–	2,856,515	1,982,851
Others	1,400,000	1,999,998		–	13,897,485	8,295,542
Company's contribution towards provident fund	–	–	–	–	1,721,719	1,238,660
Share option	–	–	–	–	–	2,669,987
	12,200,000	8,599,998	–	–	58,466,683	41,946,954
Number of persons	1	1	–	–	25	17

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

34. FINANCIAL INSTRUMENTS

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

34.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and loans to/due from related parties. Out of the total financial assets of Rs. 106.49 million (2008: Rs. 183.31 million) financial assets which are subject to credit risk amount to Rs. 102.96 million (2008: Rs. 179.93 million).

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

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

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

	2009 (Rupees)	2008 (Rupees) Restated
Available for sale financial assets		
- non current investments	317,500	375,000
Long term deposits	48,445,899	37,299,779
Trade debts	36,588,056	130,215,609
Advances, deposits, prepayments and other receivables	17,609,681	12,044,191
Cash and bank balances	3,536,944	3,372,441
	106,498,080	183,307,020
The aging of trade receivables at the reporting date is:		
Not past due	36,588,056	130,215,609
Past due 0 – 30 days	–	–
Past due 31 – 60 days	–	–
Past due 61 – 90 days	–	–
Past due 91 – 120 days	–	–
Past due 120 days	–	–
	36,588,056	130,215,609

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

34.2 Liquidity risk

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

Following is the maturity analysis of financial liabilities:

	Less than 6 months	Between 6 to 12 months	Between 1 to 5 years	Between 6 to 10 years	Over 10 years	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Non derivative financial liabilities						
Long term finances	186,666,667	215,555,556	2,077,777,777	–	–	2,480,000,000
Subordinated loan from director	–	–	260,900,000	–	–	260,900,000
Short term borrowings	3,671,524,912	–	–	–	–	3,671,524,912
Liabilities against assets subject to finance lease	94,670,978	94,670,979	329,960,452	–	–	519,302,409
Interest and mark up accured	172,466,649	–	–	–	–	172,466,649
Trade and other payables	303,033,089	–	–	–	–	303,033,089
30 September 2009	4,428,362,295	310,226,535	2,668,638,229	–	–	7,407,227,059

	Less than 6 months	Between 6 to 12 months	Between 1 to 5 years	Between 6 to 10 years	Over 10 years	Total
	Rupees Restated	Rupees Restated	Rupees Restated	Rupees Restated	Rupees Restated	Rupees Restated
Non derivative financial liabilities						
Long term finances	–	–	1,613,333,333	586,666,667	–	2,200,000,000
Subordinated loan from director	–	–	–	260,900,000	–	260,900,000
Short term borrowings	1,970,380,636	–	–	–	–	1,970,380,636
Liabilities against assets subject to finance lease	77,467,306	77,467,306	353,881,872	–	–	508,816,484
Interest and mark up accured	95,254,218	–	–	–	–	95,254,218
Trade and other payables	704,014,079	–	–	–	–	704,014,079
30 September 2008	2,847,116,239	77,467,306	1,967,215,205	847,566,667	–	5,739,365,417

34.3 Market risk

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

34.3.1 Currency risk

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

34.3.2 Interest rate risk

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

Financial liabilities	2009	2008	2009 Rupees	2008 Rupees
	Effective rate		Carrying amount	
Variable rate instruments:				
Long term finances – PKR	3MK plus 125 – 275 bps	3MK plus 125 bps	2,480,000,000	2,200,000,000
Subordinated loan from director	6MK plus 300 bps	6MK plus 300 bps	260,900,000	260,900,000
Liabilities against assets subject to finance lease	6 MK plus 250 – 375 bps	6 MK plus 250 – 325 bps	519,302,409	508,816,484
Short term borrowings – PKR	1MK plus 200 bps – 3MK plus 400 bps	1MK plus 100 bps– 3MK plus 300 bps	3,671,524,912	1,970,380,636

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

	Profit and loss 100 bps	
	Increase	Decrease
	(Rupees)	
As at 30 September 2009	(69,317,273)	69,317,273
As at 30 September 2008	(49,400,971)	49,400,971

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

34.3.3 Other price risk

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

34.3.4 Fair value of financial instruments

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

34.3.5 Capital management

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

The Company's objectives when managing capital are:

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

b) to provide an adequate return to shareholders.

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

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

	2009 (Rupees)	2008 (Rupees)
Long term debt	2,668,638,230	2,814,781,872
Total equity and long term debt	4,526,085,809	4,278,027,054
Debt–to–equity ratio	59%	66%

Long term debt comprises of subordinated loan from directors, long term loans and liabilities against assets subject to finance lease

The decrease in the debt–to–equity ratio in 2009 is primarily from increase in equity during the year.

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

35. TRANSACTIONS WITH RELATED PARTIES

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

Name of parties	Nature of transactions	2009 (Rupees)	2008 (Rupees) Restated
JK Agri Farms	Purchase of sugar cane	571,901,738	518,238,394
Riaz Bottlers (Private) Limited	Sale of sugar	521,608,040	276,560,400
Ghotki Sugar Mills (Private) Limited	Sale of bagasse	–	2,772,731
	Reimbursement of expenditure	44,623,496	–
Jahangir Khan Tareen	Mark up	42,690,150	34,467,622
Provident fund	Contribution	9,076,076	7,717,888
JDW Aviation (Private) Limited	Traveling services provided to the Company	4,537,623	14,110,036
JK Dairies (Private) Limited	Sale of Molasses	2,126,770	1,604,431
JK Agri Solution (Private) Limited	Reimbursement of cane development expenditure	–	7,659,249

36. CAPACITY AND PRODUCTION

	2009 Days	2009 Tonnes	2008 Days	2008 Tonnes
Unit I				
Crushing capacity	120	2,400,000	120	2,400,000
Sugarcane crushed	107	1,488,463	165	2,844,395
Sugar production		165,968		288,949
Unit II				
Crushing capacity	120	960,000	120	960,000
Sugarcane crushed	103	595,765	152	995,700
Sugar production		67,044		101,082

			2009	2008 Restated
37.	**BASIC AND DILUTED EARNINGS PER SHARE**			
	Profit after taxation	Rupees	502,053,100	436,645,454
	Weighted average number of ordinary shares	No. of shares	44,284,057	44,284,057
	Basic earnings per share	Rupees	11.34	9.86

38. EVENTS AFTER THE BALANCE SHEET DATE

38.1 The Board of Directors have proposed a final dividend for the year ended 30 September 2009 of Rs. 4 per share (2008: Rs. 3.5 per share) and bonus shares at the rate of NIL (2008: 15%) at their meeting held on 08 January 2010.

38.2 The Company had issued 300,000 shares in 2007 and 235,000 shares in 2008 to its executives under the Employee Stock Option Scheme ("the Scheme"). Further 203,300 shares are issued to such executives as bonus issue on shares issued under the Scheme. Subsequent to the year end the Company has received a notice from Securities and Exchange Commission of Pakistan under section 472 and 473 of the Companies Ordinance, 1984, directing the Company to cancel 738,300 ordinary shares issued to its executives under the Scheme. This financial statements does not reflect the effect of cancellation of these shares. Management is of the view that this order was passed by Securities and Exchange Commission of Pakistan subsequent to the year end and the cancellation of such shares shall be incorporated in the respective financial year.

39. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 08 January 2010 by the Board of Directors of the Company.

40. FIGURES

Land amounting to Rs. 212.291 million has been reclassified as investment property and shown seperately under non current asset in the balance sheet. It was previously classifed in operating fixed assets.

Figures have been rounded off to the nearest rupee.

Lahore:
08 January 2010 | Chief Executive | Director

Consolidated Financial Statements

For the year ended 30 September 2009

Auditors' Report to the Members

KPMG Taseer Hadi & Co.
Chartered Accountants

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We have audited the annexed consolidated financial statements comprising consolidated balance sheet of JDW Sugar Mills Limited ("the Company") and its subsidiary company (hereinafter referred as the "JDW Group") as at 30 September 2009 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed a separate opinion on the financial statements of JDW Sugar Mills Limited. The financial statements of subsidiary company, Ghotki Sugar Mills (Private) Limited were audited by other firm of auditors, whose report has been furnished to us and our opinion in so far as it relates to the amounts included for such company, is based solely on the report of such other auditors.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the consolidated financial statements present fairly the financial position of the Group as at 30 September 2009 and the results of its operations, its cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

KPMG Taseer Hadi & Co

Lahore:
08 January 2010

KPMG Taseer Hadi & Co.
Chartered Accountants
(Bilal Ali)

Consolidated Balance Sheet

	Note	2009 (Rupees)	2008 (Rupees)
SHARE CAPITAL AND RESERVES			
Share capital	5	442,840,570	381,254,260
Reserves		1,548,014,772	1,129,798,008
		1,990,855,342	1,511,052,268
NON CURRENT LIABILITIES			
Subordinated loan from Director – unsecured	6	260,900,000	260,900,000
Long term loans – secured	7	3,375,777,778	3,600,000,000
Liabilities against assets subject to finance lease	8	329,960,452	353,881,872
Deferred liabilities	9	878,242,713	585,574,775
Deferred income	10	3,945,104	7,890,204
		4,848,826,047	4,808,246,851
CURRENT LIABILITIES			
Short term borrowings – secured	11	3,765,402,741	1,970,380,636
Current portion of non current liabilities	12	693,564,179	154,934,612
Trade and other payables	13	803,490,123	1,726,633,296
Interest and mark–up accrued		180,218,438	101,105,342
Provision for taxation		49,990,394	54,087,075
		5,492,665,875	4,007,140,961
CONTINGENCIES AND COMMITMENTS	14		
		12,332,347,264	10,326,440,080

The attached notes from 1 to 40 form an integral part of these consolidated financial statements.

