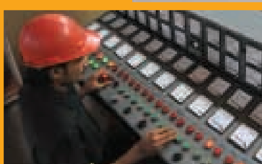
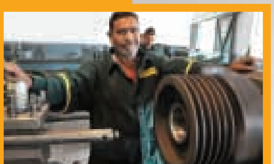
MEHRAN SUGAR MILLS LIMITED


Annual Report 2009

Mehran's corporate prosperity has translated into an attractive growth in the region of its presence. This has been increasingly reflected in the improved life-style of farmers and employees, growth of townships, stronger health and educational infrastructure and increase in rural entrepreneurship thus enlarging community wealth and leading to the purchase of tractors, trucks and jeeps by farmers.

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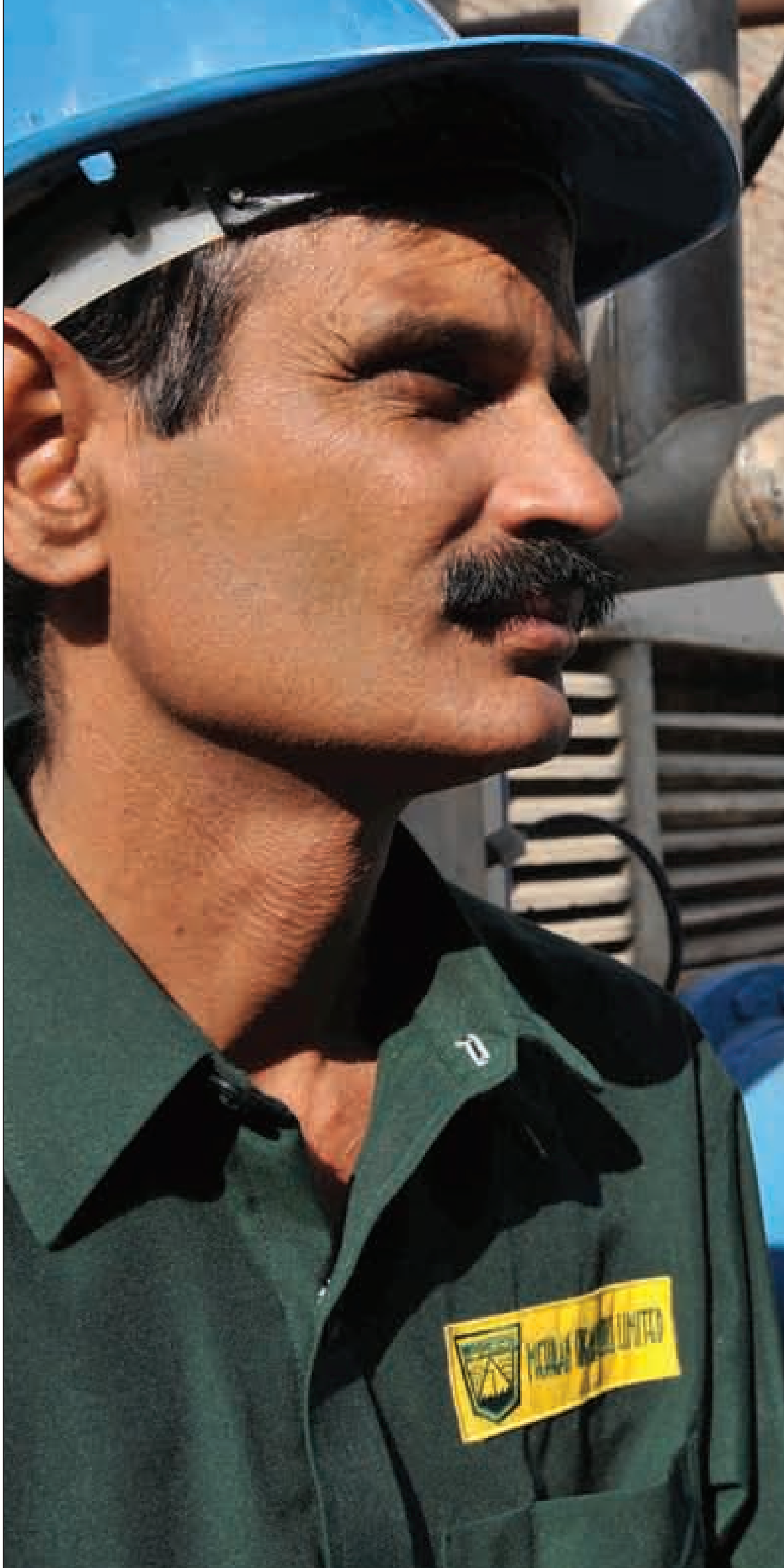


Vision

Focusing on customer and shareholder satisfaction with challenging spirit and flexibility, we are dedicated to have an eminent position in manufacturing and supplying quality white refined sugar and allied products and thereby play a vital role in the social and economic development of the country.

Mission

Preamble

The management of the Company has laid down various principles to achieve its objective. Concerted efforts are pledged for such accomplishment.

Basic Purpose

The basic purpose of Enterprise is to perpetuate as a Public Limited Company engaged in manufacturing and marketing white refined cane sugar, food products, sugar by-products and other products wherein management or sponsors have expertise. In addition we preserve to assume a leadership position in related industry regarding quality of the product, cost effectiveness, turnover and technology.

What We Do

Our main business area is the production of refined cane sugar and sugar by-products. We recognize the value to technological improvement keep in step with the latest innovations and developments in our field. We believe in modern management practice and use latest techniques. We constantly train our people and keep them highly motivated as they are our most important assets. We strongly believe in integrity of Mehran depends on integrity of each one of its employees. We consider our farmers who are our raw material suppliers as the most important part of our business.

We believe in diversification through improved manufacturing facilities and equity participation.

Mr. Hussain Bux Sanjrani has been working in the power house since 1981, thus associated with the Company for more than 28 years.

Corporate History

1965 The Company is incorporated as a public limited company.

1968 Shares of the Company are listed on the Karachi Stock Exchange.

1968 Plant commences trial production with a crushing capacity of 1,500 TCD. Complete plant is procured from M/s Mitsubishi Japan.

1978 Steady re-engineering increased crushing capacity to 3,500 TCD.

1983 Recognized by the Karachi Stock Exchange as one of the Top 25 Companies for the first time.

1986 Again selected by the Karachi Stock Exchange for its Top 25 Company Award.

1994 Company starts commercial production of second parallel milling unit, thus increasing crushing capacity to 7,000 TCD.

1998 The Company is awarded ISO-9002 - QMS Certification.

2001 The Company is a Rs. 1 Billion Company with respect to sales.

2004 Company makes a substantial long term investment in Unicol Limited -An Ethanol Distillery. Where by the Company by-product, Molasses will be used to make industrial and fuel ethanol.

2006 The Company crosses the Rs. 2.0 Billion sales milestone.

2007 The joint venture distillery-Unicol Limited commenced commercial production.

2008 Record highest sugar production of 70,558 M.tons

2009 Turnover and profit are highest in the Company's history.


The Karachi Stock Exchange Limited


The Karachi Stock Exchange (Guarantee) Ltd


Certification

MEHRAN SUGAR MILLS LIMITED

ISO 9001:2000

MANUFACTURING AND SALES OF SUGAR

Company Information

Board of Directors
Mr. Mohammed Kasim Hasham, Chairman
Mr. Mohammed Ebrahim Hasham, Chief Executive Officer
Mr. Mohammed Hussain Hasham
Mr. Khurram Kasim
Mr. Ahmed Ebrahim Hasham
Mr. Muhammad Iqbal
Mr. Abdul Razzaq Usman

Audit Committee
Mr. Mohammed Hussain Hasham, Chairman
Mr. Khurram Kasim
Mr. Muhammad Iqbal

Chief Financial Officer & Company Secretary
Mr. Muhammad Hanif Aziz, FCMA, FCIS

Auditors
M/s. Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Internal Auditors
M/s. Shekha & Mufti
Chartered Accountants

Cost Auditors
Haroon Zakaria & Company
Chartered Accountants

Legal Advisor
Sayeed & Sayeed
Advocate & Legal Consultants

Bankers
MCB Bank Limited
Bank Alfalah Limited
Bank Al Habib Limited
Al Baraka Islamic Bank

Registered Office

Adamjee House, 8th Floor,
I.I. Chundrigar Road, Karachi
Tel : (92-21) 32417131-4
Fax : (92-21) 32416477
URL : www.mehransugar.com

Mills
Tando Adam Road, Distt. Tando Allahyar
Tel : (92-22) 3890856, 3890407, 3891984
Fax : (92-22) 3890568

Management Team

Ahmed Ebrahim Hasham
Director

Bachelor of Arts Economics
and IR Tufts University, USA
Joined Mehran in 2000

Muhammad Iqbal
Director
Marketing and Sales

B.Com, C.A. (Finalist)
Associated with
Mehran since 2003.
Joined Hasham Group
in 1979

Ehtesham-ud-Din
General Manager Cane

Bachelor of Arts
University of Karachi
Joined Mehran in 2004

Mohammed Ebrahim Hasham
Chief Executive Officer

M.A. (Management)
Chapman University, USA
Joined Mehran in 1973

Ikhlas Ahmed Khan
Technical Director

B.E / PGD (Chemical Engineering)
University Of Punjab
Joined Mehran in 2007

Muhammad Hanif Aziz
C.F.O / Company Secretary

FCMA, FCIS
Joined Mehran in 2004

Corporate Profile

DATE OF INCORPORATION
December 22, 1965

DATE OF COMMENCEMENT OF BUSINESS
March 19, 1966

START OF COMMERCIAL PRODUCTION
January 1969

DATE OF BMR & EXPANSION
1993-1994

INSTALLED CAPACITY
7,000 Tons Cane Crushing Per Day

TOTAL LAND AREA
118 Acres

PERMANENT EMPLOYEES
340

OFFICES

HEAD OFFICE
Adamjee House, I. I. Chundrigar Road, Karachi

MILLS
Tando Allahyar (40 Km From Hyderadad)

FACILITIES AT THE MSM STAFF COLONY
Housing
96 Family Homes For Executives And Workers

POPULATION OF THE STAFF COLONY
Approximately 581

CHILDREN AT DAOOD MEMORIAL SCHOOL
434

OTHER FACILITIES

- Mosque
- Clinic with Ambulance
- Daood Memorial School for Children of MSM Employees as well as Children of nearby Town
- Recreation Centres equipped with Indoor Games, TV, Videos, Dish Antennas and other facilities for Executives, Workers and Ladies
- Cricket Ground, Tennis Court, Park and Rose Garden, School/ College Bus facility
- Private Electric Generator for Uninterrupted Power Supply
- Clean Water Supply with UV Filters
- Transport Facility for City and Adjoining Areas
- Newly constructed Accommodation for Officers and Company Guests with all facilities

Statement of Value Added

	2009 (Rupees)	Percentage
WEALTH GENERATED		
Net revenue	2,692,040,450	
Expenses	1,954,715,142	
Wealth generated	737,325,308	100%
WEALTH DISTRIBUTED		
To Government		
Sales Tax, Income Tax, Road Cess	313,064,537	43%
To Employees		
Salaries, Benefits and Other related cost	121,461,505	16%
To Providers of capital		
Mark-up on borrowed funds	65,333,093	9%
Shareholders as Dividend and bonus shares	43,804,800	6%
	109,137,893	15%
Retained with the business		
Depreciation	36,496,650	5%
Retained Profit	157,164,723	21%
	193,661,373	26%
	737,325,308	100%

Wealth Distribution 2008-09

Government 43% Employees 16% Providers of capital 15% Retained 26%

Six Years' Review at a Glance

	2009	2008	2007	2006	2005	2004
Operational Trends						
Sugarcane crushed - M.Tons	538,930	741,383	589,378	496,873	341,738	668,262
Sugar produced - M.Tons	55,678	70,558	50,796	47,296	32,021	58,868
Sugar produced - Raw Sugar (M.Tons)	-	-	-	4,280	7,485	-
Average sucrose recovery - %	10.33	9.51	8.63	9.46	9.38	8.80
Crushing days	113	136	138	114	106	131
Average crushing per day - M.Tons	4,769	5,451	4,271	4,359	3,224	5,101
Balance Sheet		Rupees in million				
Share capital	118.13	98.44	98.44	98.44	98.44	98.44
Reserves	215.55	77.35	19.97	131.36	51.51	59.00
Shareholders' equity	333.68	175.79	118.41	229.80	149.95	157.44
Non current liabilities	302.60	303.40	325.17	251.29	276.56	263.02
Current liabilities	482.16	712.40	320.05	326.37	397.99	530.17
Total equity & liabilities	1,118.44	1,191.59	763.63	807.46	824.50	950.63
Fixed assets	512.17	425.34	419.79	394.31	410.79	421.34
Non current assets	176.22	177.43	137.10	122.86	95.85	91.34
Current assets	430.05	588.82	206.74	290.29	317.86	437.95
Total assets	1,118.44	1,191.59	763.63	807.46	824.50	950.63
Financial Trends		Rupees in million				
Turnover	2,692.04	1,439.29	1,485.94	2,259.62	1,273.64	818.62
Gross profit / (loss)	393.07	118.58	(7.36)	188.49	65.26	33.43
EBITDA	347.52	138.89	(18.30)	178.98	67.23	73.43
Operating profit / (loss)	271.40	68.83	(46.82)	145.86	34.38	(13.86)
Pre-tax profit / (loss)	245.69	60.56	(110.36)	98.92	4.68	30.30
After-tax profit / (loss)	175.91	57.38	(86.78)	79.85	(7.49)	12.38
"Capital Expenditure (additions during the year)"	92.74	63.93	32.58	24.08	52.67	68.55
Cash Flows		Rupees in million				
Operating activities	292.07	54.32	44.33	22.88	28.47	44.38
Investing activities	(129.79)	(59.25)	(75.58)	(43.25)	(25.83)	(131.71)
Financing activities	(65.64)	(76.01)	94.37	(23.29)	(29.79)	103.93
Cash and cash equivalents at the end of the year	(69.18)	(165.83)	(84.89)	(148.00)	(104.34)	(73.52)
Profitability Indicators						
Grosss profit ratio (%)	14.60	8.24	(0.50)	8.34	5.12	4.08
Net profit ratio (%)	6.53	3.99	(5.84)	3.53	(0.59)	1.51
Return on shareholders' equity (%)	52.72	32.64	(73.29)	34.75	(5.00)	7.86
Operating profit / (loss) on capital employed (%)	42.65	14.36	(10.55)	30.32	8.06	(3.30)
Return on total assets (%)	15.73	4.82	(11.36)	9.89	(0.91)	1.30
Weighted average cost of debts (%)	24.34	13.02	18.35	17.12	11.68	5.65
EBITDA margin (%)	12.91	9.65	(1.23)	7.92	5.28	8.97
Capital Efficiency						
Inventory turnover ratio	14.11	3.02	10.95	12.68	5.15	4.74
Inventory turnover in days	26	119	33	28	70	76
Debtor turnover ratio	24.01	47.17	47.82	38.99	87.72	48.57
Debtor turnover in days	15	8	8	9	4	7
Total assets turnover ratio	2.41	1.21	1.95	2.80	1.54	0.86
Fixed assets turnover ratio	5.26	3.38	3.54	5.73	3.10	1.94
Operating cycle in days	40	127	40	38	74	83
Capital employed turnover ratio	4.23	3.00	3.35	4.70	2.99	1.95

	2009	2008	2007	2006	2005	2004
Investment Trends			Rupees			
Earnings / (loss) per share	14.89	5.83	(8.82)	8.11	(0.76)	1.26
Break-up value per share	28.25	17.86	12.03	23.35	15.23	15.99
Market value per share at the year end	55.00	28.25	15.30	25.00	20.00	21.00
Price earning ratio at the year end	3.69	4.85	(1.74)	3.08	(26.28)	16.70
Cash Dividend %	35.00	-	-	25.00	-	-
Bonus Shares %	30.00	-	-	-	-	-
Financial gearing						
Debt : Equity Ratio	21 : 79	38 : 62	49 : 51	16 : 84	28 : 72	34 : 66
Interest cover ratio (%)	4.76	2.39	(0.91)	3.11	1.16	3.55
Liquidity ratio						
Current ratio	0.89 : 1	0.83 : 1	0.65 : 1	0.89 : 1	0.8 : 1	0.83 : 1
Quick ratio/Acid test ratio	0.35 : 1	0.21 : 1	0.28 : 1	0.46 : 1	0.29 : 1	0.22 : 1
Value addtion			Rupees in million			
Employees as remuneration	121.46	94.29	81.75	81.01	66.73	62.63
Government as taxes	313.06	162.67	207.38	321.21	159.08	149.07
Financial charges to providers of finance	65.33	43.64	57.77	46.94	29.70	11.88
Shareholders as dividend and bonus	43.80	0.00	0.00	24.60	0.00	0.00
Retained within the business	193.66	92.07	(52.50)	112.96	25.36	20.75

Raw Material

Sugarcane (Saccharum) is a genus of 6 to 37 species (depending on taxonomic interpretation) of tall grasses (Family Poaceae, tribe Andropogoneae) native to warm temperature to tropical regions of the Old World. They have stout jointed fibrous stalks that are rich in sugar and measure 2 to 6 meters tall. All of the sugarcane species interbreed, and the major commercial cultivars are complex hybrids.

