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## Company Information

<b>Board of Directors</b>	Asghar D. Habib Ali Raza D. Habib Muhammad Nawaz Tishna Murtaza H. Habib Farouq Habib Rahimtoola Amin Ali Abdul Hamid Imran A. Habib Raeesul Hasan	<i>Chairman</i>         <i>Chief Executive</i>
<b>Audit Committee</b>	Ali Raza D. Habib Amin Ali Abdul Hamid Imran A. Habib	Chairman Member Member
<b>Company Secretary</b>	Cawas R. Sethna	
<b>Registered Office</b>	4th Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi-75530 Phones : (+92-21) 35680036 - 5 Lines Fax : (+92-21) 35684086 www : habib.com/sugar E-mail : sugar@habib.com	
<b>Mills</b>	Nawabshah Phones : (+92-244) 360751 - 5 Lines Fax : (+92-244) 361314	
<b>Bankers</b>	Allied Bank of Pakistan Limited Bank AL Habib Limited Barclays Bank PLC, Pakistan Citibank N.A. First Women Bank Limited Habib Bank Limited Habib Metropolitan Bank Limited MCB Bank Limited Meezan Bank Limited National Bank of Pakistan Standard Chartered Bank (Pakistan) Limited United Bank Limited	
<b>Statutory Auditors</b>	Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants	
<b>Cost Auditors</b>	Hyder Bhimji & Co. Chartered Accountants	
<b>Share Registrars</b>	Corporate Management Services (Pvt) Ltd. 3rd Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi-75530 Phones : (+92-21) 35693741-42 Fax : (+92-21) 35693743	



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## **VISION STATEMENT**

We aim to be a leading manufacturer and supplier of quality sugar, ethanol, liquid carbon dioxide (CO<sub>2</sub>) and household textiles in local and international markets. We aspire to be known for the quality of our products and intend to play a pivotal role in the economic and social development of Pakistan.

## **MISSION STATEMENT**

As a prominent producer and supplier of sugar, ethanol, liquid carbon dioxide (CO<sub>2</sub>) and household textiles, we shall continue to strive to achieve excellence in performance and aim to exceed the expectations of all stakeholders. We target to achieve technological advancements to inculcate the most efficient, ethical and time tested business practices in our management.



## Statement of Ethics and Business Practices

The founders of Habib Sugar Mills Limited were visionaries who established the company on very sound principles and envisioned its development and growth on the basis of making no compromises in any aspects of business practices. The company takes pride in adherence to its principles and continues to serve its customers, stakeholders and society based on the following guidelines:

### Products

- To produce refined, high-grade sugar that is edible and hygienic and provides all the nutrition and food value at standards determined by the company, which would exceed industry norms and averages.
- To produce by-products and allied products including molasses, ethanol and liquid carbon dioxide (CO<sub>2</sub>).
- To diversify into other products such as home textiles thus consuming indigenous raw material and generating export earnings.

### Systems & Processes

- To regularly update and upgrade manufacturing systems and processes so as to keep abreast with technological advancements, achieve economies of production and transfer knowledge and skill to workers.
- To develop and maintain the technical and professional standards, standard operating procedures and stringent quality control measures with on-line quality assurance at every stage of manufacture.
- To continuously conduct product research and develop new products, while improving upon the existing products, using ideal additives and packaging material.
- To regularly maintain, replace and upgrade all machinery and equipment for smooth working, optimum output and ensure safe working in all production units.
- To maintain a smooth work-flow in all departments with an effective communication system contained within the framework of principles yet allowing the required degree of autonomy for efficient functioning.

### Management & Employees

- To employ only the appropriately suited human resource through the selection and recruitment process based on the commensurate qualifications and experience criteria without any non-professional considerations, without any bias or prejudice of race, cast, colour, creed or religious beliefs.
- To ensure that all management personnel are adequately qualified to perform management functions as assigned.
- To guide, direct and motivate employees to perform functions and to recognize and reward employees based on their performance outputs.
- To measure employee performance by a pre-determined criteria so as to be fair and equitable towards every single employee.
- To ensure that all employees work towards achievement of corporate objectives, individually and collectively as a team and conduct themselves at work and in society as respectable employees and responsible citizens.



- To regularly train all employees at all levels to improve their knowledge and skill and provide employees with a career path whereby they can seek a planned betterment in their professional and personal life.
- To ensure that all employees and management personnel strictly adhere to the company rules and regulations and observe the best codes of conduct and abide by all laws of Pakistan.
- To make timely payment of salaries, wages and all allowances and benefits to all employees in line with their terms.
- To ensure that all directors and employees of the company shall undertake such activities, whether personal or professional, that in no way conflicts with the interests of the company but contributes towards the betterment, development and growth of the organization in particular and the industry in general.

### **Financial**

- To implement an effective, transparent and secure financial reporting and internal control system so as to ensure compliance with regulatory factors as well as meet all obligations of payables and receivables and keep investors, shareholders and management fully aware.
- To ensure effective utilization of all company resources and plan and operate resource utilization in order to produce better results and generate better yields and facilitate timely decisions.
- To place a strict internal audit system to study, analyze, review and report all company earning and spending and enhance reliability of all financial information and build shareholders' confidence.
- To regularly prepare, as per pre-determined schedules, all financial reports and present accounts to the board for review and analysis and show trends based on company income, revenues and expenses and industry trends.
- To ensure cost effectiveness and purchase goods and services based on developed criteria, vendor assessment and market competitiveness and evaluate options on prices, terms, products / services, substitute available, prior to purchase.
- To ensure timely and proper payments as per negotiated terms to all suppliers and deduct applicable taxes so as to enhance corporate credibility and image.
- To maintain an excellent relationship with bankers and utilize banking facilities in a manner to benefit company whilst making proper use of funding and facilities available and ensuring no defaults.

### **Adherence to Law**

- The company shall at all times strictly adhere to all laws of the country and fulfill all statutory requirements and ensure timely, proper and full payment of all applicable taxes, rates, duties and / or any other levies as may be imposed from time to time.

### **Environment**

- The company shall use all means to ensure a clean, safe, healthy and pollution free environment not only for its workers and employees but for the well being of all people who live in and around any of the production and manufacturing units and employ such technology as may be beneficial in maintaining a healthy and hygienic working and living environment.

### **Planning**

- The company shall prepare an annual plan with clearly defined objectives, goals and strategies and implement those plans with a close watch on achievements and monitor, and control measures shall be built in to ensure achievement of objectives and enhancement of corporate image.



## Notice of Annual General Meeting

Notice is hereby given that the Forty-eighth Annual General Meeting of Habib Sugar Mills Limited will be held on Thursday, January 28, 2010 at 10.30 a.m. at Marriott Hotel, Abdullah Haroon Road, Karachi, to transact the following business:

### Ordinary Business

1. To receive and consider the audited financial statements, the Directors' report and the Auditors' report for the year ended September 30, 2009.
2. To approve payment of cash dividend @ 35% i.e. Rs. 1.75 per share of Rs. 5 each for the year ended September 30, 2009.
3. To approve issue of bonus shares as recommended by the Board of Directors and in this regard to pass the following Ordinary Resolutions.

“RESOLVED that a sum of Rs. 120,000,000 (Rupees one hundred twenty million) out of the current year's profit be capitalized and distributed by issuing 24,000,000 fully paid ordinary shares of Rs. 5 each as bonus shares in the proportion of 1 : 4 (one share for every four shares held) to those members whose names appear in the register of members at the close of business on January 14, 2010 and that the shares so distributed shall be treated for all purposes as an increase in the paid-up capital of the Company.

RESOLVED FURTHER that the bonus shares so distributed shall rank pari passu in all respects with the existing shares of the Company but shall not be eligible for the dividend declared for the year ended September 30, 2009.

RESOLVED FURTHER that in the event of any member holding shares which are not an exact multiple of four, the Directors be and are hereby authorized to consolidate all such fractions of bonus shares and sell in the stock market and to pay the proceeds of sale when realized to a charitable institution.

RESOLVED FURTHER that the Directors be and are hereby authorized and empowered to give effect to this resolution and to do or cause to be done all acts, deeds and things that may be necessary or required for the issue, allotment and distribution of 24,000,000 shares”.

4. To appoint auditors for the year ending September 30, 2010 and fix their remuneration.

### Special Business

5. To transact the following business viz, consideration and if thought fit, the passing of the following special resolution in respect of increase in Authorized Capital of the Company.

“RESOLVED that the figures and words “Rs. 500,000,000 (Rupees five hundred million) divided into 100,000,000 ordinary shares of Rs. 5 each” appearing in Clause V of the Memorandum of Association and in Article 4 of the Articles of Association of the Company be and are hereby substituted by the figures and words “Rs. 600,000,000 (Rupees six hundred million) divided into 120,000,000 ordinary shares of Rs. 5 each”.

Statement under Section 160 (1) (b) of the Companies Ordinance 1984 in respect of the special business to be considered at the meeting is being sent to the members along with a copy of this notice.

By order of the Board

**Cawas R. Sethna**  
Company Secretary

Karachi: December 16, 2009



**Notes:**

1. The Share Transfer Books of the Company will remain closed from Friday, January 15, 2010 to Thursday, January 28, 2010, both days inclusive.
2. A member entitled to attend and vote at this meeting is entitled to appoint another member of the Company as a proxy to attend and vote on his / her behalf. Proxies in order to be effective must be received at the Registered Office of the Company duly stamped and signed at least 48 hours before the time of meeting.
3. For identification, CDC account holders should present the participant's National Identity Card, and CDC Account Number.
4. Members are requested to notify any change in their addresses and their contact numbers immediately to the Company's Share Registrars, Messers. Corporate Management Services (Pvt.) Limited, Karachi.

**Statement Under Section 160 (1) (b) of the Companies Ordinance, 1984**

**Increase in Authorized Capital**

With the issuance of 25% Bonus Shares as proposed, the Paid-up Share Capital of the Company would increase to Rs. 600,000,000. Therefore, the present Authorized Share Capital of the Company needs to be increased to facilitate the issuance of proposed bonus shares. Accordingly, the Board of Directors, in their meeting held on December 16, 2009 has recommended to increase the Authorized Share Capital from Rs. 500,000,000 (Rupees five hundred million) to Rs. 600,000,000 (Rupees six hundred million) divided into 120,000,000 (One hundred twenty million) ordinary shares of Rs. 5 each. Increase in Authorized Share Capital will also necessitate amendments in Clause V of the Memorandum of Association and Article 4 of the Articles of Association of the Company.