Lahore:
08 January 2010

As at 30 September 2009

	Note	2009 (Rupees)	2008 (Rupees)
NON CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	15	6,829,407,871	6,049,189,068
Capital work in progress		25,573,823	256,839,123
Stores and spares held for capital expenditure		–	12,296,025
		6,854,981,694	6,318,324,216
Investment property	17	350,753,636	212,290,716
Investments	18	394,847,861	375,000
Goodwill	19	608,310,693	581,931,578
Long term deposits	20	48,877,275	37,731,155
CURRENT ASSETS			
Stores, spares and loose tools	21	424,291,134	371,253,099
Stock in trade – finished goods		1,436,296,905	876,391,873
Trade debts – unsecured, considered good	22	36,588,056	222,970,512
Advances, deposits, prepayments and other receivables	23	2,169,390,789	1,681,912,007
Tax refunds from Government		1,431,700	1,431,700
Cash and bank balances	24	6,577,521	21,828,224
		4,074,576,105	3,175,787,415
		12,332,347,264	10,326,440,080

Chief Executive   Director

Consolidated Profit and Loss Account

For the year ended 30 September 2009

	Note	2009 (Rupees)	2008 (Rupees)
Sales – net	25	9,901,225,775	10,801,461,407
Cost of sales	26	(7,515,692,484)	(8,818,583,211)
Gross profit		2,385,533,291	1,982,878,196
Administrative expenses	27	(219,495,198)	(215,740,080)
Distribution and marketing expenses	28	(20,014,879)	(135,778,796)
Other operating expenses	29	(115,552,852)	(91,141,209)
Other operating income	30	24,438,859	70,322,340
		(330,624,070)	(372,337,745)
Operating profit		2,054,909,221	1,610,540,451
Finance cost	31	(1,127,467,695)	(816,217,951)
Share of loss of associated company	18.1	(405,913)	–
Profit before taxation		927,035,613	794,322,500
Taxation	32	(339,381,836)	(309,869,960)
Profit after taxation		587,653,777	484,452,540
Basic and diluted earnings per share	37	13.27	10.94

The attached notes from 1 to 40 form an integral part of these consolidated financial statements.

Lahore:
08 January 2010

Chief Executive

Director

Consolidated Cash Flow Statement

For the year ended 30 September 2009

	Note	2009 (Rupees)	2008 (Rupees)
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		927,035,613	794,322,500
Adjustments for non cash and other items:			
Finance cost		1,127,467,695	816,217,951
Depreciation		434,173,183	374,534,209
Workers' profit participation fund		49,992,301	46,614,650
Workers' welfare fund		18,997,074	24,111,468
Staff retirement benefits		20,614,250	24,535,365
Amortization of deferred income		(3,945,100)	(4,242,205)
Share of loss of associated company		405,913	–
Provision for doubtful debts		–	19,424,107
Profit on disposal of property, plant and equipment		(5,586,725)	(2,606,250)
		1,642,118,591	1,298,589,295
Operating profit before working capital changes		2,569,154,204	2,092,911,795
(Increase)/decrease in current assets			
Stores, spares and loose tools		(53,038,035)	(146,541,805)
Stock in trade		(559,905,032)	38,582,318
Advances, deposits, prepayments and other receivables		(493,546,110)	(977,677,800)
Trade debts		186,382,456	(45,845,940)
		(920,106,721)	(1,131,483,227)
(Decrease)/increase in current liabilities			
Trade and other payables		(930,388,717)	1,117,941,402
Cash generated from operations		718,658,766	2,079,369,970
Finance cost paid		(986,962,809)	(833,833,449)
Workers' profit participation fund paid		(50,799,981)	(7,299,902)
Workers' welfare fund paid		–	(8,532,917)
Income tax paid		(60,002,726)	(80,716,426)
Staff retirement benefits paid		(10,272,921)	(17,823,301)
		(1,108,038,437)	(948,205,995)
Net cash (used in) / generated from operations		(389,379,671)	1,131,163,975
Cash flow from investing activities			
Investments made during the year		(396,233,327)	(19,271,191)
Additions to property, plant and equipment		(1,193,068,947)	(453,404,081)
Capital work in progress		217,620,503	(657,053,731)
Proceeds realized from sale and lease back transactions		4,077,000	88,520,795
Proceeds realized from sale of property, plant and equipment		17,129,293	8,813,103
Stores held for capital expenditure		12,296,025	110,349,312
Long term deposits		(11,146,120)	(3,057,365)
Net cash used in investing activities		(1,349,325,573)	(925,103,158)
Cash flow from financing activities			
Long term loans		280,000,000	254,418,324
Short term borrowings		1,795,022,105	(346,372,167)
Lease rentals paid		(219,491,663)	(187,454,868)
Dividend paid		(132,075,901)	(515,031)
Net cash generated from / (used in) financing activities		1,723,454,541	(279,923,742)
Net decrease in cash and cash equivalents		(15,250,703)	(73,862,925)
Cash and cash equivalents at the beginning of the year		21,828,224	95,691,149
Cash and cash equivalents at the end of the year	24	6,577,521	21,828,224

The attached notes from 1 to 40 form an integral part of these consolidated financial statements.

Lahore:
08 January 2010 | Chief Executive | Director

Consolidated Statement of Changes in Equity

For the year ended 30 September 2009

	Share capital	Capital Reserves: Share premium	Capital Reserves: Share option reserve	Capital Reserves: Fair value ajustment on available for sale investment	Accumulated profit	Minority interest	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at 30 September 2007 – as reported	315,361,900	21,300,000	16,071,264	–	681,165,451	(6,345,583)	1,027,553,032
Effect of merger	–	–	–	–	(9,968,873)	8,865,583	(1,103,290)
Balance as at 30 September 2007 – as restated	315,361,900	21,300,000	16,071,264	–	671,196,578	2,520,000	1,026,449,742
Share based option	–	–	2,669,986	–	–	–	2,669,986
Share option exercised	2,350,000	16,391,250	(18,741,250)	–	–	–	–
Bonus shares issued at the rate of 20 %	63,542,360	–	–	–	(63,542,360)	–	–
Profit for the year	–	–	–	–	484,452,540	–	484,452,540
Acquisition of interest in subsidiary	–	–	–	–	–	(2,520,000)	(2,520,000)
Balance as at 30 September 2008	381,254,260	37,691,250	–	–	1,092,106,758	–	1,511,052,268
Final dividend @ Rs. 3.50 per share	–	–	–	–	(133,438,991)	–	(133,438,991)
Bonus shares issued at the rate of 15%	57,188,130	–	–	–	(57,188,130)	–	–
Shares issued during the year	4,398,180	21,247,608	–	–	–	–	25,645,788
Fair value adjustment during the year	–	–	–	(57,500)	–	–	(57,500)
Profit for the year	–	–	–	–	587,653,777	–	587,653,777
Balance as at 30 September 2009	442,840,570	58,938,858	–	(57,500)	1,489,133,414	–	1,990,855,342

The attached notes from 1 to 40 form an integral part of these consolidated financial statements.

Lahore:
08 January 2010 Chief Executive Director

Notes to the Consolidated Financial Statements

For the year ended 30 September 2009

1. STATUS AND NATURE OF BUSINESS

The Group consists of:

Parent Company

JDW Sugar Mills Limited

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

1.2 United Sugar Mills Limited ("USML") a subsidiary of the Company was merged into the Company under the scheme of amalgamation approved with effect from 01 October 2008 by Honorable Lahore High Court vide its order dated 30 September 2009. Details of amalgamation are as follows:

a) Former USML was incorporated in Pakistan on 5 February 1970 and listed on Karachi Stock Exchange until 14 September 2008. However, on the application of the management of former USML in the year 2008 it was delisted with effect from 15 September 2008. USML was engaged in the production and sale of crystalline sugar.

b) On 11 May 2009, the Board of Directors of the Company and former USML in their separate meetings approved a scheme of arrangement under section 284 and section 287 of the Companies Ordinance, 1984 for the amalgamation of the former USML into the Company.

c) The scheme was approved by the shareholders of the Company and former USML at their respective Extra Ordinary General Meetings held on 22 August 2009. The scheme was also sanctioned by the Honorable Lahore High Court on 30 September 2009.

d) The scheme envisages:

i) The transfer to and vesting in the Company of the whole undertaking of former USML inclusive of all its properties, assets, rights, liabilities, debts and obligations as subsisting on 01 October 2008 (hereinafter referred to as 'effective date')

ii) The issue of 439,818 shares of the Company to the shareholders of the former USML (other than JDWSML) in the ratio of 6 ordinary shares of Rs. 10/– each credited as fully paid up for every 1 ordinary share held by them in the capital of former USML. These ordinary shares shall rank pari passu with the existing ordinary shares of the Company in all respects and shall be entitled to all dividends declared after the effective date.

iii) The dissolution, without winding up, of former USML.

Subsidiary Company

Ghotki Sugar Mills (Private) Limited

Ghotki Sugar Mills (Private) Limited ("GSML") was incorporated in Pakistan on 02 June 2006 as a Private Limited Company under the Companies Ordinance, 1984. The registered office of the Company is situated at 17 – Abid Majeed Road, Lahore Cantonment, Lahore. The principal activity of the Company is production and sale of crystalline sugar. GSML is wholly owned subsidiary of the company.

2. STATEMENT OF COMPLIANCE

2.1 These consolidated 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 (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued by the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Standards, interpretations and amendments to published approved accounting standards

Effective in current year

IFRS 7 – "Financial Instrument : Disclosures", requires extensive disclosures about the significance of the financial instruments for the Group financial position and performance, and nature and extent of risk arising from financial instruments to which the Group is exposed during the year and at the end of the reporting period, and how the Group manages those risks. Adoption of this standard has resulted in additional disclosures given in note 34 to the financial statements.

