Shakarganj Mills Limited

Annual Report 2013

CONTENTS

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.

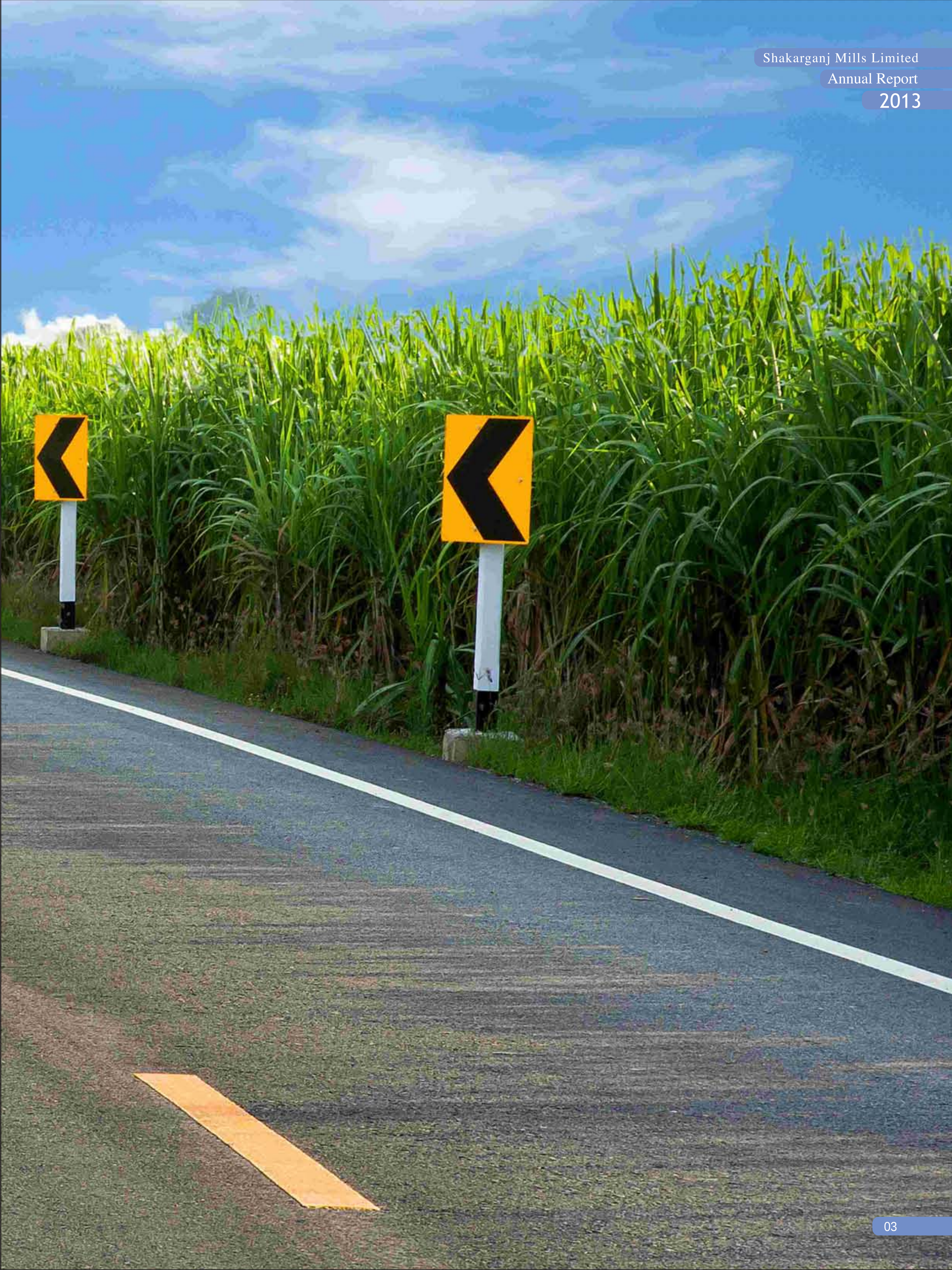
To provide the best value products and services to its customers through investment in technology, human resources, operational systems and processes.