## Six years' review at a glance

		2009	2008	2007	2006	2005	2004
<b>Sugar Division</b>							
Sugarcane crushed	M. Tons	780,578	1,264,619	710,965	536,644	496,026	916,222
Average sucrose recovery	%	9.87	9.73	9.00	9.75	9.23	9.25
Sugar produced	M. Tons	77,051	123,064	64,015	52,302	45,794	84,806
Raw sugar refined	M. Tons	-	-	2,989	29,561	19,000	-
Average sucrose recovery	%	-	-	95.70	95.41	95.59	-
Sugar produced	M. Tons	-	-	2,860	28,228	18,175	-
Total sugar produced	M. Tons	77,051	123,064	66,875	80,530	63,969	84,806
<b>Distillery Division</b>							
<b>Ethanol</b>							
Molasses processed	M. Tons	113,321	181,259	153,648	147,257	167,350	139,987
Average ethanol yield	%	19.18	19.64	19.27	17.87	16.83	19.45
Ethanol produced	M. Tons	21,739	35,607	29,608	26,322	28,173	27,228
<b>Liquid Carbon dioxide (CO<sub>2</sub>) produced</b>	M. Tons	2,643	-	-	-	-	-
<b>Textile Division</b>							
Yarn / Semi finished goods consumed	Kgs.	543,218	934,696	696,647	861,817	897,999	634,128
Average yield	%	98.40	98.10	98.37	99.41	97.59	95.40
Finished product	Kgs.	534,526	916,937	685,287	856,749	876,388	604,981
<b>Operating results – Consolidated</b>							
Sales / Rental income	Rs. '000	4,584,186	4,175,804	2,838,960	4,019,324	2,812,407	2,252,349
Cost of sales	Rs. '000	3,720,221	3,440,978	2,468,787	3,601,775	2,518,011	1,950,528
Gross profit	Rs. '000	863,965	734,826	370,173	417,549	294,396	301,821
Profit before taxation	Rs. '000	654,816	503,747	256,213	260,589	207,340	178,867
Profit after taxation	Rs. '000	489,816	403,747	216,213	215,589	162,340	143,867
<b>Shareholders' Equity</b>							
Paid-up capital	Rs. '000	480,000	360,000	288,000	216,000	162,000	162,000
Reserves	Rs. '000	1,973,660	1,670,464	1,691,672	1,347,067	1,044,311	786,189
Shareholders' equity	Rs. '000	2,453,660	2,030,464	1,979,672	1,563,067	1,206,311	948,189
Break-up value per share	Rupees	25.56	28.20	34.37	36.18	37.23	29.27
Adjusted earnings per share	Rupees	5.10	4.21	2.25	2.25	1.69	1.50
Return on equity	%	19.96	19.88	10.92	13.79	13.46	15.17
<b>Financial position - Assets</b>							
Fixed assets	Rs. '000	834,424	790,841	680,445	618,039	660,562	686,556
Long-term investments	Rs. '000	555,710	555,721	801,364	614,725	411,540	220,189
Long-term loans and deposits	Rs. '000	6,955	6,832	7,953	8,774	9,132	4,984
Current assets	Rs. '000	2,409,420	2,001,089	1,449,674	1,154,168	937,975	897,785
Total assets	Rs. '000	3,806,509	3,354,483	2,939,436	2,395,706	2,019,209	1,809,514
<b>Financial position - Liabilities</b>							
Non-current liabilities	Rs. '000	87,500	86,500	66,500	74,000	64,000	184,134
Current liabilities	Rs. '000	1,265,349	1,237,519	893,264	758,639	748,898	677,191
Total liabilities	Rs. '000	1,352,849	1,324,019	959,764	832,639	812,898	861,325
<b>Ratios</b>							
Current ratio		1.90	1.62	1.62	1.52	1.25	1.33
<b>Dividends</b>							
Cash	%	35	25	20	20	20	40
Bonus shares	%	25	33.33	25	33.33	33.33	-





## Directors' Report

Dear Members – Assalam-o-Alekum

On behalf of the Board of Directors, I am pleased to welcome you to the 48<sup>th</sup> Annual General Meeting and to have the privilege of presenting before you the Annual Report and the Audited Financial Statements of the Company for the year ended September 30, 2009.

### Financial Results

By the Grace of Allah, during the year under review, the operations of your Company resulted in a pre-tax profit of Rs. 654.8 million. The financial results for the year are as follows :

	(Rupees in thousands)
Profit before taxation	654,816
Less: Taxation	165,000
Profit after taxation	489,816
Un-appropriated profit brought forward	1,890
Profit available for appropriation	491,706
Appropriations:	
Proposed – Cash dividend @ 35% i.e. Rs. 1.75 per ordinary share of Rs. 5 each	168,000
– Fully paid bonus shares @ 25% i.e. in the ratio of one bonus share for every four ordinary shares held	120,000
– Transfer to general reserve	200,000
	488,000
Un-appropriated profit carried forward	3,706
Earnings per share – Basic and diluted	Rs. 5.10

### Performance Review

The division-wise performance is presented below:

#### Sugar Division

Crushing season 2008-09 commenced on November 18, 2008 and the plant operated upto March 17, 2009 for 120 days as against 171 days in the preceding season. Sugarcane crushed during the year was 780,578 M.Tons with average sucrose recovery of 9.87% and sugar production of 77,051 M.Tons, as compared with crushing of 1,264,619 M.Tons, with average sucrose recovery of 9.73% and sugar production of 123,064 M.Tons during the preceding season.



The minimum sugarcane support price for the crushing season 2008-09 was fixed by Government of Sindh at Rs. 81 per 40 kgs. In addition, sugar mills were also required to pay quality premium at the rate of paisas fifty for every 0.1 percent recovery in excess of the benchmark of 8.7%. However, in accordance with the notification whilst the matter was pending before the Supreme Court of Pakistan, the quality premium would remain suspended till the decision of the Hon'ble Supreme Court or consensus on a uniform formula be arrived at by the Ministry of Food, Agriculture and Livestock (MINFAL).

The availability of sugarcane during the season was lower due to reduction in area under cultivation and adverse climatic conditions including scarcity of water. Due to shortage of sugarcane, there was unhealthy price competition between the mills, thus raising the cost of production. However, on the other hand, one of the factors contributing towards the profitability of the division was the increase in the sale price of sugar to a realistic level.

The comparative statistics of operations are as under :

		2008-09	2007-08
Crushing duration	Days	120	171
Sugarcane crushed	M.Tons	780,578	1,264,619
Average sucrose recovery	%	9.87	9.73
Sugar production	M.Tons	77,051	123,064

The division made operating profit of Rs. 364.6 million during the year under review as compared with the operating profit of Rs. 211.6 million during the previous year.

During the year under review, the division's financial results were subject to cost audit under the Companies (Audit and Cost Accounts) Rules, 1998. The cost audit was conducted by Messrs. Hyder Bhimji & Co., Chartered Accountants who were recommended for appointment by the Board and duly approved by the Securities & Exchange Commission of Pakistan. The cost audit has been completed and the report received by the Company. The report is also to be submitted by the cost auditors to the Securities & Exchange Commission of Pakistan as required by the Companies (Audit of Cost Accounts) Rules, 1998.

### Distillery Division

The comparative statistics of the division's operations are given below:

		2008-09	2007-08
Ethanol			
Days of operation		316	337
Molasses processed	M.Tons	113,321	181,259
Ethanol production	M.Tons	21,739	35,607
Liquid Carbon dioxide (CO <sub>2</sub> )			
Days of operation		152	-
Liquid Carbon dioxide (CO <sub>2</sub> ) production	M.Tons	2,643	-

The production of ethanol during the year 2008-09 was 21,739 M.Tons as compared with 35,607 M.Tons produced during the previous year. The reduced production was on account of lesser availability of molasses as compared with the previous year.



The division made operating profit of Rs. 255.5 million during the year under review as against operating profit of Rs. 264.8 million during the previous year. The decrease in profit was on account of reduced volume of sale, low prices of ethanol in the international market and increase in the cost of raw material i.e. molasses.

By the Grace of Allah, the commercial production of liquid carbon dioxide (CO<sub>2</sub>) commenced successfully in mid March 2009 and upto September 30, 2009 2,643 M.Tons of liquid carbon dioxide (CO<sub>2</sub>) was produced resulting in operating profit of Rs. 16.4 million which is included in the Distillery division's profit.

### **Pollution Free Environment at Nawabshah**

The fly ash removal systems installed in the boilers of the mills continue to operate satisfactorily and the spread of black soot particles has been completely eliminated. At the same time, the slop treatment plant has fully eradicated the unpleasant smell from the distillery. By the grace of Allah, the successful operations of these projects have ensured a pollution free environment for the people of Nawabshah.

The project for clean development mechanism to reduce green house gas emissions from industrial waste water by replacing the existing anaerobic lagoons with aerobic treatment system is in progress and is likely to be completed in the near future.

### **Textile Division**

The production figures for the year 2008-09, in comparison with the previous year are given hereunder:

Year	Days of operation	Yarn / semi-finished goods consumed	Finished production
		Kgs.	Kgs.
2008-09	300	543,218	534,526
2007-08	300	934,696	916,937

During the year under review, the Textile division earned operating profit of Rs. 5.1 million as compared with operating profit of Rs.13.9 million during the previous year. The decrease in profit was on account of continued depressed conditions prevailing in the textile sector globally.

### **Trading Division**

During the year under review, the division made operating profit of Rs.17.9 million on account of molasses trading as compared with operating profit of Rs. 25.0 million during the previous year.

### **Future Prospects**

#### **Sugar Division**

The crushing for the year 2009-10 commenced on November 11, 2009 and upto December 15, 2009 total crushing was 153,845 M.Tons with average sucrose recovery of 9.07% and sugar production of 13,948 M.Tons including stock in process.

The Government of Sindh has issued a notification on September 25, 2009, fixing the minimum sugarcane support price at Rs.102 per 40 kgs. for the crushing season 2009-10. In addition, sugar mills in Sindh under the above notification are also required to pay quality premium at the rate of paisas fifty for every 0.1 percent recovery in excess of the benchmark of 8.7%. However, in accordance with the said notification while the matter is still pending with the Supreme Court of Pakistan, the quality premium shall remain suspended till the decision of the Hon'ble Supreme Court or consensus on uniform formula is arrived at by the Ministry of Food, Agriculture and Livestock (MINFAL).



The mill is currently operating at 50% of its capacity due to reduced supply of sugarcane. The growers are demanding much higher prices over and above the minimum support price of Rs.102 per 40 kgs. fixed by the Government of Sindh. Due to shortage in sugarcane availability and supply, there is a serious price war going on amongst the mills. In light of the prevailing situation, the Company is also procuring sugarcane at higher rates. This will result in substantial increase in the cost of production. Unless there is a corresponding increase in the sugar selling price, the profitability of the division may be affected.

### **Distillery Division**

The production of ethanol in the year 2009-10 upto December 15, 2009 was 2,128 M.Tons.

Availability of molasses during 2009-10 is again expected to be lower in view of the reduced sugarcane crop and consequently the prices of molasses will be higher as compared with the previous year.

It is expected that production and recovery of ethanol will, Inshallah, be maintained at around the same levels as compared with the previous year. The price of ethanol in the international market has not increased as compared with the increase in molasses price. This mismatch in cost and selling price of ethanol is likely to have an impact on the profitability of the division.

The liquid carbon dioxide (CO<sub>2</sub>) unit is at present performing below its rated capacity due to supply and demand gap. Vigorous efforts are being made by the management to achieve increase in market share so that the unit is operated at optimum level.

### **Textile Division**

The slump in the international market continues resulting in reduction in sale volume. However, efforts are being made to explore additional export markets to achieve sale volume and profitability.

### **Audit Committee**

The Audit Committee comprises of the following members:

Mr. Ali Raza D. Habib	Chairman
" Amin Ali Abdul Hamid	Member
" Imran A. Habib	Member

### **Auditors**

The Audit Committee has recommended to consider the re-appointment of Messrs. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, as auditors of the Company for the ensuing year.

The auditors Messrs. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, retire and being eligible offer themselves for re-appointment.



## Statement on Corporate and Financial Reporting Framework

1. The financial statements, prepared by the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. Proper books of account of the Company have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of the financial statements, changes if any have been adequately disclosed and accounting estimates are based on reasonable and prudent judgement.
4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and departure therefrom if any, has been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the company's ability to continue as a going concern.
7. There has been no material departure from the best practices of the corporate governance, as detailed in the listing regulations.
8. Key operating and financial data for last six years in summarized form is given on page 8.
9. Information about the taxes and levies is given in the notes to the financial statements.
10. Value of investments including profit accrued thereon and balances in deposit / current accounts of Provident Fund and Gratuity Fund as at September 30, 2009 were as follows :

	Rs. '000
Provident Fund	194,128
Gratuity Fund	48,718

11. During the year four board meetings were held and the attendance by each Director was as follows:

Name of Director	Number of meetings attended
Mr. Asghar D. Habib	3
" Ali Raza D. Habib	1
" Muhammad Nawaz Tishna	3
" Murtaza H. Habib	4
" Farouq Habib Rahimtoola	3
" Amin Ali Abdul Hamid	4
" Imran A. Habib	4
" Raeesul Hasan	4

12. The pattern of shareholding and additional information regarding pattern of shareholding is given on pages 52 and 53.



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13. The Directors, CEO, CFO, Company Secretary and their spouses and minor children did not carry out any trade in the shares of the Company.

**General**

The directors place on record their appreciation of the devoted services and hard work put in by the officers, staff and workers of the Company.