Relevant but not yet effective

IAS 1 "Presentation of Financial Statements" effective for annual periods beginning on or after 01 January 2009 revises the existing IAS 1 and requires apart from changing the names of certain components of financial statements, presentation of transactions with owners in statement of changes in equity and with non–owners in comprehensive Income Statement. Adoption of the above standard will only effect the presentation of financial statements.

Amendment to IFRS 7 – Improving disclosures about Financial Instruments (effective for annual periods beginning on or after 01 January 2009). The amendments introduce a three–level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements. The amendment is not likely to have an effect on Group financial statements other than certain increased disclosures only.

Amendment to IFRS 2 – Share–based Payment – Vesting Conditions and Cancellations (effective for annual periods beginning on or after 01 January 2009) clarifies the definition of vesting conditions, introduces the concept of non–vesting conditions, requires non–vesting conditions to be reflected in grant–date fair value and provides the accounting treatment for non–vesting conditions and cancellations. The application of this standard is not likely to have any effect on the Group financial statements.

Revised IFRS 3 – Business Combinations (applicable for annual periods beginning on or after 1 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre–existing interest in an acquiree to be measured at fair value, with the related gain or loss recognised in profit or loss and any non–controlling (minority) interest to be measure at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction–by–transaction basis. The application of this standard is not likely to have an effect on the Group financial statements.

Amended IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 01 July 2009) requires accounting for changes in ownership interest by the Group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the Group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of the standard is not likely to have an effect on the Group financial statements.

Not relevant and not yet effective

The following standards, amendments and interpretations to approved accounting standards, effective for accounting periods beginning on or after 1 July 2009 are either not relevant to the Group operations or are not expected to have significant impact on the Group financial statements other than certain increased disclosures only:

- Revised IAS 23 – Borrowing costs
- IFRS 3 (amendment) – Business Combinations
- IFRS 8 – Operating Segments
- IAS 27 – Consolidated and separate financial statements
- IAS 32 (amendment) – Financial instruments: Presentation and consequential amendment to IAS 1 – Presentation of Financial Statements
- IFRIC 15 – Agreements for the Construction of Real Estate
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation

In addition to above, International Accounting Standards Board made certain amendments to existing standards and interpretations as part of its first and second annual improvements projects. These amendments are unlikely to have impact on the Group financial statements.

3. BASIS OF MEASUREMENT

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

The preparation of consolidated financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision effects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to Group financial statements or where judgments were exercised in application of accounting policies are:

– Residual value and useful lives of depreciable assets
– Retirement benefits
– Taxation
– Provisions

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Basis of consolidation

The consolidated financial statements includes the financial statements of JDW Sugar Mills Limited and its subsidiary for the year ended 30 September 2009.

Subsidiary is that enterprise in which directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its Directors. The financial statements of the subsidiary is included in the consolidated financial statements from the date control commences until the date control ceases.

The assets and liabilities of the subsidiary has been consolidated on a line by line basis and the carrying value of investment held by the parent company is eliminated against the subsidiary shareholders' equity in the consolidated financial statements.

Material intra–group balances and transactions have been eliminated.

Minority interest is that part of the net results of the operations and of net assets of the subsidiary attributable to interests which are not owned by the Group. Minority interest are presented as a separate item in the consolidated financial statements.

4.2 Property, plant and equipment

Owned

Property, plant and equipment, except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land and capital work in progress are stated at cost less any identified impairment loss. Cost includes direct cost, related overheads, interest and mark up referred to in note 4.13.

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

Depreciation is charged to profit on reducing balance method so as to write off the written down value of assets over their estimated useful lives at rates disclosed in note 15.

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

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

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

Leased

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

The related rental obligations, net of finance costs, are included in liabilities against assets subject to finance lease as referred to in note 8. The liabilities are classified as current and non–current depending upon the timing of the payment.

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

Assets acquired under a finance lease are depreciated over the estimated useful life of the assets on reducing balance method at the rates disclosed in note 15. Depreciation of leased assets is charged to profit and loss account.

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

4.3 Stores, spares and loose tools

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

4.4 Stock in trade

Finished goods

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

Cost is determined as follows:

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

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

4.5 Trade debts

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

4.6 Employee benefits

Parent company

Defined contribution plan

The Company operates approved contributory provident fund for all permanent employees excluding emplyees of formerly United Sugar Mills Limited. Equal monthly contribution is made both by the Company and employees to the fund at the rate of 10% of basic salary.

Defined benefit plans

The Company and GSML operate an unfunded gratuity scheme covering employees of former United Sugar Mills Limited (Unit II of the Company) and all employees of GSML respectively who have completed their qualifying period. Provision is made annually to cover current obligation under the scheme. Contributions under the scheme are made on the basis of actuarial recommendation and are charged to profit and loss account.

The most recent valuation was carried out as at 30 September 2009 using the "Projected unit credit method". Following significant assumptions are used for valuation of the scheme:

	2009	2008
Discount rate	13%	12%
Expected increase in eligible pay	11%	12%
Expected average working life of employee	12 years	13 years

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

Shared based payment transactions

The Company established a share option programme that entitles senior executive level of the Company to receive shares of the Company at 100% discount or such other discount rates as may be decided by the Board from time to time. The shares issued to the employees under the above scheme will not be transferable for a period of two years starting from the date of issue.

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

As explained in note 38.2, subsequent to year end Securities and Exchange Commission of Pakistan has cancelled the shares issued under the share option scheme of the Company.

4.7 Taxation

Income tax expense comprises current and deferred tax.

Current

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

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

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

4.8 Revenue recognition

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

Interest and rental income are recognized on accrual basis.

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

4.9 Cash and cash equivalents

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

4.10 Provisions

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

4.11 Financial instruments

Financial asset

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

Financial liabilities

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

Recognition and derecognition

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

4.12 Offsetting

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

4.13 Borrowing cost

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

4.14 Trade and other payables

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

4.15 Foreign currency transactions

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

4.16 Deferred income

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

4.17 Investment

Investments in equity instruments of associated company

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

Available for sale

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

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

4.18 Investment Property

Property not held for own use or for sale in the ordinary course of business is classified as investment property. The investment property of the Group comprises land and is valued using the cost method, at cost less any identified impairment loss, if any.

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

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

4.19 Related party transactions

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

4.20 Goodwill

Goodwill represent the excess of the cost of an acquisition over the fair vlaue of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill recognized is tested annually for impairment and carried at cost less accumulated impairment losses.

4.21 Dividend

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

	2009 (Number)	2008 (Number)	2009 (Rupees)	2008 (Rupees)
5. SHARE CAPITAL				
5.1 Authorized capital				
Ordinary shares of Rs. 10 each	**55,000,000**	40,000,000	**550,000,000**	400,000,000
5.2 Issued, subscribed and paid up capital				
Ordinary shares of Rs. 10 each fully paid in cash	**20,577,200**	20,577,200	**205,772,000**	205,772,000
Ordinary shares of Rs. 10 each issued as fully paid bonus shares	**22,732,039**	17,013,226	**227,320,390**	170,132,260
Ordinary shares of Rs. 10 each issued against share option exercised	**535,000**	535,000	**5,350,000**	5,350,000
Issued during the year under scheme of merger	**439,818**	–	**4,398,180**	–
	44,284,057	38,125,426	**442,840,570**	381,254,260

6. SUBORDINATED LOAN FROM DIRECTOR – UNSECURED

This loan is unsecured and subordinated to the syndicated loans. Mark up at the rate of 6 months KIBOR plus 300 bps (2008: 6 months KIBOR plus 300 bps) per annum is payable on quarterly basis.

	Note	2009 (Rupees)	2008 (Rupees)
7. LONG TERM LOANS – SECURED			
Privately placed term finance certificates (PPTFC's)	7.1	1,700,000,000	1,700,000,000
Privately placed SUKUK certificates (PPSC's)	7.2	500,000,000	500,000,000
Habib Bank Limited – term loan	7.3	280,000,000	–
Habib Bank Limited – led syndicated loan	7.4	1,400,000,000	1,400,000,000
		3,880,000,000	3,600,000,000
Less: Current maturity			
PPTFC's		264,444,444	–
PPSC's		77,777,778	–
Habib Bank Limited – term loan		60,000,000	–
Habib Bank Limited – led syndicated loan		102,000,000	–
		504,222,222	–
		3,375,777,778	3,600,000,000
7.1 Privately placed term finance certificates (PPTFC's)			
MCB Bank Limited		225,000,000	225,000,000
Faysal Bank Limited		300,000,000	300,000,000
Saudi Pak Industrial and Agricultural Investment Co. (Pvt) Ltd.		50,000,000	50,000,000
The Bank of Punjab		400,000,000	400,000,000
AKD Income Fund		31,230,000	70,000,000
AKD Opportunity Fund		40,000,000	40,000,000
Golden Arrow Selected Stock Fund Limited		40,000,000	40,000,000
MCB Dynamic Cash Fund		90,000,000	100,000,000
National Bank of Pakistan		200,000,000	200,000,000
Soneri Bank Limited		83,000,000	83,000,000
Silk Bank Limited		192,000,000	192,000,000
Others		48,770,000	–
	7.5	1,700,000,000	1,700,000,000

		Note	2009 (Rupees)	2008 (Rupees)
7.2	**Privately placed SUKUK certificates (PPSC's)**			
	MCB Bank limited		175,000,000	175,000,000
	Askari Bank Limited		200,000,000	200,000,000
	The Bank of Khyber Limited		125,000,000	125,000,000
		7.6	500,000,000	500,000,000
7.3	**Habib Bank Limited – term loan**	7.7	280,000,000	–
7.4	**Habib Bank Limited – led syndicated loan**			
	Habib Bank Limited		350,000,000	350,000,000
	MCB Bank limited		400,000,000	400,000,000
	JS Bank Limited		150,000,000	150,000,000
	Pak Kuwait Investment Company (Private) Limited		150,000,000	150,000,000
	Faysal Bank Limited		350,000,000	350,000,000
			1,400,000,000	1,400,000,000
			3,880,000,000	3,600,000,000

7.5 PPTFC's

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

Terms of repayment

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

Rate of return

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

Trustee

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

Security

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

7.6 PPSC's

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

Terms of repayment

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

Rate of return

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

Trustee

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

Security

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

7.7 Habib Bank Limited – term loan

It is repayable in 20 unequal quarterly instalments ending on 31 March 2014. The interest is payable quarterly at a rate of 3 months KIBOR plus 275 bps per annum. This finance is secured by first pari passu charge on fixed assets of the Company (including land, building, plant and machinery) worth PKR 400 million and token registered mortgage of PKR 100,000/– on personal property and personal guarantee of directors of the Company.

