A. F. Ferguson & Co.
Chartered Accountants
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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Shakarganj Mills Limited as at September 30, 2010 and the related profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement 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 in accounting policies as stated in notes 2.2.1 and 4.8 to the annexed financial statements 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, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at September 30, 2010 and of the loss, total comprehensive loss, changes in equity and its cash flows for the year then ended; and

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

(e) Without qualifying our opinion, we draw attention to note 1.2 to the financial statements which indicates the company could not meet its obligations in respect of principal and markup repayments on borrowings from financial institutions. The company has incurred net loss of Rs 879.727 million during the year, its current liabilities have exceeded its current assets by Rs 3,246 million and the equity has been fully eroded.

These conditions along with other matters as set forth in note 1.2 indicate the existence of material uncertainty which may cast doubt about the company's ability to continue as a going concern.

These financial statements do not include any adjustments relating to the realisation of the company's assets and liquidation of any liabilities that may be necessary should the company be unable to continue as a going concern.

Chartered Accountants

Lahore.
January 06, 2011.

Name of engagement partner: Muhammad Masood

BALANCE SHEET
As at September 30, 2010

	Note	2010	2009
		(Rupees in thousand)	Restated
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
80,000,000 (2009: 80,000,000) ordinary shares of Rs 10 each		**800,000**	800,000
50,000,000 (2009: 50,000,000) preference shares of Rs 10 each		**500,000**	500,000
		1,300,000	1,300,000
Issued, subscribed and paid up capital 69,523,798 (2009: 69,523,798) ordinary shares of Rs 10 each	5	**695,238**	695,238
Reserves		**969,241**	950,008
Accumulated loss		**(2,870,871)**	(1,991,163)
		(1,206,392)	(345,917)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	6	**1,699,425**	1,699,444
NON-CURRENT LIABILITIES			
Long term finances	7	**1,137,926**	1,283,446
Liabilities against assets subject to finance lease	8	**58,577**	153,775
Employees' retirement benefits	9	**9,485**	12,314
Deferred income	10	**2,307**	5,312
		1,208,295	1,454,847
CURRENT LIABILITIES			
Current portion of long term liabilities	11	**1,791,441**	1,763,566
Short term borrowings - secured	12	**2,845,639**	4,054,535
Trade and other payables	13	**1,117,523**	936,374
Accrued finance cost	14	**812,863**	610,572
		6,567,466	7,365,047
CONTINGENCIES AND COMMITMENTS	15		
		8,268,794	10,173,421

The annexed notes 1 to 49 form an integral part of these financial statements.

	Note	2010	2009
		(Rupees in thousand)	
			Restated
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	16	**4,162,523**	6,385,995
Intangible assets	17	**1,249**	1,001
Assets subject to finance lease	18	**221,003**	535,630
Capital work-in-progress	19	**88,462**	350,667
Biological assets	20	**8,479**	10,781
Investments - related parties	21	**415,682**	553,296
Long term loans, advances, deposits and prepayments	22	**50,107**	99,784
Deferred taxation	23	**-**	-
		4,947,505	7,937,154
CURRENT ASSETS			
Biological assets	20	**15,143**	25,708
Stores, spares and loose tools	24	**91,246**	112,774
Stock-in-trade	25	**131,989**	1,022,608
Trade debts	26	**14,494**	13,696
Investments	27	**143,976**	260,322
Loans, advances, deposits, prepayments and other receivables	28	**227,087**	140,929
Cash and bank balances	29	**33,514**	24,508
		657,449	1,600,545
Non-current assets held for sale	30	**2,663,840**	635,722
		3,321,289	2,236,267
		8,268,794	10,173,421

Chief Executive

Chairman

PROFIT AND LOSS ACCOUNT

For the year ended September 30, 2010

	Note	2010	2009
		(Rupees in thousand)	
			Restated
Continuing operations:			
Sales	31	**7,745,611**	5,101,667
Cost of sales	32	**(7,003,746)**	(4,783,640)
Gross profit		**741,865**	318,027
Administrative expenses	33	**(201,182)**	(221,243)
Distribution and selling costs	34	**(93,100)**	(117,110)
Other operating expenses	35	**(53,397)**	(588,183)
Other operating income	36	**83,165**	86,202
Profit/(loss)from operations		**477,351**	(522,307)
Finance cost	37	**(989,230)**	(1,259,768)
Share of loss from associates	21.1	**(22,229)**	(59,835)
Loss before taxation		**(534,108)**	(1,841,910)
Taxation			
- Company	38	**(55,860)**	(17,010)
- Associates	21.1	**(20,587)**	(13,150)
		(76,447)	(30,160)
Loss for the year from continuing operations		**(610,555)**	(1,872,070)
Discontinued operations:			
Loss for the year from discontinued operations	30	**(269,172)**	(85,751)
Loss for the year		**(879,727)**	(1,957,821)
Loss per share from continuing operations			
- basic Rupees	39	**(8.78)**	(26.93)
- diluted Rupees	39	**(8.78)**	(26.93)
Loss per share from discontinued operations			
- basic Rupees	39	**(3.87)**	(1.23)
- diluted Rupees	39	**(3.87)**	(1.23)

The annexed notes 1 to 49 form an integral part of these financial statements.

Chief Executive | **Chairman**

STATEMENT OF COMPREHENSIVE INCOME

For the year ended September 30, 2010

	2010	2009
	(Rupees in thousand)	
		Restated
Loss after taxation	**(879,727)**	(1,957,821)
Other Comprehensive income:		
Fair value loss on 'Available for sale' investments	**(89,780)**	(412,087)
Loss during the year transferred to profit and loss account on derecognition of shares	**(9,347)**	(930)
Impairment loss transferred to profit and loss account	**115,971**	298,504
	16,844	(114,513)
Share of other comprehensive income/(loss) of associates	**2,389**	(8,064)
Transfer from surplus on revaluation of property, plant and equipment on account of		
- incremental depreciation - net of tax	**19**	21
- disposal of land - net of tax	**-**	40,872
	19	40,893
Other comrehensive income/(loss) for the year	**19,252**	(81,684)
Total comprehensive loss for the year	**(860,475)**	(2,039,505)

The annexed notes 1 to 49 form an integral part of these financial statements.

Chief Executive **Chairman**

CASH FLOW STATEMENT
For the year ended September 30, 2010

	Note	2010	2009
		(Rupees in thousand)	
			Restated
Cash flows from operating activities			
Cash generated from/(used) in operations	40	**1,665,692**	1,051,082
Finance cost paid		**(786,939)**	(988,643)
Taxes paid		**(18,247)**	(24,067)
Employees' retirement benefits paid		**(11,910)**	(11,567)
Net decrease in long term deposits		**49,677**	18,271
Transferred from Non-current assets held for sale		**-**	36
Net cash generated from/(used in) operating activities		**898,273**	45,112
Cash flows from investing activities			
Fixed capital expenditure		**(46,550)**	(289,438)
Investment made		**-**	(2,435)
Proceeds from sale of investments in associates		**3,063**	-
Proceeds from sale of investments - others		**197,918**	35,403
Proceeds from sale of investments - held for sale		**163,617**	-
Dividends received		**14,912**	11,873
Income from bank deposits received		**13,080**	7,245
Proceeds from non-current assets held for sale		**150,000**	-
Proceeds from sale of property, plant and equipment		**36,435**	124,162
Net cash generated from investing activities		**532,475**	(113,190)
Cash flows from financing activities			
Long term finances - net		**(113,669)**	(103,261)
Net decrease in short term borrowings - secured		**(1,208,896)**	(56,305)
Finance lease liabilities - net		**(99,174)**	(94,238)
Dividends paid		**(3)**	(4)
Net cash used in financing activities		**(1,421,742)**	(253,808)
Net increase/(decrease) in cash and cash equivalents		**9,006**	(321,886)
Cash and cash equivalents at the beginning of the year		**24,508**	346,394
Cash and cash equivalents at the end of the year	29	**33,514**	24,508

The annexed notes 1 to 49 form an integral part of these financial statements.

Chief Executive | **Chairman**

STATEMENT OF CHANGES IN EQUITY
For the year ended September 30, 2010

(Rupees in thousand)

		CAPITAL RESERVES					REVENUE RESERVES						
	Share capital	Share premium	Share in capital reserves of association	Fair value reserve	Difference of capital under scheme of arrangement of merger	Sub total	General	Dividend equali-zation	Equity investment market value equalization	Sub total	Total	Accumu-lated (loss) /profit	Total
Balance as on September 30, 2008 as previously reported	695,238	243,282	-	169,044	155,930	568,256	410,606	22,700	83,000	516,306	1,084,562	(159,546)	1,620,254
Effect of change in accounting policy - note 4.8	-	-	18,996	(30,973)	-	(11,977)	-	-	-	-	(11,977)	85,311	73,334
Balance as on September 30, 2008 as restated	695,238	243,282	18,996	138,071	155,930	556,279	410,606	22,700	83,000	516,306	1,072,585	(74,235)	1,693,588
Total comprehensive income for the year ended September 30, 2009 - restated													
Loss after taxation for the year - restated	-	-	-	-	-	-	-	-	-	-	-	(1,957,821)	(1,957,821)
Other comprehensive income - restated													
Fair value loss on 'Available for sale' investments	-	-	-	(114,513)	-	(114,513)	-	-	-	-	(114,513)	-	(114,513)
Share of other comprehensive loss of associates	-	-	(8,064)	-	-	(8,064)	-	-	-	-	(8,064)	-	(8,064)
Transfer from surplus on revaluation of property, plant and equipment	-	-		-	-	-	-	-	-	-	-	40,893	40,893
	-	-	(8,064)	(114,513)	-	(122,577)	-	-	-	-	(122,577)	40,893	(81,684)
Balance as on September 30, 2009 as restated	695,238	243,282	10,932	23,558	155,930	433,702	410,606	22,700	83,000	516,306	950,008	(1,991,163)	(345,917)
Total comprehensive income for the year ended September 30, 2009													
Loss after taxation for the year	-	-	-	-	-	-	-	-	-	-	-	(879,727)	(879,727)
Other comprehensive income													
Fair value gain on 'Available for sale investments	-	-		16,844	-	16,844	-	-	-	-	16,844	-	16,844
Share of other comprehensive income of associates	-	-	2,389	-	-	2,389	-	-	-	-	2,389	-	2,389
Transfer from surplus on revaluation of property, plant and equipment	-	-		-	-	-	-	-	-	-	-	19	19
	-	-	2,389	16,844	-	19,233	-	-	-	-	19,233	19	19,252
Balance as on September 30, 2010	695,238	243,282	13,321	40,402	155,930	452,935	410,606	22,700	83,000	516,306	969,241	(2,870,871)	(1,206,392)

The annexed notes 1 to 49 form an integral part of these financial statements.

Chief Executive

Chairman

NOTES TO THE FINANCIAL STATEMENTS
For the year ended September 30, 2010

1. LEGAL STATUS AND NATURE OF BUSINESS

The company is incorporated in Pakistan and is listed on Karachi, Lahore and Islamabad Stock Exchanges. It is principally engaged in growing of sugar cane; manufacture, purchase and sale of sugar, ethanol, building material, yarn and engaged in generation and sale of electricity. The company has its principal manufacturing facilities at Jhang and two satellite manufacturing facilities at Bhone and Dargai Shah. The registered office of the company is situated in Lahore.

1.2 Going concern assumption

The company is facing liquidity crunch for a few years. It has incurred a loss of Rs 860.48 million during the year (including impairment loss on investments of Rs 115 million), the current liabilities have exceeded the current assets by Rs 3,246 million, the equity has been eroded and stands at negative Rs 1,078 million. The Company has not been able to meet its obligations under various agreements for long term loans, lease financing and short term running finances.

In February 2010, the Company entered into agreements for a bridge finance facility of Rs 2,466 million and short term running finance facility of Rs 2,980 million from a consortium of its existing lenders providing short term and long term loans (except leasing companies and National Bank of Pakistan).

The bridge finance facility is repayable by June 2011 through sale of certain non-current assets of the Company and is secured against:

- a pari passu charge over all present and future fixed assets of the company (excluding land and building);
- first mortgage/charge over immovable property of the company;
- personal guarantees of Mr. Anjum Saleem and Mr. Ahsan Saleem;
- pledge of shares in Shakarganj Food Products Limited; and
- lien on a special reserve account, where the proceeds from the sale of assets and a unit, if required, of the company will be deposited.

Additonally, the company has agreed, through the above bridge finance agreement, that it shall procure Shakarganj Energy (Pvt) Limited (SEL) to provide and irrecoverable and unconditional commitment to purchase the Dargai Shah Energy Plant at an aggregate value of Rs 300 million. The subject commitment was to be secured against pledge/lien of marketable securities valuing Rs 573 million own by Crescent Steel and Allied Products Limited (CSAPL). An associated company in favour of the agent of the consortium.

CSAPL did not pledge the above referred marketable securities. While SEL did not provide an irrecoverable and unconditional commitments to purchase the above referred asset, however, base on an independent valuation, SEL agreed to purchase the Dargai Shah power Plant at Rs 300 million, against which partial payment of Rs 150 million has been made during the year.

As per the terms of the agreement, the bridge finance was to be repaid through the sale of assets of the company in installments, and further injection of equity of Rs 300 million by June 2011. Following is the detail of the assets (at their then carrying value) to be disposed of by the company to retire the bridge loan.

Assets	**(Rupees in thousands)**
Agricultural Land	906,558
Complete disposal of investment in shares of :	
- Safeway Mutual Fund Limited	270,240
- Asian Stocks Fund Limited	215,790
Partial disposal of investment in shares of Shakarganj Foods Products Limited	200,000
Plant and machinery at Mian Muhammad Sugar Mill	194,787
SML Power Division - Dargai Shah	148,444
Residential and commercial plots	181,000
Turbines	25,000
	2,141,819

Out of the above the Company has been able to partially offload investments in Asian Safeway Funds Limited and Safeway Mutual Fund Limited and sold off the Dargai Shah Power Division. The restructured short term running finance is secured against pledge of refined sugar at a margin. Additionally, the lenders will create a lien on a 'collection account' where proceeds from realization of receivables will be deposited.

The accrued markup is payable immediately.

However, neither the bridge finance facility nor the consortium cash finance could become operative during the year due to delays in obtaining No-objection certificate from the National Bank of Pakistan for creation of pari passu charge on assets against the above new facilities. Furthermore, the Company was also unable to liquidate all of the abovementioned assets as per the time lines identified in the bridge loan agreement.

The above conditions raises significant doubts on the Company's ability to continue as a going concern. However, the management is confident of the Company's ability to continue on a going concern based on its concerted effort to re-profile borrowings, sale of the non-current assets and utilization of improved liquidity in higher operational levels of cane crushing and ethanol manufacturing.

The steps taken by management up till now and planned in future are as follows:

While the Bridge loan facility is not operative till the year end, however, the Company is confident that it will be able to obtain extension in the bridge loan from the consortium and consequently will be able to retire its over due loan installments and short term finances availed against now defunct facilities.

During the current year the Company has disposed off substantial holding in its subsidiary companies, Asian Stock Fund Limited, Safeway mutual Fund Limited along with the entire holding in Safeway Fund Limited, the investment advisory company for the mutual funds. The Company has also successfully offloaded its 'under-construction' Power division in Dargai Shah at a profit. Furthermore, the Company expecting delays in liquidation of the identified assets, has been able to, subsequently to the year end, sell off the entire assets of the Satellite division in Dargai Shah at an aggregate consideration of Rs 1,350 million subject to completion of certain legal formalities.

The Company has successfully rescheduled long term finances aggregating to Rs 1,198 million with respective lenders during the year and expects relaxation in payment terms from other key lenders also.

These financial statements have been prepared on a going concern basis based on the management's expectation that:

- the bridge loan will be disbursed and the dates for sale of assets extended by the consortium;
- the Company will successfully dispose off the identified assets at a profit to their carrying values;
- the lenders for long term loans will provide relief in payment terms; and
  the company will be able to utilize the liquidity generated through above restructuring/rescheduling to increase its operations.

These financial statements consequently, do not include any adjustments relating to the realization of its assets and liquidation of any liabilities that might be necessary should the company be unable to continue as a going concern.

2. BASIS OF PREPARATION

2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance , 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Standards, Interpretations and amendments to published approved accounting standards

The following amendments to existing standards have been published that are applicable to the company's financial statements covering annual periods, beginning on or after the following dates:

2.2.1 Amendments to published standards effective in current year

- IAS 1 (Revised), 'Presentation of financial statements' is effective from January 1, 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 shows all owner related changes in equity in statement of changes in equity, whereas all non-owner changes in equity are presented in other comprehensive income. Comparative information is required to be re-presented so that it is in conformity with the revised standard.

  The Company has preferred to present two statements; a profit and loss account (income statement) and a second statement beginning with profit or loss and display components of other comprehensive income (statement of comprehensive income). Comparative information has also been re-presented so it is in conformity with the revised standard. As this change only impacts presentation aspects, there is no impact on profit for the year.

- IAS 23 (amendment), 'Borrowing costs' is effective from January 1, 2009. The amendment requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The option of immediately expensing those borrowing costs is removed. The Company's current accounting policy is in compliance with this amendment, and therefore there is no impact on the Company's financial statements.

- IFRS 7, 'Financial instruments: Disclosures', is effective from January 1, 2009. IFRS 7 introduces new disclosures relating to financial instruments and does not have any impact on the classification and measurement of the Company's financial instruments. The application of IFRS 7 has resulted in additional disclosures in the Company's financial statements, however, there is no impact on loss for the year.

- IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The Company is not preparing consolidated financial statements therefore there is no impact of this in the financial statements.

- IAS 27 (revised), 'Consolidated and separate financial statements', is effective from July 1, 2009. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in income statement. The Company is not preparing consolidated financial statements therefore there is no impact of this in the financial statements.

  IFRS 8, 'Operating segments' - effective October 01, 2009. This standard requires disclosure of information about the company's operating segments based on the Company's internal reporting structure and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the company. Adoption of this standard did not have any effect on the financial position or performance of the company. Farms division, which was previously considered a part of the Sugar segment, is now classifiable as a separate segment under IFRS 8. Segment information is given in note 44.

2.2.2 Amendments to published standards not yet effective

The following amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after their respective effective dates:

- IAS 1 (amendment), 'Presentation of financial statements'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Company will apply IAS 1 (amendment) from January 1, 2010. It is not expected to have a material impact on the Company's financial statements.

- IAS 38 (amendment), 'Intangible assets'. The amendment is part of the IASB's annual improvements project published in April 2009 and the Company will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in any significant impact on the Company's financial statements.

- IAS 39 (amendment); 'Cash flow hedge accounting'. This amendment provides clarification when to recognize gains or losses on hedging instruments as a reclassification adjustments in a cash flow hedge of a forecast transaction that results subsequently in the recognition of a financial instrument. The amendment clarifies that gains or losses should be reclassified from equity to income statement in the period in which the hedged forecast cash flow affects income statement. The Company will apply IAS 39 (Amendment) from January 1, 2010. It is not expected to have any significant impact on the Company's financial statements.