On behalf of the Board of Directors

**Asghar D. Habib**  
*Chairman*

Karachi: December 16, 2009



## **Statement of Compliance with the best practices of Code of Corporate Governance**

### **Year Ended September 30, 2009**

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

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

1. The Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board includes three independent non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI / NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the current year.
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. Particulars of significant policies have been maintained and amended / updated from time to time.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose. The Board met at least once in every quarter. Written notices of the meetings, along with the working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Directors are well conversant with the listing regulations, legal requirements and operational imperatives of the Company, and as such are fully aware of their duties and responsibilities.
10. The Chief Financial Officer / Company Secretary was appointed prior to the enforcement of the Code of Corporate Governance. Appointment of Head of Internal Audit was made after the enforcement of the Code of Corporate Governance and was approved by the Board. Their remuneration and terms and conditions of employment, as determined by the CEO has also been approved by the Board.
11. The Directors' report for the year has been prepared in compliance with the requirements of the Code and 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 including the chairman of the committee.
16. The meetings of the audit committee were held atleast once in every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The related party transactions have been placed before the audit committee and approved by the Board of Directors to comply with the requirements of listing regulations of the Karachi and Lahore Stock Exchanges.
20. 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.
21. We confirm that all other material principles contained in the Code have been complied with.

Karachi: December 16, 2009

**Asghar D. Habib**  
*Chairman*

## **Statement of Compliance with the best practices on Transfer Pricing for the year ended September 30, 2009**

The Company has fully complied with the best practices on Transfer Pricing as contained in the respective listing Regulations of the Karachi and Lahore Stock Exchanges.

Karachi: December 16, 2009

**Raeesul Hasan**  
*Chief Executive*





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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Habib Sugar Mills Limited** (the Company) to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange (Guarantee) Limited and chapter XIII of the Lahore Stock Exchange (Guarantee) Limited where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form and opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

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

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

*Ernst & Young Ford Rhodes Sidat Hyder*

**Ernst & Young Ford Rhodes Sidat Hyder**  
Chartered Accountants

Karachi: December 16, 2009



## Auditors' Report to the Members

We have audited the annexed balance sheet of **Habib Sugar Mills Limited** 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 a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that :

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 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.

*Ernst & Young Ford Rhodes Sidat Hyder*

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

Karachi: December 16, 2009



## Balance Sheet as at September 30, 2009

	Note	2009 (Rupees in thousands)	2008
<b>Assets</b>			
<b>Non-Current Assets</b>			
Fixed assets			
Property, plant and equipment	3	834,424	790,841
Long-term investments	4	555,710	555,721
Long-term loans	5	4,019	4,198
Long-term deposits		2,936	2,634
<b>Current Assets</b>			
Stores and spares	6	58,386	59,625
Stock-in-trade	7	211,039	438,221
Trade debts	8	353,397	403,763
Loans and advances	9	168,490	339,277
Trade deposits and short-term prepayments	10	7,904	9,509
Profit accrued on bank deposits		9,223	4,028
Other receivables	11	5,314	10,129
Cash and bank balances	12	1,595,667	736,537
		2,409,420	2,001,089
<b>Total Assets</b>		<u>3,806,509</u>	<u>3,354,483</u>
<b>Equity and Liabilities</b>			
<b>Share Capital and Reserves</b>			
Share Capital			
Authorised			
100,000,000 (2008: 80,000,000) Ordinary shares of Rs. 5 each		500,000	400,000
Issued, subscribed and paid-up capital	13	480,000	360,000
Reserves	14	1,506,706	1,226,890
Unrealised gain on long-term investments - available for sale		466,954	443,574
		1,973,660	1,670,464
		2,453,660	2,030,464
<b>Non-Current Liabilities</b>			
Deferred taxation	15	87,500	86,500
<b>Current Liabilities</b>			
Trade and other payables	16	774,314	770,525
Short-term borrowings	17	426,000	465,156
Accrued mark-up on short-term borrowings	18	4,635	675
Provision for income tax - net	19	60,400	1,163
		1,265,349	1,237,519
<b>Contingencies and Commitments</b>	20		
<b>Total Equity and Liabilities</b>		<u>3,806,509</u>	<u>3,354,483</u>

The annexed notes 1 to 37 form an integral part of these financial statements.

  
**Raeesul Hasan**  
 Chief Executive

  
**Murtaza H. Habib**  
 Director



## Profit and Loss Account for the year ended September 30, 2009

	Note	2009 (Rupees in thousands)	2008
Net sales and services	21	4,584,186	4,175,804
Cost of sales	22	3,720,221	3,440,978
<b>Gross Profit</b>		863,965	734,826
Distribution and marketing expenses	23	(141,118 )	(146,702 )
Administrative expenses	24	(79,678 )	(72,698 )
Other operating expenses	25	(49,287 )	(37,916 )
Impairment on long-term investments - available for sale		(27,134 )	(24,892 )
Other operating income	26	26,258	61,127
		(270,959 )	(221,081 )
<b>Operating Profit</b>		593,006	513,745
Finance income / (cost) - net	27	61,810	(9,998 )
<b>Profit before taxation</b>		654,816	503,747
Taxation	28	(165,000 )	(100,000 )
<b>Profit after taxation</b>		489,816	403,747
<b>Earnings per share - Basic and diluted (Rupees)</b>	29	5.10	(Restated) 4.21

The annexed notes 1 to 37 form an integral part of these financial statements.

  
**Raeesul Hasan**  
 Chief Executive

  
**Murtaza H. Habib**  
 Director



## Statement of Changes in Equity for the year ended September 30, 2009

	Issued subscribed and paid-up Capital	Reserves			Unrealised gain / (loss) on long-term investments available for sale	Total
		Capital Reserve	General Reserve	Unappro- priated profit		
(Rupees in thousands)						
<b>Balance as on October 1, 2007</b>	288,000	34,000	701,000	217,743	738,929	1,979,672
Cash dividend for 2007 @ 20%	-	-	-	(57,600)	-	(57,600)
Issue of bonus shares for 2007@ 25%	72,000	-	-	(72,000)	-	-
Transfer to general reserve	-	-	85,000	(85,000)	-	-
Unrealised gain realised on disposal of long-term investments	-	-	-	-	(163)	(163)
Unrealised loss due to change in fair values of long-term investments recognised directly in equity	-	-	-	-	(295,192)	(295,192)
	-	-	-	-	(295,355)	(295,355)
Profit after taxation for the year ended September 30, 2008	-	-	-	403,747	-	403,747
<b>Balance as on September 30, 2008</b>	360,000	34,000	786,000	406,890	443,574	2,030,464
Cash dividend for 2008 @ 20%	-	-	-	(90,000)	-	(90,000)
Issue of bonus shares for 2008 @ 33.33%	120,000	-	-	(120,000)	-	-
Transfer to general reserve	-	-	195,000	(195,000)	-	-
Unrealised gain due to change in fair values of long-term investments recognised directly in equity	-	-	-	-	23,380	23,380
Profit after taxation for the year ended September 30, 2009	-	-	-	489,816	-	489,816
<b>Balance as on September 30, 2009</b>	<u>480,000</u>	<u>34,000</u>	<u>981,000</u>	<u>491,706</u>	<u>466,954</u>	<u>2,453,660</u>

The annexed notes 1 to 37 form an integral part of these financial statements.

  
**Raeesul Hasan**  
 Chief Executive

  
**Murtaza H. Habib**  
 Director



## Cash Flow Statement for the year ended September 30, 2009

	Note	2009 (Rupees in thousands)	2008
<b>Cash flows from operating activities</b>			
Cash generated from operations	30	1,136,320	500,563
Finance costs paid		(52,906)	(64,497)
Profit received on treasury call accounts		113,481	54,751
		60,575	(9,746)
Income tax paid		(104,763)	(86,087)
Long-term loans		179	852
Long-term deposits		(302)	269
Net cash generated from operating activities		1,092,009	405,851
<b>Cash flows from investing activities</b>			
Fixed capital expenditure		(122,336)	(178,262)
Redemption / sale proceeds of long-term investments		40	1,477
Dividend received		17,149	20,728
Purchase of long-term investments		(3,743)	(75,992)
Sale proceeds of fixed assets		3,433	3,855
Net cash used in investing activities		(105,457)	(228,194)
<b>Cash flows from financing activities</b>			
Dividend paid		(88,266)	(56,617)
Net cash used in financing activities		(88,266)	(56,617)
Net increase in cash and cash equivalents		898,286	121,040
Cash and cash equivalents at the beginning of the year		271,381	150,341
Cash and cash equivalents at the end of the year	31	1,169,667	271,381

The annexed notes 1 to 37 form an integral part of these financial statements.

  
**Raeesul Hasan**  
 Chief Executive

  
**Murtaza H. Habib**  
 Director



## Notes to the Financial Statements for the year ended September 30, 2009

### 1. The Company and its operations

Habib Sugar Mills Limited is a public limited Company incorporated in Pakistan, with its shares quoted on the Karachi and Lahore Stock Exchanges. The Company is engaged in the manufacturing and marketing of refined sugar, molasses, ethanol, liquid carbon dioxide, household textiles and providing bulk storage facilities.

### 2. Summary of significant accounting policies

#### 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 Significant accounting judgements and estimates

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

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

- a) Determining the residual values and useful lives of property, plant and equipment (Note 2.5);
- b) Classification of investments (Note 2.6);
- c) Impairment of inventories / adjustment of inventories to their net realizable value (Note 2.8);
- d) Accounting for staff retirement benefits (Note 2.11);
- e) Recognition of taxation and deferred tax (Note 2.14); and
- f) Impairment of financial assets (Note 2.15).

#### 2.3 Accounting standards not yet effective

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

Standard or interpretation	Effective date (accounting periods beginning on or after)
IAS 1 Presentation of Financial Statements (Revised)	January 1, 2009
IAS 23 Borrowings Costs (Revised)	January 1, 2009
IAS 32 Financial Instruments: Presentation - Amendments regarding Puttable Financial Instruments	January 1, 2009
IFRS 8 Operating Segments	January 1, 2009
IFAS 2 Ijarah	January 1, 2009



The Company expects that the adoption of the above standards and interpretations will not have any material impact on the Company's financial statements in the period of initial application other than to the extent of certain changes and / or enhancements in the presentation and disclosures in the financial statements resulting from the application of IAS 1.

The other standards, amendments and interpretations effective from the accounting periods beginning on or after October 1, 2009 are not stated here as these are considered not to be relevant or to have any significant effect on the Company's operations.

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

## **2.4 Basis of preparation**

These financial statements have been prepared under historical cost convention, except for long-term investments which have been recognised at fair value in accordance with the requirements of IAS-39 "Financial Instruments: Recognition and Measurement".

## **2.5 Fixed assets**

### **2.5.1 Property, plant and equipment**

These are stated at cost less accumulated depreciation / amortization / impairment, if any, except for freehold land and capital work-in-progress which are stated at cost.

Significant borrowing costs related to acquisition, construction or production of a qualifying asset is capitalized.

Depreciation is charged to profit and loss account applying the reducing balance method. Depreciation on additions is charged from the month in which the asset is put to use and on disposals up to the month the asset is in use, in line with the recommendations of the Institute of Chartered Accountants of Pakistan. Assets residual values and useful lives are reviewed, and adjusted, if appropriate at each balance sheet date.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalized. Gain or loss on disposal of assets is included in profit and loss account.

### **2.5.2 Capital work-in-progress**

Capital work-in-progress, machinery in transit and advances to suppliers made in respect of fixed assets are stated at cost and are transferred to the respective assets when available for intended use.

Significant borrowing costs related to acquisition, construction or production of a qualifying asset is capitalized.

## **2.6 Long-term investments - Available for sale**

Long-term investments are classified as available for sale. All investments are initially recognised at cost, being the fair value of the consideration given. Subsequent to initial recognition, these investments are re-measured at fair value (quoted market price).

