



20th ANNUAL REPORT 2010

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Muhammad Iqbal Usman	Chairman
Shunaid Qureshi	Chief Executive
Jahangir Siddiqui	Director
Asim Ghani	Director
Duraid Qureshi	Director
Muhammad Salman Husain Chawala	Director
Suleman Lalani	Director

COMPANY SECRETARY

Muhammad Suleman Kanjiani - FCA

CHIEF FINANCIAL OFFICER

Zuhair Abbas - ACA

AUDIT COMMITTEE

Muhammad Iqbal Usman	Chairman
Jahangir Siddiqui	Member
Asim Ghani	Member
Duraid Qureshi	Member

AUDITORS

Hyder Bhimji & Co. Chartered Accountant

LEGAL ADVISOR

Usmani & Iqbal Advocate & Solicitors

BANKERS

Al-Barka Islamic Bank
Allied Bank Limited
Bank Al-Falah Limited
Bank Islami Pakistan Limited
Barclays Bank Plc Pakistan
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
KASB Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
United Bank Limited

REGISTERED OFFICE

2nd Floor, Pardesi House, Survey No. 2/1,
R.Y. 16, Old Queens Road, Karachi - 74000
Tel : 92-21-111-111-224
Fax : 92-21-32470090
Website : www.aasml.com

SHARE REGISTRAR OFFICE

Technology Trade (Pvt.) Ltd.
Dagia House, 241-C, Block-2,
P.E.C.H.S., Off. Shahrah-e-Quaideen, Karachi.

FACTORIES LOCATIONS

- 1) Mirwah Gorchani, Distt. Mirpurkhas, Sindh
- 2) Main National Highway, Dhabeji, Sindh



VISION AND MISSION STATEMENT

Vision

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

Mission

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



NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 20th Annual General Meeting of Al-Abbas Sugar Mills Limited will be held at Beach Luxury Hotel, Karachi on Monday, January 31, 2011 at 11:30 a.m. to transact the following business:

Ordinary Business

1. To confirm the minutes of the last Annual General Meeting of the shareholders of the Company held on January 27, 2010.
2. To receive, consider and adopt Annual Audited Financial Statements for the year ended September 30, 2010, together with the reports of the Auditors' and Directors' thereon.
3. To declare and approve a final cash dividend of Rs 5 per share that is 50% for the year ended September 30, 2010.
4. To appoint auditors for the ensuing year, and to fix their remuneration.
Messers Hyder Bhimji & Co., Chartered Accountants, retire and being eligible have offered them for re-appointment.

Special business

5. To consider and if deem fit to approve disposal of Medium Density Fibre Board plant at Dhabeji and to pass the following resolution:

"RESOLVED THAT the Company be and is hereby authorized to dispose of its entire Medium Density Fibre Board plant and machinery along with all its accessories of either by way of its entirety or in piece meal whether in cash or in installments or transfer of any parts of it to any of its operating unit and in order to achieve that object to do all acts which are necessary and incidental for the purpose and to give effect thereto.

FURTHER RESOLVED THAT the Board of Directors of the Company or such one or more other persons as the Board of Directors may from time to time specially designate for the purpose, be and are hereby jointly or severally authorized to take any or all actions necessary or conducive for fulfilling any requirement or in implementation thereof including, without limitation, to negotiate, finalize and execute as applicable any and all contracts, instruments, powers of attorney, notices, certificates, documents (of whatever nature and description) for or in connection with the above; issue any notices, seek any approvals, make any filings and do all such acts, deeds and things as they may deem necessary and/or expedient."

6. To transact any other business with the permission of the chair.

By Order of the Board

Suleman Kanjiani
Company Secretary

Karachi: **January 3, 2011**

**Notes:**

1. Share Transfer Books will be closed from January 24, 2011 to January 31, 2011 (both days inclusive).
2. All Members are entitled to attend and vote at the meeting. A Member may appoint a proxy who needs to be a Member of the Company.
3. The instrument appointing the proxy and the other authority under which it is signed, or a notarially certified copy thereof, must be lodged at the Company's Registered Office or Share Registrar Office at least 48 hours before the time of the meeting.
4. Any change of address of Members should be notified immediately to the Company's Share Department.

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

A. For Attending the Meeting:

- i. In case of individuals, the account holder or sub-account holder whose securities and their registration details are uploaded as per the regulations shall authenticate his identity by showing his original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
- ii. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced at the time of the meeting.

B. For Appointing Proxies:

- i. In case of individuals, the account holder or sub-account holder whose securities and their registration details are uploaded as per the regulations shall submit the proxy form as per the requirement by the Company.
- ii. The proxy form shall be witnessed by two persons whose names, address and CNIC numbers shall be mentioned on the form.
- iii. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv. The proxy shall produce his original CNIC or original passport at the time of the meeting.
- v. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted along with proxy form to the Company.

A statement under Section 160 (1) (b) of the Companies Ordinance, 1984 setting forth all material facts concerning the matters contained in the Notice is also being sent to Members along with this Notice.

STATEMENT UNDER SECTION 160(1)(b) PERTAINING TO SPECIAL BUSINESS

This statement sets out the material facts concerning the special business to be transacted at the Annual General Meeting of the Company.

The Company's medium density fibre board unit is one of the biggest MDFB plant in the country having achievable production capacity of 960,000 sheets per annum. The plant was imported from Romania in 2003 but due to rapid technological changes in manufacturing process it required major overhauling which was estimated to cost around Rs. 50 million plus warehousing facilities which was estimated to Rs. 30 million. Moreover, the industry practice is to allow 30 days credit on sales which requires further working capital. Keeping in view the foregoing, it was estimated that the additional working capital of Rs. 400 million was required into this segment for all the time. However, on the other hand the price of basic input - wood and imported gum substantially increased over the period of time. Besides the increase in prices of basic raw material the plant also required substantial cost of gas and electricity being processing cost. The Company has faced the problem with the collection of wood at viable cost due to surge in cost of fuel for transport vehicles carrying wood as the most of the wood is procured from the provinces of Sindh and Khyber Pakhtunkhawa. The increased power and gas tariff coupled with depressed selling prices and surge in imported sheets with improved quality at reduced rate made it very difficult for the Company to generate the positive contribution margin.



Keeping in view all the above facts, the Company's Management closed down the production to minimize the losses and is intending to dispose of entire Medium Density Fibre Board plant and machinery alongwith the accessories after obtaining necessary approvals and compliance of legal formalities. The intended mode of disposal would be outright sale and /or through any other mean (advertisements for tenders, quotations, bids, etc. for sale in a transparent manner). The proceeds from disposal of plant and machinery of the Company will be used for repayment of Company's markup bearing debts in order to reduce high cost bearing finances.

None of the Directors are, in any way, interested in the resolution except to the extent of their entitlement according to their shareholding.

Information required as per SRO 1227(I)/ 2005, dated December 12, 2005 alongwith additional information for better understanding of the shareholders is as follows:

Detail of assets to be disposed	
a) Description	All plant and machinery along with its accessories, stores and spares and raw material relating to Medium Density Fibre Board
b) Cost	Plant and machinery with accessories Rs. 275.607 million. Stores and spares Rs. 63.950 million. Stock in trade Rs. 3.575 million.
c) Revaluation (Amount)	N.A
d) Book value	Plant and machinery Rs. 254.299 million. Stores and spares Rs. 31.975 million. Stock in trade Nil.
e) Approximate current market price/ fair value	Plant and machinery Rs. 254.299 million. Stores and spares Rs. 31.975 million. Stock in trade Nil.
g) The proposed manner of disposal of the said assets (advertisements for tenders, quotations, bids, etc.	Outright sale and /or through any other mean for sale in a transparent manner.
h) Reasons for the sale, lease or disposal of assets and the benefits expected to accrue to the shareholders	To reduce and repayment of principal amount of Company's interest bearing long term/ short term loan and to enable the Company to reduce mark up cost.
i) Minimum/ floor price fixed for sale	Minimum/ floor price for sale of plant shall be approximating to the market value of the said assets.
j) Method used to determine current market value/ fair value of the said assets	The current market value of the plant alongwith its accessories is based on Management judgment.



DIRECTORS' REPORT

Your Board is pleased to submit the Annual Report along with the Audited Financial Statements for the year ended September 30, 2010.

FINANCIAL RESULTS:

	2010 (Rupees in thousand)	2009
Profit before taxation	276,059	357,593
Taxation	(14,350)	(54,688)
Profit after taxation	<u>261,709</u>	<u>302,905</u>
Loss from discontinued operations	(56,858)	(20,473)
Net profit for the year	<u>204,851</u>	<u>282,432</u>
Earnings per share in rupees	<u>11.80</u>	16.27

DIVIDEND

Your Board of Directors is pleased to recommend cash dividend of Rs 5 per equity share of Rs.10 each that is 50% for the year ended September 30, 2010. The appropriation approved by the Board is as follows:

	(Rupees in thousands)
Profit after taxation	204,851
Un-appropriated profit brought forward	<u>432,290</u>
Available for appropriation	<u>637,141</u>
Subsequent event	
Proposed dividend for the year on ordinary shares @ Rs. 5	<u>86,812</u>
Un-appropriated profit carried forward	<u>550,329</u>

OPERATING RESULTS

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

SUGAR UNIT:

OPERATING DATA:

	2009-10	2008-09
Crushing (M. Tons)	549,630	513,887
Recovery (%)	10.40	10.28
Sugar production (M. Tons)	57,130	52,850
Molasses production (M. Tons)	26,720	26,390
Number of days worked	123	117

FINANCIAL DATA:

Sales - Net	3,227,788	2,079,127
Cost of sales	(2,848,893)	(1,706,809)
Gross profit	<u>379,195</u>	<u>372,318</u>
Distribution cost	(7,635)	(17,233)
Administrative expenses	(58,316)	(52,282)
Other operating expenses	(12,605)	(13,486)
Operating profit	<u>300,639</u>	<u>289,317</u>
Finance cost	(147,338)	(159,820)
Other income	35,645	13,945
Profit before taxation	<u>188,946</u>	<u>143,442</u>



Crushing operations for 2009-10 season commenced on November 11, 2009 and the plant operated for 123 days ending on March 13, 2010 as against 117 days of preceding season. The Sugarcane crushed during the current season was 549,630 M.T with average sucrose recovery of 10.40% and sugar production of 57,130 M.T, as compared with crushing of 513,887 with average sucrose recovery of 10.28% and sugar production of 52,850 M.T for the same period last year.

Prompt cash payment to the farmers and efficient procurement of sugarcane ensured that Company crushed quality sugarcane which resulted in consistent sugarcane crushing and high sucrose content. Despite the fact that the crop is similar in size as last year, your Company was able to increase its sugarcane crushing as compared to previous season. Net profit before taxation of this segment was increased by Rs. 45.504 million. This was all achieved by better utilization of working capital that reduced markup cost and gain on cross currency swap transaction.

ETHANOL UNIT:

	2010	2009
OPERATING DATA:		
Production (M. Tons) - Unit - I and II	38,923	30,123
Capacity attained (%) - Unit - I and II	98	97

	2010	2009
(Rupees in thousand)		
FINANCIAL DATA:		
Sales - Net	2,514,775	1,696,180
Cost of sales	(2,001,589)	(1,215,962)
Gross profit	513,186	480,218
Distribution cost	(97,926)	(68,355)
Administrative expenses	(42,810)	(37,129)
Other operating expenses	(12,105)	(13,486)
Operating profit	360,345	361,248
Finance cost	(77,304)	(20,143)
Other income	26,333	13,608
Profit before taxation	309,374	341,105

The production of ethanol during the year ended September 30, 2010 was 38,923 M.T. as compared with 30,123 M.T. during previous year thus representing increase of 22.61%. Despite continuous increase in molasses price gross profit of this segment was slight better than the comparative year. The profit before taxation of this segment is Rs. 309.374 million during the period under review as against segment result of Rs. 341.105 million in the corresponding period of last year.

However, as usual your Company faced challenges due to scarce availability and increasing prices of molasses on account of manifold increase in number of distilleries in the Country.

OTHER DIVISION

Chemical and alloys unit produces calcium carbide, ferroalloys and allied products to cater the needs of entire country in general and in particular Pakistan Steel and other steel manufacturing units in Pakistan. This division is first of its kind in Pakistan to commercially produce various ferroalloys using mostly local raw materials. During the year under review, this division has produced 2,193 M.T. and sold 2,826.5 M.T of calcium carbide and ferroalloys. Our products fully conform the international standards which are well accepted by the market and can cater the need of the entire country.

Medium Density Fibre Division remained closed during the year.



Power Division

The Company had signed a Contract with the Karachi Electric Supply Company Limited (KESC) on October 23, 2009 for the sale of electric energy from the existing 15MW coal fired power generation facility at Dhabeji unit. The term of the Contract was initially for a period of five (5) years from the date of commercial operation is extendable with mutual agreement of both the parties upon the expiry of the Contract. The power from the facility supplied to KESC through interconnection facilities established by the Company between the power plant and KESC Dhabeji grid. The division produced and supplied 53,142,480 units of KWH to KESC during the year under review.

FUTURE OUTLOOK

Sugar Division and Ethanol Division

The future outlook of your Company entirely depends on continuous availability of raw materials for its sugar and ethanol division. The procurement of raw materials for both Sugar and Ethanol division remained a formidable task for the season 2010-11.