7.8 Habib Bank Limited – led syndicated loan

Habib Bank Limited led syndicated loan is secured against first ranking pari passu charge over all the assets, equitable mortgage charge over immoveable properties of GSML and personal guarantee of directors to the extent of Rs. 1,866,666,668. It is repayable in 22 installments ranging from Rs. 51,000,000 to 76,500,000 after a grace period of 1.5 years starting from June 2010. It carries mark–up at the rate of 3 months KIBOR plus 200 bps per annum payable on quarterly basis.

8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

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

	Note	2009		
		Minimum lease payments	Finance cost for future periods	Present value
		(Rupees)	(Rupees)	(Rupees)
Not later than one year	12	252,054,126	62,712,169	189,341,957
Later than one year and not later than five years		384,615,587	54,655,135	329,960,452
		636,669,713	117,367,304	519,302,409

	Note	2008		
		Minimum lease payments	Finance cost for future periods	Present value
		(Rupees)	(Rupees)	(Rupees)
Not later than one year	12	222,493,946	67,559,334	154,934,612
Later than one year and not later than five years		421,090,760	67,208,888	353,881,872
		643,584,706	134,768,222	508,816,484

The Group has entered into various lease agreements with financial institutions for plant and machinery, implements and vehicles. Lease rentals are payable on quarterly/monthly basis and include finance cost ranging from 6 months KIBOR plus 250 bps to 6 months KIBOR plus 375 bps (2008: 6 months KIBOR plus 250 bps to 6 months KIBOR plus 325 bps per annum which has been used as the discounting factor. The Company has the option to purchase the assets upon completion of lease period and has the intention to exercise such option. There are no financial restrictions imposed by lessors.

9. DEFERRED LIABILITIES

	Note	2009 (Rupees)	2008 (Rupees)
Deferred taxation	9.1	851,356,922	568,444,852
Staff retirement benefits – gratuity	9.2	26,885,791	17,129,923
		878,242,713	585,574,775

9.1 Deferred taxation

	2009	2008
The liability for deferred taxation comprises of timing differences relating to:		
Accelerated tax depreciation	1,110,420,038	977,023,857
Leased assets	206,405,271	162,959,232
Liabilities against assets subject to finance lease	(181,755,843)	(164,248,504)
Unused tax credits and losses	(241,622,235)	(378,471,269)
Employee retirement benefits	(10,162,419)	(5,766,044)
Provision for doubtful debts	(17,580,361)	(17,666,626)
Other timing differences	(14,347,529)	(5,385,794)
	851,356,922	568,444,852

	Note	2009 (Rupees)	2008 (Rupees)
9.2 Staff retirement benefits – gratuity			
Present value of defined benefit obligations		33,021,263	25,523,798
Unrecognised actuarial losses		(6,135,472)	(8,393,875)
Liability as at 30 September		26,885,791	17,129,923
Balance as at 01 October		17,129,923	12,212,446
Charge to profit and loss account		11,538,174	6,203,775
Payments		(1,782,306)	(1,286,298)
Liability as at 30 September		26,885,791	17,129,923
Charge to profit and loss account for the year comprises:			
Current service cost		8,034,551	4,891,468
Interest cost for the year		3,062,856	1,572,504
Transitional assets recognized on adoption of IAS–19		–	(517,477)
Actuarial losses recognised		440,767	257,280
		11,538,174	6,203,775

Historical information for five years:

	2009 Rupees	2008 Rupees	2007 Rupees	2006 Rupees	2005 Rupees
Present value of defined benefit obligations	23,901,536	21,300,000	16,182,081	10,911,207	8,846,455
Experience adjustment (loss)	(2,702,083)	(1,447,000)	(2,730,000)	(543,000)	(1,132,000)

10. DEFERRED INCOME

This represents the unamortized balance of excess of sale proceeds over carrying amount of plant and equipment on sale and lease back transactions with financial institutions. The deferred income is being amortized each year over the respective period of the lease term. The amount credited to the profit and loss account is Rs. 3.95 million (2008 : Rs. 4.24 million).

	Note	2009 (Rupees)	2008 (Rupees)
11. SHORT TERM BORROWINGS – SECURED			
Banking and Financial Institutions			
Cash finances	11.1	2,148,483,632	962,351,050
Running finances	11.2	1,614,700,567	808,029,586
Finance against trust receipt (FATR)	11.3	2,218,542	–
Morabaha facility		–	200,000,000
		3,765,402,741	1,970,380,636

11.1 The Group has obtained cash finance facilities aggregating to Rs.7,320 million (2008: Rs. 7,120 million). The mark up rates applicable during the year ranges from 13.87% to 18.00% per annum (2008:10.80% to 15.58% per annum). These are secured against pledge of sugar bags of the Group and personal guarantees of the Directors of the Group.

11.2 The Group has obtained running finance facilities aggregating to Rs. 1,900 million (2008: Rs. 987 million). The mark up rates applicable during the year ranges from 13.87% to 19.52% per annum (2008: 11.05% to 16.99% per annum). These are secured against present and future current assets of the Group and personal guarantees of the Directors of the Group.

11.3 The limit of this facility is Rs. 50 million. It carries mark–up at the rate of 1 month KIBOR plus 200 bps per annum and is secured against charge over current assets of GSML.

		Note	2009 (Rupees)	2008 (Rupees)
12.	**CURRENT PORTION OF NON CURRENT LIABILITIES**			
	Current portion of long term loans from banking companies and financial institutions	7	504,222,222	–
	Current portion of liabilities against assets subject to finance lease	8	189,341,957	154,934,612
			693,564,179	154,934,612
13.	**TRADE AND OTHER PAYABLES**			
	Advances from customers		365,309,025	827,666,574
	Trade creditors		179,755,896	276,546,670
	Sales tax payable		85,583,201	483,422,936
	Workers' profit participation fund payable	13.1	49,992,301	46,772,363
	Accrued expenses		48,017,841	12,308,484
	Workers' welfare fund		39,422,269	20,425,193
	Retention money		11,467,505	13,387,234
	SED Payable		9,226,597	31,690,597
	Unclaimed dividend		6,293,181	4,930,092
	Tax deducted at source		177,084	2,062,766
	Other payables		8,245,223	7,420,387
			803,490,123	1,726,633,296
	13.1 Workers' Profit Participation Fund			
	As at 01 October		46,772,363	7,152,207
	Add: Allocation for the year		49,992,301	46,614,650
	Interest on funds utilized during the year		4,027,618	305,408
			100,792,282	54,072,265
	Less: Paid during the year		50,799,981	7,299,902
	As at 30 September		49,992,301	46,772,363

14. CONTINGENCIES AND COMMITMENTS

Contingencies

JDW Sugar Mills Limited

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 30 September 2009

		2009 (Rupees)	2008 (Rupees)
Commitments in respect of:			
JDW Sugar Mills Limited			
14.4	Counter guarantee given on account of agricultural loan to growers:		
	Habib Bank Limited	250,000,000	–
	Faysal Bank Limited	450,000,000	150,000,000
14.5	Letters of credit for Import of machinery and its related components	3,930,934	97,351,399
14.6	Letter of guarantee for purchase of oil and lubricants in favour of		
	Shell Pakistan Limited	60,000,000	60,000,000
	Pakistan State Oil Limited	1,000,000	–
14.7	Letters of guarantee for sugar tenders in favour of Trading Corporation of Pakistan	–	69,661,565
14.8	Cost of boiler under erection	–	18,846,000
	Ghotki Sugar Mills (Private) Limited		
14.9	Letters of credit for Import of machinery and its related components	42,714,792	61,940,000
14.10	Letters of guarantee for sugar tenders in favour of Trading Corporation of Pakistan	–	19,205,001

