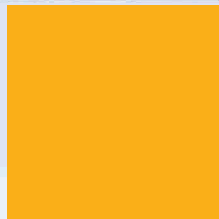
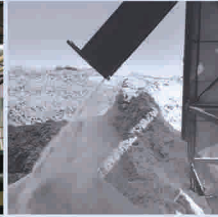
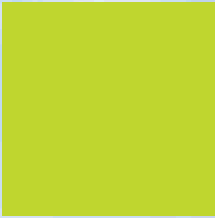


MEHRAN
SUGAR
MILLS
LIMITED



QUARTERLY REPORT 2010

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.

Directors' Report

On behalf of the Board, I am pleased to present the financial results for the first quarter ended December 31, 2010. During the period under review, the company earned a profit before tax of Rs.152.85 million compared to Rs.136.03 million in the corresponding period showing an improvement of 12.37%.

A brief summary of operating results is given below:

	2010-11	2009-10
Season started	29/10/2010	10/11/2009
Duration-Days	64	52
Crushing-M.Tons	177,819	269,146
Sucrose Recovery %	9.29	9.80
Sugar Production-M.Tons	15,598	25,627
Molasses Recovery	4.64	4.29
Molasses Production-M.Tons	7,340	11,555

Though your mills started the crushing campaign earlier than last year, capacity utilisation during the first 45 days remained very low. During this quarter your mill ran for a period of 64 days as compared to 52 days in the same period last year. We however crushed 33.29% lower cane than last year as majority of growers were not ready to supply sugar cane at the notified price of Rs.127/40 kgs due to the exuberant prices paid in the previous season. During this period, your Company's average cane price was Rs.204/40 kgs which was 61% over the notified price. Due to intermittent and slow crushing, the sucrose recovery also suffered and went down when compared with the corresponding period.

By the grace of God, our area remained unaffected with heavy rains and floods prevalent in most parts of the country thus the overall crop is healthy whereby we expect good overall crushing and recovery for the year.

Your mills also imported around 4,000 metric tons of raw sugar and reprocessed the same during the period with healthy margins.

We have been consistently selling sugar and so far sold 17,334 tons during the period.

The world sugar prices are still hovering around a 30 year high thereby keeping local prices consistent. Though the local prices are currently stable as we are in the mid of season, however, their consistency depends largely on ultimate sugar production, sugar cane prices and the international market.

The capital expenditure made during the previous year has started paying dividends. Due to energy conservation measures and plant efficiency, we are now able to save Baggasse and sell it to generate additional revenues. In addition our crushing and bagging capacity has also shown improvements.

The joint venture distillery Unicol Limited continued to operate satisfactorily during the quarter. Though molasses prices have increased; improvement in ethanol selling prices and reduction in long term debt will hopefully improve profitability.

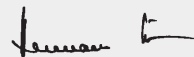
Future Outlook

We feel season 2010-2011 shall be another successful one for the Company. The overall national sugar production is expected to be at least 20% higher than last year. Your Company's production is also expected to increase by the same proportion.

Since we have booked our margins by consistently selling sugar we are fairly confident of good consistent financial results for the upcoming year.

