19th ANNUAL REPORT 2009

CONTENTS

AL-ABBAS SUGAR Mills Limited

CORPORATE INFORMATION

BOARD OF DIRECTORS	Muhammad Iqbal Usman	Chairman
	Shunaid Qureshi	Chief Executive
	Asim Ghani	Director
	Duraid Qureshi	Director
	Munawar Alam Siddiqui	Director
	Muhammad Salman Husain Chawala	Director
	Suleman Lalani	Director
COMPANY SECRETARY	Khursheed Anwer	
CHIEF FINANCIAL OFFICER	Zuhair Abbas - ACA	
AUDIT COMMITTEE	Muhammad Iqbal Usman	Chairman
	Asim Ghani	Member
	Duraid Qureshi	Member
	Syed Muhammad Talha	Secretary
AUDITORS	Hyder Bhimji & Co.	Chartered Accountant
LEGAL ADVISOR	Usmani & Iqbal	Advocate & Solicitors
BANKERS	Al Baraka Islamic Bank	
	Allied Bank Limited	
	Bank Alfalah Limited	
	Bank Islami Pakistan Limited	
	Barclays Bank plc Pakistan	
	Habib Bank Limited	
	JS Bank Limited	
	KASB Bank Limited	
	MCB Bank Limited	
	Meezan Bank Limited	
	National Bank of Pakistan Limited	
	Standard Chartered Bank (Pakistan) Limited	
	United Bank Limited	
REGISTERED OFFICE	2nd Floor, Pardesi House, Survey No. 2/1, R.Y. 16, Old Queens Road, Karachi - 74000 Tel : 92-21-111-111-224 Fax : 92-21-32470090 Website : www.aasml.com	
SHARE REGISTRAR OFFICE	Technology Trade (Pvt.) Ltd. Dagia House, 241-C, Block-2, P.E.C.H.S., Off. Shahrah-e-Quaideen, Karachi.	
FACTORIES LOCATION	1) Mirwah Gorchani, Distt. Mirpurkhas, Sindh 2) Main National Highway, Dhabeji, Sindh	

VISION AND MISSION STATEMENT

Vision

AL-ABBAS SUGAR MILLS LIMITED is committed to earn reputation of a reliable manufacturer and supplier of good quality white refined sugar, industrial alcohol, medium density fiber board, calcium carbide and ferro-alloys in local and international markets.

Mission

- To be a profitable organization and to meet the expectations of our stakeholders.
- To become competitive in local and international markets by concentrating on quality of core products.
- To promote best use and development of human resources in a safe environment, as an equal opportunity employer.
- To use advance technology for efficient and cost effective operations.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 19th Annual General Meeting of Al-Abbas Sugar Mills Limited will be held at **Head Office of the Company, Pardesi House, Survey No. 2/1, R.Y.16, Old Queens Road, Karachi** on **Wednesday, January 27, 2010** at **4:00 p.m.** to transact the following business:

Ordinary Business

1. To confirm the minutes of the last Annual General Meeting of the shareholders of the Company held on January 31, 2009.
2. To receive, consider and adopt Annual Audited Financial Statements for the year ended September 30, 2009, together with the reports of the Auditors' and Directors' thereon.
3. To declare and approve a final cash dividend of Rs. 4 per share 40% for the year ended September 30, 2009.
4. To appoint auditors for the ensuing year, and to fix their remuneration.
   Messers Hyder Bhimji & Co., Chartered Accountants, retire and being eligible have offered them for re-appointment.
5. To elect seven (7) directors as fixed by the Board of Directors in accordance with the Companies Ordinance, 1984 for a term of three years commencing from January 28, 2010. The present directors are Mr. Muhammad Iqbal Usman, Mr. Shunaid Qureshi, Mr. Asim Ghani, Mr. Duraid Qureshi, Mr. Munawar Alam Siddiqui, Mr. Suleman Lalani and Mr. Muhammad Salman Husain Chawala.
6. To transact any other business with the permission of the chair.

By Order of the Board

Khursheed Anwer
Company Secretary

Karachi: January 6, 2009

Notes:

1. Share Transfer Books will be closed from January 20, 2010 to January 27, 2010 (both days inclusive).
2. All Members are entitled to attend and vote at the meeting. A Member may appoint a proxy who needs to be a Member of the Company.
3. The instrument appointing the proxy and the other authority under which it is signed, or a notarially certified copy thereof, must be lodged at the Company's Registered Office or Share Registrar Office at least 48 hours before the time of the meeting.
4. Any change of address of Members should be notified immediately to the Company's Share Department.

   CDC Account Holders will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan:

A. For Attending the Meeting:

i. In case of individuals, the account holder or sub-account holder whose securities and their registration details are uploaded as per the regulations shall authenticate his identity by showing his original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.

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

B. For Appointing Proxies:

i. In case of individuals, the account holder or sub-account holder whose securities and their registration details are uploaded as per the regulations shall submit the proxy form as per the requirement by the Company.

ii. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

iii. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

iv. The proxy shall produce his original CNIC or original passport at the time of the meeting.

v. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted along with proxy form to the Company.

DIRECTORS' REPORT

Your Board is pleased to submit the Annual Report along with the Audited Financial Statements for the year ended September 30, 2009.

FINANCIAL RESULTS:	2009	2008
	(Rupees in thousand)	
Profit before taxation	**337,120**	96,427
Taxation	**(54,688)**	(21,382)
Profit after taxation	**282,432**	75,045
Un-appropriated profit brought forward	**245,350**	170,305
Profit available for appropriation	**527,782**	245,350
Appropriations:		
Final dividend for the year ended 2008 @ 15%	**(26,043)**	-
Unappropriated profit carried forward to the balance sheet	**501,739**	245,350
Earnings per share (Rupees)	**16.27**	4.32

DIVIDEND

Your Board of Directors is pleased to recommend final cash Dividend of Rs. 4 per share of Rs.10 each (that is 40% dividend) for the year ended September 30, 2009.

OPERATING RESULTS

Details of operation in respect of Sugar, Distillery, Chemicals Division and other units are given as under:

SUGAR UNIT:

OPERATING DATA:

	2008-09	2007-08
Season:		
Crushing (M. Tons)	**513,887**	615,690
Recovery (%)	**10.28**	10.06
Sugar production (M. Tons)	**52,850**	61,965
Molasses production (M. Tons)	**26,390**	31,880
Number of days worked	**115**	146

FINANCIAL DATA:

	2009	2008
	(Rupees in thousand)	
Sales - Net	**2,079,127**	1,020,636
Cost of sales	**(1,706,809)**	(745,678)
Gross profit	**372,318**	274,958
Distribution cost	**(17,233)**	(48,734)
Segment result	**355,085**	226,224

The Sugar cane crushing season started on November 19, 2008 and the Company crushed 513,887 M.T. sugarcane up to March 15, 2009 as compared to 615,689 M.T. sugarcane in the previous year showing decrease of 19.81%. However, during the season under review, the recovery percentage improved to 10.28% from 10.06%.

During the season under review, the availability of sugarcane was lower due to reduction in area under cultivation. Due to shortage of sugarcane, there was unhealthy price competition between the sugar mills, thus raising the cost of production. This year due to lesser production of sugarcane in the country, it was predicted that price of sugarcane would go very high for the millers. To avoid this competitive situation, the millers were planning to import raw sugar but the price of the raw sugar in the international market is also very high and not viable to use it as alternative of sugarcane to produce sugar.

Despite of low cultivation of sugarcane on per hectare area of land during the year and short period of season days, your Company was able to manage crushing of 513,887 M.T. However, these results were made possible due to increased capacity, operational efficiencies and procurement of high quality sugarcane. The other significant factors contributing towards the profitability of the division was the increase in sale price of sugar, higher sales value of opening stock of sugar valued at cost from last year and increase in sucrose recovery.

DISTILLERY UNIT:

OPERATING DATA:

	2009	2008
Production (M. Tons) - Unit - I and II	**30,123**	46,932
Capacity attained (%) - Unit - I and II	**97**	99

FINANCIAL DATA:

	2009	2008
	(Rupees in thousand)	
Sales - Net	**1,688,425**	1,541,322
Cost of sales	**1,215,962**	1,130,024
Gross profit	**472,463**	411,298
Distribution cost	**68,355**	79,804
Segment result	**404,108**	331,494

The production of ethanol during the year ended September 30, 2009 was 30,123 M.T. as compared with 46,932 M.T. during previous year. The segment results of the division are Rs. 404.108 million during the year under review as against segment results of Rs. 331.494 million in the corresponding year. The increase in profit is largely attributable to appreciation of US$ against the Pak Rupees.

However, as usual your Company faced challenges due to scarce availability and increasing prices of molasses on account of manifold increase in number of distilleries in the Country. Further, due to the global economic meltdown, the Pakistan ethanol industry had a very difficult year. Demand for ethanol was grim thus led to slow sales and export orders for the time being. Almost all Pakistan's ethanol producers ran their plants at far below their capacity.

OTHER DIVISION

This unit produces calcium carbide, ferroalloys and allied products to cater the needs of entire country in general and in particular Pakistan Steel and other steel manufacturing units in Pakistan. This division is first of its kind in Pakistan to commercially produce various ferroalloys using mostly local raw materials and captive electric power. During the year under review, this division has produced 43,436 M.T. and sold 3,944 M.T of calcium carbide and ferroalloys. Our products fully conform to the international standards and are well accepted by the market and could cater the need of the entire country.

Medium Density Fibre board Division is under study to restore its production on efficient basis.

The Company has signed a Contract with the Karachi Electric Supply Company Limited (KESC) on October 23, 2009 for the sale of electrical energy from the existing 15MW coal fired power generation facility at Dhabeji unit. The term of the Contract is initially for a period of five (5) years from the date of commercial operation date extendable with mutual agreement of both the parties upon the expiry of the Contract. The power from the facility will be supplied to KESC through interconnection facilities which will be established by the Company between the power plant and KESC Dhabeji grid. The Company will commence the power supply to KESC upon completion of the interconnection facilities and commissioning of the power plant, the expected date is about first week of January, 2010.

FUTURE OUTLOOK

Sugar Division and Distilleries

The future outlook of your Company entirely depends on continuous availability of raw materials for its sugar division and distilleries. The procurement of raw materials for both Sugar and Ethanol remained a difficult task for the current season. As the crushing season is on full swing, the sugarcane prices have gradually shot up from Rs. 150 to Rs. 175 per maund in Sindh against the official rate of Rs. 102 amid stiff competition among the manufacturers to grab the maximum quantity.

During the current season, the Sugar industry across the country are paying higher price of sugarcane to growers, as the raw sugar price in the international market is not affordable. The government had allowed the millers to import raw sugar and was also considering lifting 25 percent import duty on its import to facilitate the millers to produce cost effective sugar but even if duties are lifted, the product is not affordable for the millers to import.

The future outlook of distillery entirely depends on continuous availability of good quality of molasses at reasonable prices. The Management is striving hard to acquire molasses at reasonable cost. The molasses prices are soaring internationally and its availability to local distilleries at reasonable price remains a challenging task ahead. The Government has imposed export duty on molasses in order to restrict its export and to ensure that sufficient quantity is available to the local distilleries to produce value added product ethanol for export.

Other Division

Our chemical division producing calcium carbide and ferroalloys has moderate future ahead because of lower cost of import from China and increased price of electricity, gas and hard coke (the basic raw material used in our products).

As a whole, your Company is well aware of the challenges being faced and would do its best to take all necessary measures to increase the production of all its divisions and overall profitability of the Company despite a daunting situation ahead.