- IFRS 3 (revised), 'Business combinations' is effective from July 1, 2009. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Company will apply IFRS 3 (revised) prospectively to all business combinations from January 1, 2010. It is not expected to have a material impact on the Company's financial statements.

- IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The Company will apply IFRS 5 (amendment) from January 1, 2010. It is not expected to have a material impact on the Company's financial statements.

There are a number of minor amendments in other IFRS and IAS which are part of annual improvement project published in April 2009 (not addressed above). These amendments are unlikely to have any impact on the Company's financial statements and therefore have not been analyzed in detail.

2.2.3 Standards and interpretations to existing standards that are not applicable to the company and not yet effective

Standards or Interpretation	Effective date (accounting periods beginning on or after)
IFRS 2 - Share based payments	January 01, 2010
IFRIC 16 - Hedge of net investment in a foreign operation	July 01, 2009
IFRIC 17 - Distribution of non-cash assets to owners	July 01, 2009
IFRIC 18 - Transfers of Assets from Customers	July 01, 2009

3. BASIS OF MEASUREMENT

3.1 These financial statements have been prepared under the historical cost convention except for revaluation of certain employees' retirement benefits at present value as referred to in note 4.2 and revaluation of certain property, plant and equipment, biological assets, certain financial instruments and certain assets held for disposal at fair values as referred to in notes 4.3, 4.6, 4.8 and 4.15 respectively.

3.2 The Company's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment of estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

a) Retirement benefits

i) There is an approved defined contribution provident fund for all employees. Equal monthly contributions are made by the employer and the employee to the fund in accordance with the fund rules. Interest is payable to the fund on the balances utilized @ 7-8% per annum, which is charged to profit and loss account.

ii) The company uses the valuation performed by an independent actuary as the present value of its retirement benefit obligations. The valuation is based on assumptions as mentioned in note 4.2

b) Recoverable amount of property, plant and equipment

The company basis its valuation of operating assets suspect to impairment upon valuation performed by an independent valuation expert. The valuation is based on fair value less costs to sell as mentioned in note 4.3

c) Biological assets

The company basis its valuation upon yield assessment performed by an independent agricultural expert and computes fair value less estimated point of sales cost to arrive at its valuation. The fair value less estimated point of sales cost is based on factors mentioned in note 4.6

4. Significant accounting policies

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

4.1 Taxation

Current

Provision of 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 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 assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the 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 income statement, except in the case of items credited or charged to equity in which case it is included in equity.

4.2 Employees' retirement benefits

4.2.1 Defined benefit plans

The main feature of the schemes operated by the company for its employees of sugar and allied divisions are as follows:

All permanent employees who are in the management cadre of the company participate in an approved funded defined benefit pension plan. In addition, there is an approved funded defined benefit gratuity scheme for all permanent employees, who are in the management cadre of the company subject to a minimum qualifying period of service according to the terms of employment. Monthly contributions are made to these funds on the basis of actuarial recommendation at the rate of 20% per annum of basic salary for pension and 8.33% per annum of basic salary for gratuity. Actuarial valuation for the schemes was carried out as at September 30, 2010.

Actual returns on plan assets during the year were Rs 3.115 million and Rs 1.895 million for pension and gratuity funds respectively. The actual returns on plan assets represent the difference between the fair value of plan assets at the beginning of the year and as at the end of the year after adjustments for contributions made by the company as reduced by benefits paid during the year.

The future contribution rates of these plans include allowances for deficit and surplus. Projected unit credit method using the following significant assumptions, is used for valuation of these schemes:

Discount rate	12.5%	per annum
Expected increase in eligible pay	11.5%	per annum
Expected rate of return on plan assets	14.0%	per annum
Expected mortality rate	EFU 61-66 mortality table adjusted for company's experience	
Expected withdrawal and early retirement rate	Based on experience	

Plan assets include long term Government bonds, term finance certificates of financial institutions; preference shares and ordinary shares of listed and unlisted companies and term deposits with banks. Return on Government bonds and debt is at fixed rates.

The company is expected to contribute 8.129 million and 3.903 million to the pension and gratuity funds respectively in the next year ending September 30, 2011.

Experience gains and losses arising during the year are recognized immediately in accordance with the provisions of IAS 19.

The company policy with regard to actuarial gains/losses follows minimum recommended approach under IAS 19 (revised 2000).

4.2.2 Defined contribution plan

There is an approved funded contributory provident fund for all permanent employees. Equal monthly contributions are made by the company and employees to the fund in accordance with the fund rules.

Interest at 7-8% per annum is payable to the fund on the balances utilized by the company which is charged to profit.

Retirement benefits are payable to staff on completion of prescribed qualifying period of service under these schemes.

4.3 Property, plant and equipment

Freehold land, buildings and plant and machinery were revalued as at September 30, 1979 by an independent valuer as of that date. Land was revalued again as at September 30, 2007, September 30, 2008 and September 30, 2009 by an independent valuer by reference to its current market price. These are shown at revalued figures less accumulated depreciation and any identified impairment loss. Additions subsequent to that date are stated at cost less accumulated depreciation and any identified impairment loss. All other property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss. Costs in relation to certain property, plant and equipment comprises of historical cost, revalued amount and borrowing costs referred to in note 4.21.

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to surplus on revaluation of property, plant and equipment. Decreases that offset previous increases of the same assets are charged against this surplus, all other decreases are charged to income. Each year the difference between depreciation based on revalued carrying amount of the asset (the depreciation charged to the income) and depreciation based on the assets' original cost is transferred from surplus on revaluation of property, plant and equipment to unappropriated profit. All transfers to/from surplus on revaluation of property, plant and equipment are net of applicable deferred taxation.

Depreciation on all property, plant and equipment, except land is charged to profit on the reducing balance method so as to write off the cost of an asset over its estimated useful life at the annual rates given in note 16 after taking into account the impact of their residual values, if considered significant.

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The company's estimate of the residual value of its property, plant and equipment as at September 30, 2010 has not required any adjustment as its impact is considered insignificant.

Depreciation on additions to property, plant and equipment is charged from the month in which the asset is acquired or capitalized, while no depreciation is charged for the month in which the asset is disposed off.

The company assesses at each balance sheet date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amount of such assets are reviewed to asses whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment is recognized in income currently. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

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 benefits 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.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

4.4 Intangible assets

Intangible assets represent the cost of computer software acquired and are stated at cost less accumulated amortization and any identified impairment loss.

Amortization is charged to income on the straight line basis so as to write off the cost of an asset over its estimated useful life. Amortization on additions 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 off. Amortization is being charged as specified in note 17.

The company assesses at each balance sheet date whether there is any indication that intangible assets may be impaired. If such indication exists, the carrying amount of such assets are reviewed to asses whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment is recognized in income currently. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Where an impairment loss is recognized, the amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

4.5 Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss.

4.6 Biological assets

Biological assets comprise of standing crops and livestock. These are stated at fair value less estimated point-of-sale costs, with any resultant gain or loss recognized in the profit and loss account. The fair value of standing crops is based on the support price fixed by the Government and other factors such as estimated crop yield and area under cultivation. The fair value of livestock is estimated on the basis of market prices of livestock of similar age, breed and genetic merit. Point-of-sale costs include all costs that are necessary to sell the assets, excluding costs necessary to get the assets to the market.

4.7 Leases

The company is the lessee:

4.7.1 Finance leases

Leases where the company has substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are initially recognized at lower of present value of minimum lease payments under the lease arrangements and the fair value of assets. Subsequently these assets are stated at cost less accumulated depreciation and any identified impairment loss.

Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit over the lease term.

The related rental obligations, net of finance cost, are included in liabilities against assets subject to finance lease as referred to in note 8. The liabilities are classified as current and non-current depending upon the timing of the payment.

Assets acquired under a finance lease are depreciated over the useful life of the asset on reducing balance method at the rates given in note 18. Depreciation on leased assets is charged to the profit and loss account.

Depreciation on additions to leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

4.7.2 Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lesser are classified as operating leases. Payments made under operating leases (net of any incentives received from the lesser) are charged to profit on a straight-line basis over the lease term.

4.8 Investments

Held to maturity

Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held to maturity and are initially measured at cost and at subsequent reporting dates measured at amortized cost using the effective yield method.

Available for sale

Investments, including those where the company has control or significant influence, that are intended to be held for an indefinite period or may be sold in response to a need for liquidity, are classified as available for sale. Investments classified as available for sale, including investments in subsidiaries and associated undertakings, are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are remeasured at fair value, unless fair value cannot be reliably measured. Unrealized gains and losses arising from changes in the fair value are included in comprehensive income in the period in which they arise. Investment in un-quoted subsidiaries are carried at cost.

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

Held for trading

Investments that are acquired principally for the purpose of generating a profit from short term fluctuations in price are classified as trading investments and included in current assets. These are initially measured at cost and at subsequent reporting dates, these investments are remeasured at fair value. Realized and unrealized gains and losses arising from changes in fair value are included in net profit or loss for the period in which they arise.

The fair value of publicly traded securities is based on market prices quoted on the Karachi Stock Exchange at the balance sheet date. The investments for which a quoted market price is not available, are measured at cost as it is not practical to apply any other valuation methodology.

All purchases and sales of investments are recognized on the trade date which is the date that the company commits to purchase or sell the investment. Cost of purchase includes transaction cost.

At each balance sheet date, the company reviews the carrying amounts of the investments to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense. In respect of 'available for sale' financial assets, cumulative impairment loss less any impairment loss on that financial asset previously recognized in profit and loss account, is removed from equity and recognized in the profit and loss account. Impairment losses recognized in the profit and loss account on equity instruments are not reversed through the profit and loss account.

Investments in associates

Associates are the entities over which the Company has significant influence but not control, generally represented by a shareholding of between 20% and 50% of the voting right.

The Company was previously accounting for investments in associates in its separate financial statements at quoted market value (for listed entities) and at cost (for unlisted entities). In the consolidated financial statements investments in associates were accounted for using equity method. The Company, during the year, relinquished control over its subsidiaries, Asian Stock Funds Limited, Safeway Mutual Funds Limited and Safeway Fund Limited by partially disposing these to settle its overdue obligation to lenders and consequently is not required to prepare consolidated financial statements. Accordingly, the Company has changed its accounting policy in these financial statements and investments in associates are now being accounted for under the equity method.

Under the new policy, the Company's share of its associates post acquisition profits or losses is recognized in income and its share in post acquisition movement of reserves is recognized in reserves. Cumulative post acquisition movements are adjusted against the carrying value of the investments. When the Company's share of losses in associates equals or exceeds its interest in the associate including any other long-term unsecured receivable, the Company does not recognize future losses, unless it has incurred obligations or made payments on behalf of the associates. Gain on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associate.

Associates, which the group intends to dispose off within twelve months of the balance sheet date are not accounted for under the equity method and are shown under Non-current assets held for sale at the lower of carrying and fair value.

The new policy of the Company is in line with the requirements of IAS - 28, Investments in associates, which specifies that investments in associates should be accounted for using equity method for all companies which are not preparing consolidated accounts.

This change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS - 8, "Accounting Policies, Changes in Accounting Estimates and Error", and accordingly the comparative figures have been restated. The effects of change in accounting policy on the current and prior year financial statements have been summarized below:

	2010	2009
	(Rupees in thousand)	
(Decrease) in long term investments	**(397,150)**	(298,613)
Decrease in net equity	**(58,525)**	(353,600)
Decrease in profit after taxation for the year	**(42,816)**	(425,704)
(Decrease)/increase in the opening balance of the retained earnings	**(340,393)**	85,311
Decrease in earning per share - basic and diluted	**0.75**	(4.61)

4.9 Stores, spares and loose tools

Usable stores and spares 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 plus other charges paid thereon. Provision is made in the financial statements for obsolete and slow moving stores and spares based on management's estimate.

4.10 Stock-in-trade

Stock of raw materials, work-in-process and finished goods, except for those in transit are valued principally at the lower of weighted average cost and net realizable value. Cost of work-in-process and finished goods comprises cost of direct materials, labour and appropriate manufacturing overheads. Cost of own produced molasses, a by product, is determined on the basis of monthly average cost of molasses purchased from third parties. Cost of stillage, a by product of the Effluent Treatment Plant used in the generation of electricity by the Power division is valued at Nil as it does not have any market value.

Materials in transit are stated at cost comprising invoice values plus other charges paid thereon.

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make a sale. Provision is made in the financial statements for obsolete and slow moving stock in trade based on management's estimate.

4.11 Financial assets and liabilities

Financial assets and financial liabilities are recognized, at the time when the company becomes a party to the contractual provisions of the instrument and derecognized when the company loses control of contractual rights that comprise the financial assets and in the case of financial liability when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account for the year. All financial assets and liabilities are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value or cost as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

4.12 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognized amount and the company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

4.13 Trade debts

Trade debts are carried at original invoice amount less an estimate made for doubtful receivable balances based on review of outstanding amounts at the year end. Bad debts are written off when identified.

4.14 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

4.15 Non-current assets held for sale

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying value is to be recovered principally through a sale transaction rather than through continuing use.

4.16 Borrowings

Loans and borrowings are recorded at the proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective yield method. Preference shares, which are redeemable on a specific date at the option of the holder, are classified as liabilities. The dividend on these preference shares is recognized in the profit and loss account as finance cost. Preference shares are classified as equity to the extent there is conclusive evidence that these will not result in an outflow of another financial asset or exchange of financial assets or liabilities under conditions that are potentially unfavorable to the company.

Finance cost is accounted for on an accrual basis and are reported under accrued finance costs to the extent unpaid.

4.17 Creditors, accruals and provisions

Liabilities for creditors and other amounts payable are carried at cost, which is the fair value of the consideration to be paid in future for the goods and/or services received, whether or not billed to the company.

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, it is probable, will result in an outflow of resources embodying economic benefits, to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at year end and adjusted to reflect the current best estimate.

4.18 Deferred income

Deferred income represents excess of sale proceeds in relation to the carrying amount of the asset acquired under sale and lease back arrangement. Deferred income is amortized on a straight line basis over the period of lease term.

4.19 Derivative financial instruments

These are initially recorded at cost on the date a derivative contract is entered into and are remeasured to fair value at subsequent reporting dates. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The company designates certain derivatives as cash flow hedges.

The company documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flow of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the profit and loss account.

Amounts accumulated in equity are recycled in the profit and loss account in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in the profit and loss account within 'finance costs'. The gain or loss relating to the ineffective portion is recognized in the profit and loss account within 'other operating income/expenses'.

4.20 Foreign currency transactions and translation

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses on translation are recognized in the profit and loss account. All non-monetary items are translated into Pak rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

The financial statements are presented in Pak Rupees, which is the company's functional and presentation currency.

Figures are rounded to nearest thousand.

4.21 Borrowing costs

Mark-up, interest and other charges on borrowings are capitalized up to the date of commissioning of the respective property, plant and equipment, acquired out of the proceeds of such borrowings. All other mark-up, interest and other charges are charged to profit.

4.22 Revenue recognition

Revenue from sales is recognized on dispatch of goods to customers.

Revenue from sale of electricity is recognized on transmission of electricity to Faisalabad Electric Supply Company (FESCO).

Dividend on equity investments is recognized as income when the right of receipt is established.

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

4.23 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company that makes strategic decisions.

4.24 Dividends

Dividend distribution to the Company's shareholders is recognized as liability at the time of their declaration.

5. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2010	2009		**2010**	2009
(Number of shares)		**Ordinary**	**(Rupees in thousand)**	
23,544,798	23,544,798	Ordinary shares of Rs 10 each fully paid in cash	**235,448**	235,448
33,131,816	33,131,816	Ordinary shares of Rs 10 each issued as fully paid bonus shares	**331,318**	331,318
12,847,184	12,847,184	Ordinary shares of Rs 10 each issued as fully paid for consideration other than cash	**128,472**	128,472
69,523,798	69,523,798		**695,238**	695,238

Ordinary shares of the company held by associated undertakings as at year end are as follows:

	2010	2009
	(Number of shares)	
Asian Stocks Fund Limited	**2,108,319**	1,975,000
Crescent Jute Products Limited	**200,640**	200,640
Crescent Steel and Allied Products Limited	**15,244,665**	15,244,665
Crescent Sugar Mills & Distillery Limited	**2,865,830**	2,865,830
Safeway Mutual Fund Limited	**2,118,785**	2,042,400
The Crescent Textile Mills Limited	**5,427,488**	5,427,488
	27,965,727	27,756,023

		2010	2009
		(Rupees in thousand)	
6.	**SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT**		
	Revaluation - net of deferred tax	**1,699,444**	2,043,827
	Revaluation decrease arising during the year	**-**	(303,490)
	Surplus transferred to accumulated losses on account of:		
	- incremental depreciation - net of tax	**(19)**	(21)
	- disposal of land	**-**	(40,872)
		1,699,425	1,699,444

Freehold land, buildings and plant and machinery of the principal facility at Jhang were revalued by an independent valuer as at September 30, 1979. Freehold land was again revalued as at September 30, 2007, September 30, 2008 and then as at September 30, 2009 by an independent valuer by reference to its current market price. Plant and machinery and land is stated in note 16 at appreciated value. The revaluation surplus is net of applicable deferred income taxes. Incremental depreciation represents the difference between the actual depreciation on buildings and plant and machinery and the equivalent depreciation based on the historical cost of buildings and plant and machinery.

