Contents

STATEMENT OF ETHICS AND BUSINESS PRACTICES

Husein Sugar Mills Limited is guided by the following principles in the pursuit of excellence in all activities for attainment of the management objects for the efficient conduct of business.

- Formulate, implement, monitor and follow up the objectives, strategies, policies, procedures and overall business of the company.
- Ensure compliance of the company affairs as per legal and regulatory requirements guidelines of the statutory authorities and high business ethics.
- Motivate and encourage initiatives and experienced employees committed to the management philosophy to carry out the business transactions honestly.
- Maintain organization effectiveness for the achievement of the organization goals.
- Ensure that the company's interest supersedes all other interests by making its best.

VISION STATEMENT

- A leading producer of sugar and its by-products by providing the highest quality of products and services to its customers.
- Lowest cost supplier with assured access to long-term supplies.
- Sustained growth in earning in real terms.
- Highly ethical company and the respected corporate citizen to continue playing the role in the social and environmental sectors of the company.
- To develop an extremely motivated and professional trained work force, which would drive growth through innovation and renovation.
- To strive for excellence through commitment, honest and team work.

MISSION STATEMENT

Our mission is to be a dynamic, profitable and growth oriented company by providing good return on investment to its shareholders and investors, quality products to its customers, promote agriculture sector, a secured and friendly environment place of work to its employees and present the company as a reliable partner to all sugarcane growth and other business associates.

COMPANY INFORMATION

BOARD OF DIRECTORS	Mst. Nusrat Shamim (Chairperson & Chief Executive) Mr. Ahmad Ali Tariq (Co-opted in place of Mrs.Shirin Abid) Mian Shahzad Aslam Mian Farrukh Naseem Mian Aamir Naseem Mst. Rukhsana Javed Amin (Co-opted in place of Mr. Sajjad Aslam) Mst. Ayesha Shahzad
AUDIT COMMITTEE	Mian Shahzad Aslam (Chairman) Mian Farrukh Naseem (Member) Mian Aamir Naseem (Member)
CHIEF FINANCIAL OFFICER	Irfan Qamar
COMPANY SECRETARY	Syed Arif Hussain
LEGAL ADIVISOR	Manzoor Hussein Syed
BANKERS	Bank Alfalah Limited Habib Bank Limited National Bank of Pakistan Allied Bank Limited United Bank Limited The Bank of Punjab Meezan Bank Limited
AUDITORS	Riaz Ahmad & Company Chartered Accountants
REGISTRAR	M/s Hameed Majeed Associates (Pvt.) Ltd. 1st Floor, H.M. House, 7-Bank Square Lahore. Ph: (042) 37235081-2 Fax: (042) 37358817
MILLS	Lahore Road, Jaranwala
REGISTERED / HEAD OFFICE	30-A E/I, Old FCC, Gulberg III, Lahore Ph: (042) 35762089 - 35762090 Fax: (042) 35712680 E-mail: info@huseinsugarmills.com Website: www.huseinsugarmills.com

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Forty-fourth Annual General Meeting of the Shareholders of HUSEIN SUGAR MILLS LTD will be held at its Registered/Head Office, 30 A E/1, Old FCC., Gulberg III, Lahore on Saturday January 29, 2011 at 11-30 A.M. to transact the following business:

Ordinary Business

1. To confirm the minutes of last Extra Ordinary General Meeting held on 29th September, 2010.

2. To receive, consider and adopt, the Audited Financial Statements / Accounts for the period ended September 30, 2010 together with the Directors' and Auditors' Reports thereon.

3. To appoint auditors of the company for the year 2010-11 ending period September 30, 2011 and to fix their remuneration. The present Auditors M/s. Riaz Ahmad & Company, Chartered Accountants, retires and being eligible, offers them-selves for re-appointment.

4. To transact any other business with the permission of the Chairperson/Chairman.

By order of the Board
(Syed Arif Hussain)
Company Secretary

Lahore:
Dated: January 08, 2011
NOTES:

1. The Register of Shareholders of the Company will remain closed from 29th January to 4th February 2011 (both days inclusive). The members, whose names appear in the books of the Company as well as through CDC at the close of business i.e. on 28th January 2011, shall be entitled to attend and vote at the meeting.

2. A Shareholder entitled to attend and vote may appoint another Shareholder as his/her proxy to attend and vote on his/her behalf. The instrument appointing a Proxy and the power of attorney or other authority under which it is signed or a materially certified copy of the power of attorney must be received at the Registered Office of the Company duly stamped, signed and witnessed not later than 48 hours before the meeting. An instrument of proxy applicable for meeting is attached herewith.

3. Shareholders whose shares are deposited with Central Depository System (CDS) are requested to bring their Computerized National Identity Card (CNIC) along with their Account Number in CDS for verification. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

4. In case of proxy for an individual beneficial owner of CDC, attested copies of beneficial owner's CNIC or passport, account and participants ID numbers must be deposited along with the form of proxy. Representative of corporate members should bring the usual documents required for such purpose.

5. Shareholders are requested to notify any change with the Shares Registrar of the company in their addresses immediately, and once again notified that, who has not yet supplied copy of their CNIC are advised to send an attested copy, mentioned thereon registered folio number to the Shares Registrar - M/s. Hameed Majeed Associates Pvt. Ltd. H.M Building, 7-Bank Square, Lahore.

DIRECTORS' REPORT TO THE SHAREHOLDERS

It is pleasure for me to present before you the Company's 44th annual report, along with audited financial statements and auditors' report, for the year ended September 30, 2010.

PERFORMANCE REVIEW

Operational and financial results of the Company for the current year (2009-10) are given hereunder:

	2010	2009
OPERATIONAL		
Sugarcane Crushing:		
Number of days	**106**	108
Quantity crushed in M. Tons	**333,572**	428,960
Sugar recovery percentage	**8.62**	8.60
Quantity of sugar produced in M. Tons	**28,764**	36,920
	Rupees in Thousands	
FINANCIAL		
Sales	**1,824,195**	1,468,262
Cost of sales	**1,973,802**	1,418,682
Operating expenses	**81,724**	80,070
Finance cost	**71,343**	62,570
Net loss after tax	**170,963**	74,393
Loss per share – Rupees	**14.13**	6.15

Main reason for the loss of the company was shortage of sugarcane which caused unprecedented increase in its price. Due to sugarcane shortage, not only neighbouring mills but far-located mills also invaded our traditional sugarcane procurement area triggering price competition. This situation continued till end of crushing season. Overall inflationary impact and recession in sugar prices for major period of the year are also major contributing factors for dismissal performance of the company.

Survey by our field staff has revealed a positive trend in sugarcane crop for ongoing crushing season (2010-11) in term of area under sugarcane cultivation and yield. The Government of Punjab also announced increase in sugarcane price by 25% from Rupees 100 to Rupees 125 per 40 kilogram to make sugarcane a cash-competitive crop. It is envisaged that it shall act as a catalyst for more sugarcane sowing and growing. More sugarcane availability to all sugar mills of the area shall have a favourable impact on the industry in terms of overall recovery and resulting decrease in price of sugarcane which is major sugar cost component.

The Company started its ongoing crushing season (2010-11) from November 29, 2010, and since then has been crushing sugarcane satisfactorily. All operational activities are progressing positively that are indicative of a successful year ahead, Inshaallah.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Board of Directors of the Company is fully cognizant of its responsibility as laid down in the Code of Corporate Governance. The following statements are a manifestation of its commitments towards compliance with best practices of Code of Corporate Governance:

1. The financial statements prepared by the Company management present fairly its state of affairs, the results 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 financial statements; accounting estimates are based on reasonable and prudent judgment.

4. International Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departure there-from 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 doubts upon the Company's ability to continue as going concern.

7. There has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations.

8. Value of investments of employees' provident fund is Rupees 54.644 millions (2009: Rupees 52.217 millions), as per its un-audited accounts for the year ended June 30, 2010.

9. The Chairperson/Chief Executive Officer, Directors, Chief Financial Officer and Company Secretary, or their spouses and minor children, have made no sale/purchase in the Company's shares during the year.

10. The board of directors comprises of seven directors. The board met seven times in the year and following is the record of attendance during these meetings:

Directors' Names		**Meetings Attended**
Mst. Nusrat Shamim (Chairperson/Chief Executive Officer)		7
Mst. Shirin Abid	**(*)**	-
Mr. Ahmad Ali Tariq	**(*)**	5
Mr. Sajjad Aslam	**(*)**	3
Mian Shahzad Aslam		6
Mian Farrukh Naseem		7
Mian Aamir Naseem		6
Mrs. Ayesha Shahzad		6
Mrs. Rukhsana Javed Amin	**(*)**	4

(*) Mr. Ahmed Ali Tariq was appointed as director on 31.10.2009 in place of Mst.Shirin Abid and Mrs.Rukhsana Javed Amin was appointed as director on 21.04.2010 in place of Mr.Sajjad Aslam.

11. Leave of absence was granted to the directors who could not attend the meetings.

12. The categories and pattern of shareholding is annexed with the report.

13. Key operating and financial data for the last six years, in summarized form, is annexed with the report.

DIVIDEND

The company has not recommended dividend payment during the year due to losses.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance set out by the Karachi and Lahore Stock Exchanges in their Listing Rules, relevant to the year ended September 30, 2010 have been duly complied with. Annual report of the Company includes a statement to this effect, which is reviewed by the statutory auditors of the Company.