Products

Mehran has been producing sugar and molasses since four decades. Since 2007 the Company is also involved in the production of ethanol. This has added further diversity to our product base.

Sugar

A carbohydrate product of photosynthesis comprising one, two or more groups of saccharose. Sugar was first extracted in North America in 1689 using sugarcane from West Indies.

Ethanol

It is also called alcohol ethyl alcohol or fuel alcohol. It is derived from the fermentation of molasses. Ethanol is a colorless, volatile liquid with pungent taste. It can be mixed with water and used in alcoholic beverages. Fuel ethanol can be mixed with petrol up to 85%.

Molasses

It is the thick liquid left after the sucrose has been removed from mother liquor in sugar manufacturing. Molasses is the syrup from which no more sugar can be obtained economically.

Role of the Pakistan Sugar Industry in Rural Sector Development

The sugar industry contributes significantly to social development and welfare in the country through its central role as a service provider to rural communities.

- Second largest agro processing industry in Pakistan.
- Location of the sugar industry has been the major contributor in transformation of the rural lands into a semi-urban oasis. By its locational feature in rural area, several self sustaining service areas have been opened up. No other industry can be a fountain of Socio-economic uplift as the sugar industry happens to be in the rural sector. Due to sugar mills sites in thick rural places, modern facilities of life such as schools, dispensaries, markets and utilities like electricity, telecommunications and transports have flourished.
- Generates revenue to the sugarcane growers to the tune of Rs. 100 billion with further revenue of Rs. 6 billion to the transporters & carriage contractors.
- Provides employment to about 1.5 million workers directly and indirectly, 95% of whom are in the rural areas of Pakistan.
- Its raw material base provides a remunerative income for nearly to half a million (500,000) farmers.
- It catalyses rural infrastructure creation, necessitated by the speedy delivery of cane to the factory. For instance, it facilitates road building around each factory that connects farms to the factory. Annually the Pakistan sugar industry contributes Rs. 500 million in the form of road cess.
- It acts as a principal economy-driver of its rural catchments area: nearly 85 percent of the total annual expenses incurred by a sugar company are dispensed within its hinterland.
- Due to the economic activity in the area, property prices within the sugar mills 25 mile radius, also known as the operational area, are much higher, compared to adjoining areas of the rural sector.

Mehran Sugar Mills Role in Rural Sector Development

Today our 25 mile cane zone, also known as the operational area, is one of the most densely populated cane zones in the country, thus giving us a core advantage over our competitors.

Over the years, Mehran has propagated an increased planting of cane through the following initiatives; timely remuneration, wider irrigation coverage, seed distribution and advanced planting techniques.

a) Multiple ratooning.

b) Frontline demonstrations on various techniques of sugarcane production. Thereby helping the farmer get higher yields and a better rate of return.

c) Bio-manure production, which reduces cost of fertilizer application.

d) Multiplication of high sucrose and early maturing varieties.

e) Propagated drip irrigation system in sugarcane fields. One of the first mills to do so. Used foreign technical collaboration.

f) Made and distributed Trichogramma cards and Crysopa cards through in-house bio Lab. Incidence of pest and disease minimized to produce healthy crops.

g) Replacement of old and deteriorating varieties with new and high yielding ones.

h) Irrigation facilities increased in the area.

Directors' Report to the Shareholders

It gives me immense pleasure to present the audited financial results of the Company for the year ended September 30, 2009.

Economic Review

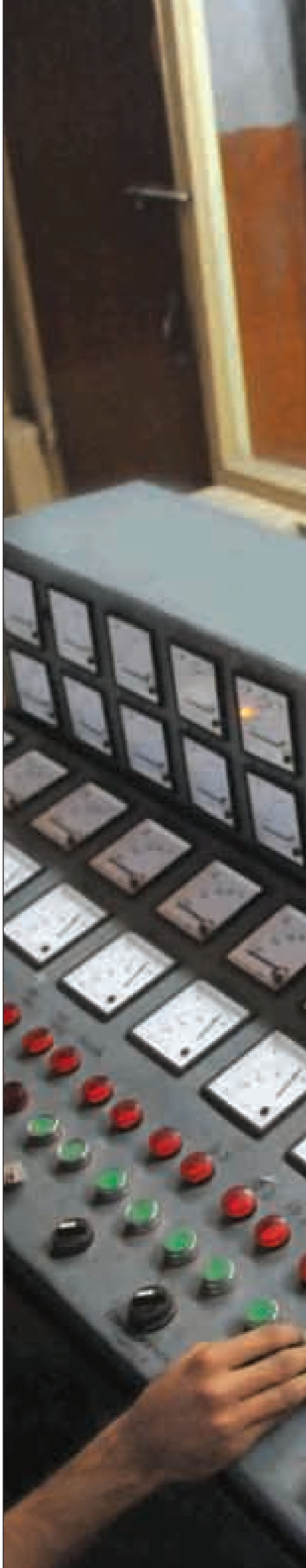
After several years of expansion, Pakistan's economy faced contraction due to extreme volatility on both internal and external fronts. After showing an initial resistance, many emerging economies showed stress in their foreign exchange, stock and sovereign debt markets. Exchange rates came under pressure in all regions, leading to a combination of depreciation and depletion of foreign reserves. In response to these challenges, Pakistan's economic managers resorted to policy measures and embarked upon macro economic stabilization program with the International Monetary Fund's support to arrest galloping inflation, deteriorating external balances, spillover affect of international economic crises, and supply shocks, especially in case of energy shortage. All these factors led to slow down of economy and increased cost of doing business.

The effects of these challenges necessitated some remedial actions, which as a result curtailed the growth momentum with real GDP growth rate reduced to 2% against previous year's growth rate of 4.1%.

Industry Review

The Sindhh Government notified a price of Rs.81/40 kgs which was Rs. 63/40kgs in season 2007-2008, showing an increase of 28.5 %. This was a positive move by the government to motivate growers to bring more sugar cane area under cultivation. A comparatively small crop, which ended up being 36 % less than last year, led to an immense price war between mills in a bid to procure sugarcane. The higher cane prices were to an extent absorbed by mills due to better selling prices of sugar, which escalated primarily due to the local as well as global sugar shortage. The final sugarcane price was the highest paid by the Company in its 40 year history! We hope such lucrative returns for our growers will encourage further crop cultivation and eventually lead to a rebound in crop production, which is expected for season 2010-2011.

The national sugar production closed at 3.206 million metric tons as compared to



4.740 million tons last year, thus being 32.5 % lower. The country throughout the year continued to face tightness in supplies. Inclusive of 300,000 tons of carry over stocks of Trading Corporation of Pakistan (TCP), total availability was not sufficient to cover the annual national demand of 4.2 million metric tons.

The Trading Corporation of Pakistan was mandated to import refined sugar to plug the deficit. However, since neighboring India and key exporter Brazil both had much lower sugar production, securing supplies became difficult and the world market continued to escalate. The London sugar market moved from $ 328 / ton in November 2008 to $ 619 / ton in October 2009 thus increasing by 88.71%.

Since Pakistan's sugar market has no import restrictions and duties, the market has a strong co-relation to international market movements. Thus, the significant rise in international prices pushed domestic prices to escalate as well. Prices however continued to remain below import replacement levels, thus not allowing private importers to step in and plug the shortage.

The immense hue and cry over high sugar prices (reasons for which have been explained earlier), forced the government and the Supreme Court to get involved in the matter. The Honorable Supreme Court, in continuation to the Lahore High Court decision on September 07, 2009, to sell sugar at Rs.40/kg decided that a 30/70 sales formula should be followed.

After several hearings, the apex court finally instructed mills to supply 30% of their unsold stocks to end users at Rs.40/kg. This arrangement was mandated till November 30th 2009, after which the government would announce new policy with consensus of all stakeholders for the next crushing season. Your Company followed the order in letter and spirit and set up retail outlets selling sugar all across its district at Rs. 40/kg.

In an effort to control the rising trend in sugar price, the government also reduced the sales tax on sugar by 50%, from Rs. 4.62- to Rs 2.31 -/kg. w.e.f. 23.08.2009.

To continue our energy saving plan, our 80 Ton boiler was completely automated and all motors were replaced with Efficiency 1. grade, invertor based motors which were imported from ABB, Denmark/ Finland.

The condenser station was replaced completely. The New condensers are fully automated and will help save the Company 800 kw of electric load.

Operational Highlights

	2008-09	2007-08
Season started	14/11/2008	15/11/2007
Season closed	06/03/2009	29/03/2008
Duration-Days	113	136
Crushing-M.Tons	538,930	741,383
Sucrose Recovery %	10.33	9.51
Sugar Production-M.Tons	55,678.00	70,557.50
Molasses Production-M.Tons	24,532.00	36,250.00
Molasses Recovery %	4.55	4.89

As we know the overall sugar production in the country was lower as compared to last season. The sugar production in Sindh was 31.2% lower than the previous season. Mehran's sugar production was also lower however by 21.09% thus increasing our market share in Sindh from 4.97% to 5.7 %. The main reason for this was our improved sucrose recovery which allowed higher sugar production.

Mehran installed a new fibrizer at its milling tandem. This will help crush cane more efficiently and also utilize 1,000 kw less power to achieve these improved results.

Your Company's focus on developing and procuring only quality sugarcane in the area has started paying dividends. We have been continually stating that for a mill in Pakistan to be consistently profitable it needs to maintain an overall recovery above 10%. Due to consistent efforts in field and factory, we have been able to drastically increase sucrose recovery in the last 3 years. Your Company realizes that the farmer is our partner in business. We thus have an extensive development policy to ensure that the farmer gets market based prices and prompt payment

YEAR	RECOVERY %	Increase in Recovery (%)	Recovery Ranking (Sindh 26 Mills)
2006-07	8.63	-	21
2007-08	9.51	10.20	9
2008-09	10.33	8.62	4

We have kept a target of 10.5 % for season 2009-2010. These recovery numbers bring us at par with the most efficient mills in the country and give us a comparative advantage as the national average for 08-09 and 07-8 is 9.45 % and 8.98 % respectively. The challenge going ahead would be to continually improve this positive recovery trend and look at highest recovery trends in neighboring countries like India and China which have (in certain regions) been able to achieve between 12 -13 % recoveries. The recovery percentage trend in some major sugar cane producing countries during last three years is given below:

	Brazil	China	India
2008-09	12.86	12.86	9.56
2007-08	13.56	12.50	10.55
2006-07	13.50	11.52	10.16

Source: F.O. Licht

In our continual effort to improve recovery, production efficiency and energy conservation the Company did a capital expenditure of Rs.125 million. It is expected that after this expenditure we will be able to reduce our sugar losses and be energy efficient whereby we can save considerable quantities of bagasse which should bring substantial revenue to the Company. The results in early operation of season 2009-2010 are optimistic.

Financial Highlights

Amount in Rs. (000)	2008-09	2007-08
Turnover	2,692,040	1,439,288
Sales Tax/Excise Duty	304,595	154,847
Gross Profit	393,068	118,577
Pretax Profit	245,740	60,565
After tax Profit	177,220	57,376
Cash Dividend Paid	22.5%	Nil
Stock Dividend Issued	20%	Nil

Turnover increased by 87%. This was since 7,058 tons of last years' stock was sold in the first quarter. Also, despite lower production, the average price of sugar and molasses sold was 45.96 % and 89.34 % higher respectively, as compared to last year.

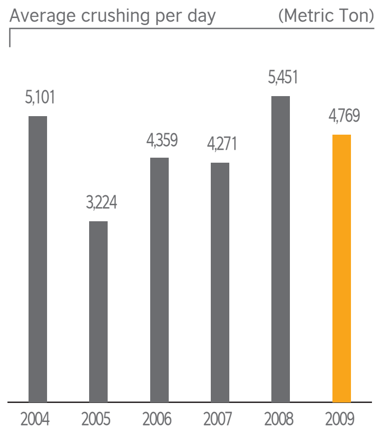
In our continual effort to improve recovery, production efficiency and energy conservation the Company invested Rs.125 million in Plant & Machinery.

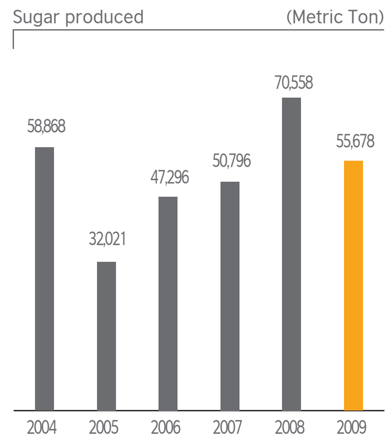
Pre Tax profit increased by 306% and after tax profit increased by 209%.

The higher profit can be attributed to the following reasons:

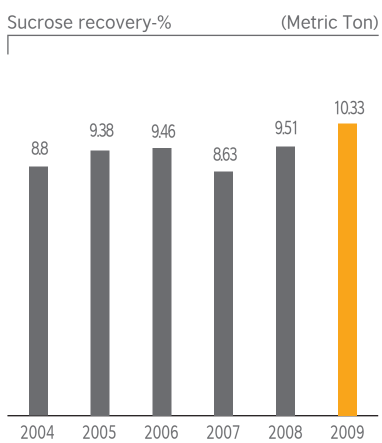
- Increase in sucrose recovery from 9.51% to 10.33%; Just to measure, this additional gain in recovery led to an increase in revenue of Rs.137.04 million.
- Higher sales value of sugar lying at cost from last financial year, which brought a profit of Rs.61.71 millions.
- Profit of Rs.39.62 million from Unicol Limited
- Profit of Rs.10.35 million from Investments

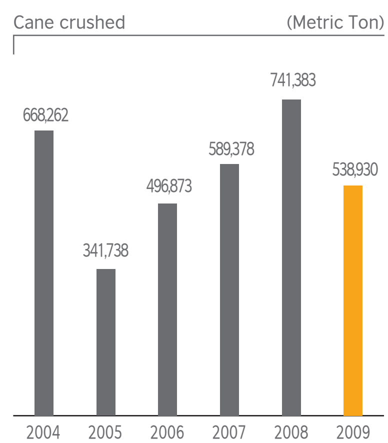
Operational Highlights



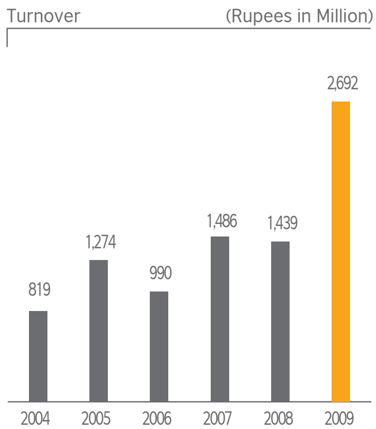


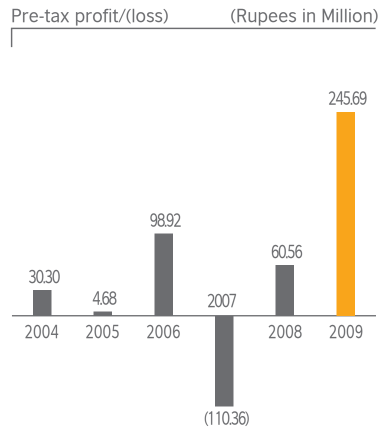
Increase in sucrose recovery from 9.51 % to 10.33% led to an increase in revenue of Rs. 137.04 million.

