



## DIRECTORS' REPORT

The directors of your Company take pleasure to present Annual Report and Audited Financial Statements of the Company for the year ended Sept. 30, 2006 together with the Auditor's Report thereon..

### OPERATIONAL PERFORMANCE

The crushing season started on November 22, 2005. Operating results for the year under review is as under:

		November 22, 2005 To March 25, 2006	November 19, 2004 To March 29, 2005
Crushing days	No.	123	130
Average recovery	%	8.52	8.74
Cane crushed	M. Tones	424,017	564,054
Sugar produced	M. Tones	36,116	49,285
Average Cane Price	Per 40 Kg	88.92	50.76

Due to lesser availability of sugarcane, the crushing reduced by 25%. The crushing season in the year 2005-2006 continued for 123 days, out of the said days, the mills remained close for 26 days due to non availability of sugarcane which also caused reduction in the crushing.

### FINANCIAL RESULTS

The financial results of your company for the year ended September 30, 2006 are summarized as follows:

	For the year ended September 30,	
	2006	2005
	(Rupees in Million)	
Sales	954	1,365
Operating Profit / (Loss)	(2)	219
Profit / (Loss) before tax	(108)	135
Provision for taxation	10	64
Profit / (Loss) after tax	(118)	71

Whole of the sugar industry faced the problem of shortage of sugar cane which has hampered the crushing during the season under review and has consequently reduced the total quantity of sugar produced. Due to shortage of cane, the prices of cane shot up to the ever highest level of Rs. 88.92 per 40 kg as compared to the last year's Rs. 50.76 per 40 kg. Furthermore, the lesser recovery of sucrose is also contributed in low productivity of

the sugar. The growers have experienced low yield of sugarcane per acre due to shortage of irrigation water and inadequate rains. Although the prices of sugar also increased during the year but it could not fetch the cost price. All these factors compel the company toward losses.

### FUTURE OUTLOOK

Future prospects of the sugar industry depend on the availability of sugarcane and its prices. Due to good rains the crop is reasonable, however, the support price of sugarcane has increased by the Government from Rs. 45 to Rs. 60 per 40 Kgs. which will affect the profitability of the industry.

### DIVIDEND:

Due to losses, no dividend is being declared.

### AUDITORS:

The present auditors M/s Rahman Sarfraz & Company, Chartered Accountants, are retiring after completing their assignment for financial year ended June 30, 2006 and being eligible for re-appointment. They have offered themselves for re-appointment. The Audit Committee has recommended the re-appointment of M/s Rahman Sarfraz & Company, Chartered Accountants, as auditors of the Company for year 2006-07.

### STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK:

The Board of Directors and the Company remain committed to the principles of good corporate governance practices with emphasis on transparency and disclosures. The Board and management are fully cognizant with their responsibilities and monitoring Company's operation and performance to enhance the accuracy, comprehensiveness and transparency of financial and non-financial information. The Company is completely compliant of the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan. The following statements are a manifestation of its commitment towards compliance with best practices of Code of Corporate Governance:-

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of accounts have been maintained as required by the Companies Ordinance, 1984.
- Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and departure there from, if any, has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented by the management and monitored by internal auditor as well as Audit Committee. The internal control is also reviewed by the external auditors.
- There are no doubts upon the Company's ability to continue as a going concern. The Company has adequate resources to continue in operation for the foreseeable future.
- There has been no material departure from the best practices of the Corporate Governance as detailed in the Listing Regulations.
- Key operating and financial data of last six years, in summarized form, is annexed.
- Information about outstanding taxes and other government levies are given in related note(s) to the accounts.
- The company strictly complies with the standard of safety rules & regulations. It also follows environmental friendly policies.
- During the year under review, eight (08) meetings of the Board of Directors were held. The attendance by each Director is as follows:

<i>Sr. No.</i>	<i>Name of Directors</i>	<i>Attendance</i>
1.	Mian Muhammad Ilyas Mehraj.	8
2.	Mian Waqas Riaz.	8
3.	Mrs. Shehzadi Ilyas.	5
4.	Mrs. Bano Miraj.	5
5.	Mrs. Zainab Waqas.	6
6.	Mst. Maiza Riaz.	5
7.	Hafiz M. Irfan Hussain Butt.	6

- Leaves of absence were granted to the directors who could not attend the Board of Directors' Meetings.
- The Statement of Code of Ethics and Business Practices has been developed and acknowledged by the directors and employees of the Company.

viii. The Audit Committee continued to exist in compliance with the Code of Corporate Governance and it comprises the following members:-

<i>Sr. No.</i>	<i>Name</i>	<i>Designation</i>
1.	Hafiz M. Irfan Hussain Butt.	Chairman
2.	Mian Waqas Riaz.	Member
3.	Mst. Maiza Riaz.	Member

- A statement of the pattern of shareholdings in the Company as at September 30, 2006 of certain classes of shareholders, whose disclosure is required under the reporting framework, is annexed.
- No trading of shares by the Directors, Chief Executive, Chief Financial Officer, Company Secretary and their spouses & minor children has been carried out during the year. Detail of number of shares held by them is annexed.
- All the major decisions relating to investment or disinvestment of funds, changes in significant policies and overall corporate strategies, appointment, remuneration and terms & conditions of appointment of Chief Executive Officer and Executive Directors are taken by the Board of Directors.

### ACKNOWLEDGEMENT:

The directors pay their gratitude to sugarcane growers who are the back bone of sugar industry and whose continued assistance & contribution have helped us in achieving our goals. The directors express their sincere appreciation to the valuable customers, regulatory departments of the Government, financial institutions and all other related institutions for their trust, persistent support, cooperation and patronage which give strength to pursue our corporate objectives with renewed vigor.

The Board takes this opportunity to thank their esteemed shareholders for their trust and confidence in the Company and the Board would like to give them assurance that the Board would continue to work to the best interest of the Company and shareholders. The directors also acknowledge the laudable efforts, loyalty, hard work and dedicated services rendered by the executives, all the employees and workers of the Company at its various divisions.

The Board thanks all mighty Allah for His divine blessings and the courage he has bestowed upon us and asks for His continued benevolence upon the Company and the country.

**On behalf of the Board**

**LAHORE:**  
**January 05, 2007.**

**(MIAN WAQAS RIAZ)**

**Chief Executive**