ROLE OF SHAREHOLDERS

The Board aims to ensure that the Company's shareholders are timely informed about the major developments affecting the Company. To achieve this objective, information is communicated to the shareholders through quarterly, half yearly and annual accounts and reports. The Board encourages the shareholders' participation at the Annual General Meeting to ensure high level of accountability.

AUDITORS

The present auditors, M/s. Riaz Ahmad and Company, Chartered Accountants, retire, and being eligible, offer themselves for re-appointment. The audit committee has recommended existing auditors for re-appointment for the next year.

ACKNOWLEDGEMENT

The Board is pleased with the continued dedication and efforts of the employees of the Company.

Lahore: January 04, 2011

By the order of the Board

Chairperson/Chief Executive

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of HUSEIN SUGAR MILLS LIMITED ("the Company") for the year ended 30 September 2010, to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

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

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

Further, Listing Regulations of the Karachi and Lahore Stock Exchanges require 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 of Corporate Governance as applicable to the Company for the year ended 30 September 2010.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Sarfraz Mahmood

Date: 04 JAN 2011

LAHORE

STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in 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. At present Board of Directors include five 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 resident 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 or NBFI or, being a member of a stock exchange, has been declared as a defaulter by the stock exchange.

4. Casual vacancies occurred on the Board during the year ended September 30, 2010 and fulfilled within 30 days.

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

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

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and terms and conditions of employment of the Chief Executive Officer (CEO) and Executive Director have been taken by the Board.

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

9. The members of Board have attended orientation course and acquainted with "Code of Corporate Governance" and aware of their duties / responsibilities.

10. The Board has approved appointment of CFO, the Company Secretary and head of Internal Auditor including their remuneration and terms and conditions of employment.

11. The Director's Report for the year ended September 30, 2010 has been prepared in compliance with the requirements of the Code and it fully describes the salient matters required to be disclosed.

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

13. The Directors, the CEO and the 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 audit committee. It comprises of three members, all of whom are non-executive directors including the Chairman of the Committee. .

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and 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 by appointing a full-time Head of Internal Audit.

18. The statutory auditors of the company have confirmed that:

    I. they have given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan;

    ii. they or any of the partners of the firm, their spouses and minor children do not hold shares of the company; and

    iii. the firm and all its partners are in compliance with international Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

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

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

By the order of the Board

Lahore: January 04, 2011

Chief Executive Officer/Chairperson

KEY OPERATING AND FINANCIAL DATA

OPERATING DATA	2010	2009	2008	2007	2006	2005
Cane crushed (M.Tons)	**333,572**	428,960	688,248	643,347	437,776	554,113
Sugar produced from sugarcane (M.Tons)	**28,764**	36,920	58,326	50,992	36,778	49,956
Average recovery from sugarcane(%)	**8.62**	8.60	8.47	7.93	8.40	9.01
Raw sugar processed (M.Tons)	**-**	-	-	-	1,997	-
Sugar produced from raw sugar (M.Tons)	**-**	-	-	-	1,878	-
Number of days worked	**106**	108	141	158	124	135
		……..………………………………….(Rupees in ' 000)……………………………………..				
FINANCIAL DATA						
Sales	**1,824,195**	1,468,262	1,647,795	1,332,046	1,013,839	1,154,658
Gross profit/(loss)	**(149,607)**	49,580	172,991	15,097	109,977	246,365
Operating profit/(loss)	**(226,107)**	(25,038)	100,582	(27,590)	60,282	170,417
Profit / (loss) before taxation	**(297,450)**	(87,608)	56,780	(70,163)	25,083	167,631
Taxation	**126,487**	13,215	(21,860)	32,537	(18,885)	(58,561)
Profit / (loss)after taxation	**(170,963)**	(74,393)	34,919	(37,625)	6,198	109,070
Earning / (loss) per share (rupees)	**(14.13)**	(6.15)	2.89	(3.11)	0.51	9.92
Total assets	**1,281,549**	666,340	593,177	743,348	816,660	644,041
Current liabilities	**607,123**	339,678	152,598	357,879	334,837	154,158
Capital Employed	**674,426**	326,662	440,579	385,468	481,823	489,883
Represented By:						
Share capital	**121,000**	121,000	121,000	121,000	121,000	110,000
Reserves	**191,232**	195,168	199,777	200,379	200,979	198,918
Un-appropriated profit /(accumulated loss)	**(186,085)**	(15,121)	79,841	44,923	82,548	109,350
Shareholders' Equity	**126,147**	301,047	400,618	366,302	404,527	418,268
Non - Current Liabilities						
Liabilities against assets subject to finance lease	**9,956**	24,626	10,969	9,651	28,512	36,636
Directors loan	**45,000**	-	-	-	-	-
Deferred tax liability	**-**	-	28,992	9,516	48,784	34,979
Deferred income on sale and lease back	**639**	989	-	-	-	-
	55,595	25,615	39,961	19,167	77,296	71,615

INFORMATION UNDER COMPANIES ORDINANCE 1984

(Section 236 (1) and (464)

PATTERN OF SHAREHOLDINGS HELD BY THE SHAREHOLDERS **FORM 34**

1. Incorporation	**CUIN No.**	**0002202**	
2. Name of Company		**HUSEIN SUGAR MILLS LIMITED**	
3. Pattern of Shareholding as at		**30 09 2010**	
No. Of Shareholders	SHAREHOLDINGS From	To	TOTAL Shares held
222	1	100	5,451
123	101	500	38,893
57	501	1000	39,593
59	1001	5000	135,986
17	5001	10000	115,649
6	10001	15000	82,174
1	15001	20000	19,089
1	40001	45000	40,905
1	45001	55000	48,104
1	60001	65000	60,150
2	65001	70000	130,525
1	100001	105000	102,092
5	105001	110000	538,513
2	110001	115000	227,841
1	115001	120000	116,600
1	120001	125000	124,548
1	130001	135000	130,583
1	135001	140000	139,605
1	140001	145000	141,164
1	205001	210000	205,537
1	270001	275000	274,161
1	280001	285000	281,639
1	340001	345000	341,950
1	350001	355000	354,397
1	385001	390000	388,010
1	585001	590000	588,219
1	605001	610000	609,212
1	650001	655000	653,192
1	695001	700000	696,740
1	795001	800000	795,663
1	820001	825000	824,077
1	890001	895000	890,035
1	1305001	1310000	1,305,957
1	1650001	1655000	1,653,746
518			**12,100,000**

Note: The slabs not applicable have not been shown

Categories of Shareholders as at 30 September 2010

Shareholders' Categories	Number of Shareheolders	No. of Shares held	Percentage
Individuals	503	11282390	93.24
Investment Companies	3	1373	0.01
Insurance Companies	1	795663	6.58
Financial Institutions	2	11417	0.10
Joint Stock Companies	6	6614	0.05
Modarabas	1	1700	0.01
Others	2	843	0.01
Total:	518	12100000	100.00

SHAREHOLDING DETAIL WISE

5	Categories of shareholders	Shares held	Percentage
5.1	Directors, Chief Executive Officer, and their spuse and minor children.	7,382,984	61.01
5.2	Associated Companies, undertaking and related parties	---	---
5.3	NIT and ICP	1,373	0.01
5.4	Banks Development Fiancial Institutions, Non Banking Financial Institutions	11,417	0.10
5.5	Insurance Companies	795,663	6.58
5.6	Mudarabas Company	1,700	0.01
5.7	Shareholders holding 10%	5,155,690	42.60
5.8	General Public		
	a) Local	3,899,406	32.23
	b) Foreign	---	---
5.9	**PUBLIC SECTOR JOINT STOCK COMPANIES**	6,614	0.05
	Others (specified as)		
	SECP (CLA)	1	
	Administrator Abondoned	842	0.01

6	Signature of Company Secretary	
7	Name of Company Secretary	SYED ARIF HUSSAIN
8	Designation	Company Secretary
9	NIC Number	
10	Date	30 - 09 - 2010

CATEGORIES OF SHAREHODERS REQUIRED UNDER C.C.G.
AS ON SEPTEMBER 30, 2010

S.No.	Name		Holding
ASSOCIATED COMPANIES			Nil
DIRECTORS, CHIEF EXECUTIVE OFFICER, THEIR SPOUSES AND MINOR CHILDREN			
1	Mst. Nusrat Shamim		2,543,781
2	Mr. Ahmed Ali Tariq		1,305,952
3	Mian Shahzad Aslam		793,756
4	Mian Farrukh Naseem		653,192
5	Mian Aamir Naseem		831,196
6	Mrs. Rukhsana Javed Amin		398,879
7	Mrs. Ayesha Shahzad		390,761
8	Mrs. Fatima Aamir	Spouse	184,698
9	Mian Saad Naseem	Minor	139,605
10	Mian Ahmad Naseem	Minor	141,164
			7,382,984
NIT & ICP			
1	Investment Corporation of Pakistan		1,219
2	IDBP (ICP Unit) CDC		121
3	National Investment Trust Ltd. CDC		33
			1,373
INSURANCE COMPANY			
	State Life Insurance Corporation of Pakistan		795,663
PUBLIC SECTOR COMPANIEES			
1	Darson Securities		440
2	Capital Vision Securities (Pvt.,) Ltd.		1,546
3	Moosani Securities (Pvt.) Ltd.,		2,201
4	Pakistan Cloth Merchants Associaton		1,434
5	SECP (CLA)		1
6	M/s Naeem Securities (Pvt.,) Ltd.,		40
7	The Okahi Memon Anjuman		953
8	Administrator Abondoned		842
9	First Elite Capital Modaraba CDC		1700
			9,157
FINANCIAL INSTITUTIONS. & CORPORATIONS			
1	Mercantile Cooperative Finance Corporaion		9,295
2	Habib Bank Limited		2,000
3	National Bank of Pakistan		122
			11,417
SHARES HELD BY GENERAL PUBLIC			3,899,406
		TOTAL:	121,00,000

SHAREHOLDERS HOLDINGS 10% OR MORE OF TOTAL CAPITAL

1	Mst. NusratShamim	2,543,781
2	Mr. Ahmed Ali Tariq	1,305,952
3	Master Mustafa Ali Tariq	1,305,957

During the financial year the **Trading in shares** of the company by the Directors, CEO, CFO, Company Secretary and their spouces and minor childrens has not been reported.