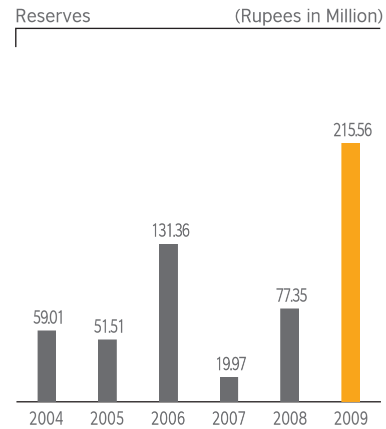




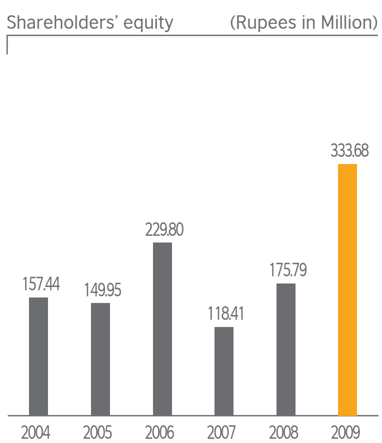
Company Performance at a Glance

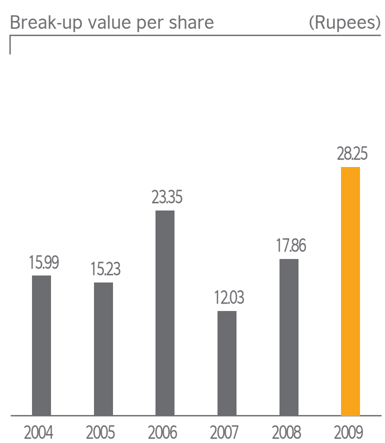


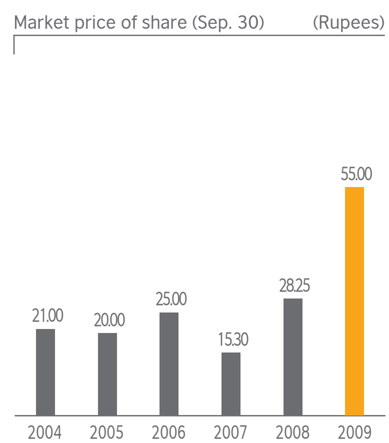




Pre Tax profit increased by 306% and after tax profit increased by 209%.





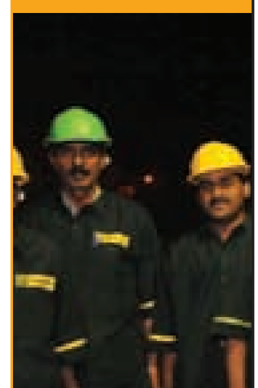


Unicol Limited

Some important statistics relating to Unicol are given below:

	2008-09	2007-08
	Amount (Rs.)	Amount (Rs.)
Sales	1,276,293,896	893,441,726
Profit before Tax	131,720,794	119,947,693
Profit after Tax	118,968,765	110,357,993
Earnings per share	3.78	3.52
Quantity produced (Tons)	26,660	26,337
Quantity sold (Tons)	25,116	23,435

Due to the global economic meltdown, the Pakistan ethanol industry had a very difficult first half, of the year. Demand for ethanol was dismal and buyers internationally preferred destocking rather than building new inventories. This led to slow sales and at times negative margins for most producers. Thus more than 50 percent of Pakistan's ethanol producers ran their plants at below 25 % capacity.



Unicol also faced the crunch initially, however the management believed in the quality product it was producing and thus ran the plant at optimal capacity expecting things to improve in the latter half of the year. Initially funds were tied in stocks and created temporary liquidity crunch however things gradually improved and shortages in Brazil and India allowed ethanol prices to improve.

We were thus able to run the plant at 110 % of rated capacity and were able to increase our sales revenue by 42.85%.

We feel that financial year 2009-2010 should be a healthy one for ethanol producers as demand has rebounded internationally thus allowing decent margins to produce. 15 % duty recently imposed on molasses exports should have a positive role allowing ethanol producers to buy molasses competitively. We feel financial results for the upcoming year should be positive.

Future outlook

The Minimum Support Price announced by the Government at Rs.102/40 kgs depicts 26% increase over the last year. In addition, the expected shortage of sugarcane during 2009-10 will also affect the pricing of this commodity which will certainly rise. This will certainly increase the cost of production significantly as sugarcane constitutes a major component of the cost. Higher prices, however will certainly motivate the farming community and we hope for a minimum 25-30 % increase in the 2010-2011 crop.

During the course of hearings conducted by The Honorable Supreme Court of Pakistan, The Competition Commission of Pakistan was also asked to submit a detailed report on the cost of production of sugar in the country. The Commission conducted couple of hearings and submitted its report to the apex court. It suggested that the price may be left to be determined by the market forces of supply and demand. However, supply of sufficient quantity of sugar in the market may be ensured to minimize hardship to common man.

The Commission also recommended the implementation of the price mechanism based on sucrose content to motivate growers to cultivate quality cane. At the same time, it is also very important to create a link between sugar and sugarcane prices to allow the industry to sustain rising inflationary effects.

The strict implementation on the policy of procurement of quality cane and our development efforts has also started paying dividends in the shape of improved sucrose recovery. By the grace of God, your mill has so far been achieving one of the best sucrose recoveries in the province. The increase will mitigate, to an extent, the increase in cost of raw material.

Since worldwide sugar production is expected to be below consumption for a 2nd year running, we expect international and thus local prices to remain bullish. This scenario is very optimistic for the sugar industry as it allows mills to pay high prices for sugar cane and yet have decent processing margins, due to high values of sugar and molasses. Thus making Sugar cane a viable Cash crop as compared to other crops.

As on December 14th, your mill has produced 14,383 M.tons of sugar at an average recovery of 9.42%. The recovery trend for the year is again very good and we hope to surpass last years figure.

In view of persistent shortage of power in the country, we have been continually asking the government to provide incentives for cogeneration by the private sector. We feel in the near future such a policy shall be announced. As we mentioned, our present capital expenditure is geared towards energy efficiency so that we can cater lay the foundation if and when such a project is to be implemented.

With an objective of providing a conducive and comfortable environment of our employees, at work as well as at home, a new officers mess with all amenities was built.

Contribution to Society (CSR)

Corporate social responsibility is a vital part of our philosophy. It is an inherent vision of MSML to have a significant positive contribution towards the society. Accountability and trust are closely related; it is essential for us to maintain a trusting relationship with our customers, employees and society in general. We are therefore, making a consistent effort to attend to the Group's corporate social responsibilities in a comprehensive way. Last year, in our review of corporate and social responsibility commitments, we set out our pledge to connecting business decisions with ethical, social and environmental concerns.

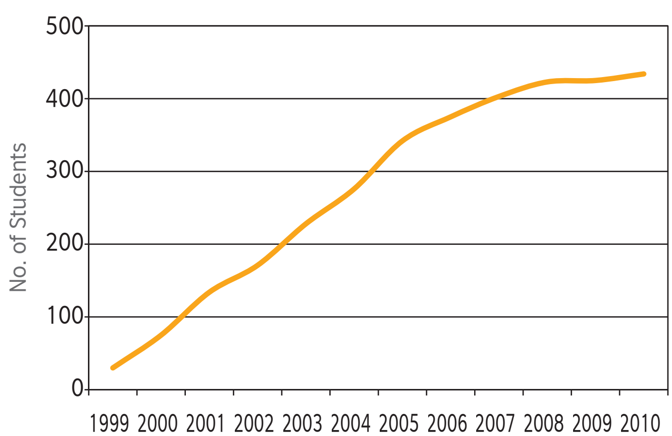
MSML through its vast social activities, has much to be proud of in improving the health and education standards in the under developed areas of Sindhh especially in our mills area. Most of our efforts are targeted at improving the quality of life of people in under-served areas. We fund programs that are measurable, sustainable and replicable and we monitor them closely to ensure their success.

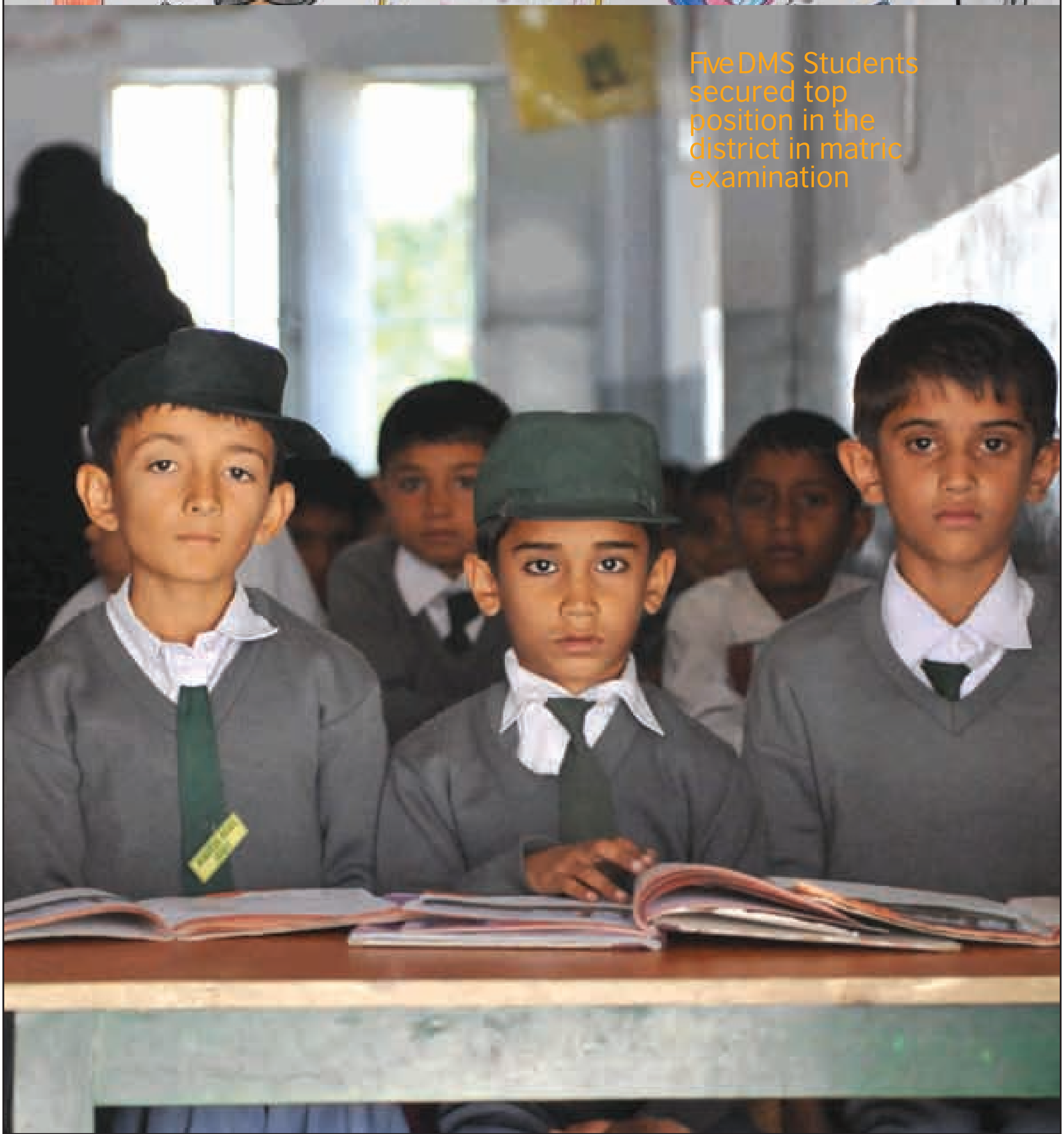
Some of the projects undertaken include:

Daood Memorial School (DMS)

Daood Memorial School is located within the premises of MSML. It is a fully equipped educational center specifically meant for employees of the mills and generally for the youth of Tando Allahyar and its vicinity. For over 10 years, the school has been facilitating students to learn and create their future themselves. By the grace of Allah Almighty and due to the untiring efforts and commitment of the management, DMS, as we call it, has been growing steadily. It has been providing education upto Matriculation and being subsidized by MSML. Considering the growth of DMS, we plan to increase the number of students from 434 to 600 in next three years. We are also planning to introduce computer and software for teachers, students and parents. The graph and table below show the growth trend in DMS.

Period	No. of Students	Growth %
1998 – 99	30	-
1999 – 00	75	150
2000 – 01	134	79
2001 – 02	171	28
2002 – 03	228	33
2003 – 04	276	21
2004 – 05	342	24
2005 – 06	375	9.5
2006 – 07	403	7.5
2007 – 08	423	5
2008 – 09	425	1
2009 – 10	434	2
Growth Plan (Projected)		
2010 – 11	450	4





Five DMS Students secured top position in the district in matric examination

MSML Mobile Dispensary

The objective of MSML Mobile Dispensary is to provide free of cost healthcare services at the doorstep of the poor and needy in the surroundings of Tando Allahyar. We started our first Mobile Dispensary unit in June 2004 and so far it has diagnosed and treated 18,725 patients for various ailments. During the period October 2008 to September 2009, it has provided services to 500 patients.

MSM Free Eye Camp

We arrange a free Eye Camp every year at the mills premises where large number of needy persons from nearby villages are brought and diagnosed for various eye-related problems. Necessary major and minor operations are carried out by a renowned eye surgeon Dr. Atta-ur-Rehman and his team. They are also assisted by medical staff from local hospitals. Follow up visit is also conducted by concerned doctors to ensure that treatment given earlier is yielding desired results.

Mehran Vocational Training Center for Women

The Mehran Vocational Training Center, located at the MSML Staff Colony, provides basic training to the women of the colony and surrounding areas for sewing, embroidery, cooking and stitching. So far, almost 343 women have attended beneficial courses at our vocational training center enabling them to utilize their spare time in a creative and constructive way and bringing some improvement in their routine life style.

Board of Directors

The Board of Directors of the Company consists of seven members, comprising of three non-executives (including the Chairman) and four executive Directors. The Board is responsible for independently and transparently monitoring the performance of the Company and taking strategic decisions to achieve sustainable growth in the Company operations.

Written notices of the Board meetings were sent to the members seven days before the meetings. During the year under review, a total of four meetings of the Board were convened and the attendance of the members was as follows:

Sr. #	Name of Directors	Meetings attended
01.	Mr. Mohammed Kasim Hasham	3
02.	Mr. Mohammed Ebrahim Hasham	3
03.	Mr. Mohammed Hussain Hasham	2
04.	Mr. Khurram Kasim	3
05.	Mr. Ahmed Ebrahim Hasham	3
06.	Mr. Muhammad Iqbal	3
07.	Mr. Abdul Razzaq	4

The leave of absence was granted to the directors who could not attend some of the meetings due to their absence from the country or ill health.