15. OPERATING ASSETS

	COST				DEPRECIATION						
	As at 01 October 2008	Additions / (deletion)	Transfers to / (from) during the year	As at 30 September 2009	Rate	As at 01 October 2008	For the year	Adjustments	As at 30 September 2009	Net book value as at 30 September 2009
	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(%)	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)
Owned										
Freehold land	151,257,656	174,742,555	(141,850,450)	184,149,761		–	–	–	–	184,149,761
Factory building on freehold land	714,615,377	77,794,513	–	790,790,349	10	170,610,461	59,925,204	–	230,535,665	560,254,684
		(1,619,541)								
Non factory building on freehold land	427,074,804	74,838,734	–	501,913,538	5	66,698,683	20,488,891	–	87,187,574	414,725,964
Plant and machinery	5,213,472,499	410,705,466	24,900,000	5,647,419,934	5	1,020,067,614	252,586,078	3,522,952	1,275,421,583	4,371,998,351
		(1,658,031)	(755,061)							
Motor vehicles	210,806,999	14,333,324	4,093,500	203,139,757	20	123,343,105	13,117,590	2,462,013	123,089,085	80,050,672
		(26,094,066)						(15,833,623)		
Electrical installation	44,697,087	14,130,549	–	58,827,636	10	27,259,166	2,690,956	–	29,950,122	28,877,514
Office equipment	45,813,253	2,511,478	–	48,324,731	10–20	24,569,094	3,593,583	–	28,162,677	20,162,054
Tools and equipment	52,502,668	2,631,364	–	55,134,032	10	21,184,353	3,348,215	–	24,532,568	30,601,464
Agri implements	158,463,216	11,573,894	–	170,037,110	10–25	63,045,001	10,375,976	–	73,420,977	96,616,133
Furniture and fixture	22,566,215	4,103,720	–	26,669,935	10	11,204,733	1,402,842	–	12,607,575	14,062,360
Weighbridge	9,717,830	–	–	9,717,830	10	7,046,101	267,173	–	7,313,274	2,404,556
Roads and boundary wall	24,486,266	22,474,355	–	46,960,621	10	6,705,697	1,775,564	–	8,481,261	38,479,360
Arms and ammunitions	5,852,967	–	–	5,852,967	10–20	1,522,613	454,558	–	1,977,171	3,875,796
Aircraft	–	398,645,628	–	398,645,628	10	–	12,341,632	–	12,341,632	386,303,996
Tubewell	1,498,146	–	–	1,498,146	10–25	940,559	70,902	–	1,011,461	486,685
Refrigerator & air conditioners	3,543,026	–	–	3,543,026	10	2,460,909	108,212	–	2,569,121	973,905
Computers	6,745,704	2,947,245	–	9,692,949	30–33	2,089,414	1,948,537	–	4,037,951	5,654,998
Fire fighting equipments	344,000	–	–	344,000	20	343,662	66	–	343,728	272
	7,093,457,713	1,211,432,825	(112,856,950)	8,162,661,950		1,549,091,165	384,495,979	5,984,965	1,922,983,425	6,239,678,525
		(29,371,638)						(16,588,684)		
Leased										
Plant and machinery	312,414,625	103,558,700	(24,900,000)	391,073,325	5	35,581,789	13,855,828	(3,522,952)	45,914,665	345,158,660
Implements	164,173,308	36,627,701	–	200,801,009	10	27,697,679	16,426,301	–	44,123,980	156,677,029
Motor vehicles	113,073,280	16,174,000	(4,093,500)	125,153,780	20	21,559,226	19,395,075	(3,694,178)	37,260,123	87,893,657
	589,661,213	156,360,401	(28,993,500)	717,028,114		84,838,694	49,677,204	(7,217,130)	127,298,768	589,729,346
	7,683,118,926	1,367,793,226	(141,850,450)	8,879,690,064		1,633,929,859	434,173,183	(1,232,165)	2,050,282,193	6,829,407,871
		(29,371,638)						(16,588,684)		

15.1

	COST				DEPRECIATION					
	As at 01 October 2007	Additions / (deletions) during the year	Transfers to / (from) during the year	As at 30 September 2008	Rate	As at 01 October 2007	For the year	Adjustments	As at 30 September 2008	Net book value as at 30 September 2008
	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(%)	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)
Owned										
Freehold land	333,149,282	30,399,090	(212,290,716)	151,257,656		–	–	–	–	151,257,656
Factory building on freehold land	433,888,146	280,727,231	–	714,615,377	10	120,371,493	50,238,968	–	170,610,461	544,004,916
Non factory building on freehold land	358,068,387	69,006,417	–	427,074,804	5	49,295,941	17,402,742	–	66,698,683	360,376,121
Plant and machinery	3,649,303,997	1,600,148,217	(35,979,715)	5,213,472,499	5	794,922,444	225,145,170	–	1,020,067,614	4,193,404,885
Motor vehicles	134,934,796	45,532,249	67,188,500	210,806,999	20	78,795,383	15,124,926	38,131,088	123,343,105	87,463,894
		(14,397,546)	(22,451,000)				(8,708,292)	–		
Electrical installation	40,344,934	4,352,153	–	44,697,087	10	25,305,309	1,953,857	–	27,259,166	17,437,921
Office equipment	40,596,268	5,251,185	–	45,813,253	10–20	21,043,027	3,536,997		24,569,094	21,244,159
		(34,200)					(10,930)			
Tools and equipment	44,056,029	8,446,639	–	52,502,668	10	18,114,053	3,070,300	–	21,184,353	31,318,315
Agri Implements	21,626,980	38,772,316	128,154,000	158,463,216	10–25	9,949,411	3,113,585	49,982,005	63,045,001	95,418,215
			(30,090,080)							
Furniture and fixture	19,518,730	3,062,835	–	22,566,215	10	10,109,566	1,099,977	–	11,204,733	11,361,482
		(15,350)					(4,810)			
Weighbridge	9,717,830	–	–	9,717,830	10	6,749,239	296,862	–	7,046,101	2,671,729
Roads and boundary wall	7,098,931	17,387,335	–	24,486,266	10	5,369,634	1,336,063	–	6,705,697	17,780,569
Arms and ammunitions	5,852,967	–	–	5,852,967	10–20	1,011,570	511,043	–	1,522,613	4,330,354
Tubewell	1,398,146	100,000	–	1,498,146	10–25	861,680	78,879	–	940,559	557,587
Refrigerator & air conditioners	3,543,026	–	–	3,543,026	10	2,340,674	120,235	–	2,460,909	1,082,117
Computers	2,577,246	4,246,898	–	6,745,704	30–33	842,318	1,317,324	–	2,089,414	4,656,290
		(78,440)					(70,228)			–
Fire fighting equipments	344,000			344,000	20	343,577	85		343,662	338
	5,106,019,695	2,107,432,565	195,342,500	7,093,457,713		1,145,425,319	324,347,013	88,113,093	1,549,091,165	5,544,366,549
		(14,525,536)	(300,811,511)				(8,794,260)			
Leased										
Plant and machinery	317,613,910	–	35,979,715	312,414,625	5	29,735,811	14,444,957	(8,598,979)	35,581,789	276,832,836
			(41,179,000)							
Implements	183,980,178	–	30,090,080	164,173,308	10	29,212,707	15,093,710	(16,510,296)	27,697,679	136,475,629
		(517,950)	(49,379,000)				(98,442)		–	
Motor vehicles	168,323,780	27,683,000	22,451,000	113,073,280	20	64,050,983	20,648,529	–	21,559,226	91,514,054
		(600,000)	(104,784,500)				(136,468)	(63,003,818)		
	669,917,868	27,683,000	88,520,795	589,661,213		122,999,501	50,187,196	(88,113,093)	84,838,694	504,822,519
		(1,117,950)	(195,342,500)				(234,910)			
	5,775,937,563	2,135,115,565	(212,290,716)	7,683,118,926		1,268,424,820	374,534,209	–	1,633,929,859	6,049,189,068
	–	(15,643,486)					(9,029,170)			

	Note	2009 (Rupees)	2008 (Rupees)
15.2 Depreciation charge for the year has been allocated as follows:			
Cost of goods manufactured	26.1	391,236,264	346,086,524
Administrative expenses	27	25,292,582	12,330,366
Other operating expenses	29.1	17,644,337	16,117,319
		434,173,183	374,534,209

16. DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Description	Particulars of buyer	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
		(Rupees)	(Rupees)	(Rupees)	(Rupees)	
	Employees					
Vehicles	Employees	16,400,884	9,386,934	7,013,950	8,301,550	Negotiation
Motor Cycles	Employees	4,134,292	3,244,139	890,153	2,079,251	Negotiation
	Insurance claim					
Vehicle	EFU	560,000	294,957	265,043	500,000	Insurance claim
Factory building – water tank	EFU	1,611,324	–	1,611,324	2,000,000	Insurance claim
	Others parties					
Vehicles	Sama Motors	4,626,190	3,823,715	802,475	3,293,492	Negotiation
Vehicles	Gul Autos	372,700	316,047	56,653	155,000	Negotiation
Plant and machinery	Comfort Diesel	1,658,031	755,061	902,970	800,000	Negotiation
2009		29,363,421	17,820,853	11,542,568	17,129,293	
2008		104,163,981	9,029,171	95,134,810	97,333,898	

	Note	2009 (Rupees)	2008 (Rupees)
17. INVESTMENT PROPERTY			
Balance as at 01 October		212,290,716	–
Transferred to investment property		138,462,920	212,290,716
Balance as at 30 September		350,753,636	212,290,716

It represent agricultural land given on lease. The fair value of investment property is Rs. 560,000,000 as at 30 September 2009.

	Note	2009 (Rupees)	2008 (Rupees)
18. INVESTMENTS			
Investment in associated company	18.1	394,530,361	–
Available for sale	18.2	317,500	375,000
		394,847,861	375,000
18.1 Investment in associated company – Un qouted			
Faruki Pulp Mills Limited ("FPML")			
Cost of investment 35,000,000 (2008: nil) fully paid shares of Rs. 10 each		395,500,000	–
Share of loss for the year		(969,639)	–
		394,530,361	–

Summarised financial information in respect of the FPML is set out below:

	2009 (Rupees)	2008 (Rupees)
Assets	1,315,153,672	–
Liabilities	612,088,037	–
Equity	703,065,635	–
Revenue for the period	–	–
Accumulated loss	(36,634,365)	–

Investment of the Group in FPML has been accounted for under the equity method of accounting based on its financial statements as at 30 June 2009. The Group has 48.87% (2008: nil) holding in FPML.

