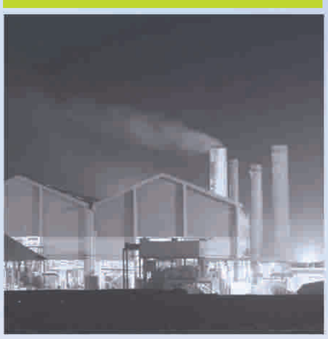
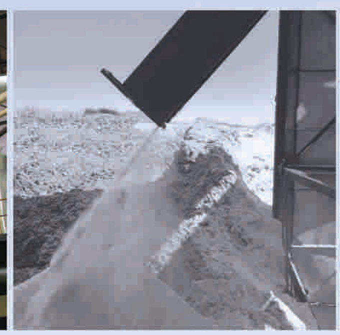
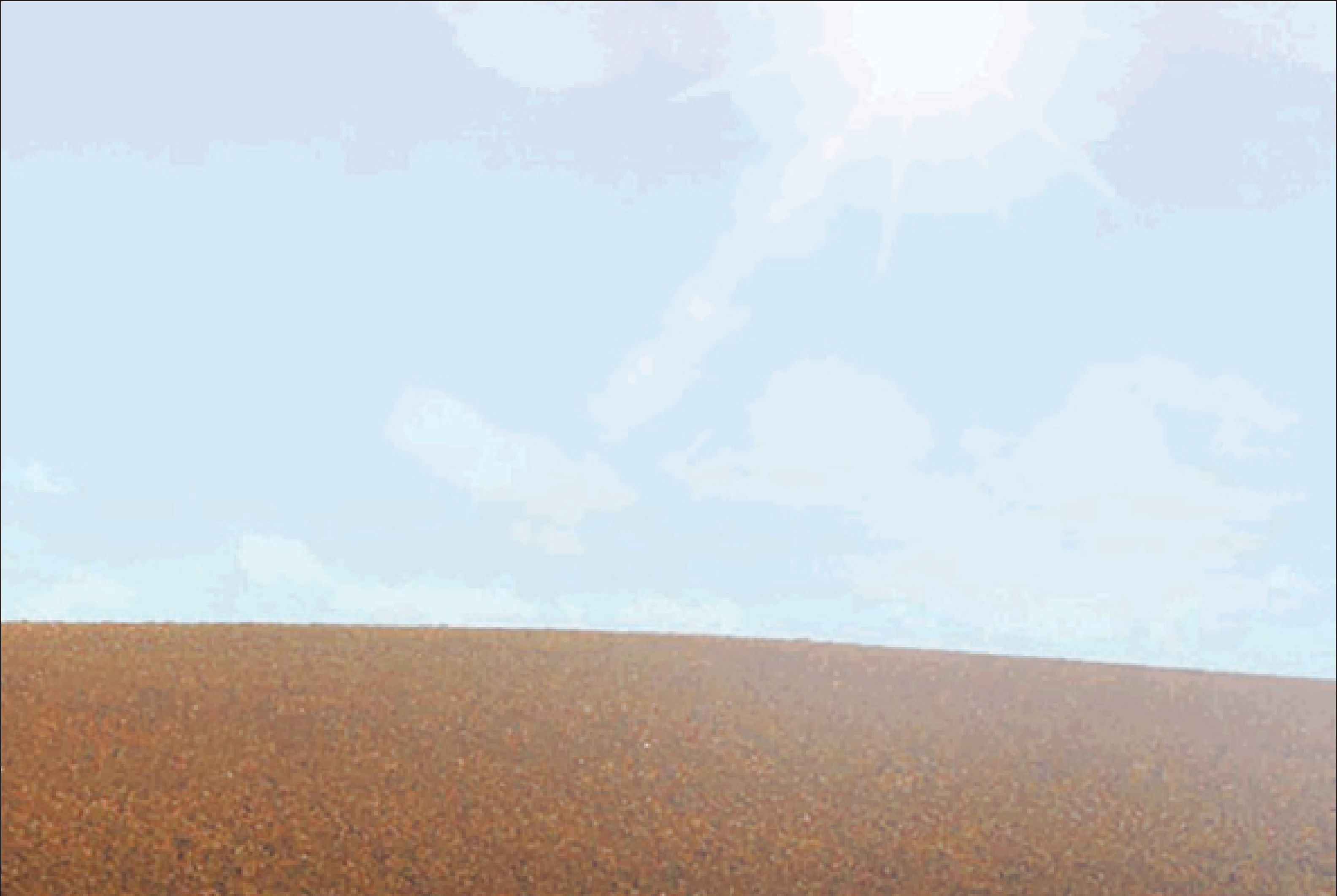
MEHRAN SUGAR MILLS LIMITED





ANNUAL REPORT 2010

With the recent global boom in agriculture we are proud to facilitate in empowering our growers by making record sugarcane payments of Rs. 3.174 billion this year.



Contents

Vision

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

Mission

Preamble

We the management of Enterprise, have set forth our belief as to the purpose for which the Company is established and the principles under which it should operate.

We pledge our efforts to the accomplishment of the purpose within the agreed principles.

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 improvements and keep in step with the latest innovations and developments in our field. We believe in modern management practices and use latest techniques. We constantly train our people and keep them highly motivated as they are our most important asset. We strongly believe that the integrity of Mehran depends on the 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.

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
Company touched billion Rupees sales.

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

2010

The Company crosses the Rs. 4 billion sales milestone. Turnover and profit are highest in the Company's history.

Company Information

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

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

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

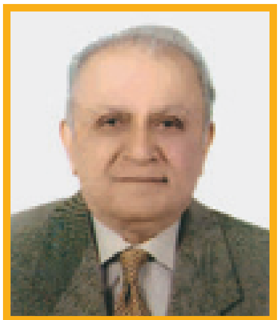
Legal Advisor
Sayeed & Sayeed
Advocate & Legal Consultants

Bankers
MCB Bank Limited
Bank Alfalah Limited
Bank Al Habib Limited
Al Baraka Bank (Pakistan) Limited

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

Board of Directors

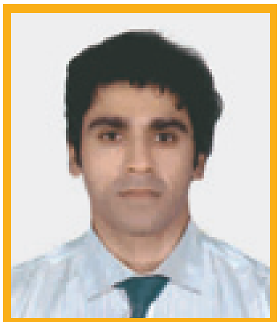


Mr. Mohammed Kasim Hasham
Chairman

Mr. Mohammed Ebrahim Hasham
Director/Chief Executive Officer

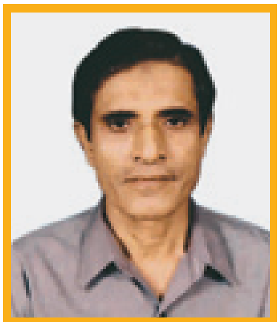
Mr. Mohammed Hussain Hasham
Director

Mr. Ahmed Ebrahim Hasham
Director/Chief Operating Officer



Mr. Khurram Kasim
Director

Mr. Muhammad Iqbal
Director



Mr. Abdul Razzaq Usman
Director

Shareholders Information / Investor Relations

Share Registrar	Corporate Support Services 407-408, Al Ameera Centre, Shahrah-e-Iraq, Saddar, Karachi Ph: +92 - 21 -35662023-24, 35213104
Contact Person	Mr. Muhammad Najeeb Ajmal
Date of Annual General Meeting	21/01/2011

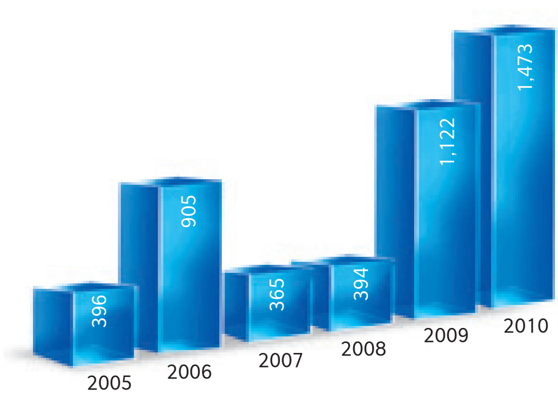
	1st Qtr	Half Year	3rd Qtr	Annual
Date of Board of Directors meeting (Tentative)	25/01/2011	20/05/2011	25/07/2011	06/12/2011

	2010	2009	2008	2007	2006	2005
Number of shares (Issued / Paid-up)	14,293,125	11,812,500	9,843,750	9,843,750	9,843,750	9,843,750
Earnings / (loss) per share	16.93	14.89	5.83	(8.82)	8.11	(0.76)
Break-up value per share	36.55	28.25	17.86	12.03	23.35	15.23
Market capitalization	753,247,688	649,687,500	278,085,938	150,609,375	246,093,750	196,875,000
Market value of share at the year end	52.70	55.00	28.25	15.30	25.00	20.00
Highest share price during the year	69.48	55.50	28.25	27.15	32.00	20.05
Lowest share price during the year	48.87	18.17	14.00	15.30	14.90	11.50
Number of shares traded	1,473,487	1,122,096	394,000	364,500	904,500	396,000
P/E Ratio	3.11	3.69	4.85	0.00	3.08	0.00
Cash dividend %	35	35	-	-	25	-
Bonus shares %	20	30	-	-	-	-

Highest vs Lowest Price of Mehran's Share

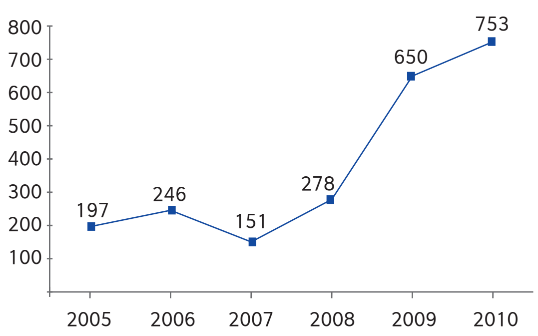
Breakup vs Market Value

Mehran's Shares Turnover (in '000)

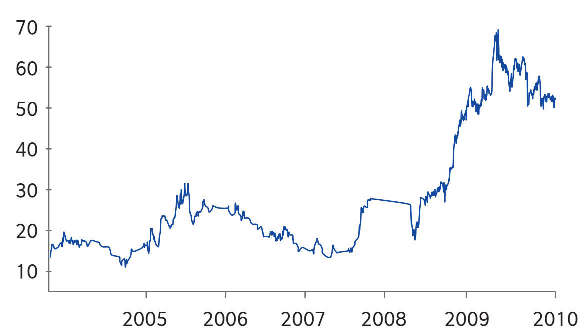


Market Price of Share at year end (30th Sep)

Market Capitalization (Rupees in million)



Six year's Market Share Price Trend (Rs.)



Management Team

Ehthesham-Ud-Din
General Manager Cane

Bachelor of Arts

Joined Mehran in 2004

Muhammad Iqbal
Director-Sales & Marketing

B.Com, C.A. (Finalist)

Joined Mehran in 2003

Ahmed Ebrahim Hasham
Chief Operating Officer

Bachelor of Arts (Economics and IR) Tufts University, Medford MA, USA

Joined Mehran in 2000

Mohammed Ebrahim Hasham
Chief Executive Officer

M.A. (Management)
Chapman University, Orange
California

Joined Mehran in 1973

Ikhlas Ahmed Khan
Technical Director

B.E / PGD (Chemical
Engineering)
University Of Punjab, Lahore

Joined Mehran in 2007

Muhammad Hanif Aziz
Chief Financial Officer /
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

Installed Capacity
7,000 Tons Cane Crushing Per Day

Total Land Area
118 Acres

Permanent Employees :
348

Facilities At The MSM Staff Colony

Housing
92 Family Homes for Executives and Workers

Population of the Staff Colony
875

Children at the Dawood Memorial School
485

Other Facilities

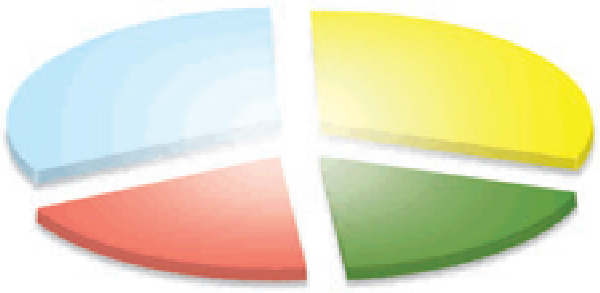
- Mosque
- Clinic with Ambulance
- Recreation Centres equipped with Indoor Games, TV, Videos, Dish Antennas and other facilities for Executives, Workers and Ladies
- Cricket Ground, Tennis Court, Park and Rose Garden, School/ College Bus facility
- Private Electric Generator for Uninterrupted Power Supply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

Sowing and harvesting labour primarily migrates from Thar which is more than 96 km from our mill. Annually Rs. 250 million are paid for providing these services. This amount allows thousands of families to support themselves and contribute towards their livelihood.