Eye Camp Statistics

Year	Patients Treated	Patients Operated
2007	702	127
2008	788	113
2009	1272	138

Statement of Ethics & Business Practices

The Board has adopted the statement of Ethics & business practices. All employees are informed of this statement and are required to observe these rules of conduct in relation to customers, suppliers and regulators.

Audit Committee

The Audit Committee (AC) of the Company comprises of two non-executives (including the Chairman) and one executive Director. A total of four meetings of the AC were held during the year.

Internal Audit

Company has outsourced the function of internal audit to M/s. Shekha & Mufti, Chartered Accountants. They have conducted various assignments based on the recommendation of Audit Committee and submitted their reports accordingly. These reports are circulated to management for taking corrective actions, wherever necessary.

External Audit

The Company wishes to place on record its appreciation for the services rendered by the Company's auditors M/s. Ernst Young, Ford Rhodes Sidat Hyder & Co., Chartered Accountants, who completed the audit of financial statements of the Company for the year ended September 30, 2009.

Cost Audit

The Company's Accounts are also subject to cost audit under the Companies (Audit of Cost Accounts) Rules, 1998. M/s. Haroon Zakaria & Company, Chartered Accountants performed the cost audit of the Company, who were recommended for appointment by the Board of Directors and duly approved by the Securities and Exchange Commission of Pakistan (SECP).

Corporate & Financial Reporting Framework

As required by the Code of Corporate Governance, your Directors are pleased to report that:

- The financial statements, prepared by the management of the Mehran Sugar Mills Limited, present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
- The Company has maintained proper books of accounts as required under the law;
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements for the year ended September 30, 2009;
- The system of internal control is sound in design and has been effectively implemented and monitored;
- There are no significant doubts upon the Company's ability to continue as a going concern;
- There has been no material departure from the best practices of the corporate governance, as detailed in the listing regulations;
- The summary of key operating and financial data for last six years is annexed;
- Company have made contribution towards the national exchequer by paying more than Rs.313.06 million in the form of Federal, Provincial and local taxes and levies.

- The Company is operating a Provident Fund Scheme for its permanent employees. The value of the fund as at September 30, 2008 was Rs.56.92 million.

- There is also an un-funded gratuity scheme. On the basis of actuarial valuation conducted during 2009, a net liability of Rs.1.9 million as at September 30, 2009 has been provided.

- Transactions carried out by directors, CEO, GMF, Company Secretary and their spouses and minor children in the shares of the Company during the year under review were duly reported wherever applicable :

Certificate of Related Parties Transactions

It is confirmed that the transactions entered with related parties have been verified by the audit committee and the Board, and provides the information about the amount due from related parties at the balance sheet date, and the proportion of receivables from related parties provided as doubtful debts, if any.

Material Changes

There have been no material changes since September 30, 2009 and the Company has not entered into any commitment, which would affect its financial position at the date.

Pattern of Shareholding

The pattern of shareholding as on September 30, 2009 is included in the annexed shareholders' information.

Acknowledgment

We are trying to cultivate our future with a sharpened focus on delivering greater shareholders' satisfaction. For enhancing our efforts, we would like to appreciate the devotion and efforts of the workers, staff and executives and anticipate that in the future as well they will contribute towards the enhancement of the productivity and well being of the Company with greater zeal and spirit.

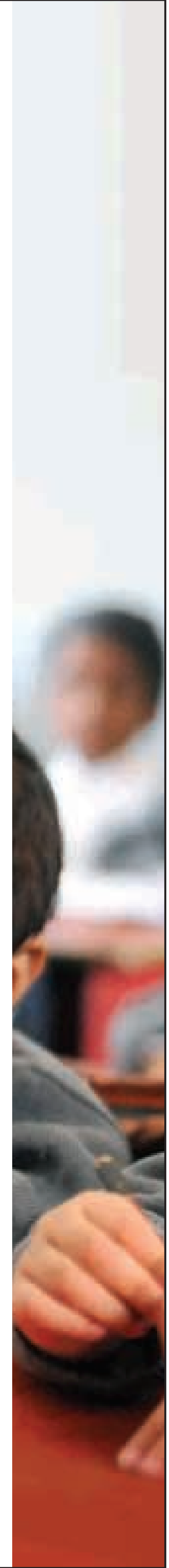
The Board further extends its gratitude to the government functionaries, growers, customers, associations, banking and financial institutions, shareholders and suppliers for the valued support and co-operation extended by them for the betterment and prosperity of the Company.

For and on behalf of the Board of Directors

Mohammed Kasim Hasham
Chairman

Mohammed Ebrahim Hasham
Chief Executive Officer

Karachi: December 15, 2009



Daood Memorial School strives to provide quality education to all inhabitants of the region as well as our employees and growers.

Khizra is the daughter of Moula Bux who is a resident of the area.

Notice of Annual General Meeting

Notice is hereby given that the 44th Annual General Meeting of the members of the Company will be held at I.C.A.P. Auditorium, Chartered Accountants Avenue, Clifton, Karachi on Tuesday, January 26, 2010 at 1530 PST to transact the following business:

Ordinary Business

1. To confirm the minutes of the Annual General Meeting held on January 30, 2009;

2. To receive, consider and adopt the Audited Financial Statements of the Company together with the Directors' and Auditors' Reports for the year ended September 30, 2009;

3. To consider and approve interim Cash Dividend issued @ 22.5% i.e. Rs. 2.25 per share and 20% bonus shares by way of issue of fully paid ordinary shares in the proportion of 20 shares for every 100 shares held by the members for the year ended September 30, 2009 as recommended by the Board of Directors of the Company.

4. To declare and approve the final Cash Dividend @ 12.5% i.e. Rs. 1.25 per share and issuance of 10% bonus shares by way of issue of fully paid ordinary shares in the proportion of 10 shares for every 100 shares held by the members for the year ended September 30, 2009 as recommended by the Board of Directors of the Company.

5. To appoint auditors for the year ending September 30, 2010 and to fix their remuneration. The retiring auditors M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants being eligible, have offered themselves for re-appointment.

Special Business

6. To approve the remuneration of the Chief Executive Officer and three Working Directors of the Company.

   A statement under section 160(1)(b) of the Companies Ordinance 1984, pertaining to the above-mentioned Special Business, is being sent to the members with this notice.

7. To transact any other business with the permission of the Chair.

By order of the of Board of Directors

Muhammad Hanif Aziz
Company Secretary

Karachi: December 15, 2009

Notes

1. The share transfer books of the Company will remain closed from January 20, 2010 to January 26, 2010 (both days inclusive).

2. A member entitled to attend and vote at the Annual General Meeting may appoint another member as his/her proxy to attend and vote in his/her behalf. Proxies in order to be effective must be received by the Company at its Registered Office not later than 48 hours before the time of the Meeting.

3. The shareholders whose shares are registered in their account/sub-account with Central Depository System (CDS) are requested to bring their CNIC alongwith their account number in CDS and participant's ID number for verification. In case of appointment of proxy by such account holders and sub-account holders the guidelines as contained in SECP's circular 1 of 26th January, 2000 to be followed.

4. The shareholders are requested to notify the Company immediately the change in their address, if any.

5. The shareholders are also requested to intimate us their CNIC # to implement the requirements of Annual Returns (Form A) which the Company is required to file with the SECP under section 156 of the Companies Ordinance 1984.

Statement U/S 160(1)(B) of the Companies Ordinance, 1984

This Statement sets out material facts concerning Special Business to be transacted at the 44th Annual General Meeting of the Company to be held on January 26, 2010. The approval of the Members of the Company will be sought for:

Item No. 6

The Board of Directors has recommended that the remuneration of the Chief Executive Officer and Working Directors will be increased as follows:

Designation	Last Remuneration	Proposed Remuneration	Last Revision
Chief Executive Officer	Rs. 275,000	Rs. 375,000	Jan-09
Working Director	Rs. 200,000	Rs. 300,000	Jan-09
Working Director	Rs. 70,000	Rs. 80,000	Jan-09
Working Director	N.A	Rs. 100,000	N.A

Statement of Compliance with the Code of Corporate Governance

for the year ended September 30, 2009

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

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

1. The Board of Directors consists of three executive and four non-executive directors, (including the chairman). All the directors take keen interest in the Company's affairs.

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 have defaulted in payment of any loan to banking company, DFI or NBFI, or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. The Company has prepared a "Statement of Ethics and Business Practices" which has been adopted by the board and signed by all the directors and employees of the Company.

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

6. All the powers of the Board have been duly exercised and decision 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.

7. 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 meeting, 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.

8. The Board arranged necessary orientation courses for its Directors to apprise them of their duties and responsibilities.

9. The CEO under the powers delegated by Board has approved the appointment of Chief Financial Officer (CFO), Company Secretary, and Head of Internal Audit. Their remuneration, terms and conditions of employment have also been approved by the CEO.

10. The Directors' Report for the year ended September 30, 2009 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

11. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.

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

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

14. The Audit Committee comprises three members, of whom two are non-Executive Directors including the Chairman.

15. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of references of the Committee have been formed and advised to Committee for compliance.

16. The Board has set up an effective internal audit function manned by suitably qualified and experienced personnel who are conversant with the policies and procedures of the Company and are involved in the internal audit function on a full time basis.

17. The statutory auditors of the Company have confirmed that they have been given satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

18. The 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.

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

20. The related party transactions entered during the year ended September 30, 2009 have been placed before the Audit Committee and approved by the Board of Directors in their meetings held on December 15, 2009

For and on behalf of the Board

Mohammed Ebrahim Hasham
Chief Executive Officer

Karachi: December 15, 2009

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) for the year ended 30 September 2009 prepared by the Board of Directors of Mehran Sugar Mills Limited to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange (Guarantee) Limited where the Company is listed.

The responsibility for compliance with the Code 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 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 are not required to cosider whether the Board's statements on internal controls, the Company's corporate procedures and risks.

Further, Sub-Regulation (xiii) of Listing Regulations 37 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executd at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be seperately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transaction 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 undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code, effective for the year ended 30 September 2009.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

KARACHI: December 15, 2009

Auditors' Report to the Members

We have audited the annexed balance sheet of Mehran Sugar Mills Limited 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.

Without qualifying our opinion we draw attention to notes 27.1 to 27.4 to the financial statements. The Company is defendant in various law suits which are pending adjudications. The ultimate out come of the matters cannot presently be determined and, no provision for any liability that may result has been made in these financial statements.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Audit Engagement Partner: Riaz A. Rehman Chamdia

KARACHI: December 15, 2009

Balance Sheet

as at September 30, 2009

	Note	2009 Rupees	2008 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	512,174,648	425,335,708
Long-term receivable-unsecured	6	-	42,510,996
Long-term investment	7	174,229,262	134,607,391
Long-term deposits		1,992,400	1,932,400
		688,396,310	604,386,495
CURRENT ASSETS			
Biological assets	8	8,748,440	3,969,286
Stores and spare parts	9	60,310,523	40,330,562
Stock-in-trade	10	141,296,744	437,057,566
Trade debts	11	112,101,426	30,511,612
Loans and advances	12	41,702,799	27,207,375
Trade deposits and short-term prepayments	13	1,313,826	3,222,340
Other receivables		961,243	654,506
Short-term investments	14	39,053,176	16,899,764
Income tax – net		23,219,053	25,692,180
Cash and bank balances	15	1,341,095	1,657,708
		430,048,325	587,202,899
TOTAL ASSETS		1,118,444,635	1,191,589,394
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	16	118,125,000	98,437,500
Reserves	17	215,556,120	77,350,289
		333,681,120	175,787,789
NON-CURRENT LIABILITIES			
Subordinated loans	18	-	27,982,232
Long-term financing	19	85,714,000	126,250,000
Liabilities against assets subject to finance lease	20	4,917,252	1,260,797
Deferred liabilities	21	4,867,802	5,483,775
Deferred taxation	22	87,812,369	23,133,753
Provisions	23	119,290,919	119,290,919
		302,602,342	303,401,476
CURRENT LIABILITIES			
Trade and other payables	24	310,757,518	449,757,145
Accrued mark up	25	10,261,788	29,406,047
Short-term borrowings	26	70,522,403	167,482,776
Current maturity of liabilities against assets subject to finance lease	20	1,081,538	1,354,380
Current portion of long-term financing	19	36,428,800	13,750,000
Provision for market committee fee	23	32,700,000	32,700,000
Sales tax payable		20,409,126	17,949,781
		482,161,173	712,400,129
CONTINGENCIES AND COMMITMENTS	27		
TOTAL EQUITY AND LIABILITIES		1,118,444,635	1,191,589,394

The annexed notes from 1 to 45 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

Profit and Loss Account

for the year ended September 30, 2009

	Note	2009 Rupees	2008 Rupees
Turnover-net	28	2,387,445,858	1,284,440,469
Cost of sales	29	(1,994,378,239)	(1,165,863,557)
Gross profit		393,067,619	118,576,912
Distribution costs	30	(5,367,298)	(13,663,398)
Administrative expenses	31	(61,592,846)	(50,599,274)
Other operating expenses	32	(77,240,035)	(13,948,917)
Other operating income	33	22,536,783	28,467,359
		(121,663,396)	(49,744,230)
		271,404,223	68,832,682
Share of profit from an associate	7	39,621,871	35,370,411
Finance costs	34	(65,333,093)	(43,638,528)
Profit before taxation		245,693,001	60,564,565
Taxation	35	(69,780,223)	(3,188,674)
Profit after taxation		175,912,778	57,375,891
			Restated
Basic and diluted earnings per share	36	14.89	4.86

The annexed notes from 1 to 45 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

Cash Flow Statement

for the year ended September 30, 2009

	Note	2009 Rupees	2008 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		245,693,001	60,564,565
Adjustment for non-cash items:			
Depreciation		36,496,650	34,690,269
Share of profit from an associate		(39,621,871)	(35,370,411)
Gain on disposal of fixed assets		(754,733)	(1,009,186)
Finance costs		65,333,093	43,638,528
Realised gain on disposal of short term investments		(9,262,093)	-
Security deposits adjusted against expenses		-	38,000
Liability of mark up no longer required written back		(6,192,329)	-
Provision for staff gratuity		1,890,489	795,839
Provision for doubtful debts		14,519,842	-
Provision for quality premium		-	75,065,065
Provision for doubtful long term receivable		42,510,996	-
Provision for doubtful deposits and prepayments		1,563,441	7,196,113
Provision for impairment on short-term investments		354,000	3,482,695
Provision for market committee fee no longer required written back		-	(20,850,964)
Working capital changes	37	22,959,948	(36,847,369)
		129,797,433	70,828,579
Staff gratuity paid		(2,506,462)	(1,163,693)
Taxes paid		(2,628,480)	(25,978,016)
Finance costs paid		(78,285,023)	(45,382,135)
Payment of additional tax on bagasse		-	(2,933,925)
Net cash generated from operating activities		292,070,469	55,935,375
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(125,060,017)	(42,040,273)
Long term deposits		(60,000)	(1,620,000)
Long-term investment		-	(5,000,000)
Short-term investments		(59,427,216)	(16,728,459)
Proceeds from disposal of short term investments		52,279,750	-
Proceeds from disposal of operating fixed assets		2,479,160	2,818,365
Net cash used in investing activities		(129,788,323)	(62,570,367)
CASH FLOWS FROM FINANCING ACTIVITIES			
Subordinated loans – net		(27,982,232)	(14,670,000)
Long term financing – net		(17,857,200)	(59,618,608)
Liabilities against assets subject to finance lease		3,383,613	(12,860)
Dividend paid		(23,182,567)	(2,944)
Net cash used in financing activities		(65,638,386)	(74,304,412)
Net increase / (decrease) in cash and cash equivalents during the year		96,643,760	(80,939,404)
Cash and cash equivalents at the beginning of the year		(165,825,068)	(84,885,664)
Cash and cash equivalents at the end of the year		(69,181,308)	(165,825,068)
Cash and cash equivalents comprise of:			
Cash and bank balances	15	1,341,095	1,657,708
Short-term borrowings	26	(70,522,403)	(167,482,776)
		(69,181,308)	(165,825,068)