			2010	2009
			(Rupees in thousand)	
7.	**LONG TERM FINANCES**			
	Long term loans - secured	- note 7.1	**1,520,603**	1,475,275
	Redeemable capital			
	Preference shares (non-voting) - unsecured	- note 7.4	**345,755**	345,755
	Term finance certificates (non-voting) - secured	- note 7.5	**630,000**	630,000
			975,755	975,755
	Long term running finances - secured	- note 7.6	**203,183**	398,706
	Loan from Chief Executive and key management personnel- unsecured	- note 7.7	**36,526**	-
			2,736,067	2,849,736
	Less: Current portion shown under current liabilities			
	- Long term loans - secured		**(1,049,203)**	(695,703)
	- Redeemable capital - Preference Shares (non-voting) - secured		**(345,755)**	(345,755)
	- Redeemable capital - term finance certificates (non-voting) - secured		**-**	(126,126)
	- Long term running finances - secured		**(203,183)**	(398,706)
		- note 7.2	**(1,598,141)**	(1,566,290)
			1,137,926	1,283,446

7.1 Long term loans - secured

Loan	Lender		2010	2009	Rate of mark-up per annum	Number of installments Outstanding	Mark-up payable
			(Rupees in thousand)				
1	Saudi Pak Commercial Bank Limited		**125,000**	125,000	Base rate + 3.75% and monitoring fee of 0.25% p.a	10 quarterly installments ending November 2011, including 1 overdue installment amounting to Rs 12.5 million.	Quarterly
2	Syndicate term loan	- note 7.3	**307,678**	351,000	Base rate + 3% subject to floor of 5.25%	4 semi annual installments ending November 2010, includes 3 outstanding installments amounting to Rs 307.7 million	Semi-annual
3	MCB Bank Limited		**91,875**	91,875	Base rate + 2% subject to floor of 8%	3 outstanding semi annual installments ending September 2010	Quarterly
4	Faysal Bank		**7,500**	13,750	Base rate + 3.25%	6 Quarterly installments ending December 2012, including 1 over-due installment amounting to Rs 1.25 million.	Quarterly
5	National Bank of Pakistan		**217,600**	217,600	Base rate + 2.5%	8 semi annual installments ending June 2014	Quarterly
6	National Bank of Pakistan		**199,950**	199,950	Base rate +3%	20 quarterly installments ending June 2014	Quarterly
7	National Bank of Pakistan		**171,000**	-	Base rate +2%	20 quarterly installments ending June 2015.	Quarterly
8	Standard Chartered Bank		**400,000**	400,000	Base rate + 2.25%	10 semi annual installments ending June 2014, including 2 overdue installment of Rs80.05 million.	Semi annual
9	Meezan Bank Limited		**-**	10,239	Base rate + 2% subject to floor of 8% and cap of 18%	None	Quarterly
10	Faysal Bank		**-**	1,350	Base rate + 2.6%	None	Quarterly
11	Faysal Bank		**-**	511	Base rate + 3%	None	Quarterly
12	Faysal Bank		**-**	64,000	Base rate + 3.25%	None	Semi annual
			1,520,603	1,475,275			

* Base rate: Average ask rate of six-month Karachi Inter Bank Offer Rate ("KIBOR") reset for each mark-up period
** Base rate: Cut-off yield of the last auction of the 6-months Government of Pakistan Treasury Bills.
*** Base rate: SBP Discount rate to be set for each mark-up period
**** Base rate: Average ask rate of twelve-month Karachi Inter Bank Offer Rate ("KIBOR") to be reset for each mark-up period
***** Base rate: Average ask rate of three-month Karachi Inter Bank Offer Rate ("KIBOR") to be reset for each mark-up period

Security

Loan 1

This is secured against first charge on property, plant and equipment of the company ranking pari passu with other creditors.

Loan 2

The loan is secured by first charge by way of hypothecation over all moveable assets of the company and equitable mortgage charge over plant and machinery of the satellite facility at bhone and ranks pari passu with others credits.

Loan 3 to 4

These are secured against specific charges on plant and machinery financed through the respective loans.

Loan 5

These are secured by way of 1st pari passu charge over present and future property, plant and equipment of the company

Loan 6 to 7

These are secured by way of first pari passu charge on fixed assets of the company and specific charge over plant and machinery of satellite facility.

Loan 8

These are secured by way of hypothecation over all present and future moveable assets of the company and mortgage of land and buildings

Loan 9 to 11

These are secured against specific charges on plant and machinery financed through the respective loans.

Loan 12

These are secured by way of a charge on agriculture land and 1st pari passu charge on fixed assets of the company.

7.2 The aggregate current portion of Rs 1,698.14 million includes principal installments aggregating to Rs 307.484 million, which, under the terms of original loan agreements were due for repayment in period subsequent to September 30, 2011. The company is in negotiations with respective lenders for relaxation in payment terms and certain other covenants and has been successful in getting borrowings aggregating Rs 981 million restructured during the year. The banks have not demanded any early repayment nor have levied any penalties. However, as the company could not repay on a timely basis the installments due uptill the year end September 30, 2010, which represents a breach of the respective agreements these loans are required to be disclosed as a current liability under the guidance contained in IAS 1 “Presentation of financial statements”.

7.3 Derivative cross-currency Interest Rate Swap

The company has entered into a cross-currency interest rate swap for its syndicate term loan to hedge the possible adverse movements in interest rates. Under the terms of the interest rate swap arrangement, the company pays LIBOR plus bank spread to the arranging bank on the syndicate term loan denominated in US $ for the purposes of the interest rate swap, and receives KIBOR on same loan denominated in PAK rupees from the arranging bank. There has been no transfer of liability under this arrangement, only the nature of the interest payments has changed. As this hedging relationship is ineffective and does not meet the criteria of cash flow hedge, this arrangement does not qualify for special hedge accounting specified in IAS 39 'Financial instruments: Recognition and Measurement'.

7.4 Redeemable preference shares (non-voting) - unsecured

Redeemable Preference shares (non-voting) were issued in 2005 to the shareholders of the company in the ratio of 85 preference shares for every 100 ordinary shares held as on October 22, 2004 and to certain institutional investors in equal proportion. These shares are listed on Lahore and Karachi Stock Exchanges. The conversion option is not binding either on the company or the preference shareholders except in case of the conversion upon maturity, where the preference shareholders opt for conversion, subsequent to the company's failure to pay preferred dividend during the entire tenure.

Terms of redemption

Preference shareholders may convert preference shares into ordinary shares of the company at the end of every financial year or the company may convert these preference shares into ordinary shares in whole or in part through a tender offer. The conversion is set in the ratio of 167 ordinary shares for every 1,000 preference shares at a face value of Rs 10 each.

The preference shares were to be redeemed in year ending September 30, 2010.

Rate of dividend

The preference shareholders have a preferred right of dividend @ 8.5% per annum on a cumulative basis.

7.4.1 Preference shares of the company held by associated undertakings as at year end are as follows:

	2010	2009
	(Number of shares)	
Asian Stocks Fund Limited	**167,500**	180,000
Crescent Steel and Allied Products Limited	**2,999,396**	2,999,396
The Crescent Textile Mills Limited	**2,746,050**	2,746,050
Premier Insurance Company of Pakistan Limited	**53,125**	53,125
	5,966,071	5,978,571

7.5 Redeemable term finance certificates (non-voting) - secured

The TFCs have been issued to finance the acquisition and establishment of a new sugar plant and its existing business operations and for other purposes permitted by the Memorandum and Articles of Association.

Terms of redemption

The term finance certificates (TFC's) are now redeemable in 10 equal semi-annual installments ending on September 22, 2016. As per the original terms of the agreement the principal balance was payable in ten equal semi-annual installments after a grace period of 1 year. The first installment was due at the end of March 2010. Mark up is charged at average 6 months KIBOR plus 2.25% and is payable semi-annually in arrears. However, in May 2010, the company signed a second supplementary trust deed with the trustee for relaxation in payment terms. The first installment is now due in March 2012.

Security

The TFC's are secured by a first pari passu charge by way of hypothecation over all present and future movable fixed assets of the company and first pari passu mortgage by deposit of title deeds over land and building of the Company to the extent of outstanding face value of the TFC's plus 25% margin.

7.6 Long term running finances - secured

Long term running finance facilities available from the Bank of Punjab under mark-up arrangements have expired in July 2009 and are repayable immediately. The outstanding balance carries a markup of Re 0.463 per Rs 1,000 per diem. The aggregate running finances are secured against pledge of stock-in-trade, marketable securities and ranking charge on current assets of the company.

7.7 Loan from Chief Executive and key management personnel- unsecured

These are unsecured interest free loans obtained from the following on September 29, 2010 and repayable in lump sum on September 29, 2012:

Name		**Amount of loan (Rupees in thousand)**
Mian Ahsan Saleem	Chief Executive	15,000
Mian Anjum Saleem	Managing Director	30,000
Mrs Anjum Saleem	Spouse of Managing Director	5,000
		50,000

These have been recognized at amortized cost using discount rate of 17% per annum. The resulting gain has been recognized in profit and loss account as referred to in note 36.

8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

		2010	2009
		(Rupees in thousand)	
Present value of minimum lease payments		**251,877**	351,051
Less: Current portion shown under current liabilities	- note 8.1	**(193,300)**	(197,276)
		58,577	153,775

The minimum lease payments have been discounted at an implicit interest rate ranging from 14.48% to 17.38% to arrive at their present value. Rentals are paid in monthly/quarterly/semi-annual installments and in case of default in any payment, an additional charge at the rate of 3% to 20% shall be paid. The lessee has the option to purchase the assets after expiry of the lease term.

Taxes, repairs and insurance costs are to be born by the company. In case of early termination of lease, the lessee shall pay entire amount of rentals for unexpired period of lease agreement.

The amount of future payments of the lease and the period in which these payments will become due are as follows:

	Minimum Lease payments	Future finance cost	Present value of lease liability 2010	Present value of lease liability 2009
	(Rupees in thousand)			
Not later than one year	206,834	13,534	**193,300**	197,276
Later than one year and not later than five years	83,456	24,879	**58,577**	153,775
	290,290	38,413	**251,877**	351,051

8.1 The aggregate current portion includes Rs 148.45 million which represents the present value of minimum lease payment payable to Meezan Bank Limited under a compromise agreement entered into with the bank in May 2010. While the minimum lease payments are payable in installments upto March 2013 , however, the Company settled its liability in full in December 2010 under an agreement with the bank and consequently this has been shown in current liabilities.

9. EMPLOYEES' RETIREMENT BENEFITS

		2010	2009
		(Rupees in thousand)	
Balance sheet obligations for:			
Pension fund	- note 9.1	**12,577**	13,855
Gratuity fund	- note 9.2	**(3,092)**	(1,541)
		9,485	12,314
Profit and Loss account charge for:			
Pension Benefits	- note 9.1	**6,791**	9,155
Gratuity Benefits	- note 9.2	**2,290**	3,697
		9,081	12,852

9.1 Pension fund

The amounts recognized in the balance sheet are determined as follows:

	2010	2009
Present value of defined benefit obligations	**166,684**	161,675
Fair value of plan assets	**(174,627)**	(168,530)
Non vested (past service) cost to be recognized in later periods	**(2,865)**	(4,298)
Unrecognized actuarial losses	**23,385**	25,008
Liability as at September 30	**12,577**	13,855

	2010	2009
	(Rupees in thousand)	
The movement in the defined benefit obligation over the year is as follows:		
Present value of defined benefit obligations as at October 1	**161,675**	145,490
Current Service Cost	**6,922**	8,433
Interest Cost	**19,401**	20,369
Benefits paid during the year	**(5,087)**	(4,437)
Actuarial gains	**(16,227)**	(8,180)
Present value of defined benefit obligations as at September 30	**166,684**	161,675
The movement in the fair value of plan assets of the year is as follows:		
Fair value as at October 1	**168,530**	147,386
Expected Return on plan assets	**20,224**	20,634
Contributions during the year	**(499)**	7,322
Benefits paid during the year	**(5,087)**	(4,437)
Actuarial losses	**(8,541)**	(2,375)
Fair value as at September 30	**174,627**	168,530
The amounts recognized in the Profit and Loss Account are as follows:		
Current Service Cost	**6,922**	8,433
Interest Cost	**19,401**	20,369
Expected return on plan assets	**(20,224)**	(20,634)
Past Service Cost	**1,433**	1,433
Actuarial gain recognized	**(741)**	(446)
Total, included in salaries and wages	**6,791**	9,155
The amounts recognized were included in the Profit and Loss Account as follows:		
Cost of sales	**2,858**	3,741
Administrative expenses	**3,933**	5,370
Capital work in progress	**-**	44
Total, included in salaries and wages	**6,791**	9,155

The actual return on plan assets was Rs 3.115 million (2009: Rs 18.260 million)

The principal actuarial assumptions used were as follows:

	2010	2009
Discount Rate	**13%**	12%
Expected Return on plan assets	**14%**	14%
Future salary increases	**12%**	11%
Average expected remaining working life time of employees	**11 years**	11 years

	2010	2009
	(Rupees in thousand)	
Plan assets are comprised as follows:		
Equity Instruments	**29,259**	31,035
Debt Instruments	**163,390**	107,145
Others	**(18,022)**	30,350
	174,627	168,530

Fair value of plan assets include Preference Shares of the company whose fair value as at September 30, 2010 is Rs 0.878 million (2009: Rs 3.511 million).

The present value of defined benefit obligation, the fair value of plan assets and the surplus or deficit of pension fund is as follows:

	2009-10	2008-09	2007-08	2006-07	2005-06
			(Rupees in thousand)		
As at September 30					
Present value of defined benefit obligations	**166,684**	161,675	145,490	139,975	109,038
Fair value of plan assets	**174,627**	(168,530)	(147,386)	(135,250)	(116,759)
(Surplus)/deficit	**341,311**	(6,855)	(1,896)	4,725	(7,721)
Experience adjustment on plan liabilities	**(16,227)**	8,180	(12,513)	16,797	(7,997)
Experience adjustment on plan assets	**(8,541)**	(2,375)	(3,450)	6,737	6,836

	2010	2009
	(Rupees in thousand)	

9.2 Gratuity fund

The amounts recognized in the balance sheet are determined as follows:

	2010	2009
Present value of defined benefit obligations	**45,621**	42,362
Fair value of plan assets	**(52,048)**	(46,756)
Unrecognized actuarial losses/(gains)	**3,335**	2,853
Asset as at September 30	**(3,092)**	(1,541)

The movement in the defined benefit obligation over the year is as follows:

	2010	2009
Present value of defined benefit obligations as at October 1	**42,362**	39,264
Current Service Cost	**2,906**	3,750
Interest Cost	**5,930**	5,497
Benefits paid during the year	**(445)**	(1,518)
Actuarial gains	**(5,132)**	(4,631)
Present value of defined benefit obligations as at September 30	**45,621**	42,362

	2010	2009
	(Rupees in thousand)	
The movement in the fair value of plan assets of the year is as follows:		
Fair value as at October 1	**46,756**	39,642
Expected Return on plan assets	**3,841**	5,550
Contributions during the year	**6,546**	4,244
Benefits paid during the year	**(445)**	(1,518)
Actuarial losses	**(4,650)**	(1,162)
Fair value as at September 30	**52,048**	46,756
The amounts recognized in the Profit and Loss Account are as follows:		
Current Service Cost	**2,906**	3,750
Interest Cost	**5,930**	5,497
Expected return on plan assets	**(6,546)**	(5,550)
Total, included in salaries and wages	**2,290**	3,697
The amounts recognized were included in the Profit and Loss Account as follows:		
Cost of sales	**955**	1,583
Administrative expenses	**1,335**	2,114
Total, included in salaries and wages	**2,290**	3,697

The actual return on plan assets was Rs 1.896 million (2009: Rs 1.859 million)

The principal actuarial assumptions used were as follows:	2010	2009
Discount Rate	**13%**	12%
Expected Return on plan assets	**14%**	14%
Future salary increases	**12%**	12%
Average expected remaining working life time of employees	**10 years**	11 years

	2010	2009
	(Rupees in thousand)	
Plan assets are comprised as follows:		
Equity Instruments	**3,737**	10,266
Debt Instruments	**47,126**	40,863
Others	**1,185**	(4,373)
	52,048	46,756

Fair value of plan assets include Ordinary shares and Preference Shares of the company whose fair values as at September 30, 2010 are Rs 0.249 million (2009: Rs 0.516 million) and Rs 0.127 million (2009: Rs 0.509 million) respectively.

The present value of defined benefit obligation, the fair value of plan assets and the surplus or deficit of gratuity fund is as follows:

	2009-10	2008-09	2007-08	2006-07	2005-06
			(Rupees in thousand)		
As at September 30					
Present value of defined benefit obligations	**45,621**	42,362	39,264	33,353	23,173
Fair value of plan assets	**(52,048)**	(46,756)	(39,642)	(36,491)	(30,236)
Surplus	**(6,427)**	(4,394)	(378)	(3,138)	(7,063)
Experience adjustment on plan liabilities	**(5,132)**	(4,631)	(789)	4,655	(3,225)
Experience adjustment on plan assets	**(4,650)**	(1,162)	(1,552)	551	785

10. DEFERRED INCOME

This represents the unamortized balance of excess of sale proceeds over carrying amount of property, plant and equipment on sale and lease back transactions with financial institutions.

The deferred income is being amortized each year over the respective period of the lease term. The amount credited to the profit and loss account during the year was Rs 2.307 million (2009: Rs 3.487 million).

11. CURRENT PORTION OF LONG TERM LIABILITIES

		2010	2009
		(Rupees in thousand)	
Long term finances	- note 7	**1,598,141**	1,566,290
Liabilities against assets subject to finance lease	- note 8	**193,300**	197,276
		1,791,441	1,763,566

Current portion of long term liabilities include overdue installments of principal aggregating to Rs 629.337 million (2009: Rs 650.442 million).

12. SHORT TERM BORROWINGS - SECURED

		2010	2009
Running finances	- note 12.2	**1,857,055**	3,052,895
Export refinance	- note 12.3	**665,168**	661,867
Term finances	- note 12.4	**323,416**	339,773
		2,845,639	4,054,535

12.1 As per the original terms of the respective agreements with the banks, the aggregate borrowing facilities stand expired as at September 30, 2010. The company, as referred to in note 1.2 entered into restructuring agreements with the lenders, except National Bank of Pakistan Limited which has extended its facility separately, whereby it was allowed a bridge loan facility of Rs 2,466 million and short term running finance of Rs 2,980 million was extended up to October 31, 2010 at the rate of three month KIBOR plus 1% and one month KIBOR plus 3% respectively. However as referred therein the bridge finance and consortium short term running finance have not become operative to date. The Company however, has accrued markup on facilities aggregating to Rs 2,466 million at three months of KIBOR plus 1% as it believes that it is liable to pay markup under the terms of the bridge loan agreement instead of the original agreements, which stand expired. The banks have not demanded the rate of markup as per previous facilities and the Company is confident that the bridge loan will become operative and its timelines extended.

12.2 Running finances

As per the original facilities, these finances were available at a markup ranging from Re 0.3633 to Re 0.3863 per Rs 1,000 per diem on the outstanding balance or part thereof. The aggregate running finances are secured against pledge of stock-in-trade and marketable securities and registered hypothecation charge on property, plant and equipment and current assets of the company.

12.3 Export refinance

As per the original facilities, these finances were available at a markup ranging from Re 0.0926 to Re 0.2423 per Rs 1,000 per diem or part thereof. The aggregate export and import finances are secured against lien on export contracts and first charge on current assets of the company.

12.4 Term finances

As per the original facilities, these finances were available at a markup ranging from Re 0.3633 to Re 0.4411 per Rs 1,000 per diem on the balance outstanding or part thereof. These are secured against pledge of stock-in-trade and registered charge on current and certain non-current assets of the company.

Of the aggregate facility of Rs 10 million (2009: Rs 400 million) for opening of letters of credit and Rs 10 million (2009: Rs 110 million) for guarantees, that was available to the company up till September 30, 2010, the amount utilized at September 30, 2010 was Nil (2009: Nil) and Rs 9.552 million (2009: Rs 86.500 million) respectively. The aggregate facilities of letter of credits are secured against lien over shipping/import documents. The aggregate facilities for guarantees are secured against margin deposits referred to in note 28, pledge of marketable securities and charge on current assets of the company.