Any gain or loss from a change in the fair value of investments available for sale is recognised directly in equity as unrealised, unless sold, collected or otherwise disposed off, or until the investment is determined to be impaired, at which time cumulative gain or loss previously taken to equity is released to the profit and loss account of the year.





## 2.7 Stores and spares

These are valued at the lower of moving average cost and net realisable value except for items in transit which are valued at actual cost. Provision is made for obsolescence and slow moving items.

## 2.8 Stock-in-trade

These are valued as follows:

Raw materials	At the lower of average cost and net realisable value
Work-in-process	At the lower of average cost and net realisable value
Finished goods	At the lower of average cost and net realisable value
Fertilizers	At the lower of cost on FIFO basis and net realisable value

## 2.9 Trade debts and other receivables

Trade debts are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Other receivables are carried at cost less estimates made for doubtful receivables.

An estimate for doubtful trade debts and other receivables is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

## 2.10 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise of cash in hand, with banks on current, savings, treasury call and deposit accounts net of short term borrowings under mark-up arrangements, if any.

## 2.11 Staff retirement benefits

### 2.11.1 Staff gratuity

The Company operates an approved defined benefit gratuity scheme for all permanent employees. Minimum qualifying period for entitlement to gratuity is five years continuous service with the Company. The scheme is funded and contributions to the fund are made in accordance with the recommendations of the actuary.

The latest actuarial valuation of the gratuity scheme was carried out as at September 30, 2009. The projected unit credit method, using the following significant assumptions, have been used for actuarial valuation.

Discount rate	13% per annum compound
Expected rate of return on investments	13% per annum
Expected rate of increase in salaries	12% per annum

Based on the actuarial valuation of gratuity scheme as of September 30, 2009, the fair value of gratuity scheme assets and liabilities were Rs.48.718 million and Rs.50.343 million respectively. The Company recognises the total actuarial gains and losses in the year in which they arise. The amounts recognised in balance sheet are as follows:



	2009 (Rupees in thousands)	2008 (Rupees in thousands)
Present value of defined benefit obligation	50,343	41,369
Fair value of plan assets	(48,718)	(41,506)
Net (asset) / liability recognised in the balance sheet	<u>1,625</u>	<u>(137)</u>
Movement in the net (asset) / liability recognised in the balance sheet is as follows:		
Opening balance	(137)	1,724
Charge for the year	4,557	3,036
Contribution during the year	(2,795)	(4,897)
Closing balance	<u>1,625</u>	<u>(137)</u>

The following amounts have been charged in the profit and loss account for the year ended September 30, 2009 in respect of these benefits.

	2009 (Rupees in thousands)	2008 (Rupees in thousands)
Current service cost	2,484	2,290
Interest cost	5,450	3,301
Expected return on plan assets	(5,466)	(3,137)
Actuarial (gain) / loss recognised	<u>2,089</u>	<u>582</u>
Gratuity cost for the year ended September 30, 2009	<u>4,557</u>	<u>3,036</u>

Actual return on plan assets is Rs. 5.970 (2008: Rs. 3.431) million.

Amounts for the current period and previous four annual periods of the fair value of plan assets, present value of defined benefit obligation and surplus / (deficit) arising thereon are as follows:

As at September 30,	2009	2008	2007	2006	2005
	(Rupees in thousands)				
Fair value of plan assets	48,718	41,506	35,459	32,228	28,382
Present value of benefit obligation	<u>(50,343)</u>	<u>(41,369)</u>	<u>(37,183)</u>	<u>(32,006)</u>	<u>(29,404)</u>
Surplus / (Deficit)	<u>(1,625)</u>	<u>137</u>	<u>(1,724)</u>	<u>222</u>	<u>(1,022)</u>

### 2.11.2 Provident fund

The Company operates a recognised provident fund scheme for all its permanent employees. Equal contributions are made by the Company and the employees at the rate of 8.33% of basic salary plus applicable cost of living allowance.

### 2.11.3 Compensated absences

The Company provides for its estimated liability towards leaves accumulated by employees on an accrual basis using current salary level.



## **2.12 Borrowings and their cost**

Borrowings are recorded at the proceeds received.

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of that asset.

## **2.13 Trade and other payables**

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

## **2.14 Taxation**

### **2.14.1 Current**

Provision for current taxation is computed in accordance with the provisions of the applicable Income Tax laws.

### **2.14.2 Deferred**

Deferred tax is recognised using the balance sheet liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts appearing in the financial statements. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantially enacted by the balance sheet date.

## **2.15 Impairment**

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

## **2.16 Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed periodically and adjusted to reflect the current best estimate.



## 2.17 Foreign currencies

Transactions in foreign currencies are translated into Pak rupees which is the Company's functional and presentation currency, at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak rupees at the rates of exchange ruling on the balance sheet date.

Exchange gains and losses are included in profit and loss account.

## 2.18 Revenue recognition

Sales are recorded on despatch of goods to customers. Income on long-term investments is recorded when the right to receive is established. Income / profit on bank treasury call and deposit accounts is recorded on accrual basis. Storage income is recorded on accrual basis.

## 2.19 Segment reporting

Business segments provide products that are subject to risks and returns that are different from those of other business segments.

## 2.20 Financial instruments

All the financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised at the time when the Company loses control of the contractual rights that comprises the financial assets. All financial liabilities are derecognised at the time when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gains or losses on derecognition of financial assets and financial liabilities are taken to profit and loss account currently.

## 2.21 Offsetting

Financial assets and liabilities are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset or settle the liability simultaneously.

	Note	2009 (Rupees in thousands)	2008
<b>3. Fixed Assets</b>			
<b>Property, plant and equipment</b>			
Operating fixed assets	3.1	790,891	666,034
Capital work-in-progress	3.4	43,533	124,807
		<u>834,424</u>	<u>790,841</u>



### 3.1 The following is a statement of operating fixed assets for 2009:

	Cost / book value as at Oct. 1, 2008	Additions / (disposals)	Cost / book value as at Sept. 30, 2009	Accum- ulated deprec- iation as at Oct. 1, 2008	Depre- ciation / amortization charge for the year & accum- ulated deprec- iation on deletions	Accum- ulated deprec- iation / amortization / impairment as at Sept. 30, 2009	Written down value as at Sept. 30, 2009	Annual rate of deprec- iation / amortiz- ation %
(Rupees in thousands)								
Land								
Freehold - Sugar / Distillery division	10,984	-	10,984	-	-	-	10,984	-
Leasehold - Textile division	489	-	489	196	5	201	288	1.01
Buildings on freehold land								
Sugar division	52,527	-	52,527	45,471	705	46,176	6,351	10
Distillery division	21,243	-	21,243	11,948	929	12,877	8,366	10
Non-factory buildings	30,228	-	30,228	19,376	543	19,919	10,309	5
Buildings on leasehold land								
Textile division	16,480	-	16,480	13,804	268	14,072	2,408	10
Plant and machinery								
Sugar division	868,867	66,697 (4,565)	930,999	522,721	38,457 (3,628)	557,550	373,449	10
Distillery division	448,131	134,778	582,909	193,678	32,751	226,429	356,480	10
Textile division	44,330	-	44,330	31,053	1,328	32,381	11,949	10
Railway siding - Sugar division	468	-	468	455	2	457	11	10
Electric, gas and water installations								
Sugar / Distillery division	8,808	-	8,808	7,552	125	7,677	1,131	10
Textile division	2,766	-	2,766	2,196	57	2,253	513	10
Furniture, fittings, electrical and office equipment								
Sugar / Distillery division	41,989	1,514 (522)	42,981	35,379	1,858 (496)	36,741	6,240	25
Textile division	8,442	258	8,700	7,481	292	7,773	927	25
Tractors / trolleys and agriculture implements								
Sugar division	2,765	-	2,765	2,401	73	2,474	291	20
Motor cars / vehicles								
Sugar / Distillery division	3,543	321 (317)	3,547	2,445	256 (209)	2,492	1,055	20
Textile division	773	42	815	643	33	676	139	20
2009	1,562,833	203,610 (5,404)	1,761,039	896,799	77,682 (4,333)	970,148	790,891	

3.1.1 Additions to plant and machinery of sugar and distillery divisions include an amount of Rs. Nil (2008: Rs. 0.222) million, representing borrowing costs capitalized at the mark-up rate of Nil% per annum (2008: 10.39%).



### 3.1.2 Reconciliation of carrying values

	Written down value as at Oct. 1, 2008	Additions / (disposals)	Depreciation / amortization charge for the year	Written down value as at Sept. 30, 2009
		(Rupees in thousands)		
Land	11,277	–	5	11,272
Buildings on freehold land	27,203	–	2,177	25,026
Buildings on leasehold land	2,676	–	268	2,408
Plant and machinery	613,876	201,475 (4,565)	72,536 (3,628)	741,878
Railway siding	13	–	2	11
Electric, gas and water installations	1,826	–	182	1,644
Furniture, fittings, electrical and office equipment	7,571	1,772 (522)	2,150 (496)	7,167
Tractors / trolleys and agriculture implements	364	–	73	291
Motor cars / vehicles	1,228	363 (317)	289 (209)	1,194
	<u>666,034</u>	<u>203,610</u> <u>(5,404)</u>	<u>77,682</u> <u>(4,333)</u>	<u>790,891</u>



3.1.3 The following is a statement of operating fixed assets for 2008:

	Cost / book value as at Oct. 1, 2007	Additions / (disposals)	Cost / book value as at Sept. 30, 2008	Accum- ulated deprec- iation as at Oct. 1, 2007	Depre- ciation / amortization charge for the year & accum- ulated deprec- iation on deletions	Accum- ulated deprec- iation / amortization / impairment as at Sept. 30, 2008	Written down value as at Sept. 30, 2008	Annual rate of deprec- iation / amortiz- ation %
(Rupees in thousands)								
Land								
Freehold - Sugar / Distillery division	11,134	(150)	10,984	-	-	-	10,984	-
Leasehold - Textile division	489	-	489	191	5	196	293	1.01
Buildings on freehold land								
Sugar division	52,527	-	52,527	44,687	784	45,471	7,056	10
Distillery division	21,243	-	21,243	10,915	1,033	11,948	9,295	10
Non-factory buildings	30,228	-	30,228	18,805	571	19,376	10,852	5
Buildings on leasehold land								
Textile division	16,480	-	16,480	13,507	297	13,804	2,676	10
Plant and machinery								
Sugar division	743,560	125,307	868,867	488,178	34,543	522,721	346,146	10
Distillery division	399,369	48,762	448,131	169,033	24,645	193,678	254,453	10
Textile division	46,254	378 (2,302)	44,330	30,926	1,553 (1,426)	31,053	13,277	10
Railway siding - Sugar division	468	-	468	453	2	455	13	10
Electric, gas and water installations								
Sugar / Distillery division	8,808	-	8,808	7,413	139	7,552	1,256	10
Textile division	2,766	-	2,766	2,133	63	2,196	570	10
Furniture, fittings, electrical and office equipment								
Sugar / Distillery division	41,163	1,530 (704)	41,989	34,047	2,010 (678)	35,379	6,610	25
Textile division	8,168	274	8,442	7,216	265	7,481	961	25
Tractors / trolleys and agriculture implements								
Sugar division	2,765	-	2,765	2,310	91	2,401	364	20
Motor cars / vehicles								
Sugar / Distillery division	4,743	86 (1,286)	3,543	2,950	354 (859)	2,445	1,098	20
Textile division	773	-	773	611	32	643	130	20
2008	1,390,938	176,337 (4,442)	1,562,833	833,375	66,387 (2,963)	896,799	666,034	



### 3.1.4 Reconciliation of carrying values

	Written down value as at Oct. 1, 2007	Additions / (disposals)	Depreciation / amortization charge for the year	Written down value as at Sept. 30, 2008
		(Rupees in thousands)		
Land	11,432	(150)	5	11,277
Buildings on freehold land	29,591	–	2,388	27,203
Buildings on leasehold land	2,973	–	297	2,676
Plant and machinery	501,046	174,447 (2,302)	60,741 (1,426)	613,876
Railway siding	15	–	2	13
Electric, gas and water installations	2,028	–	202	1,826
Furniture, fittings, electrical and office equipment	8,068	1,804 (704)	2,275 (678)	7,571
Tractors / trolleys and agriculture implements	455	–	91	364
Motor cars / vehicles	1,955	86 (1,286)	386 (859)	1,228
	<u>557,563</u>	<u>176,337</u> <u>(4,442)</u>	<u>66,387</u> <u>(2,963)</u>	<u>666,034</u>