The annexed notes from 1 to 45 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

Statement of Changes In Equity

for the year ended September 30, 2009

	Issued, subscribed and paid-up capital	Reserves: Capital reserve - Share premium	Reserves: Revenue reserve - General reserve	Reserves: Unrealized gain on revaluation of Available-for-Sale Investments	Reserves: Accumulated (losses) / Profit	Reserves: Total Reserves	Total
	Rupees						
Balance as at September 30, 2007	98,437,500	63,281,250	85,000,000	-	(128,306,852)	19,974,398	118,411,898
Profit after taxation for the year ended September 30, 2008	-	-	-	-	57,375,891	57,375,891	57,375,891
Balance as at September 30, 2008	98,437,500	63,281,250	85,000,000	-	(70,930,961)	77,350,289	175,787,789
First interim dividend @ 12.5%	-	-	-	-	(12,304,800)	(12,304,800)	(12,304,800)
Bonus shares issued during the year in the ratio of 1 ordinary share for every 5 ordinary shares held	19,687,500	-	-	-	(19,687,500)	(19,687,500)	-
Second interim dividend @ 10%	-	-	-		(11,812,500)	(11,812,500)	(11,812,500)
Net effect of revaluation of available-for-sale investments to fair value as at the year end	-	-	-	6,097,853	-	6,097,853	6,097,853
Profit after taxation for the year ended September 30, 2009	-	-	-	-	175,912,778	175,912,778	175,912,778
Balance as at September 30, 2009	118,125,000	63,281,250	85,000,000	6,097,853	61,177,017	215,556,120	333,681,120

The annexed notes from 1 to 45 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

Notes to the Financial Statements

for the year ended September 30, 2009

1. THE COMPANY AND ITS OPERATIONS

Mehran Sugar Mills Limited (the Company) was incorporated in Pakistan as a public limited company on December 22, 1965 under the Companies Act, 1913 (now Companies Ordinance, 1984). The shares of the Company are quoted on Karachi Stock Exchange. The Company is principally engaged in the manufacturing and sale of sugar. The registered office of the Company is situated at Adamjee House, 8th Floor, I.I. Chundrigar Road, Karachi. The mill of the Company is located at Distt. Tando Allahyar, Sindh.

2. STATEMENT OF COMPLIANCE

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

Property, plant and equipment

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

Stock-in-trade and stores and spare parts

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

Trade debts and receivables

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

Taxation

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

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

Staff Retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 21.2 to the financial statements for valuation of present value of defined benefit obligations. Any changes in these assumptions in future years might affect gains and losses in those years.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in preparing these financial statements are as follows:

4.1 Accounting convention

These financial statements have been prepared under the historical cost convention, except for certain investments and biological assets which are carried at fair value as referred to in notes 4.5.2 and 4.6 below.

4.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

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

Standards or interpretation		Effective date (accounting periods beginning on or after)
IAS 1	- Presentation of Financial Statements (Revised)	January 01, 2009
IAS 23	- Borrowing Costs (Revised)	January 01, 2009
IAS 27	- Consolidated and Separate Financial Statements (Revised)	January 01, 2009
IAS 32	- Financial Instruments (Amended)	January 01, 2009
IAS 39	- Financial Instruments: Recognition and Measurement (Amended)	January 01, 2009
IFRS 2	- Share-based Payment (Amended)	January 01, 2009
IFRS 3	- Business Combinations	July 01, 2009
IFRS 8	- Operating Segments	January 01, 2009
IFRIC 15	- Agreements for the Construction of Real Estate	January 01, 2009
IFRIC 17	- Distributions of Non-Cash Assets to Owners	July 01, 2009
IFRIC 18	- Transfers of Assets from Customers	July 01, 2009

The Company expects that the adoption of the above standards and interpretations will not have any material impact on the Company's financial statements in the period of initial application other than to the extent of certain changes and/or enhancements in the presentation and disclosures in the financial statements resulting from the application of

IAS 1.The revised IAS 1 was issued in September 2007 and becomes effective for financial years beginning on or after 1 January 2009. The standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Company is still evaluating whether it will have one or two statements.

In addition to the above, amendments to various accounting standards have also been issued by IASB as a result of its annual improvement project. Such amendments are generally effective for accounting periods beginning on or after 1 January 2009. The Company expects that the adoption of the above standards and interpretations will not have any material impact on the Company's financial statements in the period of initial application.

4.3 Adoption of new accounting standards:

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

IFRS 7 - Financial Instruments: Disclosures
IFRIC 12 - Service Concession Arrangements
IFRIC 13 - Customer loyalty programs
IFRIC 14 - IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction; and
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation

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

4.4 Property, plant and equipment

Owned

These are stated at cost less accumulated depreciation and any accumulated impairment in value, except for land, which is stated at cost. The cost in relation to certain fixed assets signifies historical cost and cost of borrowings during period of construction / installation.

Depreciation is charged to income using the reducing balance method at the rates specified in note 5.1. Depreciation on additions is charged from the month in which the asset is put to use and on disposals up to the month the asset in use.

The carrying values of the Company’s property plant and equipment are reviewed at each financial year end for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Repairs and maintenance cost is written off to the profit and loss account in the year in which it is incurred. Major renewals and improvements are capitalized when it is probable that respective future economic benefits will flow to the Company.

An item of property plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gain or loss on disposal of property plant and equipment is recognized in the period of disposal.

Leased

The Company accounts for fixed assets acquired under finance lease by recording the asset and the related liability at the amounts which are determined on the basis of discounted value of minimum lease payments, which is the fair value of the asset.

Finance cost are allocated to the accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged to income applying the same basis as for owned assets.

Capital work-in-progress

These are stated at cost less accumulated impairment, if any, and represent expenditure on fixed assets in the course of construction and installation. Transfers are made to relevant property plant and equipment category as and when assets are available for their intended use.

4.5 Investments

4.5.1 In an associated company

Investment in an associated company is accounted for using equity method of accounting. Investments over which investor has “significant influence” are accounted for under this method i.e., investments to be carried in the balance sheet at cost plus post-acquisition changes in the share of net assets of the associate, less any impairment in value, if material. The profit and loss account reflects the share of the results of operations of the associate. If an associate uses accounting policies other than those of the Company, adjustments are made to conform the associate’s policies to those of the Company, if the impact is considered material. Profits and losses resulting from `upstream’ and `downstream’ transactions between the Company and an associate are recognized only to the extent of unrelated Company’s interest in the associate.

4.5.2 Investments – available-for-sale

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

These investments are initially recognised at cost, being the fair value of the consideration given including transaction costs associated with the investment. After initial recognition, these investments are remeasured at fair value.

For investments traded in active market, fair value is determined by reference to quoted market price and the investments for which a quoted market price is not available, or the fair value cannot be reasonably calculated, are measured at cost, subject to review for impairment at each balance sheet date.

Gains or losses on available-for-sale investments are recognised in equity until the investment is disposed or determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in income.

4.6 Biological Assets

International Accounting Standard (IAS) – 41 “Agriculture” requires biological assets to be measured on initial recognition and at each balance sheet date at its fair value less costs to sell. A gain or loss arising on initial recognition of a biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset shall be included in profit or loss for the period in which it arises.

4.7 Stores and spare parts

These are valued at lower of cost, calculated on moving average basis less provision for obsolescence and slow moving, if any, and net realizable value. Items in transit are stated at invoice value plus other charges incurred thereon, if any.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

4.8 Stock-in-trade

Stock-in-trade is valued at the lower of moving average cost and net realizable value. Imported refined sugar is valued at landed cost. Cost in relation to work-in-process and finished goods consist of manufacturing cost comprising prime cost and appropriate proportion of factory overheads.

Items in transit are stated at cost comprising invoice value plus other charges paid thereon at the balance sheet date.

Net realizable value signifies the prevailing selling prices in the ordinary course of business less estimated costs of completion and selling expenses incidental to sales.

4.9 Trade debts and other receivables

Trade debts and other receivables are stated at original invoice amount less provision for doubtful debts, if any. Provision for doubtful debts/ receivable is based on the management's assessment of customers' outstanding balances and creditworthiness. Bad debts are written-off when identified.

4.10 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of cash flow, cash and cash equivalents comprise cash in hand, cheques in hand, deposits held with banks and other short term highly liquid investments net of short term borrowing.

4.11 Staff retirement benefits

Gratuity

The Company operates an unfunded gratuity scheme (defined benefit scheme) for its employees. An actuarial valuation has been carried out at September 30, 2009, using the Project Unit Credit Method, to cover the obligation under the scheme for its employees eligible to gratuity benefits.

Provident fund

The Company also operates a recognized provident fund for those permanent employees who have opted for it. Equal monthly contributions are made to the fund by the Company and employees in accordance with the fund's rules.

Compensated absences

The Company accrues it's estimated liability towards leaves accumulated by employees on an accrual basis using current salary level.

4.12 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation, after taking into account tax credits and rebates available, if any, or one half percent of turnover, whichever is higher, and tax paid on final tax regime basis .

Deferred

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which the assets may be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recognized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

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 the future for goods and services received, whether or not billed to the Company.

4.14 Provisions

A provision is recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation of which reliable estimate can be made.

4.15 Foreign currency transactions and translation

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees using the exchange rate at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

4.16 Borrowing costs

Interest / mark-up directly attributable to the acquisition / construction / installation of qualifying assets is capitalized. All other finance costs are charged to profit and loss account currently.

Notes to the Financial Statements

for the year ended September 30, 2009

4.17 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated and impairment losses are recognized in the profit and loss account.

4.18 Related Party Transactions

All transactions with related parties are carried out by the Company using the methods prescribed under the Companies Ordinance, 1984.

4.19 Financial instruments

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

Financial instruments carried on the balance sheet include investments, deposits, receivables, loans, cash and bank balances, borrowings, long term financing, trade and other payables. The particular recognition method adopted is disclosed in the individual policy statements associated with each financial instrument.

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

4.20 Offsetting of financial assets and financial liabilities

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

4.21 Revenue recognition

Sales are recognized as revenue when invoiced, which generally coincides with delivery.

Return on bank deposits is recognized on accrual basis.

4.22 Dividend and appropriation to reserves

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

4.23 Functional and presentation currency

These financial statements are presented in Pakistani Rupees, which is the company's functional and presentation currency.

	Note	2009 Rupees	2008 Rupees
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	473,156,090	418,634,999
Capital work-in-progress	5.2	39,018,558	6,700,709
		512,174,648	425,335,708

5.1 Operating fixed assets

Description	Cost at October 01, 2008	Additions/ *transfers/ (deletions)	Cost at September 30, 2009	Accumulated depreciation at October 01, 2008	Depreciation for the year/ (accumulated depreciation on deletions)	Accumulated depreciation at September 30, 2009	Book value at September 30, 2009	Dep. Rate %
	2009							
	Rupees							
Owned								
Freehold land	180,720	-	180,720	-	-	-	180,720	-
Building on freehold land								
- Factory	70,577,634	1,568,740	72,146,374	51,322,181	1,991,272	53,313,453	18,832,921	10
- Non-factory	14,119,611	-	14,119,611	6,755,022	368,229	7,123,251	6,996,360	5
Plant, machinery and equipment	761,842,960	81,570,719	843,413,679	393,248,756	29,548,082	422,796,838	420,616,841	7.5
Furniture and fittings	2,447,847	625,216	3,073,063	2,032,411	85,339	2,117,750	955,313	10
Vehicles	22,050,596	943,498	23,038,104	13,798,680	1,833,925	15,490,116	7,547,988	20
	* 1,599,000			* 575,640				
	(1,554,990)			(718,129)				
Office equipment	6,422,892	34,700	6,457,592	4,994,625	145,702	5,140,327	1,317,265	10
Electric installation	10,110,466	333,440	10,443,906	6,809,240	348,652	7,157,892	3,286,014	10
Weighbridge and scales	965,624	-	965,624	818,375	14,725	833,100	132,524	10
Workshop tools and other equipment	7,160,896	-	7,160,896	4,087,899	307,300	4,395,199	2,765,697	10
Computers	3,288,983	910,535	4,199,518	2,026,902	549,078	2,575,980	1,623,538	30
Airconditioners and refrigerators	5,842,261	964,320	6,806,581	4,144,588	221,660	4,366,248	2,440,333	10
	905,010,490	86,951,168	992,005,668	490,038,679	35,413,964	525,310,154	466,695,514	
		* 1,599,000			* 575,640			
		(1,554,990)			(718,129)			
Leased								
Vehicles	5,250,000	5,791,000	7,493,000	1,586,812	1,082,686	1,032,424	6,460,576	20
		* (1,599,000)			* (575,640)			
		(1,949,000)			(1,061,434)			
Total	910,260,490	92,742,168	999,498,668	491,625,491	36,496,650	526,342,578	473,156,090	
		(3,503,990)			(1,779,563)			

Description	Cost at October 01, 2007	Additions/ *transfers/ (deletions)	Cost at September 30, 2008	Accumulated depreciation at October 01, 2007	Depreciation for the year/ (accumulated depreciation on deletions)	Accumulated depreciation at September 30, 2008	Book value at September 30, 2008	Dep. Rate %
	2008							
	Rupees							
Owned								
Freehold land	180,720	-	180,720	-	-	-	180,720	-
Building on freehold land								
- Factory	70,371,247	206,387	70,577,634	49,203,707	2,118,474	51,322,181	19,255,453	10
- Non-factory	14,119,611	-	14,119,611	6,367,412	387,610	6,755,022	7,364,589	5
Plant, machinery and equipment	705,305,617	57,862,343	761,842,960	365,971,008	28,157,132	393,248,756	368,594,204	7.5
		(1,325,000)			(879,384)			
Furniture and fittings	2,447,847	-	2,447,847	1,986,251	46,160	2,032,411	415,436	10
Vehicles	20,590,187	1,944,559	22,050,596	12,740,414	1,749,408	13,798,680	8,251,916	20
		* 2,205,000			* 1,293,365			
		(2,689,150)			(1,984,507)			
Office equipment	6,087,892	335,000	6,422,892	4,847,447	147,178	4,994,625	1,428,267	10
Electric installation	9,929,234	181,232	10,110,466	6,443,788	365,452	6,809,240	3,301,226	10
Weighbridge and scales	965,624	-	965,624	802,014	16,361	818,375	147,249	10
Workshop tools and other Equipment	6,498,096	662,800	7,160,896	3,806,710	281,189	4,087,899	3,072,997	10
Computers	2,711,572	577,411	3,288,983	1,624,521	402,381	2,026,902	1,262,081	30
Airconditioners and refrigerators	5,388,161	454,100	5,842,261	3,983,702	160,886	4,144,588	1,697,673	10
	844,595,808	62,223,832	905,010,490	457,776,974	33,832,231	490,038,679	414,971,811	
		* 2,205,000			* 1,293,365			
		(4,014,150)			(2,863,891)			
Leased								
Vehicles	6,722,000	1,702,000	5,250,000	2,332,219	858,038	1,586,812	3,663,188	20
		* (2,205,000)			*(1,293,365)			
		(969,000)			(310,080)			
Total	851,317,808	63,925,832	910,260,490	460,109,193	34,690,269	491,625,491	418,634,999	
		(4,983,150)			(3,173,971)			