The aggregate facilities are additionally secured against ranking charges on non-current assets of the company.

13. TRADE AND OTHER PAYABLES

		2010	2009
		(Rupees in thousand)	
Trade creditors	- note 13.1	**569,012**	544,624
Advances from customers		**201,772**	192,455
Security deposits	- note 13.2	**25,490**	2,903
Accrued liabilities		**164,737**	101,324
Workers' profit participation fund	- note 13.3	**-**	-
Workers' welfare fund	- note 13.4	**3,191**	2,388
Payable to government			
- Sales tax		**22,707**	3,417
Unclaimed dividend		**1,561**	1,564
Derivative interest rate swap	- note 13.5	**102,716**	29,771
Penalties payable		**1,226**	5,001
Others	- note 13.6	**25,111**	52,927
		1,117,523	936,374

13.1 Trade creditors include amount due to related parties Rs 7.679 million (2009: Rs 1.637 million).

13.2 These are interest free and refundable on completion of contracts.

	2010	2009
	(Rupees in thousand)	
13.3 Workers' profit participation fund		
As at October 1	**-**	94
Less: Payments made during the year	**-**	(94)
As at September 30	**-**	-
13.4 Workers' welfare fund		
As at October 1	**2,388**	1,598
Charge for the year	**803**	790
As at September 30	**3,191**	2,388

13.5 The company has entered into derivative interest rate swap arrangements to hedge for the possible adverse movements in interest rates arising on the interest payments due on its long term finances as mentioned in note 7.2. The derivative interest rate swap arrangements outstanding as at September 30, 2010 have been marked to market and the resulting loss of Rs 16.806 million (2009: gain of Rs 7.187 million) has been recognized in profit and loss account as referred to in note 35 as this hedging relationship does not meet the criteria of cash flow hedge and does not qualify for special hedge accounting specified in IAS 39 'Financial Instruments: Recognition and Measurement'.

13.6 Included in other liabilities are provisions aggregating to Rs 17.792 million (2009: Rs 17.792 million) in respect of probable loss from pending litigation of the company against Sales tax authorities and the Excise department. The movement in these provisions during the year is as follows:

	2010	2009
	(Rupees in thousand)	
As at October 1	**17,792**	29,038
Provision written back during the year	**-**	(11,246)
As at September 30	**17,792**	17,792

The above provisions have been made as per the management's best estimate against various demands raised by the Sales Tax Authorities and the Excise Department, which are being contested by the company at various forums.

		2010	2009
		(Rupees in thousand)	
14. ACCRUED FINANCE COST			
Accrued mark-up on:			
- Long term finances		**494,833**	274,124
- Liabilities against assets subject to finance leases		**14,557**	23,015
- Short term borrowings		**303,473**	313,433
	- note 14.1	**812,863**	610,572

14.1 This includes finance cost of Rs 442.193 million (2009: Rs 331.010 million) which is overdue for payment as at September 30, 2010.

15. CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

(i) The company has issued following guarantees:

Bank guarantee of Rs 9.552 million (2009: Rs 86.50 million) in favour of Sui Northern Gas Pipelines Limited against performance of contracts.

Cross corporate guarantee in favour of Allied Bank Limited to secure long term finance facility availed by the Company's associate, Shakarganj Food Products Limited of Rs 467 million (2009: Rs 467 million).

(ii) The company has issued a post dated cheque in favour of the Collector of Customs against custom duty clearance in respect of import of plant and machinery amounting to Rs 5.040 million (2009: 5.040 million).

(iii) Consequent upon filing of petition by the company in the honorable Lahore High Court to set aside SRP655(1)/2007, through which special excise duty was levied with effect from July 1, 2007, the company has not provided for an amount of Rs 46.198 million on account of special excise duty levied on sale of sugar. The honorable court has provided an interim relief to the company in the form of a stay order and the final decision of the court is yet to be made. The Company, based on the opinion of its legal advisor, is confident that the petition will be decided in their favour setting aside the provisions under the above SRO.

(iv) The company has not been able to pay long term loan installments on the respective due dates consequently the lenders as per the agreement may charge penalties approximating to Rs 28 million. The penalty charges have not been recognized in financial statements as the management is confident that it will be able to get all its obligations rescheduled/restructured.

(v) As referred to in note 1.2, the Company entered into a bridge finance agreement with a consortium of banks for Rs 2,466 million to be repaid by 30 June, 2011 from the sale of assets, identified in the agreement. For reasons specified in the note 1.2, the bridge facility could not be released to the Company till the date of these financial statements. However, the Company is confident that this will become operative as it has complied with all significant conditions precedents contained in the bridge finance facility and is also confident that the timelines contained therein for sale of identified assets along with the repayment of the bridge loan will be extended. The Company has, in these financial statements, accrued markup based on the reduced rates contained in the bridge finance agreement on its respective borrowings to the tune of Rs 2,466 million. Had the markup been accrued at the terms of original agreements, it would have been higher by Rs 56 million approximately. The Company, based on the foregoing ground, is however confident that the lenders will not demand markup as per original agreements.

15.2 Commitments

The company has the following commitments in respect of

(i) Contract for capital expenditure amounting to Rs 71.213 million (2009: Rs 71.213 million).

(ii) Contracts for acquisition of intangible (computer software) amounting to Rs 20 million (2009: 20 million).

(iii) Contracts for other than capital expenditures Rs 1.3 million (2009: 5.008 million).

(iv) The amount of future payments under operating leases and the period in which these payments will become due are as follows:

	2010	2009
	(Rupees in thousand)	
Not later than one year	**6,368**	27,037
Later than one year and not later than five years	**7,737**	30,139
	14,105	57,176

NOTES TO THE FINANCIAL STATEMENTS
For the year ended September 30, 2010

16. PROPERTY, PLANT AND EQUIPMENT

2010 (Rupees in thousand)

	Cost/ re-valued amount October 1, 2009	Transfers in/ (Out)	Additions/ (deletions)	Reclassified to Non-current Assets helf for disposal (*)	Cost/ re-valued amount September 30, 2010	Accumulated depreciation as at October 1, 2009	Trans-fers in/ (Out)	Depre-ciation charge/ (deletions) for the year	Reclassi-fied to Non-current Assets held for disposal (*)	Accumulated depreciation as at September 30, 2010	Book value as at September 30, 2010	Rate of depreci-ation %
Freehold land	1,997,513	-	5,826	(1,138,426)	864,913	-		-	-	-	864,913	-
Buildings and roads on freehold land	581,240	-	43,443	(66,343)	558,340	212,612		26,607	(2,855)	236,364	321,976	7.5
Plant and machinery	5,901,824	56,000	36,514	(813,972)	5,165,433	2,153,574	18,789	251,763	(77,068)	2,332,318	2,833,115	7.5-30
			(14,933)					(14,740)				
Tools and equipment	81,993	-	2,759	(1,754)	77,604	64,228		8,911	(781)	67,348	10,256	20-40
			(5,394)					(5,010)				
Water, electric and weighbridge equipment	374,540	-	2,291	(101,040)	275,344	186,201		26,671	(21,997)	190,549	84,795	20-40
			(447)					(326)				
Furniture and fixtures	40,725	-	200	(154)	40,651	28,796		2,386	(42)	31,083	9,568	20
			(120)					(57)				
Office equipment	36,607	-	247	(450)	35,569	33,471		1,879	(134)	34,516	1,053	40
			(835)					(700)				
Vehicles	100,349	32,780	2,739	(725)	102,953	53,132	22,609	10,279	(557)	68,395	34,558	20
			(32,190)					(17,068)				
Laboratory Equipment	18,119	-	-	-	18,119	15,715		964	-	16,679	1,440	40
Arms and ammunition	176	-	156	-	332	92		35	-	127	205	10
Library books	10,422	-	70	-	10,492	9,692		156	-	9,848	644	30
	9,143,508	88,780	94,245	(2,122,864)	7,149,750	2,757,513	41,398	329,651	(103,434)	2,987,227	4,162,523	
		-	(53,919)	-				(37,901)				

(*) This represents cost/revalued amount and accumulated depreciation on assets of the Farm Division and Satellite facility at Dargai Shah after the decision was made during the year to sell them off for retirement of the Company's obligations to the lenders referred to in note 7 and 12. These are now classified as "Non-current assets held for sale" as referred to in note 30.

2009 (Rupees in thousand)

	Cost/ re-valued amount October 1, 2008	Transferred from Non-current asset held for sale	Additions/ (deletions)	Effect of revaluation as at September 30, 2009	Cost/ re-valued amount September 30, 2009	Accumulated depreciation as at October 1, 2008	Transferred from Non-current asset held for sale	Depre-ciation charge/ (deletions) for the year	Reclassi-fied from Non-current assets held for sale	Accumulated depreciation as at September 30, 2009	Book value as at September 30, 2009	Rate of depreci-ation %
Freehold land	1,389,614	959,279	8,181	(303,490)	1,997,513	-	-	-	-	-	1,997,513	-
			(56,071)									
Buildings and roads on freehold land	575,700	729	37,811	-	581,240	187,110	168	30,650	-	212,612	368,628	7.5
			(33,000)					(5,316)				
Plant and machinery	5,212,798	-	716,834	-	5,901,824	1,870,469	-	289,318	-	2,153,574	3,748,250	7.5-30
			(27,808)					(6,213)				
Tools and equipment	26,980	53,267	3,426	-	81,993	21,064	34,504	10,167	-	64,228	17,765	20-40
			(1,680)					(1,507)				
Water, electric and weighbridge equipment	262,130	11,294	102,160	-	374,540	136,909	6,952	42,921	-	186,201	188,339	20-40
			(1,044)					(581)				
Furniture and fixtures	39,494	886	535	-	40,725	25,360	541	2,957	-	28,796	11,929	20
			(190)					(62)				
Office equipment	35,629	334	937	-	36,607	30,402	185	3,079	-	33,471	3,136	40
			(293)					(195)				
Vehicles	57,340	37,998	10,700	-	100,349	29,097	15,445	11,634	-	53,132	47,217	20
			(5,689)					(3,044)				
Laboratory Equipment	18,119	-	-	-	18,119	14,108	-	1,607	-	15,715	2,404	40
Arms and ammunition	107	-	69	-	176	84	-	8	-	92	84	10
Library books	10,345	-	77	-	10,422	9,387	-	305	-	9,692	730	30
	7,628,256	1,063,787	880,730	(303,490)	9,143,508	2,323,990	57,795	392,646	-	2,757,513	6,385,995	
		-	(125,775)	-				(16,918)				

16.1 The carrying amount of freehold land, buildings and plant and machinery would have been Rs 273.7 million (2009: Rs 298.329 million), Rs 301.671 million (2009: Rs 326.131 million) and Rs 3,452.809 (2009: Rs 3,732.766) million respectively, had there been no revaluation.

16.2 Property, plant and equipment include assets with a book value of Rs 17.63 million (2009: Rs 19.060 million), Rs 1.924 million (2009: Rs 2.080 million) and Rs 1.711 million (2008: Rs 1.850 million) which are in the name of Innovative Housing Finance Limited, Security Leasing Corporation Limited and Dawood Leasing Company Limited.

		2010	2009
		(Rupees in thousand)	

16.3 The depreciation charge for the year has been allocated as follows:

		2010	2009
Cost of sales	- note 32	**271,003**	344,626
Administrative expenses	- note 33	**16,672**	24,654
Discontinued operations	- note 30	**41,976**	3,196
Property, plant and equipment - trial run		**-**	18,199
Capital work-in-progress - unallocated expenditure		**-**	1,971
		329,651	392,646

16.4 Disposal of property, plant and equipment

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
		(Rupees in thousand)				
Office equipment	**Outside parties**					
	EFU Insurance	835	700	135	1,190	Insurance policy
Water, electric and weighbridge equipment	**Outside parties**					
	Local Growers	494	295	199	22	Negotiation
Tools and equipment	Local Growers	1,554	1,387	167	600	- do -
	Local Contractors	1,762	1,609	153	1,250	- do -
Vehicles	**Employees**					
	Mr. Muhammad Ashfaq	129	46	83	93	As Per Company Policy
	Mr. Muhammed Awais Qureshi	1,178	823	355	309	- do -
	Mr. Kazim Ali	390	257	133	156	- do -
	Mr. Saad Akhtar Jafari	882	646	236	258	- do -
	Mr. Aslam	95	8	87	93	- do -
	Mr. Abdul Sattar	188	125	63	140	- do -
	Mr. Zahid Mehmood	398	265	133	297	- do -
	Mr. Asif Ali Malik	217	18	199	212	- do -
	Mr. M. Parvez Akhtar	298	247	51	382	- do -
	Mr. Abdul Razaq	276	202	74	189	- do -
	Mr Zahid Mehmood	217	18	199	212	- do -
	Mr. Muhamamd Saifullah	398	265	133	297	- do -
	Mr. Muhamamd Siddique Sahi	398	265	133	297	- do -
	Mr. Manzoor Hussain Malik	1,108	868	240	276	- do -
	Mr. Abbass Ali Gill	398	265	133	297	- do -
	Mr. Akhtar Habib	95	8	87	93	- do -
	Mr. Muhamamd Saeed	187	125	62	140	- do -
	Outside parties					
	Anjum Motors Karachi	2,128	1,903	225	1,369	Negotiation
	Nasir Kambo	4,160	2,178	1,982	5,165	Auction
	Shah Kameer	595	206	389	1,400	- do -
	Najeeb ullah	198	69	129	500	- do -
	Muhammad Aslam Khan	198	69	129	500	- do -
	Mukhtar Gondal	747	394	353	1,325	- do -
	Alam Sher	163	60	103	450	- do -
	Rana Mukhtar	163	60	103	300	- do -
	Muhammad Ejaz Noon	155	54	101	345	- do -
	Ali Asghar khan	198	69	129	575	- do -
	Ghulam Abbas Sajowal	397	138	259	1,020	- do -
	Zulfiqar Ali	155	54	101	395	- do -
	Hanif & Co	11,899	4,375	7,524	8,800	- do -
Other assets having book value below Rs 50,000		21,267	19,830	1,437	7,487	
		53,920	37,901	16,019	36,434	

		2010	2009
		(Rupees in thousand)	

16.5 The gain on disposal for the year has been allocated as follows:

Other Income	- note 36	**7,304**	4,496
Non Current Assets Held For Sale and Discontinued Operations	- note 30.4	**13,112**	-
		20,416	4,496

17. INTANGIBLE ASSETS

2010 (Rupees in thousand)

	Cost as at October 01, 2009	Additions/ (transfers/ deletions)	Transferred from Non-current asset held for sale	Cost as at September 30, 2010	Accumulated amortization October 01, 2009	Amortization charge for the year	Transferred from Non-current asset held for sale	Accumulated amortization September 30, 2010	Book value as at September 30, 2010	Rate of amortization %
Computer software - acquired	1,700	-	-	1,700	1,020	340	-	1,360	340	20
Nepra license fee	367		640	1,007	46	36	16	98	909	3.7-5.0
	2,067	-	640	2,707	1,066	376	16	1,458	1,249	

2009 (Rupees in thousand)

	Cost as at October 01, 2008	Additions/ (transfers/ deletions)	Transferred to Assets held for disposal	Cost as at September 30, 2009	Accumulated amortization October 01, 2008	Amortization charge for the year	Transferred to Assets held for disposal	Accumulated amortization September 30, 2009	Book value as at September 30, 2009	Rate of amortization %
Computer software - acquired	1,700	-	-	1,700	680	340	-	1,020	680	20
Nepra license fee	1,007	-	(640)	367	33	29	(16)	46	321	3.7-5.0
	2,707	-	(640)	2,067	713	369	(16)	1,066	1,001	

17.1 The amortization charge for the year has been allocated to cost of sales as referred to in note 33.

18. ASSETS SUBJECT TO FINANCE LEASE

2010 (Rupees in thousand)

	Cost as at October 01, 2009	Reclassified to Non-current asset held for sale	Additions/ transfers	Cost as at September 30, 2010	Accumulated depreciation October 01, 2009	Reclassified to Non-current asset held for sale	Depreciation charge/ (transfers) for the year	Accumulated depreciation September 30, 2010	Book value as at September 30, 2010	Rate of depreciation %
Plant and machinery	571,750	(260,119)	- (56,000)	255,631	65,902	(22,400)	25,163 (18,789)	49,876	205,755	7.5
Vehicles	65,403	-	- (32,780)	32,623	35,621	-	4,363 (22,609)	17,375	15,248	20
	637,153	(260,119)	- (88,780)	288,254	101,523	(22,400)	29,526 (41,398)	67,251	221,003	

2009 (Rupees in thousand)

	Cost as at October 01, 2008	Transferred from Non-current asset held for sale	Additions/ transfers	Cost as at September 30, 2009	Accumulated depreciation October 01, 2008	Classified as Non-current asset held for sale	Depreciation charge/ (transfers) for the year	Accumulated depreciation September 30, 2009	Book value as at September 30, 2009	Rate of depreciation %
Plant and machinery	373,438	-	260,119 (61,807)	571,750	75,791	-	36,033 (45,922)	65,902	505,848	7.5
Vehicles	77,623	6,140	- (18,360)	65,403	40,192	204	7,420 (12,195)	35,621	29,782	20
	451,061	6,140	260,119 (80,167)	637,153	115,983	204	43,453 (58,117)	101,523	535,630	

		2010	2009
		(Rupees in thousand)	
18.1 The depreciation charge for the year has been allocated as follows:			
Cost of sales	- note 32	**17,394**	31,155
Administrative expenses	- note 33	**4,363**	7,420
Discontinued operations	- note 30	**7,769**	-
Property, plant and equipment - trial run		**-**	4,878
		29,526	43,453

19. CAPITAL WORK-IN-PROGRESS

		2010	2009
Civil works		**-**	30,573
Plant and Machinery	- note 19.1	**28,396**	42,310
Unallocated expenditure	- note 19.2	**-**	13
		28,396	72,896
Advances given for capital work in progress	- note 19.3	**256,145**	277,771
Less: Reclassified to non-current assets held for sale	- note 30	**(196,079)**	-
		88,462	350,667

19.1 Movement in unallocated expenditure

		2010	2009
Opening Balance		**13**	80,406
Expenses incurred during the year			
Salaries wages & other benefits	- note 19.2.1	**25,701**	4,684
Stores and spares consumed		**-**	2,877
Fuel and power		**-**	3,354
Rent, Rates and Taxes		**-**	1,380
Insurance		**-**	544
Freight and transportation		**-**	1,544
Travelling and conveyance		**-**	744
Consultancy Charges		**-**	-
Depreciation on property plant and equipment		**-**	1,971
Miscellaneous Expenses		**-**	1,919
Markup on:		**-**	229
Long Term Loan		**-**	4,849
Lease Liability		**-**	-
Trial Run Loss	- note 19.2.2	**-**	61,386
		25,701	85,481
19.2 Unallocated expenditure to date	- note 19.2.4	**25,714**	165,887
Unallocated expenditure capitalized		**-**	(162,407)
Charged to administrative expense		**-**	(3,467)
Charged to cost of sales		**(25,714)**	-
		-	13