Statement of Value Added

	2010		2009	
	(Rupees)	%	(Rupees)	%
WEALTH GENERATED				
Net revenue	4,025,770,523		2,692,040,450	
Expenses	3,256,542,401		1,915,093,271	
	769,228,122	100	776,947,179	100
WEALTH DISTRIBUTED				
To Government				
Sales Tax, Income Tax, Road Cess	239,304,017	31	313,064,537	43
To Employees				
Salaries, Benefits and Other related cost	137,798,215	18	121,461,505	16
To Providers of capital				
Mark-up on borrowed funds	73,800,473	10	65,333,093	9
Shareholders as Dividend/Bonus shares	75,039,372	10	70,383,063	6
	148,839,845	20	135,716,156	15
Retained with the business				
Depreciation	47,901,533	6	36,496,650	5
Retained profit	193,384,512	25	170,208,331	21
	243,286,045	31	206,704,981	26
	769,228,122	100	776,947,179	100

Wealth Distribution 2009-10



Government 31% Employees 18%

Providers of capital 20% Retained 31%

Six years Review at a Glance

	2010	2009	2008	2007	2006	2005
Operational Trends						
Sugarcane crushed - M.Tons	667,628	538,930	741,383	589,378	496,873	341,738
Sugar produced - M.Tons	69,450	55,678	70,558	50,796	47,296	32,021
Sugar produced - Raw Sugar (M.Tons)	-	-	-	-	4,280	7,485
Average sucrose recovery - %	10.40	10.33	9.51	8.63	9.46	9.38
Crushing days	122	113	136	138	114	106
Average crushing per day - M.Tons	5,472	4,769	5,451	4,271	4,359	3,224
Balance Sheet		Rupees in million				
Share capital	142.93	118.13	98.44	98.44	98.44	98.44
Reserves	379.48	215.56	77.35	19.97	131.36	51.51
Shareholders' equity	522.41	333.69	175.79	118.41	229.80	149.95
Non current liabilities	461.25	302.60	303.40	323.76	251.29	276.56
Current liabilities	751.72	482.16	712.40	321.46	326.37	397.99
Total Equity & Liabilities	1,735.38	1,118.45	1,191.59	763.63	807.46	824.50
Fixed Assets	847.95	512.17	425.34	419.79	394.31	410.79
Non current assets	180.07	176.23	179.05	137.10	122.86	95.85
Current assets	707.37	430.05	587.20	206.74	290.29	317.86
Total assets	1,735.39	1,118.45	1,191.59	763.63	807.46	824.50
Financial Trends		Rupees in million				
Turnover	4,025.77	2,692.04	1,439.29	1,485.94	2,259.62	1,273.64
Gross profit / (loss)	474.78	393.07	118.58	(7.36)	188.49	65.26
EBITDA	442.83	347.52	138.89	(18.30)	178.98	67.23
Operating profit / (loss)	393.08	271.40	68.83	(46.82)	145.86	34.38
Pre-tax profit / (loss)	321.13	245.69	60.56	(110.36)	98.92	4.68
After-tax profit / (loss)	241.99	175.91	57.38	(86.78)	79.85	(7.49)
Capital Expenditure	385.83	92.74	63.93	32.58	24.08	52.67
Cash Flows		Rupees in million				
Operating activities	507.05	292.07	55.94	44.33	22.88	28.47
Investing activities	(445.87)	(129.79)	(62.57)	(75.58)	(43.25)	(25.83)
Financing activities	91.75	(65.64)	(74.30)	94.37	(23.29)	(29.79)
Cash and Cash equivalents at the end of the year	83.75	(69.18)	(165.83)	(84.89)	(148.00)	(104.34)

	2010	2009	2008	2007	2006	2005
Profitability Indicators						
Grosss profit (%)	11.79	14.60	8.24	(0.50)	8.34	5.12
Net profit (%)	6.01	6.53	3.99	(5.84)	3.53	(0.59)
Return on shareholders' equity (%)	46.32	52.72	32.64	(73.29)	34.75	(4.99)
Operating profit / (loss) on capital employed (%)	40.00	42.65	14.36	(10.59)	30.32	8.06
Return on total assets (%)	14.00	15.73	4.82	(11.36)	9.89	(0.91)
Weighted average cost of debts (%)	29.76	24.34	13.02	18.35	17.12	11.68
EBITDA margin (%)	11.00	12.91	9.65	(1.23)	7.92	5.28
Capital Efficiency		Rupees in million				
Inventory turnover ratio	17.04	6.90	4.20	10.04	10.32	4.00
Inventory turnover in days	21	53	87	36	35	91
Debtor turnover ratio	37.91	33.48	41.71	28.95	54.10	71.12
Debtor turnover in days	10	11	9	13	7	5
Total assets turnover ratio	2.32	2.41	1.21	1.95	2.80	1.54
Fixed assets turnover ratio	4.75	5.26	3.38	3.54	5.73	3.10
Operating cycle in days	31	64	96	49	42	96
Capital employed turnover ratio	4.09	4.23	3.00	3.36	4.70	2.99
Financial Gearing						
Debt Equity ratio	30 : 70	21 : 79	38 : 62	49 : 51	16 : 84	28 : 72
Interest cover ratio	5.35	4.76	2.39	(0.91)	3.11	1.16
Liquidity Ratio						
Current ratio	0.94 : 1	0.89 : 1	0.82 : 1	0.64 : 1	0.89 : 1	0.8 : 1
Quick ratio/Acid test ratio	0.6 : 1	0.6 : 1	0.21 : 1	0.27 : 1	0.46 : 1	0.29 : 1
Value Addtion		Rupees in million				
Employees as remuneration	137.80	121.46	94.29	81.75	76.06	66.73
Government as taxes	239.00	313.06	161.88	207.37	317.34	165.61
Financial charges to providers of finance	73.80	65.33	43.64	57.77	46.94	29.70
Shareholders as dividend and bonus shares	75.04	70.38	0.00	0.00	24.61	0.00
Retained within the business	243.29	206.70	92.86	(82.51)	92.22	31.93

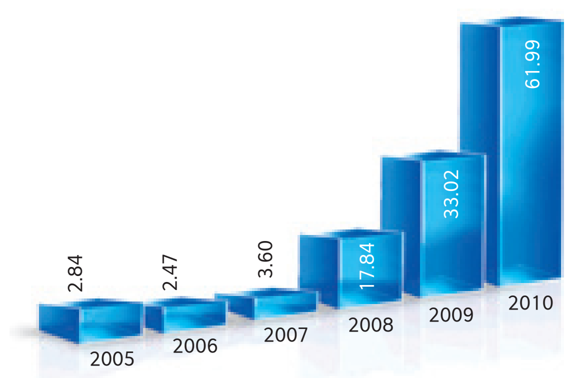
Six years Cane trends Analysis

Avg.Recovery % of Mehran vs Avg Recovery % of Sindh

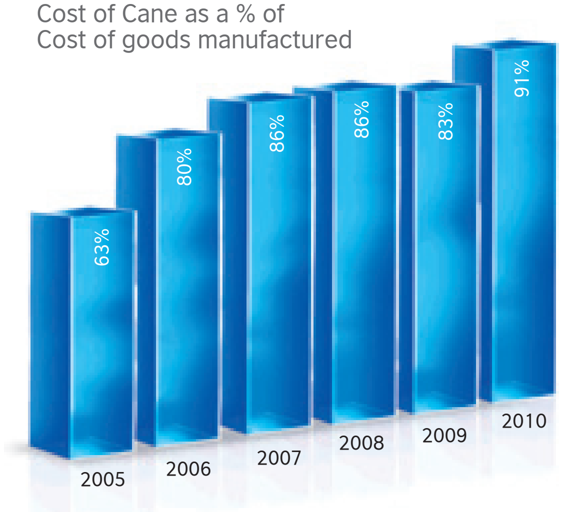
Actual Price Paid vs Minimum Sugarcane Support Price

Annual Cane Purchases (Rs. in million)

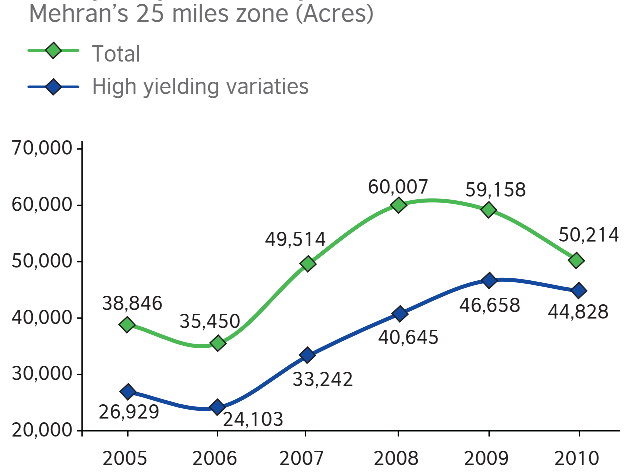
Loan facilities to Growers (Rs. in million)



Cost of Cane as a % of Cost of goods manufactured



Survey analysis of Quality Cane in Mehran's 25 miles zone (Acres)