Note                      2009                      2008  
(Rupees in thousands)

### 3.2 Depreciation / amortization charge for the year has been allocated as follows:

Cost of Sales			
Sugar division	22	40,628	36,957
Distillery division	22	33,725	25,726
Textile division	22	1,657	1,919
		76,010	64,602
Administrative expenses			
Sugar division	24	974	1,076
Distillery division	24	84	92
Textile division	24	325	297
Terminal	21.6	289	320
		1,672	1,785
		<u>77,682</u>	<u>66,387</u>





### 3.3 The following are the details of fixed assets disposed off:

	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain on disposal	Mode of disposal	Particulars of purchasers
	(Rupees in thousands)						
Plant and machinery Sugar division	4,565	3,628	937	2,100	1,163	Negotiation	M/s. Ittefaq Sugar Mills Limited 20-Kms, Sahiwal Pakpattan Road, Pakpattan, P.O. Box # 125, Sahiwal.
	<u>4,565</u>	<u>3,628</u>	<u>937</u>	<u>2,100</u>	<u>1,163</u>		
Furniture, fittings, electrical and office equipment							
Sugar division							
Furniture & fittings	3	3	–	1	1	Negotiation	Employees at Nawabshah
Office equipment	492	471	21	27	6	“	Azam Hussain, Masjid Road Nawabshah.
“	27	22	5	5	–	“	Samar Refrigation, Shop # 8,C-11, Block-R, North Nazimabad, Karachi.
	<u>522</u>	<u>496</u>	<u>26</u>	<u>33</u>	<u>7</u>		
Motor cars / vehicles							
Sugar division							
Motor cars	100	40	60	620	560	Tender	Mr. Nazir Malik s/o Abdul Malik House # B-7, Area 7/D-4, Shadman Town, North Karachi, Karachi.
“	56	39	17	135	118	“	Mr. Muhammad Jawed s/o Muhammad Ibrahim, House # J-M 702/198, Fatima Jinnah Colony, Jamshed Road, Karachi.
“	56	39	17	125	108	“	Mr. Muhammad Jawed s/o Muhammad Ibrahim, House # J-M 702/198, Fatima Jinnah Colony, Jamshed Road, Karachi.
“	77	63	14	400	386	“	Mr. Muhammad Abid, F-55, Askari 3, Cantt. Karachi.
Motor cycle	28	28	–	20	20	“	Mr. Abdul Qadir s/o Muhammad Ibrahim House # J-128/3, Gali # 12 Alfalal Road, Behar Colony, Karachi.
	<u>317</u>	<u>209</u>	<u>108</u>	<u>1,300</u>	<u>1,192</u>		
<b>2009</b>	<u>5,404</u>	<u>4,333</u>	<u>1,071</u>	<u>3,433</u>	<u>2,362</u>		
<b>2008</b>	<u>4,442</u>	<u>2,963</u>	<u>1,479</u>	<u>3,855</u>	<u>2,376</u>		

Note                      2009                      2008  
(Rupees in thousands)

### 3.4 Capital work-in-progress - at cost

Plant and machinery	3.4.1	39,833	94,882
Machinery in transit		–	6,027
Advances to suppliers		3,700	23,898
		<u>43,533</u>	<u>124,807</u>

**3.4.1** Included in the above is an aggregate sum of Rs. Nil (2008: 0.464) million capitalized as borrowing costs at the mark-up rate of Nil % per annum (2008: 10.39%).



	Note	2009 (Rupees in thousands)	2008
<b>3.4.2 Movement in capital work-in-progress</b>			
Balance as on October 1,		124,807	122,882
Additions during the year		120,201	175,995
		<u>245,008</u>	<u>298,877</u>
Capitalized during the year		(201,475)	(174,070)
		<u>43,533</u>	<u>124,807</u>

#### 4. Long-term investments

##### Available for sale

Fully paid-up Ordinary Shares, and Unit Certificates of quoted companies are as follows:

				2009 (Rupees in thousands)	2008	
	Number of shares / units	Face value	Company's Name			
	2008	2009	Rs.			
<b>4.1 Investments in related parties</b>						
	147,797	147,797	5	Balochistan Particle Board Limited	369	833
	7,959,688	10,148,602	10	Bank AL Habib Limited	317,144	271,744
	3,082,214	3,467,490	5	Habib Insurance Company Limited	55,098	94,501
					<u>372,611</u>	<u>367,078</u>
<b>4.2 Investments in other companies</b>						
	123,000	138,375	10	Bank Al Falah Limited	1,739	3,844
	44,410	48,851	10	Dawood Lawrencepur Limited	2,045	2,435
	185,136	259,190	10	Engro Chemical Pakistan Limited	46,877	33,406
	71,568	98,406	10	Fauji Fertilizer Company Limited	10,111	7,157
	514,000	514,000	5	First Habib Modaraba	2,889	3,336
	213,758	267,197	10	Habib Metropolitan Bank Limited	8,262	8,078
	54,000	54,000	10	Honda Atlas Cars (Pakistan) Limited	1,142	993
	47,150	51,865	10	MCB Bank Limited	11,466	11,116
	10,608	15,552	10	Meezan Bank Limited	219	289
	27,500	27,500	10	My Bank Limited	133	319
	5,640	5,640	10	New Jubilee Insurance Company Limited	315	613
	46,229	46,229	10	Oil and Gas Development Company Ltd.	4,964	4,365
	19,650	19,650	10	Pak Suzuki Motor Company Limited	1,710	1,646
	50,000	50,000	10	Pakistan Telecommunication Co. Ltd. (A)	999	1,575
	14,507	14,507	10	Pakistan Tobacco Company Limited	1,552	1,652
	20,000	20,000	10	Packages Limited	3,252	2,835
	50,000	50,000	10	Samba Bank Limited	185	523
	1,881,585	1,881,585	5	Shabbir Tiles and Ceramics Limited	27,095	56,466
	421,182	513,842	10	Soneri Bank Limited	5,673	7,371
	71,683	71,683	10	Sui Northern Gas Pipelines Limited	2,010	2,251
	267,371	374,319	5	Thal Limited	46,195	33,929
	38,500	38,500	10	The Royal Bank of Scotland Limited	770	1,104
	100,000	100,000	10	TRG Pakistan Limited	244	382
	28,627	28,627	100	Unit Trust of Pakistan	3,252	2,958
					<u>183,099</u>	<u>188,643</u>
					<u>555,710</u>	<u>555,721</u>



- 4.3 The aggregate cost of the above referred investments, net of impairment, is Rs.88.756 (2008: Rs.112.147) million.
- 4.4 The above investments are stated at fair value. Unrealised gain of Rs.23.380 (2008: Loss Rs.295.192) million arising from a change in the fair value of these investments during the current year has been recognised directly in equity whereas impairment in the Ordinary shares of Rs.27.134 (2008: Rs.24.892) million has been charged to the profit and loss account.

	Note	2009 (Rupees in thousands)	2008
<b>5. Long-term loans</b>			
Secured - considered good			
Executives	5.1 & 5.2	2,180	1,997
Employees		5,849	7,647
		<u>8,029</u>	<u>9,644</u>
Receivable within next twelve months shown under current assets:			
Executives	9	(728)	(954)
Employees	9	(3,282)	(4,492)
		<u>(4,010)</u>	<u>(5,446)</u>
		<u>4,019</u>	<u>4,198</u>
<b>5.1</b> These loans are given to executives for purchase of assets and are secured against pledge of title documents / lien marked over retirement benefits. Movement of loans to executives during the year was as follows:			
Balance as on October 1,		1,997	3,258
Disbursements		1,500	–
		<u>3,497</u>	<u>3,258</u>
Repayments		(1,317)	(1,261)
		<u>2,180</u>	<u>1,997</u>
<b>5.2</b> The maximum aggregate amount due from executives at the end of any month during the year was Rs. 2.50 (2008: Rs. 3.13) million.			
<b>6. Stores and spares</b>			
Stores			
In hand		42,767	40,324
In transit		–	103
		42,767	40,427
Provision for obsolescence and slow moving stores		(9,500)	(8,000)
		<u>33,267</u>	<u>32,427</u>
Spares			
Provision for obsolescence and slow moving spares		44,619	41,198
		(19,500)	(14,000)
		<u>25,119</u>	<u>27,198</u>
		<u>58,386</u>	<u>59,625</u>



	Note	2009 (Rupees in thousands)	2008
<b>6.1 Provision for obsolescence and slow moving stores and spares</b>			
Balance as on October 1,			
Stores		8,000	5,400
Spares		14,000	10,000
		22,000	15,400
Provision made during the year			
Stores		1,500	2,600
Spares		5,500	4,000
	22	7,000	6,600
		<u>29,000</u>	<u>22,000</u>
<b>7. Stock-in-trade</b>			
Raw materials			
Distillery division		52,471	17,994
Textile division		404	467
		52,875	18,461
Work-in-process			
Sugar division		558	356
Textile division		2,580	2,911
		3,138	3,267
Finished goods			
Sugar division		104,998	261,821
Distillery division		49,275	152,241
Textile division		110	2,156
		154,383	416,218
Fertilizers		643	275
		<u>211,039</u>	<u>438,221</u>
<b>8. Trade debts</b>			
Considered good			
Export – Secured against export documents		29,547	100,029
Local – Unsecured		323,850	303,734
		<u>353,397</u>	<u>403,763</u>
<b>8.1 The aging of trade debts at September 30 is as follows :</b>			
Neither past due nor impaired		343,441	392,479
Past due but not impaired:			
within 90 days		2,244	4,331
91 to 180 days		2,132	6,030
over 180 days		5,580	923
		<u>353,397</u>	<u>403,763</u>



	Note	2009 (Rupees in thousands)	2008
<b>9. Loans and advances</b>			
Considered good			
Current maturity of long-term loans			
Executives	5	728	954
Employees	5	3,282	4,492
		4,010	5,446
Advances			
Employees		31	21
Suppliers		164,449	333,810
		164,480	333,831
		<u>168,490</u>	<u>339,277</u>
<b>10. Trade deposits and short-term prepayments</b>			
Trade deposits		–	998
Short-term prepayments		7,904	8,511
		<u>7,904</u>	<u>9,509</u>
<b>11. Other receivables</b>			
Duty drawback and research & development support claim		3,716	4,335
Others		1,598	5,794
		<u>5,314</u>	<u>10,129</u>
<b>12. Cash and bank balances</b>			
Cash in hand		163	74
Balances with banks on:			
Current accounts		16,705	5,158
Treasury call accounts	12.1	1,578,799	731,305
		1,595,504	736,463
		<u>1,595,667</u>	<u>736,537</u>
<b>12.1</b> Profit rates on treasury call accounts ranged between 10% and 12.5% (2008: 8.0% and 10.5%) per annum.			
<b>13. Issued, subscribed and paid-up capital</b>			
Number of shares			
10,136,700	(2008: 10,136,700) Ordinary shares of Rs. 5 each fully paid in cash	50,684	50,684
85,863,300	(2008: 61,863,300) Ordinary shares of Rs. 5 each issued as fully paid bonus shares, including 24,000,000 Ordinary shares issued during the year	429,316	309,316
		<u>480,000</u>	<u>360,000</u>

Issued, subscribed and paid-up capital of the Company includes 10,043,738 Ordinary shares of Rs. 5 each (2008: 11,734,619) held by related parties at the end of the year.