For and on behalf of the Board of Directors

Karachi: _____, 2010



Khurram Kasim
Director

Balance Sheet

as at December 31, 2010

	Notes	Un-audited Dec 31, 2010 Rupees	Audited Sep 30, 2009 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	902,869,532	847,953,503
Long term receivable - unsecured	5	-	-
Long term investment	6	181,890,873	176,077,471
Long term deposits		22,392,400	3,992,400
		1,107,152,805	1,028,023,374
CURRENT ASSETS			
Biological assets		7,465,765	13,347,530
Stores and spare parts		80,502,058	56,961,715
Stock-in-trade		179,443,343	253,836,976
Trade debts - unsecured	7	38,317,532	90,560,989
Loans and advances - unsecured		42,342,335	84,487,408
Trade deposits and short term prepayments		6,581,586	2,382,059
Other receivables		515,578	563,077
Short term investments		353,784,842	91,480,776
Advance Income Tax		-	-
Cash and bank balances		283,803,318	113,747,245
		992,756,357	707,367,775
TOTAL ASSETS		2,099,909,162	1,735,391,149
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 50,000,000 (2010: 50,000,000) Ordinary shares of Rs.10/= each		500,000,000	500,000,000
Issued, subscribed and paid-up capital		142,931,250	142,931,250
Reserves		500,503,553	379,483,109
		643,434,803	522,414,359
NON-CURRENT LIABILITIES			
Long-term financing - secured		268,750,000	203,750,000
Liabilities against assets subject to finance leases		20,232,882	16,221,811
Deferred liabilities		5,709,928	5,742,073
Deferred taxation		116,451,571	116,249,988
Provision		119,290,919	119,290,919
		530,435,300	461,254,791
CURRENT LIABILITIES			
Trade and other payables		680,154,727	606,527,976
Accrued mark-up		16,852,632	10,806,928
Short term borrowings - secured		11,811,258	29,998,978
Current maturity of liabilities against assets subject to finance lease		6,233,606	7,374,302
Current portion of long term financing		115,000,000	40,000,000
Provision for market committee fee		32,700,000	32,700,000
Income tax payable		49,608,489	14,824,491
Sales tax / excise duty payable		13,678,347	9,489,324
		926,039,059	751,721,999
CONTINGENCIES AND COMMITMENTS	8	-	-
TOTAL EQUITY AND LIABILITIES		2,099,909,162	1,735,391,149

The annexed notes from 1 to 11 form an integral part of these financial statements.


Chief Executive Officer


Director

QUARTERLY REPORT 2010

Mehran Sugar Mills Limited

Profit & Loss Account

for the period ended December 31, 2010

	Notes	Dec 2010	Dec 2009
TURNOVER		1,557,998,671	1,042,697,835
Less: Sales Tax / Excise Duty		69,655,504	56,658,280
TURNOVER - NET		1,488,343,167	986,039,555
COST OF SALES		1,317,477,859	820,535,433
GROSS PROFIT		170,865,308	165,504,122
Distribution costs		1,593,672	1,691,278
Administrative expenses		19,846,821	16,593,607
Other operating expense		11,505,021	16,547,422
Other operating income		(21,408,766)	(3,453,186)
		11,536,748	31,379,120
OPERATING PROFIT		159,328,560	134,125,002
Finance costs		12,289,541	8,533,848
(Profit) from an Associate		(5,813,402)	(10,439,886)
PROFIT BEFORE TAXATION		152,852,421	136,031,040
Taxation	10	43,282,747	45,003,503
PROFIT AFTER TAXATION		109,569,674	91,027,537
			Restated
EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED		7.67	6.37

The annexed notes from 1 to 11 form an integral part of these financial statements.


Chief Executive Officer


Director

QUARTERLY REPORT 2010

Mehran Sugar Mills Limited

Statement Of Comprehensive Income

for the period ended December 31, 2010

	Notes	Dec 2010	Dec 2009
PROFIT FOR THE PERIOD		109,569,674	91,027,537
OTHER COMPREHENSIVE INCOME:			
Net (loss) / gain on available for sale investments			
Gain during the year		12,651,747	-
"Reclassification adjustments included in the profit and loss account for:"			
- Gain on sale of investments - net		1,200,977	125,610
		13,852,724	125,610
TURNOVER - NET		95,716,950	90,901,927

The annexed notes from 1 to 11 form an integral part of these financial statements.