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

From Left to Right

1.	Chairman (Non-Executive)	Muhammad Anwar
2.	Chief Executive Officer	Ahsan M. Saleem
	In alphabetic order:	
3.	Executive Director	Ali Altaf Saleem
4.	Non-Executive Director	Khalid Bashir
5.	Non-Executive Director	Muhammad Arshad
6.	Non-Executive Director	Rasul Bux Phulpoto (NIT)
7.	Non-Executive Director	Shehryar Mazhar

Chief Financial Officer
S.M. Chaudhry

Company Secretary
Asif Ali

Audit Committee
Chairman
Khalid Bashir

Member
Muhammad Anwar
Ali Altaf Saleem

Human Resource & Remuneration Committee
Chairman
Muhammad Anwar

Member
Khalid Bashir
Ali Altaf Saleem

MANAGEMENT COMMITTEES

Executive Committee

Chairman	Ahsan M. Saleem
	Anjum M. Saleem
	Ali Altaf Saleem

This committee devises long term policies and visions for the Company with the sole objective for providing the best returns to shareholders by optimum allocation of existing resources. The Committee is also responsible for review of Company's operation on ongoing basis, establishing and ensuring adequacy of internal controls and monitoring compliance of key policies.

Business Strategy Committee

Chairman	Ahsan M. Saleem
	Anjum M. Saleem
	Ali Altaf Saleem
	Muhammad Pervaiz Akhter
	S.M. Chaudhry
	Manzoor Hussain Malik

This Committee is responsible for formulation of business strategy, review of risks and their mitigation plan. Further, the Committee is also responsible for staying abreast of developments and trends in the Industry to assist the Board in planning for future capital intensive investments and growth of the Company.

System and Technology Committee

Chairman	Muhammad Pervaiz Akhtar
	S.M. Chaudhry
	Ibrahim Ahmad Cheema

This committee is responsible for devising the I.T strategy within the organization to keep all information systems of the Company updated in a fast changing environment.

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 'Food Producers'

Public Information

Financial analysts, Stock brokers, interested investors and financial media desiring information about "Shakarganj" should contact
Mr. Asif Ali
at the Company's Office, Jhang.
Tel: 047 763 1001 - 05
Fax: 047 763 1011
E-mail: info@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 3517 0336 - 7
Fax: 042 3517 0338
E-mail: info@corptec.com.pk

Products

- Sugar
- Bio Fuel
- Bio Power
- Building Materials
- Yarn
- Tiger Compost

Legal Advisor

Hassan & Hassan Advocates,
Lahore

Bankers

Allied Bank Limited
MCB Bank Limited
National Bank of Pakistan
The Bank of Punjab
United Bank Limited
Standard Chartered Bank
Silk Bank Limited
Bank Alfalah Limited
Faysal Bank Limited
Askari Bank Limited

Works

Principal Facility

Management House
Toba Road, Jhang, Pakistan
Tel: 047 763 1001 - 05
Fax: 047 763 1011
E-mail: info@shakarganj.com.pk

Satellite Facility

Management House
63 km, Jhang Sargodha Road
Bhone, Pakistan
Tel: 048 688 9211 - 13
Fax: 047 763 1011

Website

www.shakarganj.com.pk
Note: This Report is available on Shakarganj website.

Registered and Principal Office

10th Floor, BOP Tower
10-B Block E 2, Gulberg III
Lahore, Pakistan
Tel: 042 3578 3801- 06
Fax: 042 3578 3811

Karachi Office

12th Floor, Sidco Avenue Centre
264 R.A. Lines, Karachi, Pakistan
Tel: 021 3568 8149
Fax: 021 3568 0476