19.2.1 Salaries wages and other benefits include Rs Nil (2009 : Rs 0.020 million) in respect of pension fund.

19.2.2 Trial run operating loss

		2010	2009
		(Rupees in thousand)	
Sales		-	45,689
Cost of goods sold			
Raw Material consumed		-	109,053
Salaries wages & other benefits	- note 19.2.3	-	9,554
Stores and spares consumed		-	2,145
Dyes and Chemical		-	2,777
Fuel and power		-	12,437
Repair and maintenance		-	436
Depreciation on property plant and equipment		-	18,199
Depreciation of leased assets		-	4,877
Other Expenses		-	1,266
Cost of goods manufactured		-	160,744
Less: Work in process at the conclusion of trial production run		-	(1,138)
Cost of goods produced during trial production run		-	159,606
Less: Finished goods at the conclusion of trial production run		-	(52,531)
		-	107,075
Trial run operating loss		-	(61,386)

19.2.3 Salaries, wages and other benefits include Rs Nil (2009: Rs 0.024) in respect of pension fund.

19.2.4 This includes borrowing cost of Rs Nil (2009: Rs 50.730 million) in aggregate.

19.3 Advances

		2010	2009
Considered good:			
- Civil works		-	11,858
- Plant and machinery		**253,749**	251,114
- Intangibles		-	10,290
- others		**2,396**	4,509
Considered doubtful:		**256,145**	277,771
- Plant and machinery		**1,000**	1,890
- Intangibles		**11,674**	1,384
		12,674	3,274
		268,819	281,045
Less: Provision against doubtful advances	- note 19.4	**(12,674)**	(3,274)
		256,145	277,771

19.4 Provision against doubtful advances

	2010	2009
As at October 1	**3,274**	-
Provision during the year	**11,674**	3,274
Advances written off against provision during the year	**(2,274)**	-
As at September 30	**12,674**	3,274

20. BIOLOGICAL ASSETS

	2010 (Rupees in thousand)	2009 (Rupees in thousand)
Sugarcane		
Mature	**13,520**	23,171
Immature	**-**	3,963
	13,520	27,134
Rice - mature	**-**	2,537
Others - mature	**1,623**	-
Livestock - mature	**8,479**	6,818
	23,622	36,489
Non - current	**8,479**	10,781
Current	**15,143**	25,708
	23,622	36,489

20.1 The value of sugarcane crops is based on estimated average yield of 340 (2009: 353) mounds per acre on cultivated area of 388 (2009: 1,406) acres. The value of rice crops is based on the estimated yield of Nil (2009: 20) mounds per acre on cultivated area of Nil (2009: 239) acres. As at September 30, 2010, Nil (2009: 1,140) acres are under preparation for wheat cultivation.

20.2 388 acres relates to sugarcane cultivation which is valued at a cost of Rs 13.52 million. As the crop is in early stages, its fair value less estimated point of sale cost cannot be reliably measured.

20.3 Movement during the year

	2010 (Rupees in thousand)	2009 (Rupees in thousand)
As at October 1	**36,489**	160,110
Increase due to purchases/costs incurred	**80,907**	187,667
Loss arising from changes in fair value less estimated point of sale costs	**(29,912)**	(71,681)
Decreases due to harvest/sales	**(63,862)**	(239,607)
As at September 30	**23,622**	36,489

21. INVESTMENTS - RELATED PARTIES

		2010 (Rupees in thousand)	2009 (Rupees in thousand) Restated
In equity instruments of associates	- note 21.1	**415,269**	298,624
Available for sale	- note 21.3	**413**	83,672
Advance against purchase of shares in associated company - Shakarganj Food Products Limited		**-**	171,000
		415,682	553,296

		2010	2009
		(Rupees in thousand)	Restated
21.1 In equity instruments of associates			
Cost		**444,494**	52,529
Brought forward amounts of post acquisition reserves profits and negative goodwill recognized directly in profit and loss accounts		**19,362**	104,317
		463,856	156,846
Add:			
- Share of net assets upon conversion of subsidiary into associate		**-**	196,961
- Carrying amount of goodwill on conversion into associate		**-**	25,866
		-	222,827
Share of movement in reserves during the year		**2,389**	(8,064)
Share of loss for the year			
- before taxation		**(22,229)**	(59,835)
- provision for taxation		**(20,587)**	(13,150)
		(42,816)	(72,985)
		423,429	298,624
Dividend received during the year		**(8,160)**	-
Balance as on September 30	- note 21.2	**415,269**	298,624

21.2 In equity instruments of associates

	2010	2009
Quoted		
Crescent Steel and Allied Products Limited		
2,720,062 (2009: 2,820,062) fully paid ordinary shares of Rs 10 each Equity held: 4.82% (2009: 4.99%)	**157,691**	151,549
Unquoted		
Shakarganj Foods Products Limited		
74,654,596 (2009: 57,554,600) fully paid ordinary shares of Rs 10 each Equity Held: 49.24% (2009: 44.77%)	**257,578**	147,075
	415,269	298,624

21.2.1 Investments in associates include goodwill amounting to Rs 85.171 million (2009: Rs 38.298 million).

21.2.2 The Company's share of the results of its principal associates, all of which are incorporated in Pakistan, and its share of the assets (including goodwill) and liabilities are as follow:

Name	Percentage interest held	Assets	Liabilities	Revenues	Profit/(loss)
2010					
Crescent Steel and Allied Products Limited	4.82%	235,931	87,515	142,110	17,699
Shakarganj Foods Products Limited	49.24%	646,749	462,722	1,400,131	(60,515)
		882,680	**550,237**	**1,542,241**	**(42,816)**

Name	Percentage interest held	Assets	Liabilities	Revenues	Profit/(loss)
2009					
Crescent Steel and Allied Products Limited	4.99%	188,617	49,689	166,370	2,750
Shakarganj Foods Products Limited	44.77%	602,025	480,631	969,175	(75,745)
		790,642	**530,320**	**1,135,545**	**(72,995)**

21.2.3 The Company's investment in Crescent steel and Allied Products Limited is less than 20% but it is considered to be associate as per the requirements of IAS - 28 'Investments in Associates' because the Company has significant influence over its financial and operating policies.

21.2.4 The above figures of Crescent Steel and Allied Products Limited are based on audited consolidated financial statements as at June 30, 2010.

			2010	2009
			(Rupees in thousand)	Restated
21.3 Available for sale				
Subsidiary companies	- at cost	- note 21.3.1	**-**	243,757
Associated companies	- at cost	- note 21.3.2	**3,000**	3,000
Others	- at cost	- note 21.3.3	**2,200**	2,200
			5,200	248,957
Add: Cumulative fair value gain		- note 21.3.4	**413**	805
Less: Cumulative impairment losses recognized		- note 21.3.5	**(5,200)**	(166,090)
Fair value gain			**(4,787)**	(165,285)
			413	83,672

21.3.1 Investments in subsidiary company, Safeway Fund Limited was disposed off during the year for a total consideration of Rs 71.25 million. The company has recognised, in addition to the impairment loss of Rs 160.89 million recognised in previous year, an additional loss of Rs 11.616 million on derecognition of these shares.

		2010	2009
		(Rupees in thousand)	
			Restated
21.3.2 Associated companies			
Quoted			
Crescent Jute Products Limited			
536,817 (2009: 536,817) fully paid ordinary shares of Rs 10 each		**-**	-
Crescent Standard Telecommunications Limited			
300,000 (2009: 300,000) fully paid ordinary shares of Rs 10 each		**3,000**	3,000
		3,000	3,000
21.3.3 Others			
Unquoted			
Crescent Group Services (Private) Limited			
220,000 (2009: 220,000) fully paid ordinary shares of Rs 10 each		**2,200**	2,200
		2,200	2,200
21.3.4 Cumulative fair value gain			
As at October 1		**805**	967
Fair value loss during the year		**(392)**	(161,052)
		413	(160,085)
Impairment loss transferred to profit and loss account	- note 21.3.1	**-**	160,890
As at September 30		**413**	805
21.3.5 Cumulative impairment losses recognized			
As at October 1		**166,090**	5,200
recognized during the year	- note 21.3.1	**-**	160,890
Adjusted on derecognition		**(160,890)**	-
As at September 30		**5,200**	166,090

21.3.6 Investments with face value of Rs 640 million (2009: Rs 25.550 million) and market value of Rs 676 million (2009: Rs 69.470 million) are pledged as security against long term running finances and short term borrowings as referred to in note 7.4 and note 12 respectively.

		2010	2009
		(Rupees in thousand)	

22. LONG TERM LOANS, ADVANCES, DEPOSITS AND PREPAYMENTS

		2010	2009
Loans - considered good to:			
Associate - Shakarganj Food Products Limited		**-**	17,399
Others - Sui Northern Gas Pipelines Limited	- note 22.1	**2,898**	3,312
		2,898	20,711
Less: Current portion shown under short term advances	- note 28	**414**	414
		2,484	20,297
Advance to Creek Marina (Private) Limited	- note 22.2	**38,487**	38,487
Security deposits		**9,136**	40,664
Others		**-**	336
		50,107	99,784

22.1 This represents an un-secured loan given to SNGPL for development of infrastructure for supply of gas to the principal facility. Mark up is charged at the rate of 1.5% per annum. This amount is receivable in 10 equal annual installments ending May 2017.

22.2 This represents payment for two apartments in the Creek Marina Projects pursuant to a settlement agreement entered into by the company and the former Crescent Standard Investment Bank Limited (CSIBL) in year 2006.

22.3 Maximum aggregate amount outstanding during the year in respect of related parties is as follows:

	2010	2009
	(Rupees in thousand)	
Shakarganj Food Products Limited	**189,139**	193,608
Asian Capital Management Fund Limited	**-**	10,000
Safeway Fund Limited	**-**	27,356
	189,139	230,964

23. DEFERRED TAXATION

	2010	2009
	(Rupees in thousand)	Restated
The deferred tax asset comprises temporary differences relating to:		
Accelerated tax depreciation	**(822,049)**	(800,325)
Unused tax losses	**815,326**	797,686
Undistributed reserves of associates	**6,723**	2,639
	-	-

Deferred tax asset on tax losses available for carry forward and those representing minimum tax paid available for carry forward u/s 113 of the Income Tax Ordinance, 2001 are recognized to the extent that the realization of related tax benefits through future taxable profits is probable. The company has not recognized deferred tax assets of Rs 2,348.54 million (2009: 1,996.08 million) in respect of tax losses and Rs 76.77 million (2009: 60.36 million) in respect of minimum tax paid and available for carry forward u/s 113 of the Income Tax Ordinance, 2001, as sufficient tax profits would not be available to set these off in the foreseeable future. Minimum tax paid u/s 113 aggregating to Rs 76.77 million would not be available for carry forward against future tax liabilities subsequent to years 2011 through 2014. Tax losses amounting to Rs 79.34 million, Rs 810.42 million, Rs 785.16 million, Rs 1,400.73 million, Rs 1,266.51 million, Rs 735.28 million expire in year 2011, 2013, 2014, 2015, 2016 and 2017 respectively.

24. STORES, SPARES AND LOOSE TOOLS

	2010	2009
	(Rupees in thousand)	
Stores	**59,468**	88,587
Spares	**35,065**	27,408
Loose tools	**1,323**	1,389
	95,856	117,384
Less: Provision for obsolete items	**(4,610)**	(4,610)
	91,246	112,774

24.1 Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.

25. STOCK-IN-TRADE

	2010	2009
	(Rupees in thousand)	
Raw materials	**30,903**	117,208
Work-in-process	**25,600**	9,155
Finished goods	**75,486**	896,245
	131,989	1,022,608

25.1 Raw materials and finished goods amounting to Rs Nil (2009: 1,022.608 million) are pledged with lenders as security against long term running finances and short term borrowings as referred to in note 7.5 and note 12 respectively.

26. TRADE DEBTS

		2010	2009
		(Rupees in thousand)	
Considered good:			
- Secured		**4,149**	4,437
- Unsecured	- note 26.1	**10,345**	9,259
		14,494	13,696
Considered doubtful:		**2,323**	2,059
		16,817	15,755
Less: Provision for doubtful debts	- note 26.2	**(2,323)**	(2,059)
		14,494	13,696

26.1 These include receivable from Shakarganj Food Products Limited, an associated company amounting to Rs 2.257 million (2009: Rs 1.061 million).

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		2010	2009
		(Rupees in thousand)	
26.2 Provision for doubtful debts			
As at October 1		**2,059**	-
Provision during the year		**264**	2,059
As at September 30		**2,323**	2,059
27. INVESTMENTS			
Available for sale	- note 27.1	**143,976**	254,136
Held for trading	- note 27.2	**-**	6,186
Held to maturity	- note 27.3	**-**	-
		143,976	260,322
27.1 Available for sale			
Others - at cost	- note 27.1.1	**125,307**	263,656
		125,307	263,656
Add: Cumulative fair value gain	- note 27.1.3	**18,669**	22,753
Less: Cumulative Impairment loss	- note 27.1.4	**-**	(32,273)
		18,669	(9,520)
		143,976	254,136

27.1.1 Others

	2010	2009
Quoted		
Samba Bank Limited		
Nil (2009: 5,058,126) fully paid ordinary shares of Rs 10 each	**-**	50,988
Altern Energy Limited		
12,530,582 (2009: 21,266,582) fully paid ordinary shares of Rs 10 each	**125,307**	212,668
Innovative Investment Bank Limited - Unquoted		
51,351 (2009: 51,351) fully paid ordinary shares of Rs 10 each	**-**	-
	125,307	263,656

27.1.2 Investments with a face value of Rs 124.66 million (2009: Rs 262.601 million) and market value of Rs 143.234 million (2009: Rs 253.421 million) are pledged as security against long term running finances and short term borrowings as referred to in note 7.4 and note 12 respectively.

		2010	2009
		(Rupees in thousand)	
27.1.3	**Cumulative fair value gain**		
	As at October 1	**22,753**	113,374
	Fair value gain/(loss) during the year	**5,263**	(121,964)
	Transferred to profit and loss account on derecognition of shares	**(9,347)**	(930)
		18,669	(9,520)
	Impairment loss recognized during the year	**-**	32,273
	As at September 30	**18,669**	22,753
27.1.4	**Cumulative impairment losses recognized**		
	As at October 1	**32,273**	-
	Add: impairment loss recognized during the year	**-**	32,273
	Less: impairment loss adjusted upon derecognition of investment	**(32,273)**	-
	As at September 30	**-**	32,273
27.2	**Held for trading - quoted**		
	Samba Bank Limited		
	Nil (2009: 1,671,987) fully paid ordinary shares of Rs 10 each	**-**	6,186
27.3	**Held to maturity**		
	Musharika Investment - note 27.3.1	**17,935**	17,935
	Less: Cumulative impairment losses recognized	**(17,935)**	(17,935)
		-	-

27.3.1 This represented investment under musharika arrangement with Crescent Standard Modaraba on profit and loss sharing basis. Consequent to consistent failure of the Musharika to pay profits and in view of the rapidly deteriorating financial position of the Musharika, the company assessed its recoverable amount at Nil and consequently, full carrying amount of the investment was considered impaired in year 2006.

28. LOANS, ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

		2010	2009
		(Rupees in thousand)	
Advances - considered good			
- to employees		**2,883**	2,133
- to suppliers and contractors	- note 28.1	**31,703**	27,256
- to sugarcane growers	- note 28.2	**4,734**	4,415
		39,320	33,804
Advances - considered doubtful:			
- to suppliers and contractors		**-**	662
- to sugarcane growers		**3,911**	726
		3,911	1,388
Due from related parties - unsecured and considered good	- note 28.3	**154,141**	5,489
Current portion of long term loan receivable from Sui Northern Gas Pipelines Limited	- note 22.1	**414**	414
Recoverable from government			
- Income tax		**5,819**	43,432
- Sales tax		**3,381**	9,590
		9,200	53,022
Interest receivable on deposits		**-**	281
Security deposits			
- considered good		**1,418**	21,204
- considered doubtful		**-**	960
		1,418	22,164
Prepayments		**14,319**	21,048
Margins against bank guarantees		**1,470**	1,470
Others:			
- considered good		**6,805**	4,197
- considered doubtful		**-**	1,458
		6,805	5,655
		230,998	144,735
Less: provision against doubtful receivables	- note 28.4	**(3,911)**	(3,806)
		227,087	140,929

28.1 These relate to normal business of the company and are interest free.

28.2 These relate to normal business of the company and carry mark-up ranging from 12.6% to 15.52%.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended September 30, 2010

		2010	2009
		(Rupees in thousand)	
28.3	**Due from related parties**		
	Considered good		
	Crescent Sugar Mills and Distillery Limited	**563**	526
	Crescent Steel and Allied Products Limited	**1,793**	2,045
	Shakarganj Food Products Limited	**1,785**	1,785
	Shakarganj Energy (Private) Limited	**150,000**	1,133
		154,141	5,489
28.4	**Provision against doubtful receivables**		
	As at October 1	**3,806**	2,563
	Provision during the year	**1,778**	1,756
	Transferred to capital work in progress	**(1,000)**	(513)
	Receivables written off against provision during the year	**(673)**	-
	As at September 30	**3,911**	3,806

			2010	2009
29.	**Cash and bank balances**			
	At banks on:			
	- Saving accounts	- note 29.1		
	- Pak rupees		**3,382**	8,842
	- Foreign currency	- note 29.2	**532**	446
			3,914	9,288
	- Current accounts		**29,138**	14,421
			33,052	23,709
	In hand		**462**	799
			33,514	24,508

29.1 Profit on balances in saving accounts ranges from 0.10% to 5.00% (2009: 0.10% to 5.00%) per annum.

29.2 Foreign currency accounts include US Dollars 5,340 (2009: 5,340) and Euros 638 (2009: 644).

30. NON CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The non current assets held for sale and the liabilities directly associated with non-current assets classified as held for sale under IFRS 5 'Non Current Assets Held For Sale and Discontinued Operations' in their respective categories are summarized hereunder:

		2010	2009
		(Rupees in thousand)	
(a) Non-current assets classified as held for sale			
Satellite facility at Dargai Shah (Sugar Division)	- note 30.1	**1,192,395**	-
Satellite facility at Dargai Shah (Power Division)	- note 30.2	**-**	149,692
Investments in associates/subsidiary companies at market value	- note 30.3	**210,612**	486,030
Land - Agriculture (Farms Division)	- note 30.4	**911,914**	-
Other non-operating assets	- note 30.5	**348,919**	-
		2,663,840	635,722
(b) Analysis of the result of discontinued operations			
Profit/(loss) for the year from discontinued operations			
Satellite facility at Dargai Shah (Sugar Division)	- note 30.1	**(271,766)**	-
Satellite facility at Dargai Shah (Power Division)	- note 30.2	**144,176**	-
Investments in associates/subsidiary companies at market value	- note 30.3	**(115,970)**	(94,284)
Land - Agriculture (Farms Division)	- note 30.4	**(25,612)**	-
SML Engineering Division	- note 30.6	**-**	8,533
		(269,172)	(85,751)
Cash flows from discontinued operations			
Satellite facility at Dargai Shah (Sugar Division)	- note 30.1	**25**	-
Satellite facility at Dargai Shah (Power Division)	- note 30.2	**150,000**	(59,888)
Investments in associates/subsidiary companies at market value	- note 30.3	**163,617**	11,057
Land - Agriculture (Farms Division)	- note 30.4	**564**	-
SML Engineering Division	- note 30.6	**-**	77,439
		314,206	28,608

A breakup of the constituents of non current assets held for sale and discontinued operations is given as follows:

30.1 Satellite facility at Dargai Shah (Sugar Division)

The Board of Directors of the Company in its meeting held on March 4, 2010 resolved to dispose off the assets of the Satellite facility at Dargai Shah (4,000 tones per day of crushing capacity), which was approved by the members of the Company in the Annual General Meeting held on April 5, 2010.