AUDITORS' REPORT TO THE MEMBERS

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

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

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

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

(b) in our opinion:

i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in Notes 2.1 (d) (i) and 2.5 with which we concur;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 September 2010 and of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Sarfraz Mahmood
Date: 04 JAN 2011
LAHORE

BALANCE SHEET

	NOTE	2010 Rupees	2009 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	3	**200,000,000**	200,000,000
Issued, subscribed and paid up share capital	4	**121,000,000**	121,000,000
Reserves	5	**5,146,759**	180,047,290
Total Equity		**126,146,759**	301,047,290
Surplus on revaluation of fixed assets	6	**492,684,029**	-
NON-CURRENT LIABILITIES			
Directors loan	7	**45,000,000**	-
Liabilities against assets subject to finance lease	8	**9,956,090**	24,625,638
Deferred income on sale and lease back	9	**638,934**	989,176
		55,595,024	25,614,814
CURRENT LIABILITIES			
Trade and other payables	10	**314,544,830**	193,170,318
Accrued mark-up on short term borrowings		**14,508,762**	12,015,008
Short term borrowings	11	**263,909,933**	107,500,000
Current portion of finance lease liabilities	8	**14,159,301**	19,638,034
Provision for taxation		**-**	7,354,758
		607,122,826	339,678,118
Total liabilities		**662,717,850**	365,292,932
CONTINGENCIES AND COMMITMENTS	12		
TOTAL EQUITY AND LIABILITIES		**1,281,548,638**	666,340,222

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

MST. NUSRAT SHAMIM
Chief Executive Officer/Chairperson

AS AT 30 SEPTEMBER 2010

	NOTE	2010 Rupees	2009 Rupees
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	13	**833,746,509**	376,887,135
Long term investments	14	**3,188,250**	7,125,450
Long term deposits	15	**10,931,329**	11,580,851
Deferred income tax asset	16	**112,983,204**	1,499,359
		960,849,292	397,092,795
CURRENT ASSETS			
Stores, spare parts and loose tools	17	**85,989,615**	96,427,144
Stock-in-trade	18	**129,560,416**	103,978,785
Trade debts	19	**1,042,481**	5,252,400
Current portion of long term deposits	15	**39,250,522**	133,050
Advances	20	**16,835,838**	19,266,692
Short term prepayments		**1,057,739**	970,325
Other receivables	21	**38,846,175**	14,280,988
Cash and bank balances	22	**8,116,560**	28,938,043
		320,699,346	269,247,427
TOTAL ASSETS		**1,281,548,638**	666,340,222

AHMED ALI TARIQ
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2010

	NOTE	2010 Rupees	2009 Rupees
SALES	23	**1,824,195,244**	1,468,262,154
COST OF SALES	24	**(1,973,801,846)**	(1,418,682,179)
GROSS PROFIT / (LOSS)		**(149,606,602)**	49,579,975
DISTRIBUTION COST	25	**(4,809,924)**	(5,024,957)
ADMINISTRATIVE EXPENSES	26	**(76,729,662)**	(74,940,693)
OTHER OPERATING EXPENSES	27	**(184,207)**	(104,550)
		(81,723,793)	(80,070,200)
		(231,330,395)	(30,490,225)
OTHER OPERATING INCOME	28	**5,223,846**	5,451,999
LOSS FROM OPERATIONS		**(226,106,549)**	(25,038,226)
FINANCE COST	29	**(71,343,411)**	(62,569,783)
LOSS BEFORE TAXATION		**(297,449,960)**	(87,608,009)
PROVISION FOR TAXATION	30	**126,486,629**	13,215,160
LOSS AFTER TAXATION		**(170,963,331)**	(74,392,849)
LOSS PER SHARE - BASIC AND DILUTED	31	**(14.13)**	(6.15)

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

MST. NUSRAT SHAMIM
Chief Executive Officer/Chairperson

AHMED ALI TARIQ
Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2010

	2010 Rupees	2009 Rupees
LOSS AFTER TAXATION	**(170,963,331)**	(74,392,849)
OTHER COMPREHENSIVE LOSS:		
Deficit on remeasurement of available for sale investments	**(3,937,200)**	(4,608,300)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(174,900,531)**	(79,001,149)

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

MST. NUSRAT SHAMIM
Chief Executive Officer/Chairperson

AHMED ALI TARIQ
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2010

	2010 Rupees	2009 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	**(297,449,960)**	(87,608,009)
Adjustments for non-cash charges and other items:		
Depreciation	**39,686,394**	43,962,296
Finance cost	**71,343,411**	62,569,783
Impairment loss on equity investment	**-**	4,550
Security deposits forfeited	**(671,200)**	(540,000)
Amortization of deferred income on sale and lease back	**(350,242)**	(61,550)
Gain on disposal of operating fixed assets	**(165,000)**	(1,195,765)
CASH (USED IN) / FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES	**(187,606,597)**	17,131,305
WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	**10,437,529**	10,922,163
Stock-in-trade	**(25,581,631)**	(62,549,180)
Trade debts	**4,209,919**	(5,252,400)
Advances	**2,430,854**	1,219,705
Short term prepayments	**(87,414)**	(358,095)
Other receivables	**(2,932,601)**	(130,837)
Increase in current liabilities:		
Trade and other payables	**126,094,641**	65,893,892
	114,571,297	9,745,248
CASH (USED IN) / GENERATED FROM OPERATIONS	**(73,035,300)**	26,876,553
Finance cost paid	**(68,849,657)**	(56,369,776)
Income tax paid	**(13,072,596)**	(7,599,035)
Dividend paid	**(4,960,893)**	(12,819,247)
Net increase in long term deposits	**(38,467,950)**	(9,109,100)
NET CASH USED IN OPERATING ACTIVITIES	**(198,386,396)**	(59,020,605)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of operating fixed assets	**165,000**	41,781,250
Property, plant and equipment - acquired	**(3,861,739)**	(63,395,147)
NET CASH USED IN INVESTING ACTIVITIES	**(3,696,739)**	(21,613,897)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of liabilities against assets subject to finance lease	**(20,148,281)**	(14,779,185)
Directors loan - obtained	**45,000,000**	-
Short term borrowings-net	**156,409,933**	90,576,463
NET CASH FROM FINANCING ACTIVITIES	**181,261,652**	75,797,278
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(20,821,483)**	(4,837,224)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**28,938,043**	33,775,267
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**8,116,560**	28,938,043

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

MST. NUSRAT SHAMIM
Chief Executive Officer/Chairperson

AHMED ALI TARIQ
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2010

	SHARE CAPITAL	RESERVES							TOTAL EQUITY
		Capital			Revenue				
		Premium on issue of right shares	Fair value reserve	Sub Total	General	Unappropriated profit / (Accumulated loss)	Sub Total	TOTAL	
	Rupees								
Balance as on 01 October 2008	121,000,000	21,093,550	9,233,300	30,326,850	169,450,000	79,841,589	249,291,589	279,618,439	400,618,439
Final dividend for the year ended 30 September 2008 @ Rupees 1.70 per share	-	-	-	-	-	(20,570,000)	(20,570,000)	(20,570,000)	(20,570,000)
Total comprehensive loss for the year ended 30 September 2009	-	-	(4,608,300)	(4,608,300)	-	(74,392,849)	(74,392,849)	(79,001,149)	(79,001,149)
Balance as on 30 September 2009	121,000,000	21,093,550	4,625,000	25,718,550	169,450,000	(15,121,260)	154,328,740	180,047,290	301,047,290
Total comprehensive loss for the year ended 30 September 2010	-	-	(3,937,200)	(3,937,200)	-	(170,963,331)	(170,963,331)	(174,900,531)	(174,900,531)
Balance as on 30 September 2010	121,000,000	21,093,550	687,800	21,781,350	169,450,000	(186,084,591)	(16,634,591)	5,146,759	126,146,759

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

MST. NUSRAT SHAMIM
Chief Executive Officer/Chairperson

AHMED ALI TARIQ
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010

1 .THE COMPANY AND ITS OPERATIONS

Husein Sugar Mills Limited (the "Company") is a public limited company incorporated in Pakistan under the Companies Act, 1913 (Now Companies Ordinance, 1984). The shares of the Company are listed on Lahore and Karachi Stock Exchanges. Its registered office is situated at 30-A E/1, Old FCC, Gulberg-III, Lahore. The Company is principally engaged in the business of production and sale of sugar and by products.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated:

2.1 Basis of preparation

a) 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.

b) Accounting convention

These financial statements have been prepared under the historical cost convention, except for land which is carried at revalued amount and certain financial instruments which are carried at their fair value.

c) Critical accounting estimates and judgements

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

Income taxes: In making the estimates for income taxes payable by the Company, the management considers current Income Tax Law and the decisions of appellate authorities on certain cases issued in past. Where the final tax outcome is different from the amount that were initially recorded, such differences will impact the income tax provision in the period in which such final outcome is determined.