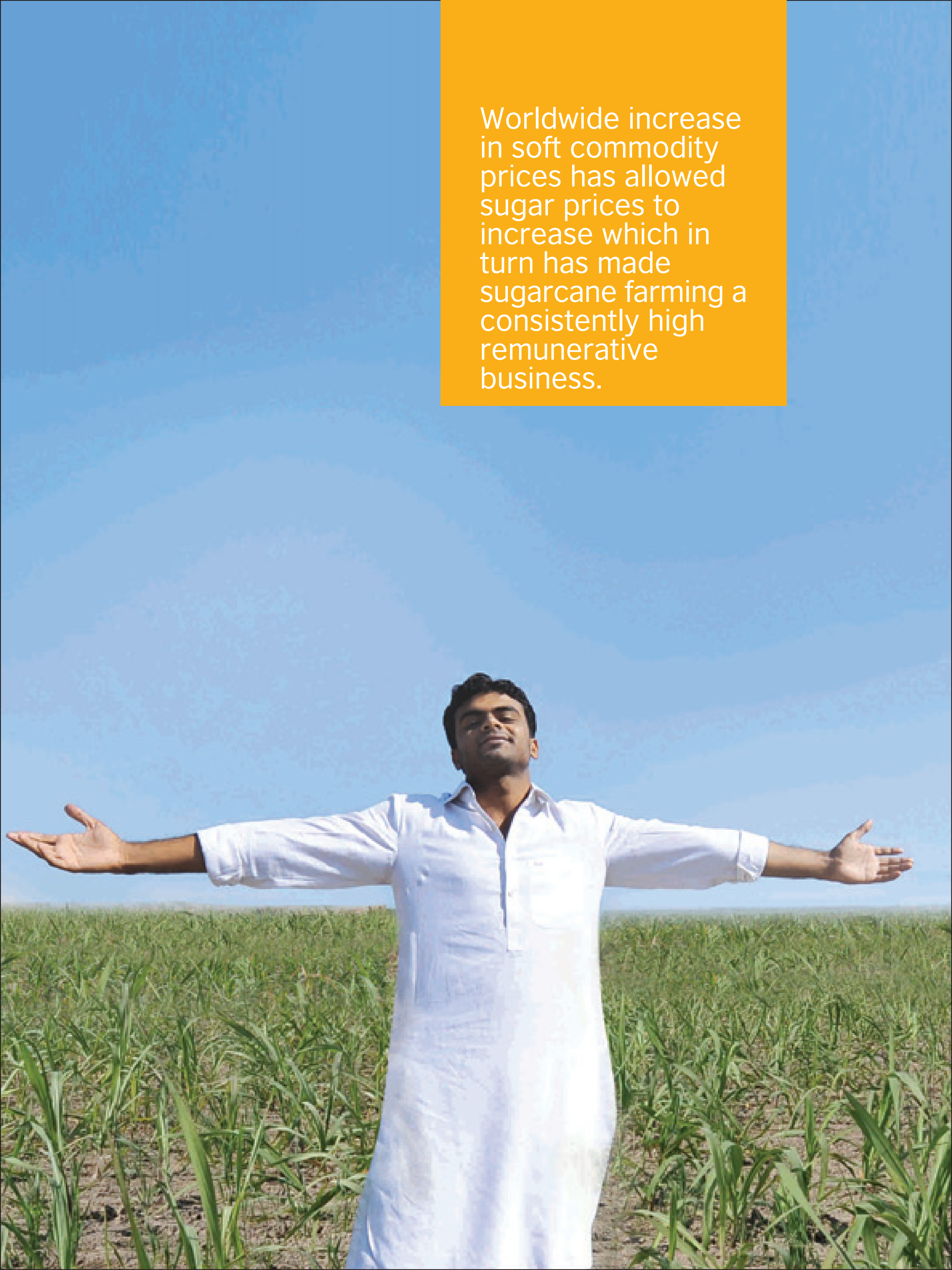
Three generations of the Wadero Mal Thebo family, including himself, his sons and grandsons at their native OTAQ.

The family of Wadero Mal Thebo has been supplying sugarcane to Mehran since inception of the mill in 1968. We are proud to have such a long lasting association with our sugarcane suppliers. The picture shows the family at their village residence.

Six years Cane trends Analysis

In our 25 miles zone, sugarcane payments in the last three years, increased from Rs. 1,284 million to Rs. 3,174 million. Thus reflecting a huge increase of 147%.

Worldwide increase in soft commodity prices has allowed sugar prices to increase which in turn has made sugarcane farming a consistently high remunerative business.



Business Risks / Challenges

Each business has its peculiar risks and challenges.

We have made an attempt to highlight those risks and challenges which particularly affect the sugar business.

1. Sugar price fluctuation

Sugar prices like most commodities primarily depend on supply and demand. International prices also play an important role in determining local prices. In addition, the cost of production especially cane price affects sugar prices as well. It has been noted that international and domestic sugar prices have continued to remain extremely volatile which doesn't allow one to forecast future revenue streams.

While sugar production is a seasonal operation for approximately 120 days, sales continue throughout the year, thus holding inventory is a risk, especially in a high interest rate environment.

2. Plant efficiency during the season

Proper maintenance during the off-season enables the plant to run smoothly during the season. Since the season is for a limited duration, a major breakdown could affect financial results for the entire year.

3. Cyclical nature of sugar cane crop

Change in the size of the sugar cane crop can have an affect on the financial results of a company. Sugar cane crop size vary depending on the weather, water availability and pricing of competitive crops. Sugar cane disease can have a detrimental affect on both farmer and factory yields.

4. Correlation between Cane and Sugar prices

Cane prices have a minimum support price and are determined through a free market mechanism. Whereas sugar prices though supposedly free market are met with resistance when prices co-relate with cane prices.

5. Molasses price fluctuation

Price primarily depends on supply and demand. Molasses is bought by either exporters or ethanol distilleries. Prices remain volatile and have swung by as much as 100 percent in some financial years. Since molasses revenue is an important determinant of our cash flow, this fluctuation does not allow us to forecast our revenue stream.

6. Fluctuating interest rates

In order to curb inflation, State Bank of Pakistan regularly intervenes and revises interest rates which affect the cost of doing business. A sudden surge in borrowing rates could adversely impact the Company's financials.

7. Law and Order

Sugar mills are typically located in rural areas which are more susceptible to Law and Order situation.

8. Inflation

Inflation affects the business due to unprecedented cost increase. It also reduces the consumer buying power.

9. Foreign Exchange Risk

Devaluation of local currency increases cost of imports thereby increasing our processing cost.

10. Cane crop vs Crushing Capacities

In the last two decades the industry has consistently increased its sugarcane crushing capacities without objectively ensuring an increase in the size of crop. A major challenge going ahead is to ensure increase sugarcane cultivation to match crushing capacity. However we feel that there is still an unabated bandwagon of capacities without similar growth or a long term plan for increasing the cane crop.

Directors' Report

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the audited financial statements of the Company for the year ended September 30, 2010.

Economic Review

Pakistan's economy remained in consolidation phase during fiscal year 2010. GDP grew by 4.1% mainly driven by 4.9% growth in manufacturing sector and 4.6% expansion in services. However, growth in agriculture was somewhat disappointing at 2% against a target of 3.8%.

A major macroeconomic achievement of the year has been the sharp reduction of 62% in the current account deficit. Release of funds from international donor agencies namely IMF and improved balance of trade figures provided a strong support to the external account of the country. Moreover, remittance in-flows made new records. As a result, foreign exchange reserves reached an all time high of US $ 16.6 billion. State Bank of Pakistan continued to revise the interest rate upwards in order to curb inflation. However, inflation is expected to remain in double digits.

The unexpected heavy monsoon rains led to flooding all across the country. These floods not only swept away standing crops but also destroyed infrastructure including roads, communication systems, housing and utilities. People were badly affected due to non availability of food and essential medical help. The Floods brought the economic activity of the country to a stand still. Due to destruction of crops and infrastructure, the supply chain also got disrupted and phenomenal increase in the prices of essential items was witnessed. This trend gave rise to a significant increase in inflation which is still continuing and is causing the State Bank to continually tighten the monetary policy, taking the discount rate to 14 % in its last meeting on November 29, 2010, thus further crowding out the private sector from borrowing.

Industry Review

The Minimum Support Price of sugarcane for the year announced by the Government of Sindh at Rs.102/40 kg depicted an increase of 26% over the previous year. In the last two years, the notified price has increased by 62%, from Rs. 63 per 40 kgs to Rs. 102 per 40 kgs. This increase in prices may be termed as a continuous positive move by the Government to promote this sector and for ensuring its competitiveness compared with other cash crops.

Another major reason for increase in sugarcane prices has been due to a positive trend in the local sugar markets which predominantly follows the international price trend. The London white sugar market which was trading at $ 330/Ton in November 2008 was trading around $ 625/Ton in November 2009, $ 725/Ton in November 2010 and a 30 year record 800/Ton in December 2010.

Interestingly, sugar cane prices are linked to open market sugar prices, which remained high thus leading to a severe price war amongst mills to procure sugar cane. The average price paid by the industry was between Rs 180/40 Kgs to Rs 210/40Kgs.

The national sugar production went as low as 3.0 million metric tons as compared to 3.2 million metric tons the previous year. Thus, national sugar production fell for a second consecutive year. The production was 37 % lower than the peak production of 4.74 million tons in the season 2008 which depicts a huge swing in crop size.

Since the annual national demand is 4.2 million metric tons, the Trading Corporation of Pakistan was mandated to import 1.2 million metric tons of refined sugar to plug the deficit. However, bureaucratic hurdles and lack of financial resources did not allow the state run corporation to import the commodity at the right time, competitive price and from the closest destination. In addition, a market intervention mechanism was not used in effective manner hence a shortage was imminent as soon as mills were to deplete their stocks. By October 2010, as stocks with sugar mills dwindled it created a short term panic like situation and prices of the commodity escalated to unprecedented levels. It was rather disappointing to see such a situation considering the government carried more than a month of sugar supply in their warehouses.Eventually, the TCP made a positive move by flooding the sugar market which leading to price stability. We are confident that the market will further stabilise after the new season's production arrives in the market by mid December 2010.

This panic like situation however led to further government intervention which we feel is negative for the industry in the long term. The government set a price ceiling on sugar at a retail level of Rs 72/Kg as well as unnecessary hurdles in the distribution channel. This move doesn't allow free market price and sugar movement both of which are important for the industry in the long term.

Operational Highlights

	2009-10	2008-09
Season started	10-11-2009	14-11-2008
Season closed	11/03/2010	06/03/2009
Duration-Days	122	113
Crushing-M.Tons	667,628	538,930
Sucrose Recovery %	10.40%	10.33%
Sugar Production-M.Tons	69,450	55,678
Molasses Production-M.Tons	28,645	24,532

The overall sugar production in Sindh was 15.15 % higher than last year while Mehran's sugar production was 24.74 % higher. We were thus able to increase our provincial market share from 5.7 % to 6.37 %.

Mehran's average procurement price of sugar cane was a record high of Rs 190/40 Kgs, which was 86 % higher than the government announced support price of Rs 102/40 Kgs. This is the highest average price paid by the Company in its entire history. During the previous year our average cane procurement price was Rs. 105 per 40 kgs as against a minimum support price of Rs. 81 per 40 kgs which was 30 % higher than the support price.

One of the major feats for the year was that we were able to maintain our high recovery trend and thus the season ended with a recovery of 10.40 % as compared to 10.33 % the previous year.

Our insistence on procurement of quality cane has played an important role in improving our sucrose recovery and is also enticing farmers to change variety. We are also advocating plantation of early maturing varieties to ensure regular availability of sugar cane in the early days of the crushing season. In addition, our policy of providing quality cane seeds and fertilisers on deferred payment basis has also attracted farmers to bring a varietal change in the area. By the grace of God, your mill has so far been achieving one of the best sucrose recoveries in the country.

The Company continues to invest in plant and machinery and invested Rs 400 million this year as compared to Rs 125 million the previous year. The capital expenditure was completed according to the scheduled dates the newly installed equipment is presently being commissioned.

The objective of the capex has been capacity and energy efficiency, whereby the Company is laying the foundation for future power generation. We have also installed new treatment plants for improving the quality of air and water to adhere to the international environmental standards. We therefore hope to enhance our sugar, molasses and baggasse production this crushing season and do so more efficiently.

Your Company has been able to give a Dividend every quarter since the last two years. We strive to continue this positive trend.

Operational Highlights

Average Crushing per day (Metric Tons)

Sugar Produced (Metric Tons)

Sucrose Recovery

Cane Crushed (Metric Tons)

Financial Highlights

Amount (Rs. in 000)	2009-10	2008-09
Turnover	4,025,771	2,692,040
Sales tax / Special excise duty	184,426	304,595
Gross profit	474,779	393,068
Pretax profit	321,129	245,693
After tax profit	241,986	175,913
Earnings per share - Rupees	16.93	12.31

We are proud to state that for the first time in the Company's history, sales, crossed Rs 4.0 billion. Turnover increased by 87 % from 2008 to 2009 and increased by 48.5 % in 2010. Higher turnover can be attributed to a 26.7 % increase in sugar production, while sugar and molasses prices, increased by 57% and 9% respectively.

The main reasons for steady profits are:

High sucrose recovery of 10.4 % which is 14.29% higher than the national average.

Improved selling price of sugar and molasses which is 57% and 9% higher than last year.

Improvement and consistency in crushing due to regular supply of sugar cane which allowed us to increase capacity utilisation from 68% to 78%

Improved sales value of last years carry over stocks which resulted in a gain of Rs. 34,159,190.