ENTERPRISE RESOURCE PLANNING

During the year, the Company has successfully implemented the **ORACLE Enterprise Business Solutions (EBS)-** Enterprise Resource Planning (ERP) Solution. ORACLE EBS is a leading ERP in the world having market share equal to SAP. The Company has implemented five modules of financial and three modules of supply chain. The core advantages of the implementation of Oracle EBS is the adoption of world's best practices, highest level of integration among the modules, reduction in data redundancy and its input, timely availability of accurate information in terms of various off the shelf and customized reports for better decision making.

BOARD OF DIRECTORS

The Board of Directors is comprised of two executive and five non-executive directors. The current members of the Board of Directors have been listed in the Corporate Information.

During the year ended September 30, 2009, four meetings of the Board of Directors were held and were attended as follows:

Name of Directors	Number of meetings attended
Mr. Muhammad Iqbal - Chairman	03
Mr. Shunaid Quresh - Chief Executive	04
Mr. Asim Ghani - Director	04
Mr. Duraid Qureshi - Director	02
Mr. Munawar Alam Siddiqui - Director	03
Mr. Munaf Ibrahim - Director	01
Mr. Mudassir Iqbal - Director	01
Mr. Muhammad Salman Husain Chawala - Director	01
Mr. Suleman Lalani - Director	03

During the year, Mr. Munaf Ibrahim and Mr. Mudassir Iqbal have resigned and in their places Mr. Suleman Lalani and Mr. Muhammad Salman Husain Chawala co-opted by the Board to fill up the causal vacancies.

ELECTION OF DIRECTORS

The three years term of the offices of existing Board of Directors will be completed on January 27, 2010 and election of directors of the next term of three years to be held in the coming annual general meeting as per articles of association of the Company and section 171 and 178 of the Companies Ordinance, 1984. The Board has fixed the seven (7) numbers of Directors to be elected in the coming Board election.

CEO, Directors, CFO, Company Secretary and their spouses and minor children have made no transactions in the company's shares during the year.

AUDITORS

The retiring auditors, Messrs Hyder Bhimji & Co. Chartered Accountants being eligible, offer themselves for re-appointment. The Board of Directors, on recommendation of Audit Committee, has proposed appointment of M/s Hyder Bhimji & Co., Chartered Accountants for the year 2010-2011.

AUDIT COMMITTEE

The Board of Directors has established an Audit Committee in compliance with the Code of Corporate Governance with the following members:

Mr. Muhammad Iqbal Usman	Chairman	Non Executive Director
Mr. Duraid Qureshi	Member	Non Executive Director
Mr. Asim Ghani	Member	Executive Director

The Audit Committee reviewed the quarterly, half yearly and annual financial statements alongwith the related party transaction register before submission to the Board. The Audit Committee also reviewed internal auditor's findings and held separate meetings with internal and external auditors as required under the Code of Corporate Governance.

PATTERN OF SHAREHOLDING

Pattern of shareholding as on September 30, 2009 in accordance with the requirements of the Code of Corporate Governance and a statement reflecting distribution of shareholding is annexed to this report.

CORPORATE GOVERNANCE

The Directors are pleased to state that your Company has complied with the provisions of the Code of Corporate Governance as required by SECP which formed part of Karachi Stock Exchange's listing regulations.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

a) The financial statements prepared by the Management, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
b) The Company has maintained proper books of accounts.
c) Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
d) International Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements.
e) The system of internal control is sound in design and has been effectively implemented and monitored.
f) There are no doubts upon the Company's ability to continue as a going concern.
g) The Key financial data for the last six years is annexed with this report.
h) There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
i) The Company has not made payment against market committee fee since inception as it has been challenged in Honorable High Court of Sindh. However full provision has been made in the accounts for such liability.
j) The Company maintains Gratuity Fund for its employees. The value of fund is Rs. 29.576 million in the shape of investment as on September 30, 2009.

ACKNOWLEDGEMENT

The Company strongly believes that its success is driven by the commitment and dedication of its employees. We acknowledge the contribution of each and every staff member of the Company for significant contribution in delivering such a strong performance. We would also like to express our thanks to the customers for their trust in our products and look forward to their continued patronage. We also thank our shareholders, banks and financial institutions for their support, guidance and confidence reposed in our enterprise and stand committed to do our best to ensure full reward of their investment in the coming years. May Allah bless us in our efforts. Ameen!

On Behalf of the Board

Karachi:
January 5, 2010

SHUNAID QURESHI
Chief Executive

PATTERN OF SHAREHOLDING

AS ON SEPTEMBER 30, 2009

Number of Shareholders	Shareholding From	Shareholding To	Total Number of Shares Held
97	1	100	8,016
579	101	500	277,299
50	501	1,000	47,706
35	1,001	5,000	88,300
10	5,001	10,000	73,295
3	10,001	15,000	36,784
1	15,001	20,000	20,000
3	20,001	25,000	69,000
5	25,001	30,000	134,700
1	30,001	45,000	42,400
1	45,001	60,000	56,800
1	60,001	65,000	62,500
1	65,001	85,000	82,500
2	85,001	100,000	194,700
1	100,001	175,000	171,500
1	175,001	335,000	335,000
1	335,001	850,000	847,232
1	850,001	980,000	976,182
1	980,001	1,400,000	1,399,668
1	1,400,001	1,415,000	1,414,500
1	1,415,001	1,850,000	1,847,168
1	1,850,001	1,873,250	1,873,250
1	1,873,251	2,897,300	2,897,300
1	2,897,301	4,410,000	4,406,500
799			17,362,300

CATEGORIES OF SHAREHOLDERS

AS ON SEPTEMBER 30, 2009

Categories of Shareholders	Number of Shares Held	Percentage
Directors, Chief Executive Officer, and their spouses and minor children.	1,464,668	8.4359
Associated Companies, undertaking and related parties	11,786,332	67.8846
NIT and ICP	500	0.0029
Banks Development Financial Institutions, Non Banking Financial Institutions.	2,897,500	16.6885
Insurance Companies	NIL	NIL
Modarabas and Mutual Fund	3,200	0.0184
Share holders holding 10%	11,024,218	63.4951
General Public		
a. Local	978,800	5.6375
b. Foreign	26,600	0.1532
Others	204,700	1.1790

DETAIL OF SHAREHOLDERS CATEGORIES

		No. of Shares	Percentage
1	**Associated Companies , Undertakings and Related Parties**	**No. of Shares**	**Percentage**
	Mavesh & Jehangir Siddiqui Foundation	1,414,500	8.1470
	Jahangir Siddiqui Securities Services Ltd	82,500	0.4752
	Trustee Al-Abbas Sugar Mills Ltd	4,000	0.0230
	JS Value Fund Limited	335,000	1.9295
	Haji Abdul Ghani	4,406,500	25.3797
	Muhammad Ayub Younus Adhi	1,873,250	10.7892
	Ali Jehangir Siddiqui	1,847,168	10.6390
	Jahangir Siddiqui	976,182	5.6224
	Noor Jahan Hajiani	847,232	4.8797
		11,786,332	67.8846
2	**NIT and ICP**		
	Investment Corporation of Pakistan	500	0.0029
		500	0.0029
3	**Directors, CEO and their spouses and minor children**		
	Muhammad Iqbal Usman	500	0.0029
	Shunaid Qureshi	1,399,668	8.0615
	Asim Ghani	62,500	0.3600
	Duraid Qureshi	1,000	0.0058
	Munawar Alam Siddiqui	1,000	0.0058
		1,464,668	8.4359
4	**Public sector companies and corporation**		
		NIL	NIL
5	**Banks, Development Financial Institutions, Non- Banking Financial Institution, Insurance Companies, Modarabas and Mutual Fund**	**No. of Shares**	**Percentage**
	National Bank of Pakistan, Trustee Deptt	2,897,300	16.6873
	Bank of Khyber	200	0.0012
	Prudential Stocks Fund Limited	600	0.0035
	CDC-Trustee JS Large Cap. Fund	2,600	0.0150
		2,900,700	16.7069
6	**Shareholders holding ten percent or more voting interest in the Company**		
	Haji Abdul Ghani	4,406,500	25.3797
	Muhammad Ayub Younus Adhi	1,873,250	10.7892
	Ali Jehangir Siddiqui	1,847,168	10.6390
	National Bank of Pakistan-Trustee Department	2,897,300	16.6873
		11,024,218	63.4951

KEY FINANCIAL DATA

		2009	2008	2007	2006	2005	2004
Investment Measure							
Ordinary Share Capital	Rs. in ' 000 '	**173,623**	173,623	173,623	173,623	173,623	173,623
Reserves	Rs. in ' 000 '	**952,003**	696,167	628,305	478,784	526,007	462,576
Ordinary Shareholder's Equity	Rs. in ' 000 '	**1,125,626**	869,790	801,928	652,407	699,630	636,199
Dividend on Ordinary Shares	Rs. in ' 000 '	**69,449**	26,043	-	-	52,087	60,768
Dividend per Ordinary Share	Rs.	**4.00**	1.50	-	-	3.00	3.50
Profit Before Taxation	Rs. in ' 000 '	**337,120**	96,427	104,333	31,655	70,492	211,390
Profit After Taxation	Rs. in ' 000 '	**282,432**	75,045	149,521	4,864	63,431	233,518
Earnings per share of Rs. 10	Rs.	**16.27**	4.32	8.61	0.28	3.65	13.45
Measure of Financial Status							
Current Ratio	x : 1	**1.00**	1.18	0.92	1.09	1.16	1.08
Debt Equity Ratio	x : 1	**0.96**	1.35	0.97	0.26	0.32	0.46
Total Debt Ratio	x : 1	**0.42**	0.46	0.39	0.37	0.18	0.16
Number of Days Stock	In days	**100**	120	72	100	130	175
Measure of Performance							
Sales	Rs. in ' 000 '	**4,166,922**	2,757,639	2,726,337	2,338,670	1,723,522	1,308,263
Cost of Goods Sold as % of Sales	%	**81.15**	78.07	92.28	91.4	88.7	74.5
Profit Before Taxation as % of Sales	%	**8.09**	3.50	3.83	1.35	4.09	16.16
Profit After Taxation as % of Sales	%	**6.78**	2.72	5.48	0.21	3.68	17.85

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of AL-ABBAS SUGAR MILLS LIMITED (”the Company”) to comply with the Listing Regulation No. 35 (previously regulation No. 37) of the Karachi Stock Exchange (Guarantee) Limited where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, 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's personnel and review of various documents prepared by the Company to comply with the Code.

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

Further, Sub-Regulation (xiiia) of Listing Regulation No. 35 (previously regulation No. 37) notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 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 September 30, 2009.

Hyder Bhimji & Co

HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS
Engagement Partner.
Mohammad Hanif Razzak

Karachi:
January 05, 2010

STATEMENT OF COMPLIANCE WITH THE CODE OF CORRPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Listing Regulations No. 35 of The Karachi Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

1. The Board comprises of seven Directors including two Executive Directors. The Company encourages the representation of independent non-executive Directors on its Board. There are five non-executive Directors.

2. The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including Al-Abbas Sugar Mills Limited.

3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, DFI or NBFI or, being a member of a Stock Exchange, has been declared as a defaulter by that Stock Exchange.

4. Causal vacancies arose in the Board of Directors which was duly filled within 30 days.

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

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

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

8. The meetings of the Board were presided over by the Chairman. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated.