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An active plan to sell these assets was commenced during the year and an asset sales agreement with Hunza Sugar Mills Limited has been signed subsequent to the year end on December 3, 2010. As per the term of the agreement the assets have been sold for Rs 1,350 million, the Company has received Rs 478 million from the buyer while Rs 872 million have been paid into an Escrow account with Silk Bank (the Escrow Agent). Company will recover the amount from the Escrow Agent upon legal transfer of the property to the buyer for which it is perusing the lenders with existing charges on this property for release of such charges.

	2010	2009
	(Rupees in thousand)	
Non-current assets classified as held for sale		
Property, plant and equipment	**953,382**	-
Assets subject to finance lease	**237,720**	-
Capital work in progress	**1,293**	-
	1,192,395	-
Analysis of the result of discontinued operations		
Revenue	**653,534**	-
Cost of sales	**(794,772)**	-
Gross loss	**(141,238)**	-
Expenses		
Administrative expenses	**(12,207)**	-
Distribution and selling costs	**(1,047)**	
Other Income	**981**	
Finance cost	**(66,341)**	-
Other charges	**(51,914)**	-
	(130,528)	-
Loss before tax from discontinued operations	**(271,766)**	-
Taxation	**-**	-
Loss for the year from discontinued operations	**(271,766)**	-
Analysis of the cash flows of discontinued operations		
Operating cash flows	**48,737**	-
Investing cash flows	**(14,294)**	-
Financing cash flows	**(34,418)**	-
Total cash flows	**25**	-

30.2 Satellite facility at Dargai Shah (Power Division)

SML Power Division was sold to Shakarganj Energy (Private) Limited during the current year at a mutually agreed price, based on the valuation of the division's Non-current assets carried out by an independent valuer.

		2010	2009
		(Rupees in thousand)	
Non-current assets classified as held for sale			
Intangibles		-	624
Capital work in progress		-	149,068
		-	149,692
Analysis of the result of discontinued operations			
Gain on sale of non current asset held for sale		**144,176**	-
Analysis of the cash flows of discontinued operations			
Investing cash flows		**150,000**	(59,888)

30.3 Investments in associates/subsidiary companies at market value

		2010	2009
Non-current assets classified as held for sale			
Safeway Mutual Fund Limited (quoted)			
16,579,143 (2009: 29,215,143) fully paid ordinary shares of Rs 10 each		**165,020**	290,792
Equity held 30.45% (2009: 53.65%)			
Asian Stocks Fund Limited (quoted)			
16,245,673 (2009: 37,528,673) fully paid ordinary shares of Rs 10 each		**144,917**	334,770
Equity held 18.05% (2009: 41.7%)			
		309,937	625,562
Add: Cumulative fair value gain	- note 30.3.1	**21,319**	-
Less: Cumulative impairment losses recognized	- note 30.3.2	**(120,644)**	(139,532)
Fair value loss		**(99,325)**	(139,532)
		210,612	486,030

The Company's investment in Asian Stock Fund Limited and Safeway Mutual Fund Limited have been earmarked for disposal by the management to settle its bridge loan as referred to in note 1.2. During the year, the Company has offloaded these partially, pursuant to which it also relinquished control over these entities. Consequently these are now being carried at their respective market values.

		2010	2009
		(Rupees in thousand)	
30.3.1 Cumulative fair value (loss)/gain			
As at October 1		**-**	23,731
Fair value loss during the year		**(94,651)**	(129,072)
		(94,651)	(105,341)
Impairment loss transferred to profit and loss account	- note 30.3.3	**115,970**	105,341
As at September 30		**21,319**	-
30.3.2 Cumulative impairment losses recognized			
As at October 1		**139,532**	34,191
Impairment losses recognised	- note 30.3.3	**115,970**	-
Transferred to profit and loss account on derecognition of shares		**(134,858)**	105,341
As at September 30		**120,644**	139,532
Analysis of the profit for the year			
Other operating expenses		**(115,970)**	(105,341)
Other operating income		**-**	11,057
Taxation		**-**	-
Profit for the year		**(115,970)**	(94,284)
Analysis of the cash flows for the year			
Investing cash flows		**163,617**	11,057

30.3.3 Investments with a face value of Rs 240.665 million (2009: Rs 579.855 million) and market value of Rs 167.545 million (2009: Rs 434.546 million) are pledged as security against long term running finances and short term borrowings as referred to in note 7.4 and note 12 respectively.

30.4 Land - Agriculture (Farms Division)

The Board of Directors, in the meeting held on December 24, 2009 decided to dispose off the agricultural land of the Farms Division in piecemeal. The Company is actively perusing buyers through local dealers and their other sources and the Board is confident that the Company will be able to dispose off these assets during the financial year ending September 30, 2011.

The land is being carried at its revalued amount with a surplus of Rs 1.699 million included in the surplus on revaluation of property, plant and equipment in note 6.

		2010	2009
		(Rupees in thousand)	
Analysis of the result of discontinued operations			
Revenue		**66,844**	-
Cost of sales		**(92,571)**	-
Gross loss		**(25,727)**	-
Expenses			
Administrative expenses		**(11,166)**	-
Other Income	- note 16.5	**13,112**	
Finance cost		**(1,831)**	-
		115	-
Loss before tax from discontinued operations		**(25,612)**	-
Taxation		**-**	-
Loss for the year from discontinued operations		**(25,612)**	-
Analysis of the cash flows of discontinued operations			
Operating cash flows		**(6,926)**	-
Investing cash flows		**18,560**	-
Financing cash flows		**(11,070)**	-
Total cash flows		**564**	-

30.5 Non - current assets held for sale

	2010	2009
Non-operative plant and machinery - Azad Jammu & Kashmir	**194,787**	-
SML Jhang - Plant and Machinery sugar (KK turbine with generators)	**3,182**	-
6 Kanal land - Faisalabad	**40,950**	-
7 Acre land Samundari Road Faisalabad	**55,800**	-
52 kanal land - Jhang	**54,200**	-
	348,919	-

30.5.1 These assets were committed to be sold by the Company under the terms of the restructuring agreements referred to in note 1.2 signed in February 2010. The management of the Company is in advance stages of sale of these assets and consequently these have been classified as non-current assets held for sale.

30.6 SML Engineering Division - Faisalabad

SML Engineering Division was sold to Crescent Steel and Allied Products Limited during the last year at a mutually agreed price, based on the valuation of the division's Non-current assets carried out by an independent valuer.

	2010	2009
	(Rupees in thousand)	
Analysis of the profit for the year		
Sales - Net of sales tax	-	683
Profit from sale of division	-	10,809
	-	11,492
Expenses		
Cost of sales	-	(642)
Administrative expenses	-	(1,389)
Distribution and selling costs	-	(922)
Finance cost	-	(6)
	-	(2,959)
Profit before tax from discontinued operations	-	8,533
Taxation	-	-
Profit for the year	-	8,533
Analysis of the cash flows for the year		
Operating cash flows	-	(40,124)
Investing cash flows	-	117,563
Net cash inflow	-	77,439

31. Sales

(Rupees in thousand)

	Sugar 2010	Sugar 2009	Ethanol 2010	Ethanol 2009	Building Materials 2010	Building Materials 2009	Textile 2010	Textile 2009	Farms 2010	Farms 2009	Power 2010	Power 2009	Total 2010	Total 2009
Gross sales														
- Local	5,281,709	2,844,680	120,895	131,670	57,785	28,792	1,431,274	978,036	-	159,201	114,838	148,848	7,006,501	4,291,227
- Export	-	-	1,004,027	1,202,832	-	-	-	-	-	-	-	-	1,004,027	1,202,832
- By-products	4,777	5,388	-	-	-	-	35,586	16,373	-	-	-	-	40,363	21,761
- Inter-segment	495,998	429,102	-	-	-	-	-	-	-	-	89,021	25,551	-	-
	5,782,484	3,279,170	1,124,922	1,334,502	57,785	28,792	1,466,860	994,409	-	159,201	203,859	174,399	8,050,891	5,515,820
Less: Commission to selling agents	5,561	3,507	262	262	3,370	1,106	5,176	3,847	-	-	-	-	14,369	8,722
Sales tax and Special Excise Duty	247,399	361,670	18,329	19,132	8,448	4,183	-	-	-	-	16,735	20,446	290,911	405,431
	252,960	365,177	18,591	19,394	11,818	5,289	5,176	3,847	-	-	16,735	20,446	305,280	414,153
Net sales	5,529,524	2,913,993	1,106,331	1,315,108	45,967	23,503	1,461,684	990,562	-	159,201	187,124	153,953	7,745,611	5,101,667

31.1 Inter-segment sales have been eliminated from total figures.

31.2 Current year's sales of Farms division have been shown under note 30 - 'Analysis of results of discontinued operations' as it has been classified as held for sale.

32. COST OF SALES

	Sugar 2010	Sugar 2009	Ethanol 2010	Ethanol 2009	Building Materials 2010	Building Materials 2009	Textile 2010	Textile 2009	Farms 2010	Farms 2009	Power 2010	Power 2009	Total 2010	Total 2009
Inter-segment	33,155	-	525,686	372,625	15,890	3,783	98,102	70,882	-	-	7,120	7,363	-	-
Raw materials consumed	3,608,360	1,881,091	401,222	529,313	8,286	6,859	1,148,409	753,004	-	17,766	-	-	5,166,277	3,188,033
	3,641,515	1,881,091	926,908	901,938	24,176	10,642	1,246,511	823,886	-	17,766	7,120	7,363	5,166,277	3,188,033
Salaries, wages and other benefits - note 32.3	148,785	179,295	13,529	16,333	4,174	4,297	69,972	63,036	-	16,300	5,521	5,994	241,981	285,255
Stores and spares consumed	39,860	52,072	2,759	3,725	577	385	16,667	14,539	-	-	1,106	10,780	60,969	81,501
Dyes and chemicals	13,129	12,181	18,474	23,438	7,503	3,205	-	-	-	18,649	3,280	3,750	42,386	61,223
Packing material consumed	27,164	29,098	-	-	-	-	14,850	16,078	-	-	-	-	42,014	45,176
Fuel and power	154,606	275,311	-	-	813	9	64,345	54,089	-	6,882	74,255	2,041	294,019	338,332
Repairs and maintenance	12,439	13,511	159	652	183	140	825	856	-	17,172	7,717	7,782	21,323	40,113
Insurance	4,427	5,641	1,036	1,258	29	29	1,677	2,929	-	1,517	617	687	7,786	12,061
Vehicle running and maintenance	3,725	4,877	-	-	38	16	-	-	-	2,658	-	-	3,763	7,551
Traveling and conveyance	629	831	77	98	11	15	914	950	-	-	57	161	1,688	2,055
Printing and stationery	386	474	15	30	-	-	-	-	-	-	6	12	407	516
Rent, rates and taxes	760	703	-	-	-	-	192	213	-	37,259	-	-	952	38,175
Sugarcane research and development - note 32.3	9,004	11,381	-	-	-	-	-	-	-	56,865	-	-	9,004	68,246
Staff training and development	209	616	-	-	-	-	-	-	-	-	-	-	209	616
Depreciation on:														
- property, plant and equipment	184,215	240,981	46,699	50,595	975	1,024	18,299	20,865	-	8,548	20,815	22,613	271,003	344,626
- leased assets	3,270	15,595	-	-	-	-	-	291	-	-	14,124	15,269	17,394	31,155
Amortization on intangibles	-	-	-	-	-	-	340	340	-	-	36	29	376	369
Provision for store obsolescence	-	1,000	-	-	-	-	-	2,110	-	-	-	-	-	3,110
Other expenses	8,734	9,284	2,637	4,017	34	637	1,244	950	-	-	986	1,096	13,635	15,984
	4,252,857	2,733,942	1,012,293	1,002,084	38,513	20,399	1,435,836	1,001,132	-	183,616	135,640	77,577	6,195,186	4,564,097
Opening work-in-process	2,826	3,234	-	-	-	-	6,233	6,651	-	-	-	-	9,059	9,885
Work in progress at the conclusion of trial production run - note 19.2.2	-	1,138	-	-	-	-	-	-	-	-	-	-	-	1,138
Less: Closing work-in-process	(11,715)	(2,915)	-	-	-	-	(9,527)	(6,233)	-	-	-	-	(21,242)	(9,148)
	(8,889)	1,457	-	-	-	-	(3,294)	418	-	-	-	-	(12,183)	1,875
Cost of goods produced	4,243,968	2,735,399	1,012,293	1,002,084	38,513	20,399	1,432,542	1,001,550	-	183,616	135,640	77,577	6,183,003	4,565,972
Opening stock of finished goods	846,314	782,611	33,136	77,278	7,003	11,728	9,654	65,575	-	153,862	-	-	896,107	1,091,054
Finished goods at the conclusion of trial production run - note 19.2.2	-	52,531	-	-	-	-	-	-	-	-	-	-	-	52,531
Less: Closing stock of finished goods	(35,244)	(846,452)	(35,705)	(33,136)	(707)	(7,003)	(3,708)	(9,654)	-	(29,672)	-	-	(75,364)	(925,917)
	811,070	(11,310)	(2,569)	44,142	6,296	4,725	5,946	55,921	-	124,190	-	-	820,743	217,668
	5,055,038	2,724,089	1,009,724	1,046,226	44,809	25,124	1,438,488	1,057,471	-	307,806	135,640	77,577	7,003,746	4,783,640

32.1 Inter-segment purchases have been eliminated from total figures.

32.2 Current year's cost of sales of farms division have been shown under note 30 - 'Analysis of results of discontinued operations'.

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32.3 Salaries, wages and other benefits and sugarcane research and development include following in respect of retirement benefits:

	2010	2009
	(Rupees in thousand)	
Pension fund	**2,858**	3,741
Gratuity fund	**955**	1,583
Provident fund	**3,100**	3,364
	6,913	8,688

33. Administrative expenses

		2010	2009
Salaries, wages and other benefits	- note 33.1	**102,192**	117,259
Repairs and maintenance		**5,542**	7,778
Insurance		**2,649**	3,151
Vehicle running and maintenance		**8,067**	7,901
Travelling and conveyance		**3,617**	6,744
Printing and stationary		**1,849**	2,834
Electricity and gas		**2,654**	2,241
Telephone, postage and telegram		**4,049**	5,497
Legal and professional charges	- note 33.2	**14,026**	9,834
Consultancy and advisory services		**4,734**	5,223
Rent, rates and taxes		**2,701**	2,305
Entertainment		**2,583**	2,911
Subscriptions		**11,880**	4,493
Advertisements		**152**	206
Registered office expenses		**726**	726
Provision for doubtful advances		**-**	4,518
Provision for doubtful receivables		**11,673**	
Depreciation on:			
- property, plant and equipment	- note 16.3	**16,672**	24,654
- leased assets		**4,363**	7,420
Others		**1,053**	5,548
		201,182	221,243

33.1 Salaries, wages and other benefits include following in respect of retirement benefits:

	2010	2009
Pension fund	**3,933**	5,370
Gratuity fund	**1,335**	2,114
Provident fund	**1,575**	1,270
	6,843	8,754

		2010	2009
		(Rupees in thousand)	
33.2 Professional services			
The charges for professional services include the following in respect of auditors' services for:			
- Statutory audit		**1,250**	1,000
- Half yearly review		**500**	400
- Certification charges		**100**	100
- Out of pocket expenses		**97**	88
		1,947	1,588

34. DISTRIBUTION AND SELLING COSTS

Salaries, wages and other benefits	- note 34.1	**3,244**	3,713
Freight and forwarding		**78,760**	99,008
Handling and distribution		**1,452**	1,492
Loading and unloading charges		**6,322**	3,338
Sales promotion expenses		**252**	240
Insurance		**2,806**	7,246
Provision for doubtful receivables		**264**	2,059
Others		**-**	14
		93,100	117,110

34.1 Salaries, wages and other benefits include provident fund contribution of Rs 0.082 million (2009: Rs 0.050 million) by the company.