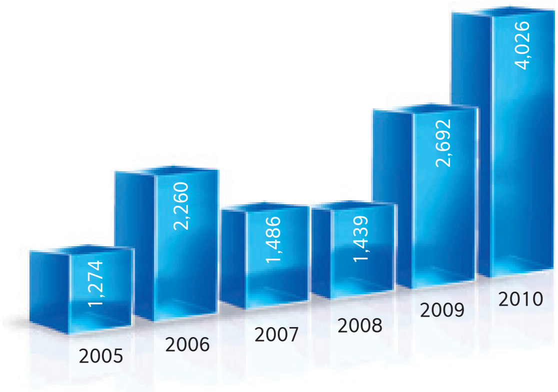
Energy efficient plant operations which allowed us to save approximately 10,000 tons of baggasse instead of procuring 18,464 tons from the market in the last season, where the Company incurred a cost of Rs. 42,656,534/-

Farming division performed satisfactorily with an income of Rs. 24,553,623/-. Higher income was largely due to improved yields and high sugar cane prices. The division plans to increase farming from 600 acres presently to 1,000 acres by next year.

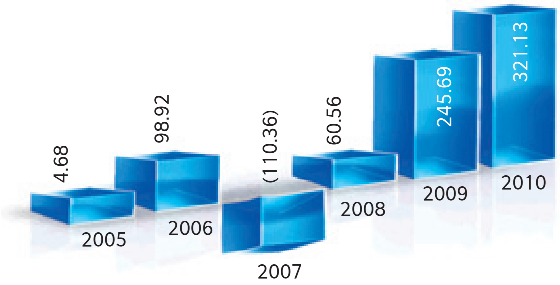
Profit from Unicol of Rs. 1,848,209/-

Company Performance at a Glance

Turnover (Rs. in million)



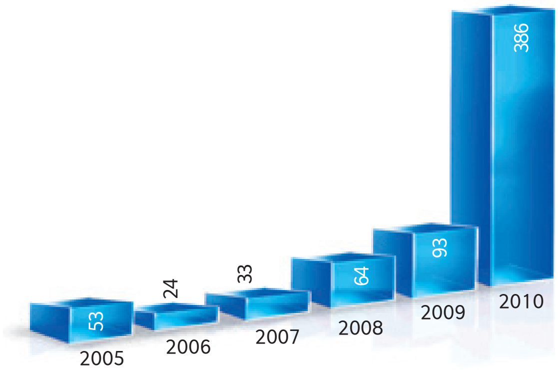
Pre-tax Profit / (Loss) (Rs. in million)



Reserves (Rs. in million)

Shareholders' Equity (Rs. in million)

Capital Expenditure (Rs. in million)



Unicol Limited

The joint venture distillery Unicol Limited continued to operate satisfactorily, with an increase of 20% in turnover, however the financial results for the year were much lower than earlier expected. The reasons for lower profit can be attributed to the following:

Lower gross profit due to escalation in molasses prices and depressed ethanol prices.

Higher financial costs, due to increase in Kibor on short and long term borrowings.

Higher cost of fuel and power predominantly due to a 97% increase in baggasse prices.

Ethanol yields were lower by 0.06% as compared to the previous year.

The Company continued to explore new markets for its value added products and was able to find new buyers in South East Asia and the Middle East. The Company is focusing towards production of ENA and ENA Anhydrous grade ethanol and increasing shipments in ISO containers to secure premium on its products.

Some important statistics relating to Unicol are given below:

	2009-10 Rs.	2008-09 Rs.
Sales	1,512,709,365	1,262,582,769
Profit before tax	39,985,498	111,222,836
Profit after tax	24,858,404	97,602,321
Earnings per share	0.79	3.10

Future Outlook

The Minimum Support Price announced by the Government at Rs.127/40 kgs depicts a 24.5% increase over the last year. This increase in support price was expected since last year Mills paid comparatively much higher prices as has been earlier explained.

One of the real beneficiaries of the high world sugar market have been sugar cane farmers. We hope and expect that the extraordinary returns from sugar cane farming would encourage farmers to plant more sugar cane and ensure that the country is again self sufficient. The trend in cultivation has been positive and despite the flood in certain areas we expect national sugar production as well as Mehran's sugar production to increase by approximately 20 percent this year.

Since world wide sugar production is expected to be below consumption for a third consecutive year, we expect international and local prices to remain consistently high. This scenario is very optimistic for the industry as it allows mills to pay high prices for sugar cane and yet have a healthy processing margin, due to high values of sugar and molasses. This also ensures further increases in crop size allowing for decent capacity utilisation.

Though most mills have started crushing, slow harvesting has affected the crushing momentum. As a result, arrival of new season's production in the market is extremely slow. As the crushing season progresses, it will be interesting to see the sugar and sugar cane price trends. We feel that due to the larger crop size the country will not have a major sugar shortage this year and we expect prices to become more consistent. Strict vigilance on cane procurement will have to continue so as to ensure our recovery is higher than the national average.

The joint venture distillery Unicol Limited continued to operate satisfactorily, with an increase of 20% in turnover, however the financial results for the year were much lower than earlier expected.

Unicol Limited

Due to rising trend in interest rates by the State Bank of Pakistan, prudent financial management is critical. Since most of our financial borrowing is for working capital requirements, our sales policy will have to be very clear and decisive to ensure minimal financial charges as well as maximise revenue.

The Company continues to invest in plant and machinery and invested Rs 400 million this year as compared to Rs 125 million the previous year.

As on December 07, 2010 your mill has crushed 45,688 Tons and produced 2,848 Tons sugar at an average recovery of 7.71%. The recovery trend all over the province seems lower than last year which is discerning and we hope there will be improvement as the season progresses.

Encouraged by improved operating results, the management has embarked upon a three year BMRE plan which encompasses enhancement in production capacity and generation of power in the future for linking to national grid

We expect better results this year for Unicol Limited. Even though molasses prices are at record levels, Ethanol prices have also increased tremendously due to shortages in the off crop in key supplier Brazil. Since we have procured raw material and hedged our final product for the first half of the year, we are confident of good upcoming results.

Contribution to Society

Corporate social responsibility is an integral part of our business. 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 Sindh 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:

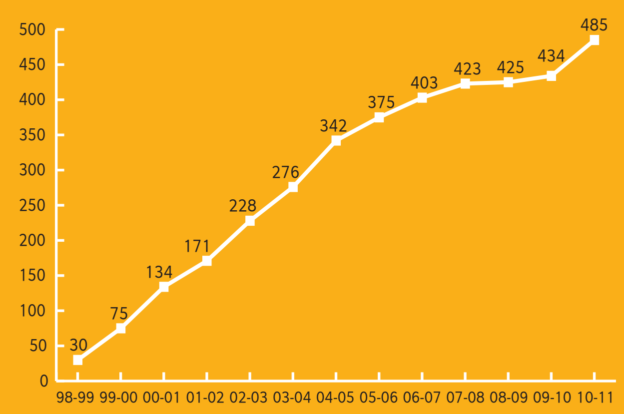
Daood Memorial School (DMS)

Daood Memorial School, situated within the premises of MSML, is a fully equipped educational center specifically meant for employees of the mills and generally for the youth of Tando Allayar and its vicinity. Since more than a decade 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. Considering the growth of DMS, we plan to increase the number of students from 485 to 600 in next three years and continue to provide adequate infrastructure for that.

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	10%
2006 - 07	403	7.5%
2007 - 08	423	5%
2008 - 09	425	1%
2009 - 10	434	2%
2010 - 11	485	12%
Growth Plan	**(Projected)**	
2011 - 12	525	8%

No. of Students



MSML Mobile Dispensary

The objective of MSML Mobile Dispensary is to provide free of cost health care 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 25,924 patients for various ailments. During the period October 2009 to September 2010, it had provided services to 7,199 patients.

MSML Free Eye Camp

Free Eye Camp is being organized once every year at the mills premises where large number of needy persons from nearby areas turn up for various eye-related problems. Necessary major and minor operations are carried out. 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 330 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 two non-executives (including the Chairman) and five 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	4
05.	Mr.Ahmed Ebrahim Hasham	4
06.	Mr.Mohammad Iqbal	4
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.

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 regulations.

Audit Committee

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

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., Chartered Accountants, who completed the audit of financial statements of the Company for the year ended September 30, 2010.

Cost Audit

The Company's Accounts were 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, 2010;
- 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.239.30 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, 2009 was Rs.65.99 million.
- There is also an un-funded gratuity scheme. On the basis of actuarial valuation conducted during 2009, a net liability of Rs.5.7 million as at September 30, 2010 has been provided.
- None of the directors, CEO, GMF, Company Secretary and their spouses and minor children carried out any transaction in the shares of the Company during the year under review :

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, 2010 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, 2010 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, 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 07, 2010

A view of Officers Mess

Notice of Annual General Meeting

Notice is hereby given that the 45th Annual General Meeting of the Company will be held at I.C.A.P. Auditorium, Chartered Accountants Avenue, Clifton, Karachi on Friday, January 21, 2011 at 1600 Hrs. to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the Annual General Meeting held on January 26, 2010;

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, 2010;

3. To consider and approve Final Cash Dividend issued @ 10% i.e. Re. 1/- per share in addition to 25% i.e. Rs.2.50 per share interim dividend already paid and 10% bonus shares in addition to 10% interim bonus shares already issued, 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, 2010 as recommended by the Board of Directors of the Company.

4. To appoint auditors for the year ending September 30, 2011 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

5. To elect seven (7) Directors as fixed by the Board for the next term of three years, in accordance with the provisions of Section 178 of the Companies Ordinance, 1984.

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

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

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.

By order of the of Board of Directors

Karachi: December 07, 2010

Muhammad Hanif Aziz
Company Secretary

NOTES

1. The share transfer books of the Company will remain closed from January 14, 2011 to January 21, 2011 (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 Registrar of the Company 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 Registrar of 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 45th Annual General Meeting of the Company to be held on January 21, 2011. The approval of the Members of the Company will be sought for:

ITEM NO. 5

Following are the retiring directors, who are also eligible for re-election:

1. Mr. Mohammed Kasim Hasham 5.
2. Mr. Mohammed Ebrahim Hasham
3. Mr. Mohammed Hussain Hasham
4. Mr. Khurram Kasim

5 Mr. Ahmed Ebrahim Hasham
6. Mr. Abdul Razzaq Usman
7. Mr. Muhammad Iqbal

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. 375,000	Rs. 410,000	Jan-2010
Working Director	Rs. 300,000	Rs. 330,000	Jan-2010
Working Director	Rs. 80,000	Rs. 90,000	Jan-2010
Working Director	Rs. 100,000	Rs. 110,000	Jan-2010

Statement of Compliance with the Code of Corporate Governance

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, 2010 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-Executives 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, 2010 have been placed before the Audit Committee and approved by the Board of Directors in their meetings held on December 07, 2010.

