

Condensed Interim Report
For the Half Year Ended March 31, 2010



Shakarganj Mills Limited

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VISION, MISSION & VALUES

To gain and maintain leadership in the industries it competes in by producing the best quality products with lowest possible cost.

To give the best returns to shareholders by optimal allocation of resources to the products and markets the company competes in.

To provide the best value products and services to its customers through investment in technology, human resources, operational systems and processes.

To provide the best working environment to its employees and provide opportunities to them for enhancing their skills.

To work with its farmers, suppliers and distributors as partners developing their expertise and profitability.

To pursue environment friendly policies and effectively and efficiently use all energy resources aiming for zero waste and a clean healthy environment in its vicinity.

To be a socially responsible corporate citizen supporting education, health, environment and socio economic development of the society.

COMPANY INFORMATION

Board of Directors

| | | |
|---------------------|---------------|------------------------|
| Mazhar Karim | | Chairman |
| Ahsan M. Saleem | | Chief Executive |
| Kaleem Uddeen Ahmad | (Independent) | Non-Executive Director |
| Khalid Bashir | | Non-Executive Director |
| Muhammad Anwar | | Non-Executive Director |
| Muhammad Arshad | | Non-Executive Director |
| Muhammad Asif | (Independent) | Non-Executive Director |

Audit Committee

| | |
|----------|--|
| Chairman | Muhammad Anwar Khalid Bashir Muhammad Asif |
|----------|--|

Chief Financial Officer

Mehboob Ali Qureshi

Management Committees

Executive Committee

| | |
|----------|---|
| Chairman | Ahsan M. Saleem Anjum M. Saleem Muhammad Asghar Qureshi |
|----------|---|

Business Strategy Committee

| | |
|----------|--|
| Chairman | Ahsan M. Saleem Anjum M. Saleem Muhammad Asghar Qureshi Muhammad Pervaiz Akhter Manzoor Hussain Malik Shahid Hamid Mir Ch. Shah Muhammad |
|----------|--|

System & Technology Committee

| | |
|----------|--|
| Chairman | Muhammad Pervaiz Akhter Ch. Shah Muhammad Mehboob Ali Qureshi Saad Akhtar Jaffery |
|----------|--|

Investment Committee

| | |
|----------|------------------------------------|
| Chairman | Ahsan M. Saleem Anjum M. Saleem |
|----------|------------------------------------|

Human Resource Committee

| | |
|----------|--|
| Chairman | Muhammad Asghar Qureshi Muhammad Pervaiz Akhter Ch. Shah Muhammad Mehboob Ali Qureshi Hameedullah Awan |
|----------|--|



SHAREHOLDERS' INFORMATION

Stock Exchange Listing

Shakarganj Mills Limited is a listed company and its shares are traded on all the three stock exchanges of Pakistan. Daily quotes on the company's stock can be obtained from leading newspapers. Shakarganj is listed under 'Sugar and Allied'

Public Information

Financial analysts, Stock brokers, interested investors and financial media desiring information about "Shakarganj" should contact Mahboob Ali Qureshi at Company's Office, Jhang.
Tel: (047) 765 2801-5
Fax: (047) 765 2811
E-mail: mahboob.qureshi@shakarganj.com.pk

Shareholders' Information

Inquiries concerning lost stock certificates, dividend payment, change of address, verification of transfer deeds and share transfers should be directed to CorpTec Associates (Pvt.) Limited Share Registrar of the Company at Lahore.
Tel: (042) 3578 8097-8
Fax: (042) 3575 5215
E-mail: info@corptec.com.pk

Products

Ethanol
Particle Board
Sugar
Yarn
Electricity

Legal Advisor

Hassan & Hassan Advocates,
Lahore

Auditors

A.F. Ferguson & Co.
Chartered Accountants

Bankers

Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Faysal Bank Limited
Meezan Bank Limited
MCB Bank Limited
National Bank of Pakistan

The Bank of Punjab
United Bank Limited
Standard Chartered Bank
(Pakistan) Limited
KASB Bank Limited
Soneri Bank Limited

Works

Principal Facility

Management House,
Toba Road Jhang, Pakistan.
Tel: (047) 765 2801-5
Fax: (047) 765 2811
E-mail: mahboob.qureshi@shakarganj.com.pk

Satellite Facilities

Shakarganj Bhone

63 K.M. Jhang Sargodha Road,
Bhone-Pakistan.
Tel: (047) 722 3016, 722 3075
Fax: (047) 722 3017

Shakarganj Dargai Shah

8 K.M. 18 Hazari, Layyah Road,
Jhang-Pakistan.
Tel: (047) 700 6442, 700 6440
Fax: (047) 701 0127

Website

www.shakarganj.com.pk
Note: This interim report is available on shakarganj's website.

Registered and Principal Office

BOP Tower,
10-B Block E 2, Gulberg III,
Lahore, Pakistan.
Tel: (042) 3578 3801-06
Fax: (042) 3587 3807

Karachi Office

12th Floor, Sidco Avenue Centre,
264 R.A. Lines, Karachi.
Tel: (021) 3568 8149

Faisalabad Office

Nishatabad, New Lahore Road,
Faisalabad, Pakistan.
Tel: (041) 875 3037

COMPANY PROFILE

Shakarganj Mills Limited was incorporated in Pakistan in 1967 as a Public Limited Company and is listed on all three stock exchanges of Pakistan. Shakarganj is a leading manufacturer of food products, industrial ethanol and particle board as well as textiles. We transform renewable crops such as sugarcane and cotton into value added products comprising refined sugar, textiles, industrial grade ethanol and building materials in addition to generate electricity generated from biogas. The company has its principal manufacturing facilities at Jhang, in addition to two satellite facilities located at Bhone and Dargai Shah. Our registered office is in Lahore. Shakarganj Mills, through its interest in Shakarganj Food Products Limited, is also active in production of dairy and fruit products.

Sugar Business:

We have three manufacturing facilities, located at Jhang, Bhone and Dargai Shah. We produce different types of sugar comprising pharmaceutical, beverage and commercial grades sugar as well as soft brown sugar, castor and icing sugar, sugar cubes, sachets and retail packs. Our combined crushing capacity is of 24,000 metric tons of sugarcane per day which is extendable to 40,000 metric tons per day.

Ethanol Business:

We have distilleries located at Jhang and Bhone where various grades of ethanol are produced. Our products include rectified ethanol for industrial and food grades, anhydrous ethanol for fuel grade and Extra Neutral Ethanol for pharmaceutical and perfume grades. The combined capacity of our distilleries is 280,000 - 300,000 liters per day.

Building Materials Business:

Our building materials division is located at Jhang facility, with a capability to produce 12 x 4 feet sheets of particle board of varying thickness. Our daily production capacity is 30 cubic meters.

Alternate Energy Business:

Biogas power generation facility is located at Jhang, this facility comprises an Effluent Treatment Plant (ETP) and a Power Generation Facility. ETP operations involve biological treatment of distillery waste to produce Methane and a biological de-sulphurization plant to remove sulphur from the methane gas. This gas is then used in the power house to produce electricity which is sold to a utility company on the national grid. The present capacity of this plant is 8 megawatts.

Textile Business:

Located at Jhang, this cotton spinning unit produces carded cotton yarns ranging from 10/s to 30/s and doubled cotton yarn ranging from 8 to 15 TPI. The installed capacity is 25,856 spindles for cotton spinning and 2,304 spindles for doubling.

Farming Business:

This comprises over 4500 acres of different parcels of land mainly located at Jhang Division nearby our manufacturing facilities. Out of which 1600 acres is owned land and rest is leased. The main crops include Sugarcane, Wheat, Gram, Maize, Fodder and seasonal vegetables. A dairy farm located at Jhang with a herd of 220 milking cattle a small herd for fattening is under development.

Business Vision and Strategy:

Shakarganj's vision is to create country's leading renewable ingredients business. We aim to achieve this by building a consistent portfolio of distinctive, profitable, high-value solutions in products and services for our customers. Shakarganj is committed to provide long-term value for our shareholders. Our strategy is to build a stronger value added business with a low-cost commodity base. We focus on five key business objectives to deliver consistent growth.



Serve our Customers:

Delivering excellent customer service is at the core of everything we do. Our aim is to be the partner of choice in our customers' processes and to help them develop more successful consumer products.

Operate Efficiently and Safely:

We aim to be the lowest-cost and most efficient producer in all our markets. Through our expertise in high-volume process management, our focus is on technical and manufacturing excellence and the efficient use of services such as logistics and utilities. We are continually working to improve operational efficiency and strive to ensure safe and healthy conditions for everyone at our sites.

Invest in Long Term Assets and Partnerships:

We continually evaluate investment opportunities that would add strategic value by enabling us to enter new markets or add products, technologies and knowledge more efficiently than we could organically. We also aim to grow our business by forming joint ventures and partnerships to enhance the capabilities of our existing product portfolio. Using alliances and joint ventures can be an efficient way to lower our cost of investing in new areas and markets, and will help secure access to new and complementary technology and expertise.

Invest in Technology and People:

We are investing in our research and development capabilities to help us in developing innovative solutions that meet our customers' product challenges. We are also complementing our own capabilities through business and technology partnerships, and university collaborations. To develop talent, improve leadership and help our employees succeed, we operate various programs designed to ensure the right skills at all levels to grow our business.

Grow the Contribution from Value Added Products:

We are committed to grow the contribution from our value added products. Value added products utilize technology and intellectual property enabling us to obtain a price premium and/or sustainable higher margins.

CHIEF EXECUTIVE REVIEW

Dear Shakarganj Shareholder

I am pleased to present the financial statements of your company for the six months ended 31st March 2010. These financial statements were subject to a limited scope review by the auditors A. F Ferguson & Co. and their report is attached to the financial statements.

The following paragraphs give the review of operating performance of various divisions of the company.

Sugar Division

Due to the cyclical nature of sugarcane crop, availability of cane was drastically reduced this year as well. For the past several seasons, the sugarcane crop throughout Pakistan has been falling due to various factors. The main reasons are weather conditions, shortage of water, and higher prices for alternative crops such as wheat and cotton. The current season is no different, and all sugar mills were running below capacity, due to the acute shortage of sugarcane.

Despite difficulties resulting from shortage of raw material, Shakarganj crushed 22% more sugarcane in the current period as compared to the corresponding period of last year. While the government announced minimum support price for sugarcane was increased by 25% from Rs. 80 to Rs. 100 per 40 kg, stiff competition between various sugar mills resulted in prices as high as Rs. 250 per 40 kg, leading to a sharp increase in production costs which erodes margins.

Higher sale prices for sugar have helped this division to achieve sales of Rs. 3,904 million as against Rs. 2,062 million in the corresponding period last year, registering a growth of 89% in sale figures however, still gross profit margin for the period under review decreased to 5.54% as compared to previous period's margin of 10.99% due to higher cane purchase price in the current season.

Due to shortage of raw material the operations started fairly late on November

20, 2009 and close on March 4, 2010. Sugarcane crushing for the season was 913,266 tons against 748,130 tons during the previous season while sugar production this season has been 78,540 tons at an average recovery rate of 8.62% against 68,573 tons at a recovery rate of 9.16% in 2009.

While our operating expenses rose for the first half to Rs. 95.07 million against Rs. 71.51 million in 2009, our operating profit also decreased to Rs. 121.19 million from Rs. 155.13 million last year. This is mainly due to decrease in gross profit margin.

Ethanol and Alternate Energy Business

There has been overall shortage of molasses as raw material for ethanol business which affected the performance of the segment in the first half of the year compared to the corresponding period.