9. All the directors on the Board are fully conversant with their duties and responsibilities as directors of corporate bodies. The Company has also distributed to the Board Members copies of "Role of Directors under the Companies Ordinance, 1984 And The Code Of Corporate Governance" issued by the Institute of Chartered Accountants of Pakistan.

10. The Board has approved appointment of Company Secretary, Chief Financial Officer, and Head of Internal Auditors including their remuneration and terms and conditions of employment, as determined by the CEO.

11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

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

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

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

15. The Board has formed an Audit Committee. It comprises of three members, of whom two are non-executive directors. The Chairman is an independent non-executive director.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

17. The Board has set-up an effective Internal Audit function. This function is being performed by Head of Internal Audit and M/s. Shekha & Mufti, Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

18. The statutory Auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review 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 share of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by Institute of Chartered Accountants of Pakistan.

19. The statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the Auditors have confirmed that they have observed IFAC guidelines in this regard.

20. The related party transactions have been placed before the audit committee and approved by the Board of Directors with necessary justification for non arm's length transactions and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.

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

Karachi:
January 05, 2009

SHUNAID QURESHI
Chief Executive

AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of AL-ABBAS SUGAR MILLS LIMITED ("The Company") as at September 30, 2009 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion:

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

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

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

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

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

HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS
Engagement Partner.
Mohammad Hanif Razzak

Karachi:
January 05, 2010

BALANCE SHEET

AS AT SEPTEMBER 30, 2009

	Note	2009	2008
		(Rupees in thousand)	
ASSETS			
Non-current assets			
Property, plant and equipment	4	**2,315,634**	2,103,735
Intangible asset	5	**16,358**	-
Long term loans and advances	6	**4,899**	3,103
Long term deposits		**11,031**	11,026
Long term investments	7	**28,629**	29,182
		2,376,551	2,147,046
Current assets			
Stores, spare parts and loose tools	8	**201,760**	209,401
Stock-in-trade	9	**813,761**	1,036,195
Trade debts	10	**208,254**	37,997
Loans and advances	11	**75,440**	249,701
Trade deposits, short term prepayments and other receivable	12	**9,329**	5,448
Short term investment	13	**19,500**	17,250
Accrued mark-up		**196**	128
Tax refund due from government		**15,280**	17,129
Cash and bank balances	14	**12,504**	48,417
		1,356,024	1,621,666
Total assets		**3,732,575**	3,768,712
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized capital			
17,500,000 Ordinary shares of Rs. 10/each		**175,000**	175,000
Issued, subscribed and paid-up capital	15	**173,623**	173,623
Reserves	16	**952,003**	696,167
Shareholders' equity		**1,125,626**	869,790
Non-current liabilities			
Long term financing	17	**873,335**	1,075,000
Long term loan from related parties	18	**301,346**	395,070
Liabilities against assets subject to finance lease	19	**1,639**	3,295
Deferred liabilities	20	**74,460**	38,186
Current liabilities			
Trade and other payables	21	**595,044**	656,959
Accrued mark-up	22	**60,239**	63,958
Short term borrowings	23	**484,852**	558,526
Current maturity of non-current liabilities	24	**203,183**	95,077
Provision for taxation		**12,851**	12,851
		1,356,169	1,387,371
CONTINGENCIES AND COMMITMENT	25		
Total equity and liabilities		**3,732,575**	3,768,712

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

Shunaid Qureshi
Chief Executive

Asim Ghani
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Note	2009	2008
		(Rupees in thousand)	
Turnover	26	**4,166,922**	2,757,639
Cost of sales	27	**(3,381,353)**	(2,152,783)
Gross profit		**785,569**	604,856
Distribution cost	28	**(86,486)**	(129,488)
Administrative expenses	29	**(98,564)**	(79,116)
Other operating expenses	30	**(26,972)**	(159,458)
		(212,022)	(368,062)
Operating profit		**573,547**	236,794
Finance cost	31	**(271,735)**	(180,697)
Other operating income	32	**35,308**	40,330
Profit before taxation		**337,120**	96,427
Taxation	33	**(54,688)**	(21,382)
Profit after taxation		**282,432**	75,045
Earnings per share - basic and diluted in Rupees	34	**16.27**	4.32

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

Shunaid Qureshi
Chief Executive

Asim Ghani
Director

CASH FLOW STATEMENT

FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Note	2009	2008
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from / (used in) operations	40	**922,277**	(125,112)
Finance cost paid		**(275,454)**	(146,752)
Taxes paid		**(19,134)**	(32,852)
Net cash generated from / (used in) operations		**627,689**	(304,716)
Cash flows from investing activities			
Capital expenditure on property, plant and equipment		**(359,272)**	(342,759)
Addition to intangible asset		**(20,447)**	-
Proceeds from disposal of property, plant and equipment		**3,185**	1,210
Interest received		**1,385**	4,339
Dividend received		**2,005**	-
Long term investments		**-**	(36,365)
Decrease / (Increase) in long term loans and advances		**(1,797)**	2,223
Increase in long term deposits		**(5)**	(1,008)
Net cash used in investing activities		**(374,946)**	(372,360)
Cash flows from financing activities			
Repayment of long term loans		**(93,559)**	(757,807)
Proceeds from long term loans		**-**	1,150,000
Repayment of lease liabilities		**(1,656)**	(599)
Short term financing		**(73,674)**	279,522
Repayments of / proceeds from long term loans from related parties		**(93,724)**	15,245
Dividend paid		**(26,043)**	(10)
Net cash (used in) / generated from financing activities		**(288,656)**	686,351
Net (decrease) / increase in cash and cash equivalents		**(35,913)**	9,275
Cash and cash equivalents at beginning of the year		**48,417**	39,142
Cash and cash equivalents at end of the year	14	**12,504**	48,417

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

Shunaid Qureshi
Chief Executive

Asim Ghani
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Issued, subscribed and paid up capital	RESERVES					Total
		Revenue			Fair value reserve on remeasurement of available for sale investments	Total reserves	
		General Reserves	Unappr-opriated profit	Total Revenue Reserves			
	(Rupees in thousand)						
Balance as at October 01, 2007	**173,623**	**458,000**	**170,305**	**628,305**	**-**	**628,305**	**801,928**
Changes in equity for the year ended September 30, 2008							
Unrealized loss on available for sale investments	-	-	-	-	(7,183)	(7,183)	(7,183)
Profit for the year	-	-	75,045	75,045	-	75,045	75,045
Balance as at September 30, 2008	**173,623**	**458,000**	**245,350**	**703,350**	**(7,183)**	**696,167**	**869,790**
Changes in equity for the year ended September 30, 2009							
Final cash dividend for the year ended September 30, 2008 - Re. 1.5 per share	-	-	(26,043)	(26,043)	-	(26,043)	(26,043)
Unrealized loss on available for sale investments	-	-	-	-	(553)	(553)	(553)
Profit for the year	-	-	282,432	282,432	-	282,432	282,432
Balance as at September 30, 2009	**173,623**	**458,000**	**501,739**	**959,739**	**(7,736)**	**952,003**	**1,125,626**

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

Shunaid Qureshi
Chief Executive

Asim Ghani
Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

1 THE COMPANY AND ITS OPERATIONS

Al-Abbas Sugar Mills Limited - AASML ("the Company") was incorporated in Pakistan on May 2, 1991 as a public limited company under the Companies Ordinance, 1984. The Company is listed on the Karachi Stock Exchange. The registered office of the Company is situated at Pardesi House, Survey No. 2/1, R.Y.16. Old Queens Road, Karachi, Pakistan. The principal activities of the Company under following business segments / divisions comprises of :

S. No	Division	Principal Activities	Location of undertaking	Commencement of commercial production
1	Sugar	Manufacturing and sale of sugar	Mirwah Gorchani, Mirpurkhas	December 15, 1993
2	Distillery	Processing and sale of industrial alcohol	Mirwah Gorchani, Mirpurkhas	Unit I: August 20, 2000 Unit II: January 23, 2004
3	Calcium Carbide and allied products	Manufacturing and sales of calcium carbide and allied products	Dhabeji, Thatta.	November 1, 2006
4	Medium Density Fiber Board	Manufacturing and sales of Medium Density Fiber Board.	Dhabeji, Thatta.	April 1, 2007

2 BASIS OF PREPARATION

2.1 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 (IFRS) 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.

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention without any adjustments for the effect of inflation or current values, except for financial assets and liabilities which are carried at their fair values, certain employee benefits are based on actuarial valuation, impairment of assets, capitalization of borrowing cost, stock in trade which is valued at net realizable value, if it is less than the cost and property, plant and equipment of former Al-Abbas Industries Limited at fair value.

2.3 Standards, Interpretations and amendments to published approved accounting standards effective in 2008

IFRS 7 – Financial Instruments: Disclosures (effective for annual periods beginning on or after April 28, 2008) supersedes IAS 30 – Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS 32 – Financial Instruments: Disclosure and Presentation. The application of the standard did not have significant impact on the Company's financial statements other than increase in disclosures.

IAS 29 – Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after April 28, 2008). The Company does not have any operations in Hyperinflationary Economies and therefore the application of the standard did not affect the Company's financial statements.

IFRIC 13 – Customer Loyalty Programmes (effective for annual periods beginning on or after July 01, 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The application of IFRIC 13 did not affect the Company's financial statements.

IFRIC 14 – IAS 19- The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after January 01, 2008) clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on minimum funding requirements for such asset.

Other new standards, amendments and interpretations that are mandatory for accounting period beginning on or after October 1, 2008 are not considered relevant or do not have any significant effect on the Company's operations.

2.4 Standards, Interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning from the dates specified below are either not relevant to Company or are not expected to have significant impact on Company's financial statements other than increased disclosures in certain cases.

Standards or Interpretation	**Effective date (accounting periods beginning on or after)**
Revised IAS 1 - Presentation of financial statements	January 01, 2009
Revised IAS 23 - Borrowing costs	January 01, 2009
Amended IAS 27 - Consolidated and Separate Financial Statements	July 01, 2009
IAS 27 - Consolidated and separate financial statements	January 01, 2009
Amendments to IAS 32 - Financial instruments: Presentation and IAS 1 - Presentation of Financial Statements	July 01, 2009
Amendments to IAS 39 - Financial Instruments: Recognition and Measurement – Eligible hedged Items	January 01, 2009
Amendment to IFRS 2 - Share-based Payment – Vesting Conditions and Cancellations	January 01, 2010
Revised IFRS 3 - Business Combinations	July 01, 2009
IFRS 4 - Insurance Contracts	January 01, 2009
Amendment to IFRS 7 - Improving disclosures about Financial Instruments	January 01, 2009
IFRS 8 - Operating Segments	January 01, 2009
IFRIC 15 - Agreement for the Construction of Real Estate	October 01, 2009
IFRIC 17 - Distributions of Non-cash Assets to Owners	July 01, 2009
IFRIC 18 - Transfers of Assets from Customers	July 01, 2009

The International Accounting Standards Board made certain amendments to existing standards as part of its first annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Company’s 2010 financial statements.

The International Accounting Standards Board made certain amendments to existing standards as part of its Second annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Company’s 2010 financial statements.

2.5 Critical Accounting Estimates and Judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

Property, plant and equipment Note -3.1
Intangible Asset Note -3.2
Estimation of Net Realizable value for stock in trade Note -3.5
Income taxes Note -3.8
Staff retirement benefit Note -3.9
Loans and advances Note -11.2

2.6 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is also the Company's functional currency. All financial information presented in Pakistan rupees has been rounded to the nearest thousand.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

a) Operating fixed assets - owned

These are stated at cost less accumulated depreciation and accumulated impairment except for land, which is stated at cost.