For and on behalf of the Board

Karachi: December 07, 2010

Mohammed Ebrahim Hasham
Chief Executive Officer

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 2010 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 consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance 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 executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were 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 2010.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

KARACHI: December 07, 2010

Auditors' Report to the Members

We have audited the annexed balance sheet of Mehran Sugar Mills Limited (the Company) as at 30 September 2010 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on 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; except for changes as stated in note 4.2 to the accompanying financial statements with which we concur;

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 September 2010 and of the profit, comprehensive income, 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 Usher 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 27.5 to the financial statements. The Company is defendant in various law suits which are pending adjudications. The ultimate outcome 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: Omer Chughtai

KARACHI: December 07, 2010

Balance Sheet

as at September 30, 2010

	Note	2010 Rupees	2009 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	847,953,503	512,174,648
Long-term receivable-unsecured	6	-	-
Long-term investment	7	176,077,471	174,229,262
Long-term deposits		3,992,400	1,992,400
		1,028,023,374	688,396,310
CURRENT ASSETS			
Biological assets	8	13,347,530	8,748,440
Stores and spare parts	9	56,961,715	60,310,523
Stock-in-trade	10	253,836,976	141,296,744
Trade debts	11	90,560,989	112,101,426
Loans and advances	12	84,487,408	41,702,799
Trade deposits and short-term prepayments	13	2,382,059	1,313,826
Other receivables		563,077	961,243
Short-term investments	14	91,480,776	39,053,176
Income tax - net		-	23,219,053
Cash and bank balances	15	113,747,245	1,341,095
		707,367,775	430,048,325
TOTAL ASSETS		1,735,391,149	1,118,444,635
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	16	142,931,250	118,125,000
Reserves	17	379,483,109	215,556,120
		522,414,359	333,681,120
NON-CURRENT LIABILITIES			
Long-term financing	18	203,750,000	85,714,000
Liabilities against assets subject to finance lease	19	16,221,811	4,917,252
Deferred liabilities	20	5,742,073	4,867,802
Deferred taxation	21	116,249,988	87,812,369
Provision for quality premium	22	119,290,919	119,290,919
		461,254,791	302,602,342
CURRENT LIABILITIES			
Trade and other payables	23	606,527,976	310,757,518
Accrued mark up	24	10,806,928	10,261,788
Short-term borrowings	25	29,998,978	70,522,403
Current maturity of liabilities against assets subject to finance lease	19	7,374,302	1,081,538
Current portion of long-term financing	18	40,000,000	36,428,800
Provision for market committee fee	26	32,700,000	32,700,000
Income tax - net		14,824,491	-
Sales tax payable		9,489,324	20,409,126
		751,721,999	482,161,173
CONTINGENCIES AND COMMITMENTS	27		
TOTAL EQUITY AND LIABILITIES		1,735,391,149	1,118,444,635

The annexed notes from 1 to 44 form an integral part of these financial statements.

Chief Executive Officer

Director

Profit and Loss Account

for the year ended September 30, 2010

	Note	2010 Rupees	2009 Rupees
Turnover	28	4,025,770,523	2,692,040,450
Less:			
- Sales tax		159,257,861	282,314,319
- Special excise duty		25,167,855	22,280,273
		184,425,716	304,594,592
		3,841,344,807	2,387,445,858
Cost of sales	29	(3,366,565,888)	(1,994,378,239)
Gross profit		474,778,919	393,067,619
Distribution costs	30	(5,442,782)	(5,367,298)
Administrative expenses	31	(81,953,859)	(61,592,846)
Other operating expenses	32	(33,377,182)	(77,240,035)
Other operating income	33	39,076,640	22,536,783
		(81,697,183)	(121,663,396)
		393,081,736	271,404,223
Share of profit from an associate - net of tax	7	1,848,209	39,621,871
Finance costs	34	(73,800,473)	(65,333,093)
Profit before taxation		321,129,472	245,693,001
Taxation	35	(79,143,207)	(69,780,223)
Profit after taxation		241,986,265	175,912,778
			Restated
Basic and diluted earnings per share	36	16.93	12.31

The annexed notes from 1 to 44 form an integral part of these financial statements.

Chief Executive Officer

Director

Statement of Comprehensive Income

for the year ended September 30, 2010

	2010 Rupees	2009 Rupees
PROFIT FOR THE YEAR	241,986,265	175,912,778
OTHER COMPREHENSIVE INCOME:		
Net (loss) / gain on available for sale investments		
(Loss) / gain during the year	(9,542,009)	6,097,853
Reclassification adjustments included in the profit and loss account for:		
- Gain on sale of investments - net	(4,609,529)	-
- Impairment on investments	9,123,647	-
	(5,027,891)	6,097,853
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	236,958,374	182,010,631

The annexed notes from 1 to 44 form an integral part of these financial statements.

Chief Executive Officer

Director

Cash Flow Statement

for the year ended September 30, 2010

	Note	2010 Rupees	2009 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		321,129,472	245,693,001
Adjustment for non-cash items:			
Depreciation		47,901,533	36,496,650
Share of profit from an associate		(1,848,209)	(39,621,871)
Gain on disposal of fixed assets		(1,137,331)	(754,733)
Finance costs		73,800,473	65,333,093
Realised gain on disposal of short term investments		(5,252,266)	(9,262,093)
Liability of mark up no longer required written back		-	(6,192,329)
Provision for staff gratuity		1,656,070	1,890,489
Provision for doubtful debts		-	14,519,842
Provision for doubtful long term receivable		-	42,510,996
Provision for doubtful deposits and prepayments		-	1,563,441
Impairment on short-term investments		9,123,647	354,000
Working capital changes	37	148,371,021	22,959,948
		272,614,938	129,797,433
Staff gratuity paid		(781,799)	(2,506,462)
Taxes paid		(12,662,045)	(2,628,480)
Finance costs paid		(73,255,333)	(78,285,023)
Net cash generated from operating activities		507,045,233	292,070,469
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(385,027,213)	(125,060,017)
Long term deposits		(2,000,000)	(60,000)
Short-term investments		(111,735,244)	(59,427,216)
Proceeds from disposal of short term investments		50,408,372	52,279,750
Proceeds from disposal of operating fixed assets		2,484,156	2,479,160
Net cash used in investing activities		(445,869,929)	(129,788,323)
CASH FLOWS FROM FINANCING ACTIVITIES			
Subordinated loans - net		-	(27,982,232)
Long term financing - net		121,607,200	(17,857,200)
Liabilities against assets subject to finance lease		17,597,323	3,383,613
Dividend paid		(47,450,252)	(23,182,567)
Net cash generated from / (used in) financing activities		91,754,271	(65,638,386)
Net increase in cash and cash equivalents during the year		152,929,575	96,643,760
Cash and cash equivalents at the beginning of the year		(69,181,308)	(165,825,068)
Cash and cash equivalents at the end of the year		83,748,267	(69,181,308)
Cash and cash equivalents comprise of:			
Cash and bank balances	15	113,747,245	1,341,095
Short-term borrowings	25	(29,998,978)	(70,522,403)
		83,748,267	(69,181,308)

The annexed notes from 1 to 44 form an integral part of these financial statements.

Chief Executive Officer

Director

Statement of Changes in Equity

for the year ended September 30, 2010

	Issued, subscribed and paid-up capital	Reserves					Total
		Capital reserve - Share premium	Revenue reserve - General reserve	Unrealized gain on revaluation of Available-for-Sale Investments	Accumulated Profit	Total Reserves	
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)
Profit for the year	-	-	-	-	175,912,778	175,912,778	175,912,778
Gain on revaluation of available for sale investments	-	-	-	6,097,853	-	6,097,853	6,097,853
Total comprehensive income for the year	-	-	-	6,097,853	175,912,778	182,010,631	182,010,631
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
Final dividend for the year ended September 30, 2009 @ 12.5%	-	-	-	-	(14,765,763)	(14,765,763)	(14,765,763)
Bonus shares issued during the year in the ratio of 1 ordinary share for every 10 ordinary shares held	11,812,500	-	-	-	(11,812,500)	(11,812,500)	-
First interim dividend @ 10%	-	-	-	-	(12,993,750)	(12,993,750)	(12,993,750)
Second interim dividend @ 7.5%	-	-	-	-	(9,745,524)	(9,745,524)	(9,745,524)
Bonus shares issued during the year in the ratio of 1 ordinary share for every 10 ordinary shares held	12,993,750	-	-	-	(12,993,750)	(12,993,750)	-
Third interim dividend @ 7.5%	-	-	-	-	(10,720,098)	(10,720,098)	(10,720,098)
Profit for the year	-	-	-	-	241,986,265	241,986,265	241,986,265
Net loss on revaluation of available for sale investments	-	-	-	(5,027,891)	-	(5,027,891)	(5,027,891)
Total comprehensive income for the year	-	-	-	(5,027,891)	241,986,265	236,958,374	236,958,374
Balance as at September 30, 2010	142,931,250	63,281,250	85,000,000	1,069,962	230,131,897	379,483,109	522,414,359

The annexed notes from 1 to 44 form an integral part of these financial statements.

Chief Executive Officer

Director

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.

Biological assets

The fair value of growing crops is determined based on the estimated selling prices approximately those at year end less estimated costs to sell at the harvesting state.

The fair value of growing crops is based on the minimum prices fixed by the Government.

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

During the current year, the Company has adopted the following new and amended IFRSs as of October 01, 2009:

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

IAS-1 - "Presentation of Financial Statements"

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

IFRS 7 - "Financial Instruments: Disclosures" (Amendments)

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. The fair value measurement and liquidity risk disclosures are presented in note 41.6 and note 41.2 respectively.

4.3 Standards and interpretations that became effective but not relevant to the Company

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

IFRS 3 - Business Combinations (Revised)
IAS 27 - Consolidated and Separate Financial Statements (Revised)
IAS 32 - Financial Instruments (Amended for Puttable instruments and obligations arising on liquidation)

IAS 39 - Financial Instruments: Recognition and Measurement (Amended)
IFRIC 15 - Agreements for the Construction of Real Estate
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation
IFRIC 17 - Distributions of Non-cash Assets to Owners
IFRIC 18 - Transfers of Assets from Customers

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

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

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

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

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

4.5 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

Leases which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item are capitalized at the inception of the lease, at the fair value of the leased property or, if lower at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Assets acquired under finance lease are depreciated using 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.

4.6 Investments

4.6.1 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.

4.6.2 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.

4.6.3 Investments - Held-to-maturity

Investments with fixed or determinable payments and fixed maturity where management has both the positive intent and ability to hold to maturity are classified as held to maturity and are stated at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

4.7 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.

4.8 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.

4.9 Stock-in-trade

Stock-in-trade is valued at the lower of moving average cost and net realizable value. 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.

4.10 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.

4.11 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.

4.12 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.

4.13 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 percent of turnover, whichever is higher.

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.

4.14 Trade and other payables

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

4.15 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.

4.16 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.

4.17 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.

4.18 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.

4.19 Related Party Transactions

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

4.20 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.

4.21 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.

4.22 Revenue recognition

Sales are recognized as revenue when invoiced, which generally coincides with delivery. Return on bank deposits is recognized on accrual basis.