It is estimated that country's worst flood washed away nearly 10.5 million tons of sugarcane. Despite the flood damage to the sugarcane crop, the revised forecast of sugar production is estimated of 3.7 million tons. Earlier fearing shortages, the Government in September waived a 25 per cent regulatory duty and allowed unlimited imports of raw sugar to meet demand, it is estimated that hefty quantities of raw sugar will be imported in ensuing season. On the other hand India's sugar output is expected to jump from 18.8 million tons to 23.5 million tons in the new 2010-2011 season. With such robust production, India will have plenty of sugar estimated to be around 2 million tons in hand to export which probably would be dumped in our market. This will put pressure to reduce the price of sugar.

The sugarcane price for season 2010-11 was fixed at Rs. 127 per maund as compared to Rs. 102 for last year in Sind. As the crushing season started, the growers were not willing to supply the sugarcane at the fixed rate because they are expecting the prices of sugarcane to go up. The availability of sugarcane at Government's support price seems to remain a persistent challenge for season 2010-11. At present, the Company has to procure sugarcane at a price far above to the fixed rate.

Mandatory increase in minimum wages to the workers, upward surge in markup rate from financial institutions, soaring of export refinance rate and simultaneous declining trend in sugar price due to competition posed by the import of enormous quantity of white sugar from abroad is expected to adversely affect the future profit margin. There is a lot to be desired on the part of the Government to evolve a rational policy to protect the industry and consumers alike. The Government should put import of sugar from India on negative list otherwise the interest of growers and industry both would hurt severely.

The future outlook of Ethanol also entirely depends on continuous availability of good quality of molasses at reasonable prices. The Management is striving hard to acquire molasses at reasonable cost. The molasses availability to local distilleries at reasonable price remains a challenging task ahead.

It is expected that Brazil's ethanol exports will remain sluggish in 2011 because sugarcane crop in Brazil for 2011-12 is expected to drop to record level for past 11 years. Internationally raw sugar prices hovering around 30-year highs. Brazilian mills are expected to prioritize the production of sugar at the expense of ethanol. This would likely push up prices of the fuel ethanol locally in Brazil, therefore reducing its quantities of ethanol available for export and thus opening the window of opportunity for others to grab the market share of Brazil. It would also ease the competition and likely to improve the prices of ethanol.

OTHER DIVISION

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



MEDIUM DENSITY FIBRE DIVISION

The Company's medium density fibre board unit is one of the biggest MDFB plant in the country having achievable production capacity of 960,000 sheets per annum. The plant was imported from Romania in 2003 but due to rapid technological changes in manufacturing process it required major overhauling which was estimated to cost around Rs. 50 million plus warehousing facilities which was estimated to Rs. 30 million. Moreover, the industry practice is to allow 30 days credit on sales which requires further working capital. Keeping in view the foregoing, it was estimated that the additional working capital of Rs. 400 million was required into this segment for all the time. However, on the other hand the price of basic input - wood and imported gum substantially increased over the period. Besides the increase in prices of basic raw material the plant also required substantial cost of gas and electricity being processing cost. The Company has faced the problem with the collection of wood at viable cost due to surge in cost of fuel for transport vehicles carrying wood as the most of the wood is procured from the provinces of Sindh and Khyber Pakhtunkhawa. The increased power and gas tariff coupled with depressed selling prices and surge in imported sheets with improved quality at reduced rate made it very difficult for the Company to generate the positive contribution margin.

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POWER DIVISION

The Management has terminated agreement with the Karachi Electric Supply Company Limited with effect from December 8, 2010 following the difficulties including overdue invoices and non fulfillment of agreement from Karachi Electric Supply Company Limited side.

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

ENTERPRISE RESOURCE PLANNING

Last year, the Company has successfully rolled out the ORACLE Enterprise Business Solutions (EBS) - Enterprise Resource Planning (ERP) Solution. ORACLE EBS is a leading ERP in the world. The Company has implemented five modules of financial and three modules of supply chain. The core advantage of the implementation of Oracle EBS is the adoption of world's best practices. ERP software attempts to integrate business processes across departments onto a single enterprise-wide information system. The major benefits of ERP are improved coordination across functional departments and increased efficiencies of doing business. It provides better accessibility to data so that management can have up-to-the-minute access to information for decision making and managerial control.

BOARD OF DIRECTORS

The Board of Directors is comprised of two executive and five non-executive directors. The current members of the Board of Directors have been listed in the Company Information. During the year ended September 30, 2010, four meetings of the Board of Directors were held and were attended as follows:

Name of Directors	Number of meetings attended
Mr. Mohammad Iqbal - Chairman	4/4
Mr. Shunaid Qureshi - Chief Executive	4/4
Mr. Asim Ghani - Director	4/4
Mr. Duraid Qureshi - Director	3/4
Mr. Jahangir Siddiqui - Director	2/3
Mr. Suleman Lalani - Director	3/4
Mr. Munawar Alam Siddiqui - Director	Nil/1
Mr. Muhammad Salman Husain Chawala - Director	4/4

**ELECTION OF DIRECTORS**

At the 19th annual general meeting of the Company held on January 27, 2010 the following directors were elected to constitute the new Board for a term of three years.

1. Mr. Iqbal Usman - Chairman
2. Mr. Shunaid Qureshi - Chief Executive
3. Mr. Jahangir Siddiqui
4. Mr. Asim Ghani
5. Mr. Duraid Qureshi
6. Mr. Muhammad Salman Husain Chawala
7. Mr. Suleman Lalani.

The newly elected Board appointed Mr. Shunaid Qureshi as a Chief Executive of the Company for a period of three years with effect from January 28, 2010.

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

AUDITORS

The retiring auditors, Messrs Hyder Bhimji & Co. Chartered Accountants being eligible, offer themselves for re-appointment. The Audit Committee and the Board of Directors have endorsed their appointment for the year 2010-2011 to the shareholders at the forthcoming annual general meeting

AUDIT COMMITTEE

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

Mr. Mohammad Iqbal Usman	Chairman	Non Executive Director
Mr. Jahangir Siddiqui	Member	Non Executive Director
Mr. Duraid Qureshi	Member	Non Executive Director
Mr. Asim Ghani	Member	Executive Director

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

CORPORATE SOCIAL RESPONSIBILITY

The Company is committed towards accomplishing its Corporate Social Responsibility (CSR) and actively takes part in social work programs. During the year under review as part of CSR program, contributions were made in the sectors of education and flood relief work.

CONTRIBUTION TO THE NATIONAL EXCHEQUER

The Company contributed a total amount of Rs. 360 million to the Government Treasury in shape of taxes, levies, excise duty and sales tax.

PATTERN OF SHAREHOLDING

Pattern of shareholding as on September 30, 2010 in accordance with the requirements of the Code of Corporate Governance and a statement reflecting distribution of shareholding is annexed to this report.



CORPORATE GOVERNANCE

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

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

- a) The financial statements prepared by the Management, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- b) The Company has maintained proper books of accounts.
- c) Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) International Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) There are no doubts upon the Company's ability to continue as a going concern.
- g) The Key financial data for the last six years is annexed with this report.
- h) There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- i) The Company has not made payment against market committee fee since inception as it has been challenged in Honorable High Court of Sindh. However full provision has been made in the accounts for such liability.
- j) The Company maintains Gratuity Fund for its employees. The value of fund is Rs. 27.221 million in the shape of investment as on September 30, 2010.

ACKNOWLEDGEMENT

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

Karachi: January 3, 2011

SHUNAID QURESHI
Chief Executive



PATTERN OF SHAREHOLDINGS

AS ON SEPTEMBER 30, 2010

Number of Shareholders	Shareholdings		Total Number of Shares Held
	From	To	
101	1	100	7,424
551	101	500	263,994
48	501	1,000	45,508
34	1,001	5,000	85,152
8	5,001	10,000	61,951
1	10,001	15,000	12,000
1	15,001	20,000	20,000
1	20,001	25,000	25,000
5	25,001	30,000	134,700
1	30,001	35,000	32,899
1	35,001	40,000	36,752
2	40,001	60,000	98,376
1	60,001	65,000	62,500
1	65,001	140,000	139,000
1	140,001	175,000	171,500
1	175,001	235,000	232,130
1	235,001	270,000	266,968
1	270,001	310,000	305,287
1	310,001	335,000	335,000
1	335,001	946,300	946,232
1	946,301	980,000	976,182
1	980,001	1,400,000	1,399,668
1	1,400,001	1,415,000	1,414,500
1	1,415,001	1,720,000	1,719,500
1	1,720,001	1,875,000	1,873,250
1	1,875,001	2,290,400	2,290,327
1	2,290,401	4,410,000	4,406,500
<hr/>			<hr/>
769			17,362,300

CATEGORIES OF SHAREHOLDERS

AS ON SEPTEMBER 30, 2010

Categories of Shareholders	Number of Shares Held	Percentage
Directors, Chief Executive Officer, and their -spouse and minor children.	2,439,850	14.0526
Associated Companies, undertaking and -related parties	10,965,950	63.1595
NIT and ICP	37,252	0.2146
Banks Development Financial Institutions, -Non Banking Financial Institutions.	2,860,643	16.4762
Insurance Companies	NIL	NIL
Modarabas and Mutual Fund	3,200	0.0184
Share holders holding 10%	8,570,077	49.3603
General Public		
a. Local	825,095	4.7522
b. Foreign	25,600	0.1474
Others	204,710	1.1790



DETAIL OF SHAREHOLDERS CATEGORIES

1	Associated Companies , Undertakings and Related Parties	No. of Shares	Percentage
	Mavesh & Jehangir Siddiqui Foundation	1,414,500	8.1470
	Jahangir Siddiqui Securities Services Ltd	1,719,500	9.9036
	Jahangir Siddiqui & Sons Ltd	266,968	1.5376
	Trustee Al-Abbas Sugar Mills Ltd	4,000	0.0230
	JS Value Fund Limited	335,000	1.9295
	Haji Abdul Ghani	4,406,500	25.3797
	Muhammad Ayub Younus Adhi	1,873,250	10.7892
	Noor Jahan Hajiani	946,232	5.4499
		10,965,950	63.1595
2	NIT and ICP		
	Investment Corporation of Pakistan	500	0.0029
	National Investment Trust Limited	36,752	0.2117
		37,252	0.2146
3	Directors, CEO and their spouses and minor children		
	Muhammad Iqbal Usman	500	0.0029
	Shunaid Qureshi	1,399,668	8.0615
	Asim Ghani	62,500	0.3600
	Duraid Qureshi	1,000	0.0058
	Jahangir Siddiqui	976,182	5.6224
		2,439,850	14.0526
4	Public sector companies and corporation	NIL	NIL
5	Banks, Development Financial Institutions, Non- Banking Financial Institution, Insurance Companies, Modarabas and Mutual Fund.	No. of Shares	Percentage
	National Bank of Pakistan, Trustee Deptt	2,290,327	13.1914
	Bank of Khyber	32,899	0.1895
	Bank of Punjab	305,287	1.7583
	Faysal Bank Limited	232,130	1.3370
	Prodenial Stocks Fund Limited	600	0.0035
	CDC-Trustee JS Large Cap. Fund	2,600	0.0150
		2,863,843	16.4946
6	Shareholder holding ten percent or more voting interest in the Company		
	Haji Abdul Ghani	4,406,500	25.3797
	Muhammad Ayub Younus Adhi	1,873,250	10.7892
	National Bank of Pakistan-Trustee Department	2,290,327	13.1914
		8,570,077	49.3603



KEY FINANCIAL DATA

		2010	2009	2008	2007	2006	2005
Investment Measure							
Ordinary Share Capital	Rs. in ' 000 '	173,623	173,623	173,623	173,623	173,623	173,623
Reserves	Rs. in ' 000 '	1,073,278	952,003	696,167	628,305	478,784	526,007
Ordinary Shareholder's Equity	Rs. in ' 000 '	1,246,901	1,125,626	869,790	801,928	652,407	699,630
Dividend on Ordinary Shares	Rs. in ' 000 '	*86,812	*69,449	26,043	-	-	52,087
Dividend per Ordinary Share	Rs.	*5.00	*4.00	1.50	-	-	3.00
Profit Before Taxation	Rs. in ' 000 '	276,059	337,120	96,427	104,333	31,655	70,492
Profit After Taxation	Rs. in ' 000 '	204,851	282,432	75,045	149,521	4,864	63,431
Earnings per share of Rs. 10	Rs.	11.80	16.27	4.32	8.61	0.28	3.65
* Subsequent event							
Measure of Financial Status							
Current Ratio	x : 1	0.81	1.00	1.18	0.92	1.09	1.16
Debt Equity Ratio	x : 1	0.70	0.96	1.35	0.97	0.26	0.32
Total Debt Ratio	x : 1	0.43	0.42	0.46	0.39	0.37	0.18
Number of Days Stock	In days	59	100	120	72	100	130
Measure of Performance							
Sales	Rs. in ' 000 '	6,352,884	4,166,922	2,757,639	2,726,337	2,338,670	1,723,522
Cost of Goods Sold as % of Sales	%	88.09	81.15	78.07	92.28	91.4	88.7
Profit Before Taxation as % of Sales	%	4.35	8.09	3.50	3.83	1.35	4.09
Profit After Taxation as % of Sales	%	3.22	6.78	2.72	5.48	0.21	3.68



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

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

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

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

Further, Sub-Regulation (xiii a) of Listing Regulations 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular No KSE/N-269 dated January 19, 2009 requires the Company to place before the Board of Directors for their consideration and approval of related party transactions distinguished between transactions carried out on equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length recording the prior justification for such pricing mechanism. Further, all such transactions are required to be separately placed with audit committee. We are only required and ensured the compliance to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended September 30, 2010.