Useful lives, patterns of economic benefits and impairments: Estimates with respect to residual values, useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

Inventories: Net realizable value of inventories is determined with reference to currently prevailing selling prices less estimated expenditure to make sales.

d) Standards and amendments to published approved accounting standards that are effective in current year

i) Changes in accounting policies and disclosures arising from amendments to published approved accounting standards that are effective in the current year

IAS 1 (Revised) 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January 2009).The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Company presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

IFRS 7 (Amendment) 'Financial instruments: Disclosures' (effective for annual periods beginning on or after 01 January 2009). This amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

ii) Other amendment to published approved accounting standards that are effective in the current year

IAS 23 (Amendment) 'Borrowing Costs' (effective for annual periods beginning on or after 01 January 2009). It requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The Company's accounting policy on borrowing cost, as disclosed in Note 2.8, complies with the above mentioned requirements to capitalize borrowing cost and hence this change has not impacted the Company's accounting policy.

e) Standards, interpretations and amendments to published approved accounting standards that are effective in current year but not relevant

There are other new standards, interpretations and amendments to the published approved accounting standards that are mandatory for accounting periods beginning on or after 01 October 2009 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

f) Standards and amendments to published approved accounting standards that are not yet effective but relevant

Following standards and amendments to the published approved accounting standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 October 2010 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2013). IFRS 9 has superseded the IAS 39 'Financial Instruments: Recognition and Measurement'. It requires that all equity investments are to be measured at fair value while eliminating the cost model for unquoted equity investments. Certain categories of financial instruments available under IAS 39 will be eliminated. Moreover, it also amends certain disclosure requirements relating to financial instruments under IFRS 7. The management of the Company is in the process of evaluating impacts of the aforesaid standard on the Company's financial statements.

There are other amendments resulting from annual improvements projects initiated by International Accounting Standards Board in May 2010, specifically in IFRS 7 'Financial Instruments: Disclosures', IAS 1 'Presentation of Financial Statements', IAS 7 'Statement of Cash Flows', IAS 24 'Related Party Disclosures' and IAS 36 'Impairment of Assets' that are considered relevant to the Company's financial statements. These amendments are unlikely to have a significant impact on the Company's financial statements and have therefore not been analyzed in detail.

g) Standards, interpretations and amendments to published approved accounting standards that are not effective in current year and not considered relevant

There are other accounting standards, amendments to published approved accounting standards and new interpretation that are mandatory for accounting periods beginning on or after 01 October 2010 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.2 Staff retirement benefits

The Company operates a funded provident fund scheme covering all permanent employees and chief executive officer. Equal monthly contributions are made to the fund both by the Company and employees at the rate of 10 percent of basic pay plus cost of living allowance.

2.3 Taxation

Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or the tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of the assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

2.4 Foreign currencies

The financial statements are presented in Pak Rupees, which is the Company's functional currency. Transactions in foreign currency during the year are initially recorded in the functional currency at the rates prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at functional currency rates of exchange prevailing at the balance sheet date. All differences are taken to the profit and loss account.

2.5 Property, plant, equipment and depreciation

Owned

Change in accounting policy

During the year ended 30 September 2010, the Company has changed its accounting policy to carry freehold land at revalued amount. Previously, freehold land was carried at cost. The change in accounting policy has been accounted for in accordance with an IAS – 16 'Property, Plant and Equipment'. Had there been no change in the accounting policy, figures recognized in these financial statements would have been different as follows:

	2010 Rupees
Book value of freehold land would have been lower by	492,684,029
Surplus on revaluation of fixed assets would have been lower by	492,684,029

Cost

Property, plant and equipment except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Freehold land is stated at revalued amount less accumulated impairment losses, if any. Capital work-in-progress is stated at cost less accumulated impairment losses, if any. Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable cost of brining the asset to working condition.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

Any revaluation surplus is credited to surplus on revaluation of operating fixed assets except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit and loss, in which case the increase is recognized in profit or loss. A revaluation deficit is recognized in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in surplus on revaluation of operating fixed assets

Leased

These are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of the assets acquired on lease. Aggregate amount of obligation relating to assets subject to finance lease is accounted for at net present value of liabilities. Assets so acquired are depreciated over their expected useful life at the rates mentioned in Note 13.1.

Depreciation

Depreciation on all operating fixed assets is charged to profit on the straight-line method so as to write off the cost of the assets over their estimated useful lives at the rates given in Note 13.1. The residual values and useful lives are reviewed by the management at each financial year end and adjusted if impact on depreciation is significant. Depreciation on additions is charged from the date on which the assets are available for use and on deletions upto the date on which the assets are deleted.

Derecognition

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit and loss account in the year the asset is derecognized.

Intangible assets

Expenditure incurred to acquire computer software are capitalized as intangible assets and stated at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized using the straight line method over a period of five years.

Amortization on additions to intangible assets is charged from the month in which an asset is acquired or capitalized, while no amortization is charged for the month in which the asset is disposed of.

2.6 Financial instruments

Financial Instruments carried on the balance sheet include investments, long term deposits, trade debts, loans and advances, other receivables, cash and bank balances, short-term borrowings, accrued mark-up on short term borrowings, trade and other payables, liabilities against assets subject to finance lease and directors loan. Financial assets and liabilities are recognized initially at fair value when the Company becomes a party to the contractual provisions of instrument.

The particular measurement methods adopted are disclosed in the following individual policy statements associated with each item. Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement (except available for sale investments) and derecognition is charged to the profit and loss account currently.

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 realize the asset and settle the liability simultaneously.

Trade and other receivables

Trade debts and other receivables are carried at original invoice value less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

Borrowings

Borrowings are recognized initially at fair value and are subsequently stated at amortized cost, any difference between the proceeds and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest rate method.

Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value, which is normally the transaction cost.

Investments

The Company's management determines the appropriate classification of its investments at the time of purchase.

Investments are initially measured at fair value plus transaction costs directly attributable to acquisition, except for "investment at fair value through profit and loss account".

Investment at fair value through profit and loss account

Investment classified as held-for-trading and those designated as such are included in this category. Investments are classified as held-for-trading if they are acquired for the purpose of selling in the short term.

Gains or losses on investments held-for-trading are recognized in profit and loss account.

Held-to-maturity investment

Investment with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held to maturity are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between the initially recognized amount and the maturity amount. For investments carried at amortized cost, gains and losses are recognized in profit and loss account when the investments are derecognized or impaired, as well as through the amortization process.

Available-for-sale

Investments intended to be held for an indefinite period of time, which may be sold in response to need for liquidity, or changes to interest rates or equity prices are classified as available-for-sale.

After initial recognition, investments which are classified as available-for-sale are measured at fair value. Gains or losses on available-for-sale investments are recognized directly in statement of other comprehensive income until the investment is sold, derecognized or is determined to be impaired, at which time the cumulative gain or loss previously reported in statement of other comprehensive income is included in profit and loss account. Upon impairment, gain/loss including that had been previously recognized directly in equity, is included in the profit and loss account for the year.

For investments that are actively traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bids at the close of business on the balance sheet date. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

2.7 Inventories

Inventories, except for stock in transit, molasses, bagasse and press mud are stated at lower of cost and net realizable value. Cost is determined as follows:

Stores, spare parts and loose tools

Useable stores, spare parts and loose tools are valued principally at moving average cost, while items considered obsolete are carried at NIL value. Items in transit are valued at cost comprising invoice value

Stock-in-trade

Cost of raw material is based on annual average cost.
Cost of work-in-process and finished goods comprise cost of direct material, labour and appropriate manufacturing overheads.

Materials in transit are stated at cost comprising invoice values plus other charges paid thereon.
Molasses, bagasse and press mud are valued at their net realizable value.

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make a sale.

2.8 Borrowing cost

Interest, mark-up and other charges on long-term borrowings are capitalized up to the date of commissioning of the respective qualifying assets acquired out of the proceeds of such borrowings. All of interest, mark-up and other charges are charged to income.

2.9 Related party transactions and transfer pricing

All transactions with related parties are carried out at arms length prices determined in accordance with comparable uncontrolled price method.

2.10 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

2.11 Impairment

a) Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated by reference to its current fair value.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

b) Non-financial assets

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

2.12 Revenue recognition

a) Revenue from sales is recognized on delivery of goods to customers.

b) Dividend income is recognized when the right to receive the dividend is established.

c) Return on bank deposits is accrued on a time proportionate basis by reference to the principal outstanding and the applicable rate of return.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

2.14 Share capital

Ordinary shares are classified as equity.