4.23 Dividend and appropriation to reserves

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

4.24 Functional and presentation currency

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

	Note	2010 Rupees	2009 Rupees
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	809,740,183	473,156,090
Capital work-in-progress	5.2	38,213,320	39,018,558
		847,953,503	512,174,648

5.1 Operating fixed assets

Description	Cost at October 01, 2009	Additions/ *transfers/ (deletions)	Cost at September 30, 2010	Accumulated depreciation at October 01, 2009	Depreciation for the year/ (accumulated depreciation on deletions)	Accumulated depreciation at September 30, 2010	Book value at September 30, 2010	Dep. Rate %
	2010							
	Rupees							
Owned								
Freehold land	180,720	-	180,720	-	-	-	180,720	-
Building on freehold land								
- Factory	72,146,374	9,149,116	81,295,490	53,313,453	2,230,268	55,543,721	25,751,769	10
- Non-factory	14,119,611	-	14,119,611	7,123,251	349,818	7,473,069	6,646,542	5
Plant, machinery and equipment	843,413,679	342,736,981	1,186,150,660	422,796,838	37,405,407	460,202,245	725,948,415	7.5
Furniture and fittings	3,073,063	780,502	3,853,565	2,117,750	138,526	2,256,276	1,597,289	10
Vehicles	23,038,104	1,170,202 (4,999,390)	19,208,916	15,490,116	1,426,086 (3,652,565)	13,263,637	5,945,279	20
Office equipment	6,457,592	241,000	6,698,592	5,140,327	155,827	5,296,154	1,402,438	10
Electric installation	10,443,906	320,000	10,763,906	7,157,892	352,601	7,510,493	3,253,413	10
Weighbridge and scales	965,624	125,000	1,090,624	833,100	21,585	854,685	235,939	10
Workshop tools and other equipment	7,160,896	1,750,000	8,910,896	4,395,199	422,403	4,817,602	4,093,294	10
Computers	4,199,518	282,100	4,481,618	2,575,980	512,074	3,088,054	1,393,564	30
Airconditioners and refrigerators	6,806,581	1,214,550	8,021,131	4,366,248	287,274	4,653,522	3,367,609	10
	992,005,668	357,769,451 (4,999,390)	1,344,775,729	525,310,154	43,301,869 (3,652,565)	564,959,458	779,816,271	
Leased								
Vehicles	7,493,000	28,063,000	35,556,000	1,032,424	4,599,664	5,632,088	29,923,912	20
Total	999,498,668	385,832,451 (4,999,390)	1,380,331,729	526,342,578	47,901,533 (3,652,565)	570,591,546	809,740,183	

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							
Owned	Rupees							
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 * 1,599,000 (1,554,990)	23,038,104	13,798,680	1,833,925 * 575,640 (718,129)	15,490,116	7,547,988	20
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 * 1,599,000 (1,554,990)	992,005,668	490,038,679	35,413,964 * 575,640 (718,129)	525,310,154	466,695,514	
Leased								
Vehicles	5,250,000	5,791,000 * (1,599,000) (1,949,000)	7,493,000	1,586,812	1,082,686 * (575,640) (1,061,434)	1,032,424	6,460,576	20
Total	910,260,490	92,742,168 (3,503,990)	999,498,668	491,625,491	36,496,650 (1,779,563)	526,342,578	473,156,090	

* Represents transferred to owned assets from leased assets.

	Note	2010 Rupees	2009 Rupees
5.1.1 Depreciation charge for the year has been allocated as follows:			
Cost of sales	29	40,782,082	32,578,260
Administrative expenses	31	7,119,451	3,918,390
		47,901,533	36,496,650

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

Particulars	Cost	Accumulated depreciation	Book value	Sale Proceeds	Gain	Mode of Disposal	Particulars of Purchaser
	Rupees						
Mercedez Benz - AEU 703	3,300,000	2,534,408	765,592	1,379,000	613,408	Negotiation	Mr. Syed Hassan Ali Rizvi
Suzuki Alto - AJM 719	525,000	319,667	205,333	332,257	126,924	Company policy	Mr. Abdul Razzaq Usman - Employee
Habib Mororcycle - KBZ 2971	37,500	22,247	15,253	37,500	22,247	Company policy	Mr. Niaz - Employee
Honda Motorcycle KDR-8401	52,890	20,639	32,251	38,557	6,306	Company policy	Mr. M.Anwer - Employee
Habib Motorcycle - KBP 5667	36,500	22,743	13,757	36,500	22,743	Company policy	Mr. Javed Iqbal - Employee
Habib Motorcycle - KBP 5668	36,500	22,743	13,757	36,500	22,743	Company policy	Mr. Rashid Ali - Employee
Honda Motorcycle - KDD-4162	54,000	27,120	26,880	39,366	12,486	Company policy	Mr. Rao M. Imran - Employee
Honda Motorcycle - KDD-4163	54,000	27,120	26,880	39,366	12,486	Company policy	Mr. Rao M. Asif - Employee
Honda Motorcycle - KDD-4164	54,000	27,120	26,880	39,366	12,486	Company policy	Mr. Haji Sher Muhammad - Employee
Toyota Corolla XLI - AGS 520	849,000	628,758	220,242	505,744	285,502	Company policy	Mr. Irshad Ahmed Arain - Employee
2010	4,999,390	3,652,565	1,346,825	2,484,156	1,137,331		

	Note	2010 Rupees	2009 Rupees
5.2 CAPITAL WORK-IN-PROGRESS			
Civil works		8,621,318	988,350
Advance against supply of plant and machinery		29,592,002	38,030,208
	5.2.1	38,213,320	39,018,558

5.2.1 Movement

	Civil works	Plant, machinery and equipment	Total
		Rupees	
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
Capital expenditure incurred / advances made during the year	16,782,084	329,257,542	346,039,626
Transfer to operating fixed assets	(9,149,116)	(337,695,748)	(346,844,864)
Balance as at September 30, 2010	**8,621,318**	**29,592,002**	**38,213,320**

	Note	2010 Rupees	2009 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. 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 2010	Number of shares 2009	Face value per share Rupees	Name of the Company	Note	2010 Rupees	2009 Rupees
10,499,998	10,499,998	10	Unicol Limited - an un-quoted company	7.1	176,077,471	174,229,262

7.1 Movement of investment in an associate

	2010 Rupees	2009 Rupees
Opening balance	174,229,262	134,607,391
Share of profit for the year - net of tax	1,848,209	39,621,871
	176,077,471	174,229,262

The Company holds 33.33 (2009: 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, 2010 (September 30, 2009: audited), are as follows:

	2010 Rupees	2009 Rupees
Aggregate amount of:		
- assets	1,630,523,771	1,313,103,702
- liabilities	1,102,291,300	809,729,633
- revenue	1,512,709,365	1,262,582,769
- profit	24,858,404	97,602,321

8. BIOLOGICAL ASSETS - At fair value

	2010 Rupees	2009 Rupees
Carrying value at beginning of the year	8,748,440	3,969,286
Addition due to cultivation	3,491,668	5,518,510
Gain arising from changes in fair value less costs to sell	9,855,862	3,229,930
	22,095,970	12,717,726
Reduction due to harvesting	(8,748,440)	(3,969,286)
Carrying value at the end of the year	13,347,530	8,748,440

Operations and Principal Activities at Farms:

The Company is principally engaged in sugar cane cultivation.

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.

9. STORES AND SPARE PARTS

	Note	2010 Rupees	2009 Rupees
Stores		23,815,225	28,095,578
Spare parts		33,146,490	32,214,945
		56,961,715	60,310,523

10. STOCK-IN-TRADE

Manufactured sugar			
- Finished		250,629,437	139,619,721
- Work-in-process		3,207,539	1,677,023
		253,836,976	141,296,744

11. TRADE DEBTS - unsecured

Considered good	11.1,11.2 & 11.3	90,560,989	112,101,426
Considered doubtful	11.4	16,987,867	16,987,867
		107,548,856	129,089,293
Less: Provision for doubtful debts	11.4	16,987,867	16,987,867
		90,560,989	112,101,426

11.1 The aging of trade debts at September 30 is as follows:

Neither past due nor impaired	-	-
Past due but not impaired - within 90 days	90,560,989	112,101,426
	90,560,989	112,101,426
Provision for impairment		
Balance at the beginning of the year	16,987,867	2,468,025
Provision made during the year	-	14,519,842
Balance at the end of the year	16,987,867	16,987,867

11.2 Represents receivable from Unicol Limited, an associated company amounting to Rs. 90.561 (2009: Rs.102.975) million.

11.3 The maximum aggregate amount due from associated company at the end of any month during the year was Rs. 190.36 (2009: Rs. 107.975) million.

11.4 Includes an amount of Rs. 14.519 million due from the Food Department, Government of Sindh (GoS). 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 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 during the previous year.

12. LOANS AND ADVANCES - Unsecured, considered good	Note	2010 Rupees	2009 Rupees
Loans to staff	12.1	1,581,493	1,589,825
Advances			
- to suppliers		19,959,627	6,552,569
- to cane growers	12.2	61,987,611	33,028,554
- against expenses		958,677	531,851
		82,905,915	40,112,974
		84,487,408	41,702,799

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.

13. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS	Note	2010 Rupees	2009 Rupees
Trade deposits:			
Considered good		188,500	133,500
Considered doubtful	13.1	8,196,113	8,196,113
		8,384,613	8,329,613
Less: Provision for doubtful deposits		8,196,113	8,196,113
		188,500	133,500
Short-term prepayments:			
Considered good		2,193,559	1,180,326
Considered doubtful		563,441	563,441
		2,757,000	1,743,767
Less: Provision for doubtful prepayments		563,441	563,441
		2,193,559	1,180,326
		2,382,059	1,313,826

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	2010 Rupees	2009 Rupees
14. SHORT-TERM INVESTMENTS			
Held to maturity			
Term deposit certificates		3,300,000	3,654,000
Less: Provision for impairment		-	354,000
	14.1	3,300,000	3,300,000
Available for sale			
Equity securities	14.2 &14.3	88,180,776	35,753,176
		91,480,776	39,053,176

14.1 Includes certificates with value of Rs. 3.30 million (2009: Rs. 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 5.0 (2009: 2.5) percent per annum.

14.2 Available for sale Investments

2010 Number of shares	2009 Number of shares	Quoted companies	2010 Rupees	2009 Rupees
95,000	12,500	Arif Habib Securities Limited	2,166,000	537,250
322,621	63,474	Bank Al- Habib Limited	10,017,382	1,983,563
129,794	-	Century Paper & Board Mills Limited	2,553,048	-
392,839	-	Chashma Sugar Mills Limited	3,838,037	-
461,766	121,179	Cherat Cement Limited	5,060,955	1,847,980
100,000	13,000	D.G.Khan Cement Limited	2,392,000	448,240
32,641	-	EFU General Insurance Limited	1,226,645	-
16,050	4,500	Engro Chemicals Pakistan Limited	2,796,071	813,870
61,554	15,000	Eye Television Network Limited	1,250,162	542,550
-	2,750	Fauji Fertilizer Company Limited	-	282,563
17,824	22,939	Glaxosmithkline Pakistan Limited	1,201,338	2,380,380
302,418	51,602	Habib Metropolitan Bank Limited	5,788,281	1,595,534
50,000	10,000	Hub Power Company Limited	1,664,500	313,900
2,500	2,500	Indus Motors Limited	541,475	438,100
211,957	30,608	International Industries Limited	10,343,502	1,743,432
-	7,500	Lucky Cement Limited	-	562,050
20,000	2,750	MCB Bank Limited	3,766,200	607,970
9,656	-	Mirpurkhas Sugar Mills Limited	561,883	-
10,844	25,000	National Refinery Limited	2,191,139	5,750,750
-	100,000	NIB Bank Limited	-	562,000
199,677	20,500	Noon Sugar Mills Limited	2,246,366	502,045
-	15,000	Oil & Gas Development Company Limited	-	1,610,700
-	5,000	Packages Limited	-	812,950
20,000	8,000	Pakistan Oil Fields Limited	4,742,600	1,668,880
3,000	3,000	Pak Suzuki Motor Company Limited	207,870	261,120
121,836	-	Pakistan Cables Limited	7,246,805	-
42,680	27,650	Pakistan Petroleum Limited	7,358,459	5,225,574
2,000	2,500	Pakistan State Oil Company Limited	537,400	782,775
165,000	75,000	United Bank Limited	8,482,658	4,479,000
			88,180,776	35,753,176

All shares are ordinary shares of Rs.10/- each.

14.3 The aggregate cost of the above investment is Rs. 97.723 million (2009: Rs. 29.655). These investments are stated at fair value.