Sales revenue of Ethanol and Alternate Energy Division stood at Rs. 309.75 million compared to Rs. 896.57 million in the corresponding period. Due to lower production and higher raw material cost, gross profit margin decreased from 26.22% in the first half of the last year to 11.46% in the current year.

The ethanol division produced 15.27 million liters in 1st half of year 2010 as compared to 27.43 million liters in the corresponding period of last year. Production of this division was affected due to short season resulting lower production of molasses. Current production includes 5.24 million liters from Bhone facility which operated for 77 days during the current half of the Fiscal 2010.

Operating expenses stood at Rs. 42.46 million during the 1st half of current year compared to Rs. 89.80 million in the corresponding period of last year. There was operating loss of Rs. 6.96 as compared to operating profit of Rs. 145.24 million in the corresponding period of last year.

The pioneering project of bio-gas power generation has performed well in six months by adding positive return to the company's



profit. Sales revenue of the Power Division was Rs 90.14 million compared to Rs. 118.41 million in the corresponding period. Gross margin in the period under review was 66.26% as compared to the gross profit margin of 64.27% in the corresponding period. The effect of low level of production in Ethanol Division results decrease in operating profit of Power Division from Rs. 71.89 million to Rs. 58.50 million. The segment produced 13.90 million units of electricity as compared to 18.22 million units in the corresponding period of last year.

Textile Division

Business conditions have improved despite the hardships being faced by the industry including steep rise in cotton price. However, our Textile Division performed well during the first half of the year. Sales revenue was Rs. 640.61 million as compared to Rs. 473.34 million in the corresponding period of 2009 while gross profit margin improved remarkably to 2.74% from a gross loss of 14.35%.

Overall production in the current period was 76,811 bags against 70,877 bags in the corresponding period. Actual production in 20's converted was 81,070 bags (8,107,000 Lbs). During the current period the single yarn processed at the doubling plant and produced 31,912 bags compared to 26,016 bags in the corresponding period. Overall production performance could have been much better, but the frequent shut downs in electric supply from WAPDA affected the total output.

Operating expenses stood at Rs. 12.65 million for the current period compared to Rs.14.65 million in the corresponding period. This is due to better management in the sales policy. There is an operating Profit of Rs. 4.91 million against operating loss of Rs. 82.55 million in the corresponding period.

Building Material Division

The production of this division has increased due to comparatively more availability of bagasse. In the current period 2,332 cubic

meters of particle board was produced as compared to 1,238 cubic meters in the corresponding period.

Sales revenue of the building material division stood at Rs. 24.03 million as compared to 19.51 million in the corresponding period of last year. Gross profit margin increased from 1.56% to 13.56% in the 1st half of the current year mainly due to increased production and improvement in average selling price.

Investment

During the first half of the year, the stock market started showing signs of improvements after a long slump. Although there has been a sustained diminution in the values of our investments based on stock market pricing, however the underlying values of these investments are still robust. The management feels to incorporate the diminution in the value by making the provision of Rs.115.97 million in the current period. We expect the reversal of these values in a short time horizon.

Overall Results

During the first half of the year under review, company has a net loss of Rs. 725.04 million (including provision of diminution the value of investment Rs.115.9 million and Mark to market Rs.116.38 Million) against loss of Rs. 427.98 million in corresponding period.

Administrative and general expenses stood at Rs. 102.73 million compared to Rs. 119.80 million in the corresponding period. These expenses were decreased due to control measures to reduce cost. The financial charges have decreased from Rs. 655.32 million to Rs. 540.66 million due to lower level of borrowing and decrease in average borrowing rates.

As mentioned earlier, due to the sustained effect of adverse business environment in core areas of our operations the company has been under a financial pressure which was further aggravated because of the global slump and extremely unusual economic conditions worldwide.

The management is cognizant of the fact

that major cost reductions and re-profiling of company's debt structure is of primary importance. We feel that with 40 years of experience and history of extremely efficient operations, our market positioning and underlying value of our core assets this temporary phase of adversity will be comfortably met. The rationalization of operations is underway which will yield major cost reductions. A major debt re-profiling exercise has been almost completed as at the half year end.

Going Concern Assumption

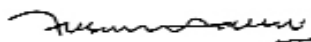
The financial statements of the company were under a limited scope review by the Auditors A. Ferguson & Co., Chartered Accountants. The auditors have however given an unqualified opinion with an emphasis matter paragraph in their report to the members. The management is confident that through the restructuring of borrowings which has been agreed by the banks and restructuring agreement signed by the banks and generation of adequate liquidity through disposal of identified assets at profit your company will be able to continue its operation for the foreseeable future.

Future Outlook

In the present uncertain conditions it is the most difficult job to make categorical statements on the future outlook of any business. Any predictions and projections for an industry relying on agricultural raw materials are even more difficult due to the vagaries of weather and climatic conditions. A number of our operational capabilities are interlinked with the production results of our core business, sugar manufacturing. We have taken a number of remedial and protective measures to insulate the company from the impact of global economic meltdown. On the positive side the sugar commodity prices are firm and are expected to improve further, which would result in positive contribution to company's earnings. Our positioning the industry as one of the largest integrated unit gives a competitive edge over other manufacturers. We intend

to leverage this competitive edge and operate at highest efficiency to cater for any further negative impacts. While sugar and ethanol business is expected to do better in the coming months, textile business will remain under pressure. However our buying strategy for cotton has resulted in adequate raw material at lower prices and this will give us some opportunity to maximize profits in the remaining months. Our alternate energy plant continues to positively contribute to the revenues and adequate raw material available can source this revenue with further increase.

On behalf of the Board



Chief Executive Officer

May 31, 2010



AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

A. F. Ferguson & Co.
Chartered Accountants
23-C, Aziz Avenue, Canal Bank
Gulberg V, P.O. Box 39,
Lahore - 54660, Pakistan.
Telephone: (042) 3571 5864-71
Fax: (042) 3571 5872

Introduction

We have reviewed the accompanying condensed interim balance sheet of Shakarganj Mills Limited (here-in-after referred to as the "company") as at March 31, 2010 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity for the half year then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended March 31, 2009 and 2010 have not been reviewed, as we are required to review only the cumulative figures for the half year ended March 31, 2010.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended March 31, 2010 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Without qualifying our conclusion, we draw attention to note 1.2 to the financial statements. The company has incurred net loss of Rs 725.04 million during the period, its current liabilities have exceeded its current assets by Rs 4,395.63 million and the equity is in negative. The implementation of restructuring agreements for bridge finance and cash finance is in process and agreements for restructuring of long term loans and lease facilities are also in process.

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

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

Chartered Accountants



Lahore

Name of engagement partner:

Muhammad Masood

May 31, 2010

CONDENSED INTERIM BALANCE SHEET

AS AT MARCH 31, 2010 (UN-AUDITED)

| | Note | March 31, 2010 (Rupees in thousand) | September 30, 2009 |
|--|------|---|-----------------------|
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorised capital | | | |
| 80,000,000 (September 30, 2009: 80,000,000) | | | |
| ordinary shares of Rs 10 each | | 800,000 | 800,000 |
| 50,000,000 (September 30, 2009: 50,000,000) | | | |
| preference shares of Rs 10 each | | 500,000 | 500,000 |
| | | 1,300,000 | 1,300,000 |
| | | | |
| Issued, subscribed and paid up capital | | | |
| 69,523,798 (September 30, 2009: 69,523,798) | | | |
| ordinary shares of Rs 10 each | | 695,238 | 695,238 |
| Reserves | | 962,544 | 963,215 |
| Accumulated loss | | (2,375,799) | (1,650,770) |
| | | (718,017) | 7,683 |
| | | | |
| SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT | | 1,699,433 | 1,699,444 |
| | | | |
| NON-CURRENT LIABILITIES | | | |
| Long term finances | 6 | 1,050,842 | 1,283,446 |
| Liabilities against assets subject to finance lease | | 107,476 | 153,775 |
| Employees' retirement benefits | | 12,683 | 12,314 |
| Deferred income | | 3,809 | 5,312 |
| | | 1,174,810 | 1,454,847 |
| | | | |
| CURRENT LIABILITIES | | | |
| Current portion of long term liabilities | | 1,905,441 | 1,763,566 |
| Short term borrowings - secured | | 3,628,497 | 4,054,535 |
| Trade and other payables | | 2,760,942 | 936,374 |
| Accrued finance cost | | 778,895 | 610,572 |
| | | 9,073,775 | 7,365,047 |
| | | | |
| CONTINGENCIES AND COMMITMENTS | 7 | 9,073,775 | 7,365,047 |
| | | 11,230,001 | 10,527,021 |

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.



 Chief Executive



| | Note | March 31, 2010 (Rupees in thousand) | September 30, 2009 |
|--|------|---|-----------------------|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 8 | 5,298,732 | 6,385,995 |
| Intangible assets | | 846 | 1,001 |
| Assets subject to finance lease | | 231,251 | 535,630 |
| Capital work-in-progress | | 107,319 | 350,667 |
| Biological assets | | 9,838 | 10,781 |
| Investments - related parties | 9 | 820,441 | 906,896 |
| Long term loans, advances, deposits and prepayments | | 83,429 | 99,784 |
| | | 6,551,856 | 8,290,754 |

CURRENT ASSETS

| | | | |
|---|----|-------------------|------------|
| Biological assets | | 24,237 | 25,708 |
| Stores, spares and loose tools | | 113,907 | 112,774 |
| Stock-in-trade | | 1,887,341 | 1,022,608 |
| Trade debts | | 34,704 | 13,696 |
| Investments | 10 | 149,114 | 260,322 |
| Loans, advances, deposits, prepayments and other receivables | | 205,998 | 140,929 |
| Cash and bank balances | | 289,879 | 24,508 |
| | | 2,705,180 | 1,600,545 |
| Non-current assets held for sale | 11 | 1,972,965 | 635,722 |
| | | 4,678,145 | 2,236,267 |
| | | 11,230,001 | 10,527,021 |


Chairman

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

FOR THE 2ND QUARTER AND HALF YEAR ENDED MARCH 31, 2010 (UN-AUDITED)

| | Note | Quarter ended | | Half year ended | |
|---|-----------|--------------------|-------------|--------------------|-------------|
| | | March | March | March | March |
| | | 31, 2010 | 31, 2009 | 31, 2010 | 31, 2009 |
| (Rupees in thousand) | | | | | |
| Continuing Operations: | | | | | |
| Sales | 12.1 | 1,723,077 | 1,930,439 | 4,506,723 | 3,247,883 |
| Cost of sales | 12.2 | (1,877,158) | (1,727,834) | (4,124,086) | (2,858,141) |
| Gross profit / (loss) | | (154,081) | 202,605 | 382,637 | 389,742 |
| Administrative expenses | | (55,331) | (68,110) | (102,727) | (119,803) |
| Distribution and selling costs | | (41,827) | (43,046) | (54,321) | (66,811) |
| Other operating expenses | | (116,376) | (17,166) | (142,321) | (34,114) |
| Other operating income | | 36,813 | 35,040 | 47,324 | 57,252 |
| Profit / (loss) from operations | | (330,802) | 109,323 | 130,592 | 226,266 |
| Finance cost | | (261,203) | (316,387) | (540,663) | (655,323) |
| Loss before taxation | | (592,005) | (207,064) | (410,071) | (429,057) |
| Taxation | | (8,197) | (7,951) | (24,036) | (8,304) |
| Loss for the period from continuing operations | | (600,202) | (215,015) | (434,107) | (437,361) |
| Discontinued Operations: | | | | | |
| (Loss)/profit for the period from discontinued operations | | (281,788) | 9,440 | (290,933) | 9,377 |
| Loss for the period | | (881,990) | (205,575) | (725,040) | (427,984) |
| Loss per share from continuing operations | | | | | |
| - basic | 13 Rupees | (8.63) | (3.09) | (6.24) | (6.29) |
| - diluted | 13 Rupees | (8.63) | (3.09) | (6.24) | (6.29) |
| Loss per share from discontinued operations | | | | | |
| - basic | 13 Rupees | (4.05) | 0.14 | (4.18) | 0.13 |
| - diluted | 13 Rupees | (4.05) | 0.14 | (4.18) | 0.13 |

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.