		2009 (Rupees)	2008 (Rupees)
18.2 Available for sale			
Quoted			
Taha Spinning Mills Limited 50,000 fully paid ordinary shares of Rs. 10 each.		317,500	375,000
(2008: 50,000 shares) Market value – Rs. 6.35 per share (2008: Rs. 7.50)			

19. INTANGIBLE ASSET – GOODWILL

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

20. LONG TERM DEPOSITS

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

		2009 (Rupees)	2008 (Rupees)
21. STORES SPARES AND LOOSE TOOLS			
Spares		216,413,183	219,702,441
Stores		153,596,017	107,118,313
Loose tools		11,773,817	11,752,237
Oil and lubricants		36,462,078	26,432,584
Packing materials		3,734,869	4,061,873
Civil stores		2,311,170	2,185,651
		424,291,134	371,253,099
22. TRADE DEBTS – UNSECURED			
Trade debts – unsecured,		51,074,197	237,456,653
Less: Provision for doubtful debts		(14,486,141)	(14,486,141)
		36,588,056	222,970,512
23. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances unsecured and considered good;			
– to growers	23.1	1,910,798,687	1,328,425,924
Less: Provision for doubtful advances		(35,510,826)	(35,510,826)
		1,875,287,861	1,292,915,098
– to suppliers and contractors		182,526,458	244,309,711
Less: Provision for doubtful advances		(479,108)	(479,108)
		182,047,350	243,830,603
Advance against purchase of shares		65,000,000	–
Prepaid expenses		21,234,517	11,852,394
Excise duty receivable	23.2	9,888,364	9,888,364
Advances to staff – unsecured, considered good		7,863,219	11,418,086
Letters of credit		6,846,395	103,440,436
Other receivables		1,223,083	8,567,026
		2,169,390,789	1,681,912,007

23.1 Advances to growers includes Rs. 1,110,277,013 (2008: Rs. 851,627,643) and Rs. 454,227,062 (2008: 266,001,811) given to JK Agri Farms and AK Agri Farms respectively, (a related party) for procurement of sugarcane.

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

Notes to the Consolidated Financial Statements

For the year ended 30 September 2009

		Note	2009 (Rupees)	2008 (Rupees)
24.	**CASH AND BANK BALANCES**			
	At banks:			
	Current accounts		3,012,560	20,548,965
	Saving accounts	24.1	1,617,613	–
			4,630,173	20,548,965
	Cash in hand		1,947,348	1,279,259
			6,577,521	21,828,224

24.1 The balances in saving accounts carry mark–up which ranges from 8% to 12% per annum (2008:nil).

		Note	2009 (Rupees)	2008 (Rupees)
25.	**SALES – NET**			
	Sugar		10,664,134,450	11,720,890,886
	Molasses & Bagasse		519,467,168	686,874,785
	Electricity		69,659,253	–
			11,253,260,871	12,407,765,671
	Less:			
	Sales tax		1,265,587,284	1,514,866,090
	Special excise duty		85,097,812	88,468,162
	Brokerage charges		1,350,000	2,970,012
			1,352,035,096	1,606,304,264
			9,901,225,775	10,801,461,407
26.	**COST OF SALES**			
	Opening stock – Sugar		876,391,873	914,974,191
	Cost of goods manufactured	26.1	8,075,597,516	8,780,000,893
	Less: Closing finished goods – Sugar		(1,436,296,905)	(876,391,873)
			7,515,692,484	8,818,583,211
26.1	**Cost of goods manufactured**			
	Cost of sugarcane consumed (including procurement and other costs)		6,615,639,197	7,356,446,883
	Salaries, wages and other benefits	26.1.1	474,230,381	410,289,508
	Depreciation	15.1	391,236,264	346,086,524
	Stores and spares consumed		201,853,657	225,320,619
	Packing materials consumed		96,399,049	144,536,592
	Oil, lubricants and fuel consumed		62,284,608	65,334,999
	Chemicals consumed		56,946,936	60,794,725
	Vehicle running expenses		50,328,865	51,998,541
	Insurance		33,195,173	27,639,601
	Repairs and maintenance		30,895,838	10,692,575
	Electricity and power		24,876,732	17,992,498
	Mud and bagasse shifting expenses		10,707,545	12,026,870
	Freight and octroi		8,625,577	15,261,809
	Printing and stationery		4,322,748	5,838,800
	Traveling and conveyance		2,968,950	5,192,968
	Handling and storage		1,552,802	9,098,678
	Telephone and fax		1,174,684	2,350,245
	Other expenses		8,358,510	13,098,458
			8,075,597,516	8,780,000,893

26.1 Salaries, wages and other benefits include Rs. 7,372,872 (2008: Rs. 6,297,345) in respect of provident fund and Rs.8,076,722 (2008: 4,342,641) in respect of gratuity and Rs. nil (2008: 2,272,329) in respect of share option scheme.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2009

		Note	2009 (Rupees)	2008 (Rupees)
27.	**ADMINISTRATIVE EXPENSES**			
	Salaries, wages and other benefits	27.1	80,494,367	60,663,997
	Traveling and conveyance		28,058,605	36,557,301
	Charity and donations	27.2	27,337,250	23,738,221
	Depreciation	15.1	25,292,582	12,330,366
	Office rent and renovation		11,720,838	10,112,917
	Legal and professional services		8,737,634	19,733,796
	Vehicle running and maintenance		7,187,945	7,651,285
	Fee and taxes		4,976,743	5,130,690
	Advertisement		3,243,534	2,923,805
	Telephone and fax		2,973,714	1,418,665
	Printing and stationery		2,913,774	2,465,756
	Subscription and renewals		2,575,542	780,464
	Insurance		2,498,132	2,948,371
	Consultancy and advisory		2,250,000	–
	Auditors' remuneration	27.3	1,680,000	1,327,000
	Electricity and power		1,594,090	893,648
	Computer software and maintenance		607,665	401,411
	Entertainment		383,030	450,554
	Postage		436,530	1,506,565
	Newspapers, books and periodicals		62,084	80,212
	Provision for doubtful debts		–	19,424,107
	Other expenses		4,471,139	5,200,949
			219,495,198	215,740,080

27.1 Salaries, wages and other benefits include Rs. 1,580,241 (2008: Rs. 1,316,956) in respect of provident fund and Rs. 3,461,452 (2008: 1,861,134) in respect of gratuity and Rs. nil (2008: 397,658) in respect of share option scheme.

27.2 None of the Directors of the Group or their spouses have any interest in, or are otherwise associated with any of the recipients of donations made by the Group during the year.

		2009 (Rupees)	2008 (Rupees)
27.3	**Auditors' remuneration**		
	KPMG Taseer Hadi & Co.		
	Statutory audit	1,000,000	500,000
	Half yearly review	125,000	90,000
	Out of pocket expenses	–	15,000
	Others certifications	120,000	35,000
	Riaz Ahmed Saqib Gohar & Co.		
	Statutory audit	300,000	200,000
	Half yearly review	–	60,000
	Tax consultancy	105,000	70,000
	Others certifications	25,000	40,000
	Out of pocket expenses	5,000	17,000
	Hyder Bhimji & Co.		
	Statutory audit	–	200,000
	Half yearly review	–	75,000
	Out of pocket expenses	–	25,000
		1,680,000	1,327,000

		Note	2009 (Rupees)	2008 (Rupees)
28.	**DISTRIBUTION AND MARKETING EXPENSES**			
	Salaries, wages and other benefits	28.1	9,312,209	8,336,627
	Sugar loading expenses		2,767,018	3,763,817
	Freight and handling charges		3,726,240	123,469,291
	Advertisement		2,060,165	–
	Other selling expenses		2,149,247	209,061
			20,014,879	135,778,796

28.1 Salaries, wages and staff benefits include Rs. 122,963 (2008: Rs. 103,587) in respect of provident fund.

			2009 (Rupees)	2008 (Rupees)
29.	**OTHER OPERATING EXPENSES**			
	Harvesting loss		43,148,345	20,415,092
	Worker's profit participation fund		49,992,301	46,614,650
	Worker's welfare fund		18,997,074	24,111,467
	Others		3,415,132	–
			115,552,852	91,141,209

29.1 Harvesting loss includes Rs. 17,644,337 (2008: Rs. 16,117,319) in respect of depreciation on agricultural implements.

			2009 (Rupees)	2008 (Rupees)
30.	**OTHER OPERATING INCOME**			
	Income from financial assets			
	Profit on bank deposit		1,013,623	–
	Income from non financial assets			
	Profit on sale of property, plant and equipment		5,586,725	2,606,250
	Rental income		11,193,696	9,358,149
	Scrap sales		2,144,338	14,813,934
	Amortization of deferred income		3,945,100	4,242,205
	Gain on foreign exchange transactions		–	26,218,297
	Insurance claim		–	11,742,000
	Others		555,377	1,341,505
			23,425,236	70,322,340
			24,438,859	70,322,340
31.	**FINANCE COST**			
	Interest and mark–up on:			
	Long term loans – secured		414,425,114	347,806,817
	Short term borrowings – secured	31.1	589,227,999	334,077,310
	Finance leases		57,364,164	50,091,715
	Subordinated loan from Director – unsecured		42,690,150	34,467,622
	Workers' profit participation fund	13.1	4,027,618	305,408
	Bank charges and commission		19,732,650	23,159,079
	Arrangement fee		–	26,310,000
			1,127,467,695	816,217,951

31.1 Mark up on short term borrowings is net of mark up from related parties amounting to Rs. 1.09 million (2008: Rs. nil) on receivable from Ghotki Sugar Mills (Private) Limited. This receivable has been made from the proceeds of short term borrowings from banks.