	Note	2009 (Rupees in thousands)	2008
<b>14. Reserves</b>			
Capital			
Share premium		34,000	34,000
Revenue			
General	14.1	981,000	786,000
Unappropriated profit		491,706	406,890
		<u>1,506,706</u>	<u>1,226,890</u>
<b>14.1</b> At the beginning of the year		786,000	701,000
Transfer from unappropriated profit		195,000	85,000
		<u>981,000</u>	<u>786,000</u>
<b>15. Deferred taxation</b>			
Relating to accelerated tax depreciation allowance and provision for obsolescence and slow moving stores & spares		<u>87,500</u>	<u>86,500</u>
<b>16. Trade and other payables</b>			
Creditors		556,637	571,168
Accrued liabilities		56,523	69,984
Advance from customers		58,558	45,635
Sales-tax payable		30,976	35,845
Workers' Profit Participation Fund	16.1	35,205	27,083
Workers' Welfare Fund		24,915	10,833
Income-tax deducted at source		259	470
Unclaimed dividends		11,241	9,507
		<u>774,314</u>	<u>770,525</u>
<b>16.1 Workers' Profit Participation Fund</b>			
Balance as at October 1,		27,083	13,775
Interest on funds utilized in the Company's business		1,308	447
		<u>28,391</u>	<u>14,222</u>
Amount paid to the Trustees		<u>(28,391)</u>	<u>(14,222)</u>
		-	-
Allocation for the year	25	35,205	27,083
		<u>35,205</u>	<u>27,083</u>
<b>17. Short-term borrowings - secured</b>	17.1	<u>426,000</u>	<u>465,156</u>

**17.1** The above short-term borrowings are secured by way of registered charge against hypothecation of stock-in-trade, stores & spares and assignment of trade debts and other receivables. The rate of mark-up was 7.5% (2008: 7% and 7.5%) per annum during the year.

The facility for short-term borrowings amounts to Rs.1,975 (2008: Rs.1,975) million.



	2009	2008
	(Rupees in thousands)	
<b>18. Accrued mark-up on short-term borrowings</b>	<u>4,635</u>	<u>675</u>
<b>19. Provision for income tax - net</b>	<u>60,400</u>	<u>1,163</u>

**19.1** The return of income for the tax year 2009 (financial year ended September 30, 2008) has been filed and the same is deemed to be the assessment order under the provisions of the Income Tax Ordinance, 2001.

**19.2** The Company received notices from the Hon'ble High Court of Sindh for appeals filed by the tax authorities for assessment years 1998-99, 2001-02 and 2002-03 (corresponding financial years ended September 30, 1997, 2000 and 2001 respectively) against decisions of the Income Tax Appellate Tribunal, which were earlier decided in favour of the Company with respect to rejection of trading results of the Sugar Division. The tax exposure against these appeals in aggregate amounts to Rs. 14.60 million. Based on the advise of its legal counsel, the Company is confident for a favourable out come and hence no provision for the aforesaid amount has been made in these financial statements.

## **20. Contingencies and Commitments**

### **20.1 Contingencies**

The Company has provided counter guarantees to banks, aggregating to Rs.297.057 (2008: Rs.281.270) million against agriculture finance facilities to growers and guarantees issued by banks in favour of third parties on behalf of the Company.

	2009	2008
	(Rupees in thousands)	
<b>20.2 Commitments</b>		
Capital expenditure	<u>10,150</u>	<u>34,267</u>

Rentals under operating lease agreements with First Habib Modaraba in respect of vehicles, payable over the following next four years, are as follows:

Year ending September 30

2009	–	10,471
2010	9,609	7,445
2011	7,101	4,937
2012	4,305	2,141
2013	1,321	–
	<u>22,336</u>	<u>24,994</u>



## 21. Segment operating results and related information

(Rupees in thousands)

	Note	Sugar Division		Distillery Division		Textile Division		Trading Division		Total	
		2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
<b>Net sales and services</b>											
Net sales	21.5	2,873,364	2,617,178	1,335,674	1,083,357	277,134	430,295	97,167	43,250	4,583,339	4,174,080
Services – Storage income – net	21.6	–	–	847	1,724	–	–	–	–	847	1,724
		2,873,364	2,617,178	1,336,521	1,085,081	277,134	430,295	97,167	43,250	4,584,186	4,175,804
Less: Cost of sales	22	2,371,776	2,284,231	1,015,520	745,184	256,336	395,082	76,589	16,481	3,720,221	3,440,978
<b>Gross profit</b>		501,588	332,947	321,001	339,897	20,798	35,213	20,578	26,769	863,965	734,826
Distribution and marketing expenses	23	66,065	57,757	62,456	71,837	11,173	16,315	1,424	793	141,118	146,702
Administrative expenses	24	70,873	63,553	3,022	3,234	4,539	4,936	1,244	975	79,678	72,698
		136,938	121,310	65,478	75,071	15,712	21,251	2,668	1,768	220,796	219,400
<b>Segment results</b>		364,650	211,637	255,523	264,826	5,086	13,962	17,910	25,001	643,169	515,426
Other operating expenses	25									(49,287)	(37,916)
Impairment on long-term investments - available for sale										(27,134)	(24,892)
Other operating income	26									26,258	61,127
<b>Operating profit</b>										593,006	513,745
<b>21.1 Segment assets</b>		876,161	1,059,040	695,145	832,421	116,845	137,276	–	–	1,688,151	2,028,737
Unallocated assets										2,118,358	1,325,746
										3,806,509	3,354,483
<b>21.2 Segment liabilities</b>		733,957	681,924	474,317	525,337	14,134	35,943	1,254	–	1,223,662	1,243,204
Unallocated liabilities										129,187	80,815
										1,352,849	1,324,019
<b>21.3 Capital expenditure</b>		42,575	65,267	79,461	112,343	300	652	–	–	122,336	178,262
<b>21.4</b>	Company accounts for inter-segment revenue / transfers at arm's length.										





	Sugar Division		Distillery Division		Textile Division		Trading Division		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
<b>21.5 Net sales</b>										
Local sales	3,245,773	2,002,470	235,909	48,072	-	-	-	50,170	3,481,682	2,100,712
Less: Sales-tax and special excise duty	372,409	259,097	31,521	4,720	-	-	-	6,920	403,930	270,737
Discount	-	-	503	90	-	-	-	-	503	90
	372,409	259,097	32,024	4,810	-	-	-	6,920	404,433	270,827
	2,873,364	1,743,373	203,885	43,262	-	-	-	43,250	3,077,249	1,829,885
Export sales	-	873,805	1,135,859	1,040,095	292,304	474,147	106,353	-	1,534,516	2,388,047
Less: Freight and commission	-	-	4,070	-	15,170	43,852	9,186	-	28,426	43,852
	-	873,805	1,131,789	1,040,095	277,134	430,295	97,167	-	1,506,090	2,344,195
	2,873,364	2,617,178	1,335,674	1,083,357	277,134	430,295	97,167	43,250	4,583,339	4,174,080
<b>21.6 Services - Storage income - net</b>										
Terminal rental income	-	-	6,162	10,810	-	-	-	-	6,162	10,810
Less: Terminal expenses										
Salaries, wages and other benefits - note 21.7	-	-	2,566	3,840	-	-	-	-	2,566	3,840
Repairs and maintenance	-	-	638	1,349	-	-	-	-	638	1,349
Water, electricity and gas	-	-	428	875	-	-	-	-	428	875
Rent, rates and taxes	-	-	761	1,365	-	-	-	-	761	1,365
Depreciation	-	-	289	320	-	-	-	-	289	320
Travelling and vehicle running expenses	-	-	304	402	-	-	-	-	304	402
Insurance	-	-	69	157	-	-	-	-	69	157
Other expenses	-	-	260	778	-	-	-	-	260	778
	-	-	5,315	9,086	-	-	-	-	5,315	9,086
	-	-	847	1,724	-	-	-	-	847	1,724

21.7 Salaries, wages and other benefits include a sum of Rs. 0.36 (2008: Rs. 0.24) million in respect of staff retirement benefits.



(Rupees in thousands)

	Sugar Division		Distillery Division		Textile Division		Trading Division		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
<b>22. Cost of sales</b>										
Opening stock of raw material	–	–	17,994	68,883	467	342	–	–	18,461	69,225
Purchases	2,018,661	2,209,874	751,236	542,105	9,814	21,772	–	–	2,779,711	2,773,751
	2,018,661	2,209,874	769,230	610,988	10,281	22,114	–	–	2,798,172	2,842,976
Closing stock of raw material	–	–	(52,471)	(17,994)	(404)	(467)	–	–	(52,875)	(18,461)
Raw material consumed	2,018,661	2,209,874	716,759	592,994	9,877	21,647	–	–	2,745,297	2,824,515
Semi finished goods purchased	–	–	–	–	162,859	252,314	–	–	162,859	252,314
	2,018,661	2,209,874	716,759	592,994	172,736	273,961	–	–	2,908,156	3,076,829
Salaries, wages and other benefits - note 22.1	101,904	99,193	29,879	26,562	8,680	8,497	–	–	140,463	134,252
Research and development expenses	1,342	1,145	–	–	–	–	–	–	1,342	1,145
Process chemicals	22,206	29,506	12,139	14,006	–	–	–	–	34,345	43,512
Packing material	32,690	43,774	–	–	4,113	8,580	–	–	36,803	52,354
Dyeing, weaving and other charges	–	–	–	–	1,630	3,257	–	–	1,630	3,257
Provision for obsolescence and slow moving stores & spares - note 6.1	6,000	5,000	1,000	–	–	1,600	–	–	7,000	6,600
Stores and spares consumed	47,369	40,271	8,232	5,615	51	75	–	–	55,652	45,961
Rent, rates, taxes and lease rentals	5,809	3,649	4,192	3,157	943	1,875	–	–	10,944	8,681
Water, fuel and power	28,929	14,510	76,744	55,896	5,782	12,326	–	–	111,455	82,732
Repairs and maintenance	91,605	82,081	22,907	25,018	1,896	3,040	–	–	116,408	110,139
Legal and professional charges	2,018	1,451	–	–	–	–	–	–	2,018	1,451
Insurance	4,209	4,104	3,985	2,160	176	173	–	–	8,370	6,437
Postage, telephone and stationery	2,167	2,228	–	–	–	–	–	–	2,167	2,228
Depreciation / amortization	40,628	36,957	33,725	25,726	1,657	1,919	–	–	76,010	64,602
Other manufacturing expenses	9,153	9,271	2,992	2,584	399	331	–	–	12,544	12,186
Duty drawback and research & development support claim	–	–	–	–	(2,975)	(19,725)	–	–	(2,975)	(19,725)
Bagasse sale	(8,548)	(18,323)	–	–	–	–	–	–	(8,548)	(18,323)
Molasses transfer to distillery division	(190,987)	(194,169)	–	–	–	–	–	–	(190,987)	(194,169)
	196,494	160,648	195,795	160,724	22,352	21,948	–	–	414,641	343,320
<b>Manufacturing cost</b>	2,215,155	2,370,522	912,554	753,718	195,088	295,909	–	–	3,322,797	3,420,149
Opening stock of work-in-process	356	593	–	–	2,911	450	–	–	3,267	1,043
Closing stock of work-in-process	(558)	(356)	–	–	(2,580)	(2,911)	–	–	(3,138)	(3,267)
	(202)	237	–	–	331	(2,461)	–	–	129	(2,224)
<b>Cost of goods manufactured</b>	2,214,953	2,370,759	912,554	753,718	195,419	293,448	–	–	3,322,926	3,417,925
Opening stock of finished goods	261,821	175,293	152,241	143,707	2,156	98	–	396	416,218	319,494
Finished goods purchased	–	–	–	–	58,871	103,692	76,589	16,481	135,460	120,173
Molasses transfer to distillery division	–	–	–	–	–	–	–	(396)	–	(396)
Closing stock of finished goods	(104,998)	(261,821)	(49,275)	(152,241)	(110)	(2,156)	–	–	(154,383)	(416,218)
	156,823	(86,528)	102,966	(8,534)	60,917	101,634	76,589	16,481	397,295	23,053
	2,371,776	2,284,231	1,015,520	745,184	256,336	395,082	76,589	16,481	3,720,221	3,440,978

22.1 Salaries, wages and other benefits include a sum of Rs. 6.70 (2008: Rs. 5.33) million in respect of staff retirement benefits.