Karachi:
January 03, 2011


HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

1. The Board comprises of seven Directors including two Executive Directors. The Company encourages the representation of independent non-executive Directors on its Board. There are five non-executive Directors.
2. The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including Al-Abbas Sugar Mills Limited.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, DFI or NBFIs or being a member of a Stock Exchange, has been declared as a defaulter by that Stock Exchange.
4. The three years term of office of previous Board of Directors was completed and new Board comprising of seven directors were elected unopposed for next term of three years during this financial year. No causal vacancy arose in the Board of Directors during the year.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated.
9. All the directors on the Board are fully conversant with their duties and responsibilities as directors of corporate bodies. The Company arranges orientation courses for its Directors.
10. The Board has approved appointment of Company Secretary, Chief Financial Officer, and Head of Internal Audit including their remuneration and terms and conditions of employment, as determined by the CEO.
11. The Directors' Report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.



13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of four members, of whom three are non-executive directors including the Chairman of the Committee.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has set-up an effective Internal Audit function. This function is being performed by Head of Internal Audit who is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.
18. The statutory Auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold share of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the Auditors have confirmed that they have observed IFAC guidelines in this regard.
20. The related party transactions have been placed before the audit committee and approved by the Board of Directors with necessary justification for non arm's length transactions and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.
21. We confirm that all other material principles contained in the Code have been complied with.

Karachi: January 3, 2011

SHUNAID QURESHI
Chief Executive

**AUDITOR'S REPORT TO THE MEMBERS**

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

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

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

- a). in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b). in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied except for the changes as described in note 2.3 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 and profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required, and respectively give a true and fair view of the state of the company's affairs as at September 30, 2010 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and
- d). in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980(XVIII of 1980), was deducted by the Company and deposited in the Zakat Fund established under section 7 of that Ordinance.

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

Karachi:
January 03, 2011

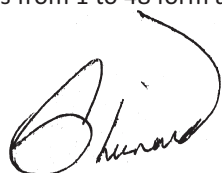


BALANCE SHEET

AS AT SEPTEMBER 30, 2010

	Note	2010 (Rupees in thousand)	2009
ASSETS			
Non-current assets			
Property, plant and equipment	4	2,009,477	2,315,634
Intangible asset	5	10,768	16,358
Long term loans and advances	6	3,383	4,899
Long term deposits		12,162	11,031
Long term investments	7	14,502	28,629
Deferred tax asset	8	15,735	-
		2,066,027	2,376,551
Current assets			
Stores, spare parts and loose tools	9	154,137	201,760
Stock-in-trade	10	991,194	813,761
Trade debts	11	343,043	208,254
Loans and advances	12	129,618	45,728
Trade deposits and prepayments	13	14,238	180
Other receivables	14	13,106	38,861
Short term investment	15	11,550	19,500
Accrued mark up		84	196
Tax refund due from government		6,132	15,280
Cash and bank balances	16	29,613	12,504
		1,692,715	1,356,024
Non-current assets held for sale	17	286,274	-
Total assets		4,045,016	3,732,575
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized capital			
17,500,000 Ordinary shares of Rs. 10 each		175,000	175,000
Issued, subscribed and paid-up capital	18	173,623	173,623
Reserves	19	1,073,278	952,003
Shareholders' equity		1,246,901	1,125,626
Non-current liabilities			
Long term financing	20	653,638	873,335
Long term loans from related parties	21	-	301,346
Liabilities against assets subject to finance lease	22	-	1,639
Deferred liabilities	23	43,503	74,460
Current liabilities			
Trade and other payables	24	937,573	595,044
Accrued mark-up	25	60,982	60,239
Short term borrowings	26	856,180	484,852
Current maturity of non-current liabilities	27	221,324	203,183
Provision for taxation		24,915	12,851
		2,100,974	1,356,169
CONTINGENCY AND COMMITMENTS	28		
Total equity and liabilities		4,045,016	3,732,575

The annexed notes from 1 to 48 form an integral part of these financial statements.


Shunaid Qureshi
 Chief Executive


Asim Ghani
 Director



PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Note	2010 (Rupees in thousand)	2009
Continuing operations			
Sales net	29	6,352,884	4,166,809
Cost of sales	30	<u>(5,596,344)</u>	<u>(3,353,012)</u>
Gross profit		756,540	813,797
Distribution cost	31	<u>(105,561)</u>	<u>(86,486)</u>
Administrative expenses	32	<u>(107,319)</u>	<u>(98,564)</u>
Other operating expenses	33	<u>(35,876)</u>	<u>(26,972)</u>
		<u>(248,756)</u>	<u>(212,022)</u>
Operating profit		507,784	601,775
Finance cost	34	<u>(294,245)</u>	<u>(271,735)</u>
Other operating income	35	<u>62,520</u>	<u>27,553</u>
Profit before taxation		276,059	357,593
Taxation	36	<u>(14,350)</u>	<u>(54,688)</u>
Net Profit after taxation from continuing operations		261,709	302,905
Discontinued operations			
Loss from discontinued operations	37	<u>(56,858)</u>	<u>(20,473)</u>
Net profit for the year		204,851	282,432

(Rupees)

Earnings per share - From continued operations - basic and diluted	38	15.07	17.45
Loss per share - From discontinued operations - basic and diluted	38	(3.27)	(1.18)
Earnings per share - For the year ended - basic and diluted		<u>11.80</u>	<u>16.27</u>

The annexed notes from 1 to 48 form an integral part of these financial statements.

Shunaid Qureshi
Chief Executive

Asim Ghani
Director



STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED SEPTEMBER 30, 2010

	2010	2009
	(Rupees in thousand)	
Profit after taxation	204,851	282,432
Other Comprehensive income		
Unrealised loss on remeasurement of investments classified as 'available for sale'.	(14,127)	(553)
Total comprehensive income for the year	<u>190,724</u>	<u>281,879</u>

The annexed notes from 1 to 48 form an integral part of these financial statements.

Shunaid Qureshi
Chief Executive

Asim Ghani
Director



CASH FLOW STATEMENT

FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Note	2010 (Rupees in thousand)	2009
Cash flows from operating activities			
Cash generated from operations	39	639,212	922,277
Financial charges paid		(293,502)	(275,454)
Taxes paid		(42,579)	(19,134)
Net cash generated from operations		<u>303,131</u>	<u>627,689</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(95,831)	(379,719)
Purchase of intangible assets		(1,838)	
Proceeds from disposal of property, plant and equipment		4,390	3,185
Interest received		8,522	1,385
Dividend received		770	2,005
Long term loans and advances - net		1,758	(1,797)
Increase in long term deposits		(1,131)	(5)
Net cash used in investing activities		<u>(83,360)</u>	<u>(374,946)</u>
Cash flows from financing activities			
Repayment of long term loans		(201,515)	(93,559)
Repayment of lease liabilities		(1,680)	(1,656)
Short term financing		371,328	(73,674)
Repayments of long term loans from related parties		(301,346)	(93,724)
Dividend paid		(69,449)	(26,043)
Net cash used in financing activities		<u>(202,662)</u>	<u>(288,656)</u>
Net increase / (decrease) in cash and cash equivalents		<u>17,109</u>	<u>(35,913)</u>
Cash and cash equivalents at beginning of the year		12,504	48,417
Cash and cash equivalents at end of the year	16	<u>29,613</u>	<u>12,504</u>

The annexed notes from 1 to 48 form an integral part of these financial statements.

Shunaid Qureshi
Chief Executive

Asim Ghani
Director



STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED SEPTEMBER 30, 2010

Issued, subscribed and paid up capital	RESERVES					Total reserves	Total
	Revenue			Fair value reserve on remeasurement of available for sale investments	Total reserves		
	General Reserves	Unappr- opriated profit	Total Revenue Reserves				

(Rupees in thousand)

Balance as at October 01, 2008	173,623	458,000	245,350	703,350	(7,183)	696,167	869,790
Total Comprehensive income for the year ended September 30, 2009							
Profit after taxation for the year	-	-	282,432	282,432	(553)	281,879	281,879
Transactions with owners							
Final cash dividend for the year ended September 30, 2008 - Re. 1.5 per share	-	-	(26,043)	(26,043)	-	(26,043)	(26,043)
Balance as at September 30, 2009	<u>173,623</u>	<u>458,000</u>	<u>501,739</u>	<u>959,739</u>	<u>(7,736)</u>	<u>952,003</u>	<u>1,125,626</u>
Total Comprehensive income for the year ended September 30, 2010							
Profit after taxation for the year	-	-	204,851	204,851	(14,127)	190,724	190,724
Transactions with owners							
Final cash dividend for the year ended September 30, 2009 - Re. 4 per share	-	-	(69,449)	(69,449)	-	(69,449)	(69,449)
Balance as at September 30, 2010	<u>173,623</u>	<u>458,000</u>	<u>637,141</u>	<u>1,095,141</u>	<u>(21,863)</u>	<u>1,073,278</u>	<u>1,246,901</u>

The annexed notes from 1 to 48 form an integral part of these financial statements.

Shunaid Qureshi
Chief Executive

Asim Ghani
Director



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2010

1 THE COMPANY AND ITS OPERATIONS

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

S. No	Division	Principal Activities	Location of undertaking	Commencement of commercial production
1	Sugar	Manufacturing and sale of sugar	Mirwah Gorchani, Mirpurkhas	December 15, 1993
2	Distillery	Processing and sale of industrial alcohol	Mirwah Gorchani, Mirpurkhas	Unit I: August 20, 2000 Unit II: January 23, 2004
3	Chemicals and alloys	Manufacturing and sales of Calcium Carbide and alloys	Dhabeji, Thatta.	November 1, 2006
4	Medium Density Fiber Board	Manufacturing and sales of MDFB Sheets	Dhabeji, Thatta.	Production suspended since last year
5	Power	Generation and sales of electricity.	Dhabeji, Thatta.	April 6, 2010

2 BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Accounting convention

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



2.3 Change in accounting policy and estimates.

Starting from October 1, 2010 the Company has changed its accounting policies in the following areas:

- a) IAS 1 (Revised) - Presentation of financial statements (effective for annual periods beginning on or after 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. All non-owner changes in equity are required to be shown in a performances statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated balance sheet as at the beginning of comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period.

The Company has opted to present two statements; a profit and loss account (income statement) and a statement of other comprehensive income. Comparative information has also been represented so that it is in conformity with the revised standard. As this change only impacts presentation aspects, there is no impact on the earnings per share.

- b) IAS 23 (Amendment) 'Borrowing costs' (effective for annual periods beginning on or after January 1, 2009). It requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. The Company's current accounting policy for borrowing costs is in compliance with this amendment and therefore there is no effect on the financial statements.
- c) IFRS 5- Non-current Assets Held for sale and Discontinued Operations. The Company has made initial application of this standard for the classification, measurement and presentation of non-current assets held for sale. As the changes only resulted in presentation and additional disclosures, the impact on earnings per share is disclosed on the face of the profit and loss account.
- d) IFRS 7 (Amendment) 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after January 1, 2009). The amendment requires enhanced disclosures regarding fair value measurement and liquidity risk. As the change only results in additional disclosures, there is no impact on earnings per share.
- e) IFRS 8 - Operating Segment (effective for annual periods beginning on or after January 1, 2009). This IFRS replaces IAS 14, 'Segment Reporting' . The new standard requires a 'management approach' , under which segment information is presented on the same basis as that used for internal reporting purposes, and introduced detailed disclosures regarding the reportable segments and products. The application of this standard does not have any impact on these financial statements.
- f) Change in accounting estimate of intangible assets.

During the year, the company has changed its accounting estimate in respect of expected pattern of consumption of economic benefits in respect of intangible assets (ERP System) by changing the use full life from 5 years to 3 years on these assets. This has constituted a change in accounting estimate and the change has been applied prospectively. Had the estimate not been changed, profit for the year would have increased by Rs. 1.363 million .



2.4 Standard and interpretation that become effective but not relevant to the Company

The following standard (revised or amended) and interpretation became effective for the current financial year but are either not relevant or do not have any material effect on the financial statements of the Company:

- IAS 27 - Consolidated and Separate Financial Statements (Revised).
- IAS 32 - Financial Instrument (Amended for putable instrument and obligation arising on liquidation).
- IAS 39 - Financial Instrument: Recognition and Measurement (Amended).
- IFRS 3 - Business Combinations (Revised).
- IFRS 4 - Insurance Contracts
- IFRIC 15 - Agreement for the Construction of Real Estate.
- IFRIC 16 - Hedges of a Net Investment in a Foreign Operations.
- IFRIC 17 - Distribution of Non-Cash Assets to Owners.
- IFRIC 18 - Transfer of Assets from Customers.

2.5 New Accounting standards and IFRIC interpretations that are not yet effective.

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

Standards or Interpretation	Effective date (accounting periods beginning on or after)
IAS - 24 Related Party Disclosures (Revised)	January 1, 2010
IAS - 32 Financial Instrument: Presentation - Amendment relating to Classification of Right Issue	February 1, 2010
IFRS - 2 Share-based Payment – Amended relating to Group - settled Shared based Transactions.	January 1, 2010
IFRIC - 14 IAS 19 - The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interaction (Amendments)	January 1, 2011
IFRIC - 19 Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010

The Company expect that the adoption of the above revision, amendments and interpretation of the standards will not have any material impact on the Company's financial statements in the period of initial application except for the implication of IAS 24 - Related Parties Disclosures (Revised), which may affect certain disclosures.

In addition to above various accounting standards have also been issued by the IASB as a result of its annual improvement project in April 2009. Such improvements are generally effective for accounting periods beginning on or after January 1, 2010. The Company expects that such improvements of the Standards will not have any material impact on the Company's financial statements in the period of initial application.