Chief Executive



Chairman



CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE 2ND QUARTER AND HALF YEAR ENDED MARCH 31, 2010 (UN-AUDITED)

| | Quarter ended | | Half year ended | |
|--|-------------------|-------------------|-------------------|-------------------|
| | March 31, 2010 | March 31, 2009 | March 31, 2010 | March 31, 2009 |
| (Rupees in thousand) | | | | |
| Loss for the period | (881,990) | (205,575) | (725,040) | (427,984) |
| Other comprehensive income | | | | |
| Changes in fair value of available for sale investments | 114,481 | (299,514) | (671) | (438,968) |
| Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation | 11 | 11 | 11 | 11 |
| Total comprehensive income for the period | (767,498) | (505,078) | (725,700) | (866,941) |

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.


Chief Executive


Chairman

CONDENSED INTERIM CASH FLOW STATEMENT

HALF YEAR ENDED MARCH 31, 2010 (UN-AUDITED)

| | Note | Half year ended | |
|---|------|---|-------------------|
| | | March 31, 2010 (Rupees in thousand) | March 31, 2009 |
| Cash flow from operating activities | | | |
| Cash generated from operations | 14 | 1,011,664 | 526,891 |
| Finance cost paid | | (372,340) | (580,742) |
| Taxes paid | | (8,205) | (14,173) |
| Employees' retirement benefits paid | | (6,206) | (3,773) |
| Net (increase) / decrease in long term advances, loans, deposits and prepayments | | (4,302) | 1,460 |
| Net cash generated from / (used in) operating activities | | 620,611 | (70,337) |
| Cash flows from investing activities | | | |
| Fixed capital expenditure | | (29,276) | (291,170) |
| Investment made | | - | (2,250) |
| Proceeds from sale of investments | | 200,969 | - |
| Dividend received | | 6,752 | 11,640 |
| Income from bank deposits received | | 12,287 | 3,979 |
| Sale proceeds from sale of livestock | | 699 | 174 |
| Sale proceeds from sale of property, plant and equipment | | 5,445 | 1,313 |
| Net cash generated from / (used in) investing activities | | 196,876 | (276,314) |
| Cash flows from financing activities | | | |
| Repayment of long term finances | | (109,810) | (181,463) |
| Net (decrease) / increase in short term borrowings - secured | | (426,038) | 350,660 |
| Finance lease liabilities - net | | (16,268) | (72,871) |
| Net cash (used in) / generated from financing activities | | (552,116) | 96,326 |
| Net increase / (decrease) in cash and cash equivalents | | 265,371 | (250,325) |
| Cash and cash equivalents at the beginning of the period | | 24,508 | 346,394 |
| Cash and cash equivalents at the end of the period | | 289,879 | 96,069 |

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.



 Chief Executive



 Chairman



CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY HALF YEAR ENDED MARCH 31, 2010 (UN-AUDITED)

(Rupees in thousand)

| Share Capital | Reserve for Bonus Issue | Reserves | | | | | | Accumulated (Loss)/ Profit | Total | | | |
|---------------|-------------------------|-----------------|--------------------|---|-----------------|---------|-----------------------|----------------------------|---------|---|-------------|-----------|
| | | Capital Reserve | | | Revenue Reserve | | | | | | | |
| | | Share Premium | Fair Value Reserve | Difference of Capital Under Arrangement of Merger | Sub - Total | General | Dividend Equalization | | | Equity/Investment Market Value Equalization | Sub - Total | |
| 695,238 | - | 243,282 | 169,044 | 155,930 | 568,256 | 410,606 | 22,700 | 83,000 | 516,306 | 1,084,562 | (159,546) | 1,620,254 |
| - | - | - | - | - | - | - | - | - | - | - | (427,984) | (427,984) |
| - | - | - | (438,968) | - | (438,968) | - | - | - | - | (438,968) | - | (438,968) |
| - | - | - | - | - | - | - | - | - | - | - | 11 | 11 |
| - | - | - | (438,968) | - | (438,968) | - | - | - | - | (438,968) | 11 | (438,957) |
| - | - | - | (438,968) | - | (438,968) | - | - | - | - | (438,968) | (427,973) | (866,941) |
| 695,238 | - | 243,282 | (269,924) | 155,930 | 129,288 | 410,606 | 22,700 | 83,000 | 516,306 | 645,594 | (587,519) | 753,313 |
| 695,238 | - | 243,282 | 47,697 | 155,930 | 446,909 | 410,606 | 22,700 | 83,000 | 516,306 | 963,215 | (1,650,770) | 7,683 |
| - | - | - | (106,439) | - | (106,439) | - | - | - | - | (106,439) | - | (106,439) |
| - | - | - | (10,202) | - | (10,202) | - | - | - | - | (10,202) | - | (10,202) |
| - | - | - | 115,970 | - | 115,970 | - | - | - | - | 115,970 | - | 115,970 |
| - | - | - | - | - | - | - | - | - | - | - | 11 | 11 |
| - | - | - | (671) | - | (671) | - | - | - | - | (671) | 11 | (660) |
| - | - | - | (671) | - | (671) | - | - | - | - | (671) | (725,029) | (725,700) |
| 695,238 | - | 243,282 | 47,026 | 155,930 | 446,238 | 410,606 | 22,700 | 83,000 | 516,306 | 962,544 | (2,375,799) | (718,017) |

Balance as on September 30, 2008
Loss for the period
Other comprehensive income for the period
 Fair value loss during the period
 Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation- net of tax
Total other comprehensive income for the period
Total comprehensive income for the period

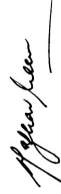
Balance as on March 31, 2009
Loss for the period
Other comprehensive income for the period
 Fair value loss during the period
 Transferred to profit and loss account on derecognition of shares
 Impairment loss recognized during the period
 Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation- net of tax
Total other comprehensive income for the period
Total comprehensive income for the period

Balance as on March 31, 2010

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.



Chief Executive



Chairman



NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE QUARTER AND HALF YEAR ENDED MARCH 31, 2010 (UN-AUDITED)

1. The company and its operations

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

1.2 Going concern assumption

The company has faced liquidity crunch during the current and the prior periods due to a variety of factors including low levels of cane procurement and consequent low level of crushing, continued financing of assets and operations through high level of borrowings and an overall sugar industry crisis during the previous year in which sugar prices were capped by the government authorities. The company has incurred a loss of Rs 725.040 million during the current period (including impairment loss on investments of Rs 115.970 million) and the current liabilities have exceeded the current assets by Rs 4,395.630 million and the equity is in negative. The company could not timely meet its obligations to repay long term loans, liabilities against assets subject to finance lease and the markup accrued thereon.

The Company entered into negotiations with the lenders (as a consortium) to restructure its borrowings and the restructuring agreements were signed by the company and the lenders by February 16, 2010. As per the restructuring plan, certain lenders of the company have agreed to provide, as a consortium, a bridge loan facility payable in installments by June 2011 amounting to Rs 2,466 million and extended short term running finance facility to the extent of Rs 2,980 million up to October 31, 2010.

As per the above restructuring plan agreed with the lenders, the bridge finance will be repaid through the sale of assets of the company in installments, and further injection of equity of Rs 300 million by June 2011. Following is the detail of the assets (at their carrying value) to be disposed of by the company to retire the bridge loan.

| Assets | (Rupees in thousands) |
|---|------------------------------|
| Agricultural Land | 906,558 |
| Complete disposal of investment in shares of : | |
| - Safeway Mutual Fund Limited | 270,240 |
| - Asian Stocks Fund Limited | 215,790 |
| Partial disposal of investment in shares of | |
| Shakarganj Foods Products Limited | 200,000 |
| Plant and machinery at Mian Muhammad Sugar Mill | 194,787 |
| SML Power Division - Dargai Shah | 149,692 |
| Residential and commercial plots | 181,000 |
| Turbines | 25,000 |
| | 2,143,067 |

The management expects to sell the aggregate assets at a profit to the carrying value given above. In case the company is unable to sell these assets by their respective committed dates as per the agreement, it will be considered an event of default and the company will be required to sell off one of its three units to repay the bridge loan. As per the committed dates for disposal of above assets, Rs 2,056 million are repayable by March 31, 2011 and Rs 1,556 million are repayable by September 30, 2010.



However, the Company, anticipating delays in sale of agricultural land, decided to spin off the assets of its sugar unit located at Dargai Shah through competitive bidding and approval for the same was obtained in the Board of Directors' Meeting held on March 4, 2010. The bidding is expected to be finalized in the month of May 2010 and the management expects to sell the unit at a profit over the carrying amounts as identified in 'Long term assets held for sale' in note 11.3.

The bridge loan is secured against:

- a pari passu charge over all present and future fixed assets of the company (excluding land and building);
- first mortgage/charge over immovable property of the company;
- personal guarantees of Mr. Anjum Saleem and Mr. Ahsan Saleem;
- an irrevocable and unconditional commitment from Shakarganj Energy (Private) Limited (SEL) to purchase the energy plant at Dargai Shah at an aggregate value of Rs 300 million secured back to back by pledge of marketable securities valuing Rs 573 million owned by Crescent Steel and Allied Products Limited, an associated company; and
- pledge of shares in Shakarganj Food Products Limited.

Additionally, the lenders will create a lien on a special reserve account, where the proceeds from the sale of assets and a unit, if required, of the company will be deposited.

The restructured short term running finance is secured against pledge of refined sugar at a margin. Additionally, the lenders will create a lien on a 'collection account' where proceeds from realisation of receivables will be deposited.

The finalisation of above security arrangements is currently in process.

The company is also in the process of renegotiating the existing long term loans and finance lease obligations with lenders and expects relaxation in payment periods will be given by the lenders.

The accrued markup is payable immediately.

The condensed interim financial information has been prepared on a going concern basis. The management is confident that, through the restructuring of its borrowings, it will be able to get positive results from the next financial year. The management also believes that it will be able to generate adequate liquidity through disposal of the assets identified above to retire the Bridge finance, and that the company will be able to continue its operations for the foreseeable future without curtailing materially its operations. These financial statements consequently, do not include any adjustments relating to the realisation of its assets and liquidation of any liabilities that might be necessary should the company be unable to continue as a going concern.

2. Statement of compliance

This condensed interim financial information is un-audited and is being submitted to the members as required by section 245 of the Companies Ordinance, 1984. The condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 'Interim Financial Reporting' and have been reviewed by the auditors as required by the Code of Corporate Governance. The condensed interim financial information should be read in conjunction with the the annual financial statements for the year ended September 30, 2009.

3. Significant Accounting Policies

Except as disclosed below, the accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding annual published financial statements of the company for the year ended September 30, 2009.

IAS 1 (Revised), 'Presentation of financial statements' - effective October 01, 2009. The revised standard prohibits the presentation of items of income and expenses (that is 'nonowner 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 'nonowner changes in equity' are required to be shown in a performance statement. Companies can choose whether to present one performance statement (the statement of comprehensive income) or two statements (profit and loss account and statement of comprehensive income). The Company has preferred to present two statements.