2.15 Dividend and transfer of reserve

Dividend and transfer among reserves are treated as post balance sheet non adjusting events hence do not qualify for provision in the financial statements as per the requirements of IAS-10 “Events after the reporting period”. These transfers are therefore recorded in the next year's financial statements.

3. AUTHORIZED SHARE CAPITAL

2010	2009		2010	2009
(Number of shares)			Rupees	Rupees
20,000,000	20,000,000	Ordinary shares of Rupees 10 each	**200,000,000**	200,000,000

4. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2010	2009		2010	2009
(Number of shares)			Rupees	Rupees
3,256,250	3,256,250	Ordinary shares of Rupees 10 each fully paid in cash	**32,562,500**	32,562,500
161,900	161,900	Ordinary shares of Rupees 10 each issued fully paid for consideration other than cash	**1,619,000**	1,619,000
8,681,850	8,681,850	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	**86,818,500**	86,818,500
12,100,000	12,100,000		**121,000,000**	121,000,000

5. RESERVES

	2010 Rupees	2009 Rupees
Composition of reserves is as follows:		
Capital		
Share premium (Note 5.1)	**21,093,550**	21,093,550
Fair value adjustment (Note 5.2)	**687,800**	4,625,000
	21,781,350	25,718,550
Revenue		
General	**169,450,000**	169,450,000
Accumulated loss	**(186,084,591)**	(15,121,260)
	(16,634,591)	154,328,740
	5,146,759	180,047,290

5.1 This reserve can be utilized by the Company only for the purposes specified in Section 83(2) of the Companies Ordinance, 1984.

5.2 This represents unrealized gain on remeasurement of investment at fair value and is not available for distribution. This will be transferred to profit and loss account on realization.

6. SURPLUS ON REVALUATION OF FIXED ASSETS

	2010	2009
Balance as on 01 October	-	-
Add: Surplus on revaluation of land	**492,684,029**	-
Balance as on 30 September	**492,684,029**	-

7. DIRECTORS LOAN

This represent unsecured interest free loan obtained from directors for unspecified period.

8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2010	2009
Future minimum lease payments	**26,480,246**	51,558,935
Less: Un-amortized finance charge	**2,364,855**	7,295,263
Present value of future minimum lease payments	**24,115,391**	44,263,672
Less: Current portion shown under current liabilities	**14,159,301**	19,638,034
	9,956,090	24,625,638

8.1 Minimum lease payments have been discounted using implicit interest rate ranging from 11.57% to 18.35% (2009: 13.02% to 20.71%) per annum. Balance rentals are payable in monthly / quarterly installments. Taxes, repairs and insurance costs are to be borne by the Company. In case of termination of the agreement, the Company shall pay entire amount of rentals for unexpired period of lease agreement. These are secured against the leased assets, demand promissory notes, personal guarantees of directors and deposits of Rupees 6.351 million (2009: Rupees 6.484 million).

8.2 Minimum lease payments and their present values are regrouped as under:

	2010		2009	
	Not later than one year	Later than one year and not later than five years	Not later than one year	Later than one year and not later than five years
	------------------------------ Rupees ------------------------------			
Future minimum lease payments	16,245,177	10,235,069	24,566,059	26,992,876
Less: Un-amortized finance charge	2,085,876	278,979	4,928,025	2,367,238
Present value of future minimum lease payments	14,159,301	9,956,090	19,638,034	24,625,638

	2010 Rupees	2009 Rupees
9. DEFERRED INCOME ON SALE AND LEASE BACK		
Balance as on 01 October	**989,176**	-
Add: Excess of sales proceeds over carrying amounts of operating fixed assets	**-**	1,050,726
	989,176	1,050,726
Less: Income amortized during the year (Note 28)	**350,242**	61,550
Balance as on 30 September	**638,934**	989,176

9.1 The Company entered into sale and lease back arrangement of operating fixed assets during the year ended 30 September 2009. Excess of sales proceeds over carrying amounts of operating fixed assets is deferred and being amortized over the lease term.

10. TRADE AND OTHER PAYABLES

	2010 Rupees	2009 Rupees
Creditors	**288,529,769**	135,357,239
Advances from customers	**1,268,498**	18,329,254
Security deposits repayable on completion of contracts-interest free	**516,000**	1,487,200
Sales tax payable	**3,276,807**	11,032,029
Special excise duty payable	**1,126,719**	2,123,982
Accrued liabilities	**13,869,005**	14,854,541
Income tax deducted at source	**1,471,264**	559,300
Payable to provident fund trust	**577,696**	556,808
Unclaimed dividend	**3,909,072**	8,869,965
	314,544,830	193,170,318

11. SHORT TERM BORROWINGS

FROM BANKING COMPANIES - SECURED

	2010 Rupees	2009 Rupees
National Bank of Pakistan (Note 11.1)	**96,405,937**	30,000,000
Bank Alfalah Limited (Note 11.2)	**-**	27,500,000
MCB Bank Limited		
- Cash finance (Note 11.3)	**120,000,000**	50,000,000
- Running finance (Note 11.4)	**47,503,996**	-
	167,503,996	50,000,000
	263,909,933	107,500,000

11.1 This represents short term cash finance facility, form part of total credit facility of Rupees 100.000 million(2009 : Rupees 30.000 million). This facility is secured against first charge over all present and future fixed/current assets of the Company to the extent of Rupees 134.000 million at a margin of 25% and personal guarantees of two directors. Mark-up is payable quarterly at the rate of 3 months KIBOR plus 2.00% per annum (2009 : 3 months KIBOR plus 1.50% per annum with a floor of 4% and no cap).

11.2 The Company has short term cash finance facility with maximum limit of Rupees 200.000 million (2009: Rupees 200.000 million). This facility limit is secured against pledge of refined sugar with margin of 25% and personal guarantees of two directors. Mark-up on this facility was paid monthly at the rate of 1 month average KIBOR plus 1.75% per annum with floor 12.00% per annum (2009: 1 month average KIBOR plus 2% per annum with floor 13.00% per annum).

11.3 This represents short term cash finance facility, form part of total credit facility of Rupees 300.000 million (2009 : Rupees 300.000 million). This facility is secured against pledge of refined sugar in bags and personal guarantees of two directors. Mark-up is payable quarterly at the rate of 3 months KIBOR plus 1.75% per annum (2009: 3 months KIBOR plus 2.50% per annum).

11.4 This represents running finance facility, form part of total credit facility of Rupees 50.000 million. This facility is secured against first pari passu charge on fixed assets of the Company with margin of 25% and personal guarantees of two directors. Mark-up is payable quarterly at the rate of 1 month KIBOR plus 2.00% per annum.

12. CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

12.1.1 Guarantee of Rupees 42.80 million (2009: Rupees 42.80 million) is given by the bank of the Company to Sui Northern Gas Pipelines Limited against gas connection.

	2010 Rupees	2009 Rupees
12.2 Commitments		
Letters of credit for capital expenditure	-	2,785,262
13. FIXED ASSETS		
Property, plant and equipment		
- Operating assets (13.1)	**777,302,599**	289,260,382
- Assets subject to finance lease (13.1)	**55,693,910**	63,143,440
- Capital work-in-progress (13.2)	-	24,483,313
Intangible asset under development	**750,000**	-
	833,746,509	376,887,135