			2009 (Rupees)	2008 (Rupees)
32.	**TAXATION**			
	Income tax – current	32.1	62,628,079	33,542,170
	Income tax – prior years		(6,158,310)	82,955,170
	Deferred tax	32.2	282,912,067	193,372,620
			339,381,836	309,869,960

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

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

		2009 (%age)	2008 (%age)
33.3	**Reconciliation of tax charge for the year**		
	Applicable tax rate	35.00	35.00
	Tax effect of amounts chargeable at reduced tax rates	–	(3.61)
	Tax effect of prior years	(0.66)	10.58
	Others	2.27	(2.96)
	Average effective rate charged to profit and loss account	36.61	39.01

33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Chief Executive		Directors		Executives	
	2009	2008	2009	2008	2009	2008
	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)
Managerial remuneration	7,200,000	4,400,000	–	–	33,082,906	21,724,370
House allowance	2,880,000	1,760,000	–	–	13,233,234	8,689,748
Utilities	720,000	440,000	–	–	3,308,315	2,172,437
Others	1,400,000	1,999,998	–	–	16,565,307	9,887,335
Company's contribution towards provident fund	–	–	–	–	1,721,719	1,238,660
Share option	–	–	–	–	–	2,669,987
	12,200,000	8,599,998	–	–	67,911,481	46,382,537
Number of persons	1	1	–	–	30	20

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

34. FINANCIAL INSTRUMENTS

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

34.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and loans to/due from related parties. Out of the total financial assets of Rs. 101.47 million (2008: Rs. 302.89 million) financial assets which are subject to credit risk amount to Rs. 94.86 million (2008: Rs. 281.06 million).

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

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

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

	2009 (Rupees)	2008 (Rupees)
Available for sale financial assets		
– non current investment	317,500	375,000
Long term deposits	48,877,275	37,731,155
Trade debts	36,588,056	222,970,512
Advances, deposits, prepayments and other receivables	9,086,302	19,985,113
Cash and bank balances	6,577,521	21,828,224
	101,446,654	302,890,004
The aging of trade receivables at the reporting date is:		
Not past due	36,588,056	222,970,512
Past due 0 – 30 days	–	–
Past due 31 – 60 days	–	–
Past due 61 – 90 days	–	–
Past due 91 – 120 days	–	–
Past due 120 days	–	–
	36,588,056	222,970,512

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

34.2 Liquidity risk

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

Following is the maturity analysis of financial liabilities:

	Less than 6 months	Between 6 to 12 months	Between 1 to 5 years	Between 6 to 10 years	Over 10 years	Total
Non derivative financial liabilities						
Long term finances	186,666,667	317,555,556	3,375,777,777	–	–	3,880,000,000
Subordinated loan from director	–	–	260,900,000	–	–	260,900,000
Short term borrowings	3,765,402,741	–	–	–	–	3,765,402,741
Liabilities against assets subject to finance lease	94,670,978	94,670,979	329,960,452	–	–	519,302,409
Interest and mark up accured	180,218,438	–	–	–	–	180,218,438
Trade and other payables	438,181,098	–	–	–	–	438,181,098
30 September 2009	4,665,139,922	412,226,535	3,966,638,229	–	–	9,044,004,686

	Less than 6 months	Between 6 to 12 months	Between 1 to 5 years	Between 6 to 10 years	Over 10 years	Total
Non derivative financial liabilities						
Long term finances	–	–	3,013,333,333	586,666,667	–	3,600,000,000
Subordinated loan from director	–	–	–	260,900,000	–	260,900,000
Short term borrowings	1,970,380,636	–	–	–	–	1,970,380,636
Liabilities against assets subject to finance lease	77,467,306	77,467,306	353,881,872	–	–	508,816,484
Interest and mark up accured	101,105,342	–	–	–	–	101,105,342
Trade and other payables	898,966,722	–	–	–	–	898,966,722
30 September 2008	3,047,920,006	77,467,306	3,367,215,205	847,566,667	–	7,340,169,184

34.3 Market risk

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

34.3.1 Currency risk

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

34.3.2 Interest rate risk

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

	2009	2008	2009	2008
			Rupees	Rupees
	Effective rate		Carrying amount	
Financial liabilities				
Variable rate instruments:				
Long term finances – PKR	3MK plus 125 –275 bps	3MK plus 125 bps	3,880,000,000	3,600,000,000
Subordinated loan from director	6MK plus 300 bps	6MK plus 300 bps	260,900,000	260,900,000
Liabilities against assets subject to finance lease	6 MK plus 250–375 bps	6 MK plus 250–325 bps	519,302,409	508,816,484
Short term borrowings – PKR	1MK plus 200 bps – 3MK plus 400 bps	1MK plus 100 bps– 3MK plus 300 bps	3,765,402,741	1,970,380,636

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

	Profit and loss 100 bps	
	Increase	Decrease
	(Rupees)	
As at 30 September 2009	(84,256,052)	84,256,052
As at 30 September 2008	(63,400,971)	63,400,971

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

34.3.3 Other price risk

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

34.3.4 Fair value of financial instruments

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

34.3.5 Capital management

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

The Group objectives when managing capital are:

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

b) to provide an adequate return to shareholders.

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

The Group monitors capital on the basis of the debt–to–equity ratio as follows:

	2009 (Rupees)	2008 (Rupees)
Long term debt	3,966,638,230	4,214,781,872
Total equity and long term debt	5,957,493,571	5,725,834,140
Debt–to–equity ratio	67%	74%

Long term debt comprises of subordinated loan from directors, long term loans and liabilities against assets subject to finance lease

The decrease in the debt–to–equity ratio in 2009 is primarily from increase in equity during the year.

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

35. TRANSACTIONS WITH RELATED PARTIES

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

Name of parties	Nature of transactions	2009 (Rupees)	2008 (Rupees)
JK Agri Farms	Purchase of sugar cane	572,308,272	529,656,763
Riaz Bottlers (Private) Limited	Sale of sugar	521,608,040	276,560,400
AK Agri Farms	Purchase of sugar cane	149,904,792	111,231,045
Jahangir Khan Tareen	Mark up	42,690,150	34,467,622
Provident fund	Contribution	9,076,076	7,717,888
JDW Aviation (Private) Limited	Traveling services provided to the Group	4,537,623	14,110,036
JK Dairies (Private) Limited	Sale of Molasses	2,126,770	1,604,431
JK Agri Solution (Private) Limited	Reimbursement of cane development expenditure	–	7,659,249

36. CAPACITY AND PRODUCTION

	2009 Days	2009 Tonnes	2008 Days	2008 Tonnes
JDW Unit I				
Crushing capacity	120	2,400,000	120	2,400,000
Sugarcane crushed	107	1,488,463	165	2,844,395
Sugar production		165,968		288,949
JDW Unit II				
Crushing capacity	120	960,000	120	960,000
Sugarcane crushed	103	595,765	152	995,700
Sugar production		67,044		101,082
GSML				
Crushing capacity	120	1,080,000	120	960,000
Sugarcane crushed	94	552,646	124	862,496
Sugar production		62,484		90,918

		2009	2008 Restated
37. BASIC AND DILUTED EARNINGS PER SHARE			
Profit after taxation	Rupees	587,653,777	484,452,540
Weighted average number of ordinary shares	No. of shares	44,284,057	44,284,057
Basic earnings per share	Rupees	13.27	10.94

38. EVENTS AFTER THE BALANCE SHEET DATE

38.1 The Board of Directors have proposed a final dividend for the year ended 30 September 2009 of Rs. 4.00 (2008: Rs. 3.50 per share) and bonus shares at the rate of Nil % (2008: 15%) at their meeting held on 08 January 2010.

38.2 The Company had issued 300,000 shares in 2007 and 235,000 shares in 2008 to its executives under the Employee Stock Option Scheme ("the Scheme"). Further 203,300 shares are issued to such executives as bonus issue on shares issued under the Scheme. Subsequent to the year end the Company has received a notice from Securities and Exchange Commission of Pakistan under section 472 and 473 of the Companies Ordinance, 1984, directing the Company to cancel 738,300 ordinary shares issued to its executives under the Scheme. These financial statements does not reflect the effect of cancellation of these shares. Management is of the view that this order was passed by Securities and Exchange Commission of Pakistan subsequent to the year end and the cancellation of such shares shall be incorporated in the respective financial year.

39. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 08 January 2010 by the Board of Directors of the Group.

40. FIGURES

Land amounting to Rs. 212.291 million has been reclassified as investment property and shown seperately under non current asset in the balance sheet. It was previously classifed in operating fixed assets.

Figures have been rounded off to the nearest rupee.