IFRS 8, 'Operating segments' - effective October 01, 2009. This standard requires disclosure of information about the company's operating segments based on the Company's internal reporting structure and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the company. Adoption of this standard did not have any effect on the financial position or performance of the company. Farms division, which was previously considered a part of the Sugar segment, is now classifiable as a separate segment under IFRS 8. Segment information is given in note 12.

4. Seasonality of operations

Due to seasonal nature of sugar segment lower operating profits are usually expected in the second half of the year than the first six months.

5. The provision for taxation for the half year ended March 31, 2010 has been made on an estimated basis.

| | Note | March 31, 2010 (Rupees in thousand) | September 30, 2009 |
|---|------|---|-----------------------|
| 6. Long term finances | | | |
| Opening balance | | 2,849,736 | 2,930,753 |
| Add: Disbursements during the period | | - | 199,950 |
| Add: Reclassified from held for sale to long term liability | | - | 22,243 |
| | | 2,849,736 | 3,152,946 |
| Less: Repayments during the period | | (109,810) | (303,210) |
| | | 2,739,926 | 2,849,736 |
| Less: Current portion shown under current liabilities | 6.1 | (1,689,084) | (1,566,290) |
| | | 1,050,842 | 1,283,446 |

- 6.1 The aggregate current portion of Rs 1,689 million (September 30, 2009: Rs 1,566 million) includes over-due installments of principal aggregating to Rs 730.218 million (September 30, 2009: Rs 585.932 million). As referred to in note 1.2, the company is negotiating with the lenders for rescheduling of the above loans for relaxation in payment period. The lenders, currently engaged with the company for finalisation of restructuring agreements, have neither demanded for repayment of loans nor charged any significant penalties. Furthermore, none of the banks have sought intervention of courts for realisation of their financing in the company. The company is confident that the above loans will be rescheduled by the lenders as referred to in note 1.2.



7. Contingencies and commitments

7.1 Contingencies

- (i) Consequent upon filing of petition by the company in honorable Lahore High Court to set aside SRO 655(1)/2007, through which special excise duty was levied with effect from July 1, 2007, the company has not provided for an amount of Rs 15.487 million on account of special excise duty leviable on sale of sugar. The honourable court has provided an interim relief to the company in the form of a stay order and the final decision of the court is yet to be made. The management considers that the petition will be decided in their favour setting aside the provisions under the above SRO.
- (ii) The company has issued following guarantees:
- Bank guarantee of Rs 86.50 million (September 30, 2009: Rs 86.50 million) in favour of Sui Northern Gas Pipelines Limited against performance of contracts.
 - Cross corporate guarantee in favour of Allied Bank Limited to secure long term finance facility availed by the company's associated undertaking, Shakarganj Food Products Limited of Rs 467 million (September 30, 2009: Rs 467 million).
 - The company has issued a post dated cheque in favour of the Collector of Customs against custom duty clearance in respect of import of plant and machinery amounting to Rs 5.040 million (September 30, 2009: Rs 5.040 million).

7.2 Commitments

The company has the following commitments in respect of:

- (ii) Contracts for capital expenditure amounting to Rs 71.213 million (September 30, 2009: Rs 71.213 million).
- (iii) Contracts for acquisition of intangible assets (computer software) amounting to Rs 20 million (September 30, 2009: Rs 20 million).
- (iv) Contract for other than capital expenditure Rs 44.26 million (September 30, 2009: Rs 5.008 million)
- (v) The amount of future payments under operating leases and the period in which these payments will become due are as follows:

| | March 31, 2010 (Rupees in thousand) | September 30, 2009 |
|--|--|-----------------------|
| Not later than one year | 7,996 | 27,037 |
| Later than one and not later than five years | 31,984 | 30,139 |
| | 39,980 | 57,176 |

| | Note | March 31, 2010 (Rupees in thousand) | September 30, 2009 |
|---|-------|---|-----------------------|
| 8. Property, Plant and Equipment | | | |
| Opening book value | | 6,385,995 | 5,304,266 |
| Add: Additions during the period | 8.1 | 79,457 | 880,730 |
| Add: Transferred from non-current assets held for sale | | - | 1,005,992 |
| Add: Revaluations during the period | | - | (303,490) |
| | | 6,465,452 | 6,887,498 |
| Less: Disposals during the period (at book value) | | 1,099 | 108,857 |
| Depreciation charged during the period | | 186,696 | 392,646 |
| Classified as held for disposal (at book value) | | 978,925 | - |
| | | 1,166,720 | 501,503 |
| Closing book value | | 5,298,732 | 6,385,995 |
| 8.1 Additions during the period | | | |
| Land | | 1,538 | 8,181 |
| Building on freehold land | | 4,864 | 37,811 |
| Plant and machinery | | 60,105 | 716,834 |
| Tools and equipment | | 6 | 3,426 |
| Water, electric and weighbridge equipments | | 1,649 | 102,160 |
| Furniture and fixtures | | 104 | 535 |
| Office equipment | | 51 | 937 |
| Vehicles | | 10,947 | 10,700 |
| Arms and ammunition | | 156 | 69 |
| Library books | | 37 | 77 |
| | | 79,457 | 880,730 |
| 9. Investments - related parties | | | |
| Available for sale | 9.1 | 820,441 | 735,896 |
| Advance against purchase of shares in associated company - Shakarganj Food Products Limited | | - | 171,000 |
| | | 820,441 | 906,896 |
| 9.1 Available for sale | | | |
| At cost: | | | |
| Subsidiary company - Safeway Fund Limited | 9.1.1 | - | 243,757 |
| Associated companies | | 800,222 | 631,085 |
| Others | | 2,200 | 2,200 |
| | | 802,422 | 877,042 |
| Add: Cumulative fair value gain | | 23,219 | 24,944 |
| Less: Cumulative impairment losses recognized | | (5,200) | (166,090) |
| Fair value gain | | 18,019 | (141,146) |
| | | 820,441 | 735,896 |



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

| | Note | March 31, 2010 (Rupees in thousand) | September 30, 2009 |
|--|------|---|-----------------------|
| 10. Short term investments | | | |
| Available for sale | 10.1 | 149,114 | 254,136 |
| Held for trading | | - | 6,186 |
| | | 149,114 | 260,322 |
| 10.1 Available for sale | | | |
| Others - at cost | | 125,307 | 263,656 |
| | | 125,307 | 263,656 |
| Add: Cumulative fair value gain | | 23,807 | 22,753 |
| Less: Cumulative impairment losses recognized | 10.2 | - | (32,273) |
| Fair value gain | | 23,807 | (9,520) |
| | | 149,114 | 254,136 |
| 10.2 Impairment losses | | | |
| Opening balance | | 32,273 | - |
| Add: impairment loss recognized during the period | | - | 32,273 |
| Less: impairment loss adjusted upon derecognition of investments | | (32,273) | - |
| Closing balance | | - | 32,273 |

11. Non-current assets held for sale and discontinued operations

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

| | Note | March 31, 2010 (Rupees in thousand) | September 30, 2009 |
|---|------|---|-----------------------|
| (a) Non-current assets classified as held for sale | | | |
| Investment in subsidiary companies at market value | 11.1 | 370,060 | 486,030 |
| Power Division - Dargai Shah | 11.2 | 155,537 | 149,692 |
| Sugar Division - Dargai Shah | 11.3 | 1,121,281 | - |
| Engineering Division - Faisalabad | 11.4 | - | - |
| Non-operative plant and machinery - Azad Jammu & Kashmir | 11.5 | 194,787 | - |
| 6 Kanal land - Faisalabad | 11.5 | 36,036 | - |
| 52 kanal land - Jhang | 11.5 | 95,264 | - |
| | | 1,972,965 | 635,722 |

| Note | Quarter ended | | Half year ended | |
|------|-------------------|-------------------|-------------------|-------------------|
| | March 31, 2010 | March 31, 2009 | March 31, 2010 | March 31, 2009 |

(Rupees in thousand)

(b) Analysis of the results of discontinued operations
(i) Analysis of the loss/(profit) for the period

| | | | | |
|------------------------------------|------|------------------|---------|------------------|
| Investment in subsidiary companies | | | | |
| at market value | 11.1 | (115,970) | 11,057 | (115,970) |
| Power Division - Dargai Shah | 11.2 | - | - | - |
| Sugar Division - Dargai Shah | 11.3 | (165,818) | (2,747) | (174,963) |
| Engineering Division - Faisalabad | 11.4 | - | 1,130 | - |
| | | (281,788) | 9,440 | (290,933) |

| Note | Half year ended | |
|------|-------------------|-------------------|
| | March 31, 2010 | March 31, 2009 |

(Rupees in thousand)

(ii) Analysis of the cash flows for the period

| | | | |
|------------------------------------|------|------------|-----------|
| Investment in subsidiary companies | | | |
| at market value | 11.1 | - | 11,057 |
| Power Division - Dargai Shah | 11.2 | (5,860) | (69,700) |
| Sugar Division - Dargai Shah | 11.3 | 6,672 | (214,097) |
| Engineering Division - Faisalabad | 11.4 | - | - |
| | | 812 | (272,740) |

11.1 Investment in subsidiary companies at market value

(a) Non-current assets classified as held for sale

Safeway Mutual Fund Limited (quoted)

29,215,143 (September 2009: 29,215,143)

fully paid ordinary shares of Rs 10 each.

Equity held 53.65% (September 2009: 53.65%)

290,792 290,792

Asian Stocks Fund Limited (quoted)

37,528,673 (September 2009: 37,528,673)

fully paid ordinary shares of Rs 10 each.

Equity held 41.7% (September 2009: 41.7%)

334,770 334,770

Fair value loss

625,562 625,562
(255,502) (139,532)

370,060 486,030



| Quarter ended | | Half year ended | |
|-------------------|-------------------|-------------------|-------------------|
| March 31, 2010 | March 31, 2009 | March 31, 2010 | March 31, 2009 |

(Rupees in thousand)

(b) Analysis of the result of discontinued operation

(i) Analysis of the profit for the period

| | | | | |
|--------------------------------|-----------|--------|-----------|--------|
| Other operating expenses | (115,970) | - | (115,970) | - |
| Other operating income | - | 11,057 | - | 11,057 |
| (Loss) / profit for the period | (115,970) | 11,057 | (115,970) | 11,057 |

(ii) Analysis of the cash flows for the period

| | | | | |
|----------------------|--|--|---|--------|
| Investing cash flows | | | - | 11,057 |
|----------------------|--|--|---|--------|

11.2 Power Division - Dargai Shah

Pursuant to the approval of the Board of Directors of the Company for sale of assets of sugar manufacturing facility in Dargai Shah, the management commenced an active plan to locate the buyer for this facility as referred to in note 1.2. Consequently, this has been classified as non-current asset held for sale.