2.6 Critical Accounting Estimates and Judgments

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

Property, Plant and Equipments - 3.1
Intangible assets - 3.2
Estimation of Net Realizable value for stock in trade Note -3.6
Income taxes Note -3.9
Staff retirement benefit Note -3.1
Loans and advances Note -11.2
Provision for stores and spares - 3.5
Contingencies -
Deferred taxation - 3.9 (b)
Gratuity - 3.10
Trade debts - 3.7
Investments - 3.4

2.7 Functional and presentation currency

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

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

a) Operating fixed assets - owned

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

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

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

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

**b) Accounting for leases**

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased assets, are capitalized at the inception of the lease at the fair value of the leased assets or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

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

c) Capital work-in-progress

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

3.2 Intangible assets

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

Subsequent expenditures

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

Amortization

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

Impairment

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

3.3 Non- Current assets held for sale

Non-current assets (or disposal groups) are classified as held for sale if the carrying amount will be recovered principally through sale rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the assets (or disposal groups) are available for immediate sale in its present condition and management is committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of the classification. Immediately prior to being classified as held for sale the carrying amount of assets and liabilities are measured in accordance with the applicable standard. After classification as held for sale it is measured at the lower of the carrying amount and fair value less costs to sell. An impairment loss is recognized in profit or loss for any initial and subsequent write-down of the asset and disposal group to fair value less costs to sell. A gain for any subsequent increase in fair value less costs to sell is recognized in profit or loss to the extent that it is not in excess of the cumulative impairment loss previously recognized.

Non-current assets or disposal groups that are classified as held for sale are not depreciated.



3.4 Investments

a) Long term investments

Investments which the management intends to hold for an indefinite period, but may be sold in response to the need for liquidity are classified as available for sale.

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

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

b) Investments in equity instruments of associated companies

Investments in associates where the company has significant influence are measured at cost in the company's financial statements.

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 permanent 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.

c) At fair value through profit or loss

Investments are stated at fair value through profit or loss¹ which are designated as such upon initial recognition. Subsequent to initial recognition, these investments are marked to market using the closing market rates and are carried on the balance sheet at fair value. Net gains and losses arising on changes in fair values of these investments are taken to the profit and loss account in the period in which these arise.

3.5 Stores, spare parts and loose tools

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

3.6 Stock-in-trade

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

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

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

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



3.7 Trade debts

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

3.8 Cash and cash equivalents

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

3.9 Taxation

a) Current

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

b) Deferred

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

3.10 Staff retirement benefits

a) Defined benefit gratuity scheme

The company operates an approved funded gratuity scheme (defined benefit plan) for all its employees who have completed the qualifying period under the scheme. Contributions are made to the fund in accordance with the actuarial recommendations. The most recent valuation in this regard was carried out as at September 30, 2010, using the Projected Unit Credit Method for valuation of the scheme. Actuarial gains/ losses exceeding 10 percent of the higher of projected benefit obligation and fair value of plan assets, at the beginning of the year, are amortized over average future service of the employees.

b) Employees compensated absences

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

3.11 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services.

3.12 Foreign currency transaction

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

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



3.13 Financial instruments

a) Recognition

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

b) Offsetting

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

c) Derivative financial instruments

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

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

3.14 Borrowing costs

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

3.15 Provisions

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

3.16 Related party transactions

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

3.17 Inter segment pricing

Transfer between business segment are recorded at net realizable value.



3.18 Revenue recognition

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

- a) Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods to customers.
- b) Return on bank deposits is recognized on a time proportion basis on the principal amount outstanding and the rate applicable.
- c) Mark-up on grower loan is accounted for in line with the recovery of the respective loan due to exigencies involved in such matters.
- d) Unrealized gains /(losses) arising on revaluation of securities classified as 'held for trading' are included in profit and loss account in the period in which they arise.
- e) Miscellaneous income is recognized on receipts basis.
- f) Dividend income is recognized when the right to receive the same is established i-e the book closure date of the investee company declaring the dividend.

3.19 Dividend and appropriation to reserves:

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

3.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting structure. Management monitors the operating results of its business units separately for the purpose of making decisions regarding resource allocation and performance assessment.

Segment results, assets and liabilities include items directly attributable to segment as well as those that can be allocated on a reasonable basis. Segment assets, consist primarily of property, plant and equipment, intangibles, stores and spares, stock in trade and trade and other debts. Segment liabilities comprise of operating liabilities and exclude items such as taxation and corporate.

Segment capital expenditure is the total cost include during the year to acquire property, plant and equipment and intangible assets.

3.21 Impairment

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



4 PROPERTY PLANT AND EQUIPMENT

Note

2010

2009

(Rupees in thousand)

Operating fixed assets	4.1	1,860,428	2,249,724
Capital work in progress - CWIP	4.2	149,049	65,910
		<u>2,009,477</u>	<u>2,315,634</u>

4.1 Operating fixed assets

	2010								
	C O S T				ACCUMULATED DEPRECIATION			Written down value as at 30-09-2010	Rate of depreciation %
	As at 01-10-2009	Additions / (Deletions)	Transferred to non-current assets disposal group	As at 30-09-2010	As at 01-10-2009	Charge for the year / Adjustment	As at 30-09-2010		
	(Rupees in thousand)								
Owned									
Free-hold land	26,557	-	-	26,557	-	-	-	26,557	-
Lease-hold land	51,000	-	-	51,000	-	-	-	51,000	-
Main factory building on free-hold land	382,978	-	-	382,978	139,303	23,285	162,588	220,390	10
Non-factory building	153,216	-	-	153,216	70,324	7,920	78,244	74,972	10
Plant and machinery	2,455,733	-	(305,549)	2,150,184	657,563	84,793	712,414	1,437,770	5 to 10
						(29,942)			
Furniture and fittings	6,983	123	-	7,106	3,439	346	3,785	3,321	10
Motor vehicles	45,030	11,374	-	49,546	25,061	3,614	25,025	24,521	20
	-	(6,858)	-	-	-	(3,650)	-	-	
Office equipment	29,160	725	-	29,885	12,879	1,599	14,478	15,407	10
Computers	3,580	470	-	4,050	1,100	678	1,778	2,272	30
Tools and tackles	4,268	-	-	4,268	3,155	203	3,358	910	10 to 20
	3,158,505	12,692	-	2,858,790	912,824	122,438	1,001,670	1,857,120	
	-	(6,858)	(305,549)	-	-	(33,592)	-	-	
Leased									
Vehicles	5,405	-	-	5,405	1,362	735	2,097	3,308	20
	3,163,910	12,692	-	2,864,195	914,186	123,173	1,003,767	1,860,428	
	-	(6,858)	(305,549)	-	-	(33,592)	-	-	
	2009								
	C O S T				ACCUMULATED DEPRECIATION			Written down value as at 30-09-2009	Rate of depreciation %
	As at 01-10-2008	Additions / (Deletions)	Transferred from CWIP	As at 30-09-2009	As at 01-10-2008	Charge for the year	As at 30-09-2009		
	(Rupees in thousand)								
Owned									
Free-hold land	26,557	-	-	26,557	-	-	-	26,557	-
Lease-hold land	51,000	-	-	51,000	-	-	-	51,000	-
Main factory building on free-hold land	346,252	-	36,726	382,978	115,412	23,891	139,303	243,675	10
Non-factory building	153,216	-	-	153,216	61,568	8,756	70,324	82,892	10
Plant and machinery	1,859,832	18,751	577,150	2,455,733	553,458	104,105	657,563	1,798,170	5 to 10
Furniture and fittings	6,615	368	-	6,983	3,075	364	3,439	3,544	10
Motor vehicles	44,567	6,077	-	45,030	24,178	4,357	25,061	19,969	20
	-	(5,614)	-	-	-	(3,474)	-	-	
Office equipment	28,869	291	-	29,160	11,174	1,705	12,879	16,281	10
Computers	2,186	1,394	-	3,580	305	795	1,100	2,480	30
Tools and tackles	4,268	-	-	4,268	2,906	249	3,155	1,113	10 to 20
	2,523,362	26,881	613,876	3,158,505	772,076	144,222	912,824	2,245,681	
	-	(5,614)	-	-	-	(3,474)	-	-	
Leased									
Vehicles	5,405	-	-	5,405	351	1,011	1,362	4,043	20
	2,528,767	26,881	613,876	3,163,910	772,427	145,233	914,186	2,249,724	
	-	(5,614)	-	-	-	(3,474)	-	-	



4.1.1 Reconciliation of carrying amount of operating fixed assets

Description	2010					
	Opening written down value	Additions	Transferred to non-current assets disposal group	Disposals	Depreciation charge	Closing written down value
----- (Rupees in thousand) -----						
Owned						
Free-hold land	26,557	-	-	-	-	26,557
Lease-hold land	51,000	-	-	-	-	51,000
Main factory building on free-hold land	243,675	-	-	-	23,285	220,390
Non-factory building	82,892	-	-	-	7,920	74,972
Plant and machinery	1,798,170	-	(275,607)	-	84,793	1,437,770
Furniture and fittings	3,544	123	-	-	346	3,321
Motor vehicles	19,969	11,374	-	3,208	3,614	24,521
Office equipment	16,281	725	-	-	1,599	15,407
Computers	2,480	470	-	-	678	2,272
Tools and tackles	1,113	-	-	-	203	910
Leased						
Vehicles	4,043	-	-	-	735	3,308
	<u>2,249,724</u>	<u>12,692</u>	<u>(275,607)</u>	<u>3,208</u>	<u>123,173</u>	<u>1,860,428</u>
----- (Rupees in thousand) -----						
2009						
Description	Opening written down value	Additions	Transferred from CWIP	Disposals	Depreciation charge	Closing written down value
----- (Rupees in thousand) -----						
Owned						
Free-hold land	26,557	-	-	-	-	26,557
Lease-hold land	51,000	-	-	-	51,000	-
Main factory building on free-hold land	230,840	-	36,726	-	23,891	243,675
Non-factory building	91,648	-	-	-	8,756	82,892
Plant and machinery	1,306,374	18,751	577,150	-	104,105	1,798,170
Furniture and fittings	3,540	368	-	-	364	3,544
Motor vehicles	20,389	6,077	-	2,140	4,357	19,969
Office equipment	17,695	291	-	-	1,705	16,281
Computers	1,881	1,394	-	-	795	2,480
Tools and tackles	1,362	-	-	-	249	1,113
Leased						
Vehicles	5,054	-	-	-	1,011	4,043
	<u>1,756,340</u>	<u>26,881</u>	<u>613,876</u>	<u>2,140</u>	<u>145,233</u>	<u>2,249,724</u>

Note **2010** **2009**
(Rupees in thousand)

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

Cost of sales	30	115,998	136,752
Administrative expenses	32	7,175	8,481
		<u>123,173</u>	<u>145,233</u>



4.1.3 The following assets were disposed off during the year:

Description	Cost	Accumulated depreciation	Witten down value	Sale Proceeds	Gain/(Loss)	Mode of Disposal	Particular of Buyers
	(Rupees in thousand)						
Suzuki Cultus AJR 638	754	148	606	596	(10)	Transfer	Al Abbas Cement Industries Ltd.
Suzuki Bolan CR-6773	483	95	388	382	(6)	Transfer	Al Abbas Cement Industries Ltd.
Suzuki CultusAHL-356	608	413	195	207	12	Transfer	Al Abbas Cement Industries Ltd.
Suzuki Bolan CR-5467	414	281	133	226	93	Transfer	Al Abbas Cement Industries Ltd.
Suzuki Bolan CN-4575	408	277	131	265	134	Tender	Gul Nawab
Suzuki Baleno AFX-186	774	535	239	527	288	Tender	Faisal Junaid
Toyota Corolla ADL-022	953	659	294	472	178	Tender	Faisal Junaid
Toyota Corolla ADK-934	780	539	241	550	309	Tender	Muhammad Abid
Toyota Corolla ACE-033	685	473	212	515	303	Tender	Raheel Mithani
Toyota Corolla AFS-980	999	230	769	650	(119)	Tender	Umer Khitab
2010	6,858	3,650	3,208	4,390	1,182		
2009	5,614	3,473	2,141	3,185	1,044		

4.1.4 The carrying values of vehicles have been transferred to related parties as these vehicles were in use of employees who were serving all the group companies including the Company. During the year the services of some of the employees were transferred to other group Companies with the continued use of the provided vehicles, therefore, the carrying values of related vehicles have also been transferred.

4.2 CAPITAL WORK IN PROGRESS - CWIP

Description	2010			2009				
	As at 01.10.2009	Addition	Transferred to operating asset	As at 01.10.2010	As at 01.10.2008	Addition	Transferred to operating fixed asset	As at 30.09.2009
	(Rupees in thousand)							
Civil works								
Under construction	10,338	7,897	-	18,235	41,465	2,697	(33,824)	10,338
Borrowing cost capitalized	-	1,610	-	1,610	2,755	147	(2,902)	-
	10,338	9,507	-	19,845	44,220	2,844	(36,726)	10,338
Plant and machinery								
Process house	-	-	-	-	121,132	128,179	(249,311)	-
Mill House	-	-	-	-	9,145	162,194	(171,339)	-
Chemical Department	-	-	-	-	5,286	341	(5,627)	-
Economizer	-	-	-	-	925	-	(925)	-
Advances to Suppliers	-	5,742	-	5,742	136,517	-	(136,517)	-
Tank terminal (4.2.2)	55,572	57,872	-	113,444	20,900	34,672	-	55,572
Borrowing cost capitalized	-	10,018	-	10,018	9,270	4,161	(13,431)	-
	55,572	73,632	-	129,204	303,175	329,547	(577,150)	55,572
Total	65,910	83,139	-	149,049	347,395	332,391	(613,876)	65,910

4.2.1 Average annualized rate of 10.25% (2009: 11.25%) of borrowing has been used for capitalization of borrowing cost.

4.2.2 This represents cost of acquisition of Tank Terminals and cost incurred for rehabilitation of the tanks which is expected to be operational in the ensuing year.