Depreciation is charged, on a systematic basis over the useful life of the asset, on reducing balance method, which reflects the patterns in which the asset's economic benefits are consumed by the Company, at the rates specified in the relevant note. Assets residual value and useful lives are reviewed and adjusted appropriately at each financial year end. Depreciation on additions is charged from the month in which the assets are put to use while no depreciation is charged in the month in which the assets are disposed off.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized.

Gains or losses on disposals, if any, are included in income currently.

b) Accounting for leases

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased assets, are capitalized at the inception of the lease at the fair value of the leased assets 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. Finance charges are charged directly against income.

Depreciation is charged at rates and method used for similar assets, so as to depreciate the assets over their estimated useful life in view of ownership of the assets at the end of the lease term.

c) **Capital work in progress - owned**

Capital work in progress represents expenditures on fixed assets in the course of construction and installation. Transfers are made to relevant fixed assets category as and when assets are available for use. Capital work in progress is stated at cost.

3.2 Intangible asset

Intangible asset acquired by the Company are stated at cost less accumulated amortization and impairment losses, if any.

Subsequent expenditures

Subsequent expenditures on intangible asset are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure are expensed as incurred.

Amortization

Amortization is charged to the income statement on a straight line basis over the estimated useful life of intangible assets unless such life is indefinite. All intangible asset with an indefinite useful life are systematically tested for impairment at each balance sheet date. Amortization on addition to intangible asset is charged from the month in which an item is acquired or capitalized while no amortization is charged for the month in which the item is disposed off.

Impairment

Where the carrying amount of asset exceeds its estimated recoverable amount it is written down immediately to its recoverable amount.

3.3 Investments

a) **Long term investments**

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

b) **Investments in equity instruments of associated companies - 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 are classified as available for sale.

All investments in equity instruments of associated companies are initially recognized at cost, being the fair value of the consideration given including transaction cost associated with the investments. After initial recognition, investment classified as available for sale are remeasured at fair value.

Gain or losses on devaluation of available for sale investment are recognized in equity untill the investment is sold or otherwise dispose off, or untill the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in income.

c) **At fair value through profit or loss**

Investments are stated at fair value through profit or loss which are designated as such upon initial recognition. Subsequent to initial recognition, these investments are marked to market using the closing market rates and are carried on the balance sheet at fair value. Net gains and losses arising on changes in fair values of these investments are taken to the profit and loss account in the period in which these arise.

3.4 Stores, spare parts and loose tools

Stores and spare parts are valued at moving average cost while loose tools are recognised on actual cost. Items in transit are valued at cost comprising invoice value plus other directly attributable charges incurred thereon. Value of items is reviewed at each balance sheet date to record any provision for slow moving items and obsolescence.

3.5 Stock-in-trade

These are stated at the lower of weighted average cost and net realizable value.

Cost in relation to semi finished and finished goods represents cost of raw material and an appropriate portion of manufacturing overheads. Cost in respect of semi finished goods is adjusted to an appropriate stage of completion of process whereas cost of baggasse is taken equivalent to net realizable value.

Cost in relation to stock of molasses held by distillery acquired from outside sugar mills is valued at weighted average cost whereas the molasses transferred by the sugar division to distillery division are valued on the basis mentioned in the relevant note.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

3.6 Trade debts

Trade debts originated by the Company are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the amount is no longer probable. Bad debts are written off as incurred.

3.7 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise of cash and bank balances. The cash and cash equivalents are subject to insignificant risk of changes in value.

3.8 Taxation

a) Current

The Company falls under the final tax regime under Sections 154 and 169 of the Income Tax Ordinance, 2001, to the extent of direct export sales. Provision for tax on other income and local sales is based on taxable income at the rates applicable for the current tax year, after considering the rebates and tax credits available, if any.

b) Deferred

Deferred tax is provided by using the liability method, on all temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax assets are recognized only to the extent that it is probable that future profit will be available against which the assets can be utilized.

3.9 Staff retirement benefits

a) Defined benefit gratuity scheme

The Company operates an approved funded gratuity scheme (defined benefit plan) for all its employees who have completed the qualifying period under the scheme. Contributions are made to the fund in accordance with the actuarial recommendations. The most recent valuation in this regard was carried out as at September 30, 2009, using the Projected Unit Credit Method for valuation of the scheme. Actuarial gains/ losses exceeding 10 percent of the higher of projected benefit obligation and fair value of plan assets, at the beginning of the year, are amortized over average future service of the employees.

b) Employees compensated absences

The Company accounts for liability in respect of unavailed compensated absences for all its permanent employees, in the period of absence. Provision for liabilities towards compensated absences is made on the basis of last drawn basic salary.

3.10 Trade and other payables

Trade and other amounts payable are recognized initially at fair value and subsequently carried at amortized cost.

3.11 Foreign currency transaction

Transactions in foreign currencies are translated into reporting currency at the rates of exchange prevailing on the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates ruling on the balance sheet date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. Exchange differences on foreign currency translations are included in profit and loss account.

3.12 Financial instruments

a) Recognition

All the financial assets and financial liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. Any gains or losses on derecognizing of the financial assets and financial liabilities is taken to profit and loss account.

b) Offsetting

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

c) Derivative financial instruments

The Company use derivative financial instruments such as interest rate swap and cross currency swap to hedge its risk associated with interest and exchange rate fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from change in fair value of derivatives that do not qualify for hedge accounting are taken directly to profit and loss account.

3.13 Borrowing costs

Borrowing costs incurred on finance obtained for the construction of qualifying assets are capitalized up to date the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to the profit and loss account currently.

3.14 Provisions

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

3.15 Related party transactions

Transactions in relation to sales, purchases and services with related parties are made at arms length prices determined in accordance with the comparable uncontrolled price method except for the allocation of expenses such as electricity, gas, water, repair and maintenance relating to the head office, shared with associated companies, which are based on the advices received. The related parties comprise of entities over which the directors are able to exercise significant influence, entities with common directors, major shareholders, directors and key management employees.

3.16 Inter segment pricing

Transfer between business segment are recorded at net realizable value.

3.17 Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and government levies. The following recognition criteria must be met before revenue is recognized.

a) Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods to customers.

b) Return on bank deposits is recognized on a time proportion basis on the principal amount outstanding and the rate applicable.

c) Mark-up on grower loan is accounted for in line with the recovery of the respective loan due to exigencies involved in such matters.

3.18 Dividend and appropriation to reserves

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

3.19 Segment reporting

A business segment is a distinguishable component within a Company that is engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. The Company's primary format for segment reporting is based on business segments. In order to comply with the requirements of International Accounting Standard 14 "Segment Reporting" the activities of Company have been grouped into four segments of related products and services.

3.20 Impairment

The carrying amounts of the financial and non - financial assets are reviewed at each financial year end to determine whether there is any indication of impairment of any asset or a group of assets. If any such indication exists, the recoverable amount of that asset is estimated and impairment losses are recognized in the profit and loss account.

	Note	2009	2008
		(Rupees in thousand)	
4 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	**2,249,724**	1,756,340
Capital work in progress - CWIP	4.2	**65,910**	347,395
		2,315,634	2,103,735

4.1 Operating fixed assets

2009

	COST				ACCUMULATED DEPRECIATION			Written down value as at 30-09-2009	Rate of depreciation %
	As at 01-10-2008	Additions / (Deletions)	Transferred from CWIP	As at 30-09-2009	As at 01-10-2008	Charge for the year	As at 30-09-2009		
	(Rupees in thousand)								
Owned									
Free-hold land	26,557	-	-	26,557	-	-	-	26,557	-
Lease-hold land	51,000	-	-	51,000	-	-	-	51,000	-
Main factory building on free-hold land	346,252	-	36,726	382,978	115,412	23,891	139,303	243,675	10
Non-factory building	153,216	-	-	153,216	61,568	8,756	70,324	82,892	10
Plant and machinery	1,859,832	18,751	577,150	2,455,733	553,458	104,105	657,563	1,798,170	5 to 10
Furniture and fittings	6,615	368	-	6,983	3,075	364	3,439	3,544	10
Motor vehicles	44,567	6,077	-	45,030	24,178	4,357	25,061	19,969	20
	-	(5,614)	-	-	-	(3,474)	-	-	
Office equipment	28,869	291	-	29,160	11,174	1,705	12,879	16,281	10
Computers	2,186	1,394	-	3,580	305	795	1,100	2,480	10
Tools and tackles	4,268	-	-	4,268	2,906	249	3,155	1,113	10 to 20
	2,523,362	**26,881**	**613,876**	**3,158,505**	**772,076**	**144,222**	**912,824**	**2,245,681**	
Leased									
Vehicles	**5,405**	**-**	**-**	**5,405**	**351**	**1,011**	**1,362**	**4,043**	**20**
	2,528,767	**26,881**	**613,876**	**3,163,910**	**772,427**	**145,233**	**914,186**	**2,249,724**	
		(5,614)				**(3,474)**			

2008

	COST				ACCUMULATED DEPRECIATION			Written down value as at 30-09-2008	Rate of depreciation %
	As at 01-10-2007	Additions / (Deletions)	Transferred from CWIP	As at 30-09-2008	As at 01-10-2007	Charge for the year	As at 30-09-2008		
	(Rupees in thousand)								
Owned									
Free-hold land	27,129	(572)	-	26,557	-	-	-	26,557	-
Lease-hold land	51,000	-	-	51,000	-	-	-	51,000	-
Main factory building on free-hold land	336,208	10,044	-	346,252	90,483	24,929	115,412	230,840	10
Non-factory building	152,959	257	-	153,216	55,554	6,014	61,568	91,648	10
Plant and machinery	1,845,880	13,952	-	1,859,832	470,950	82,508	553,458	1,306,374	5 to 10
Furniture and fittings	6,191	424	-	6,615	2,697	378	3,075	3,540	10
Motor vehicles	38,464	6,103	-	44,567	19,879	4,299	24,178	20,389	20
Office equipment	24,548	4,321	-	28,869	9,611	1,563	11,174	17,695	10
Computers	1,420	766	-	2,186	170	135	305	1,881	10
Tools and tackles	4,268	-	-	4,268	2,566	340	2,906	1,362	10 to 20
	2,488,067	35,867	-	2,523,362	651,910	120,166	772,076	1,751,286	
Leased									
Vehicles	-	5,405	-	5,405	-	351	351	5,054	20
	2,488,067	41,272	-	2,528,767	651,910	120,517	772,427	1,756,340	
		(572)							

4.1.1 Reconciliation of carrying amount of operating fixed assets

Description	2009					
	Opening written down value	Additions	Transferred from CWIP	Deletion	Depreciation charge	Closing written down value
	(Rupees in thousand)					
Owned						
Free-hold land	26,557	-	-	-	-	26,557
Lease-hold land	51,000	-	-	-	-	51,000
Main factory building on free-hold land	230,840	-	36,726	-	23,891	243,675
Non-factory building	91,648	-	-	-	8,756	82,892
Plant and machinery	1,306,374	18,751	577,150	-	104,105	1,798,170
Furniture and fittings	3,540	368	-	-	364	3,544
Motor vehicles	20,389	6,077	-	2,140	4,357	19,969
Office equipment	17,695	291	-	-	1,705	16,281
Computers	1,881	1,394	-	-	795	2,480
Tools and tackles	1,362	-	-	-	249	1,113
Leased						
Vehicles	5,054	-	-	-	1,011	4,043
	1,756,340	**26,881**	**613,876**	**2,410**	**145,233**	**2,249,724**