**March 31,
2010** September 30,
2009
(Rupees in thousand)

(a) Non-current assets classified as held for sale

| | | |
|--------------------------|----------------|---------|
| Intangibles | 609 | 624 |
| Capital work in progress | 154,928 | 149,068 |
| | 155,537 | 149,692 |

Half year ended

**March 31,
2010** March 31,
2009
(Rupees in thousand)

(b) Analysis of the result of discontinued operation

Analysis of the cash flows for the period

| | | |
|----------------------|----------------|----------|
| Investing cash flows | (5,860) | (69,700) |
|----------------------|----------------|----------|

**March 31,
2010** September 30,
2009
(Rupees in thousand)

11.3 Sugar Division - Dargai Shah

(a) Non-current assets classified as held for sale

| | | |
|---------------------------------|------------------|---|
| Property, plant and equipment | 847,624 | - |
| Assets subject to finance lease | 236,275 | - |
| Capital work-in-progress | 37,382 | - |
| | 1,121,281 | - |

(b) Analysis of the result of discontinued operation

| | Quarter ended | | Half year ended | |
|--|----------------------|-------------------|-------------------|-------------------|
| | March 31, 2010 | March 31, 2009 | March 31, 2010 | March 31, 2009 |
| | (Rupees in thousand) | | | |
| (i) Analysis of the loss for the period | | | | |
| Sales | 418,747 | - | 511,204 | - |
| Other operating income | - | - | 113 | - |
| | 418,747 | - | 511,317 | - |
| Expenses | | | | |
| Cost of sales | (573,686) | - | (671,851) | - |
| Administrative expenses | (5,513) | (2,740) | (8,246) | (2,740) |
| Distribution and selling costs | (210) | (7) | (1,027) | (7) |
| Other operating expenses | (5,156) | - | (5,156) | - |
| | (584,565) | (2,747) | (686,280) | (2,747) |
| Loss before taxation | (165,818) | (2,747) | (174,963) | (2,747) |
| Taxation | - | - | - | - |
| Loss for the period | (165,818) | (2,747) | (174,963) | (2,747) |

| | Half year ended | |
|---|----------------------|-------------------|
| | March 31, 2010 | March 31, 2009 |
| | (Rupees in thousand) | |
| (ii) Analysis of the cash flows for the period | | |
| Operating cash flows | 40,320 | - |
| Investing cash flows | (33,648) | (214,097) |
| | 6,672 | (214,097) |



11.4 SML Engineering Division

Analysis of the result of discontinued operation

| | Quarter ended | | Half year ended | |
|--|----------------------|-------------------|-------------------|-------------------|
| | March 31, 2010 | March 31, 2009 | March 31, 2010 | March 31, 2009 |
| | (Rupees in thousand) | | | |
| (i) Analysis of the loss for the period | | | | |
| Sales | - | 5,381 | - | 32,327 |
| Less: intersegment sales | | (5,381) | | (32,327) |
| Other operating income | - | 1,863 | - | 2,684 |
| | - | 1,863 | - | 2,684 |
| Expenses | | | | |
| Cost of sales | - | (7,220) | - | (28,733) |
| Less: cost of own goods capitalised | - | 7,220 | - | 28,733 |
| Administrative expenses | - | (415) | - | (1,016) |
| Distribution and selling costs | - | (318) | - | (601) |
| | - | (733) | - | (1,617) |
| Loss before taxation | - | 1,130 | - | 1,067 |
| Loss for the period | - | 1,130 | - | 1,067 |

| Half year ended | |
|----------------------|-------------------|
| March 31, 2010 | March 31, 2009 |
| (Rupees in thousand) | |

(ii) Analysis of the cash flows for the period

| | | |
|----------------------|---|-------|
| Operating cash flows | - | 7,114 |
| Investing cash flows | - | 1,002 |
| | - | 8,116 |

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

13. Loss per share

13.1 Basic earnings per share

Continued operations

| | Quarter ended | | Half year ended | |
|---|-----------------------------|-------------------|----------------------|-------------------|
| | March 31, 2010 | March 31, 2009 | March 31, 2010 | March 31, 2009 |
| Loss for the period from continuing operations | Rupees (600,202,000) | (215,015,000) | (434,107,000) | (437,361,000) |
| Weighted average number of ordinary shares in issue during the period | Number 69,523,798 | 69,523,798 | 69,523,798 | 69,523,798 |
| Loss per share - basic | Rupees (8.63) | (3.09) | (6.24) | (6.29) |

Discontinued operations

| | | | | |
|---|-----------------------------|------------|----------------------|------------|
| Loss for the period from discontinued operations | Rupees (281,788,000) | 9,440,000 | (290,933,000) | 9,377,000 |
| Weighted average number of ordinary shares in issue during the period | Number 69,523,798 | 69,523,798 | 69,523,798 | 69,523,798 |
| (Loss) / earning per share - basic | Rupees (4.05) | 0.14 | (4.18) | 0.13 |

13.2 Diluted earnings per share

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

| | Quarter ended | | Half year ended | |
|---|-----------------------------|-------------------|----------------------|-------------------|
| | March 31, 2010 | March 31, 2009 | March 31, 2010 | March 31, 2009 |
| Continued operations | | | | |
| Loss for the period from continuing operations | Rupees (600,202,000) | (215,015,000) | (434,107,000) | (437,361,000) |
| Preference dividend on convertible preference shares | Rupees 7,327,175 | 7,327,175 | 14,654,351 | 14,654,351 |
| Loss used to determine diluted earnings per shares | Rupees (592,874,825) | (207,687,825) | (419,452,649) | (422,706,649) |
| Weighted average number of ordinary shares in issue during the period | Number 69,523,798 | 69,523,798 | 69,523,798 | 69,523,798 |
| Assumed conversion of convertible preference shares into ordinary shares | Number 5,774,108 | 5,774,108 | 5,774,108 | 5,774,108 |
| Weighted average number of ordinary shares for diluted earnings per share | Number 75,297,906 | 75,297,906 | 75,297,906 | 75,297,906 |
| Loss per share - diluted | Rupees (7.87) | (2.76) | (5.57) | (5.61) |

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

Discontinued operations

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

Half year ended

| March 31, 2010 | March 31, 2009 |
|-----------------------------|-------------------|
| (Rupees in thousand) | |

14. Cash generated from operating activities

| | | |
|---|------------------|-----------|
| Loss before taxation | (701,004) | (419,680) |
| Adjustments for: | | |
| Depreciation in / amortization on: | | |
| - property, plant and equipment | 186,696 | 179,637 |
| - assets subject to finance lease | 20,737 | 19,288 |
| - intangible assets | 170 | 188 |
| - deferred income | (1,503) | (1,848) |
| Profit on sale of property, plant and equipment | (3,829) | (935) |
| Profit on sale of biological assets | (37) | (23) |
| Impairment of investments classified as available for sale | 115,970 | - |
| Gain on sale of investments | (3,977) | - |
| Unrealized loss on investments held for trading | - | 12,477 |
| Interest from bank deposits | (12,287) | (3,979) |
| Provision for employees' retirement benefits | 6,575 | 6,761 |
| Provision against doubtful advances | 4,518 | - |
| Mark up earned on long term loan to an associate | (2,605) | (15,979) |
| Liabilities written back | - | (15,574) |
| Dividend income | (9,472) | (11,511) |
| Loss from agricultural activities classified under discontinued operations | 67,898 | 64,970 |
| Loss/(gain) on marked to market valuation of interest rate swap | 125,228 | (6,921) |
| Finance cost | 540,663 | 653,593 |
| | 1,034,745 | 880,144 |
| Profit before working capital changes | 333,741 | 460,464 |
| Effect on cash flow due to working capital changes: | | |
| Increase in stores and spares | (1,488) | (5,890) |
| Increase in stock in trade | (864,733) | (550,505) |
| Increase in trade debts | (21,008) | (59,389) |
| Increase in biological assets | (66,146) | (40) |
| (Increase) / decrease in loans, advances, deposits, prepayments and other receivables | (68,042) | 18,441 |
| Increase in trade and other payables | 1,699,340 | 663,810 |
| | 677,923 | 66,427 |
| | 1,011,664 | 526,891 |



Half year ended

| | |
|-----------------------------|------------------|
| March 31, | March 31, |
| 2010 | 2009 |
| (Rupees in thousand) | |

15. Transactions with related parties

| Relationship with the company | Nature of transactions | | |
|--------------------------------------|--|-----------------------------|---------------------------|
| i. Subsidiary | Dividend received | 6,752 | 7304 |
| ii. Associated undertakings | Mark up charged to associated company | - | 15,386 |
| | Dividend received | 2,720 | 3,753 |
| | Funds received and paid during the period | 40,148 | |
| | Purchase of goods and services | 24 | 52,169 |
| | Sale of goods | 25,159 | 2,324 |
| | Interest bearing advances extended to associated company | 1,000 | 1,000 |
| | Advances to associated undertaking | 20,000 | - |
| | Share of common expenses | 6,757 | 3,150 |
| iii. Post employment benefit plans | Expense charged in respect of retirement benefit plans | 6,575 | 8,250 |
| iv. Key Management Personnel | Salaries and other employee benefits | 25,654 | 19,190 |
| | | March 31, 2010 | September 30, 2009 |
| | | (Rupees in thousand) | |
| Period-end balances | | | |
| | Receivable from related parties | 43,300 | 5,618 |
| | Payable to related parties | 106,649 | 5,332 |

16. Date of authorisation for issue

This condensed interim financial information was authorised for issue on May 31, 2010 by the Board of Directors of the company.

17. Corresponding figures

Previous period's figures have been rearranged, wherever necessary, for the purposes of comparison. In accordance with the requirements of International Financial Reporting Standard 5 'Long Term Assets Held for Sale', the results of operations of following have been re-presented from/into 'discontinued operations' as referred to in note 11:

Farms Division

Loss of Rs 28.904 million and Rs 84.933 million for the quarter and half year ended March 31, 2009 respectively has been re-classified from discontinued operations and included in loss from continuing operations.

Sugar Division - Dargai Shah

Loss of Rs 2.747 million for the quarter and half year ended March 31, 2009 has been re-classified from administrative expenses and distribution costs in continued operations and presented in discontinued operations in note 11.3.

Engineering Division - Faisalabad

Profit of Rs 1.130 million and Rs 1.067 million for the quarter and half year ended March 31, 2009 respectively has been re-classified from continued operations and presented in discontinued operations in note 11.4.



Chief Executive



Chairman



CONSOLIDATED INTERIM FINANCIAL STATEMENTS
As at March 31, 2010

CONSOLIDATED INTERIM BALANCE SHEET

AS AT MARCH 31, 2010

| | Note | March 31, 2010 Un-audited (Rupees in thousand) | September 30, 2009 Audited |
|---|------|---|----------------------------------|
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorized capital | | | |
| 80,000,000 (2008: 80,000,000) ordinary shares of Rs 10 each | | 800,000 | 800,000 |
| 50,000,000 (2008: 50,000,000) preference shares of Rs 10 each | | 500,000 | 500,000 |
| | | 1,300,000 | 1,300,000 |
| EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT | | | |
| Issued, subscribed and paid up capital | | | |
| 69,523,798 (2007: 57,936,498) ordinary shares of Rs 10 each | | 695,238 | 695,238 |
| Reserves | | 905,280 | 924,665 |
| Accumulated (loss)/profit | | (2,345,783) | (1,815,065) |
| | | (745,265) | (195,162) |
| MINORITY INTEREST | | 351,001 | 679,005 |
| | | (394,264) | 483,843 |
| SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT | | 1,699,433 | 1,699,444 |
| NON-CURRENT LIABILITIES | | | |
| Long term finances | 7 | 1,050,842 | 1,283,446 |
| Liabilities against assets subject to finance lease | | 107,476 | 153,775 |
| Employees' retirement benefits | | 12,683 | 12,314 |
| Deferred income | | 3,809 | 5,312 |
| Deferred taxation | | 8,500 | 8,950 |
| | | 1,183,310 | 1,463,797 |
| CURRENT LIABILITIES | | | |
| Current portion of long term liabilities | | 1,905,441 | 1,763,566 |
| Short term borrowings - secured | | 3,628,497 | 4,054,535 |
| Trade and other payables | | 2,760,942 | 937,391 |
| Accrued finance cost | | 778,895 | 610,572 |
| | | 9,073,775 | 7,366,064 |
| Liabilities directly associated with non current assets classified as held-for-sale | 13 | 2,057 | 1,628 |
| | | 9,075,832 | 7,367,692 |
| CONTINGENCIES AND COMMITMENTS | 8 | | |
| | | 11,564,311 | 11,014,776 |

The annexed notes 1 to 20 form an integral part of these financial statements.