5 INTANGIBLE ASSET

Description	Cost				Amortization			
	As at 01.10.2009	Addition	As on 30-09-2010	As at 01.10.2009	Charge for the year	As on 30-09-2010	Written down value as on 30-09-2010	Written down value as on 30-09-2009
	(Rupees in thousand)							
ERP software systems	20,447	1,838	22,285	4,089	7,428	11,517	10,768	16,358

5.1 Intangible assets are amortized at the rate of 33.33% (2009: 20% per annum) refer to note 2.3.f.

	Note	2010	2009
(Rupees in thousand)			
6 LONG TERM LOANS AND ADVANCES - Considered good			
Secured			
To employees - Other than Directors, Chief Executive and executive	6.1	627	653
To executives being key management personnel		3,908	2,421
Un secured		4,535	3,074
To executives being key management personnel		-	3,220
	6.2	4,535	6,294
Current portion of long term loans and advances	12	(1,152)	(1,395)
		3,383	4,899

6.1 The maximum aggregate amount of loans outstanding during the year is Rs. 4.393 million (2009: Rs. 2.600 million).

6.2 Balance at beginning of the year	6,294	6,749
Add: Loans disbursed during the year	2,255	2,689
	8,549	9,438
Less: Recovery during the year	(4,014)	(3,144)
Balance at end of the year	4,535	6,294

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

7 LONG TERM INVESTMENTS

Related parties - Associated Companies

Available for sale investments

	2010	2009
(Rupees in thousand)		
Al-Abbas Cement Industries Limited (Holding 1.09%) 2,000,000 (2009: 2,000,000) ordinary shares of Rs. 10 each	6,280	13,980
Eye Television Network Limited (Holding 0.81%) 405,000 (2009: 405,000) ordinary shares of Rs. 10 each	8,222	14,649
	14,502	28,629



	Note	2010 (Rupees in thousand)	2009
8 DEFERRED TAX ASSET			
Deferred taxation			
Deductible temporary differences			
Available tax losses		349,829	-
Taxable temporary differences			
Accelerated tax depreciation		333,479	-
Lease liabilities		615	-
		<u>334,094</u>	<u>-</u>
		<u>15,735</u>	<u>-</u>
9 STORES, SPARE PARTS AND LOOSE TOOLS			
Stores		80,206	91,810
Spare parts		92,727	129,421
Loose tools		1,191	516
		<u>174,124</u>	<u>221,747</u>
Provision for slow moving items and obsolescence	9.2	<u>(19,987)</u>	<u>(19,987)</u>
		<u>154,137</u>	<u>201,760</u>
9.1 During the year, certain dead and slow moving items have been reassessed valuing Rs. Nil million (2009: Rs. 1.987 million).			
9.2 Balance at beginning of the year		19,987	18,000
Provision made for the year		-	1,987
Balance at end of the year		<u>19,987</u>	<u>19,987</u>
10 STOCK-IN-TRADE			
Raw materials	10.2	331,842	196,980
Work-in-process		4,444	1,717
Finished goods		655,050	615,064
Provision for the year	10.4	142	-
		<u>654,908</u>	<u>615,064</u>
		<u>991,194</u>	<u>813,761</u>

10.1 Value of stock pledged as on the balance sheet date amounts to Rs. 178.817 million (2009: Rs. 179.5 million).

10.2 It includes stock in transit amounting to Rs. 58.889 million (2009: Rs. 98.793 million).

10.3 Stock in trade at September 30, 2010 includes stock items valued at net realizable value (NRV) as follows. The write down to NRV amounting to Rs. 34.656 million (2009: Rs. 53.060 million) has been recognised in cost of goods sold:

	Cost	NRV
	(Rupees in thousand)	
Calcium carbide	1,333	142
Ferro Silicon	47,988	14,522
	<u>49,320</u>	<u>14,664</u>



	Note	2010	2009
(Rupees in thousand)			
10.4 Provision for obsolescence and slow-moving raw materials and finished goods.			
Balance at beginning of the year		-	-
Provision made for the year		142	-
Balance at end of the year		<u>142</u>	<u>-</u>
11 TRADE DEBTS			
Secured - Considered good			
Against letter of credit		98	167,627
Unsecured			
Considered good		342,945	40,627
Considered doubtful		2,626	-
		<u>345,571</u>	<u>40,627</u>
Provision for doubtful trade debts		(2,626)	-
		<u>343,043</u>	<u>208,254</u>
11.1 No amount was receivable during the year from related parties (2009: Nil).			
11.2 Balance at the beginning of the year		-	-
Provision made for the year		2,626	-
Balance at end of the year		<u>2,626</u>	<u>-</u>
12 LOANS AND ADVANCES			
Current portion of long term loans and advances	6	1,152	1,395
Loans to growers - Unsecured	12.1		
Considered good		4,474	10,671
Considered doubtful		10,245	10,245
		<u>14,719</u>	<u>20,916</u>
Provision for loans considered doubtful	12.2	(10,245)	(10,245)
		<u>4,474</u>	<u>10,671</u>
Advances - Unsecured			
Considered good			
To employees against salary	12.3	654	860
To employees against expense		1,858	216
To suppliers and contractors		114,730	28,023
		<u>117,242</u>	<u>29,099</u>
Considered doubtful			
To suppliers and contractors		8,898	-
Provision for doubtful advances	12.2	(8,898)	-
		<u>-</u>	<u>-</u>
Against letter of credit		6,750	4,563
		<u>129,618</u>	<u>45,728</u>

12.1 The rate of mark-up on such loans ranges up to 14.96% (2009: Rs 6.57%) subject to final settlement with the respective growers.

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



	Note	2010 (Rupees in thousand)	2009
12.2	Balance at the beginning of the year	10,245	10,245
	Provision made for the year	8,898	-
	Balance at end of the year	<u>19,143</u>	<u>10,245</u>
12.3	This represents interest free advances given to employees against current salary.		
13	TRADE DEPOSITS AND PREPAYMENTS		
	Deposits	13,585	-
	Prepayments	653	180
		<u>14,238</u>	<u>180</u>
13.1	It includes term deposit amounting to Rs. 12.5 million pledged with bank against bank guarantee and which carries profit @ of 10.8% (2009: Nil) and will be matured on November 11, 2010.		
14	OTHER RECEIVABLES		
	Sales tax and excise duty	2,320	29,712
	Other receivable	10,786	9,149
		<u>13,106</u>	<u>38,861</u>
14.1	It includes receivables in respect of cross currency and interest rate swap agreement amounting to Rs. 10.025 million (2009: Rs. 8.121) million.		
15	SHORT TERM INVESTMENT		
	Other than related parties		
	At fair value through profit or loss - held for trading		
	Fauji Cement Company Limited		
	2,500,000 (2009:2,500,000) ordinary shares of Rs. 10 each	<u>11,550</u>	<u>19,500</u>
16	CASH AND BANK BALANCES		
	Cash in hand	1,207	678
	Cash at banks		
	Current accounts	27,295	4,606
	Saving accounts	1,111	7,220
		<u>28,406</u>	<u>11,826</u>
		<u>29,613</u>	<u>12,504</u>
16.1	These carry profit ranging from 6% to 7%(2009: 6% to 11%).		



17 NON - CURRENT ASSETS HELD FOR SALE

Description	30-09-2010			
	Carrying value at the end of the reporting period before classification as held for sale	Carrying amount as remeasured immediately before classification as held for sale	Allocated impairment loss	Carrying amount after allocation of impairment loss
Rupees in thousand				
Plant and machinery	275,607	275,607	21,308	254,299
Stores and spares	63,950	63,950	31,975	31,975
Stock in trade	3,575	3,575	3,575	-
	<u>339,557</u>	<u>339,557</u>	<u>56,858</u>	<u>286,274</u>

- 17.1** The Company's medium density fibre board unit is one of the biggest MDFB plant in the country having achievable production capacity of 960,000 sheets per annum. The plant was imported from Romania in 2003 but due to rapid technological changes in manufacturing process it required major overhauling which was estimated to cost around Rs. 50 million plus warehousing facilities which was estimated to Rs. 30 million. Moreover, the industry practice is to allow 30 days credit on sales which requires further working capital. Keeping in view the foregoing, it was estimated that the additional working capital of Rs. 400 million was required into this segment for all the time. However, on the other hand the price of basic input - wood and imported gum substantially increased over the period of time. Besides the increase in prices of basic raw material the plant also required substantial cost of gas and electricity being processing cost. The Company has faced the problem with the collection of wood at viable cost due to surge in cost of fuel for transport vehicles carrying wood as the most of the wood is procured from the provinces of Sindh and Khyber Pakhtunkhawa . The increased power and gas tariff coupled with depressed selling prices and surge in imported sheets with improved quality at reduced rate made it very difficult for the Company to generate the positive contribution margin.

Keeping in view all of the above facts, the Company's Management closed down the production to minimize the losses and is intending to dispose of entire Medium Density Fibre Board plant and machinery along with the accessories after obtaining necessary approvals and compliance of legal formalities. The intended mode of disposal would be outright sale and /or through any other mean (advertisements for tenders, quotations, bids, etc. for sale in a transparent manner). The proceeds from disposal of plant and machinery of the Company will be used for repayment of Company's markup bearing debts in order to reduce high cost bearing finances.

18 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2010	2009		2010	2009
(Number of shares)			(Rupees in thousand)	
<u>17,362,300</u>	<u>17,362,300</u>	Ordinary shares of Rs. 10 each fully paid in cash	<u>173,623</u>	<u>173,623</u>

- 18.1** Number of shares held by the associates as on the balance sheet date are 8,142,468 (2009: 6,238,500).

19 RESERVES

It includes General Reserve amounting to Rs. 458 million (2009: Rs. 458 million) which represents accumulation made out of profits in past years and is kept in order to meet future exigencies.



	Note	2010 (Rupees in thousand)	2009
20 LONG TERM FINANCING - Secured			
From banking companies			
MCB bank limited - Demand finance	20.1	181,818	200,000
KASB bank limited - Term finance	20.2	166,667	200,000
		<u>348,485</u>	<u>400,000</u>
Privately placed term finance certificates	20.3		
From banking companies and financial institutions		478,650	297,018
Others		46,200	377,832
		<u>524,850</u>	<u>674,850</u>
		<u>873,335</u>	<u>1,074,850</u>
Current portion of long term financing	27	(219,697)	(201,515)
		<u>653,638</u>	<u>873,335</u>

20.1 This represents the Demand Finance II from MCB Bank Limited against sanctioned limit of Rs 200 million. It is secured against pari passu charge over fixed assets for Rs. 274 million. It is repayable in 22 quarterly installments of Rs. 9.090 million each commencing from June 2010 latest by September 2015. This carry mark-up at the rate of three months KIBOR plus 1.65% (2009: three months kibar plus 1.65%) per annum payable quarterly.

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

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

The Company has entered into cross currency and interest rate swap agreement against the TFCs with bank for notional amount of Rs. 562.5 million (Rs. 2009: Rs. 687.5 million) maturing in March 2011. Under the swap arrangement the principal payable amount of Rs. 562.5 million (2009:Rs.687.5 million) is swapped with US \$ component at Rs. 84.38 (2009: Rs. 80.91) making the loan amount to US \$ 6.666 million (2009: US \$ 8.497 million) which will be exchanged at the maturity of the swap agreement. Besides foreign currency component, the Company would receive 6 months KIBOR and pay 6 months LIBOR plus spread of 2.45% per annum, which will be settled semi-annually. As at the balance sheet date, the net fair value of interest rate and cross currency swap were Rs. 10.025 million (2009: Rs. 8.121 million) receivable from bank. The Company has the option of unwinding the agreement at any settlement date prior to September 2010.