Description	2008					
	Opening written down value	Additions	Transferred from CWIP	Deletion	Depreciation charge	Closing written down value
	(Rupees in thousand)					
Owned						
Free-hold land	27,129	-	-	572	-	26,557
Lease-hold land	51,000	-	-	-	-	51,000
Main factory building on free-hold land	245,725	10,044	-	-	24,929	230,840
Non-factory building	97,405	257	-	-	6,014	91,648
Plant and machinery	1,374,930	13,952	-	-	82,508	1,306,374
Furniture and fittings	3,494	424	-	-	378	3,540
Motor vehicles	18,585	6,103	-	-	4,299	20,389
Office equipment	14,937	4,321	-	-	1,563	17,695
Computers	1,250	766	-	-	135	1,881
Tools and tackles	1,702	-	-	-	340	1,362
Leased						
Vehicles	-	5,405	-	-	351	5,054
	1,836,157	**41,272**	**-**	**572**	**120,517**	**1,756,340**

4.1.2 The depreciation charged for the year has been allocated as follows:

	Note	2009	2008
		(Rupees in thousand)	
Cost of sales	27	**123,151**	95,450
Water, fuel and power	27 & 27.1	**13,601**	18,565
Administrative expenses	29	**8,481**	6,502
		145,233	120,517

4.1.3 The following assets were disposed off during the year:

Description	Cost	Accumulated depreciation	Witten down value	Sale Proceeds	Gain/ (Loss)	Mode of Disposal	Particular of Buyers
	(Rupees in thousand)						
Suzuki Bolan	369	221	148	225	77	Claim	EFU General Insurance Limited
Suzuki Cultus	608	373	235	475	240	Claim	EFU General Insurance Limited
Suzuki Cultus	590	362	228	400	172	Claim	EFU General Insurance Limited
Suzuki Baleno	703	445	258	400	142	Claim	EFU General Insurance Limited
Hyundai Shehzore	576	357	219	350	131	Negotiations	Owais Siddiqui - employee
Toyota Mark	2,693	1,667	1,026	1,300	274	Claim	EFU General Insurance Limited
Motorcycle	35	23	12	25	13	Negotiations	Ghulam Mustafa - employee
Jailing Bike	40	25	15	10	(5)	Negotiations	Ali Mohammad - employee
Total	**5,614**	**3,473**	**2,141**	**3,185**	**1,044**		

4.2 CAPITAL WORK IN PROGRESS - CWIP

Description	2009				2008			
	As at 01.10.2008	Addition	Transferred to fixed operating asset	As at 30.09.2009	As at 01.10.2008	Addition	Transferred to fixed operating asset	As at 30.09.2009
	(Rupees in thousand)							
Civil works								
Under construction	41,465	2,697	(33,824)	10,338	6,472	45,037	(10,044)	41,465
Borrowing cost capitalized	2,755	147	(2,902)	-	1,646	1,109	-	2,755
	44,220	**2,844**	**(36,726)**	**10,338**	8,118	46,146	(10,044)	44,220
Plant and machinery								
Process house	121,132	128,179	(249,311)	-	8,355	112,777	-	121,132
Mill House	9,145	162,194	(171,339)	-	639	8,506	-	9,145
Chemical Department	5,286	341	(5,627)	-	-	5,286	-	5,286
Economizer	925	-	(925)	-	925	-	-	925
Advances to Suppliers	136,517	-	(136,517)	-	-	136,517	-	136,517
Tank terminal	20,900	34,672	-	55,572	-	20,900	-	20,900
Borrowing cost capitalized	9,270	4,161	(13,431)	-	1,636	7,634	-	9,270
	303,175	**329,547**	**(577,150)**	**55,572**	11,555	291,620	-	303,175
Total	**347,395**	**332,391**	**(613,876)**	**65,910**	19,673	337,766	(10,044)	347,395

4.2.1 Average annualized rate of 1.25% (2008: 9%) of borrowing has been used for capitalization of borrowing cost.

5 INTANGIBLE ASSET

Description	Cost			Amortization			Written down value as on 30.09.2009	Written down value as on 30.09.2008
	As at 01.10.2008	Addition	As on 30.09.2009	As at 30.09.2009	Charge for the year	As on 30.09.2009		
	(Rupees in thousand)							
ERP System	**-**	**20,447**	**20,447**	**-**	**4,089**	**4,089**	**16,358**	**-**

5.1 Intangible asset is amortized at the rate of 20% per annum (2008: Nil)

		Note	2009	2008
			(Rupees in thousand)	
6	**LONG TERM LOANS AND ADVANCES - Considered good**			
	Secured			
	To employees - Other than Directors, Chief Executive and Executive	6.1	**4,134**	3,688
	Unsecured			
	To executives being key management personnel		**2,160**	2,600
		6.2	**6,294**	6,288
	Current portion of long term loans and advances	11	**(1,395)**	(3,185)
			4,899	3,103

6.1 The maximum aggregate amount of loans outstanding during the year is Rs. 2.6 million (2008: Rs.4.8 million)

		2009	2008
		(Rupees in thousand)	
6.2	Balance at beginning of the year	**6,288**	6,749
	Add: Loans disbursed during the year	**1,359**	2,689
		7,647	9,438
	Less: Recovery during the year	**(1,353)**	(3,150)
	Balance at end of the year	**6,294**	6,288

6.3 The above loans and advances are interest free and are given for purchase of vehicles and personal use. These loans and advances are secured against the retirement benefits and vehicles (in case of vehicle loan) of the respective employees and are within the limits of such securities.

		Note	2009	2008
			(Rupees in thousand)	
7	**LONG TERM INVESTMENTS**			
	Related parties - Associated Companies			
	Available for sale investments			
	Al-Abbas Cement Industries Limited (Holding 1.09%) 2,000,000 (2008: 2,000,000) ordinary shares of Rs. 10 each		**13,980**	13,100
	Eye Television Network Limited (Holding 0.81%) 405,000 (2008: 405,000) ordinary shares of Rs. 10 each		**14,649**	16,082
			28,629	29,182
8	**STORES, SPARE PARTS AND LOOSE TOOLS**			
	Stores		**91,810**	94,151
	Spare parts		**129,421**	132,721
	Loose tools		**516**	529
			221,747	227,401
	Provision for slow moving items and obsolescence	8.2	**(19,987)**	(18,000)
			201,760	209,401

8.1 During the year, certain dead and slow moving items have been reassessed valuing Rs. 1.987 million (2008: Rs. 2 million) and have been fully provided for.

		2009	2008
8.2	Balance at beginning of the year	**18,000**	16,000
	Provision made during the year	**1,987**	2,000
	Balance at end of the year	**19,987**	18,000

	Note	2009	2008
		(Rupees in thousand)	
9 STOCK-IN-TRADE			
Raw material			
Molasses	9.1	**72,124**	78,446
Calcium carbide		**23,035**	33,386
Ferro alloys	9.2	**98,793**	100,865
MDFB		**3,028**	4,820
		196,980	217,517
Work-in-process - Sugar		**1,717**	1,600
Finished goods			
Sugar	9.1	**389,841**	540,888
Rectified spirit	9.1	**171,501**	143,564
Calcium carbide	9.3	**1,317**	11,461
Ferro Silicon	9.3	**52,405**	97,959
MDFB		**-**	6,936
		615,064	800,808
Others - Baggasse		**-**	16,270
		813,761	1,036,195

9.1 Value of stock pledged as on the balance sheet date amounts to Rs.179.5 million (2008: Rs.278 million).

9.2 It includes stock in transit amounting to Rs.98.793 million (2008: Rs.79.213 million).

9.3 Stock in trade at September 30, 2009 includes stock items valued at net realizable value (NRV) as follows. The write down to NRV amounting to Rs. 53.060 million has been recognised in cost of goods sold:

	Cost	NRV
	(Rupees in thousand)	
Calcium carbide	**1,333**	1,317
Ferro Silicon	**105,449**	52,405
	106,782	53,722

	2009	2008
	(Rupees in thousand)	
10 TRADE DEBTS		
Considered good		
Secured (against letter of credit)	**167,627**	-
Unsecured	**40,627**	37,997
	208,254	37,997

10.1 No amount was receivable during the year from related parties.

	Note	2009	2008
		(Rupees in thousand)	
11 LOANS AND ADVANCES			
Current portion of long term loans and advances	6	**1,395**	3,185
Loan to growers - Unsecured	11.1		
Considered good		**10,671**	25,023
Considered doubtful		**10,245**	10,245
		20,916	35,268
Provision for loans considered doubtful	11.2	**(10,245)**	(10,245)
		10,671	25,023
Advances - Unsecured (considered good)			
To employees against salary	11.3	**27**	201
To employees against expense		**1,049**	1,066
To suppliers and contractors		**28,023**	131,529
Sales tax and excise duty		**29,712**	83,591
Against letter of credit		**4,563**	5,106
		63,374	221,493
		75,440	249,701

11.1 The rate of mark-up on such loans ranges up to 15% subject to final settlement with the respective grower.

During the year, Company has provided fertilizers / seeds to the grower which has been provided as advance and the Company has enforceable right to recover the same out of the cane supply from the said growers in the ensuing season.

	2009	2008
	(Rupees in thousand)	
11.2 Balance at the beginning of the year	**10,245**	13,465
Reversal / charge for the year	**-**	(3,220)
Balance at the end of the year	**10,245**	10,245

11.3 This represents interest free advances given to employees against current salary.

	Note	2009	2008
12 TRADE DEPOSITS, SHORT TERM PREPAYMENTS AND OTHER RECEIVABLE		(Rupees in thousand)	
Deposit against letter of credit		**-**	3,782
Prepayments		**180**	1,666
Other receivable	12.1	**9,149**	-
		9,329	5,448

12.1 It includes receivables in respect of cross currency and interest rate swap agreement amounting to Rs. 8.121 million (2008 : Nil).

	2009	2008
13 SHORT TERM INVESTMENT	(Rupees in thousand)	
Other than related parties		
At fair value through profit or loss - held for trading		
Fauji Cement Company Limited		
2,500,000 (2008:2,500,000) ordinary shares of Rs. 10 each	**19,500**	17,250

	Note	2009	2008
		(Rupees in thousand)	
14 CASH AND BANK BALANCES			
Cash in hand		**678**	1,566
Cash at bank			
Current accounts		**4,606**	1,623
Saving accounts	14.1	**7,220**	45,228
		11,826	46,851
		12,504	48,417

14.1 These carry mark-up ranging from 6% to 11% (2008: 0.5% to 5%)

15 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2009	2008		2009	2008
(Number of shares)			(Rupees in thousand)	
17,362,300	17,362,300	Ordinary shares of Rs. 10 each fully paid in cash	**173,623**	173,623

15.1 Number of shares held by the associates as on the balance sheet date are 1,836,000 (2008: 1,501,000).

16 RESERVES

It includes General Reserve amounting to Rs. 458 million (2008: Rs. 458 million) which represents accumulation made out of profits in past years and is kept in order to meet future exigencies.