Lahore:
09 January 2010 Chief Executive Director

JDW

Pattern of Shareholding

As at 30 September 2009

Pattern of Shareholding

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

1. Incorporation Number **L–02480**
2. Name of the Company **JDW SUGAR MILLS LIMITED**
3. Pattern of holding of the shares held by the shareholders as at **30–09–2009**

4. No. of Shareholders	Shareholding From	Shareholding To	Total Shares Held
225	1	100	10987
227	101	500	56303
95	501	1,000	70542
370	1,001	5,000	609310
30	5,001	10,000	192070
15	10,001	15,000	174791
13	15,001	20,000	219575
10	20,001	25,000	235457
2	25,001	30,000	55597
3	30,001	35,000	96404
2	35,001	40,000	77297
1	40,001	45,000	40027
1	45,001	50,000	48577
2	50,001	55,000	106317
2	55,001	60,000	115000
1	75,001	80,000	79000
1	85,001	90,000	86250
1	90,001	95,000	90300
2	100,001	105,000	209484
1	105,001	110,000	109103
1	110,001	115,000	115000
3	115,001	120,000	352457
1	140,001	145,000	141450
1	175,001	180,000	179600
1	180,001	185,000	184584
1	195,001	200,000	197266
1	200,001	205,000	200550
1	205,001	210,000	209484
1	235,001	240,000	237751
1	270,001	275,000	273355
1	275,001	280,000	276000
2	410,001	415,000	824902
1	455,001	460,000	460000
1	575,001	580,000	577604
1	840,001	845,000	845000
1	1,850,001	1,855,000	1852851
4	4,185,001	4,190,000	16758716
1	8,505,001	8,510,000	8505352
1	8,965,001	8,970,000	8969926
1029			**43844239**

Pattern of Shareholding

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

5. Categories of shareholders	Shares held	Percentage
5.1 Directors, Chief Executive Officers, and their spouse and minor childern	19,908,513	45.4074%
5.2 Associated Companies, undertakings and related parties.	0	0.0000%
5.3 NIT and ICP	9	0.0000%
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions	464,137	1.0586%
5.5 Insurance Companies	429,814	0.9803%
5.6 Modarabas and Mutual Funds	562,843	1.2837%
5.7 Share holders holding 10%	17,475,278	39,8576%
5.8 General Public		
a. Local	21,647,712	49.3741%
b. Foreign	–	–
5.9 Others (to be specified)		
Joint Stock Companies	591,100	1.3482%
Non–Residence	38,367	0.0875%
Investment Companies	1,443	0.0033%
Others	200,301	0.4568

6. Signature of Company Secretary

7. Name of Signatory MUHAMMAD RAFIQUE

8. Designation Company Secretary

9. NIC Number 35201–3029372–5

10. Date 30–09–2009

Catagories of Shareholders

As required under C.C.G, as on 30 September 2009

S. No.	Name	Holding	% Age
DIRECTORS, CEO THEIR SPOUSES & MINOR CHILDREN			
1	MR. JAHANGIR KHAN TAREEN (CDC)	8,969,926	20.4586%
2	MRS. AMINA TAREEN (CDC)	1,852,851	4.2260%
3	SYED AHMAD MEHMUD (CDC)	8,505,352	19.3990%
4	MRS. SAMEERA MEHMUD (CDC)	577,604	1.3174%
5	MR. ABDUL GHAFFAR (CDC)	690	0.0016%
6	MR. MUHAMMAD ISMAIL	1,045	0.0024%
7	MR. ASIM NISAR BAJWA	1,045	0.0024%
		19,908,513	45,4074%
ASSOCIATED COMPANIES		0	0.0000%
NIT & ICP			
1	IDBP (ICP UNIT) (CDC)	9	0.0000%
		9	0.0000%
BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON BANKING FINANCE INSTITUTIONS			
1	N.D.F.C. (INVESTAR)	1,421	0.0032%
2	ATLAS BANK LIMITED(CDC)	2,221	0.0051%
3	ARIF BANK LIMITED (CDC)	495	0.0011%
4	HABIB BANK AG ZURICH, ZURICH SWITZERLAND (CDC)	460,000	1.0492%
		464,137	1.0586%
INSURANCE COMPANIES			
1	CENTURY INSURANCE COMPANY LTD (CDC)	18,712	0.0427%
2	EFU GENERAL INSURANCE LTD (CDC)	411,102	0.9376%
		429,814	0.9803%
INVESTMENT COMPANIES			
1	ESCORTS INVESTMENT BANK LTD. (CDC)	1,159	0.0026%
2	NBP INVESTOR ACCOUNT (FORMER NDFC)	284	0.0006%
		1,443	0.0033%
MODARABAS & MUTUAL FUNDS			
1	FIRST ELITE CAPITAL MODARABA (CDC)	11,623	0.0265%
2	FIRST ELITE CAPITAL MODARABA	7,100	0.0162%
3	CDC–TRUSTEE FIRST DAWOOD MUTUAL FUND (CDC)	109,103	0.2488%
4	CDC–TRUSTEE AKD OPPORTUNITY FUND (CDC)	237,751	0.5423%
5	GOLDEN ARROW SELECTED STCOKS FUND LTD (CDC)	197,266	0.4499%
		562,843	1.2837%
PUBLIC SECTOR COMPANIES & CORPORATIONS			
1	ABBASI & COMPANY (PVT) LIMITED (CDC)	2,094	0.0048%
2	ACE SECURITIES (PVT) LTD. (CDC)	950	0.0022%
3	AL–HAQ SECURITIES (PVT) LIMITED. (CDC)	3,220	0.0073%
4	AMCAP SECURITIES (PVT) LTD. (CDC)	75	0.0002%
5	AMCAP SECURITIES (PVT) LTD. (CDC)	2,450	0.0056%
6	AMIN TAI SECURITEIS (PRIVATE) LIMITED (CDC)	200,550	0.4574%
7	CAPITAL VISION SECURITIES (PVT) LTD. (CDC)	272	0.0006%
8	DARSON SECURITIES (PVT) LTD. (CDC)	2,235	0.0051%
9	DOSSLANI'S SECURITIES (PVT) LTD. (CDC)	40,027	0.0913%
10	FAWAD YUSUF SECURITIES (PVT) LTD. (CDC)	273,355	0.6235%
11	FIRHAJ FOOTWEARS (PRIVATE) LIMITED (CDC)	6,325	0.0144%
12	GENERAL INVES. & SECURITIES (PVT) LTD. (CDC)	95	0.0002%
13	GENERAL INVES. & SECURITIES (PVT) LTD. (CDC)	1	0.0000%
14	HUM SCURITIES LIMITED. (CDC)	5,395	0.0123%

Catagories of Shareholders

As required under C.C.G, as on 30 September 2009

S. No.	Name	Holding	% Age
15	ISMAIL ABDUL SHAKOOR SECURITES (PVT) LTD. (CDC)	248	0.0006%
16	ISMAIL IQBAL SECURITES (PVT) LTD. (CDC)	31,801	0.0725%
17	N. H. SECURITIES (PVT) LTD. (CDC)	1,045	0.0024%
18	ORIENTAL SECURITIES (PVT) LTD. (CDC)	473	0.0011%
19	PROGRASSIVE SECURITIES (PVT) LTD. (CDC)	1,298	0.0030%
20	PRUDENTIAL SECURITIES LIMITED (CDC)	580	0.0013%
21	PRUDENTIAL SECURITIES LIMITED (CDC)	832	0.0019%
22	RYK MILLS LIMITED. (CDC)	1,000	0.0023%
23	SHAFFI SECURITIES (PVT) LTD. (CDC)	82	0.0002%
24	STOCK MASTER SECURITIES (PVT) LIMITED (CDC)	552	0.0013%
25	STOCK MASTER SECURITIES (PVT) LIMITED (CDC)	173	0.0004%
26	SARFARAZ MAHMOOD (PVT) LTD. (CDC)	1,045	0.0024%
27	TECHNOLOGY LINKS (PVT) LTD. (CDC)	10,350	0.0236%
28	TIME SECURITIES (PVT) LTD. (CDC)	2,073	0.0047%
29	VALIKA ART FABRICS LTD. (CDC)	488	0.0011%
30	Y. S. SECURITIES & SERVICES (PVT) LIMITED (CDC)	2,016	0.0046%
		591,100	1.3482%
NON–RESIDENCE / FOREIGN COMPANIES			
1	SOMERS NOMINEES (FAR EAST) LTD.	38,367	0.0875%
		38,367	0.0875%
OTHERS			
	TRUSTEES JDW SUGAR MILLS LIMITED. EMP PROVIDENT FUND (CDC)	179,600	0.4096%
	TRUST JDW SUGAR MILLS LIMITED. EMP PROVIDENT FUND. (CDC)	20,701	0.0472%
		200,301	0.4568%
SHARES HELD BY THE GENERAL PUBLIC		21,647,712	49,3741%
	TOTAL	43,844,239	100.0000%

SHAREHOLDERS HOLDING 10% OR MORE OF TOTAL CAPITAL

S. No.	NAME	HOLDING	%AGE
1	MR. JAHANGIR KHAN TAREEN (CDC)	8,969,926	20.4586%
2	SYED AHMAD MEHMUD (CDC)	8,505,352	19.3990%
		17,475,278	39.8576%

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

Sr. No.	Name	Sale/Purchase	Bonus
1	MR. JAHANGIR KHAN TAREEN (CDC)		1,169,990
2	MRS. AMINA TAREEN (CDC)		241,676
3	SYED AHMAD MEHMUD (CDC)	559,742	1,044,176
4	MRS. SAMEERA MEHMUD (CDC)	–500,000	140,557
5	MR. ABDUL GHAFFAR (CDC)		90
6	MR. MUHAMMAD ISMAIL		136
7	MR. ASIM NISAR BAJWA		136

Notes

Form of Proxy

JDW Sugar Mills Ltd.

20th Annual General Meeting

I/We ______________________ of ______________________

District ______________ being a member of **JDW Sugar Mills Limited** and holder of ______________________ ordinary shares, entitled to vote hereby appoint ______________________ of ______________________ another member of the Company, as my/our proxy to attend, speak and vote on my/our behalf at the 20th Annual General Meeting of the Company to be held at Fairways Hall, Royal Palm, Golf & Country Club, 52–Canal Bank Road, Lahore on Saturday, January 30, 2010 at 9:00 a.m. and at every adjournment thereof.

Signed this __________ day of January, 2010

Witnesses:

1. Signature ______________________

   Name: ______________________

   Address: ______________________

   ____

Affix Revenue stamp of Rupees Five

Signature by Member(s)

2. Signature ______________________

   Name: ______________________

   Address: ______________________

   ____

Note:

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

AFFIX
CORRECT
POSTAGE

Company Secretary
JDW Sugar Mills Limited
Head Office: 17– Abid Majeed Road,
Lahore Cantt. Pakitan.