Notes to the Financial Statements

for the year ended September 30, 2010

15. CASH AND BANK BALANCES

	2010 Rupees	2009 Rupees
Cash in hand	52,845	106,687
Cash at banks in current accounts	113,694,400	1,234,408
	113,747,245	1,341,095

16. SHARE CAPITAL

2010 (Number of shares)	2009 (Number of shares)		2010 Rupees	2009 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
7,974,375	5,493,750	Ordinary shares of Rs. 10/- each issued as bonus shares	79,743,750	54,937,500
14,293,125	11,812,500		142,931,250	118,125,000

17. RESERVES

	2010 Rupees	2009 Rupees
Capital reserve		
Share premium	63,281,250	63,281,250
Revenue reserve		
General	85,000,000	85,000,000
Accumulated profit	230,131,897	61,177,017
	315,131,897	146,177,017
Unrealized gain on revaluation of available for sale investments	1,069,962	6,097,853
	379,483,109	215,556,120

18. LONG TERM FINANCING - Secured

	Note	Installments Number	Installments Commencing from	Mark-up	2010 Rupees	2009 Rupees
From banking companies						
Bank Alfalah Limited	18.1	16 quarterly	January 2009	6 months KIBOR plus 2.5% per annum	-	22,142,800
Al Baraka Islamic Bank	18.1	16 quarterly	October 2009	6 months KIBOR plus 1.8% per annum	75,000,000	100,000,000
Bank Al Habib Limited	18.1	8 quarterly	January 2010	6 months KIBOR plus 2.25% per annum	18,750,000	-
Bank Al Habib Limited	18 .1	12 quarterly	October 2011	6 months KIBOR plus 1.75% per annum	150,000,000	-
					243,750,000	122,142,800
Less: Current portion shown under current liabilities					40,000.000	36,428,800
					203,750,000	85,714,000

18.1 This is secured by way of first pari passu charge over fixed assets of the Company amounting to Rs.373 million and personal guarantee of all directors of the Company.

19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

Represent finance leases entered into with a commercial bank for vehicles. Total lease rentals due under various lease agreements aggregate to Rs. 30,792,596/- (2009: Rs. 8,156,744/-) and are payable in equal monthly installments latest by July 2015. 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 14.32 to 15.34 (2009: 14.02 to 17.75) 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:

	2010 Minimum lease Payments	2010 Present Value	2009 Minimum lease Payments	2009 Present Value
	Rupees			
Within one year	10,291,945	7,374,302	1,899,139	1,081,538
After one year but not more than five years	20,500,651	16,221,811	6,257,605	4,917,252
Total minimum lease payments	30,792,596	23,596,113	8,156,744	5,998,790
Less: Amount representing finance charges	7,196,483	-	2,157,954	-
Present value of minimum lease payments	23,596,113	23,596,113	5,998,790	5,998,790
Less: Current maturity shown under current liability	7,374,302	7,374,302	1,081,538	1,081,538
	16,221,811	16,221,811	4,917,252	4,917,252

	Note	2010 Rupees	2009 Rupees
20. DEFERRED LIABILITIES			
Staff gratuity	20.1	5,742,073	4,867,802
20.1 Staff gratuity			
Opening net liability		4,867,802	5,483,775
Expense for the year		1,656,070	1,890,489
		6,523,872	7,374,264
Benefits paid during the year		(781,799)	(2,506,462)
Liability to be recognized		5,742,073	4,867,802
Expense for the year			
Current service cost		1,023,256	587,786
Interest cost		632,814	658,053
Actuarial loss recognized		-	644,650
Expense for the year		1,656,070	1,890,489
Reconciliation			
Present value of defined benefit obligation		5,742,073	4,867,802
Unrealized actuarial losses		-	-
Liability to be recognized as at September 30		5,742,073	4,867,802

Comparisons for five years as at September 30

	2010	2009	2008	2007	2006
			Rupees		
Present value of defined benefit obligation	5,742,073	4,867,802	5,483,775	5,851,629	8,467,242
Fair value of plan assets	-	-	-	-	-
Deficit	5,742,073	4,867,802	5,483,775	5,851,629	8,467,242

20.2 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.

	Note	2010 Rupees	2009 Rupees
21. DEFERRED TAXATION			
Credit balances arising due to:			
Accelerated tax depreciation, assets subject to finance lease, accrued markup and long term investment		180,757,890	113,530,445
Debit balances arising due to:			
Provision for gratuity		(2,009,726)	(1,703,731)
Provision for doubtful debts		(5,945,753)	(5,945,753)
Provision for doubtful deposits and prepayments		(3,065,844)	(3,065,844)
Provision for impairment on short-term investments		(123,900)	(123,900)
Provision for doubtful long-term receivable		(14,878,848)	(14,878,848)
Carry over of minimum tax		(38,483,831)	-
		(64,507,902)	(25,718,076)
		116,249,988	87,812,369
22. PROVISION FOR QUALITY PREMIUM			
Provision for quality premium	22.1	119,290,919	119,290,919

22.1 Sugar mills in Sindh are required to pay quality premium to 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 has 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.

23. TRADE AND OTHER PAYABLES	Note	2010 Rupees	2009 Rupees
Creditors		116,249,905	142,457,235
Accrued expenses		3,808,777	5,553,225
Advances from customers		443,168,673	134,309,574
Workers' profits participation fund	23.1	17,265,025	13,195,113
Workers' welfare fund		11,920,153	5,014,143
Unclaimed dividend		6,010,183	5,235,301
Other liabilities		8,105,260	4,992,927
		606,527,976	310,757,518

23.1 Workers' Profit Participation Fund	Note	2010 Rupees	2009 Rupees
Balance at the beginning of the year		13,195,113	3,187,609
Allocation for the year		17,265,025	13,195,113
		30,460,138	16,382,722
Add:Interest on funds utilized in the Company's business		200,782	166,498
		30,660,920	16,549,220
Less: Amount paid to trustees of the fund		13,395,895	3,354,107
		17,265,025	13,195,113

24. ACCRUED MARK-UP

- Subordinated loans - from related parties		219,161	195,860
- Short-term borrowings		2,492,755	6,121,218
- Long-term financing		8,095,012	3,944,710
		10,806,928	10,261,788

25. SHORT- TERM BORROWINGS - Secured

From Banking companies	25.1	29,998,978	70,522,403

25.1 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 the company. These finances form part of the aggregate facility of Rs.975 million (2009: Rs. 850 million). The finances carry mark-up ranging between 14.18 to 15.79 (2009: 14.14 to 18) percent payable quarterly.

26. PROVISION FOR MARKET COMMITTEE FEE	Note	2010 Rupees	2009 Rupees
Provision for market committee fee	26.1	32,700,000	32,700,000

26.1 During the year 1999-2000, the Market Committee filed a law suit for the recovery of market committee fee before the Senior Civil Judge Tando Allahyar. 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 amounting to 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 aforesaid order of Senior Civil Judge Tando Allahyar 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. In the year 2008-2009, 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. As a matter of prudence, the Company has fully provided the amount determined by the High Court of Sindh. During the previous year, 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. Till the decision of Honorable Supreme Court of Pakistan, the Company has decided not to provide any further liability on account of market committee fee for the subsequent crushing seasons 2008-2009 and 2009-2010 which according to the Company amounts to Rs. 6.032 million as the management on the advice of its legal counsel believes that the case will be decided in favour of the Company by the Supreme Court of Pakistan.

27. CONTINGENCIES AND COMMITMENTS

CONTINGENCIES

27.1 Contribution demanded by SESSI Rs. 3.28 million (2009: 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. 38.58 million (2009: 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 (2009: 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.

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/- (2009: 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. 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.

27.5 During the year, Pakistan Standard and Quality Control Authority has demanded a fee payment at the rate of 0.1 percent of ex-factory price for the year 2008-09 amounting to Rs. 2.2 million. The Company is of the view that demand notifications so raised are without any lawful authority under the PSQCA Act-VI of 1996 and are in violation of the constitution. Based on the advise of the legal advisor, the management is confident that it would not be liable to pay the said marking fee and hence no provision is required to be made in these financial statements.

COMMITMENTS

27.6 Commitments in respect of capital expenditure as on September 30, 2010 amounted to Rs. 65.873 million (2009: Rs. 14.87 million).

27.7 Commitments in respect of operating lease rentals for farms as on September 30, 2010 amounted to Rs. 7.84 million (2009: Rs. 8.48 million).

Notes to the Financial Statements

for the year ended September 30, 2010

	Note	2010 Rupees	2009 Rupees
28. TURNOVER			
Sales			
- Sugar		3,815,814,244	2,532,622,433
- Molasses		203,293,402	159,418,017
- Bagasse		6,662,877	-
		4,025,770,523	2,692,040,450
29. COST OF SALES			
Manufactured sugar:			
Cost of sugarcane consumed (including procurement and other expenses)		3,174,120,276	1,416,671,027
Road cess on sugarcane		4,172,713	3,368,338
Salaries, wages and other benefits	29.1	88,888,182	82,740,905
Stores and spare parts consumed		108,098,749	87,916,006
Repairs and maintenance		26,353,591	19,295,275
Fuel, electricity and water charges		20,531,928	43,194,305
Vehicle running and maintenance expenses		3,264,523	1,436,932
Insurance		4,682,534	5,007,882
Depreciation	5.1.1	40,782,082	32,578,260
Other overheads		8,211,542	6,408,487
		3,479,106,120	1,698,617,417
Opening stock of work-in-process		1,677,023	981,334
Closing stock of work-in-process		(3,207,539)	(1,677,023)
		(1,530,516)	(695,689)
Cost of goods manufactured		3,477,575,604	1,697,921,728
Opening stock of finished goods		139,619,721	436,076,232
Closing stock of finished goods		(250,629,437)	(139,619,721)
		(111,009,716)	296,456,511
		3,366,565,888	1,994,378,239

29.1 This includes contribution to provident fund of Rs. 2,054,666/- (2009: Rs. 1,586,316/-) and gratuity fund of Rs 1,656,070/- (2009: Rs. 1,890,489/-).

	Note	2010 Rupees	2009 Rupees
30. DISTRIBUTION COSTS			
Salaries, wages and other benefits	30.1	1,183,470	859,885
Insurance		10,335	7,214
Staking and loading		3,906,002	3,767,453
Selling and export expenses		342,975	732,746
		5,442,782	5,367,298

30.1 This includes contribution to provident fund of Rs. 39,159/- (2009: Rs. 35,825/-).

Notes to the Financial Statements

for the year ended September 30, 2010

31. ADMINISTRATIVE EXPENSES

	Note	2010 Rupees	2009 Rupees
Salaries and other benefits	31.1	47,726,563	37,860,715
Rent, rates and taxes		1,576,463	1,417,088
Electricity, telephone, fax and postage		4,539,298	3,672,121
Printing and stationery		1,635,535	1,009,835
Travelling and conveyance		4,390,185	2,596,842
Vehicle running and maintenance expenses		4,904,815	3,016,451
Auditors' remuneration	31.2	1,137,650	874,570
Legal and professional		2,111,631	3,278,300
Fees and subscription		942,574	739,530
Insurance		191,595	55,885
Repairs and maintenance		2,983,913	1,062,139
Advertising		599,055	87,880
Donations	31.3	1,530,030	1,456,000
Depreciation	5.1.1	7,119,451	3,918,390
Other expenses		565,101	547,100
		81,953,859	61,592,846

31.1 This includes contribution to provident fund of Rs. 1,144,321/- (2009: Rs. 1,111,795/-).

31.2 Auditors' remuneration

	Note	2010 Rupees	2009 Rupees
Statutory audit			
Ernst & Young Ford Rhodes Sidat Hyder			
Statutory audit fee		600,000	500,000
Review of half yearly financial statements and compliance with Code of Corporate Governance		305,000	195,000
Other services		30,000	30,000
Out of pocket expenses		70,650	89,570
		1,005,650	814,570
Cost audit			
Haroon Zakaria & Co.			
Cost audit fee		125,000	50,000
Out of pocket expenses		7,000	10,000
		1,137,650	874,570

31.3 Includes Rs.30,000/- (2009: Rs. 500,000/-) paid to Usman Institute of Technology which is a project of Usman Memorial Foundation. Mr. Kasim Hasham is Chairman / President, Mr. Ebrahim Hasham is Treasurer, Mr. Hussain Hasham, Mr. Khurram Kasim and Mr. Ahmed Ebrahim are members of the said Foundation. No other directors or their spouses have any interest in any donee's fund to which donation was made.