13.1 Reconciliation of carrying amounts at the beginning and end of the year is as follows

Description	OWNED											LEASED		
	Freehold land	Building on freehold land	Plant and machinery	Factory equipment	Gas and electric installations	Railway siding	Furniture and fixtures	Office equipment	Computer equipment	Vehicles	Total	Plant and machinery	Vehicles	Total
	Rupees													
At 01 October 2008														
Cost	2,024,287	84,078,288	637,433,153	6,814,508	8,152,855	492,072	3,003,667	4,599,037	2,837,252	34,844,354	784,279,473	39,610,446	6,746,500	46,356,946
Accumulated depreciation	-	(26,108,625)	(428,800,712)	(3,360,603)	(7,214,967)	(492,072)	(2,591,928)	(3,983,131)	(2,797,478)	(16,129,112)	(491,478,628)	(8,322,588)	(3,182,863)	(11,505,451)
Net book value	2,024,287	57,969,663	208,632,441	3,453,905	937,888	-	411,739	615,906	39,774	18,715,242	292,800,845	31,287,858	3,563,637	34,851,495
Year ended 30 September 2009														
Opening net book value	2,024,287	57,969,663	208,632,441	3,453,905	937,888	-	411,739	615,906	39,774	18,715,242	292,800,845	31,287,858	3,563,637	34,851,495
Additions	20,654,320	1,699,462	43,240,528	27,233	377,096	-	22,000	57,095	10,400	4,303,403	70,391,537	23,608,000	14,249,000	37,857,000
Disposals:														
Cost	-	-	(23,608,000)	-	-	-	-	-	-	(17,182,614)	(40,790,614)	-	(2,499,000)	(2,499,000)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	2,381,431	2,381,431	-	1,373,424	1,373,424
	-	-	(23,608,000)	-	-	-	-	-	-	(14,801,183)	(38,409,183)	-	(1,125,576)	(1,125,576)
Transferred from leased assets:														
Cost	-	-	-	-	-	-	-	-	-	2,917,000	2,917,000	-	(2,917,000)	(2,917,000)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	(1,756,593)	(1,756,593)	-	1,756,593	1,756,593
	-	-	-	-	-	-	-	-	-	1,160,407	1,160,407	-	(1,160,407)	(1,160,407)
Depreciation charge	-	(1,847,050)	(30,685,632)	(481,975)	(165,128)	-	(84,657)	(141,748)	(40,381)	(3,236,653)	(36,683,224)	(4,159,268)	(3,119,804)	(7,279,072)
Closing net book value	22,678,607	57,822,075	197,579,337	2,999,163	1,149,856	-	349,082	531,253	9,793	6,141,216	289,260,382	50,736,590	12,406,850	63,143,440
At 30 September 2009														
Cost	22,678,607	85,777,750	657,065,681	6,841,741	8,529,951	492,072	3,025,667	4,656,132	2,847,652	24,882,143	816,797,396	63,218,446	15,579,500	78,797,946
Accumulated depreciation	-	(27,955,675)	(459,486,344)	(3,842,578)	(7,380,095)	(492,072)	(2,676,585)	(4,124,879)	(2,837,859)	(18,740,927)	(527,537,014)	(12,481,856)	(3,172,650)	(15,654,506)
Net book value	22,678,607	57,822,075	197,579,337	2,999,163	1,149,856	-	349,082	531,253	9,793	6,141,216	289,260,382	50,736,590	12,406,850	63,143,440
Year ended 30 September 2010														
Opening net book value	22,678,607	57,822,075	197,579,337	2,999,163	1,149,856	-	349,082	531,253	9,793	6,141,216	289,260,382	50,736,590	12,406,850	63,143,440
Additions	-	7,835,005	16,297,311	-	415,470	-	-	128,704	219,781	2,698,781	27,595,052	-	-	-
Disposals:														
Cost	-	-	-	-	-	-	-	-	-	(165,206)	(165,206)	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	165,206	165,206	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transferred from leased assets:														
Cost	-	-	-	-	-	-	-	-	-	1,330,500	1,330,500	-	(1,330,500)	(1,330,500)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	(788,093)	(788,093)	-	788,093	788,093
	-	-	-	-	-	-	-	-	-	542,407	542,407	-	(542,407)	(542,407)
Depreciation charge	-	(2,100,741)	(27,605,033)	(449,174)	(209,140)	-	(68,183)	(78,165)	(131,812)	(2,137,023)	(32,779,271)	(4,575,435)	(2,331,688)	(6,907,123)
Surplus on revaluation	492,684,029	-	-	-	-	-	-	-	-	-	492,684,029	-	-	-
Closing net book value	515,362,636	63,556,339	186,271,615	2,549,989	1,356,186	-	280,899	581,792	97,762	7,245,381	777,302,599	46,161,155	9,532,755	55,693,910
At 30 September 2010														
Cost / revalued amount	515,362,636	93,612,755	673,362,992	6,841,741	8,945,421	492,072	3,025,667	4,784,836	3,067,433	28,746,218	1,338,241,771	63,218,446	14,249,000	77,467,446
Accumulated depreciation	-	(30,056,416)	(487,091,377)	(4,291,752)	(7,589,235)	(492,072)	(2,744,768)	(4,203,044)	(2,969,671)	(21,500,837)	(560,939,172)	(17,057,291)	(4,716,245)	(21,773,536)
Net book value	515,362,636	63,556,339	186,271,615	2,549,989	1,356,186	-	280,899	581,792	97,762	7,245,381	777,302,599	46,161,155	9,532,755	55,693,910
Depreciation rate % per annum	-	2.5	7.5	10	10	5	10	10	30	20		7.5	20	

13.1.1 Freehold land was valued by an independent approved valuer, Messers Sama Engineers Associates as on 30 September 2010.

13.1.2 The book value of freehold land on cost basis as on 30 September 2010 is Rupees 22,678,607.

13.1.3 Detail of operating fixed assets disposed of during the year is as follows:

Description	Cost	Accumulated Depreciation	Net Book Value	Sale Proceeds	Gain on Disposal	Mode of Disposal	Particulars
		-------- Rupees --------					
Vehicles							
Belarus tractor, FDG 7083	82,603	82,603	-	82,500	82,500	Negotiation	Mr. Muhammad Jahangir, Jaranwalla
Belarus tractor, FDJ 1043	82,603	82,603	-	82,500	82,500	Negotiation	Mr. Muhammad Jahangir, Jaranwalla
	165,206	165,206	-	165,000	165,000		

13.1.4 Depreciation charge for the year has been allocated as follows:

	2010 Rupees	2009 Rupees
Cost of sales (Note 24)	34,819,523	37,219,053
Distribution cost (Note 25)	120,000	120,000
Administrative expenses (Note 26)	4,746,871	6,623,243
	39,686,394	43,962,296

13.1.5 The cost of the operating assets as on 30 September 2010 include fully depreciated assets of Rupees 324.450 million (2009: Rupees 283.288 million) which are still in use of the Company.

		2010 Rupees	2009 Rupees
13.2	**CAPITAL WORK-IN-PROGRESS**		
	Plant and machinery	-	17,228,444
	Civil works	-	6,216,869
	Advance for purchase of vehicle	-	1,038,000
		-	24,483,313
14.	**LONG TERM INVESTMENTS**		
	AVAILABLE FOR SALE		
	Associated Companies		
	Quoted		
	Shadab Textile Mills Limited		
	375,000 (2009: 375,000) fully paid ordinary shares of Rupees 10 each	**2,500,000**	2,500,000
	Sargodha Spinning Mills Limited		
	500 (2009: 500) fully paid ordinary shares of Rupees 10 each	**5,000**	5,000
		2,505,000	2,505,000
	Add: Fair value adjustment (Note 5)	**687,800**	4,625,000
	Less: Impairment loss	**4,550**	4,550
		3,188,250	7,125,450
15.	**LONG TERM DEPOSITS**		
	Margin against bank guarantees	**42,917,989**	4,397,989
	Security deposits against leased assets	**6,351,122**	6,484,172
	Security deposits - others	**912,740**	831,740
		50,181,851	11,713,901
	Less: Current portion shown under current assets	**39,250,522**	133,050
		10,931,329	11,580,851
16.	**DEFERRED INCOME TAX ASSET**		
	The asset for deferred taxation originated due to timing differences relating to:		
	Taxable temporary differences		
	Accelerated tax depreciation	**52,976,342**	53,534,826
	Finance lease	**11,052,482**	6,607,919
		64,028,824	60,142,745
	Deductible temporary differences		
	Available tax losses	**157,846,743**	49,930,300
	Turnover tax available for carry forward	**19,165,285**	11,711,804
		177,012,028	61,642,104
	Deferred income tax asset	**112,983,204**	1,499,359

		2010 Rupees	2009 Rupees
17.	**STORES, SPARE PARTS AND LOOSE TOOLS**		
	Stores	**74,944,977**	88,010,558
	Spare parts	**9,772,037**	6,640,105
	Loose tools	**1,272,601**	1,776,481
		85,989,615	96,427,144
18.	**STOCK IN TRADE**		
	Work-in-process	**586,375**	314,292
	Finished goods (Note 18.1)	**128,974,041**	103,664,493
		129,560,416	103,978,785

18.1 Finished goods inventory as on 30 September 2010 includes inventory of Rupees 1.209 million valued at net realizable value. However, as on 30 September 2009 total finished goods inventory was valued at net realizable value.

		2010 Rupees	2009 Rupees
19.	**TRADE DEBTS**		
	Considered good:		
	Unsecured (Note 19.1)	**1,042,481**	5,252,400

19.1 These trade debts are neither past due nor impaired.

		2010 Rupees	2009 Rupees
20.	**ADVANCES**		
	Considered good		
	Advances to:		
	Employees - interest free	**348,872**	720,260
	Employees against expenses	**371,695**	2,533,052
	Suppliers	**5,313,216**	8,258,155
	Contractors	**12,630**	66,973
	Sugarcane growers	**10,789,425**	7,688,252
		16,835,838	19,266,692
21.	**OTHER RECEIVABLES**		
	Advance income tax	**34,935,234**	13,302,648
	Others	**3,910,941**	978,340
		38,846,175	14,280,988
22.	**CASH AND BANK BALANCES**		
	Cash in hand	**56,111**	130,450
	Cash with banks on :		
	Current accounts (Note 22.1)	**7,056,317**	18,785,404
	Saving accounts (Note 22.2)	**1,004,132**	10,022,189
		8,060,449	28,807,593
		8,116,560	28,938,043