Chief Executive



| | Note | March 31, 2010 Un-audited (Rupees in thousand) | September 30, 2009 Audited |
|---|------|---|----------------------------------|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 9 | 5,298,732 | 6,387,765 |
| Intangible assets | | 846 | 1,001 |
| Assets subject to finance lease | | 231,251 | 535,630 |
| Capital work-in-progress | | 107,319 | 350,667 |
| Biological assets | | 9,838 | 10,781 |
| Investments - related parties | 10 | 448,746 | 470,425 |
| Long term loans, advances, deposits, prepayments and other receivables | | 83,429 | 100,891 |
| | | 6,180,161 | 7,857,160 |
| CURRENT ASSETS | | | |
| Biological assets | | 24,237 | 25,708 |
| Stores, spares and loose tools | | 113,907 | 112,774 |
| Stock-in-trade | | 1,887,341 | 1,022,608 |
| Trade debts | | 34,704 | 13,696 |
| Investments | 11 | 149,114 | 260,322 |
| Loans, advances, deposits, prepayments and other receivables | | 205,999 | 143,780 |
| Cash and bank balances | 12 | 289,879 | 28,809 |
| | | 2,705,181 | 1,607,697 |
| Non-current assets held for sale | 13 | 2,678,969 | 1,549,919 |
| | | 5,384,150 | 3,157,616 |
| | | 11,564,311 | 11,014,776 |


Chairman

CONSOLIDATED INTERIM PROFIT AND LOSS ACCOUNT

FOR THE 2ND QUARTER AND HALF YEAR ENDED MARCH 31, 2010 (UN-AUDITED)

| | Note | Quarter ended | | Half year ended | |
|--|-----------|--------------------|-------------|--------------------|-------------|
| | | March | March | March | March |
| | | 31, 2010 | 31, 2009 | 31, 2010 | 31, 2009 |
| (Rupees in thousand) | | | | | |
| Continuing Operations: | | | | | |
| Sales | 14.1 | 1,740,863 | 1,936,736 | 4,524,509 | 3,260,569 |
| Cost of sales | 14.2 | (1,877,158) | (1,727,834) | (4,124,086) | (2,858,141) |
| Gross profit | | (136,295) | 208,902 | 400,423 | 402,428 |
| Administrative expenses | | (58,008) | (72,235) | (112,308) | (138,116) |
| Distribution and selling costs | | (41,827) | (43,046) | (54,321) | (66,811) |
| Other operating expenses | | (113,629) | (72,672) | (151,697) | (149,302) |
| Other operating income | | 81,447 | 45,133 | 100,602 | 125,992 |
| (Loss)/profit from operations | | (268,312) | 66,082 | 182,699 | 174,191 |
| Finance cost | | (261,197) | (316,388) | (540,665) | (655,326) |
| Share of (loss)/profit from associates | | (2,047) | (21,381) | (19,334) | (48,546) |
| Loss before taxation | | (531,556) | (271,687) | (377,300) | (529,681) |
| Taxation | | (8,515) | (7,973) | (26,753) | (9,279) |
| Loss for the year from continuing operations | | (540,071) | (279,660) | (404,053) | (538,960) |
| Discontinued operations: | | | | | |
| Profit/(loss) for the year from discontinued operations | | (133,723) | 109,648 | (91,862) | 30,055 |
| Loss for the year | | (673,794) | (170,012) | (495,915) | (508,905) |
| Attributable to: | | | | | |
| - Equity holders of the parent | | (688,832) | (192,187) | (530,729) | (480,191) |
| - Minority interest | | 15,038 | 22,175 | 34,814 | (28,714) |
| | | (673,794) | (170,012) | (495,915) | (508,905) |
| Combined profit (loss) per share from continued operations | | | | | |
| - Basic | Rupees 15 | (7.77) | (4.02) | (5.81) | (7.75) |
| - Diluted | Rupees 15 | (7.08) | (3.62) | (5.17) | (6.96) |
| Combined profit (loss) per share from discontinued operations | | | | | |
| - Basic | Rupees 15 | (2.14) | 1.26 | (1.82) | 0.85 |
| - Diluted | Rupees 15 | (2.14) | 1.26 | (1.82) | 0.85 |

The annexed notes 1 to 20 form an integral part of these financial statements.



Chief Executive



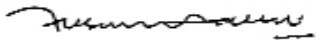
Chairman



CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE 2ND QUARTER AND HALF YEAR ENDED MARCH 31, 2010 (UN-AUDITED)

| | Quarter ended | | Half year ended | |
|--|----------------------|-------------------|-------------------|-------------------|
| | March 31, 2010 | March 31, 2009 | March 31, 2010 | March 31, 2009 |
| | (Rupees in thousand) | | | |
| Loss for the period | (688,832) | (192,187) | (530,729) | (480,191) |
| Other comprehensive income | | | | |
| Changes in fair value of available for sale investments | (38,086) | (162,370) | (17,086) | (279,540) |
| | (2,299) | (12,033) | (2,299) | (12,033) |
| Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation | 11 | 11 | 11 | 11 |
| Total comprehensive income for the period | (729,206) | (366,579) | (550,103) | (771,753) |

The annexed notes 1 to 20 form an integral part of these financial statements.



Chief Executive



Chairman

CONSOLIDATED INTERIM CASH FLOW STATEMENT

FOR THE HALF YEAR ENDED MARCH 31, 2010 (UN-AUDITED)

| | Note | March 31, 2010 (Rupees in thousand) | March 31, 2009 |
|---|------|---|-------------------|
| Cash flow from operating activities | 16 | 1,019,178 | 447,201 |
| Financial charges paid | | (372,342) | (324,220) |
| Income tax paid | | (8,205) | (9,051) |
| Employees retirement benefits paid | | (6,206) | (1,302) |
| Net (increase) / decrease in long term advances, loans, deposits and prepayments | | 20,037 | - |
| Net cash flows from operating activities | | 652,462 | 112,628 |
| Cash flows from investing activities | | | |
| Proceeds from sale of fixed assets | | 4,928 | - |
| Fixed capital expenditures | | (29,276) | (11,267) |
| Investment-net | | (121,758) | (56,415) |
| Income from bank deposits received | | 12,287 | - |
| Sale proceeds from sale of livestock | | - | (170,940) |
| Net cash flows from investing activities | | (133,819) | (238,622) |
| Cash flows from financing activities | | | |
| Long Term loan acquired | | - | 64,030 |
| Increase (decrease) in Short term running finances | | (426,038) | 470,282 |
| Repayment of long term loans | | (109,810) | - |
| Long term advances | | - | 9,044 |
| Dividend paid to minority share holder | | (2,251) | (5,431) |
| Finance lease liabilities Net | | (16,268) | (47,219) |
| Net cash flows from financing activities | | (554,367) | 490,706 |
| Net increase/(decrease) in cash and cash equivalents | | (35,724) | 364,712 |
| Cash and cash equivalents at the beginning of the period | | 414,497 | 401,251 |
| Cash and cash equivalents at the end of the period | | 378,773 | 765,963 |

The annexed notes 1 to 20 form an integral part of these financial statements.



 Chief Executive



 Chairman



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED MARCH 31, 2010

(Rupees in thousand)

| | Attributable to the equity holders of the parent | | | | | | | | | | Minority Interest | Total Equity | | | |
|---------|--|---------------------|---------------|---|--------------------|---|-----------|---------|-----------------------|---------------------------------------|-------------------|--------------|---------------------|-------------------|---------------------------|
| | Capital Reserves | | | | | Revenue Reserves | | | | | | | Total | | |
| | Share capital | Share deposit money | Share premium | Share in capital reserves of associates | Fair value reserve | Difference of capital under scheme of arrangement of merger | Sub-total | General | Dividend equalization | Equity investment market equalization | | | | Sub-total | Accumulated (loss)/profit |
| 695,238 | 200,000 (200,000) | 243,282 | 97,132 | (86,361) | 155,930 | 409,983 | 410,606 | 22,700 | 83,000 | 516,306 | 926,289 | (434,841) | 1,386,686 (200,000) | 730,106 (14,1233) | 2,116,792 (341,233) |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | (5,431) (30,395) | (8,431) (30,395) |
| - | - | - | - | - | - | - | - | - | - | - | - | (480,191) | (480,191) | (28,714) | (608,905) |
| - | - | - | (12,033) | (279,540) | - | (279,540) | - | - | - | - | (279,540) | - | (279,540) | - | (279,540) |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (12,033) |
| - | - | - | (12,033) | (279,540) | - | (291,573) | - | - | - | - | (291,573) | 11 | (291,562) | - | (291,562) |
| - | - | - | (12,033) | (279,540) | - | (291,573) | - | - | - | - | (291,573) | (480,180) | (771,753) | - | (800,467) |
| 695,238 | - | 243,282 | 85,099 | (365,901) | 155,930 | 118,410 | 410,606 | 22,700 | 83,000 | 516,306 | 634,716 | (915,021) | 414,933 | 524,333 | 939,266 |
| 695,238 | - | 243,282 | 89,068 | (79,921) | 155,930 | 408,359 | 410,606 | 22,700 | 83,000 | 516,306 | 924,665 | (1,815,065) | (195,162) | 679,005 | 483,843 |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | (2,251) | (2,251) |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | (354,466) | (354,466) |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | (6,101) | (6,101) |
| - | - | - | - | - | - | - | - | - | - | - | - | (530,729) | (530,729) | 34,814 | (495,915) |
| - | - | - | (2,299) | (17,086) | - | (17,086) | - | - | - | - | (17,086) | - | (17,086) | - | (17,086) |
| - | - | - | (2,299) | (17,086) | - | (19,385) | - | - | - | - | (19,385) | 11 | (19,374) | - | (19,374) |
| - | - | - | (2,299) | (17,086) | - | (19,385) | - | - | - | - | (19,385) | (530,718) | (550,103) | - | (615,289) |
| 695,238 | - | 243,282 | 86,769 | (97,007) | 155,930 | 388,974 | 410,606 | 22,700 | 83,000 | 516,306 | 905,280 | (2,346,783) | (745,265) | 351,001 | (394,264) |

Balance as on September 30, 2008 Restated
Share issued to minority
Dividend relating to 2008
Fair value gain/(loss) during the year to minority
Loss for the year - restated

Other Comprehensive Income for the period
Fair value gain/(loss) during the year
Share in capital reserves of associates
Transfer from surplus on revaluation of property, plant and equipment on account of:
- incremental depreciation - net of tax

Total Other Comprehensive Income for the period
Total Comprehensive income for the period
Balance as on March 31, 2009 Restated

Balance as on September 30, 2009 Restated
Dividend paid to minority
Disposal of subsidiaries
Fair value loss allocated to minority
profit/(Loss) for the period

Other Comprehensive income for the period
Fair value (loss)/gain during the year
Share in capital reserves of associates
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation
Total Other Comprehensive income for the period
Total Comprehensive income for the period

Balance as on March 31, 2010

The annexed notes 1 to 20 form an integral part of these financial statements.



Chief Executive

Ajmer Singh

Chairman

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION FOR THE QUARTER AND HALF YEAR ENDED MARCH 31, 2010 (UN-AUDITED)

1. Legal status and nature of business

1.1 Constitution and ownership

The consolidated financial statements of the Shakarganj Group (the group) comprise of the financial statements of:

Shakarganj Mills Limited

Shakarganj Mills Limited (SML) (the “parent company”) was incorporated in Pakistan in September 1967 under the repealed Companies Act 1913, substituted later by the Companies Ordinance, 1984 and listed on Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the company is situated in The Bank of Punjab Tower, Gulbreg III, Lahore.