	Note	2010 (Rupees in thousand)	2009
21 LONG TERM LOANS FROM RELATED PARTIES			
From related parties - unsecured	21.1	-	301,346

21.1 This represents interest free and un-secured loan obtained from related parties.



	Note	2010 (Rupees in thousand)	2009
22 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
Minimum lease payments			
Not later than one year		1,681	1,966
Later than one year but not later than five years		-	1,681
		1,681	3,647
Mark -up			
Not later than one year		54	298
Later than one year but not later than five years		-	54
		54	352
Present value of minimum lease payments			
Not later than one year		1,627	1,668
Later than one year but not later than five years		-	1,639
		1,627	3,307
Less: Current maturity	27	(1,627)	(1,668)
		-	1,639
22.1	The Company (lessee) has entered into finance lease arrangement with the Leasing Company (Lessor). The rate of 16.59% (2009: 14.75%)has been used as discounting factor being the rate implicit in the lease. The amount of future payments includes the amounts at which the Company has the option to purchase the assets. The Company intends to exercise its option to purchase the leased assets at their residual value upon completion of the lease periods.		
23 DEFERRED LIABILITIES			
Market Committee fee	23.1	43,503	40,755
Deferred taxation	23.2	-	33,705
		43,503	74,460
23.1	The Company has challenged the levy of market committee fee in the Honorable High Court of Sindh and filed a constitutional petition and has also obtained a stay order from the Honorable High Court. Pending the outcome of the petition, the Company has accounted for the levy as deferred liability as a matter of prudence.		
23.2 Deferred taxation			
Taxable temporary differences			
Accelerated tax depreciation		-	329,142
Lease liabilities		-	258
		-	329,400
Deductible temporary differences			
Available tax losses		-	(295,695)
		-	33,705
24 TRADE AND OTHER PAYABLES			
Creditors		531,958	393,549
Accrued liabilities		36,056	10,313
Advances from customers		322,884	147,533
Payable to employees gratuity fund	24.1.a	23,407	10,587
Workers' profit participation fund	24.2	11,782	18,105
Workers' welfare fund		6,595	8,326
Unclaimed dividend		1,191	1,069
Retention money		1,842	1,842
Others		1,858	3,720
		937,573	595,044



	2010	2009
	(Rupees in thousand)	
24.1 Payable to employees gratuity fund		
a) Movements in the (assets) / liabilities recognized in the balance sheet:		
Balance at the beginning of year	10,587	16,018
Charge for the year	27,020	10,166
Contributions made by the company during the year	(14,200)	(15,597)
Balance at the end of year	<u>23,407</u>	<u>10,587</u>
b) The following amounts have been charged to profit and loss account during the year		
Current service cost	11,250	7,615
Interest cost	7,446	9,259
Expected return on plan assets	(6,533)	(6,708)
Past service cost	14,857	-
	<u>27,020</u>	<u>10,166</u>
c) The amount recognized in the balance sheet is as follows:		
Present value of defined benefit obligation	92,932	62,051
Fair value of plan assets	(67,194)	(54,446)
Unrecognized actuarial gain / (loss)	(2,331)	2,982
	<u>23,407</u>	<u>10,587</u>
d) Changes in present value of defined benefit obligations		
Present value of defined benefit obligation at the beginning of the year	62,051	66,138
Current service cost	11,250	7,615
Interest cost	7,446	9,259
Past service cost	14,857	-
Benefit paid during the year	(6,183)	(7,064)
Actuarial loss / (gain)	3,511	(13,897)
Present value of defined benefit obligation as on September 30, 2010	<u>92,932</u>	<u>62,051</u>
e) Changes in fair value of plant assets		
Fair value of plan assets as at the beginning of the year	54,446	47,915
Expected return on plan assets	6,534	6,708
Contributions during the year	14,200	8,500
Benefits paid during the year	(6,184)	(7,064)
Actuarial loss on plan assets	(1,818)	(1,613)
Fair value of plan assets as at September 30, 2010	<u>67,194</u>	<u>54,446</u>
f) Actual return on plan assets		
Expected return on plan assets	6,534	6,708
Actuarial gain / (loss) on plan assets	(1,802)	(7,902)
Actual return on plan assets	<u>4,732</u>	<u>(1,194)</u>



g) Actuarial valuation of the plan was carried out by Noman Associates as of September 30, 2010 using the projected unit credit method. Principal actuarial assumptions used were as follows:

	2010	2009
Expected rate of salary increase in future years	11.5%	11.0%
Discount rate	12.5%	12.0%
Expected rate of return on plan assets during the year	12.0%	14.0%
Average expected remaining working life of employee	7 years	7 years

	Note	2010	2009
(Rupees in thousand)			
h) Charge for the year has been allocated as under:			
Cost of sales	30	24,020	7,296
Administrative expense	32	3,000	2,870
		<u>27,020</u>	<u>10,166</u>

i) Expected charge for the year 2010-11 is Rs. 15.490 million.

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

	2010	2009	2008	2007	2006
(Rupees in thousand)					
Present value of defined obligations at year end	92,932	62,051	66,138	55,558	47,995
Fair value of plan assets at year end	67,194	54,446	47,915	53,055	43,095
Net deficit	<u>25,738</u>	<u>7,605</u>	<u>18,223</u>	<u>2,503</u>	<u>4,900</u>

k) Experience adjustments:

	2010	2009	2008	2007	2006
(Rupees in thousand)					
Experience adjustments arising on plan liabilities (gains) / losses.	3,511	13,089	558	N/A	3,156
Experience adjustments arising on plan assets (gains) / losses.	1,809	7,902	(1,646)	N/A	5,123

	Note	2010	2009
(Rupees in thousand)			
24.2 Workers' profit participation fund			
Balance at beginning of the year		18,105	3,805
Interest for the year	34	1,092	203
Contribution made during the year	33	11,782	18,105
		<u>12,874</u>	<u>18,308</u>
		<u>30,979</u>	<u>22,113</u>
Paid during the year		(19,197)	(4,008)
Balance at end of the year		<u>11,782</u>	<u>18,105</u>

25 ACCRUED MARK-UP

Mark-up on			
Long term financing		32,882	45,698
Short term borrowing		28,100	14,541
		<u>60,982</u>	<u>60,239</u>



26	SHORT TERM BORROWINGS	Note	2010	2009
			(Rupees in thousand)	
From banking companies - secured				
Under Mark up arrangements				
	Cash / Running finances	26.1	224,281	448,854
	Export refinance	26.1	546,249	35,998
	Foreign currency export finance	26.2	85,650	-
			856,180	484,852

26.1 The available aggregate finance facilities (short term funded) amounting to Rs.3.610 billion (2009: Rs. 2.530 billion) which have been arranged from various commercial banks out of which Rs. 2.496 billion (2009: 2.290 billion) is interchangeable with export refinance and FE 25. These are secured against hypothecation of inventories and receivables, pledged of stock and present and future fixed assets of the Company. Cash and running finances carry mark-up ranging from 1 to 3 months KIBOR plus 1% to 2.25% (2009: 1 to 3 months KIBOR plus 1% to 2.5%) per annum payable quarterly in arrears and export re finances carry mark up at the rate of ranging from 8.5% to 9.5% (2009: 7.5%). At the year end, facilities amounting to Rs. 2.754 billion (2009: Rs. 2.046 billion) remained unutilized. These facilities are expired on various dates latest by September 30, 2010 and are renewable.

26.2 The available facility of foreign currency export finance interchangeable with limits of export refinance and cash finance amounts to Rs. 1,100 million (2009: Rs. 1,100 million) which carries mark up at the rate of LIBOR plus 1.75 (2009: LIBOR plus1.75%) and secured against hypothecation of fixed assets.

26.3 The available facilities for opening letters of credit as at September 30, 2010 aggregate Rs. 680 million (2009: Rs. 636.5 million) of which the amount unutilized as at September 30, 2010 was Rs. 152.781 million (2009: Rs. 528.152 million).

27	CURRENT MATURITY OF NON-CURRENT LIABILITIES	Note	2010	2009
			(Rupees in thousand)	
	Current portion of long term financing	20	219,697	201,515
	Current portion of lease liabilities	22	1,627	1,668
			221,324	203,183

28 CONTINGENCIES AND COMMITMENTS

28.1 Contingency

a) The Income Tax department has filed appeals before the Honorable Income Tax Appellate Tribunal (ITAT) for the accounting year 1999 which is still pending involving certain additions and reduction of unabsorbed losses amounting to Rs. 12.560 million. During the year the Honorable ITAT has restoted the taxation officers' order adding back unabsorbed losses amounting to Rs. 12.790 million for the accounting year 2001 against which th Company has filed appeal with the Honorable High Court of Sindh. The departmental appeal in respect of accounting year 2000 has been decided in favour of the Company involving taxable loss of Rs. 9.748 million against which the department is in appeal before the Supreme Court of Pakistan . It is expected that the outcome will be in favour of Company. The issue of payment of tax under section 12 (9A) of the repealed Income Tax Ordinance , 1979, for the accounting year 2001 amounting to Rs. 12.846 million , remanded back by ITAT to department, has been decided against the Company for which the Company filed appeal with the Commissioner Inland Revenue (Appeal-I) which has been decided in favour of Company deleting the amount of RS. 12.846 million.

b) Bank guarantees of Rs. 66.55 million (2009: Rs. 106.5 million) have been issued in favour of customer and supplier.

c) The Karachi Water and Sewerage Board has demanded Rs. 19.588 million for sewerage, fire and conservancy charges which the Company has challanged in Sindh High Court Karachi as no such facilities are being provided by the Board. The Court has stayed the operations of Demand Notice by the Karachi Water and Sewerage Board and case hearings of case are in process. The Management is confident that Case will be decided in favour of Company, therefore, no provision has been made.



- d) The Competition Commission of Pakistan has issued show cause notice to the Company alleging cartilisation by industry. The Company has challenged this show cause in Sindh High Court in Karachi challenging the jurisdiction of Competition Commission of Pakistan. The high court has stayed the show cause notice and case hearings are in progress in Sindh High Court Karachi.
- e) The Company has filed a Constitutional Petition before the Honourable High Court of Sindh against Pakistan Standard and Quality Control Authority (the Authority) challenging the levy of marking fee under PSQCA Act -VI of 1996. The Authority has demanded a fee payment @ 0.1% of ex- factory price. The Company is of the view that demanded notifications so raised are without any lawful authority under the PSQCA Act -VI of 1996 and are in violation of the Constitution . The Honourable High Court of Sindh has accepted the Petition and termed that the impugned notifications have been issued with out lawful authority and suspended the operation of the impugned notifications. Full provision of Rs. 3.400 million (2009: Rs. 2.375 million) as a matter of prudence, has been made.

28.2 Commitments

Commitments in respect of letters of credit amounts to Rs. 527.219 million (2009: Rs. 51.848 million).

29	TURNOVER	Note	Sugar		Ethanol		Chemical and alloys		Power		Total	
			2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	Gross sales		(Rupees in thousand)									
	Local		3,400,682	2,375,320	77,093	45,683	246,208	477,136	488,267	-	4,212,250	2,898,139
	Export	29.1	-	-	2,449,466	1,657,017	-	-	-	-	2,449,466	1,657,017
			<u>3,400,682</u>	<u>2,375,320</u>	<u>2,526,559</u>	<u>1,702,700</u>	<u>246,208</u>	<u>477,136</u>	<u>488,267</u>	<u>-</u>	<u>6,661,716</u>	<u>4,555,156</u>
	Less:											
	Sales tax		(149,560)	(275,406)	(11,131)	(6,136)	(43,081)	(81,719)	(79,042)	-	(282,814)	(363,261)
	Special excise duty		(23,334)	(20,787)	(653)	(384)	(2,031)	(3,915)	-	(26,018)	(25,086)	
			<u>(172,894)</u>	<u>(296,193)</u>	<u>(11,784)</u>	<u>(6,520)</u>	<u>(45,112)</u>	<u>(85,634)</u>	<u>(79,042)</u>	<u>-</u>	<u>(308,832)</u>	<u>(388,347)</u>
			<u>3,227,788</u>	<u>2,079,127</u>	<u>2,514,775</u>	<u>1,696,180</u>	<u>201,096</u>	<u>391,502</u>	<u>409,225</u>	<u>-</u>	<u>6,352,884</u>	<u>4,166,809</u>

29.1 It includes exchange gain of Rs. 23.214 million (2009: Rs. 7.755 million).

30 COST OF SALES

	Cost of raw materials consumed		2,770,589	1,530,450	1,955,301	1,099,134	53,219	207,344	415,625	-	5,194,734	2,836,928
	Stores and spare parts consumed		62,922	50,273	28,762	37,013	13,118	17,990	7,692	-	112,494	105,276
	Salaries, wages and other benefits	24.1.f	123,724	103,150	26,039	22,213	27,234	28,987	9,876	-	186,873	154,350
	Water, fuel and power		33,581	36,702	12,055	20,346	115,831	86,342	-	-	161,467	143,390
	Packing materials		18,215	14,134	11,361	11,247	8,116	2,017	-	-	37,692	27,398
	Other manufacturing expenses	30.1	24,959	18,741	13,855	16,664	9,847	7,289	473	-	49,134	42,694
	Repairs and maintenance		9,795	8,429	3,271	7,560	4,980	2,418	2,697	-	20,743	18,407
	Depreciation	4.1.2	50,735	49,868	26,867	29,722	23,632	22,155	14,764	-	115,998	101,745
			<u>3,094,520</u>	<u>1,811,747</u>	<u>2,077,511</u>	<u>1,243,899</u>	<u>255,977</u>	<u>374,542</u>	<u>451,127</u>	<u>-</u>	<u>5,879,135</u>	<u>3,430,188</u>
	Work-in-process											
	Opening		1,717	1,600	-	-	-	-	-	-	1,717	1,600
	Closing		(4,444)	(1,717)	-	-	-	-	-	-	(4,444)	(1,717)
			<u>(2,727)</u>	<u>(117)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,727)</u>	<u>(117)</u>
			<u>3,091,793</u>	<u>1,811,630</u>	<u>2,077,511</u>	<u>1,243,899</u>	<u>255,977</u>	<u>374,542</u>	<u>451,127</u>	<u>-</u>	<u>5,876,408</u>	<u>3,430,071</u>
	Less:											
	Transfer price of molasses		(193,906)	(197,250)	-	-	-	-	-	-	(193,906)	(197,250)
	Transfer price of bagasse		(32,661)	(30,701)	-	-	-	-	-	-	(32,661)	(30,701)
	Sales of bagasse		(13,514)	(27,917)	-	-	-	-	-	-	(13,514)	(27,917)
			<u>(240,081)</u>	<u>(255,868)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(240,081)</u>	<u>(255,868)</u>
	Cost of goods manufactured		<u>2,851,712</u>	<u>1,555,762</u>	<u>2,077,511</u>	<u>1,243,899</u>	<u>255,977</u>	<u>374,542</u>	<u>451,127</u>	<u>-</u>	<u>5,636,327</u>	<u>3,174,203</u>
	Finished goods											
	Opening		389,841	540,888	171,501	143,564	53,722	109,421	-	-	615,064	793,873
	Closing		(392,960)	(389,841)	(247,423)	(171,501)	(14,664)	(53,722)	-	-	(655,047)	(615,064)
			<u>(3,119)</u>	<u>151,047</u>	<u>(75,922)</u>	<u>(27,937)</u>	<u>39,058</u>	<u>55,699</u>	<u>-</u>	<u>-</u>	<u>(39,983)</u>	<u>178,809</u>
			<u>2,848,593</u>	<u>1,706,809</u>	<u>2,001,589</u>	<u>1,215,962</u>	<u>295,035</u>	<u>430,241</u>	<u>451,127</u>	<u>-</u>	<u>5,596,344</u>	<u>3,353,012</u>