17 LONG TERM FINANCING - Secured	Note	2009	2008
		(Rupees in thousand)	
From banking companies			
MCB bank Limited - Demand finance I	17.1	**-**	18,636
MCB bank limited - Demand finance II	17.2	**200,000**	200,000
KASB bank limited - Term finance	17.3	**200,000**	200,000
		400,000	418,636
Privately placed term finance certificates	17.4		
From banking companies and financial institutions		**297,018**	325,000
Others		**377,832**	425,000
		674,850	750,000
		1,074,850	1,168,636
Current maturity shown under current liabilities	24	**(201,515)**	(93,636)
		873,335	1,075,000

17.1 During the year, Company has repaid this long term loan. This represented the Demand Finance I from MCB Bank Limited against sanctioned limit of Rs. 205 million. It was secured against pari passu charge ranking with others on over all present and future fixed assets of the Company. It is repaid in 11 quarterly installments of Rs. 18.636 million each commencing from April 2006 . It carried mark-up at the rate of three months KIBOR plus 1.1% (2008: 1.1%) per annum payable quarterly.

17.2 This represents the Demand Finance II from MCB Bank Limited against sanctioned limit of Rs 200 million. It is secured against pari passu charge over fixed assets for Rs. 274 million. It is repayable in 22 quarterly installments of Rs. 9.090 million each commencing from June 2010. This carry mark-up at the rate of three months KIBOR plus 1.65% (2008: 1.65%) per annum payable quarterly.

17.3 This represent the term finance from KASB Bank Limited against the sanctioned limit of Rs. 200 million for the purpose of enhancement of crushing capacity. It carries mark up at the rate of 3 months KIBOR plus 1.5% (2008:1.5%) per annum payable quarterly. The finance is repayable in 24 equal installments each of Rs. 8.33 million commencing from October 2009 latest by July 2015. It is secured against first pari passu charge over the Company's fixed assets (including land, building and plant and machinery).

17.4 This represents 150,000 privately placed Term Finance Certificates (TFCs) having a face value of Rs. 5,000 each issued by the Company through M/s Allied Bank of Pakistan, the arranger. It carries mark up at the base rate of 6 months KIBOR plus 1.75%. It is secured by way of first pari passu hypothecation charge over all present and future fixed assets of the Company. TFCs will be redeemed in 10 equal bi-annual installments of Rs. 75 million each commencing from May 2009. The Company is entitled to exercise a call option by redeeming all or any part of outstanding TFCs before the maturity at least after two years of the issue date.

The Company has entered into cross currency and interest rate swap agreement against the TFCs with bank for notional amount of Rs.687.5 million (2008: Rs.750 million) maturing in March 2011. Under the swap arrangement the principal payable amount of Rs.687.5 million (2008: Rs.750 million) is swapped with US $ component at Rs. 83.52 (2008: Rs.62.7) making the loan amount to US $ 8.231 million (2008: US $ 11.962 million) which will be exchanged at the maturity of the swap agreement. Besides foreign currency component, the Company would receive 6 months KIBOR and pay 6 months LIBOR plus spread of 2.45% per annum, which will be settled semi-annually. As at the balance sheet date, the net fair value of interest rate and cross currency swap were Rs.8.121 million receivable from (2008: Rs. 73.920 million payable to) bank. The Company has the option of unwinding the agreement at any settlement date prior to Septermber 2010.

	Note	2009	2008
		(Rupees in thousand)	
18 LONG TERM LOANS FROM RELATED PARTIES			
From related parties - unsecured	18.1	**301,346**	395,070

18.1 This represents interest free and un-secured loan obtained from related parties, which is repayable at the convenience of the Company.

	Note	2009	2008
19 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		(Rupees in thousand)	
Minimum lease payments			
Not later than one year		**1,966**	1,966
Later than one year but not later than five years		**1,681**	3,647
		3,647	5,613
Mark -up			
Not later than one year		**298**	525
Later than one year but not later than five years		**54**	352
		352	877
Present value of minimum lease payments			
Not later than one year		**1,668**	1,441
Later than one year but not later than five years		**1,639**	3,295
		3,307	4,736
Current maturity shown under current liabilities	24	**(1,668)**	(1,441)
		1,639	3,295

19.1 The Company (lessee) has entered into finance lease arrangement with the Leasing Company (Lessor). The rate of 14.75% (2008: 14.75%) has been used as discounting factor being the rate implicit in the lease. The amount of future payments includes the amounts at which the Company has the option to purchase the assets. The Company intends to exercise its option to purchase the leased assets at their residual value upon completion of the lease periods.

		Note	2009	2008
			(Rupees in thousand)	
20	**DEFERRED LIABILITIES**			
	Market Committee fee	20.1	**40,755**	38,186
	Deferred taxation	20.2	**33,705**	-
			74,460	38,186

20.1 The Company has challenged the levy of market committee fee in the Honorable High Court of Sindh and filed a constitutional petition and has also obtained a stay order from the Honorable High Court. Pending the outcome of the petition, the Company has accounted for the levy as deferred liability as a matter of prudence.

		Note	2009	2008
20.2	**Deferred taxation**		(Rupees in thousand)	
	Taxable temporary differences			
	Accelerated tax depreciation		**329,142**	204,305
	Lease liabilities		**258**	111
			329,400	204,416
	Deductible temporary differences			
	Provision for growers		**(3,586)**	(3,586)
	Provision for obsolete stock		**(6,995)**	(6,300)
	Available tax losses		**(285,114)**	(211,055)
			(295,695)	(220,941)
			33,705	(16,525)
	Less: Deferred tax assets not recognized		**-**	16,525
			33,705	-
21	**TRADE AND OTHER PAYABLES**			
	Creditors		**393,549**	310,630
	Accrued liabilities		**10,313**	21,865
	Advances from customers		**147,533**	222,876
	Payable to employees gratuity fund	21.1.a	**10,587**	16,018
	Workers' profit participation fund	21.2	**18,105**	3,805
	Workers' welfare fund		**8,326**	1,446
	Unclaimed dividend		**1,069**	1,068
	Retention money		**1,842**	1,845
	Payable on cross currency and interest rate swap agreement	17.4	**-**	73,920
	Others		**3,720**	3,486
			595,044	656,959

21.1 Payable to employees gratuity fund

a) Movements in the (assets) / liabilities recognized in the balance sheet:

	2009	2008
Balance at the beginning of year	**16,018**	4,821
Charge for the year	**10,166**	12,697
Contributions made by the company during the year	**(15,597)**	(1,500)
Balance at the end of year	**10,587**	16,018

b) The following amounts have been charged to profit and loss account during the year

	2009	2008
Current service cost	**7,615**	6,756
Interest cost	**9,259**	5,000
Expected return on plan assets	**(6,708)**	(4,775)
Past service cost	**-**	5,716
	10,166	12,697

	2009	2008
	(Rupees in thousand)	

c) The amount recognized in the balance sheet is as follows:

	2009	2008
Present value of defined benefit obligation	**62,051**	66,138
Fair value of plan assets	**(54,446)**	(47,915)
Unrecognized actuarial gain / (loss)	**2,982**	(2,205)
	10,587	16,018

d) Actual return on plan assets

	2009	2008
Expected return on plan assets	**6,708**	4,775
Actuarial gain / (loss) on plan assets	**(7,902)**	(1,646)
Actual return on plan assets	**(1,194)**	3,129

e) Actuarial valuation of the plan was carried out by Numan Associates as of September 30, 2009 using the projected unit credit method. Principal actuarial assumptions used were as follows:

	2009	2008
Expected rate of salary increase in future years	**11%**	13%
Discount rate	**12%**	14%
Expected rate of return on plan assets during the year	**14%**	14%
Average expected remaining working life of employee	**7 years**	7 years

f) Charge for the year has been allocated as under:

	Note	2009	2008
		(Rupees in thousand)	
Cost of sales	27	**7,296**	11,356
Administrative expense	29	**2,870**	1,341
		10,166	12,697

g) Expected charge for the year 2009-10 is Rs. 10.090 million.

h) Present value of defined benefit obligations and fair value of plan assets.

	2009	2008	2007	2006	2005
	(Rupees in thousand)				
Present value of defined obligations at year end	**62,051**	66,138	55,558	47,995	37,506
Fair value of plan assets at year end	**54,446**	47,915	53,055	43,095	29,529
Net deficit	**7,605**	18,223	2,503	4,900	7,977

i) Experience adjustments:

	2009	2008	2007	2006	2005
	(Rupees in thousand)				
Experience adjustments arising on plan liabilities losses.	**13,089**	558	N/A	3,156	3,904
Experience adjustments arising on plan assets (gains) / losses.	**7,902**	(1,646)	N/A	5,123	1,381

		Note	2009	2008
			(Rupees in thousand)	
21.2	**Workers' profit participation fund**			
	Balance at beginning of the year		**3,805**	4,555
	Interest for the year	31	**203**	240
	Contribution made during the year		**18,105**	3,805
			18,308	4,045
			22,113	8,600
	Paid during the year		**(4,008)**	(4,795)
	Balance at end of the year		**18,105**	3,805
22	**ACCRUED MARK-UP**			
	Mark-up on			
	Long term financing		**45,698**	42,848
	Short term borrowing		**14,541**	21,110
			60,239	63,958
23	**SHORT TERM BORROWINGS**			
	From banking companies - secured			
	Cash / Running finances under mark-up arrangements	23.1	**448,854**	558,526
	Export finance under mark-up arrangements	23.2	**35,998**	-
			484,852	558,526

23.1 The aggregate finance facilities amounting to Rs.2.530 billion (2008: Rs. 1.545 billion) which have been arranged from various commercial banks. These are secured against hypothecation of inventories and receivables, pledged of stock and present and future fixed assets of the Company. These carry mark-up ranging from 1 to 3 months KIBOR plus 1% to 2.5% (2008: 1 to 3 months KIBOR plus 0.5% to 1.50%) per annum payable quarterly in arrears. At the year end, facilities amounting to Rs.2.081 billion (2008: Rs. 986 million) remained unutilized.

23.2 The Company has arranged foreign currency finance facility amounting to US$ 27.530 million (2008: US$ 6.076 million). Out of total facilities of US $27.530 million, US $20.798 million were sublimits of Running and Cash finance (refer note 23.1). As at year end, US $20.098 million remained unutilized. The facility has been obtained at the rate of 1 month LIBOR plus 1% to 3.5% (2008: 1 month LIBOR plus 3%) per annum payable quarterly.

23.3 The available facilities for opening letters of credit as at September 30, 2009 aggregate to Rs. 636.5 million (2008: Rs. 445.17 million) of which the amount unutilized as at September 30, 2009 was Rs. 528.152 million (2008: Rs. 323 million).

		Note	2009	2008
			(Rupees in thousand)	
24	**CURRENT MATURITY OF NON-CURRENT LIABILITIES**			
	Current portion of long term financing	17	**201,515**	93,636
	Current portion of lease liabilities	19	**1,668**	1,441
			203,183	95,077

25 CONTINGENCIES AND COMMITMENT

25.1 Contingencies

The Income Tax department has filed appeals before the Honorable Income Tax Appellate Tribunal for the accounting year 1999 and 2001 involving reduction of unabsorbed losses amounting to Rs. 33.350 million whereas departmental appeal in respect of accounting year 2000 has been decided in favor of the Company involving tax loss of Rs. 9.748 million against which the department is in appeal before the Supreme Court of Pakistan. Further, the issue of payment of tax u/s 12 (9A) of the repealed Income Tax Ordinance 1979 for the accounting year 2001 amounting to Rs. 12.846 million has been set aside by the ITAT for denovo proceeding. However, as a matter of prudence, the company has accounted for all liabilities arising from such assessments involving tax impact of Rs. 27.936 million.

During the year, bank guarantees of Rs. 106.5 million have been issued in favor of third parties

25.2 Commitment

Commitment in respect of capital expenditure and letters of credit amounts to Rs. 50 million (2008: Rs.130 miilion) and Rs. 1.848 million (2008: Rs. 122.170 million), respectively.