(Rupees in thousands)

	Sugar Division		Distillery Division		Textile Division		Trading Division		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
<b>23. Distribution and marketing expenses</b>										
Salaries, wages and other benefits - note 23.1	4,442	4,271	624	527	2,994	2,765	197	176	8,257	7,739
Insurance	3,013	1,541	1,048	944	10	37	15	23	4,086	2,545
Rent, rates, taxes and lease rentals	3,295	3,911	–	–	–	–	198	90	3,493	4,001
Transport, freight, handling and forwarding expenses	55,315	48,034	56,738	68,364	4,054	8,763	628	–	116,735	125,161
Other expenses	–	–	4,046	2,002	4,115	4,750	386	504	8,547	7,256
	<u>66,065</u>	<u>57,757</u>	<u>62,456</u>	<u>71,837</u>	<u>11,173</u>	<u>16,315</u>	<u>1,424</u>	<u>793</u>	<u>141,118</u>	<u>146,702</u>

23.1 Salaries, wages and other benefits include a sum of Rs. 0.44 (2008: Rs. 0.34) million in respect of staff retirement benefits.

#### 24. Administrative expenses

Salaries, wages and other benefits - note 24.1	38,366	34,645	1,109	1,084	2,796	2,586	573	447	42,844	38,762
Insurance	1,048	988	26	23	–	–	19	26	1,093	1,037
Repairs and maintenance	837	3,013	266	169	166	194	160	169	1,429	3,545
Postage, telephone and stationery	3,316	2,752	389	326	227	304	13	–	3,945	3,382
Travelling and vehicle running expenses	7,508	5,958	43	33	140	414	106	65	7,797	6,470
Rent, rates, taxes and lease rentals	5,013	3,643	329	267	–	–	197	80	5,539	3,990
Water, electricity and gas	2,294	1,974	178	135	112	169	107	126	2,691	2,404
Fees, subscription and periodicals	1,227	975	–	–	3	3	–	–	1,230	978
Legal and professional charges	1,102	700	195	766	–	–	–	–	1,297	1,466
Directors' meeting fee	22	22	–	–	–	–	–	–	22	22
Depreciation	974	1,076	84	92	325	297	–	–	1,383	1,465
Auditors' remuneration - note 24.2	914	864	328	273	68	109	24	11	1,334	1,257
Other expenses - note 24.3	8,252	6,943	75	66	702	860	45	51	9,074	7,920
	<u>70,873</u>	<u>63,553</u>	<u>3,022</u>	<u>3,234</u>	<u>4,539</u>	<u>4,936</u>	<u>1,244</u>	<u>975</u>	<u>79,678</u>	<u>72,698</u>

24.1 Salaries, wages and other benefits include a sum of Rs. 2.35 (2008: Rs. 1.92) million in respect of staff retirement benefits.

#### 24.2 Auditors' remuneration

Annual audit fee	313	235	146	97	30	39	11	4	500	375
Half yearly review fee	63	63	29	26	6	10	2	1	100	100
Cost audit fee	175	175	–	–	–	–	–	–	175	175
Tax / other services	228	268	106	111	22	44	8	4	364	427
Out of pocket expenses	135	123	47	39	10	16	3	2	195	180
	<u>914</u>	<u>864</u>	<u>328</u>	<u>273</u>	<u>68</u>	<u>109</u>	<u>24</u>	<u>11</u>	<u>1,334</u>	<u>1,257</u>

Auditors' remuneration, other than the cost audit fee of the sugar division, payable to another firm of auditors, is allocated on the basis of sales.

24.3 Donations of Rs. 4.0 (2008: Rs. 4.0) million are included under other expenses of sugar division. None of the directors or their spouses had any interest in the donee's fund.



	Note	2009 (Rupees in thousands)	2008
<b>25. Other operating expenses</b>			
Workers' Profit Participation Fund	16.1	35,205	27,083
Workers' Welfare Fund		14,082	10,833
		<u>49,287</u>	<u>37,916</u>

#### 26. Other operating income

Profit on sale of long-term investments		40	89
Dividend income	26.1	16,731	20,645
Gain on sale of fixed assets previously written off		3,648	3,049
Exchange gain		1,373	33,426
Gain on disposal of fixed assets		2,362	2,376
Agricultural income - net		113	528
Scrap sale		1,991	1,014
		<u>26,258</u>	<u>61,127</u>

#### 26.1 Dividend income includes dividend received from the following related parties:

Bank AL Habib Limited	9,950	9,184
Habib Insurance Company Limited	1,926	7,706
	<u>11,876</u>	<u>16,890</u>

In addition to cash dividend, the Company received 2,188,914 Ordinary shares (2008: 1,836,851 shares) of Rs. 10/- each and 385,276 Ordinary shares (2008: 513,702 shares) of Rs. 5/- each as bonus shares from Bank AL Habib Limited and Habib Insurance Company Limited, respectively.

	Sugar Division		Distillery Division		Textile Division		Trading Division		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
<b>27. Finance income / (costs) - net</b>										
Mark-up / interest on										
Short-term borrowings	-	(31,368)	(49,686)	(18,220)	-	-	-	(363)	(49,686)	(49,951)
Workers' Profit Participation Fund	(1,308)	(447)	-	-	-	-	-	-	(1,308)	(447)
Bank charges	(1,645)	(2,311)	(2,069)	(1,582)	(2,004)	(6,316)	(154)	-	(5,872)	(10,209)
	(2,953)	(34,126)	(51,755)	(19,802)	(2,004)	(6,316)	(154)	(363)	(56,866)	(60,607)
Less: Profit on treasury call accounts	37,425	39,071	75,457	8,975	5,794	2,563	-	-	118,676	50,609
	<u>34,472</u>	<u>4,945</u>	<u>23,702</u>	<u>(10,827)</u>	<u>3,790</u>	<u>(3,753)</u>	<u>(154)</u>	<u>(363)</u>	<u>61,810</u>	<u>(9,998)</u>

	Note	2009 (Rupees in thousands)	2008
<b>28. Taxation</b>			
Income tax – current		175,000	80,000
– prior years	28.1	(11,000)	-
Deferred tax		164,000	80,000
		1,000	20,000
		<u>165,000</u>	<u>100,000</u>



**28.1** This represents reversal of tax provision for the tax year 2008 (financial year ended September 30, 2007) and assessment year 2003-04 (financial year ended September 30, 2002) which are no longer required.

	2009 (Rupees in thousands)	2008 (Rupees in thousands)
<b>28.2 Reconciliation of tax charge for the year</b>		
Accounting profit	<u>654,816</u>	<u>503,747</u>
Corporate tax rate	<u>35%</u>	<u>35%</u>
Tax on accounting profit at applicable rate	229,185	176,311
Tax effect of timing differences	(5,326)	8,416
Tax effect of lower tax rates on certain income	(64,802)	(100,665)
Tax effect of income exempt from tax	(53)	(216)
Tax effect of expenses that are inadmissible in determining taxable income	16,996	16,154
Adjustments relating to prior years	(11,000)	-
	(64,185)	(76,311)
Provision for taxation	<u>165,000</u>	<u>100,000</u>
<b>29. Earnings per share - Basic and diluted</b>		
Profit after taxation	<u>489,816</u>	<u>403,747</u>
	Number of shares (Restated)	
Number of ordinary shares of Rs. 5 each	<u>96,000,000</u>	<u>96,000,000</u>
Earnings per share - basic and diluted	<u>Rs. 5.10</u>	<u>Rs. 4.21</u>
<b>30. Cash generated from operations</b>		
Profit before taxation	654,816	503,747
<b>Adjustment for non-cash charges and other items</b>		
Depreciation	77,682	66,387
Provision for obsolescence and slow moving stores & spares	7,000	6,600
Gain on disposal of fixed assets	(2,362)	(2,376)
Profit on sale of long-term investments	(40)	(89)
Impairment on long-term investments	27,134	24,892
Finance (income) / cost - net	(61,810)	9,998
Dividend income	(16,731)	(20,645)
Working capital changes - note 30.1	450,631	(87,951)
	<u>1,136,320</u>	<u>500,563</u>



2009  
(Rupees in thousands)                      2008

### 30.1 Working capital changes

(Increase) / decrease in current assets

Stores and spares	(5,761)	1,749
Stock-in-trade	227,182	(47,727)
Trade debts	50,366	(200,876)
Loans and advances	170,787	(213,255)
Trade deposits and short-term prepayments	1,605	(1,940)
Other receivables	4,397	(2,185)
	448,576	(464,234)

Increase / (decrease) in current liabilities

Trade and other payables	2,055	376,283
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Net changes in working capital

	450,631	(87,951)
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### 31. Cash and cash equivalents at the end of the year

These comprise of the following :

Cash and bank balances	1,595,667	736,537
Short-term borrowings	(426,000)	(465,156)
	1,169,667	271,381

### 32. Remuneration of Chief Executive, Directors and Executives

	2009				2008			
	Chief Execu- tive	Direc- tors	Execu- tives	Total	Chief Execu- tive	Direc- tors	Execu- tives	Total
(Rupees in thousands)								
Meeting fee - 7 Directors (2008: 7 Directors)	-	22	-	22	-	22	-	22
Managerial remuneration	5,384	14,100	33,354	52,838	4,752	12,442	31,317	48,511
Perquisites								
Telephone	28	402	307	737	69	298	349	716
Medical	8	102	1,075	1,185	12	58	2,492	2,562
Utilities	-	898	-	898	-	590	-	590
Entertainment	-	315	-	315	-	267	-	267
Retirement benefits	522	1,415	2,988	4,925	406	1,099	2,373	3,878
	5,942	17,232	37,724	60,898	5,239	14,754	36,531	56,524
Number of persons	1	3	24	28	1	3	22	26

32.1 Chief Executive, Directors and certain Executives are also provided with the Company maintained cars.



### 33. Financial Risk Management Objectives and Policies

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

#### 33.1 Credit risk

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

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

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

	Carrying Values	
	2009	2008
	(Rupees in thousands)	
Long-term investments	555,710	555,721
Long-term loans	4,019	4,198
Long-term deposits	2,936	2,634
Trade debts	353,397	403,763
Loans and advances	168,490	339,277
Trade deposits	–	998
Profit accrued on bank deposits	9,223	4,028
Other receivables	5,314	10,129
Bank balances	1,595,504	736,463
	<u>2,694,593</u>	<u>2,057,211</u>

#### Quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or the historical information about counter party default rates as shown below:

	Carrying Values	
	2009	2008
	(Rupees in thousands)	
<b>33.1.1 Trade debts</b>		
Customers with no defaults in the past one year	324,052	387,812
Customers with some defaults in past one year which have been fully recovered	19,389	4,667
Customers with defaults in past one year which have not yet been recovered	–	–
	<u>343,441</u>	<u>392,479</u>



Carrying Values  
2009  
(Rupees in thousands)

**33.1.2 Investments**

	Long-term
AA+	339,760
AA	54,649
AA-	5,673
A-	132
Estimated credit rating not available	155,496
	555,710
	Short-term
A1+	400,082
A2	132
Estimated credit rating not available	155,496
	555,710

**33.1.3 Bank Balances**

A1+	1,595,071
A1	372
A2	16
P1	45
	1,595,504

**33.2 Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company applies the prudent risk management policies by maintaining sufficient cash and bank balances and by keeping committed credit lines. The table below summarises the maturity profile of the Company's financial liabilities at the following reporting dates:

Year ended 30 September 2009	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
(Rupees in thousands)						
Trade and other payables	-	154,074	620,240	-	-	774,314
Short-term borrowings	-	-	426,000	-	-	426,000
Accrued mark-up on short-term borrowings	-	4,635	-	-	-	4,635
	-	158,709	1,046,240	-	-	1,204,949





Year ended 30 September 2008	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
(Rupees in thousands)						
Trade and other payables	–	209,860	560,665	–	–	770,525
Short-term borrowings	–	2,656	462,500	–	–	465,156
Accrued mark-up on short-term borrowings	–	675	–	–	–	675
	–	213,191	1,023,165	–	–	1,236,356

### 33.3 Foreign currency risk

Foreign currency risk is the risk that the value of financial assets or a financial liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions in foreign currency. The Company's exposure to foreign currency risk is as follows:

		2009 (Respective Currency)	2008
Trade debts	\$	355,554	1,048,834
“	£	–	72,509
“	€	–	71,880
Trade and other payables		–	–

The following significant exchange rates have been applied at the reporting dates:

Exchange rates	For	\$	83.10	78.00
	“	£	–	140.38
	“	€	–	111.87

The foreign currency exposure is partly covered as the outstanding balance at the year end is determined in respective currency which is converted into rupees at the exchange rate prevailing at the balance sheet date.

### Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currency exchange rate, with all other variables held constant, of the Company's profit before tax and the Company's equity.

	Change in Foreign Currency rate (%)	Effect on profit or /(loss) (Rupees in thousands)	Effect on equity
30 September 2009	+10	2,955	2,925
	-10	(2,955)	(2,925)
30 September 2008	+10	10,003	9,903
	-10	(10,003)	(9,903)



### 33.4 Equity price risk

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

At the balance sheet date, the exposure to equity securities held as available for sale was Rs.555.710 million.

### 33.5 Capital risk management

The primary objective of the Company's capital management is to ensure ample availability of finance for its existing and potential investment projects, to maximise shareholder value and reduce the cost of capital.

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

The gearing ratio of the company is nil and the company finances its investments portfolio through management of its working capital and equity with a view to maintaining an appropriate mix between various sources of finance to minimise risk.

### 33.6 Fair value of financial instruments

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

## 34. Capacity and production

	2009			2008		
	Quantity		Working days	Quantity		Working days
<b>34.1 Sugar division</b>						
Crushing capacity	7,000	M.Tons	Per Day	7,000	M. Tons	Per Day
Capacity based on actual working days	840,000	M. Tons	120	1,197,000	M. Tons	171
Actual crushing	780,578	M. Tons	120	1,264,619	M. Tons	171
Sucrose recovery	9.87	%		9.73	%	
Sugar production	77,051	M. Tons		123,064	M. Tons	

Sugar unit operated below capacity due to lesser availability of sugarcane.

### 34.2 Distillery division

#### a) Ethanol

Capacity	34,000	M. Tons	300	34,000	M. Tons	300
Actual production	21,739	M. Tons	316	35,607	M. Tons	337

Ethanol production was also below capacity because lesser quantity of molasses was available due to reduced quantum of sugarcane crushed.



	2009			2008		
	Quantity		Working days	Quantity		Working days
<b>b) Liquid carbon dioxide (CO<sub>2</sub>)</b>						
Capacity	6,000	M. Tons	300	–	M. Tons	–
Actual production	2,643	M. Tons	152	–	M. Tons	–

Commercial production of CO<sub>2</sub> commenced on March 19, 2009 as such the production was less. Furthermore, the production achieved was considered adequate taking into consideration the first year of operations and the domestic market conditions.

### 34.3 Textile division

Capacity	300,000	Kgs.	300	300,000	Kgs.	300
Actual production	534,526	Kgs.	300	916,937	Kgs.	300

The actual production of textile division is higher than the capacity due to purchase of semi-finished goods.

### 35. Transactions with related parties

Material transactions with related parties, other than remuneration and benefits to Directors and key management personnel under the terms of their employment, are given below:

	2009	2008
	(Rupees in thousands)	
Insurance premium	14,466	8,018
Insurance claims received	9,496	209
Profit on treasury call accounts	50,908	10,258
Purchases / sales / services	290	244
Dividend received	11,876	16,890
Dividend paid	14,668	9,388
Bonus shares received at nominal value	23,816	20,937
Bonus shares issued at nominal value	19,558	11,735
Bank charges	551	1,552

Transactions with related parties are carried out at arm's length.

### 36. Dividend

In their meeting held on December 16, 2009, the Board of Directors of the Company have proposed a final cash dividend for the year ended September 30, 2009 of Rs. 1.75 per share (35%). The Directors have also recommended a stock dividend through the issue of bonus shares in the proportion of one bonus share of Rs. 5 each for every four (25%) Ordinary shares of Rs. 5 each held. The bonus shares, so issued shall not be eligible for the final cash dividend declared for the year ended September 30, 2009. The approval of the members for the proposed final cash dividend and the proposed bonus issue will be obtained at the Annual General Meeting of the Company to be held on January 28, 2010. The financial statements for the year ended September 30, 2009 do not include the effect of the proposed final cash dividend and the proposed bonus issue which will be accounted for in the financial statements for the year ending September 30, 2010.

### 37. General

- Figures have been rounded off to the nearest thousand rupees.
- These financial statements were authorised for issue on December 16, 2009 by the Board of Directors of the Company.

  
**Raeesul Hasan**  
 Chief Executive

  
**Murtaza H. Habib**  
 Director



## Pattern of Shareholding as at September 30, 2009

Number of Shareholders	Size of Shareholding		Total Number of Shares held	
	From	To		
869	1	...	100	29,203
888	101	...	500	244,963
704	501	...	1,000	541,640
1,071	1,001	...	5,000	2,236,840
225	5,001	...	10,000	1,589,170
102	10,001	...	15,000	1,258,246
53	15,001	...	20,000	923,760
17	20,001	...	25,000	387,872
21	25,001	...	30,000	573,371
21	30,001	...	35,000	684,611
9	35,001	...	40,000	337,025
11	40,001	...	45,000	466,831
15	45,001	...	50,000	716,053
6	50,001	...	55,000	315,291
4	55,001	...	60,000	224,501
2	60,001	...	65,000	123,030
5	65,001	...	70,000	335,169
2	70,001	...	75,000	145,176
2	80,001	...	85,000	167,872
1	85,001	...	90,000	88,322
4	90,001	...	95,000	362,913
6	95,001	...	100,000	587,883
4	100,001	...	105,000	407,370
8	105,001	...	110,000	864,006
2	115,001	...	120,000	236,442
1	120,001	...	125,000	122,093
2	125,001	...	130,000	253,848
1	130,001	...	135,000	131,300
1	145,001	...	150,000	145,182
1	155,001	...	160,000	157,820
4	180,001	...	185,000	726,184
2	190,001	...	195,000	388,720
5	195,001	...	200,000	987,286
1	205,001	...	210,000	205,086
2	210,001	...	215,000	420,826
1	215,001	...	220,000	218,074
1	225,001	...	230,000	225,868
2	230,001	...	235,000	463,314
3	245,001	...	250,000	743,352
2	250,001	...	255,000	506,235
1	265,001	...	270,000	269,534
5	295,001	...	300,000	1,495,279
1	315,001	...	320,000	317,329
2	325,001	...	330,000	653,656
1	330,001	...	335,000	333,609
1	335,001	...	340,000	339,237
1	355,001	...	360,000	356,562
1	360,001	...	365,000	363,128
1	365,001	...	370,000	366,668
1	380,001	...	385,000	382,101
1	385,001	...	390,000	387,954
1	395,001	...	400,000	400,000
1	420,001	...	425,000	421,486
2	480,001	...	485,000	969,878
1	495,001	...	500,000	499,728
1	575,001	...	580,000	579,535
2	585,001	...	590,000	1,176,181
1	620,001	...	925,000	620,882
4	665,001	...	670,000	2,670,276
2	755,001	...	760,000	1,511,378
1	760,001	...	765,000	761,281
1	905,001	...	910,000	907,882
1	1,080,001	...	1,085,000	1,080,481
1	1,190,001	...	1,195,000	1,194,820
1	1,610,001	...	1,615,000	1,611,876
1	1,965,001	...	1,970,000	1,965,981
1	2,275,001	...	2,280,000	2,278,241
1	3,385,001	...	3,390,000	3,388,861
1	3,725,001	...	3,730,000	3,728,229
1	5,645,001	...	5,650,000	5,645,799
1	5,990,001	...	5,995,000	5,994,440
1	16,815,001	...	16,820,000	16,816,560
1	16,965,001	...	16,970,000	16,968,400
<b>4,125</b>				<b>96,000,000</b>

Shareholders' Category	Number of Shareholders	Number of Shares held	Percentage
Individuals	4,037	30,650,139	31.93
Insurance Companies	3	7,117,199	7.41
Joint Stock Companies	55	26,597,169	27.71
Financial Institutions	10	23,641,896	24.63
Modaraba Company	2	241,600	0.25
Charitable and other Trusts	13	7,386,983	7.69
Societies	3	333,213	0.35
Corporate Law Authority	1	1	0.00
The Administrator Abandoned Properties Organisation	1	31,800	0.03
	<b>4,125</b>	<b>96,000,000</b>	<b>100.00</b>



## Pattern of Shareholding as at September 30, 2009

### Additional Information

Shareholders' Category	Number of Shareholders	Number of Shares Held
<b>Related Parties</b>		
Habib Insurance Company Limited	1	3,388,861
Habib Mercantile Company (Pvt) Limited	1	326,828
Habib & Sons (Pvt) Limited	1	333,609
Bank AL Habib Limited	1	5,994,440
<b>NIT and ICP</b>		
National Bank of Pakistan Trustee Department (NIT)	1	16,816,560
Investment Corporation of Pakistan	1	3,700
<b>Directors, CEO and their spouses and minor children</b>		
Asghar D. Habib Chairman	1	668,386
Ali Raza D. Habib Director	1	14,860
Muhammad Nawaz Tishna (NIT Nominee)	—	—
Murtaza H. Habib	1	755,689
Farouq Habib Rahimtoola	1	15,894
Amin Ali Abdul Hamid	1	15,342
Imran A. Habib	1	668,380
Raesul Hasan Chief Executive	1	20
Mrs. Tahira Ali Asghar w/o Mr. Ashgar D. Habib	1	246,862
<b>Executives</b>	1	781
<b>Joint Stock Companies and Corporation</b>	52	8,968,332
<b>Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds</b>	11	4,797,134
<b>Individuals</b>	4,028	28,263,925
<b>Charitable &amp; other Trusts, Societies and Government Institutions</b>	18	7,751,997
<b>Shareholders holding 10% or more voting interest</b>		
ICOM Industrie-Und Handels, Schaan Principality of Liechtenstein	1	16,968,400
National Bank of Pakistan Trustee Department (NIT) 16,816,560 shares		
	4,125	96,000,000



## Form of Proxy

The Company Secretary  
Habib Sugar Mills Limited  
Imperial Court, 4th Floor  
Dr. Ziauddin Ahmed Road  
KARACHI – 75530

I/We.....of.....  
a member(s) of HABIB SUGAR MILLS LIMITED and holding.....  
ordinary shares, as per Folio No. / CDC Account and Participant's I.D. Numbers .....

.....  
hereby appoint .....of.....  
or failing him.....of.....  
another member of the Company to vote for me / us and on my / our behalf at the  
Forty-eighth Annual General Meeting of the Company to be held on Thursday, January 28,  
2010 and at any adjournment thereof.

As witness my / our hand this .....day of.....2010

Rs. Five  
Revenue  
Stamp

.....  
SIGNATURE OF MEMBER(S)

A member entitled to attend and vote at this meeting is entitled to appoint another member of the Company as a proxy to attend and vote on his / her behalf.

Any individual beneficial owner of CDC, entitled to attend and vote at this meeting must bring his / her National Identity Card, Account and Participant's ID Numbers to prove his / her identity, and in case of proxy, must enclose attested copies of his / her National Identity Card, Account and Participant's ID Numbers. Representatives of corporate members should bring the usual documents as required for such purpose.

The instrument appointing a proxy should be signed by the member or by his attorney duly authorised in writing. If the member is a corporation its common seal (if any) should be affixed to the instrument.

The instrument appointing a proxy, together with the power of attorney (if any) under which it is signed or a notarially certified copy thereof, should be deposited at the registered office of the Company at least 48 hours before the time of the meeting.