AL-ABBAS SUGAR Mills Limited

	Sugar		Ethanol		Chemical and alloys		Power		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
(Rupees in thousand)										
30.1 Other Manufacturing Expenses										
Security services	2,840	2,589	2,874	3,187	-	2,235	-	-	5,714	8,011
Printing and stationery	210	111	41	6	42	87	7	-	300	204
Vehicle running expenses	4,815	2,221	441	2,221	6,567	2,088	-	-	11,823	6,530
Insurance Expenses	9,097	8,055	5,735	6,502	43	-	-	-	14,875	14,557
Travelling and conveyance	4,309	2,074	190	2,074	18	104	-	-	4,517	4,252
Others - overhead	3,688	3,691	4,574	2,674	3,177	2,775	466	-	11,905	9,140
	24,959	18,741	13,855	16,664	9,847	7,289	473	-	49,134	42,694
31 DISTRIBUTION COST										
Sugar bags handling expenses	2,382	2,338	-	-	-	-	-	-	2,382	2,338
Export expenses	-	-	97,926	68,122	-	-	-	-	97,926	68,122
Sales promotion expenses	300	251	-	233	-	201	-	-	300	685
Marking fees	3,401	14,644	-	-	-	-	-	-	3,401	14,644
Others	1,552	-	-	-	-	697	-	-	1,552	697
	7,635	17,233	97,926	68,355	-	898	-	-	105,561	86,486
32 ADMINISTRATIVE EXPENSES										
Salaries, allowances and other benefits 24.1.f	23,551	21,599	21,643	19,652	675	7,010	500	-	46,369	48,261
Rent, rates and taxes	2,066	1,371	1,367	1,371	114	-	-	-	3,547	2,742
Communication charges	1,591	1,583	1,538	1,558	161	58	86	-	3,376	3,199
Traveling and conveyance	1,964	2,032	2,111	1,945	67	85	110	-	4,252	4,062
Printing and stationery	584	434	307	433	47	28	-	-	938	895
Entertainment	808	859	619	628	67	517	67	-	1,561	2,004
Vehicle running expenses	4,827	5,824	4,081	4,724	357	131	395	-	9,660	10,679
Repairs and maintenance	3,067	747	932	808	974	600	139	-	5,112	2,155
Insurance	1,525	51	1,025	51	-	82	-	-	2,550	184
Fees and subscription	678	1,545	748	656	133	3	25	-	1,584	2,204
Legal and professional charges	1,855	2,418	1,687	1,323	799	204	549	-	4,890	3,945
Auditors' remuneration 32.1	407	340	298	200	250	100	250	-	1,205	640
Charity and donations 32.2	220	207	220	53	3	3	3	-	446	263
Newspaper and periodicals	31	39	31	32	1	-	1	-	64	71
Utilities	2,665	2,047	1,198	583	96	105	27	-	3,986	2,735
Amortization expenses 5	3,714	2,045	3,714	2,045	-	-	-	-	7,428	4,089
Depreciation 4.1.2	7,175	8,482	-	-	-	-	-	-	7,175	8,482
Miscellaneous expenses	1,588	659	1,291	1,067	149	228	148	-	3,176	1,954
	58,316	52,282	42,810	37,129	3,893	9,154	2,300	-	107,319	98,564
32.1 Auditors' remuneration										
Hyder Bhimji and Co. - Statutory Auditors										
Annual audit fee	250	200	250	150	250	100	250	-	1,000	450
Half yearly review fee	25	20	25	20	-	-	-	-	50	40
Other certification charges	-	25	-	25	-	-	-	-	-	50
Out of pocket expenses	32	5	23	5	-	-	-	-	55	10
	307	250	298	200	250	100	250	-	1,105	550
Haroon, Zakaria and Co. - Cost Auditors										
Audit fee	90	80	-	-	-	-	-	-	90	80
Out of pocket expenses	10	10	-	-	-	-	-	-	10	10
	100	90	-	-	-	-	-	-	100	90
	407	340	298	200	250	250	250	-	1,205	640



	Sugar		Distillery		Chemical and alloys		Power		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	(Rupees in thousand)									
32.2	None of the directors or their spouses have any interest in any donee's fund.									
33	OTHER OPERATING EXPENSES									
	5,891	9,053	5,891	9,053	-	-	-	-	11,782	18,106
Workers' profit participation fund	2,238	3,440	2,238	3,440	-	-	-	-	4,476	6,880
Workers' welfare fund	500	-	-	-	8,398	-	-	-	8,898	-
Provision for doubtful advances	-	993	-	993	142	-	-	-	142	1,986
Provision for slow moving and obsolescence	3,976	-	3,976	-	-	-	-	-	7,951	-
Loss on investment	-	-	-	-	2,627	-	-	-	2,627	-
Provision for doubtful debts	<u>12,605</u>	<u>13,486</u>	<u>12,105</u>	<u>13,486</u>	<u>11,167</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,876</u>	<u>26,972</u>
34	FINANCE COST									
	68,547	90,188	-	-	68,547	90,188	-	-	137,094	180,376
Mark-up on long term financing	74,545	66,573	75,172	17,286	-	-	-	-	149,717	83,860
Mark-up on short term borrowings	239	297	239	297	-	-	-	-	478	594
Mark up on leased assets	2,915	2,559	1,893	2,560	1,050	1,583	6	-	5,864	6,702
Bank charges and guarantee commission	1,092	203	-	-	-	-	-	-	1,092	203
Interest on workers profit participation fund	<u>147,338</u>	<u>159,820</u>	<u>77,304</u>	<u>20,143</u>	<u>69,597</u>	<u>91,771</u>	<u>6</u>	<u>-</u>	<u>294,245</u>	<u>271,735</u>
35	OTHER OPERATING INCOME									
	Income from financial assets									
	575	749	-	-	-	-	-	-	575	749
Interest income on loan to growers	4,303	352	3,532	352	-	-	-	-	7,835	704
Income from TDR	4,878	1,101	3,532	352	-	-	-	-	8,410	1,453
Gain on Cross Currency Swap	18,307	8,535	18,307	8,535	-	-	-	-	36,614	17,069
	Income from other than financial assets									
	1,182	522	-	522	-	-	-	-	1,182	1,044
Loss on disposal of fixed assets	4,561	419	-	419	-	-	-	-	4,561	837
Scrap sales	527	1,003	243	1,003	-	-	-	-	770	2,005
Dividend income	-	1,125	-	1,125	-	-	-	-	-	2,250
Gain on investment	-	-	249	838	-	-	-	-	249	838
Sale of fusel oil	-	514	-	514	-	-	-	-	-	1,027
Rental income	4,123	426	-	-	-	-	-	-	4,123	426
Income from Farm- net	2,067	302	4,002	302	542	-	-	-	6,611	604
Miscellaneous	<u>12,460</u>	<u>4,310</u>	<u>4,494</u>	<u>4,722</u>	<u>542</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,496</u>	<u>9,031</u>
	<u>35,645</u>	<u>13,945</u>	<u>26,333</u>	<u>13,608</u>	<u>542</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,520</u>	<u>27,553</u>
35.1	INCOME FROM FARM									
	6,677	2,454	-	-	-	-	-	-	6,677	2,454
Income from farm	(2,554)	(2,028)	-	-	-	-	-	-	(2,554)	(2,028)
Farm expenses	<u>4,123</u>	<u>426</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,123</u>	<u>426</u>
35.2	Farm operations is a distinguishable business segment as per the criteria specified in International Accounting Standard - 14 "Segment reporting", but it is substantially below the threshold mentioned for reportable segment under IAS- 14, therefore, farm operation is not classified as reportable segment.									
36	TAXATION									
	32,538	4,490	25,150	16,493	2,011	-	4,092	-	63,791	20,983
Current	(33,692)	33,705	-	-	(7,874)	-	(7,875)	-	(49,441)	33,705
Deferred	<u>(1,154)</u>	<u>38,195</u>	<u>25,150</u>	<u>16,493</u>	<u>(5,863)</u>	<u>-</u>	<u>(3,783)</u>	<u>-</u>	<u>14,350</u>	<u>54,688</u>
36.1	This represents minimum tax on local turnover and on income chargeable under Final Tax Regime (FTR), therefore, no numerical tax reconciliation is given. Assessments upto tax year 2010 have been finalized under section 120 of the Income Tax Ordinance, 2001, on the basis of declared version subject to rectification / amendments under section 120 of The Income Ordinance 2001.									



	2010	2009
	(Rupees in thousand)	
37 LOSS FROM DISCONTINUED OPERATIONS		
Results from discontinued operations are as follows:		
Sales	-	7,868
Cost of sales	-	28,341
Gross loss	<u>-</u>	<u>(20,473)</u>
Impairment of property plant and equipment	21,308	-
Impairment of stores and spares	31,975	-
Impairment of stock in trade	3,575	-
Loss from discontinued operations	<u>(56,858)</u>	<u>(20,473)</u>
38 EARNINGS PER SHARE - BASIC AND DILUTED		
Net Profit after taxation - From continued operations	261,709	302,905
Net (loss) after taxation - From discontinued operations	(56,858)	(20,473)
Net profit for the year	<u>204,851</u>	<u>282,432</u>
Number of ordinary shares	<u>17,362,300</u>	<u>17,362,300</u>
Basic earnings per share - From continued operations- Rupees	15.07	17.45
Basic loss per share - From discontinued operations- Rupees	(3.27)	(1.18)
Basic earnings per share - Rupees	<u>11.80</u>	<u>16.27</u>

38.1 Diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at September 30, 2010 and September 30, 2009 which would have any effect on the earnings per share if the option to convert is exercised.

	Note	2010	2009
		(Rupees in thousand)	
39 CASH GENERATED FROM OPERATIONS			
Profit before taxation		276,059	337,120
Adjustment for:			
Depreciation	4.1.2	123,173	145,233
Amortization on intangibles	5	7,428	4,089
Finance cost	34	294,245	271,735
Provision for trade debts	33	2,627	-
Provision for advances	33	8,898	-
Provision for stock in trade	33	142	-
Income from financial assets	(35)	(1,453)	-
Unrealized loss / (gain) on investment	35	7,951	(2,250)
Dividend income	35	(770)	(2,005)
Gain on disposal of fixed assets	35	(1,182)	(1,044)
Increase in market committee fee	23	2,748	2,569
		<u>436,850</u>	<u>416,874</u>
Operating profit before working capital changes		712,909	753,994
Decrease / (increase) in current assets			
Stores, spare parts and loose tools		(16,327)	7,641
Stock-in-trade		(181,150)	222,434
Trade debts		(137,415)	(170,257)
Loans and advances		(93,031)	174,261
Other receivables		25,755	-
Trade deposits and prepayments		(14,058)	(3,881)
		<u>(416,226)</u>	<u>230,198</u>
Increase / (decrease) in trade and other payables		342,529	(61,915)
Cash generated from operations		<u>639,212</u>	<u>922,277</u>



40 REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	Chief Executive		Director		Executives		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	(Rupees in thousand)							
Managerial remuneration	5,832	5,832	1,944	1,944	49,095	37,525	56,871	45,301
Other allowances	1,368	1,368	456	456	1,390	3,062	3,214	4,886
Telephone	312	255	118	24	2,708	2,503	3,138	2,782
Retirement benefits	606	606	202	202	3,325	2,969	4,133	3,777
Total	8,118	8,061	2,720	2,626	56,518	46,059	67,356	56,746
No. of persons	1	1	1	1	39	31	41	33

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

40.2 Nineteen (2009:Nineteen) executives of the company are also provided with company maintained cars for the business and personal use.

40.3 Remuneration to executives in the year 2009 included 22 executives having remuneration Rs. 34.374 million instead of 31 executives having 46.059 million which now been correctly disclosed.

41. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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

- Credit risk
- Liquidity risk
- Market risk

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



41.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties fail completely to perform as contracted and arises principally from trade receivables. Out of the total financial assets of Rs. 448.970 million (2009: Rs. 297.566 million), the financial assets which are subject to credit risk amounted to Rs. 415.227 million (2009: Rs. 246.750 million).

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

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

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

	2010 (Rupees in thousand)	2009
Long-term loans and advances	4,535	6,294
Long-term deposits	12,162	11,031
Trade debts	345,669	208,254
Term deposit	13,585	-
Other receivables	10,786	9,149
Markup accrued	84	196
Bank balances	28,406	11,826
	<u>415,227</u>	<u>246,750</u>

Quality of financial assets

The holding Company kept its surplus fund with banks having good credit ratings. Currently the surplus funds are kept with banks having rating from AAA to A.

	2010 (Rupees in thousand)	2009
With external credit rating		
AAA	1,334	529
AA+	18,387	9,560
AA	2,765	935
A+	121	109
A	4,187	460
AA-	1,434	-
A-	172	-
	<u>28,400</u>	<u>11,593</u>
Without external credit rating	6	233
	<u>28,406</u>	<u>11,826</u>



Trade receivables

All the trade debtors at the balance sheet date represent domestic and overseas parties. The maximum exposure to credit risk before any credit enhancements for trade receivables at the reporting date by division is:

	2010 (Rupees in thousand)	2009
Sugar division	41,886	26,185
Ethanol division		
Against sight letter of credits	98	167,627
Others	-	5,814
	98	173,441
Chemical & alloys	79,359	6,256
Power	224,325	
Medium density fiber board	-	2,372
	<u>345,668</u>	<u>208,254</u>

The aging of trade receivable at the reporting date is:

Past due 1-30 days	253,043	167,627
Past due 30-150 days	90,000	40,627
Past due 150 days	2,626	-
	<u>345,669</u>	<u>208,254</u>

One of the major customer accounts for Rs. 224.325 million (2009: 167.627 million) of trade receivables carrying amount at September 30, 2010 has been subsequently cleared.