22.1 Cash with banks on current account include foreign currency balance of US$ 597.6 (2009: US$ 597.6).

22.2 Rate of profit on bank deposits ranges from 5.00% to 7.00% (2009: 1.00% to 7.04%) per annum.

		2010 Rupees	2009 Rupees
23.	**SALES**		
	Sugar	**1,758,126,286**	1,493,747,354
	By Products:		
	Molasses	**157,033,039**	130,117,229
	Press mud	**3,407,576**	2,510,932
	Bagasse	**1,031,327**	4,342,442
		1,919,598,228	1,630,717,957
	Less: Sales tax and special excise duty	**95,402,984**	162,455,803
		1,824,195,244	1,468,262,154
24.	**COST OF SALES**		
	Raw materials consumed:		
	Sugarcane purchased	**1,794,534,833**	1,233,666,004
	Sugarcane development cess	**6,257,430**	8,049,515
	Market committee fee	**1,743,806**	2,146,443
		1,802,536,069	1,243,861,962
	Salaries, wages and other benefits (Note 24.1)	**60,441,400**	68,355,117
	Workers' welfare	**2,361,982**	2,265,504
	Stores, spare parts and loose tools consumed	**5,726,619**	6,686,393
	Chemicals consumed	**4,386,521**	8,423,855
	Packing material consumed	**9,478,452**	9,929,751
	Fuel and power	**25,949,277**	20,060,974
	Repair and maintenance	**48,145,054**	82,473,523
	Insurance	**2,184,400**	836,426
	Other factory overheads	**3,354,180**	1,118,801
	Depreciation (Note 13.1.4)	**34,819,523**	37,219,053
		1,999,383,477	1,481,231,359
	Work-in-process		
	Opening stock	**314,292**	525,976
	Closing stock	**(586,375)**	(314,292)
		(272,083)	211,684
	Cost of goods manufactured	**1,999,111,394**	1,481,443,043
	Finished goods		
	Opening stock	**103,664,493**	40,903,629
	Closing stock	**(128,974,041)**	(103,664,493)
		(25,309,548)	(62,760,864)
		1,973,801,846	1,418,682,179

24.1 Salaries, wages and other benefits include Rupees 1.558 million (2009: Rupees 1.477 million) in respect of employees' provident fund contribution by the Company.

		2010 Rupees	2009 Rupees
25.	**DISTRIBUTION COST**		
	Salaries, wages and other benefits (Note 25.1)	**1,585,511**	1,645,857
	Handling and distribution	**1,342,831**	1,643,354
	Commission to selling agent	**1,422,180**	1,317,396
	Repair and maintenance	**98,883**	221,957
	Printing and stationery	**49,778**	46,163
	Depreciation (Note 13.1.4)	**120,000**	120,000
	Miscellaneous	**190,741**	30,230
		4,809,924	5,024,957

25.1 Salaries, wages and other benefits include Rupees 0.073 million (2009: Rupees 0.107 million) in respect of employees' provident fund contribution by the Company.

26.	**ADMINISTRATIVE EXPENSES**		
	Salaries, wages and other benefits (Note 26.1)	**53,520,787**	52,931,487
	Traveling and conveyance	**1,016,814**	896,552
	Communication	**1,095,411**	841,009
	Rent, rates and taxes	**2,983,019**	2,321,856
	Printing and stationery	**945,791**	830,940
	Repair and maintenance	**931,501**	1,450,410
	Vehicles running	**5,212,416**	4,048,234
	Fee and subscription	**543,480**	574,337
	Legal and professional	**1,654,756**	1,221,767
	Auditors' remuneration (Note 26.2)	**691,500**	546,000
	Entertainment	**791,021**	566,031
	Advertisement	**98,900**	61,100
	Insurance	**835,674**	790,601
	Depreciation (Note 13.1.4)	**4,746,871**	6,623,243
	Miscellaneous	**1,661,721**	1,237,126
		76,729,662	74,940,693

26.1 Salaries, wages and other benefits include Rupees 1.809 million (2009: Rupees 1.624 million) in respect of employees' provident fund contribution by the Company.

26.2	**Auditors' remuneration**		
	Audit fee	**500,000**	375,000
	Certification fee	**50,000**	50,000
	Half yearly review	**105,000**	85,000
	Reimbursable expenses	**36,500**	36,000
		691,500	546,000

27.	**OTHER OPERATING EXPENSES**		
	Impairment loss on equity investment	-	4,550
	Donations (Note 27.1)	**184,207**	100,000
		184,207	104,550

27.1 There was no interest of any director or his/her spouse in the donee.

	2010 Rupees	2009 Rupees
28. OTHER OPERATING INCOME		
Income from financial assets		
Profit on bank deposits	**476,932**	965,313
Security deposits forfeited	**671,200**	540,000
	1,148,132	1,505,313
Income from non-financial assets		
Sale of scrap	**3,258,579**	2,603,050
Gain on sale of operating fixed assets	**165,000**	1,195,765
Amortization of deferred income on sale and lease back (Note 9)	**350,242**	61,550
Miscellaneous	**301,893**	86,321
	5,223,846	5,451,999
29. FINANCE COST		
Mark up on short term borrowings	**64,582,815**	54,477,394
Finance charges on lease liabilities	**5,665,501**	6,171,563
Interest on workers' profit participation fund	**-**	220,769
Bank charges and commission	**1,095,095**	1,428,977
Lease administration fee	**-**	271,080
	71,343,411	62,569,783
30. PROVISION FOR TAXATION		
Current tax (Note 30.1)	**-**	7,354,758
Prior year tax	**(15,002,784)**	9,921,013
Deferred tax	**(111,483,845)**	(30,490,931)
	(126,486,629)	(13,215,160)

30.1 The company's tax computation for the year gives rise to a tax loss. The company has not made provision for minimum tax under section 113 of Income tax Ordinance, 2001 as it has a gross loss for the year before set off of depreciation and other inadmissible expenses under the Income Tax Ordinance, 2001. Numerical reconciliation between the average tax rate and the applicable tax rate has not been presented being impracticable.

		2010	2009
31. LOSS PER SHARE - BASIC AND DILUTED			
There is no dilutive effect on the basic loss per share.			
Loss after taxation attributable to ordinary shareholders	**Rupees**	**(170,963,331)**	(74,392,849)
Weighted average number of ordinary shares	**Numbers**	**12,100,000**	12,100,000
Loss per share - Basic	**Rupees**	**(14.13)**	(6.15)

32. REMUNERATION OF CHIEF EXEXCUTIVE, DIRECTOR AND EXECUTIVES

The aggregate amount charged in these financial statements for remuneration including all benefits to the chief executive, director and executives of the company is as follows:

	2010			2009		
	Chief Executive	**Director**	**Executives**	Chief Executive	Director	Executives
	---------- Rupees ----------					
Managerial remuneration	**3,478,920**	**2,345,644**	**7,933,957**	3,428,604	1,462,172	6,813,588
House rent	**1,104,000**	**821,288**	**2,748,958**	1,104,000	522,576	2,453,567
Contribution to provident fund	**249,600**	**120,000**	**617,808**	249,600	-	552,939
Utilities / medical allowance	**535,870**	**178,062**	**502,176**	432,832	116,124	503,855
Reimbursable expenses	**1,034,643**	**-**	**-**	726,263	-	-
	6,403,033	**3,464,994**	**11,802,899**	5,941,299	2,100,872	10,323,949
Number of persons	1	1	6	1	1	6

32.1 In addition to above, the chief executive and certain executives are provided with the free use of the Company's maintained cars. Five executives are also provided with furnished accomodation including utilities.

32.2 No meeting fee was paid to directors during the year (2009: Rupees Nil).

33. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings, other related companies and key management personnel. Company in the normal course of business carries out transactions with related parties. Detail of transactions with related parties are specifically disclosed in these financial statements and there are no other related party transactions during the year.

		2010	2009
34. PLANT CAPACITY AND ACTUAL PRODUCTION			
Installed crushing capacity 5,000 (2009 :5,000) M.Tons per day for 106 (2009: 108) working days.		**530,000**	540,000
Actual crushing	Metric tons	**333,572**	428,960
Actual production	Metric tons	**28,764**	36,920
Sugar recovery	Percentage	**8.62**	8.60

Reason for low crushing

Low crushing of sugarcane was mainly due to normal maintenance of the plant and shortage of sugarcane.

35. UNUTILIZED CREDIT FACILITIES

The Company has total credit facilities amounting to Rupees 945.000 million (2009 : Rupees 770.000 million) out of which Rupees 681.090 million (2009 : Rupees 692.500 million) remained unutilized at the end of the year.

36. FINANCIAL RISK MANAGEMENT

36.1 Financial risk factors

The Company's activities may expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

Currently, the Company's foreign exchange risk exposure is restricted to bank balances in United States Dollar (USD) as disclosed in note 22 to these financial statements which, in management's opinion, is considered to be insignificant.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to commodity price risk.

Sensitivity analysis

The table below summarizes the impact of increase / decrease in the Karachi Stock Exchange (KSE) Index on the Company's loss after taxation for the year and on equity (fair value reserve). The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Company's equity instruments moved according to the historical correlation with the index:

Index	Impact on loss after taxation			Impact on other components of equity (fair value reserve)		
		2010	2009		**2010**	2009
		----------Rupees----------				
KSE 100 (5% increase)	Decrease in loss	**-**	(23)	Increase in fair value reserve	**159,412**	356,250
KSE 100 (5% decrease)	Increase in loss	**-**	23	Decrease in fair value reserve	**(159,412)**	(356,250)

Equity (fair value reserve) would increase / decrease as a result of gains / losses on equity investments classified as available for sale.

(iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant long-term interest-bearing assets. The Company's interest rate risk arises from liabilities against assets subject to finance lease and short term borrowings. Borrowings and finance leases obtained at variable rates expose the Company to cash flow interest rate risk.