26 TURNOVER

	Note	2009	2008
		(Rupees in thousand)	
Gross sales			
Local		**2,907,345**	1,045,352
Export		**1,649,262**	1,863,650
		4,556,607	2,909,002
Less : Sales tax		**(389,685)**	(151,363)
		4,166,922	2,757,639

27 COST OF SALES

	Note	2009	2008
Cost of raw materials consumed		**2,836,928**	2,292,484
Stores and spare parts consumed		**105,276**	89,282
Salaries, wages and other benefits	21.1.f	**154,350**	119,496
Water, fuel and power	27.1	**143,390**	236,084
Packing materials		**27,398**	26,243
Other manufacturing expenses	27.2	**42,694**	33,700
Repairs and maintenance		**18,407**	15,204
Depreciation	4.1.2	**123,151**	95,450
		3,451,594	2,907,943
Work-in-process			
Opening		**1,600**	12,585
Closing		**(1,717)**	(1,600)
		(117)	10,985
		3,451,477	2,918,928
Less:			
Transfer price of molasses		**(197,250)**	(143,460)
Transfer price of baggasse		**(30,701)**	(50,886)
Sale of baggasse		**(27,917)**	(5,844)
		(255,868)	(200,190)
Cost of goods manufactured		**3,195,609**	2,718,738
Finished goods			
Opening		**800,808**	234,853
Closing		**(615,064)**	(800,808)
		185,744	(565,955)
Cost of sales		**3,381,353**	2,152,783

27.1 It includes depreciation amounting to Rs.13.601 million (2008: Rs. 18.565 million).

27.2 Other manufacturing expenses

	2009	2008
Security services	**8,011**	8,221
Printing and stationery	**204**	514
Vehicle running expenses	**6,530**	4,336
Insurance expenses	**14,557**	11,338
Traveling and conveyance	**4,252**	3,684
Communication charges	**1,159**	902
Fees and subscription	**2,139**	1,070
Newspaper and periodicals	**53**	51
Entertainment	**3,881**	2,513
Legal and professional charges	**455**	397
Miscellaneous expenses	**1,453**	674
	42,694	33,700

		Note	2009	2008
			(Rupees in thousand)	
28	**DISTRIBUTION COST**			
	Sugar bag handling expenses		**2,338**	2,723
	Export expenses		**68,122**	123,853
	Sales promotion expenses		**1,382**	2,912
	Marking fees		**14,644**	-
			86,486	129,488
29	**ADMINISTRATIVE EXPENSES**			
	Salaries, allowances and other benefits	21.1.f	**48,261**	36,125
	Rent, rates and taxes		**2,742**	1,971
	Communication charges		**3,199**	2,952
	Traveling and conveyance		**4,062**	2,922
	Printing and stationery		**895**	2,413
	Entertainment		**2,004**	1,953
	Consultancy charges		**-**	1,232
	Vehicle running expenses		**10,679**	9,461
	Repairs and maintenance		**2,155**	1,671
	Insurance		**184**	338
	Fees and subscription		**2,204**	1,928
	Legal and professional charges		**3,945**	3,081
	Auditors' remuneration	29.1	**640**	425
	Charity and donations	29.2	**263**	1,311
	Newspaper and periodicals		**71**	65
	Utilities		**2,735**	2,831
	Amortization of intangible assets		**4,089**	-
	Depreciation	4.1.2	**8,481**	6,502
	Miscellaneous expenses		**1,955**	1,935
			98,564	79,116
29.1	**Auditors' remuneration**			
	Hyder Bhimji and Co. - Statutory Auditors			
	Annual audit fee		**450**	250
	Half yearly review fee		**40**	40
	Other certification charges		**50**	50
	Out of pocket expenses		**10**	10
			550	350
	Haroon, Zakaria and Co. - Cost Auditors			
	Audit fee		**80**	70
	Out of pocket expenses		**10**	5
			90	75
			640	425

29.2 None of the directors or their spouses have any interest in any donee's fund.

	Note	2009	2008
		(Rupees in thousand)	
30 OTHER OPERATING EXPENSES			
Net loss on interest rate and cross currency swap			
Net exchange differences on cross currency swap		-	174,904
Net gain on interest rate swap		-	(25,572)
		-	149,332
Workers' profit participation fund		**18,105**	3,805
Workers' welfare fund		**6,880**	1,446
Provision for slow moving items and obsolescence		**1,987**	2,000
Net loss on remeasurement of fair value of investments		-	2,875
		26,972	159,458
31 FINANCE COST			
Mark up on:			
Long term financing		**180,376**	107,856
Short term borrowings			
Cash / Running finance		**66,573**	50,061
Export finance		**17,286**	13,399
		83,859	63,460
Liabilities against assets subject to finance leases		**594**	220
		264,829	171,536
Workers' Profit Participation Fund	21.2	**203**	240
Bank charges and guarantee commission		**6,703**	8,921
		271,735	180,697
32 OTHER OPERATING INCOME			
Income from financial assets			
Interest income on loan to growers		**749**	244
Income on saving accounts		-	107
Income from TDR		**704**	4,020
		1,453	4,371
Income from non financial assets			
Gain on disposal of fixed assets		**1,044**	638
Scrap sales		**837**	4,524
Exchange gain on exports		**7,755**	25,936
Dividend income		**2,005**	-
Gain on cross currency swap transaction		**17,069**	-
Gain on remeasurement of investment		**2,250**	-
Rental income		**1,027**	-
Sale of fusel oil		**838**	208
Income from Farm - net	32.1	**426**	491
Others		**604**	942
		33,855	32,739
Reversal of provision for loans to growers		-	3,220
		35,308	40,330
32.1 Income from Farm- net			
Income from Farm		**2,454**	1,860
Farm expenses		**(2,028)**	(1,369)
		426	491

32.2 Farm operation is a distinguishable business segment as per the criteria specified in International Accounting Standard - 14 "Segment reporting", but it is substantially below the threshold mentioned for reportable segments under IAS - 14, therefore, farm operation is not classified as reportable segment.

33 TAXATION

	2009	2008
	(Rupees in thousand)	
Current		
For the year	**20,983**	20,991
For prior year	**-**	391
	20,983	21,382
Deferred	**33,705**	-
	54,688	21,382

33.1 Relationship between tax expense and accounting profit

	2009	2008
Tax on income	**35.00%**	35.00%
Adjustment due to:		
- Effect of final tax regime of export sales	**-71.45%**	-89.70%
- Derecognition of tax losses	**46.45%**	77.28%
- Applicability of minimum taxation	**6.22%**	-
- Effect of prior year taxation	**-**	-0.41%
Average effective tax rate charged to profit and loss account	**16.22%**	22.17%

34 EARNINGS PER SHARE - BASIC AND DILUTED

	2009	2008
Profit after taxation - Rupees in thousand	**282,432**	75,045
Number of ordinary shares	**17,362,300**	17,362,300
Basic earnings per share - Rupees	**16.27**	4.32

34.1 Diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at September 30, 2009 and September 30, 2008 which would have any effect on the earnings per share if the option to convert is exercised.

35 REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	Chief Executive		Director		Executives		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	(Rupees in thousand)							
Managerial remuneration	**5,832**	5,832	**1,944**	1,944	**28,180**	14,876	**35,956**	22,652
Other allowances	**1,368**	1,368	**456**	456	**3,062**	1,488	**4,886**	3,312
Telephone	**255**	159	**24**	-	**163**	142	**442**	301
Retirement benefits	**606**	600	**202**	200	**2,969**	1,364	**3,777**	2,164
Total	**8,061**	7,959	**2,626**	2,600	**34,374**	17,870	**45,061**	28,429
No. of persons	**1**	1	**1**	1	**22**	15	**24**	17

35.1 Chief Executive and a director are provided with company maintained cars for the business and personal use and are also provided with mobile phone facility for the business and personal use.

35.2 Nineteen (2008: Twelve) executives of the Company are also provided with Company maintained cars for the business and personal use.

36. FINANCIAL INSTRUMENTS

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

- Credit risk
- Liquidity risk
- Market risk

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

36.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties fail completely to perform as contracted and arises principally from trade receivables. Out of the total financial assets of Rs. 297.566 million (2008: Rs. 156.078 million), the financial assets which are subject to credit risk amounted to Rs. 246.750 million (2008: Rs. 106.072 million).

To manage exposure to credit risk in respect of trade receivables, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Sales contracts and credit terms are approved by the Head of sales department. Where considered necessary, advance payments are obtained from certain parties. Sales made to major customers are secured through letters of credit. The management has set a maximum credit period of 30 days in respect of all divisions' sales to reduce the credit risk.

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

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

	2009	2008
	(Rupees in thousand)	
Long-term loans and advances	**6,294**	3,103
Long-term deposits	**11,031**	11,026
Trade debts	**208,254**	37,997
Trade deposits	**-**	3,782
Other receivable	**9,149**	-
Markup accrued	**196**	128
Bank balances	**11,826**	46,851
	246,750	102,887

Quality of financial assets

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

None of the customer of the Company has made a default in repayment during the past one year.

	2009	2008
	(Rupees in thousand)	
Bank balances		
With external credit rating		
AAA	**529**	510
AA+	**9,560**	45,154
AA	**935**	761
A+	**109**	55
A	**460**	295
	11,593	46,775
Without external credit rating	**233**	76
	11,826	46,851

All the trade debtors at the balance sheet date represent domestic and overseas parties.

The maximum exposure to credit risk before any credit enhancements for trade receivables at the reporting date by division is:

	2009	2008
	(Rupees in thousand)	
Sugar division	**26,185**	-
Distillery division		
Against sight letter of credits	**167,627**	-
Others	**5,814**	-
	173,441	-
Calcium carbide and ferro alloys	**6,256**	36,762
Medium density fiber board	**2,372**	1,235
	208,254	37,997

The aging of trade receivable at the reporting date is:

	2009	2008
Past due 1-30 days	**167,627**	15,997
Past due 30-150 days	**40,627**	22,000
Past due 150 days	**-**	-
	208,254	37,997

One of the major customer accounts for Rs. 167.627 million of the trade receivables carrying amount at September 30, 2009 (2008: NIL) that has a good track record with the Company.

Based on past experience the management believes that no impairment allowance is necessary in respect of trade receivables past due as some receivables have been recovered subsequent to the year end and for other receivables there are reasonable grounds to believe that the amounts will be recovered in short course of time.

36.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. In addition, the Company has obtained various financing facilities from commercial banks to meet any deficit, if required to meet the liquidity commitments. Based on the above, Management belives the Company is not exposed to liquidity risk.

The following are the contractual maturities of the financial liabilities, including estimated interest payments:

	2009					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years and over
	(Rupees in thousand)					
Financial Liabilities						
Long term loans	**1,376,196**	**1,765,379**	**173,289**	**203,826**	**323,372**	**1,064,892**
Liabilities against assets subject to finance lease	**3,307**	**3,670**	**1,007**	**1,966**	**697**	**-**
Trade and other payables	**595,044**	**595,044**	**200,426**	**394,618**	**-**	**-**
Accrued markup	**60,239**	**60,239**	**60,239**	**-**	**-**	**-**
Short term borrowings	**484,852**	**518,216**	**389,280**	**128,936**	**-**	**-**
	2,519,638	**2,942,548**	**824,241**	**729,346**	**324,069**	**1,064,892**

	2008					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years and over
	(Rupees in thousand)					
Financial Liabilities						
Long term loans	1,563,706	2,509,024	99,338	160,392	743,924	1,505,370
Liabilities against assets subject to finance lease	4,736	5,613	983	983	1,966	1,681
Trade and other payables	656,959	656,959	345,261	311,698	-	-
Accrued markup	63,958	63,958	63,958	-	-	-
Short term borrowings	558,526	602,568	602,568	-	-	-
	2,452,815	3,443,052	1,112,108	473,073	350,820	1,507,051

36.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments.