	Note	2009 Rupees	2008 Rupees
5.1.1 Depreciation charge for the year has been allocated as follows:			
Cost of sales	29	32,578,260	31,326,218
Administrative expenses	31	3,918,390	3,364,051
		36,496,650	34,690,269

Notes to the Financial Statements

for the year ended September 30, 2009

5.1.2 The following operating fixed assets were disposed off during the year:

Particulars	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Gain / or (Loss)	Mode of Disposal	Particulars of Purchaser
	(Rupees)						
Suzuki Cultus- AMA 846	618,000	235,664	382,336	482,760	100,424	Negotiation	Mr. Mohammad Sharif Polani
Bedford Bus JA-9962	620,000	255,605	364,395	353,448	(10,947)	Negotiation	Mr. Mohammad Saleem
Toyota Liteace Ambulance CA-2452	175,000	174,101	899	125,000	124,101	Negotiation	Mr. Mohammad Saleem
Habib Motorcycle HB-70 KBZ-2972	37,500	14,967	22,533	37,500	14,967	Negotiation	Mr. Shahid Nazar – Employee
Honda Motorcycle CD-70 KDH-9072	50,490	17,392	33,098	50,490	17,392	Negotiation	Mr. Moinuddin – Employee
Honda Motorcycle CD-70 KDD-4509	54,000	20,400	33,600	54,000	20,400	Negotiation	Mr. M Azam – Employee
Suzuki Cultus ALX-306	630,000	280,560	349,440	302,586	(46,854)	Negotiation	Mr. Mohammad Amin
Honda City EXi AFN-116	795,000	547,519	247,481	674,006	426,525	Negotiation	Mr. Jawed Anwer – Employee
Suzuki Cultus ALX-199	524,000	233,355	290,645	399,370	108,725	Negotiation	Mr. Aslam Khan – Ex-Employee
2009	3,503,990	1,779,563	1,724,427	2,479,160	754,733		

	Note	2009 Rupees	2008 Rupees
5.2 CAPITAL WORK-IN-PROGRESS			
Civil works		988,350	369,000
Advance against supply of plant and machinery		38,030,208	6,331,709
	5.2.1	39,018,558	6,700,709

	Civil works	Advance supply of Plant and Machinery	Total
	-----	Rupees	-----
5.2.1 Movement			
Balance as at October 1, 2007	-	28,586,268	28,586,268
Capital expenditure incurred / advances made during the year	575,387	22,989,140	23,564,527
Transfer to operating fixed assets	(206,387)	(45,243,699)	(45,450,086)
Balance as at September 30, 2008	369,000	6,331,709	6,700,709
Capital expenditure incurred / advances made during the year	2,188,090	52,833,006	55,021,096
Transfer to operating fixed assets	(1,568,740)	(21,134,507)	(22,703,247)
Balance as at September 30, 2009	988,350	38,030,208	39,018,558

	Note	2009 Rupees	2008 Rupees
6. LONG-TERM RECEIVABLE – Unsecured			
Tender earnest money		1,000,000	1,000,000
Down payment		33,125,000	33,125,000
Other costs		8,385,996	8,385,996
		42,510,996	42,510,996
Provision for doubtful receivable	6.1	(42,510,996)	-
		-	42,510,996

6.1 This represents down payment made in respect of purchase of Thatta Sugar Mills (the mill) and other cost in running the mill from November 1992 up to July 1993, when the mill was forcibly taken over by the Government of Sindh (GoS) without paying any amount. The Company filed a law suit for Rs. 166 million being the amount of down payment, expenses incurred (including payment to workers) and loss of profits. The GoS made a counter claim of Rs. 402 million against the Company. The case is currently pending in the Honorable High Court of Sindh for recording of evidences. While the Company's suit for recovery of compensation is pending in the Honorable High Court of Sindh, the GoS invited bids for sale of Thatta Sugar Mills through Sindh Privatization Commission but it could not succeed. The GoS is now trying to privatize it through the Federal Privatization Commission. The representative of the GoS has also admitted the fact that the mill was taken by Government without payment to the Company. During the year ended September 30, 2009, the Company has made provision against the aforesaid receivable as a matter of prudence and the fact that the debt is outstanding for a considerable period.

7. LONG TERM INVESTMENT

- In an associate

Number of shares 2009	Number of shares 2008 Rupees	Face value per share	Name of the Company	Note	2009 Rupees	2008 Rupees
10,499,998	10,499,998	10	Unicol Limited - an un-quoted company	7.1	174,229,262	134,607,391

7.1 Movement of investment in an associate

	2009 Rupees	2008 Rupees
Opening balance	134,607,391	94,236,980
Shares further acquired during the year	-	5,000,000
Share of profit for the year – net of tax	39,621,871	35,370,411
	174,229,262	134,607,391

The Company holds 33.33 (2008: 33.33) percent of the investee's total equity.

7.2 The summarized financial information of the associate company based on unaudited financial statements, for the year ended September 30, 2009, are as follows:

	2009 Rupees	2008 Rupees
Aggregate amount of:		
- assets	1,326,578,344	1,235,985,891
- liabilities	801,837,834	830,214,145
- revenue	1,276,293,896	893,441,726
- profit	118,968,765	110,357,993

Notes to the Financial Statements

for the year ended September 30, 2009

		2009 Rupees	2008 Rupees
8.	**BIOLOGICAL ASSETS – At fair value**		
	Carrying value at beginning of the year	3,969,286	2,165,915
	Addition due to cultivation	5,518,510	3,828,570
	Gain arising from changes in fair value less costs to sell	3,229,930	140,716
		12,717,726	6,135,201
	Reduction due to harvesting	(3,969,286)	(2,165,915)
	Carrying value at the end of the year	8,748,440	3,969,286

Operations and Principal Activities at Farms:

The Company is principally engaged in sugar cane cultivation, which is also supplied to various sugar cane growers.

Financial Risk Management Strategies:

The Company is exposed to financial risks arising from changes in sugar cane prices. The Company does not anticipate that sugar cane prices will decline significantly in the foreseeable future and, therefore, has not entered into any contracts to manage the risk of a decline in sugar cane prices.

		Note	2009 Rupees	2008 Rupees
9.	**STORES AND SPARE PARTS**			
	Stores		28,095,578	18,526,640
	Spare parts		32,214,945	21,803,922
			60,310,523	40,330,562
10.	**STOCK-IN-TRADE**			
	Manufactured sugar			
	- Finished		139,619,721	436,076,232
	- Work-in-process		1,677,023	981,334
			141,296,744	437,057,566
11.	**TRADE DEBTS – unsecured**			
	Considered good	11.1,11.2 & 11.3	112,101,426	30,511,612
	Considered doubtful	11.4	16,987,867	2,468,025
			129,089,293	32,979,637
	Less: Provision for doubtful debts	11.4	16,987,867	2,468,025
			112,101,426	30,511,612
11.1	**The aging of trade debts at September 30, 2009 is as follows:**			
	Neither past due nor impaired		-	-
	Past due but not impaired			
	- within 90 days		112,101,426	15,991,770
	- 91 to 180 days		-	-
	- over 180 days		-	14,519,842
			112,101,426	30,511,612
	Provision for impairment			
	Balance at the beginning of the year		2,468,025	2,468,025
	Provision made during the year		14,519,842	-
	Balance at the end of the year		16,987,867	2,468,025

Notes to the Financial Statements

for the year ended September 30, 2009

11.2 Includes receivable from Unicol Limited, an associated company amounting to Rs.102.975 (2008: 15.796) million.

11.3 The maximum aggregate amount due from associated company at the end of any month during the year was Rs. 107.975 (2008: Rs. 72.75) million.

11.4 Includes an amount of Rs. 14.519 million due from the Food Department, Government of Sindh. This represents amount withheld by the Government of Sindh from the bills raised by the Company during the years from 1981 to 1983 on account of a dispute regarding the quality of sugar. Consequently, the Company has withheld mark-up due to the Food department, amounting to Rs. 6.192 million. Since then, the matter is under litigation and pending before the Honorable High Court of Sindh. The amount receivable from the Department has been provided during the current year because it has been long time the case is pending and the respective liability of mark-up due to the Food department, GOS has also been written back in these financial statements as referred to in note 33 to the financial statements.

	Note	2009 Rupees	2008 Rupees
12. LOANS AND ADVANCES – Unsecured, considered good			
Loans to staff	12.1	1,589,825	2,615,783
Advances			
- to suppliers		6,552,569	6,549,289
- to cane growers	12.2	33,028,554	17,840,896
- against expenses		531,851	201,407
		40,112,974	24,591,592
		41,702,799	27,207,375

12.1 Includes interest free loans to employees for purchase of vehicle, repayable in monthly installments.

12.2 Includes cost of urea and seeds provided to the cane growers and the same are adjusted when sugarcane is purchased from these cane growers.

	Note	2009 Rupees	2008 Rupees
13. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS			
Trade deposits:			
Considered good		133,500	1,107,000
Considered doubtful	13.1	8,196,113	7,196,113
		8,329,613	8,303,113
Less: Provision for doubtful deposits		(8,196,113)	(7,196,113)
		133,500	1,107,000
Short-term prepayments:			
Considered good		1,180,326	2,115,340
Considered doubtful		563,441	-
		1,743,767	2,115,340
Less: Provision for doubtful prepayments		(563,441)	-
		1,180,326	2,115,340
		1,313,826	3,222,340

13.1 Represents amount paid by the Company to the Director General Defence Procurement (DGDP) as tender money during the year 1997 which has been withheld by them on account of DGDP's risk purchase claim on the Company, as fully described in note 27.2. Although the matter is under litigation, the Company, as a matter of prudence, has made full provision against the deposit in these financial statements.

	Note	2009 Rupees	2008 Rupees
14. SHORT-TERM INVESTMENTS			
Held to maturity			
Term deposit certificates		3,654,000	3,654,000
Less: Provision for impairment		354,000	-
	14.1	3,300,000	3,654,000
Available for sale			
Investment in quoted securities	14.2 &14.3	35,753,176	13,245,764
		39,053,176	6,899,764

14.1 Includes certificates of the value of Rs. 3.30 million (2008: 3.30 million) deposited with the bankers under lien against guarantees issued by them on behalf of the Company having maturity upto six months. These carry profit at the rate of 2.5 (2008: 2.5 to 3) percent per annum.

	Note	2009 Rupees	2008 Rupees
14.2 SHORT TERM INVESTMENTS – available-for-sale, at fair value			
Quoted companies			
Arif Habib Securities Limited			
12,500 (2008:Nil) Ordinary shares of Rs.10/-each		537,250	-
Bank Al- Habib Limited			
63,474 (2008:40,100) Ordinary shares of Rs.10/- each		1,983,563	1,369,014
Cherat Cement Limited			
121,179 (2008:58,600) Ordinary shares of Rs.10/- each		1,847,980	931,740
D.G.Khan Cement Limited			
13,000 (2008: 15,000) Ordinary shares of Rs.10/- each		448,240	589,200
Engro Chemicals Pakistan Limited			
4,500 (2008: 2,500) Ordinary shares of Rs.10/- each		813,870	451,100
Eye Television Network Limited			
15,000 (2008: 15,000) Ordinary shares of Rs.10/- each		542,550	595,650
Fauji Fertilizer Company Limited			
2,750 (2008:Nil) Ordinary shares of Rs.10/-each		282,563	-
Glaxosmithkline Pakistan Limited			
22,939 (2008:Nil) Ordinary shares of Rs.10/-each		2,380,380	-
Habib Metropolitan Bank Limited			
51,602 (2008:Nil) Ordinary shares of Rs.10/- each		1,595,534	-
Hub Power Company Limited			
10,000 (2008:Nil) Ordinary shares of Rs.10/-each		313,900	-
Indus Motors Limited			
2,500 (2008: 4,000) Ordinary shares of Rs.10/- each		438,100	573,200
International Industries Limited			
30,608 (2008:Nil) Ordinary shares of Rs.10/-each		1,743,432	-
Lucky Cement Limited			
7,500 (2008:17,500) Ordinary shares of Rs.10/-each		562,050	1,010,975
MCB Bank Limited			
2,750 (2008:Nil) Ordinary shares of Rs.10/-each		607,970	-
National Refinery Limited			
25,000 (2008: 3,500) Ordinary shares of Rs.10/- each		5,750,750	686,105

Notes to the Financial Statements

for the year ended September 30, 2009

	2009 Rupees	2008 Rupees
NIB Bank Limited 100,000 (2008: 75,000) Ordinary shares of Rs.10/-each	562,000	633,750
Noon Sugar Mills Limited 20,500 (2008:Nil) Ordinary shares of Rs.10/-each	502,045	-
Oil & Gas Development Company Limited 15,000 (2008: 15,400) Ordinary shares of Rs.10/each	1,610,700	1,454,222
Packages Limited 5,000 (2008: 2,500) Ordinary shares of Rs.10/each	812,950	354,350
Pakistan Oil Fields Limited 8,000 (2008:Nil) Ordinary shares of Rs.10/-each	1,668,880	-
Pak Suzuki Motor Company Limited 3,000 (2008: 3,000) Ordinary shares of Rs.10/each	261,120	251,370
Pakistan Petroleum Limited 27,650 (2008: 8,250) Ordinary shares of Rs.10/each	5,225,574	1,597,613
Pakistan State Oil Company Limited 2,500 (2008: 2,500) Ordinary shares of Rs.10/each	782,775	699,975
United Bank Limited 75,000 (2008: 30,000) Ordinary shares of Rs.10/each	4,479,000	2,047,500
	35,753,176	13,245,764

14.3 The aggregate cost of the above investment is Rs.29.655 million (2008: Rs. 16.728). These investments are stated at fair value. Impairment loss of Rs. Nil (2008: Rs. 3.483) million has been charged to the profit and loss account.

15. CASH AND BANK BALANCES

	2009 Rupees	2008 Rupees
Cash in hand	106,687	21,588
Cash at banks in current accounts	1,234,408	1,636,120
	1,341,095	1,657,708

16. SHARE CAPITAL

2009 (Number of shares)	2008 (Number of shares)		2009 Rupees	2008 Rupees
Authorized capital				
50,000,000	50,000,000	Ordinary shares of Rs. 10 each	500,000,000	500,000,000
Issued, subscribed and paid-up capital				
5,968,750	5,968,750	Ordinary shares of Rs. 10/- each fully paid in cash	59,687,500	59,687,500
350,000	350,000	Ordinary shares of Rs. 10/- each issued for consideration other than cash	3,500,000	3,500,000
5,493,750	3,525,000	Ordinary shares of Rs. 10/- each issued as bonus shares	54,937,500	35,250,000
11,812,500	9,843,750		118,125,000	98,437,500

	Note	2009 Rupees	2008 Rupees
17. RESERVES			
Capital reserve			
Share premium		63,281,250	63,281,250
Revenue reserve			
General		85,000,000	85,000,000
Accumulated profit / (loss)		61,177,017	(70,930,961)
		146,177,017	14,069,039
Unrealized gain on revaluation of available for sale investments		6,097,853	-
		215,556,120	7,350,289
18. SUBORDINATED LOANS – Unsecured			
From directors		-	6,082,232
From other related parties		-	21,900,000
	18.1	-	27,982,232

18.1 These carried mark-up at the rate of 3 months KIBOR prevailing at the beginning of the quarter (2008: 3 months KIBOR prevailing at the beginning of the quarter) per annum.

19. LONG TERM FINANCING – Secured

	Note	Installments Number	Installments Commencing from	Mark-up 2009	Mark-up 2008	2009 Rupees	2008 Rupees
From banking companies							
Bank Alfalah Limited	19.1	16 quarterly	January 2009	6months KIBOR plus 2.5% per annum	6 months KIBOR plus 2.5% per annum	22,142,800	40,000,000
Al Baraka Islamic Bank	19.1	16 quarterly	October 2009	6 months KIBOR plus 1.8% per annum	6 months KIBOR plus 1.8% per annum	100,000,000	100,000,000
						122,142,800	140,000,000
Less: Current portion shown under current liabilities						36,428,800	13,750,000
						85,714,000	126,250,000

19.1 This is secured by way of first pari passu charge over fixed assets of the Company and personal guarantee of all directors of the Company.

20. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

Represent finance leases entered into with a bank for vehicles. Total lease rentals due under various lease agreements aggregate to Rs. 8,156,744/- (2008: Rs. 3,360,432/-) and are payable in equal monthly installments latest by September 2013. Taxes, repairs, replacement and insurance costs are to be borne by the lessee. In case of termination of agreement, the lessee has to pay the entire rent for unexpired period. Financing rates of approximately 14.02 to 17.75 (2008: 7 to 16.64) percent per annum has been used as discounting factor. Purchase options can be exercised by the lessee in accordance with the respective lease agreements. The movement in the finance lease liability is as follows:

	2009 Minimum lease Payments	2009 Present Value	2008 Minimum lease Payments	2008 Present Value
	(Rupees)			
Within one year	1,899,139	1,081,538	1,671,465	1,354,380
After one year but not more than five years	6,257,605	4,917,252	1,688,967	1,260,797
Total minimum lease payments	8,156,744	5,998,790	3,360,432	2,615,177
Less: Amount representing finance charges	2,157,954	-	745,255	-
Present value of minimum lease payments	5,998,790	5,998,790	2,615,177	2,615,177
Less: Current maturity shown under current liability	1,081,538	1,081,538	1,354,380	1,354,380
	4,917,252	4,917,252	1,260,797	1,260,797

	Note	2009 Rupees	2008 Rupees
21. DEFERRED LIABILITIES			
Staff gratuity	21.1	4,867,802	5,483,775
21.1 Staff gratuity			
Opening net liability		5,483,775	5,851,629
Expense for the year		1,890,489	795,839
		7,374,264	6,647,468
Benefits paid during the year		(2,506,462)	(1,163,693)
Liability to be recognized		4,867,802	5,483,775
Expense for the year ended September 30, 2009			
Current service cost		587,786	210,676
Interest cost		658,053	585,163
Actuarial loss recognized		644,650	-
Expense for the year		1,890,489	795,839
Reconciliation			
Present value of defined benefit obligation		4,867,802	5,483,775
Unrealized actuarial losses		-	-
Liability to be recognized as at September 30		4,867,802	5,483,775

Comparisons for five years:

As at September 30	2009	2008	2007	2006	2005
			(Rupees)		
Present value of defined benefit obligation	4,867,802	5,483,775	5,851,629	8,467,242	8,330,665
Fair value of plan assets	-	-	-	-	-
Deficit	4,867,802	5,483,775	5,851,629	8,467,242	8,330,665

21.2 The Projected Unit Credit Method, using the following significant assumptions was used for the valuation of the scheme:

- discount rate at 13 % per annum;
- expected rate of increase in salary level at 10 % per annum;
- expected average remaining life of employees 30 years.

Notes to the Financial Statements

for the year ended September 30, 2009

	Note	2009 Rupees	2008 Rupees
22. DEFERRED TAXATION			
Credit balances arising due to :			
Accelerated tax depreciation, assets subject to finance lease, accrued markup and long term investment		113,530,445	91,747,107
Debit balances arising due to:			
Provision for gratuity		(1,703,731)	(1,919,321)
Provision for doubtful debts		(5,945,753)	(863,809)
Provision for doubtful deposits and prepayments		(3,065,844)	(2,518,640)
Provision for impairment on short-term investments		(123,900)	(1,218,943)
Provision for doubtful long-term receivable		(14,878,848)	-
Minimum tax impact		-	(25,443,114)
Unabsorbed tax losses		-	(36,649,527)
		(25,718,076)	(68,613,354)
		87,812,369	23,133,753
23. PROVISIONS			
Market committee fee	23.1	32,700,000	32,700,000
Quality premium	23.2	119,290,919	119,290,919
		151,990,919	151,990,919
Current portion shown under current liabilities		(32,700,000)	(32,700,000)
		119,290,919	119,290,919

23.1 The Market Committee filed a law suit for the recovery of market committee fee before the Senior Civil Judge Tando Allahyar during the year 1999-2000. The Company contested the law suit on the ground that Market Committee was not lawfully constituted. The Senior Civil Judge Tando Allahyar, however, passed a decree against the Company on March 12, 2003 in the sum of Rs. 43.7 million plus fee amounting to Rs. 9.85 million relating to the years upto 2003-2004. Subsequently, the Government of Sindh withdrew the levy of Market Committee for crushing season of 2004-2005. The Company filed an appeal against the said order with the District Judge, Hyderabad and the same was dismissed by the District Judge during 2006-2007. Consequently, in 2006-2007 the Company filed an appeal and obtained a stay order from the Honorable High Court of Sindh. Subsequent to the year ended September 30, 2008, the Honorable High Court of Sindh made a decision in this respect and determined the Company's liability in the sum of Rs.32.70 million upto the month of June 2008. Accordingly, the Company reversed the excess provision of Rs.20.851 million in the financial statements for the year ended September 30, 2008. However, the Company during the year ended September 30, 2009 has filed a petition in Supreme Court of Pakistan requesting stay order against the payment of liability determined by the High Court of Sindh which was subsequently dismissed by the Supreme Court. Additionally the Company filed an appeal in the Supreme Court of Pakistan against the amount of liability determined by the High Court of Sindh. Currently this appeal is pending before the Supreme Court of Pakistan.

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

Although the matter is under litigation, the Company has made full provision for quality premium in the financial statements.

Notes to the Financial Statements

for the year ended September 30, 2009

		Note	2009 Rupees	2008 Rupees
24.	TRADE AND OTHER PAYABLES			
	Creditors		142,457,235	146,407,937
	Accrued expenses		5,553,225	3,761,234
	Advances from customers		134,309,574	287,627,931
	Workers' profits participation fund	24.1	13,195,113	3,187,609
	Workers' Welfare Fund		5,014,143	-
	Unclaimed dividend		5,235,301	4,300,568
	Other liabilities		4,992,927	4,471,866
			310,757,518	449,757,145
24.1	Workers' Profit Participation Fund			
	Balance at the beginning of the year		3,187,609	-
	Allocation for the year		13,195,113	3,187,609
			16,382,722	3,187,609
	Add:Interest on funds utilized in the Company's business		166,498	-
			16,549,220	3,187,609
	Less: Amount paid to trustees of the fund		3,354,107	-
			13,195,113	3,187,609
25.	ACCRUED MARK-UP			
	- Subordinated loans – from related parties		195,860	8,953,773
	- Short-term borrowings		6,121,218	8,561,994
	- Long-term financing		3,944,710	5,697,951
	- Advances	11.4	-	6,192,329
			10,261,788	29,406,047
26.	SHORT- TERM BORROWINGS – Secured			
	From Banking companies	26.1	70,522,403	167,482,776

26.1 These are secured against pledge of stock of sugar, hypothecation of stores and spare parts and other current assets, first registered charge on fixed assets of Company and continuing guarantee of directors of the company. These finances form part of the aggregate facility of Rs.850 million (2008: Rs. 725 million). The finances carry mark-up ranging between 14.14 to 18 (2008: 11.33 to 15.38) percent payable quarterly.

27. CONTINGENCIES AND COMMITMENTS

CONTINGENCIES

27.1 Contribution demanded by SESSI Rs. 3.28 million (2008: Rs. 3.28 million) for the period from July 1987 to August 1990 which has been disputed by the Company. The case is pending before the Honorable High Court of Sindh. The Company and its legal counsel are hopeful of the favourable outcome of the case and hence, no provision has been made against the above demand in these financial statements.

27.2 DGDP risk purchase claim Rs. Rs. 38.58 million (2008: Rs. 38.58 million) which is disputed by the Company on the ground that the goods were already delivered and the DGDP had no right to make the risk purchase claim and that the DGDP who failed to lift the goods was responsible for the breach of the contract. The Company has filed a counter claim of Rs. 25.81 million (2008: Rs. 25.81 million) against the said breach of contract. The cases are pending before the Honorable Supreme Court of Pakistan - Rawalpindi bench and the Honorable Lahore High Court, Rawalpindi Bench. The management and legal counsel of the Company are confident that no liability will arise in respect of the risk purchase claim, and hence no provision has been made for the same in these financial statements.

Notes to the Financial Statements

for the year ended September 30, 2009

27.3 The Company has filed an appeal before the Honorable Sindh High Court which has granted a stay to the Company against the order of Customs, Excise and Sales Tax Appellate Tribunal, Karachi upholding allegation of non payment of sales tax on advances etc., amounting to Rs. 11,087,051/- (2008: Rs. 11,087,051/-). Based on the facts and advise of the legal advisor, the management is confident of a favourable outcome and hence no provision is required to be made in these financial statements.

27.4 The Company has also filed an appeal before Customs, Excise and Sales Tax Appellate Tribunal, Karachi, which is pending for hearing, against the order of the Deputy Collector, Collectorate of Customs, Excise and Sales Tax (Adjudication), Hyderabad to pay off alleged demand of Rs.10,746,624/- alongwith additional tax and penalty while framing his order. Based on the advise of the legal advisor, the management is confident of a favourable outcome and hence no provision is required to be made in these financial statements.

COMMITMENTS

27.5 Commitments in respect of capital expenditure as on September 30, 2009 amounted to Rs. 14.87 million (2008: Rs. 14.179 million).

27.6 Commitments in respect of operating lease rentals for farms as on September 30, 2009 amounted to Rs. 8.48 million (2008: Rs. 14.16 million).

27.7 Commitments in respect of forward sales contract with Trading Corporation of Pakistan (TCP) as on September 30, 2009 amounted to Rs. Nil (2008: Rs. 287.430 million).

	Note	2009 Rupees	2008 Rupees
27.8 Outstanding letter of guarantees		14,360,785	18,171,385
28. TURNOVER – net			
Sales			
- Local sales		2,532,622,433	1,076,656,633
- Export sales		-	237,249,500
- Molasses		159,418,017	124,425,206
- Bagasse		-	956,189
		2,692,040,450	1,439,287,528
Less:			
- Sales tax		(282,314,319)	(146,717,829)
- Special excise duty		(22,280,273)	(8,129,230)
		(304,594,592)	(154,847,059)
		2,387,445,858	1,284,440,469
29. COST OF SALES			
Manufactured sugar:			
Cost of sugarcane consumed (including procurement and other expenses)		1,416,671,027	1,284,258,621
Road cess on sugarcane		3,368,338	4,633,688
Salaries, wages and other benefits	29.1	82,740,905	61,994,675
Stores and spare parts consumed		87,916,006	66,242,028
Repairs and maintenance		19,295,275	17,977,626
Fuel, electricity and water charges		43,194,305	7,431,132
Vehicle running and maintenance expenses		1,436,932	1,052,548
Insurance		5,007,882	4,246,710
Depreciation	5.1.1	32,578,260	31,326,218
Other overheads		6,408,487	5,371,039
		1,698,617,417	1,484,534,285
Opening stock of work-in-process		981,334	2,461,712
Closing stock of work-in-process		(1,677,023)	(981,334)
		(695,689)	1,480,378
Cost of goods manufactured		1,697,921,728	1,486,014,663
Opening stock of finished goods		436,076,232	115,925,126
Closing stock of finished goods		(139,619,721)	(436,076,232)
		296,456,511	(320,151,106)
		1,994,378,239	1,165,863,557

29.1 This includes contribution to provident fund of Rs. 1,586,316/- (2008: Rs. 1,274,233/-) and gratuity fund of Rs.1,890,489/- (2008: Rs. 787,845/-)

30. DISTRIBUTION COSTS

	Note	2009 Rupees	2008 Rupees
Salaries, wages and other benefits	30.1	859,885	604,358
Insurance		7,214	6,646
Staking and loading		3,767,453	2,705,485
Selling and Export expenses		732,746	10,346,909
		5,367,298	13,663,398

30.1 This includes contribution to provident fund of Rs. 35,825/- (2008: Rs. 23,620/-) and gratuity fund of Rs. Nil (2008: Rs. 7,994/-).

31. ADMINISTRATIVE EXPENSES

	Note	2009 Rupees	2008 Rupees
Salaries and other benefits	31.1	37,860,715	31,690,214
Rent, rates and taxes		1,417,088	1,005,255
Electricity, telephone, fax and postage		3,672,121	3,133,884
Printing and stationery		1,009,835	1,021,864
Travelling and conveyance		2,596,842	3,035,568
Vehicle running and maintenance expenses		3,016,451	2,732,885
Auditors' remuneration	31.2	899,570	663,520
Legal and professional		3,253,300	1,242,000
Fees and subscription		739,530	905,879
Insurance		55,885	60,367
Repairs and maintenance		1,062,139	623,385
Advertising		87,880	128,118
Donations	31.3	1,456,000	615,121
Depreciation	5.1.1	3,918,390	3,364,051
Other expenses		547,100	377,163
		61,592,846	50,599,274

31.1 This includes contribution to provident fund of Rs. 1,111,795/- (2008: Rs. 960,421/-).

31.2 Auditors' remuneration

	2009 Rupees	2008 Rupees
Statutory audit		
Ernst & Young Ford Rhodes Sidat Hyder		
Statutory audit fee	500,000	350,000
Review of half yearly financial statements and compliance with Code of Corporate Governance	195,000	165,000
Other services	30,000	
Out of pocket expenses	89,570	98,520
	814,570	613,520
Cost audit		
Haroon Zakaria & Co.		
Cost audit fee	75,000	50,000
Out of pocket expenses	10,000	-
	899,570	663,520

31.3 No director or their spouse had any interest in any donee to which the donations were made.

Notes to the Financial Statements

for the year ended September 30, 2009

	Note	2009 Rupees	2008 Rupees
32. OTHER OPERATING EXPENSES			
Workers' Profits Participation Fund		13,195,113	3,187,609
Workers' Welfare Fund		5,014,143	-
Provision for impairment on short-term investments		354,000	3,482,695
Provision for doubtful debts		14,519,842	-
Provision for doubtful deposits and prepayments		1,563,441	7,196,113
Provision for doubtful long term receivable		42,510,996	-
Zakat		82,500	82,500
		77,240,035	13,948,917
33. OTHER OPERATING INCOME			
Profit on bank deposits		343,373	88,829
Gain on disposal of fixed assets		754,733	1,009,186
Scrap sales		-	1,707,719
Rental income		216,920	198,400
Net farm income		4,456,111	1,578,553
Realized gain on disposal of short term investments		9,262,093	-
Dividend income		1,083,225	147,236
Exchange gain		-	2,886,472
Liability of mark-up no longer payable written back	11.4	6,192,329	-
Provision for market committee fee no longer required written back	23.1	-	20,850,964
Miscellaneous income		227,999	-
		22,536,783	28,467,359
34. FINANCE COSTS			
Mark-up on:			
Long-term financing		21,547,809	16,177,524
Subordinated loans – from related parties		2,732,960	3,907,818
Short-term borrowings		39,332,053	22,277,190
Lease finance		644,838	285,678
		64,257,660	42,648,210
Bank charges		1,075,433	990,318
		65,333,093	43,638,528
35. TAXATION			
Current		5,088,465	2,414,207
Prior year		13,142	(18,517)
		5,101,607	2,395,690
Deferred		64,678,616	792,984
	35.1	69,780,223	3,188,674

Notes to the Financial Statements

for the year ended September 30, 2009

35.1 Relationship between tax expense and accounting profit

	2009	2008	2009	2008
	Effective tax rate		Rupees	
Profit Before tax			245,693,001	60,564,565
Tax at the applicable tax rate of 35%	35.00	-	85,992,550	-
Tax effect of expenses that are inadmissible In determining taxable income	13.13	-	32,266,905	-
Tax effect of expenses that are admissible but not included in determining accounting profit	(18.79)	-	(46,165,764)	-
Tax effect of taxable temporary differences	8.87	-	21,783,338	-
Tax effect of deductible temporary differences	17.46	-	42,895,278	-
Effect of income subject to reduced rates of tax	0.04		107,479	
Effect of changes in prior year tax	0.01	-	13,142	-
Effect of tax losses brought forward	(16.97)	-	(41,688,108)	-
Effect of minimum tax	(10.35)	-	(25,424,597)	-
	28.40	-	69,780,223	-

35.1 In prior year, in view of tax losses, the company was only subject to taxation under final tax regime, therefore, no numerical tax reconciliation was prepared.