35. OTHER OPERATING EXPENSES

		2010	2009
		(Rupees in thousand)	Restated
Workers Welfare Fund		**803**	790
Impairment losses on:			
- Available for sale investments:			
classified as long term	- note 21.3.4	**-**	160,890
classified as short term	- note 27.1.4	**-**	32,273
classified as held for disposal		**-**	-
Social action program expenses		**920**	3,180
Loss on conversion of investment in subsidiary to associate	- note 35.1	**-**	352,719
Unrealized loss on investments held for trading		**-**	11,286
Loss on sale of investments		**17,067**	-
Net loss from livestock		**-**	1,327
Net exchange loss		**12,927**	23,561
Donations	- note 35.3	**610**	950
Loss on marked to market valuation of interest rate swap		**16,806**	-
Others		**4,264**	1,207
		53,397	588,183

35.1 Loss on conversion of investment in subsidiary to associate

It represents loss on deemed disposal of holding in Shakarganj Foods Products Limited (SFPL). In December 2008 SFPL raised further capital through right issue and the parent company did not exercise the right. This reduced the parent company's holding in SFPL from 53% to 44.77% and thus converting it from subsidiary to associate. The loss represents difference between the carrying amount of investment before conversion to associate and cost recognized under equity method on conversion into associate. The computation of the loss is as follows:

	2010	2009
	(Rupees in thousand)	
		Restated
Carrying amount of investment before conversion into associate	**-**	575,546
Less:		
- Share of net assets after conversion of subsidiary into associate	**-**	(196,961)
- Carrying amount of goodwill on conversion into associate	**-**	(25,866)
	-	(222,827)
	-	352,719

35.3 None of the directors and their spouses had any interest in any of the donees.

35.4 This includes depreciation on property, plant and equipment of Nil (2009: 8.548 million).

		2010	2009
		(Rupees in thousand)	
			Restated
36. OTHER OPERATING INCOME			
Income from financial assets			
Profit on sale of investments		**-**	5,902
Dividend income from:			
- related parties		**6,752**	-
- others		**-**	686
Gain on marked to market valuation of interest rate swap		**-**	7,187
Liabilities written back		**4,633**	15,779
Return on advance to:			
Associate - Shakarganj Food Products Limited		**-**	23,730
Return on bank deposits		**13,080**	7,242
		24,465	60,526
Income from non-financial assets			
Scrap sales		**7,367**	8,005
Profit on sale of property, plant and equipment	- note 16.5	**7,304**	4,496
Rental income		**1,142**	42
Amortization of deferred income		**3,005**	3,487
Net income from livestock		**1,379**	-
Gain on initial recognition of interest free loan from directors		**13,474**	-
Others		**25,029**	9,646
		58,700	25,676
		83,165	86,202

		2010	2009
		(Rupees in thousand)	

37. FINANCE COST

		2010	2009
Interest and mark-up on:			
- Long term finances	- note 37.1	**440,789**	518,594
- Short term borrowings		**504,012**	678,011
- Due to provident fund - related party		**542**	636
- Finance lease	- note 37.2	**16,429**	46,997
- Overdue payable balances		**-**	1,500
Bank charges, commission and excise duty		**9,434**	8,925
Others		**18,024**	5,105
		989,230	1,259,768

37.1 This includes preference dividend of Rs 29.389 million (2009: 29.409 million).

37.2 This includes penalties aggregating to Rs 8.271 million (2008: 3.313 million) levied by financial institutions due to delayed payments.

38. TAXATION

	2010	2009
	(Rupees in thousand)	
Current		
- For the year	**53,500**	18,835
- Prior period	**2,360**	(1,825)
	55,860	17,010

38.1 In view of the available income tax losses, the provision for current taxation represents tax under 'Final Tax Regime' and tax on minimum turnover under section 113 of the Income Tax Ordinance, 2001. Minimum tax under section 113 is available for set off for 5 years against normal tax liability arising in future years whereas tax under 'Final Tax Regime' is not available for set off against normal tax liabilities arising in future years.

For the purposes of current taxation, the tax losses available for carry forward as at September 30, 2010 are estimated approximately at Rs 9,039.61 million (2009: Rs 8,018.04 million).

38.2 Tax charge reconciliation

	2010 %	2009 %
Numerical reconciliation between the average effective tax rate and the applicable tax rate		
Applicable tax rate	**35.00**	35.00
Tax effect for income under presumptive tax regime	**7.65**	1.17
Tax losses for which no deferred tax is recognised	**(44.01)**	(25.26)
Tax effect of amounts that are not deductible for tax purposes	**(5.81)**	(12.03)
Impact of tax related to associates	**(2.06)**	(0.56)
Effect of change in prior year's tax and others	**(0.29)**	0.12
	(44.52)	(36.56)
Average effective tax rate charged to profit and loss account	**(9.52)**	(1.56)

39. (LOSS)/EARNINGS PER SHARE

39.1 Basic (loss)/earnings per share

		2010	2009
Continuing operations			
Loss for the year from continuing operations	**Rupees**	**(610,555,000)**	(1,872,070,000)
Weighted average number of ordinary shares in issue during the year	**Number**	**69,523,798**	69,523,798
Loss per share - basic	**Rupees**	**(8.78)**	(26.93)
Discontinued operations			
Profit for the year from discontinued operations	**Rupees**	**(269,172,000)**	(85,751,000)
Weighted average number of ordinary shares in issue during the year	**Number**	**69,523,798**	69,523,798
Earnings/(loss) per share - basic	**Rupees**	**(3.87)**	(1.23)

39.2 Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has a commitment to convert 1,000 preference shares into 167 ordinary shares of Rs 10 each. For the purposes of computing the diluted EPS the convertible preference shares are assumed to have been converted into ordinary shares, and the profit/(loss) is adjusted to eliminate the preference dividend.

		2010	2009
Continuing operations			
Loss for the year from continuing operations	**Rupees**	**(610,555,000)**	(1,872,070,000)
Preference dividend on convertible preference shares	**Rupees**	**29,409,000**	29,409,000
Loss used to determine diluted earnings per share	**Rupees**	**(581,146,000)**	(1,842,661,000)
Weighted average number of ordinary shares in issue during the year	**Number**	**69,523,798**	69,523,798
Assumed conversion of convertible preference shares into ordinary shares	**Number**	**5,774,108**	5,774,108
Weighted average number of ordinary shares for diluted earnings per share	**Number**	**75,297,906**	75,297,906
Loss per share - diluted	**Rupees**	**(7.72)**	(24.47)

The effect of the conversion of the convertible preference shares into ordinary shares is anti-dilutive for both the current and the previous year, accordingly the diluted EPS is restricted to the basic EPS.

Discontinued operations

There are no dilutive instruments in respect of discontinued operations.

40. CASH USED IN OPERATING ACTIVITIES

	2010	2009
	(Rupees in thousand)	
		Restated
Loss before taxation	**(803,280)**	(1,927,661)
Adjustment for:		
Depreciation/amortization of:		
- property, plant and equipment	**329,651**	372,476
- assets subject to finance lease	**29,526**	38,575
- intangible assets	**376**	369
- deferred income	**(3,005)**	(3,487)
Liabilities written back	**(4,633)**	(15,779)
Profit on sale of property, plant and equipment	**(20,416)**	(15,305)
Profit on sale of non current assets held for disposal - Power division	**(144,176)**	-
Impairment of investments classified as available for sale	**115,970**	298,504
Loss on conversion of investment in subsidiary to associate	**-**	352,719
Loss/(gain) on sale of investments in associates	**17,067**	(5,902)
Unrealized loss on investments held for trading	**-**	11,286
Interest from bank deposits	**(13,080)**	(7,242)
Provision against:		
- doubtful receivables	**264**	2,059
- store obsolescence	**-**	3,110
- doubtful advances	**13,452**	4,517
Provision for employees' retirement benefits	**9,081**	12,832
Dividend income	**-**	(11,743)
Net income from livestock	**(1,379)**	141,384
Loss/(gain) on marked to market valuation of interest rate swap	**16,806**	(7,187)
Share of loss from associates	**22,229**	59,835
Finance cost	**989,230**	1,259,768
	1,356,963	2,490,789
Profit before working capital changes	**553,683**	563,128
Effect on cash flow due to working capital changes:		
Decrease / (Increase) in stores and spares	**21,528**	(18,073)
Decrease in stock in trade	**890,619**	249,190
Net decrease / (increase) in biological assets	**14,246**	(17,763)
(Increase) / decrease in trade debts	**(1,062)**	104,503
Decrease in loans, advances, prepayments and other receivables	**17,699**	108,146
Increase in trade and other payables	**168,979**	61,951
	1,112,009	487,954
	1,665,692	1,051,082

41. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

41.1 The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the full time working directors and executives of the Company is as follows:

	Directors		Executives	
	2010	**2009**	**2010**	**2009**
	(Rupees in thousand)		(Rupees in thousand)	
Managerial remuneration	-	-	**32,024**	33,721
Contribution to provident fund, gratuity and pension funds	-	-	**6,235**	7,675
House rent	-	-	**9,100**	5,336
Utilities	-	-	**2,711**	1,855
Reimbursable expenses	-	-	**1,122**	1,012
Others	-	-	**1,800**	1,489
	-	-	**52,992**	51,088
Number of persons		**-**	**32**	**25**

41.2 These financial statements do not include any charge in respect of remuneration or benefits to the Chief Executive.

41.3 The Company also provides some of its executives with company maintained cars, travel facilities and club membership.

41.4 Aggregate amount charged in the financial statements for the year for fee to 7 directors (2009: 8 directors) was Rs 130,000 (2009: Rs 150,000).

42. RELATED PARTY DISCLOSURES

The related parties comprise subsidiaries, associated undertakings, post employment benefit plans, other related companies, and key management personnel. The company in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under receivables and payables and remuneration of the key management personnel is disclosed in note 41. Other significant transactions with related parties are as follows:

Relationship with the company	Nature of transactions	2010 (Rupees in thousand)	2009
i. Subsidiaries	Dividend income	-	11,057
	Receipt against long term advance	-	27,356

Relationship with the company	Nature of transactions	2010 (Rupees in thousand)	2009
ii. Associated Undertakings	Purchase of goods and services	**20,338**	56,821
	Sale of goods and services	**12,448**	6,352
	Share of common expenses	**10,319**	6,961
	Interest Charged on long term advances	**-**	23,730
	Health insurance expenses	**1,758**	-
	Dividend income	**14,912**	-
	Sale of investments	**-**	20,873
	Sale of fixed assets	**-**	117,126
	Sale of SML Power Division to Shakarganj Energy (Private) Limited	**300,000**	-
	Sale of current assets	**-**	7,081
	Purchase of shares	**171,000**	-
	Funds received from/on behalf of the Associated company	**-**	3,351
iii. Post employment benefit plans	Expense charged in respect of retirement benefit plans	**14,375**	15,686

All transactions with related parties have been carried out on commercial terms and conditions.

43. CAPACITY AND PRODUCTION

		2010	2009
Sugar			
Rated crushing capacity - On the basis of 109 days (2009: 110 days)	M. Tons	**2,016,000**	1,858,000
Actual cane crushed	M. Tons	**913,272**	784,056

The low crushing was due to shortage of sugarcane and funds.

Ethanol			
On the basis of 200 days (2009: 313 days) working	Liters	**37,900,000**	68,580,000
Actual production	Liters	**22,669,768**	33,319,694

The low production of ethanol was due to shortage of raw materials.

Building Materials			
On the basis of 116 days (2009: 61 days)	Cubic meter	**3,480**	1,830
Actual production	Cubic meter	**3,562**	1,643

The low production of particle board was due to shortage of raw material.

Textile			
Capacity (converted in 20s counts)	Kgs	**7,557,169**	8,398,912
Actual production (converted in 20s counts)	Kgs	**7,320,414**	6,732,603

The low production of yarn was due to shortage of raw material and funds.

Power			
On the basis of 163 days (2009: 325 days)	KWh	**61,320,000**	54,600,000
Actual generation	KWh	**27,291,550**	23,541,000

The low generation was due to shortage of raw material.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2010

44. BUSINESS SEGMENTS INFORMATION

(Rupees in thousand)

	Sugar		Ethanol		Building Materials		Textile		Farms		Power		Elimination		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Continuing operations																
Revenue																
- External - note 31	5,033,526	2,484,891	1,106,331	1,315,108	45,967	23,503	1,461,684	990,562	-	159,201	98,103	128,402	-	-	7,745,611	5,101,667
- Intersegment - note 31	495,998	429,102	-	-	-	-	-	-	-	-	89,021	25,551	(585,019)	(454,653)	-	-
	5,529,524	2,913,993	1,106,331	1,315,108	45,967	23,503	1,461,684	990,562	-	159,201	187,124	153,953	(585,019)	(454,653)	7,745,611	5,101,667
Segment expenses																
Cost of sales - Intersegment	33,155	-	525,686	372,625	15,890	3,783	98,102	70,882	-	-	7,120	7,363	(679,953)	(454,653)	-	-
- External - note 32	5,021,883	2,724,089	484,038	673,601	28,919	21,341	1,340,386	986,589	-	307,806	128,520	70,214	-	-	7,003,746	4,783,640
	5,055,038	2,724,089	1,009,724	1,046,226	44,809	25,124	1,438,488	1,057,471	-	307,806	135,640	77,577	(679,953)	(454,653)	7,003,746	4,783,640
Gross profit/(loss)	474,486	189,904	96,607	268,882	1,158	(1,621)	23,196	(66,909)	-	(148,605)	51,484	76,376	94,934	-	741,865	318,027
- Administrative expenses - note 33	139,324	127,716	27,875	57,639	1,158	1,030	28,110	28,110	-	-	4,716	6,748	-	-	201,182	221,243
- Distribution and selling expenses - note 34	70,662	12,919	16,341	96,903	736	104	2,733	6,501	-	-	2,628	683	-	-	93,100	117,110
	209,986	140,635	44,216	154,542	1,894	1,134	30,843	34,611	-	-	7,344	7,431	-	-	294,282	338,353
Segment results	264,500	49,269	52,391	114,340	(736)	(2,755)	(7,647)	(101,520)	-	(148,605)	44,140	68,945	-	-	447,583	(20,326)
Other operating expenses															(53,397)	(588,183)
Operating Profit															394,186	(608,509)
Finance costs															(989,230)	(1,259,768)
Interest income															13,080	7,242
Other operating income															70,085	78,960
Taxation															(55,860)	(17,010)
Share of income / (loss) from associates-net of tax															(42,816)	(72,985)
(Loss)/Profit for the year from continuing operations															(610,555)	(1,872,070)
Discontinued operations																
Loss for the year from discontinued operations															(269,172)	(85,751)
(Loss)/profit for the year															(879,727)	(1,957,821)

44.1 Inter-segment sales and purchases
Inter-segment sales and purchases have been eliminated from total figures.

44.2 Basis of inter-segment pricing
All inter-segment transfers are made at cost.

	Sugar 2010	Sugar 2009	Ethanol 2010	Ethanol 2009	Building Materials 2010	Building Materials 2009	Textile 2010	Textile 2009	Farms 2010	Farms 2009	Power 2010	Power 2009	Elimination 2010	Elimination 2009	Total 2010	Total 2009
44.3 Segment assets	4,413,411	4,585,283	870,673	584,363	37,294	31,699	47,406	155,710	-	-	670,935	727,889	-	-	6,039,719	6,084,944
Unallocated assets															2,229,075	4,088,477
															8,268,794	10,173,421
44.4 Segment liabilities	5,984,669	5,753,028	560,484	553,782	11,801	12,577	650,963	625,772		-	10,239	12,155	-	(19,399)	7,218,156	6,937,915
Unallocated liabilities															557,605	1,881,979
															7,775,761	8,819,894
44.5 Capital expenditure	13,072	266,597	-	-	-	-	9,300	3,894	11,947	1,199	11,669	74,066	-	-	45,988	345,756
Unallocated															319,116	19,348
															365,104	365,104
44.6 Depreciation on property, plant and equipment	184,215	240,981	46,699	50,595	975	1,024	18,299	20,865	-	3,196	20,815	22,613	-	-	271,003	339,274
Unallocated															58,648	53,372
															329,651	392,646
44.7 Depreciation on leased assets	3,270	15,595	-	-	-	-	-	291	-	-	14,124	15,269	-	-	17,394	31,155
Unallocated															12,132	12,298
															29,526	43,453
44.8 Amortization on intangible assets	-	-	-	-	-	-	340	340	-	-	36	29	-	-	376	369
Unallocated															-	-
															376	369

44.11 Secondary reporting format

Continuing operations

Segment revenue from external customers by geographical areas is as follows:

	Sugar 2010	Sugar 2009	Ethanol 2010	Ethanol 2009	Building Materials 2010	Building Materials 2009	Textile 2010	Textile 2009	Farms 2010	Farms 2009	Power 2010	Power 2009	Elimination 2010	Elimination 2009	Total 2010	Total 2009
Export sales - Europe	-	-	527,622	561,463	-	-	-	-	-	-	-	-	-	-	527,622	561,463
Export sales - Asia	-	-	476,405	641,369	-	-	-	-	-	-	-	-	-	-	476,405	641,369
Local sales	5,033,526	2,484,891	102,304	112,276	45,967	23,503	1,461,684	990,562	-	-	98,103	128,402	-	-	6,741,584	3,739,634
	5,033,526	2,484,891	1,106,331	1,315,108	45,967	23,503	1,461,684	990,562	-	-	98,103	128,402	-	-	7,745,611	4,942,466

45. FINANCIAL RISK MANAGEMENT

45.1 Financial risk factors

The company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. The company uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the finance and risk management departments under policies approved by the board of directors. These departments evaluate and hedge financial risks in close co-operation with the company's operating units. The board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk is the risk that value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign exchange risk arises mainly where receivables and payables exist due to transactions with foreign buyers and suppliers. The company, where considered necessary, uses money market borrowing contracts against receivables exposed to foreign currency risks.

The Company exposure to foreign currency risk was as follows:

		2010	2009
		USD	
Financial Assets			
Trade debts		**-**	47,941
Cash and bank balances	- note 29.2	**5,340**	5,340
Financial Liabilities			
Export refinance	- note 12.2	**7,734,515**	3,743,942
Derivative liability	- note 12.2	**1,205,021**	370,655

The following significant exchange rates were applied during the year:

	2010	2009
Rupees per USD		
Average rate	**85.24**	80.32
Reporting date rate	**86.20**	83.30

At 30 September 2010, if the Rupee had weakened/strengthened by 10% against the US dollar with all other variables held constant, post-tax profit for the year would have been Rs 76.119 million (2009: Rs 32.612 million) lower/higher, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated short term borrowings, trade receivables and cash and bank balances.

(ii) Price risk

The company is exposed to equity securities price risk because of investments held by the company and classified either as available for sale or at fair value through profit or loss. The company is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the company.

The company's investments in equity of other entities that are publicly traded are listed on the following three stock exchanges, Karachi Stock Exchange, Lahore Stock Exchange and Islamabad Stock Exchange.

The table below summarises the impact of increases/decreases of the KSE-100 index on the company's post-tax profit for the year and on equity. The analysis is based on the assumption that the KSE-100 index had increased/decreased by 10% with all other variables held constant and all the company's equity instruments moved according to the historical correlation with the KSE-100 index:

	Impact on post-tax profit		**Impact on other components of equity**	
	2010	**2009**	**2010**	**2009**
	(Rupees in thousand)		**(Rupees in thousand)**	
Karachi Stock Exchange	**-**	2,705	**3,550**	14,332

Post-tax profit for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as available for sale.

(iii) Cash flow and fair value interest rate risk

As the company has no significant interest-bearing assets, the company's income is substantially independent of changes in market interest rates.

The company's interest rate risk arises from both long-term and short term borrowings. Borrowings issued at variable rates expose the company to cash flow interest rate risk. During 2010 and 2009, the company's borrowings at variable rates were denominated in Rupees.

The company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the company calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

Based on the various scenarios, the company manages its cash flow interest rate risk by using cross currency interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings with variable interest rates based on KIBOR to LIBOR. Generally, the company raises long-term borrowings with variable interest rate based on KIBOR and swaps the interest portion with the lower rates based on LIBOR. Under the interest rate swaps, the company agrees with other parties to exchange, at specified intervals , the difference between interest based on KIBOR and based on LIBOR, calculated by reference to the agreed notional amounts.

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not the carrying value of any of company's assets or liabilities.