36.3.1 Currency risk

Foreign exchange risk represents the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises mainly from future economic transaction or receivables or payables that exist due to transactions in foreign exchange. The Company is exposed to currency risk on import of stores and spare parts and export of alcohol mainly denominated in US dollars. The Company's exposure to foreign currency risk for US Dollars is as follows:

	2009	2008
	(Rupees in thousand)	
Foreign debtors	**167,627**	-
Foreign creditors	**-**	740
Net exposure	**167,627**	(740)

The following significant exchange rate has been applied:

	Average rate		Reporting date rate	
	2009	2008	2009	2008
USD to PKR	**80.84**	66.39	**83.18**	78.20

Sensitivity analysis

At reporting date, if the PKR had strengthened by 10% against the US Dollar with all other variables held constant, post-tax profit for the year would have been lower by the amount shown below, mainly as a result of foreign exchange loss on translation of foreign debtors.

	2009	2008
	(Rupees in thousand)	
Effect on profit or loss		
US Dollars	**16,763**	666

The weakening of the PKR against US Dollar would have had an equal but opposite impact on the post tax profits.

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

36.3.2 Interest rate risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market yield/ mark up rates. Sensitivity to yield/ mark up rate risk arises from mismatches of financial assets and liabilities that mature or reprice in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. However as at year end the Company is exposed to yield/ mark up rate risk with respect to long term loans and advances and borrowings linked with Kibor.

At the reporting date the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	2009	2008	2009	2008
	Effective interest rate (in percent)		Carrying amount (Rupees in thousand)	
Financial liabilities				
Long term financing	**13.85 to 17.15**		**1,074,850**	1,168,636
Short term borrowings	**8.00 to 15.62**		**484,852**	558,526

Sensitivity analysis

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

	2009	2008
	(Rupees in thousand)	
As at 30 September 2009		
Cash flow sensitivity	**(1,205)**	1,205
As at 30 September 2008		
Cash flow sensitivity	**(1,279)**	1,279

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

36.3.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Company is exposed to price risk with respect to equity investment. Investment in associates is a strategic investment whereas other investments are monitored through continuous trend prevailing in the market.

A 10% increase / decrease in share prices at year end would have increased / decreased the Company's profit in case of held for trading investments and increase / decrease fair value reserve on re-measurement of available for sale investments as follows:

	2009	2008
	(Rupees in thousand)	
Effect on profit or loss	**1,950**	1,725
Effect on equity	**2,863**	2,918
Effect on investments	**4,813**	4,643

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

36.4 Fair value of financial instruments

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

36.5 Capital risk management

The Company’s objective when managing capital is to safeguard the Company’s ability to continue as a going concern in order to provide return for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares and take other measures commensuration to the circumstances. The Company finances its expansions projects through equity, borrowings and management of its working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

The Company monitors capital using a gearing ratio, which is net debt divided by total shareholders equity and sponsors loan plus net debt. Net debt is calculated as total loans and borrowings including any finance cost thereon, less cash and bank balances. The Company's strategy was to maintain leveraged gearing. The gearing ratios as at the balance sheet date are as follows:

		2009	2008
		(Rupees in thousand)	
Long term financing		**873,335**	1,075,000
Liabilities against assets subject to finance lease		**1,639**	3,295
Accrued mark-up		**60,239**	63,958
Short term borrowings		**484,852**	558,526
Current maturity of non-current liabilities		**203,183**	95,077
Total debt		**1,623,248**	1,795,856
Cash and bank balances		**(12,504)**	(48,417)
Net debt	A	**1,610,744**	1,747,439
Shareholders' equity		**1,125,626**	869,790
Long term loans from related parties		**301,346**	395,070
Total capital and reserves		**1,426,972**	1,264,860
Capital and net debt	B	**3,037,716**	3,012,299
Gearing ratio	(C=A/B)	**53.02%**	58.01%

	2009	2008
37 PLANT CAPACITY AND ACTUAL PRODUCTION		
Sugar Unit		
Capacity in M. Tons	**73,862**	80,702
Days	**115**	146
Production in M. Tons	**52,850**	61,965
Days	**115**	146
Distillery Unit		
Unit - I		
Capacity in M. Tons	**12,460**	23,450
Days	**178**	335
Production in M. Tons	**12,041**	22,989
Days	**178**	335
Unit - II		
Capacity in M. Tons	**18,690**	24,080
Days	**267**	344
Production in M. Tons	**18,082**	23,943
Days	**267**	344
Calcium Carbide and Ferro Alloys		
Capacity in M. Tons based on 320 days	**27,220**	27,220
Production in M. Tons	**3,436**	4,595
MDFB Unit		
Capacity in Sheets based on 320 days	**960,000**	960,000
Production in Sheets	**-**	106,446

37.1 Reasons for shortfall in capacity utilization

a) **Sugar**
Lesser availability of sugarcane is the main reason of shortfall in production of sugar.

b) **Distillery**
Lesser availability of molasses is the main reason of shortfall in production of rectified spirit.

c) **Calcium Carbide and Ferro Alloys**
Due to lesser demand of the product the plant operated accordingly.

d) **MDFB**
Due to high input cost and lesser demand the plant remained closed through out the year.

38 SEGMENT REPORTING

	2009					
	Sugar	**Distillery**	**Calcium Carbide & Ferro Alloys**	**MDFB**	**Total**	**2008**
			(Rupees in thousand)			
Sales	2,079,127	1,688,425	391,502	7,868	**4,166,922**	2,757,639
Segment results	355,085	404,108	(39,637)	(20,473)	**699,083**	475,368
Unallocated Corporate Expenses:						
Administrative expenses					**(98,564)**	(79,116)
Finance cost					**(271,735)**	(180,697)
Other operating expenses					**(26,972)**	(159,458)
Other operating income					**35,308**	40,330
Taxation					**(54,688)**	(21,382)
					282,432	75,045

		2009					
		Sugar	Distillery	Calcium Carbide & Ferro Alloys	MDFB	Total	2008
		(Rupees in thousand)					
	Other information:						
38.1	Segment assets	1,422,428	819,009	718,124	314,362	**3,273,923**	2,803,351
	Unallocated segment assets					**458,652**	965,361
						3,732,575	3,768,712
38.2	Segment liabilities	1,069,260	471,987	370,141	337,425	**2,248,813**	2,338,177
	Unallocated segment liabilities					**358,136**	560,745
						2,606,949	2,898,922
38.3	Capital expenditure	307,943	44,895	-	-	**352,838**	330,463
	Unallocated capital expenditure					**26,881**	17,631
						379,719	348,094
38.4	Depreciation	58,350	29,722	22,155	21,405	**145,233**	120,517
38.5	Non cash expenses other than depreciation		-	-	-	**-**	2,000

39 RELATED PARTY TRANSACTION

The related parties comprise associated undertakings, other related group companies, directors of the Company, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Amounts due to related parties are shown in under respective note to the financial statement. Remuneration of directors, chief executive and executives being the key management personnel are disclosed in relevant note. Transactions with related parties are as follows:

	2009	2008
	(Rupees in thousand)	
Purchase of cement	**1,763**	4,134
Sale of baggasse	**1,611**	208
Common sharing expenses incurred and reimbursed	**3,600**	2,400
Purchase of stores and spares	**1,088**	-
Dividend received	**2,005**	-
Contribution paid to employees gratuity fund	**15,597**	1,500
Purchase of shares through related party brokerage house	**-**	20,125
Loan (repayments) / received from related parties- sponsors	**(93,724)**	15,916

39.1 There were no transactions with the key management personnel other than under their terms of employment, which are disclosed in relevant note to the financial statements.

		Note	2009	2008
			(Rupees in thousand)	
40	**CASH GENERATED FROM OPERATIONS**			
	Profit before taxation		**337,120**	96,427
	Adjustment for:			
	Depreciation	4.1.2	**145,233**	120,517
	Amortization on intangible asset		**4,089**	-
	Reversal of provision for loan to growers	32	**-**	(3,220)
	Finance cost	31	**271,735**	180,697
	Income from financial assets	32	**(1,453)**	(4,371)
	Unrealized (gain) on investment	32	**(2,250)**	2,875
	Dividend income	32	**(2,005)**	-
	Gain on disposal of fixed assets	32	**(1,044)**	(638)
	Increase in market committee fee	20	**2,569**	3,079
			416,874	298,939
	Operating profit before working capital changes		**753,994**	395,366
	Decrease / (increase) in current assets			
	Stores, spare parts and loose tools		**7,641**	(33,353)
	Stock-in-trade		**222,434**	(652,124)
	Trade debts		**(170,257)**	105,972
	Loans and advances		**174,261**	(164,058)
	Trade deposits and short term prepayments		**(3,881)**	(600)
	Short term investment		**-**	(20,125)
			230,198	(764,288)
	Increase in trade and other payables		**(61,915)**	243,810
	Cash generated from / (used in) operations		**922,277**	(125,112)

41 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on January 5, 2009 by the Board of Directors of the Company.

42 CORRESPONDING FIGURES

Corresponding figures have been re-arranged / reclassified, whenever necessary, for the purpose of compliance , comparison and better presentation. Major changes made during the year are as follows;

Re-classified from	Re-classified to	Note	Rupees in thousand	Reason
Loans and advances	Capital work in progress	4.2	20,900	Correct presentation
Tax refund due from government	Loans and advances	11	83,591	Correct presentation

43 EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Company in their meeting held on January 5, 2009 has proposed a final cash dividend of Rs. 4 per share i.e. 40% for the year ended September 30, 2009.

44 General

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

Shunaid Qureshi
Chief Executive

Asim Ghani
Director

AL-ABBAS SUGAR Mills Limited

FORM OF PROXY

I/We...of
....in the district of..being a member of AL-ABBAS SUGAR MILLS LIMITED, holding...
shares, hereby appoint Mr./Mrs./Miss...of
....who is also a member of the Company, as my proxy to vote for me, and on my behalf at the 19th Annual General Meeting of the Company to be held at Pardesi House Survey No. 2/1, R.Y. 16, Old Queens Road, Karachi on Wednesday January 27, 2010 at 04:00 p.m. and at any adjournment thereof.

As witness given under my/our hand(s) ....day of 2010
Signed by the said..
In the presence of 1 ....
2 ....
2 ....
3 ....

(Witness's Signature)

(Member's Signature on Rs. 5.00 Revenue Stamp)

(Signature should agree with the specimen signature negotiated with the Company)

Share held ....
Shareholders folio No...............................
CDC A/c No...
CNIC No..

Note:-

1) The Proxy Form should be deposited at the Registered Office of the Company as soon as possible but not less than 48 hours before the time of holding the meeting and, on default, Proxy form will not be treated as valid.
2) No person can act as proxy unless he/she is member of the Company, except that a corporation may appoint a person who is not a member.
3) If a member appoints more then one proxy and more than one instrument of proxy is deposited by a member with a Company, all such instruments of proxies 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 name, address and CNIC number 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 original CNIC or original passport at the time of the meeting.
iv) In case of corporate entity, the Board of Director resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.