Notes to the Financial Statements
for the year ended September 30, 2010

	Note	2010 Rupees	2009 Rupees
32. OTHER OPERATING EXPENSES			
Workers' Profits Participation Fund		17,265,025	13,195,113
Workers' Welfare Fund		6,906,010	5,014,143
Provision for impairment on short-term investments		9,123,647	354,000
Provision for doubtful debts		-	14,519,842
Provision for doubtful deposits and prepayments		-	1,563,441
Provision for doubtful long term receivable		-	42,510,996
Zakat		82,500	82,500
		33,377,182	77,240,035
33. OTHER OPERATING INCOME			
Profit on bank deposits		1,346,585	343,373
Gain on disposal of fixed assets		1,137,331	754,733
Scrap sales		2,968,980	-
Rental income		238,618	216,920
Net farm income		24,553,623	4,456,111
Realized gain on disposal of short term investments		5,252,266	9,262,093
Dividend income		3,579,237	1,083,225
Liability no longer payable written back		-	6,192,329
Miscellaneous income		-	227,999
		39,076,640	22,536,783
34. FINANCE COSTS			
Mark-up on:			
Long-term financing		18,128,118	21,547,809
Subordinated loans - from related parties		212,626	2,732,960
Short-term borrowings		51,440,681	39,332,053
Lease finance		2,666,899	644,838
		72,448,324	64,257,660
Bank charges		1,352,149	1,075,433
		73,800,473	65,333,093
35. TAXATION			
Current		38,757,934	5,088,465
Prior year		11,947,654	13,142
		50,705,588	5,101,607
Deferred		28,437,619	64,678,616
	35.1	79,143,207	69,780,223

35.1 The Company is subject to Minimum tax under section 113 of the Income Tax Ordinance, 2001, therefore relationship between income tax expense and accounting profit has not been presented for the current year.

35.2 Income tax assessments of the Company have been completed upto the tax year 2010 (accounting year ended September 30, 2009).

36. BASIC AND DILUTED EARNING PER SHARE

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

		2010	2009
Earnings after taxation attributable to ordinary shares	(Rupees)	241,986,265	175,912,778
			Restated
Weighted average number of ordinary shares		14,293,125	14,293,125
			Restated
Earnings per share - after tax	(Rupees)	16.93	12.31

37. WORKING CAPITAL CHANGES

	2010 Rupees	2009 Rupees
(Increase)/decrease in current assets		
Biological assets	(4,599,090)	(4,779,154)
Stores and spare parts	3,348,808	(19,979,961)
Stock-in-trade	(112,540,232)	295,760,822
Trade debts	21,540,437	(96,109,656)
Loans and advances	(42,784,609)	(14,495,424)
Trade deposits and short-term prepayments	(1,068,233)	345,073
Other receivables	398,166	(306,737)
	(135,704,753)	160,434,963
Increase / (decrease) in current liabilities		
Trade and other payables	294,995,576	(139,934,360)
Sales tax payable	(10,919,802)	2,459,345
	284,075,774	(137,475,015)
	148,371,021	22,959,948

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:

	2010 Rupees	2009 Rupees
Relationships - Common directorship		
Sales	214,360,988	175,733,564
Expenses shared	287,348	273,681
Insurance premium	5,356,043	4,617,464
Receipt of subordinated loan	24,000,000	22,000,000
Repayment of subordinated loan	24,000,000	49,982,232
Mark-up on subordinated loan	212,626	2,732,960
Retirement benefit plans		
Provident fund contribution	3,238,146	2,733,936

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

39. CAPACITY AND PRODUCTION

	Rated capacity		Capacity utilisation	
	M. Tons	Days	M. Tons	Days
Season 2009-2010	7000 TCD	160	5472 TCD	122
Season 2008-2009	7000 TCD	160	4769 TCD	113

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

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:

	2010				2009			
	Chief Executive Officer	Directors	Executives	Total	Chief Executive Officer	Directors	Executives	Total
	Rupees							
Fees	6,000	28,000	-	34,000	8,000	34,000	-	42,000
Managerial remuneration	2,796,000	3,929,250	8,885,520	15,610,770	2,034,000	2,404,350	6,563,175	11,001,525
Retirement benefits	-	52,425	930,833	983,258	-	46,335	719,679	766,014
Perquisites and other benefits	2,518,000	3,527,500	8,452,302	14,497,802	1,719,000	1,978,250	5,868,097	9,565,347
	5,320,000	7,537,175	18,268,655	31,125,830	3,761,000	4,462,935	13,150,951	21,374,886
Number of persons	1	4	12	17	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	
	2010 Rupees	2009 Rupees
Long-term deposits	3,992,400	1,992,400
Trade debts	90,560,989	112,101,426
Long term investment	176,077,471	174,229,262
Loans and Advances	84,487,408	41,702,799
Trade Deposits	188,500	133,500
Other receivables	563,077	961,243
Short term Investments	91,480,776	39,053,176
Bank balances	113,694,400	1,234,408
	561,045,021	371,408,214

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:

	Carrying Values	
	2010 Rupees	2009 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
A1+	8,482,650	19,313,012
A-2	2,553,048	-
Without external credit rating	77,145,078	15,897,614
	88,180,776	35,753,176
Held-to-maturity investments		
With external credit rating		
A1+	3,300,000	3,300,000
41.1.3 Bank balances		
With external credit rating		
A1	156,062	11,199
A1+	113,527,529	1,212,400
A2	10,809	10,809
	113,694,400	1,234,408

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 2010	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Long-term financing - secured	-	10,000,000	30,000,000	203,750,000	-	243,750,000
Liabilities against assets subject to finance lease	-	2,664,916	4,709,386	16,221,811	-	23,596,113
Trade and other payables	6,152,983	558,061,027	9,983,145	3,145,643	-	577,342,798
Accrued markup	-	10,806,928	-	-	-	10,806,928
Short term borrowings secured	-	29,998,978	-	-	-	29,998,978
	6,152,983	611,531,849	44,692,531	223,117,454	-	885,494,817

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	183,559,663	96,936,899	-	-	292,548,262
Accrued markup	-	10,261,788	-	-	-	10,261,788
Short term borrowings secured	-	70,522,403	-	-	-	70,522,403
	12,051,700	273,717,494	125,073,597	90,631,252	-	501,474,043

41.3 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 had constant, of the Company’s profit before tax:

	Increase / decrease in basis points	Effect on profit before tax
2010		
KIBOR	+100	(724,483)
KIBOR	-100	724,483
2009		
KIBOR	+100	(642,577)
KIBOR	-100	642,577

41.4 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. 88.181 million.

A (decrease) / increase of 10% on the stock exchange index would have an impact of approximately Rs.8.82 million on the equity of the Company, depending on whether or not the (decrease) / increase is significant and prolong.

41.5 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, 2010 and 2009 were as follows:

	2010	2009
Short term borrowings - secured	29,998,978	70,522,403
Long term financing	243,750,000	122,142,800
Trade and other payables	606,527,976	310,757,518
Accrued mark-up	10,806,928	10,261,788
Liabilities against asset subject to finance lease	23,596,113	5,998,790
Total debt	914,679,995	519,683,299
Less: Cash and bank balances	(113,747,245)	(1,341,095)
Short term investments	(91,480,776)	(39,053,176)
Net debt	709,451,974	479,289,028
Share capital	142,931,250	118,125,000
Reserves	379,483,109	215,556,120
Equity	522,414,359	333,681,120
Capital	1,231,959,333	812,970,148
Gearing ratio	58%	59%

Notes to the Financial Statements

for the year ended September 30, 2010

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.

41.6 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

The Company has available for sale investments which are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value.

42. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on December 07, 2010 by the Board of Directors of the Company.

43. DIVIDEND AND APPROPRIATIONS

The Board of Directors in their board meeting held on December 07, 2010 has recommended a final cash dividend of Re. 1/- per share - 10% (2009: Rs. 1.25 per share - 12.5%) and issue of bonus shares in the proportion of Ten (10) ordinary shares for every hundred (100) ordinary shares held - 10% (2009: ten (10) ordinary shares for every hundred (100) ordinary shares held - 10%) for the year ended September 30, 2010. 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 21, 2011 . The financial statements for the year ended September 30, 2010 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, 2011.

44. GENERAL

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

Chief Executive Officer

Director

Pattern of Shareholdings

as at September 30, 2010

Number of Shareholders	Shareholdings From		Shareholdings To	Total Number of Shares Held
970	1	-	100	17,725
213	101	-	500	45,877
73	501	-	1000	51,200
79	1001	-	5000	185,435
28	5001	-	10000	213,222
6	10001	-	15000	74,940
5	15001	-	20000	82,761
6	20001	-	25000	133,766
4	25001	-	30000	116,934
2	30001	-	35000	63,550
1	40001	-	45000	43,663
2	45001	-	50000	97,757
1	55001	-	60000	55,962
1	70001	-	75000	74,697
2	80001	-	85000	165,649
1	105001	-	110000	106,154
1	120001	-	125000	121,000
1	125001	-	130000	125,753
1	130001	-	135000	133,700
1	140001	-	145000	144,114
1	145001	-	150000	145,066
1	150001	-	155000	151,734
1	160001	-	165000	162,861
1	190001	-	195000	191,236
1	220001	-	225000	221,008
1	240001	-	245000	241,425
1	275001	-	280000	277,765
1	485001	-	490000	487,934
1	1505001	-	1510000	1,508,703
1	1510001	-	1515000	1,511,643
1	2315001	-	2320000	2,315,173
2	2510001	-	2515000	5,024,718
1411				14,293,125

Shareholder's Category	Number of Shareholders	Number of Shares Held	Percentage of Paid-up Capital
INDIVIDUALS	1,396	14,129,050	98.85%
INSURANCE COMPANIES	3	144,132	1.01%
JOINT STOCK COMPANIES	5	10,455	0.07%
FINANCIAL INSTITUTIONS	3	1,063	0.01%
TRUST FUND	2	8,234	0.06%
OTHERS	2	191	0.00%
	1,411	14,293,125	100.00%

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	2,513,230	17.58
	Mr. Mohammed Ebrahim Hasham	1	2,315,173	16.20
	Mr. Mohammed Hussain Hasham	1	2,511,488	17.57
	Mr. Khurram Kasim	1	1,508,703	10.56
	Mr. Ahmed Ebrahim Hasham	1	1,511,643	10.58
	Mr. Muhammad Iqbal	1	3,632	0.03
	Mr. Abdul Razzaq	1	3,630	0.03
	Mrs. Kulsoom Kasim	1	151,734	1.06
	Mrs. Khursheed Ebrahim	1	228,994	1.60
	Mrs. Marium Hussain	1	145,066	1.01
d)	Executives	None	-	0.00
e)	Public Sector Companies and Corporations	5	10,455	0.07
f)	Bank, DFIs, NBFIs, Insurance Companies, Mudarbas & Mutual Funds			
	MCB Bank Limited	1	115	0.00
	Habib Bank Limited	1	2,107	0.01
	EFU General Insurance Limited	1	18	0.00
	State Life Insurance Corporation of Pakistan	1	144,114	1.01
	Investment Corporation of Pakistan	1	774	0.01
g)	Shareholders holding 10% or more voting interest			
	Mr. Mohammed Kasim Hasham	1	2,513,230	21.28
	Mr. Mohammed Ebrahim Hasham	1	2,315,173	19.60
	Mr. Mohammed Hussain Hasham	1	2,511,488	21.26
	Mr. Khurram Kasim	1	1,508,703	12.77
	Mr. Ahmed Ebrahim Hasham	1	1,511,643	12.80

Proxy Form

45th 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 absence to attend and vote for me / us and on my / our behalf at the 45th Annual General Meeting of the Company to be held on January 21, 2011 at 1600 PST and at any adjournment thereof.

As witness my our hand seal this ____________________ day of ____________________ 2011

Signed by the said ____________________

in the presence of ____________________

____

____

Signature of Shareholders

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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