Safeway Mutual Fund Limited

Safeway Mutual Fund Limited (SWML) (a subsidiary) is a public limited company incorporated in May 1994 under the Companies Ordinance, 1984 and has been registered with Securities and Exchange Commission of Pakistan (SECP) as an Investment Company under the Investment Companies and Investment Advisors Rules, 1971 to carry on the business of a closed end investment company. The company is listed on the Karachi and Islamabad Stock Exchanges. The company has entered into an agreement with Safeway Fund Limited to act as its Assets Management Company. The company became a subsidiary of Shakarganj Mills Limited (the “parent company”) on July 20, 2007. The registered office of the company is situated in Karachi.

1.2 Activities of the group

Shakarganj Mills Limited (the parent company) and its subsidiaries, Safeway Mutual Fund Limited, Asian Stocks Fund Limited and Safeway Fund Limited (together, ‘the group’) are engaged in the following business:

- manufacture, purchase and sale of sugar, ethanol, building material, yarn and engaged in generation and sale of electricity through the parent company, Shakarganj Mills Limited;
- investments in the shares of listed companies, through the subsidiary companies, Safeway Mutual Fund Limited

The group has its principal manufacturing facilities at Jhang, Bhone and Dargai Shah. The group’s mutual fund operations are based in Karachi.

1.3 Change in the group composition

Safeway Fund Limited (SFL) and Asian Stock Fund Limited being the subsidiary of Shakarganj Mills Limited was consolidated on September 30, 2009. Subsequent to the half year end Shakarganj Mills Limited has sold the total share of SFL for a consideration of Rs. 71.25 million in Feb 2010. Consequent to this sale of SFL shares the holding of Shakarganj Mills Limited in ASFL has reduced from 49.54% to 41.70%. In these financial statement SFL has not been consolidated and ASFL has been treated as associated undertaking.

1.4 Going concern assumption

The company has faced liquidity crunch during the current and the prior periods due to a variety of factors including low levels of cane procurement and consequent low level of crushing, continued financing of assets and operations through high level of borrowings and an overall sugar industry crisis during the previous year in which sugar prices were capped



by the government authorities. The company has incurred a loss of Rs 725.040 million during the current period (including impairment loss on investments of Rs 115.970 million) and the current liabilities have exceeded the current assets by Rs 4,395.630 million and the equity is in negative. The company could not timely meet its obligations to repay long term loans, liabilities against assets subject to finance lease and the markup accrued thereon.

The Company entered into negotiations with the lenders (as a consortium) to restructure its borrowings and the restructuring agreements were signed by the company and the lenders by February 16, 2010. As per the restructuring plan, certain lenders of the company have agreed to provide, as a consortium, a bridge loan facility payable in installments by June 2011 amounting to Rs 2,466 million and extended short term running finance facility to the extent of Rs 2,980 million up to October 31, 2010.

As per the above restructuring plan agreed with the lenders, the bridge finance will be repaid through the sale of assets of the company in installments, and further injection of equity of Rs 300 million by June 2011. Following is the detail of the assets (at their carrying value) to be disposed of by the company to retire the bridge loan.

| Assets | (Rupees in thousands) |
|---|------------------------------|
| Agricultural Land | 906,558 |
| Complete disposal of investment in shares of : | |
| - Safeway Mutual Fund Limited | 270,240 |
| - Asian Stocks Fund Limited | 215,790 |
| Partial disposal of investment in shares of | |
| Shakarganj Foods Products Limited | 200,000 |
| Plant and machinery at Mian Muhammad Sugar Mill | 194,787 |
| SML Power Division - Dargai Shah | 149,692 |
| Residential and commercial plots | 181,000 |
| Turbines | 25,000 |
| | 2,143,067 |

The management expects to sell the aggregate assets at a profit to the carrying value given above. In case the company is unable to sell these assets by their respective committed dates as per the agreement, it will be considered an event of default and the company will be required to sell off one of its three units to repay the bridge loan. As per the committed dates for disposal of above assets, Rs 2,056 million are repayable by March 31, 2011 and Rs 1,556 million are repayable by September 30, 2010.

However, the Company, anticipating delays in sale of agricultural land, decided to spin off the assets of its sugar unit located at Dargai Shah through competitive bidding and approval for the same was obtained in the Board of Directors' Meeting held on March 4, 2010. The bidding is expected to be finalized in the month of May 2010 and the management expects to sell the unit at a profit over the carrying amounts as identified in 'Long term assets held for sale' in note 11.3.

The bridge loan is secured against:

- a pari passu charge over all present and future fixed assets of the company (excluding land and building);
- first mortgage/charge over immovable property of the company;
- personal guarantees of Mr. Anjum Saleem and Mr. Ahsan Saleem;
- an irrevocable and unconditional commitment from Shakarganj Energy (Private) Limited (SEL) to purchase the energy plant at Dargai Shah at an aggregate value of Rs 300 million secured back to back by pledge of marketable securities valuing Rs 573 million owned by Crescent Steel and Allied Products Limited, an associated company; and
- pledge of shares in Shakarganj Food Products Limited.

Additionally, the lenders will create a lien on a special reserve account, where the proceeds from the sale of assets and a unit, if required, of the company will be deposited.

The restructured short term running finance is secured against pledge of refined sugar at a margin. Additionally, the lenders will create a lien on a 'collection account' where proceeds from realisation of receivables will be deposited.

The finalisation of above security arrangements is currently in process.

The company is also in the process of renegotiating the existing long term loans and finance lease obligations with lenders and expects relaxation in payment periods will be given by the lenders.

The accrued markup is payable immediately.

The condensed interim financial information has been prepared on a going concern basis. The management is confident that, through the restructuring of its borrowings, it will be able to get positive results from the next financial year. The management also believes that it will be able to generate adequate liquidity through disposal of the assets identified above to retire the Bridge finance, and that the company will be able to continue its operations for the foreseeable future without curtailing materially its operations. These financial statements consequently, do not include any adjustments relating to the realisation of its assets and liquidation of any liabilities that might be necessary should the company be unable to continue as a going concern.

2. Statement of compliance

- 2.1** These interim consolidated financial information is un-audited and is being submitted to members as required by section 245 of the companies ordinance, 1984. The interim financial information has been prepared in accordance with the requirements of the international financial reporting standards (IFRS) IAS 34 'interim financial reporting' as applicable in Pakistan as notified by the Securities and Exchange Commission of Pakistan. This interim financial information do not include all of the information required for full financial statements and should be read in conjunction with the financial statements of the Company for the year ended September 30, 2009.

The comparative balance sheet presented in these financial statements has been extracted from the audited financial statements of the Company for the year ended September 30, 2009 whereas the comparative profit and loss account, statement of changes in equity and cash flow statements are stated from unaudited interim financial statements for the half year ended March 31, 2009.

This interim financial information has been presented in Pakistan Rupees, which is the functional currency of the company and the figures are rounded off to the nearest thousand of rupees.

3. Significant accounting policies

Except as disclosed below, the accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding annual published financial statements of the company for the year ended September 30, 2009.

IAS 1 (Revised), 'Presentation of financial statements' - effective October 01, 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 'nonowner changes in equity' are required to be shown in a performance statement. Companies can choose whether to present one performance statement (the statement of comprehensive income) or two statements (profit and loss account and statement of comprehensive income). The Company has preferred to present two statements.



IFRS 8, 'Operating segments' - effective October 01, 2009. This standard requires disclosure of information about the company's operating segments based on the Company's internal reporting structure and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the company. Adoption of this standard did not have any effect on the financial position or performance of the company. Farms division, which was previously considered a part of the Sugar segment, is now classifiable as a separate segment under IFRS 8. Segment information is given in note 14.

4. Estimates

Judgment and estimates made by the management in the preparation of the quarterly financial statements are the same as those applied in the preparation of the preceding annual published financial statements of the Company for the year ended September 30, 2009.

5. Risk management policies

Risk management policies are consistent with those disclosed in the financial statements for the year ended September 30, 2009

6. Taxation

The provision for taxation for the half year ended March 31, 2010 has been made on an estimated basis.

| | Note | March 31, 2010 (Rupees in thousand) | September 30, 2009 |
|---|------|---|-----------------------|
| 7. Long term finances | | | |
| Opening balance | | 2,849,736 | 2,930,753 |
| Add: Disbursements during the period | | - | 199,950 |
| Add: Reclassified from held for sale to long term liability | | - | 22,243 |
| | | 2,849,736 | 3,152,946 |
| Less: Repayments during the period | | (109,810) | (303,210) |
| | | 2,739,926 | 2,849,736 |
| Less: Current portion shown under current liabilities | 7.1 | (1,689,084) | (1,566,290) |
| | | 1,050,842 | 1,283,446 |

7.1 The aggregate current portion of Rs 1,689 million (September 30, 2009: Rs 1,566 million) includes over-due installments of principal aggregating to Rs 730.218 million (September 30, 2009: Rs 585.932 million). As referred to in note 1.4, the company is negotiating with the lenders for rescheduling of the above loans for relaxation in payment period. The lenders, currently engaged with the company for finalisation of restructuring agreements, have neither demanded for repayment of loans nor charged any significant penalties. Furthermore, none of the banks have sought intervention of courts for realisation of their financing in the company. The company is confident that the above loans will be rescheduled by the lenders as referred to in note 1.4.

8. Contingencies and commitments

8.1 Contingencies

- (i) Consequent upon filing of petition by the company in honorable Lahore High Court to set aside SRO 655(1)/2007, through which special excise duty was levied with effect from July 1, 2007, the company has not provided for an amount of Rs 15.487 million on account of special excise duty leviable on sale of sugar. The honourable court has provided an interim relief to the company in the form of a stay order and the final decision of the court is yet to be made. The management considers that the petition will be decided in their favour setting aside the provisions under the above SRO.
- (ii) The company has issued following guarantees:
- Bank guarantee of Rs 86.50 (2009: Rs 86.50) million in favor of Sui Northern Gas Pipelines Limited against performance of contracts.
 - Cross corporate guarantee in favour of Allied Bank Limited to secure long term finance facility availed by the company's associated undertaking, Shakarganj Food Products Limited of Rs 467 million (2009: Rs 467 million).
 - The company has issued a post dated cheque in favour of the Collector of Customs against custom duty clearance in respect of import of plant and machinery amounting to Rs 5.040 million (September 30, 2009: Rs 5.040 million).