At 30 September 2010, if interest rates on both short term and long borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been Rs 64.139 million (2009: Rs 66.272 million) lower/higher, mainly as a result of higher/lower interest expense on KIBOR based borrowings.

(b) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and other customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a strong credit rating are accepted. If customers are independently rated, these ratings are used. If there is no independent rating, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored and major sales to customers are settled in cash.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the balance sheet date was:

	2010	2009
	(Rupees in thousand)	
Long term loan and deposits	**50,107**	99,784
Trade debts	**14,494**	13,696
Loans, advances and other receivables	**203,568**	66,859
Cash and bank balances	**33,052**	23,709
	301,221	204,048

The company does not hold any collateral or any other credit enhancement instruments in relation to trade receivables.

The credit quality of Company's bank balances can be assessed with reference to external credit ratings as follows:

	Rating Short term	**Long term**	**Rating Agency**	**2010**	**2009**
Askari Bank Limited	A1+	AA	PACRA	**21,370**	8,105
Al-Baraka Islamic Bank	A-1	A	JCR-VIS	**1**	53
Allied Bank Limited	A1+	AA	PACRA	**24**	22
Atlas Bank Limited	A2	A -	PACRA	**-**	100
Bank Alfalah Limited	A1+	AA	PACRA	**274**	203
BankIslami Pakistan Limited	A1	A	PACRA	**-**	8,451
The Bank of Punjab	A1+	AA -	PACRA	**17**	264
Barclays Bank PLC	P-1	Aa3	Moody's	**-**	10
Samba Bank Limited	A-1	A	JCR-VIS	**-**	-
Faysal Bank Limited	A-1+	AA	PACRA	**458**	609
Habib Bank Limited	A-1+	AA+	JCR-VIS	**16**	48
KASB Bank Limited	A2	A -	PACRA	**6**	7
MCB Bank Limited	A1+	AA+	PACRA	**6,482**	4,940
Meezan Bank Limited	A-1	AA-	JCR-VIS	**-**	268
NIB Bank Limited	A1+	AA-	PACRA	**6**	
National Bank of Pakistan	A-1+	AAA	JCR-VIS	**509**	98
Silkbank Limited	A-2	A -	JCR-VIS	**76**	58
Standard Chartered Bank Limited	A1+	AAA	PACRA	**112**	95
United Bank Limited	A-1+	AA+	JCR-VIS	**3,701**	378
				33,052	23,709

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the company's businesses, the finance department maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors the forecasts of the company's undrawn borrowing facilities (note 12) and cash and cash equivalents (note 29) on the basis of expected cash flow. In addition, the company's liquidity management policy involves projecting cash flows in each quarter and considering the level of liquid assets necessary to meet its liabilities; monitoring balance sheet liquidity ratios against internal and external regulatory requirements; and maintaining debt financing plans.

The table below analyses the company's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

(Rupees in thousand)

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At September 30, 2010				
Fixed rate long term debt	345,755	-	-	-
Floating rate long term debt	1,598,141	281,126	730,800	126,000
Finance lease liabilities - Gross	193,300	902	57,675	-
Variable rate short term borrowings	2,845,639	-	-	-
Derivative financial instruments	84,887	14,981	10,466	-
Trade and other payables	1,117,523	-	-	-
Accrued finance cost	812,863	-	-	-
	6,998,108	297,009	798,941	126,000

(Rupees in thousand)

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At September 30,2009				
Fixed rate long term debt	345,755	-	-	-
Floating rate long term debt	1,220,535	460,368	823,078	-
Finance lease liabilities - gross	226,381	101,255	72,415	-
Variable rate short term borrowings	4,054,535	-	-	-
Derivative financial instruments	75,140	19,494	15,699	-
Trade and other payables	936,374	-	-	-
Accrued finance cost	610,572	-	-	-
	7,469,292	581,117	911,192	-

45.2 Fair value estimation

The carrying value of financial assets and liabilities reflected in the financial statements approximate their fair values.

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 assets held by the company are the current

The financial instruments that are not traded in active market are carried at cost and are tested for impairment according to IAS 39.

The carrying value less impairment provision of trade receivables are assumed to approximate their fair values.

46. CAPITAL RISK MANAGEMENT

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The board of directors monitors the return on capital employed, which the Company defines as operating income divided by total capital employed. The board of directors also monitors the level of dividends to ordinary shareholders.

The company's objectives when managing capital are:

(i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and

(ii) to provide an adequate return to shareholders.

The company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

For working capital requirements and capital expenditure, the company primarily relies substantially on short term borrowings.

47. DATE OF AUTHORIZATION OF ISSUE

These financial statements were authorized for issue on January 6, 2011 by the board of directors of the company.

48. EVENTS AFTER THE BALANCE SHEET DATE

48.1 As mentioned in note 8.1, the current maturity of the liability against assets subject to finance lease includes Rs148.5 million payable to Meezan Bank. The bank waived Rs 4.4 million from this amount and the Company settled its liability in full in December 2010 for an amount of Rs 144.1 million.

48.2 As mentioned in note 30.1, an asset sales agreement with Hunza Sugar Mills Limited regarding Satellite facility at Dargai Shah (Sugar Division) has been signed on December 3, 2010. As per the terms of the agreement the assets have been transferred to buyer at Rs 1,350 million.

49. CORRESPONDING FIGURES

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purposes of comparison and better presentation as per reporting framework. Significant re-arrangements made are as follows:

	(Rupees in thousand)
Impairment losses on available for sale investments classified as held for disposal from Other operating expenses' to 'Profit and loss for the year from discontinued operations'.	105,341

Chief Executive **Chairman**

The Companies Ordinance 1984 Form - 34
(Section 236(1) and 464)

PATTERN OF SHAREHOLDING

1. Incorporation Number
2. Name of The Company **Shakarganj Mills Limited**
3. Pattern of Holding of the Shares held by the Shareholders as at : September 30, 2010

No. of Shareholders	Shareholding From	Shareholding To	Total shares held
296	1	100	11,842
329	101	500	101,657
261	501	1,000	198,154
478	1,001	5,000	1,056,392
88	5,001	10,000	608,182
56	10,001	15,000	686,896
34	15,001	20,000	593,626
14	20,001	25,000	313,735
11	25,001	30,000	302,330
8	30,001	35,000	261,981
6	35,001	40,000	223,796
8	40,001	45,000	339,576
3	45,001	50,000	142,896
3	50,001	55,000	156,866
7	55,001	60,000	413,899
3	60,001	65,000	191,328
3	65,001	70,000	198,362
2	70,001	75,000	142,791
2	75,001	80,000	151,235
2	80,001	85,000	163,528
3	90,001	95,000	274,168
5	95,001	100,000	496,984
2	100,001	105,000	201,745
1	105,001	110,000	108,866
3	110,001	115,000	335,776
3	115,001	120,000	352,660
6	135,001	140,000	817,154
2	140,001	145,000	284,947
3	145,001	150,000	440,123
1	150,001	155,000	152,090
2	155,001	160,000	316,747
1	170,001	175,000	174,850
3	175,001	180,000	531,839
1	180,001	185,000	182,684
1	185,001	190,000	185,275
2	190,001	195,000	383,400
1	195,001	200,000	200,000
1	200,001	205,000	200,440

No. of Shareholders	Shareholding From	To	Total shares held
2	220,001	225,000	447,566
1	275,001	280,000	276,999
1	285,001	290,000	289,760
1	410,001	415,000	412,563
1	460,001	465,000	463,600
1	505,001	510,000	508,200
1	510,001	515,000	513,240
1	525,001	530,000	526,695
1	535,001	540,000	539,696
1	545,001	550,000	546,304
1	630,001	635,000	630,500
1	650,001	655,000	654,703
1	670,001	675,000	671,275
1	680,001	685,000	682,938
1	765,001	770,000	765,150
1	1,025,001	1,030,000	1,027,000
1	1,065,001	1,070,000	1,066,138
1	1,170,001	1,175,000	1,170,210
1	1,225,001	1,230,000	1,228,800
1	1,505,001	1,510,000	1,505,913
1	1,535,001	1,540,000	1,539,480
1	2,105,001	2,110,000	2,108,319
1	2,115,001	2,120,000	2,118,785
1	2,845,001	2,850,000	2,847,428
1	2,865,001	2,870,000	2,865,830
1	4,350,001	4,355,000	4,351,178
1	5,425,001	5,430,000	5,427,488
1	7,190,001	7,195,000	7,194,553
1	15,240,001	15,245,000	15,244,665
1,685			**69,523,796**

Categories of Shareholder	Physical	CDC	Total	%age
5.1 Directors, Chief Executive Officer, Their Spouse and Childern				
Chief Executive				
Mr. Ahsan M. Saleem	-	527,545	527,545	0.76
Directors				
Mr. Ali A. Saleem	-	289,760	289,760	0.42
Mr. Khalid Bashir	-	4,230	4,230	0.01
Mr. Mazhar Karim	3,588	546,304	549,892	0.79
Mr. Muhammad Anwar	-	67,222	67,222	0.10
Mr. Muhammad Arshad	-	143,136	143,136	0.21
Director's Spouse and Their Childern				-
Mrs. Abida Mazhar	13,083	-	13,083	0.02
Mrs. Shahnaz A. Saleem		146,174	146,174	0.21
	16,671	**1,724,371**	**1,741,042**	**2.50**
5.2 - Associated Companies, Undertakings & Related Parties				
Asian Stock Fund Limited	-	2,108,319	2,108,319	3.03
Crescent Jute Products Limited	200	200,440	200,640	0.29
Crescent Steel And Allied Products Limited	-	15,244,665	15,244,665	21.93
Crescent Sugar Mills & Distillery Limited	-	2,865,830	2,865,830	4.12
Safeway Mutual Fund Limited	-	2,118,785	2,118,785	3.05
The Cresent Textile Mills Limited	-	5,427,488	5,427,488	7.81
Trustees - SML Gratuity Fund	-	59,431	59,431	0.09
Trustees - SML Pension Fund	-	157,441	157,441	0.23
Trustees - SML Provident Fund	-	765,150	765,150	1.10
	200	**28,947,549**	**28,947,749**	**41.64**
5.3 - NIT & ICP (Name Wise Detail)				
National Bank of Pakistan-Trustee Wing	71	-	71	0.00
National Investment Trust Limited	-	185,275	185,275	0.27
NBP - Trustee Department NI(U)T Fund	-	7,194,553	7,194,553	10.35
	71	**7,379,828**	**7,379,899**	**10.61**
5.4 - Banks, DFI's, NBFI's	**102,741**	**7,480,775**	**7,583,516**	**10.91**
5.5 - Insurance Companies	**8**	**-**	**8**	**0.00**
5.6 - Modarabas & Mutual Funds	**453**	**575,337**	**575,790**	**0.83**
5.7 - Other Companies	**543,938**	**3,742,441**	**4,286,379**	**6.17**
5.8 - Non Resident				
State Street Bank & Trust Co.	216	-	216	0.00
	216	**-**	**216**	**0.00**
5.9 - General Public				
A. Local	959,987	18,049,210	19,009,197	27.34
	959,987	**18,049,210**	**19,009,197**	**27.34**
	1,624,285	**67,899.511**	**69,523,796**	**100.00**

Shareholders More Than 10.00%

Crescent Steel And Allied Products Limited	15,244,665	21.93
NBP - Trustee Department NI(U)T Fund	7,194,553	10.35

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that 43rd Annual General Meeting the Company will be held on Monday, January 31, 2011 at 12.00 Noon Qasr-e-Noor, 9 E 2 Main Boulevard, Gulberg-III, Lahore to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended September 30, 2010 together with the Directors' and Auditors' Reports thereon.

2. To appoint auditors for the year ending September 30, 2011 and fix their remuneration.

SPECIAL BUSINESS

3. To consider, approve and ratify the disposal of the Company's additional land measuring 11 acres 2 kanals and 13 marlas.

4. To sanction the holding of office of profit under the Company by the working director.

BY ORDER OF THE BOARD

Lahore: January 06, 2010

Company Secretary

NOTES:

1. The register of members of the Company will remain closed and no transfer of shares will be accepted for registration from January 25, 2011 to January 31, 2011 (both days inclusive). Transfers received in order at the Company's Share Registrar, M/s CorpTec Associates (Private) Limited 7/3 G, Mushtaq Ahmad Gurmani Road, Gulberg II, Lahore by the close of business on January 24, 2011 will be treated in time for the purpose of attending the annual general meeting.

2. A member entitled to attend and vote at this meeting may appoint any other member as his/her proxy to attend and vote instead of him/her. The instrument appointing a Proxy and the power of attorney or other authority under which it is signed or a notarially attested copy of the power of attorney must be deposited at the Company's Share Registrar, M/s CorpTec Associates (Private) Limited 7/3 G, Mushtaq Ahmad Gurmani Road, Gulberg II, Lahore at least 48 hours before the time of the meeting.

3. Members who have deposited their shares into Central Depository Company of Pakistan Limited ("CDC") will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting

a. In case of Individuals, the account holder and/or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall authenticate his/her identity by showing his/her original CNIC or original Passport at the time of attending the Meeting.

b. In case of corporate entity, the Board's resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For Appointing Proxies

a. In case of individuals, the account holder and/or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per above requirements.

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

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

d. The proxy shall produce his original CNIC or original passport at the time of the Meeting.

e. In case of corporate entity, the Board's resolution/power of attorney with specimen signature shall be furnished (unless it has been provided earlier) along with proxy form to the Company.

STATEMENT UNDER SECTION 160(1) (b) OF THE COMPANIES ORDINANCE, 1984

This statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting of the Company, scheduled to be held on January 31, 2011.

Agenda Item # 3 Disposal of Company's Land

The shareholders of the Company in their meeting held on April 05, 2010 have approved the disposal of one of the Company's sugar production facilities located at Dargai shah, district Jhang comprising of land measuring 83 acres and 2 kanals together with all buildings and structures standing thereon and the plant and machinery, equipment and all other assets installed therein as part of the debt re-profiling plan agreed upon with the lenders of the Company. It was later transpired that the land measuring 11 acres, 2 kanals and 13 marlas was also part of the total land of Dargai Shah Sugar Facility, however, the same could not at the time of passing of the aforesaid resolution by the shareholders was included in the total land to be disposed off as part of the subject sale of assets. The sale of assets negotiated with the prospective buyers, therefore, included the total land of 94 acres, 4 kanals and 13 marlas. The Board of Directors had already approved the disposal of the aforesaid additional land subject, however, to the approval of shareholders.

The following information is provided in respect of the sale of land:

	Acres	Kanals	Marla
Land already approved by shareholders	83	2	0
Additional Land	11	2	13
Total	94	4	13

i). The area of land (including additional land) to be sold: 94 Acres, 4 kanals and 13 marlas;
ii) Location: Dargai Shah, District Jhang;
iii) Total cost of land Rs: 24,628,732
iv) Revalued amount of land as on February 10, 2010: Rs.75,200,000
v) Book Value Rs.24,628,732
vi) Approximate current market price/fair value Rs. 75,200,000
vii) Price at which the land will be sold: Rs. 163,496,000
viii) The proposed manner of disposal: This is part of sale of Dargai Shah assets being sold by the Company in terms of the shareholders' resolution dated April 05, 2010.
ix). Reason for the disposal of assets: The proposed land is a part of Dargai Shah sugar facility which was approved for sale by the shareholders in the annual general meeting held on April 05, 2010. These assets were approved for sale as part debt re-profiling with the lenders of the Company with the objective to reduce the Company's debt and consequent reduction in financial charges.
x). Benefits expected to accrue to the shareholders: The proceeds from the disposal of the land and other assets of Dargai Shah sugar facility will be utilized for reduction of the Company's borrowings and working capital of the Company. Consequently, the borrowing cost will reduce substantially.

The directors have no direct or indirect interest in the above said special business

The following resolution is proposed to be passed as an ordinary resolution with or without modification, addition or deletion:

“Resolved

That consent of the general meeting be and is hereby accorded to the disposal of the Company’s additional land measuring 11 acres 2 kanals and 13 marlas forming part of the total land of 94 acres, 4 kanals and 13 marlas to be sold as part of the disposal of Dargai Shah assets approved by the shareholders in the annual general meeting held on April 05, 2010.

Resolved Further

That each of Mr. Ahsan M. Saleem, Chief Executive Officer, and Mr. Anjum M. Saleem, Managing Director, of the Company, be and are hereby singly authorized and empowered on behalf of the Company to do all acts, deeds and things and take all necessary steps including signing of the documents, deeds and papers, agreements and all other documents as may be necessary in order to give effect to, implement and complete the sale of the land as aforesaid (as part of the disposal of Dargai Shah assets approved by the shareholders in the annual general meeting held on April 05, 2010) and all matters connected, necessary and incidental thereto.”

Agenda Item # 4 Holding of Office of Profit by Working Director

The directors (other than Chief Executive) need sanction of the company in general meeting to hold any office of profit under the company on the terms and conditions determined by the Board of Directors. For this purpose, it is proposed that the following resolution be considered and passed as an ordinary resolution:

“**Resolved**

That sanction be and is hereby granted for holding and continuing to hold an office of profit under the company by Mr. Ali Altaf Saleem, Director on the terms and conditions determined by the Board of Directors of the Company.”

No other director is interested, in any way, directly or indirectly in passing the aforesaid resolution.

FORM OF PROXY

I/We____________________________________ S/o, D/o, W/o ___________________________________ of

____ (full address) a member(s) of

Shakarganj Mills Limited and holder of ______________________________________ shares as per Registered

Folio No. ___________ and/or CDC Participant I.D. No. ______________ and Sub Account No. _____________

do hereby appoint ___________________________ of __________________________________ (full address)

or failing him/her __________________________________ of ______________________________________

(full address) as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the Annual General Meeting of Shakarganj Mills Limited scheduled to be held on Monday the January 31, 2011 at 12:00 noon at Qasr-e-Noor, 9 E 2 Main Boulevard, Gulberg-III. Lahore and at any adjournment thereof.

As witness my / our hand this ________________________ day of ________________________ 2011.

Signature on
Five-Rupees
Revenue Stamp

The signature should agree with the specimen registered with the Company

Member __________________________

Witness __________________________

Address __________________________

Dated ____________________________

Notes:

1. A member entitled to attend and vote at a General Meeting is entitled to appoint a proxy
2. The instrument appointing a Proxy, together with the Power of Attorney, if any, under which it is signed or a notarially certified copy thereof, should be deposited at the Registered office, not less than 48 hours before the time of holding the Meeting.
3. CDC account holders will further have to follow the under mentioned guidelines as laid down in circular No.1 dated January 26, 2000 of the Securities & Exchange Commission of Pakistan for appointing proxies.
4. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
5. The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.
6. Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
7. The proxy shall produce his original NIC or original passport at the time of the meeting.
8. In case of a corporate entity, the Board of Directors' resolution/power of attorney with specimen signatures of the proxy holdershall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.