At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was:

	2010 Rupees	2009 Rupees
Floating rate instruments		
Financial asset		
Bank balances - saving accounts	**1,004,132**	10,022,189
Financial liabilities		
Liabilities against assets subject to finance lease	**24,115,391**	44,263,672
Short term borrowings	**263,909,933**	107,500,000

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, loss after taxation for the year would have been Rupees 2.870 million (2009: Rupees 1.417 million) higher / lower, mainly as a result of higher / lower interest expense on floating rate financial instruments. This analysis is prepared assuming the amounts of financial instruments outstanding at balance sheet dates were outstanding for the whole year.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2010	2009
Long term investments	**3,188,250**	7,125,450
Deposits	**50,181,851**	11,713,901
Trade debts	**1,042,481**	5,252,400
Advances	**348,872**	720,260
Other receivables	**3,910,941**	978,340
Bank balances	**8,060,449**	28,807,593
	66,732,844	54,597,944

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (If available) or to historical information about counterparty default rate:

	Rating			2010	2009
	Short Term	Long term	Agency	Rupees	Rupees
Banks					
Allied Bank Limited	A1+	AA	PACRA	**245,406**	2,125,780
Bank Alfalah Limited	A1+	AA	PACRA	**5,318,087**	3,001,402
The Bank of Punjab	A1+	AA-	PACRA	**190,255**	7,429,599
Habib Bank Limited	A-1+	AA+	JCR-VIS	**137,680**	199,116
Meezan Bank Limited	A-1	AA-	JCR-VIS	**62,848**	70,480
MCB Bank Limited	A1+	AA+	PACRA	**1,243,179**	5,727,180
National Bank of Pakistan	A-1+	AAA	JCR-VIS	**320,366**	9,896,916
United Bank Limited	A-1+	AA+	JCR-VIS	**542,628**	357,120
				8,060,449	28,807,593

The Company is not exposed to credit risk and impairment losses related to trade debts as the trade debts are neither past due nor impaired.

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly the credit risk is minimal.

(c)Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 30 September 2010, the Company had Rupees 402.496 million (2009: Rupees 681.090 million) available credit limits from financial institutions and Rupees 8.117 million (2009: Rupees 28.938 million) cash and bank balances. Inspite the fact that the Company is in a negative working capital position at the year end, management believes the liquidity risk to be low. Following are the contractual maturities of financial liabilities, including interest payments. The amount disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 30 September 2010

	Carrying Amount	Contractual cash flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
	------------------------------- Rupees -------------------------------					
Non Derivative Financial Liabilities						
Directors loan	**45,000,000**	**45,000,000**	**-**	**-**	**-**	**45,000,000**
Liabilities against assets subject to finance lease	**24,115,391**	**26,480,246**	**9,219,237**	**7,025,940**	**10,235,069**	**-**
Trade and other payables	**306,823,846**	**306,823,846**	**306,823,846**	**-**	**-**	**-**
Accrued mark-up	**14,508,762**	**14,508,762**	**14,508,762**	**-**	**-**	**-**
Short term borrowings	**263,909,933**	**272,133,514**	**272,133,514**	**-**	**-**	**-**
	654,357,932	**664,946,368**	**602,685,359**	**7,025,940**	**10,235,069**	**45,000,000**

Contractual maturities of financial liabilities as at 30 September 2009

	Carrying Amount	Contractual cash flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
	------------------------------- Rupees-------------------------------					
Non Derivative Financial Liabilities						
Liabilities against assets subject to finance lease	44,263,672	51,558,935	12,877,369	11,688,690	15,184,970	11,807,906
Trade and other payables	160,568,945	160,568,945	160,568,945	-	-	-
Accrued mark-up	12,015,008	12,015,008	12,015,008	-	-	-
Short term borrowings	107,500,000	109,748,452	109,748,452	-	-	-
	324,347,625	333,891,340	295,209,774	11,688,690	15,184,970	11,807,906

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at 30 September. The rates of interest / mark up have been disclosed in note 8 and note 11 to these financial statements.

36.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped in to levels 1 to 3 based on the degree to which fair value is observable:

	Level 1	Level 2	Level 3	Total
	---------- Rupees ----------			
As at 30 September 2010				
Assets				
Available for sale financial assets	**3,188,250**	**-**	**-**	**3,188,250**
As at 30 September 2009				
Assets				
Available for sale financial assets	7,125,450	-	-	7,125,450

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial instruments held by the Company is the current bid price. These financial instruments are classified under level 1 in above referred table.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value a financial instrument are observable, those financial instruments are classified under level 2 in above referred table. The Company has no such type of financial instruments as on 30 September 2010.

If one or more of the significant inputs is not based on observable market data, the financial instrument is classified under level 3.The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments. The Company has no such type of financial instruments as on 30 September 2010.

36.3 Financial instruments by categories

	Loans and receivables	Available for sale	Total
	----------Rupees----------		
As at 30 September 2010			
Assets as per balance sheet			
Long term investments	**-**	**3,188,250**	**3,188,250**
Deposits	**50,181,851**	**-**	**50,181,851**
Trade debts	**1,042,481**	**-**	**1,042,481**
Advances	**348,872**	**-**	**348,872**
Other receivables	**3,910,941**	**-**	**3,910,941**
Cash and bank balances	**8,116,560**	**-**	**8,116,560**
	63,600,705	**3,188,250**	**66,788,955**

	Financial liabilities at amortized cost
	----------Rupees---------
Liabilities as per balance sheet	
Directors loan	**45,000,000**
Liabilities against assets subject to finance lease	**24,115,391**
Trade and other payables	**306,823,846**
Accrued mark-up	**14,508,762**
Short term borrowings	**263,909,933**
	654,357,932

	Loans and receivables	Available for sale	Total
	------------------------Rupees--------------------------		
As at 30 September 2009			
Assets as per balance sheet			
Long term investments	-	7,125,450	7,125,450
Deposits	11,713,901	-	11,713,901
Trade debts	5,252,400	-	5,252,400
Advances	720,260	-	720,260
Other receivables	978,340	-	978,340
Cash and bank balances	28,938,043	-	28,938,043
	47,602,944	7,125,450	54,728,394

	Financial liabilities at amortized cost
	----------Rupees---------
Liabilities as per balance sheet	
Liabilities against assets subject to finance lease	44,263,672
Trade and other payables	160,568,945
Accrued mark-up	12,015,008
Short term borrowings	107,500,000
	324,347,625

36.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent directors loan, liabilities against assets subject to finance lease and short term borrowings obtained by the Company as referred to in note 7, 8 and 11 respectively. Total capital employed includes 'total equity' as shown in the balance sheet plus 'borrowings'.

		2010	2009
Borrowings	Rupees	**333,025,324**	151,763,672
Total equity	Rupees	**126,146,759**	301,047,290
Total capital employed	Rupees	**459,172,083**	452,810,962
Gearing ratio	Percentage	**72.53**	33.52

The increase in the gearing ratio resulted primarily from increase in short term borrowings and loss after taxation for the current year.

37. EVENTS AFTER REPORTING PERIOD

The board of directors of the Company in its meeting held on January 04, 2011 has proposed a cash dividend in respect of year ended 30 September 2010 of Rupees Nil per share (2009: Rupees Nil per share).

38. DATE OF AUTHORIZATION

These financial statements have been approved and authorized by the Board of Directors of the Company for issue on January 04, 2011.

39. CORRESPONDING FIGURES

No significant reclassification/rearrangement of comparative figures has been made in these financial statements.

MST. NUSRAT SHAMIM
Chief Executive Officer/Chairperson

AHMED ALI TARIQ
Director

PROXY FORM
HUSEIN SUGAR MILLS LIMITED

I/We ____

of ____

being a member of **HUSEIN SUGAR MILLS LIMITED,** hereby appoint

____
(Name)

of ______________________________ another member of the Company

or failing him/her ______________________________
(Name)

of ______________________________ another member of the Company

(being a member of the Company) as my/our proxy to attend and vote for and on my/our behalf, at the 44th Annual General Meeting of the Company to be held at its Registered Office, 30-A E/I, Old FCC, Gulberg III, Lahore on Saturday January 29, 2011 at 11:30 A.M. and any adjournment thereof.

As witnessed given under my/our hand(s) ____________ day of ____________ , 2011.

1) Witness:

Signature ____________________

Name ____________________

Address ____________________

____

Affix
Revenue
Stamp of Rs. 5/-

____
Signature of Member

2) Witness:

Signature ____________________

Name ____________________

Address ____________________

____

Shares Held ____________________

Shareholders's Folio No. ____________________

CDC A/c No. ____________________

CNIC No. | | | | | | | | | | | | | | |

Note:

1) Proxies, in order to be effective, must be reached at the Company's Registered Office, not less than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed.

2) CDC Shareholders, entitled to attend and vote at this meeting, must bring with them their National Identity Cards / Passport in original to prove his/her identity, and in case of Proxy, must enclose an attested copy of his/her NIC or Passport. Representatives of corporate members should bring the usual documents required for such purpose.

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AFFIX
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The Company Secretary
HUSEIN SUGAR MILLS LIMITED
30-A E/I, Old FCC, Gulberg III, Lahore
Ph: 35762089 - 35762090
Fax: (042) 35712680

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