During the year management has decided to make of provision of Rs. 2.626 million (2009: Nil) for receivables past due over 150 days and for other receivables there are reasonable grounds to believe that the amounts will be recovered in short course of time.

The movement in the allowance for impairment of trade receivables is as follows:

	2010 (Rupees in thousand)	2009
Opening balance	-	-
Provision during the year	2,626	-
	<u>2,626</u>	<u>-</u>

Concentration of credit risk

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

41.2 Liquidity risk

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



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

	2010					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years and over
	(Rupees in thousand)					
Financial Liabilities						
Long term Loans	873,335	1,153,574	171,020	163,880	304,154	514,520
Liabilities against assets subject to finance lease	1,627	1,627	-	-	-	-
Trade and other payables	937,573	937,573	377,317	560,256	-	-
Accrued markup	60,982	60,982	60,982	-	-	-
Short term borrowings	856,180	911,529	660,334	251,195	-	-
	<u>2,729,697</u>	<u>3,065,285</u>	<u>1,269,654</u>	<u>975,330</u>	<u>304,154</u>	<u>514,520</u>
	2009					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years and over
	(Rupees in thousand)					
Financial Liabilities						
Long term financing – secured	1,376,196	1,765,379	173,289	203,826	323,372	1,064,892
Liabilities against assets subject to finance lease	3,307	3,670	1,007	1,966	697	-
Trade and other payables	595,044	595,044	200,426	394,618	-	-
Accrued markup	60,239	60,239	60,239	-	-	-
Short term borrowings	484,852	518,216	389,280	128,936	-	-
	<u>2,519,638</u>	<u>2,942,548</u>	<u>824,241</u>	<u>729,346</u>	<u>324,069</u>	<u>1,064,892</u>

41.3 Market risk

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

41.3.1 Foreign Exchange Risk

Foreign exchange risk represents the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises mainly from future economic transaction or receivables or payables that exist due to transactions in foreign exchange. The Company is exposed to currency risk on import of raw sugar, refined sugar, stores and spares and export of alcohol mainly denominated in US dollars and cross currency swap transaction. Approximately 97.40% of the Company's revenue of distillery segment are denominated in currencies other than Pak rupees which form 39.58% of the total revenue of the Company. The Company's exposure to foreign currency risk for US Dollars is as follows:

	2010	2009
	(Rupees in thousand)	
Foreign debtors	98	167,627
Foreign creditors	-	-
Foreign currency export finance	(85,650)	-
Cross currency swap	(562,500)	(687,500)
Net exposure	<u>(648,052)</u>	<u>(519,873)</u>

The following significant exchange rate has been applied:

	Average rate		Reporting date rate	
	2010	2009	2010	2009
USD to PKR	84.60	80.84	86.20	83.18



Sensitivity analysis

At reporting date, if the PKR had strengthened by 10% against the US \$ with all other variables held constant, pre tax profit for the have been higher by the amount shown below:

Effect on profit and loss	2010 (Rupees in thousand)	2009 (Rupees in thousand)
US Dollars	<u>(64,805)</u>	<u>(51,987)</u>

The weakening of the PKR against US \$ would have had an equal but opposite impact on the pre tax profit.

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

41.3.2 Interest rate risk

Interest rate risk is the risk that the value or future cash flows of the financial instruments will fluctuate because of changes in market interest rate. The Company has long term and short term borrowings - under cash / running finance borrowings Rupees based loan at variable rates and short term borrowings under export refinance borrowings Rupees base loan at fixed rates. The Company has short term loan to growers and Term deposit to bank carrying mark up at fixed rates, while saving accounts carries mark up at variable rate.

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

	2010 Effective interest rate (in percent)	2009	2010 Carrying amount (Rupees in thousand)	2009 Carrying amount (Rupees in thousand)
Financial assets				
Fixed rate instruments				
Loans to growers	14.56		4,474	10,671
Deposit	6.5		12,500	-
			16,974	10,671
Variable rate instruments				
Bank balances	6 to 7		1,111	7,220
Financial liabilities				
Fixed rate instruments				
Export refinance	8.5 to 9.5		546,249	35,998
Variable rate instruments				
Long term financing	13.76 to 14.22		873,335	448,854
Short term borrowings	8 to 15		224,281	558,526
			<u>1,097,616</u>	<u>1,007,380</u>



Sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009.

	Profit and loss 100 bp increase	decrease
	(Rupees in thousand)	
Financial assets		
As at September 30, 2010		
Cash flow sensitivity	<u>170</u>	<u>(170)</u>
As at September 30, 2009		
Cash flow sensitivity	<u>107</u>	<u>(107)</u>
Financial liabilities		
As at September 30, 2010		
Cash flow sensitivity	<u>5,462</u>	<u>(5,462)</u>
As at September 30, 2009		
Cash flow sensitivity	<u>360</u>	<u>(360)</u>

Cash flow sensitivity analysis for variable rate instruments.

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009.

	Profit and loss 100 bp increase	decrease
	(Rupees in thousand)	
Financial assets		
As at September 30, 2010		
Cash flow sensitivity	<u>11</u>	<u>(11)</u>
As at September 30, 2009		
Cash flow sensitivity	<u>72</u>	<u>(72)</u>

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

Financial liabilities

As at September 30, 2010

Cash flow sensitivity	<u>10,976</u>	<u>(10,976)</u>
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As at September 30, 2009

Cash flow sensitivity	<u>5,585</u>	<u>(5,585)</u>
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41.3.3 Other price risk

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

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

	2010 (Rupees in thousand)	2009
Effect on profit or loss	1,155	1,950
Effect on equity	1,450	2,863
Effect on investments	<u>2,605</u>	<u>4,813</u>

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

41.4 Fair value of financial instruments

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

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value.

The following table shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

Level 1: Quoted prices in active market for identical assets or liabilities.

Level 2: Those involving inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: Those whose inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Investment in ordinary shares of listed Companies is valued using quoted prices in active market, hence fair value of such investments fall with in level 1 in fair value hierarchy as mentioned above.

41.5 Capital risk management

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



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

	2010	2009
	(Rupees in thousand)	
Long term financing	653,638	873,335
Liabilities against assets subject to finance lease	-	1,639
Accrued mark-up	60,982	60,239
Short term borrowings	856,180	484,852
Current maturity of non-current liabilities	221,324	203,183
Total debt	1,792,124	1,623,248
Balance with banks	29,613	12,504
Net debt	A 1,762,511	1,610,744
Shareholders' equity	1,246,901	1,125,626
Long term loans from related parties	-	301,346
Total capital and reserves	1,246,901	1,426,972
Capital and net debt	B 3,009,412	3,037,716
Gearing ratio	(C=A/B) 58.57%	53.02%

42 PLANT CAPACITY AND ACTUAL PRODUCTION

Sugar Unit

Capacity in M. Tons	95,848	73,862
Days	123	117
Production in M. Tons	57,130	52,850
Days	123	117

Distillery Unit

Unit - I

Capacity in M. Tons	20,510	12,460
Days	293	178
Production in M. Tons	19,752	12,041
Days	293	178

Unit - II

Capacity in M. Tons	19,460	18,690
Days	278	267
Production in M. Tons	19,171	18,082
Days	278	267

Calcium Carbide and Ferro Alloys

Capacity in M. Tons based on 320 days	27,220	27,220
Production in M. Tons	2,192	3,436

Power

Capacity in KWH based on 178 days	53,442,720	-
Production in KWH	53,142,480	-



42.1 Reasons for shortfall in capacity utilization

- a) **Sugar**
Lesser availability of sugarcane is the main reason of shortfall in production of sugar.
- b) **Distillery**
Lesser availability of molasses is the main reason of shortfall in production of rectified spirit.
- c) **Calcium Carbide and Ferro Alloys**
Due to lesser demand of the product the plant operated accordingly.

43 SEGMENT REPORTING

		2010					2009
		Sugar	Distillery	Calcium Carbide & Ferro Alloys	Power	Total	
		(Rupees in thousand)					
43.1	Segment assets	1,380,198	1,005,663	388,022	496,405	3,270,288	3,273,923
	Unallocated segment assets					488,454	458,652
						4,045,016	3,732,575
43.2	Segment liabilities	1,164,529	701,807	602,422	-	2,468,758	2,338,177
	Unallocated segment liabilities					329,357	560,745
						2,798,115	2,898,922
43.3	Capital expenditure	-	57,872	-		57,872	330,463
	Unallocated capital expenditure					39,797	17,631
						97,669	348,094
43.4	Depreciation	57,910	26,867	23,632	14,764	123,173	120,517
43.5	Non cash expenses other than depreciation		-	2,626		11,666	2,000

43.6 Revenue reported in note no 29 generated from external customers. There were no inter-segment sales during the year (2009: Nil). The inter transfer of molasses from sugar segment to distillery segment is accounted as a reduction of cost of production of sugar segment.

43.7 The accounting policies of the reportable segments are the same as th Companys' accounting policies described in note No 3. Financial charges on long term financing is allocated among Sugar, calcium carbide and alloys and power segment where as mark up on export refinance is allocated to distillery and mark up of cash and running finnnace is allocated to sugar segment. This is the measure reported to management for the purposes of resource allocation and assessment of segment performance.

43.8 Revenue from major products

The break up of Companys' revenue from external customers for major products is given in note No 29 of the financial statements.

43.9 Information about major customers

Revenue from major customers of Companys' sugar segment represent approximately 1,913.723 million (2009: 1,175.783 million) of total sugar segment revenue of Rs. 3,400.682 million (2009: 2,375.320 million), alcohol segment of Rs. 1,595.23 million (2009: Rs. 1,092.560 million) of total alcohol segment revenue of Rs. 2,526.556 million (2009: 1,702.700 million) of total power segment revenue of Rs. 488.267 million (2009: Nil). Revenue from calcium carbide and alloys segment does not include major customers.



44 RELATED PARTY TRANSACTION

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

	2010 (Rupees in thousand)	2009
Purchase of cement	1,061	1,763
Sale of baggasse	287	1,611
Common sharing expenses incurred and reimbursed	1,500	3,600
Purchase of stores and spares	541	1,088
Dividend received	769	2,005
Contribution paid to Employees Gratuity Fund	14,200	15,597
Transferred of vehicles - related parties	1,130	-
Transferred to vehicles - related parties	1,411	-
Repayment of loan to related parties- sponsors	(301,346)	(93,724)

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

45 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on January 03, 2011 by the Board of Directors of the Company.



46 CORRESPONDING FIGURES

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

46.1	Re-classified from	Re-classified to	Note	Amount (Rupees in thousand)	Reason
	Cost of sales Water, fuel and power	Cost of sales Depreciation	4.1.2	13,601	Better presentation
	Loan and advances Non-executives	Loan and advances Executives	6	1,507	Better presentation
	Loans and advances Against expenses	Loans and advances Against salary	12	833	Better presentation
	Other operating income - Exchange gain	Sales Sales	29	7,755	Better presentation
	Loans and advances - sales tax and excise duty	Other receivables	14	29,712	Better presentation
	Trade deposits and short term prepayments	Other receivables	14	9,149	Better presentation

46.2 The presentation requirements for assets (or disposal group) classified as held for sale at the end of the reporting period do not apply retrospectively. The comparative statements of financial position for any previous period are therefore not re-presented.

47 EVENTS AFTER THE BALANCE SHEET DATE

47.1 The Board of Directors of the Company in their meeting held on January 03, 2011 has proposed a final cash dividend of Rs. 5 per share i.e. 50% for the year ended September 30, 2010.

47.2 The Management has terminated agreement with the Karachi Electric Supply Company Limited with effect from December 8, 2010 following the difficulties including overdue invoices and non fulfilment of agreement from Karachi Electric Supply Company Limited side.

48 GENERAL

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

Shunaid Qureshi
Chief Executive

Asim Ghani
Director



FORM OF PROXY

I/We.....of
.....in the district of.....being a
member of AL-ABBAS SUGAR MILLS LIMITED, holding.....
shares, hereby appoint Mr./Mrs./Miss.....of
.....who is also a member of the Company,
as my proxy to vote for me, and on my behalf at the 20th Annual General Meeting of the Company to be held
at Beach Luxury Hotel, Karachi on Monday, January 31, 2011 at 11:30 a.m. and at any adjournment thereof.

As witness given under my/our hand(s)day of2011

Signed by the said.....

In the presence of 1
 2
 2
 3

(Witness's Signature)

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

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

Share held

Shareholders folio No.....

CDC A/c No.....

CNIC No.....

Note:-

- 1) The Proxy Form should be deposited at the Registered Office of the Company as soon as possible but not less than 48 hours before the time of holding the meeting and, on default, Proxy form will not be treated as valid.
- 2) No person can act as proxy unless he/she is member of the Company, except that a corporation may appoint a person who is not a member.
- 3) If a member appoints more than one proxy and more than one instrument of proxy is deposited by a member with a Company, all such instruments of proxies shall be rendered invalid.

For CDC Account Holders/Corporate Entities:

In addition to the above the following requirements have to be met:

- i) The proxy form shall be witnessed by two persons whose name, address and CNIC number shall be mentioned on the form.
- ii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iii) The proxy shall produce his original CNIC or original passport at the time of the meeting.
- iv) In case of corporate entity, the Board of Director resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.