Chief Executive Officer


Director

QUARTERLY REPORT 2010

Mehran Sugar Mills Limited

Cash Flow Statement

for the period ended December 31,2010

Notes	Un-audited Dec 31, 2010 Rupees	Audited Sep 30, 2010 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	152,852,421	321,129,472
Adjustemnts for:		
Depreciation	17,109,786	47,901,533
Share of (Profit) from an associate	(5,813,402)	(1,848,209)
Gain on disposal of fixed assets	-	(1,137,331)
Finance costs	12,289,541	73,800,473
Realised gain on disposal of short term investments	(8,222,689)	(5,252,266)
Provision for Staff Gratuity	-	1,656,070
Provision for impairment of short term investemnt	-	9,123,647
Working Capital Changes	225,417,499	148,371,020
	240,780,735	272,614,937
Staff gratuity paid	(32,145)	(781,799)
Taxes paid	(8,297,166)	(12,662,044)
Financial costs paid	(6,243,837)	(73,255,333)
Net cash generated from operating activities	379,060,008	507,045,233
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(72,025,815)	(385,027,213)
Long term deposits	(18,400,000)	(2,000,000)
Short term investments	(281,955,848)	(111,735,244)
Proceeds from disposal of securities	39,325,243	50,408,372
Proceeds from disposal of fixed assets	-	2,484,156
Net cash used in investing activities	(333,056,420)	(445,869,929)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt / (Payment) of long term financing	140,000,000	121,607,200
Financing against assets subject to lease(net)	2,870,375	17,597,323
Dividend paid	(630,169)	(47,450,252)
Net cash generated / (used) in financing activities	142,240,206	91,754,271
Net (decrease)/increase in cash and cash equivalents	188,243,794	152,929,575
Cash and cash equivalent at the beginning of the period	83,748,267	(69,181,308)
Cash and cash equivalents at the end of the period	271,992,060	83,748,267
Cash and cash equivalents comprise of:		
Cash and bank balances	283,803,318	113,747,245
Short term borrowings	(11,811,258)	(29,998,978)
	271,992,060	83,748,267

The annexed notes from 1 to 11 form an integral part of these financial statements.


Chief Executive Officer


Director

QUARTERLY REPORT 2010

Mehran Sugar Mills Limited

Statement of Changes in Equity

For the quarter ended December 31, 2010

	Issued, Subscribed And Paid-up Capital	Reserves				Total	Total
		Capital Reserve	Revenue Reserve	Gain/(loss) on changes in fair value of available for investments	Accumulated profit sale		
Rupees							
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
Profit for the period	-	-	-	-	91,027,537	91,027,537	91,027,537
Balance as at December 31, 2009	118,125,000	63,281,250	85,000,000	6,097,853	152,204,554	306,583,657	424,708,657
Final dividend for the year ended September 30, 2009 @ Rs. 1.25 per share	-	-	-	-	(14,765,763)	(14,765,763)	(14,765,763)
Bonus shares issued for the year ended September 30, 2009 in the ratio of 1 ordinary share for every 10 shares held	11,812,500	-	-	-	(11,812,500)	(11,812,500)	-
Bonus shares issued for the year ended September 30, 2010 in the ratio of 1 ordinary share for every 10 shares held	12,993,750	-	-	-	(12,993,750)	(12,993,750)	-
Interim dividend for the year ended September 30, 2010 @ Re. 1 per share	-	-	-	-	(12,993,750)	(12,993,750)	(12,993,750)
Interim dividend for the year ended September 30, 2010 @ Re. 0.75 per share	-	-	-	-	(9,745,524)	(9,745,524)	(9,745,524)
Interim dividend for the year ended September 30, 2010 @ Re. 0.75 per share	-	-	-	-	(10,720,098)	(10,720,098)	(10,720,098)
Profit for nine months ended Sep 30, 2010	-	-	-	-	150,958,728	150,958,728	150,958,728
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)	150,958,728	145,930,837	145,930,837
Balance as at Sep 30, 2010	142,931,250	63,281,250	85,000,000	1,069,962	230,131,897	379,483,109	522,414,359
Profit for the period ended Dec 31, 2010	-	-	-	-	109,569,674	109,569,674	109,569,674
Net gain on revaluation of available for sale investments	-	-	-	11,450,770	-	11,450,770	11,450,770
	-	-	-	11,450,770	109,569,674	121,020,444	121,020,444
Balance as at December 31, 2010	142,931,250	63,281,250	85,000,000	12,520,732	339,701,571	500,503,553	643,434,803

The annexed notes from 1 to 11 form an integral part of these financial statements.


Chief Executive Officer


Director

QUARTERLY REPORT 2010

Mehran Sugar Mills Limited

Notes to the Financial Statements

for the period ended December 31, 2010

1. THE COMPANY AND ITS OPERATIONS

Mehran Sugar Mills Limited was incorporated in Pakistan as a Public Limited Company on December 22, 1965 and its shares are quoted on Karachi Stock Exchange. The Company is principally engaged in the manufacture and sale of sugar.