35.1.1 Income tax assessments of the Company have been completed upto the tax year 2009 (accounting year ended September 30, 2008).

36. BASIC AND DILUTED EARNING PER SHARE

	Note	2009 Rupees	2008 Rupees
There is no dilutive effect on the basic earnings per share of the Company, which is based on:			
Earnings after taxation attributable to ordinary shares	(Rupees)	175,912,778	57,375,891
			Restated
Weighted average number of ordinary shares		11,812,500	11,812,500
			Restated
Earnings per share – after tax	(Rupees)	14.89	4.86

	2009 Rupees	2008 Rupees
37. WORKING CAPITAL CHANGES		
(Increase)/decrease in current assets		
Biological assets	(4,779,154)	(1,803,371)
Stores and spare parts	(19,979,961)	(14,746,926)
Stock-in-trade	295,760,822	(318,670,728)
Trade debts	(96,109,656)	561,019
Loans and advances	(14,495,424)	(17,077,982)
Trade deposits and short-term prepayments	345,073	227,834
Other receivables	(306,737)	131,143
	160,434,963	(351,379,011)
Increase / (decrease) in current liabilities		
Trade and other payables	(139,934,360)	324,767,081
Sales tax payable	2,459,345	(10,235,439)
	(137,475,015)	314,531,642
	22,959,948	(36,847,369)

38. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise of Pakistan Molasses Company (Private) Limited, Mogul Tobacco Company (Private) Limited, Unicol Limited, Adamjee Insurance Company Limited and companies where directors also hold directorship, directors and key management personnel. Transactions with related parties, other than remuneration and benefits to directors and key management personnel under the terms of their employment, as disclosed in note 40, are as follows:

	2009 Rupees	2008 Rupees
Relationships – Common directorship		
Sales	175,733,564	124,746,984
Expenses shared	273,681	275,354
Investment made in an associated company	-	5,000,000
Insurance premium	4,617,464	4,142,112
Receipt of subordinated loans	22,000,000	-
Repayment of subordinated loans	49,982,232	14,670,000
Mark-up on subordinated loan	2,732,960	3,907,818
Retirement benefit plans		
Provident fund contribution	2,733,936	2,258,274

38.1 Balances outstanding with related parties have been disclosed in the respective notes to the financial statements.

38.2 The above transactions with related parties are entered into on arm's length basis.

39. CAPACITY AND PRODUCTION

	Rated capacity		Capacity utilization	
	M. Tons	Days	M. Tons	Days
Season 2008-2009	7,000 TCD	160	4,769 TCD	113
Season 2007-2008	7,000 TCD	160	5,451 TCD	136

The short fall in crushing is due to shortage of raw material i.e. sugar cane.

Notes to the Financial Statements

for the year ended September 30, 2009

40. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

40.1 The aggregate amount, charged in the financial statements for the year are as follows:

	2009				2008			
	Chief Executive Officer	Directors	Executives	Total	Chief Executive Officer	Directors	Executives	Total
	Rupees							
Fees	8,000	34,000	-	42,000	6,000	38,000	-	44,000
Managerial remuneration	2,034,000	2,404,350	6,563,175	11,001,525	1,584,000	1,776,000	5,392,264	8,752,264
Retirement benefits	-	46,335	719,679	766,014	-	42,000	542,439	584,439
Perquisites and other benefits	1,719,000	1,978,250	5,868,097	9,565,347	816,000	915,000	3,256,494	4,987,494
	3,761,000	4,462,935	13,150,951	21,374,886	2,406,000	2,771,000	9,191,197	14,368,197
Number of persons	1	3	8	12	1	3	8	12

40.2 In addition, the chief executive officer and executive directors are provided with free use of the Company maintained cars, in accordance with their terms of service.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, interest rate risk and equity price risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

41.1 Credit Risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Company is exposed to credit risk on long-term deposits, trade debts, long term investments, loans and advances, trade deposits, other receivables, short term investments and bank balances. The Company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. The maximum exposure to credit risk at the reporting date is:

	Carrying Values	
	2009 Rupees	2008 Rupees
Long-term receivable	-	42,510,996
Long-term deposits	1,992,400	1,932,400
Trade debts	112,101,426	30,511,612
Long term investment	174,229,262	134,607,391
Loans and Advances	41,702,799	27,207,375
Trade Deposits	133,500	1,107,000
Other receivables – unsecured	961,243	654,506
Short term Investments	39,053,176	16,899,764
Bank balances	1,234,408	1,636,120
	371,408,214	257,067,164

Quality of financial assets

The credit quality of financial assets can be assessed by reference to external credit ratings or the historical information about counter party default rates as shown below:

	Note	Carrying Values 2009 Rupees	2008 Rupees
41.1.1 Trade debts			
Customers with no defaults in the past one year		-	-
Customers with some defaults in past one year which have been fully recovered		-	-
Customers with defaults in past one year which have not yet been recovered		-	-
		-	-
41.1.2 Investments			
Available for sale investments			
With external credit rating			
A1		542,550	595,650
A1+		19,313,012	7,696,016
Without external credit rating		15,897,614	4,954,098
		35,753,176	13,245,764
Held-to-maturity investments			
With external credit rating			
A1+		3,300,000	3,654,000
41.1.3 Bank balances			
A1		11,199	12,438
A1+		1,212,400	1,587,341
A2		10,809	36,341
		1,234,408	1,636,120

41.2 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 applies the prudent risk management policies by maintaining sufficient cash and bank balances and by keeping committed credit lines. The table below summarises the maturity profile of the Company's financial liabilities at the following reporting dates:

Year ended 30 September 2009	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Long-term financing – secured	-	9,107,200	27,321,600	85,714,000	-	122,142,800
Liabilities against assets subject to finance lease	-	266,440	815,098	4,917,252	-	5,998,790
Trade and other payables	12,051,700	196,754,776	101,951,042	-	-	310,757,518
Accrued markup	-	10,261,788	-	-	-	10,261,788
Short term borrowings secured	-	70,522,403	-	-	-	70,522,403
	12,051,700	286,912,607	130,087,740	90,631,252	-	519,683,299

Year ended 30 September 2008	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Long-term financing – secured	-	2,500,000	11,250,000	126,250,000	-	140,000,000
Liabilities against assets subject to finance lease	-	343,649	1,010,731	1,260,797	-	2,615,177
Trade and other payables	5,377,131	332,721,924	111,658,090	-	-	449,757,145
Accrued markup	6,192,329	23,213,718	-	-	-	29,406,047
Subordinated loans	27,982,232	-	-	-	-	27,982,232
Short term borrowings secured	-	167,482,776	-	-	-	167,482,776
	39,551,692	526,262,067	123,918,821	127,510,797	-	817,243,377

41.3 Foreign Currency Risk

Foreign currency risk is the risk that the value of financial assets or a financial liability will fluctuate due to a change in a foreign exchange rates. It arises mainly where receivables and payables exist due to transactions in foreign currency. As of the balance sheet date, the Company is not exposed to such risk.

41.4 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates to the Company's long-term debt obligations, short-term borrowings, subordinated loans and lease obligations with floating interest rates.

Sensitivity Analysis:

The following figures demonstrate the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Company's profit before tax:

	decrease in basis points	Effect on profit before tax
2009		
KIBOR	+100	(642,577)
KIBOR	-100	642,577
2008		
KIBOR	+100	(426,482)
KIBOR	-100	426,482

41.5 Equity price risk

The Company's listed equity securities are susceptible to market price risk arising from uncertainties about future values of investment securities. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves all equity instrument decisions.

At the balance sheet date, the exposure to listed equity securities held as Available for sale was Rs. 35.753 million.

A (decrease) / increase of 10% on the stock exchange index would have an impact of approximately Rs.3.575 million on the equity of the Company, depending on whether or not the (decrease) / increase is significant and prolong.

41.6 Capital risk management

The primary objective of the Company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximise shareholder value and reduce the cost of capital.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as total loans and borrowings including any finance cost thereon, trade and other payables, less cash and bank balances and investments. Capital signifies equity as shown in the balance sheet plus net debt.

The gearing ratios as at September 30, 2009 and 2008 were as follows:

	2009	2008
Subordinated loans	-	27,982,232
Short term borrowings – secured	70,522,403	167,482,776
Long term financing	122,142,800	140,000,000
Trade and other payables	310,757,518	449,757,145
Accrued mark-up	10,261,788	29,406,047
Liabilities against asset subject to finance lease	5,998,790	2,615,177
Total debt	519,683,299	817,243,377
Less: Cash and bank balances	(1,341,095)	(1,657,708)
Short term investments	(39,053,176)	(16,899,764)
Net debt	479,289,028	798,685,905
Share capital	118,125,000	98,437,500
Reserves	215,556,120	77,350,289
Equity	333,681,120	175,787,789
Capital	812,970,148	974,473,694
Gearing ratio	59%	82%

The Company finances its investment portfolio through equity, borrowings and management of its working capital with a view to maintaining an appropriate mix between various sources of finance to minimise risk.

41.7 Fair value of financial instruments

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values.

42. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on December 15, 2009 by the Board of Directors of the Company.

43. CORRESPONDING FIGURES

Certain prior period's figures have been reclassified consequent upon certain changes in current year's presentation. The summary of material reclassification is as follows:

Note	Reclassification		Nature	Rupees
	From	To		
13	Trade deposits and short-term prepayments	Long term deposits	Security deposit against lease of Farm.	1,620,000
31	Administrative expenses	Other operating expenses	Provision for doubtful trade deposits.	7,196,113

Notes to the Financial Statements

for the year ended September 30, 2009

44. DIVIDEND AND APPROPRIATIONS

The Board of Directors in their meeting held on December 15, 2009 has recommended a final cash dividend of Rs. 1.25 per share - 12.5% (2008: Rs. Nil) and issue of bonus shares in the proportion of ten (10) ordinanry shares for every hundred (100) ordinary shares held - 10% (2008: Nil) for the year ended September 30, 2009. The approval of the members for the proposed final cash dividend and the proposed bonus issue will be obtained at the Annual General Meeting of the Company to be held on January 26, 2010. The financial statements for the year ended September 30, 2009 do not include the effect of the final cash dividend and proposed bonus issue which will be accounted for in the financial statement for the year ending September 30, 2010.

45. GENERAL

Amounts have been rounded off to the nearest rupee unless otherwise stated.

CHIEF EXECUTIVE OFFICER

DIRECTOR

Pattern of Shareholdings

as at September 30, 2009

Number of shareholders	Shareholding From	Shareholding To	Total shares held
753	1	100	15,201
192	101	500	40,746
60	501	1,000	41,680
71	1,001	5,000	162,551
22	5,001	10,000	158,267
7	10,001	15,000	90,114
4	15,001	20,000	73,314
4	20,001	25,000	96,643
1	35,001	40,000	36,086
1	40,001	45,000	43,200
1	50,001	55,000	54,994
3	55,001	60,000	174,947
3	60,001	65,000	188,444
1	70,001	75,000	71,400
1	80,001	85,000	82,652
1	90,001	95,000	93,345
1	95,001	100,000	99,379
6	100,001	150,000	696,511
3	150,001	200,000	532,138
1	400,001	500,000	403,252
2	1,245,001	1,250,000	2,496,155
1	2,005,001	2,010,000	2,008,821
2	2,075,001	2,080,000	4,152,660
1,141			**11,812,500**

Categories of Shareholders

Categories of Shareholders	Number of shareholders	Number of shares held	Percentage of Paid-up Capital
Individuals	1,123	11,603,436	98.23
Investment Companies	1	640	0.01
Insurance Companies	2	119,119	1.01
Joint Stock Companies	8	75,582	0.64
Financial Institutions	3	6,758	0.06
Okhaai Memon Youth Services	1	6,282	0.05
Hussain Ebrahim Foundation	1	524	0.00
Abandoned Properties Organizations	1	158	0.00
Corporate Law Authority	1	1	0.00
Total	1,141	11,812,500	100

Additional Information

	Categories	Number of Shareholders	Shares held	Percentage
a)	Associated Undertaking and related parties	None	-	0.00
b)	NIT and ICP			
	National Bank of Pakistan	None		
	Investment Corporation of Pakistan	1	640	0.01
c)	Directors / CEO and their spouse and minor children			
	Mr. Mohammed Kasim Hasham	1	2,077,050	17.58
	Mr. Mohammed Ebrahim Hasham	1	2,008,821	17.01
	Mr. Mohammed Hussain Hasham	1	2,075,610	17.57
	Mr. Khurram Kasim	1	1,246,863	10.56
	Mr. Ahmed Ebrahim Hasham	1	1,249,292	10.58
	Mr. Muhammad Iqbal	1	3,002	0.03
	Mr. Abdul Razzaq	1	3,000	0.03
	Mrs. Kulsoom Kasim	1	125,400	1.06
	Mrs. Khursheed Ebrahim	1	89,252	0.76
	Mrs. Marium Hussain	1	119,890	1.01
d)	Executives	None	-	0.00
e)	Public Sector Companies and Corporations	2	159	0.00
f)	Bank, DFIs, NBFIs, Insurance Companies, Mudarbas & Mutual Funds			
	MCB Bank Limited	1	96	0.00
	Habib Bank Limited	1	1,742	0.01
	EFU General Insurance Limited	1	16	0.00
	State Life Insurance Corporation of Pakistan	1	119,103	1.01
	Investment Corporation of Pakistan	1	640	0.01
g)	Shareholders holding 10% or more voting interest			
	Mr. Mohammed Kasim Hasham	1	2,077,050	17.58
	Mr. Mohammed Ebrahim Hasham	1	2,008,821	17.01
	Mr. Mohammed Hussain Hasham	1	2,075,610	17.57
	Mr. Khurram Kasim	1	1,246,863	10.56
	Mr. Ahmed Ebrahim Hasham	1	1,249,292	10.58

Proxy Form

44th Annual General Meeting

I / We ____

of ____ being member of Mehran Sugar Mills Limited,

holding _______________________ ordinary shares hereby appoint

______________________________________ of ______________________________ or failing

him / her ____

of ________________ who is/are also member(s) of Mehran Sugar Mills Limited as my / our proxy in my / our asence to attend and vote for me / us and on my / our behalf at the 43rd Annual General Meeting of the Company to be held on January 26, 2010 at 1530 PST and at any adjournment thereof.

As witness my our hand seal this ________________ day of ________________ 2010

Signed by the said ______________________

in the presence of ______________________

____

____

Signature of Shareholder

Please affix Five Rupees Revenue Stamp

Important:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company Adamjee House, 8th Floor, I.I. Chundrigar Road, Karachi, not less than 48 hours before the time of the meeting
2. No person shall act as proxy unless he himself is a member of the Company, except that a corporation may appoint a person who is not a member.
3. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

For CDC Account Holders / Corporate Entities.

In addition to the above, the following requirements have to be met:

i) The Proxy form shall be witnessed by two persons whose names, address and CNIC numbers shall be mentioned on the Form

ii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the Proxy Form

iii) The Proxy shall produce his/her original CNIC or original passport at the time of the meeting.

iv) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with Proxy Form to the Company.

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Website: www.mehransugar.com