8.2 Commitments

The company has the following commitments in respect of:

- (i) Contract for capital expenditure amounting to Rs 71.213 million (2009: Rs 71.213 million).
- (ii) Contracts for acquisition of intangible assets (computer software) amounting to Rs 20 million (2009: Rs 20 million).
- (iii) Contract for other than capital expenditure Rs 44.26 million (2009: Rs 5.008 million)
- (iv) The amount of future payments under operating leases and the period in which these payments will become due are as follows:

| | March 31, 2010 | September 30, 2009 |
|--|-----------------------------|-----------------------|
| | (Rupees in thousand) | |
| Not later than one year | 7,996 | 27,037 |
| Later than one and not later than five years | 31,984 | 30,139 |
| | 39,980 | 57,176 |



| | Note | March 31, 2010 (Rupees in thousand) | September 30, 2009 |
|---|------|---|-----------------------|
| 9. Property, Plant and Equipment | | | |
| Opening book value | | 6,387,765 | 6,275,271 |
| Add: Additions during the period | | 79,457 | 893,705 |
| Add: Transferred from non-current assets held for sale | 9.1 | - | 1,005,992 |
| Add: Revaluations during the period | | - | (303,490) |
| | | 6,467,222 | 7,871,478 |
| Less: Disposals during the period (at book value) | | 1,099 | 112,469 |
| Depreciation charged during the period | | 186,696 | 405,562 |
| Disposal of subsidiary | | 1,770 | 965,682 |
| Classified as held for disposal (at book value) | | 978,925 | - |
| | | 1,168,490 | 1,483,713 |
| Closing book value | | 5,298,732 | 6,387,765 |
| 9.1 Additions during the period | | | |
| Land | | 1,538 | 8,181 |
| Building on freehold land | | 4,864 | 37,811 |
| Plant and machinery | | 60,105 | 726,304 |
| Tools and equipment | | 6 | 3,426 |
| Water, electric and weighbridge equipments | | 1,649 | 102,160 |
| Furniture and fixtures | | 104 | 553 |
| Office equipment | | 51 | 2,989 |
| Vehicles | | 10,947 | 12,135 |
| Arms and ammunition | | 156 | 69 |
| Library books | | 37 | 77 |
| | | 79,457 | 893,705 |
| 10. Investments - related parties | | | |
| In equity instruments of associated companies | 10.1 | 448,075 | 298,620 |
| Available for sale | 10.2 | 671 | 805 |
| Advance against purchase of shares in associated company - Shakarganj Food Products Limited | | - | 171,000 |
| | | 448,746 | 470,425 |

| | Note | March 31, 2010 (Rupees in thousand) | September 30, 2009 |
|---|------|---|-----------------------|
| 10.1 In equity instruments of associated companies | | | |
| Cost | | 55,529 | 55,529 |
| Brought forward amounts of post acquisition reserves and profits and negative goodwill recognized directly in profit and loss account | | 243,091 | 101,309 |
| | | 298,620 | 156,838 |
| Add: | | | |
| - Further investment in associates | | 171,000 | 9 |
| - Sale of investment in associates | | (1,863) | - |
| - Share of net assets after conversion of subsidiary into associate | | - | 196,960 |
| - Carrying amount of goodwill on conversion in to associate | | 4,670 | 25,866 |
| | | 173,807 | 222,835 |
| Share of movement in reserves during the year | | (2,299) | (8,064) |
| Share of (loss)/profit for the year | | | |
| - before taxation | | (19,333) | (59,846) |
| - provision for taxation | | - | (13,143) |
| | | (19,333) | (72,989) |
| | | 450,795 | 298,620 |
| Dividends received during the year | | (2,720) | - |
| | | 448,075 | 298,620 |
| 10.2 Available for sale | | | |
| Associated companies - at cost | | - | - |
| Others - at cost | | 2,200 | 2,200 |
| | | 2,200 | 2,200 |
| Add: Cumulative fair value gain | | 671 | 805 |
| Less: Cumulative impairment losses recognized | | (2,200) | (2,200) |
| Fair value gain | | (1,529) | (1,395) |
| | | 671 | 805 |
| 11. Investments | | | |
| Available for sale | 11.1 | 149,114 | 254,136 |
| Held for trading | | - | 6,186 |
| | | 149,114 | 260,322 |



March 31, September 30,
2010 2009
(Rupees in thousand)

11.1 Available for sale

| | | |
|----------------------------------|----------------|----------|
| Related parties - at cost | - | - |
| Others - at cost | 125,307 | 263,656 |
| | 125,307 | 263,656 |
| Add: Cumulative fair value gain | 23,807 | 22,753 |
| Less: Cumulative Impairment loss | - | (32,273) |
| Fair value gain | 23,807 | (9,520) |
| | 149,114 | 254,136 |

12. Cash and bank balances

| | | |
|------------------------------------|----------------|---------|
| Related to continuing operations | 289,879 | 28,809 |
| Related to discontinued operations | 88,894 | 385,688 |
| | 378,773 | 414,497 |

13. Non-current assets held for sale and discontinued operations

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

(a) Non-current assets classified as held for sale

| | | |
|--|------------------|-----------|
| Subsidiary company acquired with a view to resale | 775,456 | 1,400,227 |
| Associated company acquired with a view to resale | 300,608 | - |
| Power Division - Dargai Shah | 155,537 | 149,692 |
| Sugar Division - Dargai Shah | 1,121,281 | - |
| Non-operative plant and machinery - Azad Jammu & Kashmir | 194,787 | - |
| 6 Kanal land - Faisalabad | 36,036 | - |
| 52 kanal land - Jhang | 95,264 | - |
| | 2,678,969 | 1,549,919 |

(b) Liabilities directly associated with non-current assets classified as held for sale

| | | |
|---|--------------|-------|
| Subsidiary companies acquired with a view to resale | 2,057 | 1,628 |
|---|--------------|-------|

**(c) Analysis of the result of discontinued operations
Profit/(loss) for the period from discontinued operations**

| | | |
|------------------------------|------------------|-----------|
| Subsidiary companies | 72,829 | (132,688) |
| Associated companies | 10,272 | - |
| Power Division - Dargai Shah | - | (2,871) |
| Sugar Division - Dargai Shah | (174,963) | - |
| | (91,862) | (135,559) |

| | Quarter ended | | Half year ended | |
|---|-----------------------------|----------------|----------------------|----------------|
| | March 31, 2010 | March 31, 2009 | March 31, 2010 | March 31, 2009 |
| 15. (Loss) / earnings per share | | | | |
| 15.1 Basic earnings per share | | | | |
| Continued operations | | | | |
| (Loss)/profit for the year from continuing operations | Rupees (540,071,000) | (279,660,000) | (404,053,000) | (538,960,000) |
| Weighted average number of ordinary shares in issue during the year | Number 69,523,798 | 69,523,798 | 69,523,798 | 69,523,798 |
| Loss per share - basic | Rupees (7.77) | (4.02) | (5.81) | (7.75) |
| Discontinued operations | | | | |
| Loss for the year from discontinued operations | Rupees (148,761,000) | 87,473,000 | (126,676,000) | 58,769,000 |
| Weighted average number of ordinary shares in issue during the year | Number 69,523,798 | 69,523,798 | 69,523,798 | 69,523,798 |
| Loss/(earnings) per share - basic | Rupees (2.14) | 1.26 | (1.82) | 0.85 |

15.2 Diluted earnings per share

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

| | Quarter ended | | Half year ended | |
|---|-----------------------------|----------------|----------------------|----------------|
| | March 31, 2010 | March 31, 2009 | March 31, 2010 | March 31, 2009 |
| Continued operations | | | | |
| (Loss)/profit for the year from continuing operations | Rupees (540,071,000) | (279,660,000) | (404,053,000) | (538,960,000) |
| Preference dividend on convertible preference shares | Rupees 7,327,175 | 7,327,175 | 14,654,351 | 14,654,351 |
| (Loss)/profit used to determine diluted earnings per share | Rupees (532,743,825) | (272,332,825) | (389,398,649) | (524,305,649) |
| Weighted average number of ordinary shares in issue during the year | Number 69,523,798 | 69,523,798 | 69,523,798 | 69,523,798 |
| Assumed conversion of convertible preference shares into ordinary shares | Number 5,774,108 | 5,774,108 | 5,774,108 | 5,774,108 |
| Weighted average number of ordinary shares for diluted earnings per share | Number 75,297,906 | 75,297,906 | 75,297,906 | 75,297,906 |
| Loss/(earnings) per share - diluted | Rupees (7.08) | (3.62) | (5.17) | (6.96) |

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

Discontinued operations

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

March 31, **March 31,**
2010 **2009**
(Rupees in thousand)

16. Cash used in operating activities

| | | |
|--|------------------|-----------|
| (Loss)/profit before taxation | (469,162) | (499,626) |
| Adjustment for: | | |
| Depreciation/amortization of: | 207,433 | 199,737 |
| Amortization of deferred income | (1,503) | (1,848) |
| Amortization of Intangible assets | 170 | 9,643 |
| Profit on sale of property, plant and equipment | (3,829) | 370 |
| Profit on sale of biological assets | (37) | (23) |
| Loss (Gain) on sale of investments | (126,072) | - |
| Provision for employees' retirement benefits | 6,575 | 6,761 |
| Share of loss from associated undertaking | 9,062 | 48,546 |
| Interest income on bank deposits | (12,287) | (3,979) |
| Gain/negative goodwill arising of disposal | (45,945) | (64,745) |
| Change in fair value of biological assets | 67,898 | 64,970 |
| Provision against doubtful advances | 4,518 | - |
| Liability written back | - | (12,874) |
| Mark up earned on long term loans | (2,605) | (15,979) |
| Unrealized loss/(gain) on held for trading investment | 51,999 | 29,246 |
| Dividend income | - | (24,787) |
| Fair value loss on interest rate swap | 125,228 | (6,922) |
| Finance cost | 540,665 | 653,593 |
| | 821,270 | 881,709 |
| | | |
| Profit before working capital changes | 352,108 | 382,083 |
| | | |
| Effect on cash flow due to working capital changes: | | |
| Increase in stores and spares | (1,133) | (9,710) |
| Decrease/(Increase) in stock in trade | (864,733) | (550,505) |
| Net increase in biological assets | (65,447) | (59,389) |
| Decrease/(Increase) in trade debts | (21,008) | (40) |
| Decrease/(Increase) in loans, advances, prepayments and other receivables | (79,361) | 56,863 |
| Increase in trade and other payables | 1,698,752 | 627,898 |
| | 667,070 | 65,118 |
| | | |
| Cash Flow From Operating Activities | 1,019,178 | 447,201 |



March 31, **March 31,**
2010 **2009**
(Rupees in thousand)

17. Transactions with related parties

| Relationship with the company | Nature of transactions | | |
|--------------------------------------|--|----------------|--------|
| i. Associated undertakings | Mark up charged to associated company | - | 15,386 |
| | Dividend received | 2,720 | 3,753 |
| | Funds received and paid during the period | 40,148 | |
| | Purchase of goods and services | 24 | 52,169 |
| | Sale of goods | 25,159 | 2,324 |
| | Interest bearing advances extended to associated company | 1,000 | 1,000 |
| | Advances to associated undertaking | 20,000 | - |
| | Share of common expenses | 6,757 | 3,150 |
| ii. Post employment benefit plans | Expense charged in respect of retirement benefit plans | 6,575 | 8,250 |
| iii. Key Management Personnel | Salaries and other employee benefits | 25,654 | 19,190 |
| Period-end balances | | | |
| | Receivable from related parties | 43,300 | 5,618 |
| | Payable to related parties | 106,649 | 5,332 |

18. Date of authorisation for issue

These interim financial statements were authorized for issue on May 31, 2010 by the board of directors of the company.

19. Detail of Subsidiaries

| | Accounting period end for consolidation | Economic percentage of holding | Country of incorporation |
|-----------------------------|--|---------------------------------------|---------------------------------|
| Safeway Mutual Fund Limited | 31-March-2010 | 53.65% | Pakistan |

20. Corresponding figures

Previous period's figures have been rearranged, wherever necessary, for the purposes of comparison. In accordance with the requirements of International Financial Reporting Standard 5 'Long Term Assets Held for Sale', the results of operations of following have been re-presented from/into 'discontinued operations'

Farms Division

Loss of Rs 28.904 million and Rs 84.933 million for the quarter and half year ended March 31, 2009 respectively has been re-classified from discontinued operations and included in loss from continuing operations.

Sugar Division - Dargai Shah

Loss of Rs 2.747 million for the quarter and half year ended March 31, 2009 has been re-classified from administrative expenses and distribution costs in continued operations and presented in discontinued operations

Engineering Division - Faisalabad

Profit of Rs 1.130 million and Rs 1.067 million for the quarter and half year ended March 31, 2009 respectively has been re-classified from continued operations and presented in discontinued operations



Chief Executive



Chairman