2. BASIS OF PRESENTATION

These financial statements are un-audited and are being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the requirements of International Accounting Standard 34 'Interim Financial Reporting' as applicable in Pakistan.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted for the preparation of these quarterly financial statements are the same as those of the published annual financial statements for the year ended September 30, 2010.

4. OPERATING FIXED ASSETS

	Un-audited Dec 31, 2010	Audited Sep 30, 2010
Opening written down value	809,740,183	473,156,090
Additions during the year	41,967,927	385,832,451
	<u>851,708,110</u>	<u>858,988,541</u>
Written down value of disposal during the period	-	1,346,825
	<u>851,708,110</u>	<u>857,641,716</u>
Depreciation charged during the period	17,109,786	47,901,533
	<u>834,598,324</u>	<u>809,740,183</u>

4.1 CAPITAL WORK-IN-PROGRESS

Civil Works	9,154,829	8,621,318
Advance against supply of Plant & Machinery	59,116,379	29,592,002
	<u>68,271,208</u>	<u>38,213,320</u>

5. LONG TERM RECEIVABLE - UNSECURED

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.

Notes to the Financial Statements

for the period ended December 31, 2010

The case is currently pending in the Honorable High Court of Sindh for recording of evidences. While the Company's suit for recovery of compensation is pending in the Honorable High Court of Sindh, the GoS invited bids for sale of Thatta Sugar Mills through Sindh Privatization Commission but it could not succeed. The GoS is now trying to privatize it through the Federal Privatization Commission. The representative of the GoS has also admitted the fact that the mill was taken by Government without payment to the Company. During the year ended September 30, 2009, the Company has made provision against the aforesaid receivable as a matter of prudence and the fact that the debt is outstanding for a considerable period.

6. LONG TERM INVESTMENT - Associated Company

	Notes	Un-audited Dec 31, 2010	Audited Sep 30, 2010
Investment in related party	6.1	181,890,873	176,077,471

6.1 Represent investment made in Unicol Limited - an unquoted associated company 9,999,998 (2010: 9,999,998) ordinary shares of Rs. 10 each fully paid-up. The company holds 33% (2010: 33%) of the investee's total equity. The above investment is based on the results of the associate based on un-audited financial statements for the period ended December 31, 2010.

7. TRADE DEBTS - unsecured

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.

8. CONTINGENCIES & COMMITMENTS

CONTINGENCIES

There is no significant change in the contingencies since the last audited annual financial statements for the year ended September 30, 2010.

COMMITMENTS

Commitments in respect of capital expenditure as on December 31, 2010 amounted to Rs. ----- million (Sep 30, 2010: 65.873 million).

Commitments in respect of operating lease rentals for farms as on December 31, 2010 amounted to Rs.11.395 million (Sep 30, 2010: 7.84 million).

Notes to the Financial Statements

for the period ended December 31, 2010

	Notes	Un-audited Dec 31, 2010	Audited Dec 31, 2009
9. TRANSACTIONS WITH RELATED PARTIES			
Sales		4,368,071	61,423,007
Expenses shared		76,957	65,285
Insurance premium		5,961,804	3,842,085
Provident fund contribution		880,485	758,238
10. TAXATION			
Current		43,081,164	42,745,506
Deferred		201,583	2,257,997
		43,282,747	45,003,503

11. GENERAL

These financial statements were authorized for issue on January 28, 2010 by the Board of Directors of the Company.

Previous period figures have been rearranged/regrouped wherever necessary to facilitate comparison.

Figures have been rounded off to the nearest rupee.


Chief Executive Officer


Director

Q U A R T E R L Y R E P O R T 2 0 1 0

Mehran Sugar Mills Limited

Adamjee House, 8th Floor
I.I. Chundrigar Road
Karachi - 74000, Pakistan
Tel: +92-21 3241 7131 (4 Lines)
Fax: +92-21 3241 6477
E-mail: msm@mehransugar.com
Website: www.mehransugar.com