Faisalabad Office

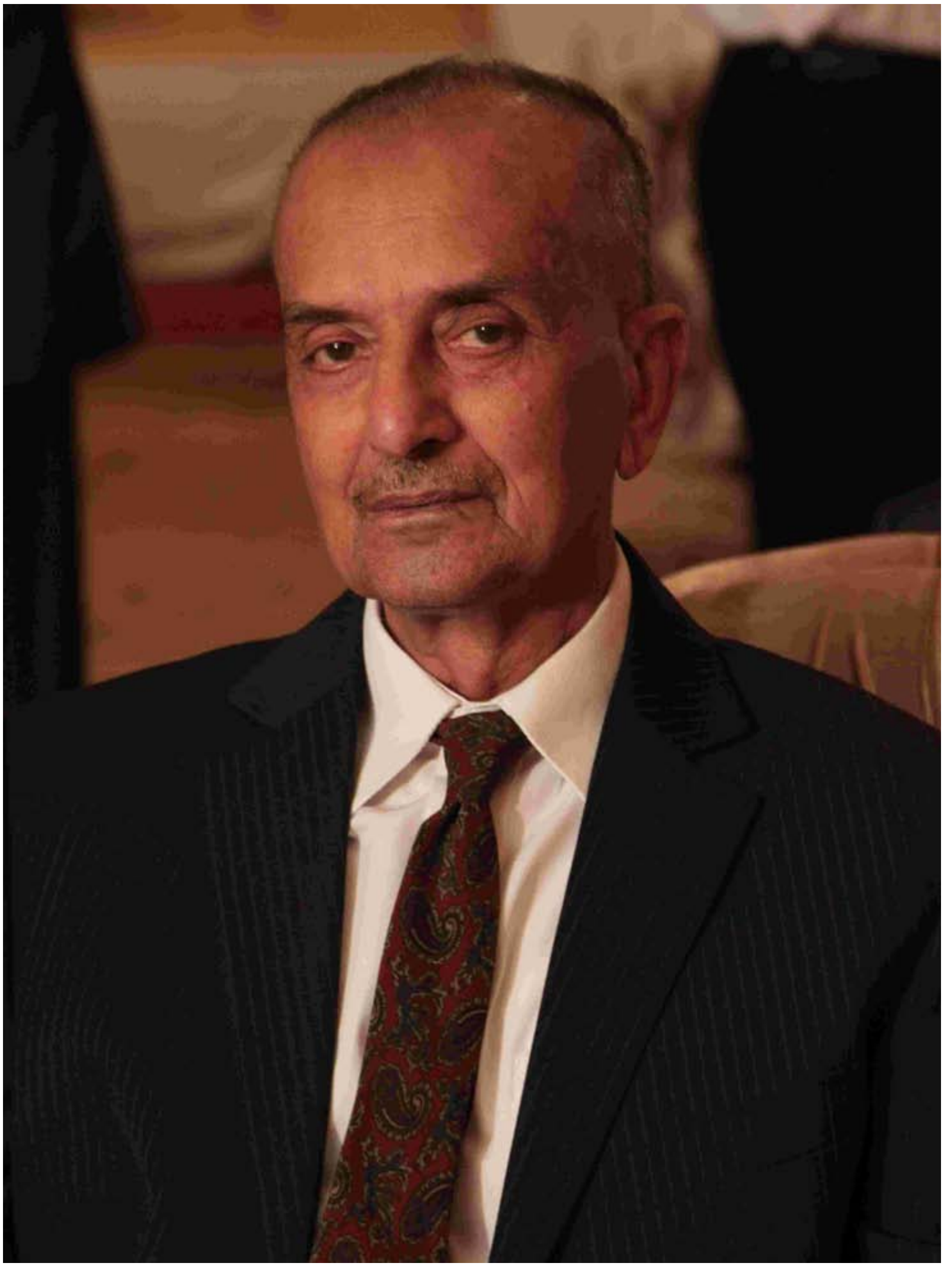
Nishatabad, New Lahore Road
Faisalabad, Pakistan
Tel: 041 875 2810
Fax: 041 875 2811

Share Registrar

CorpTec Associates (Pvt) Limited
503-E, Johar Town
Lahore
Tel: 042 3517 0336 - 7
Fax: 042 3517 0338
E-mail: info@corptec.com.pk

Annual General Meeting

The 46th Annual General Meeting of Shakarganj Mills Limited will be held on Tuesday, 28 January 2014 at 11:30 a.m. at Qasr-e-Noor, 9-E-2, Main Boulevard, Gulberg III, Lahore



Late Mian Mazhar Karim
(12 July 1935 - 12 September 2013)
Surely we belong to Allah and to Him shall we return

OBITUARY

We report with sadness that MIAN MAZHAR KARIM, founding member of Crescent Group & Chairman of the Board of Directors of your Company passed away on 12 September 2013. He was 78 years old.

May Allah rest his soul in eternal peace

Mian Mazhar Karim's tenure as chairman at Shakarganj Mills Limited spanned over three decades. His superb leadership during this time, marked by transition and financial challenges, is widely recognized as laying the groundwork for the Crescent Group and Company's success. The Board, the management and all others while paying glowing tribute to him, acknowledge his tremendous contributions for the Crescent Group, Company and the economy of this country.

His affiliation with Crescent Group spans over sixty years. He was continuously involved with Crescent Group activities, as a senior director, strong financial supporter, an effective executive volunteer, and a committed guardian who never hesitated to accept the obligations of multiple board memberships and chairmanships.

All who knew Mian Mazhar Karim, remark on his personal integrity, business acumen, and unwavering determination. He was known for considerable personal charm and wit and great sensitivity to others. Mian Sahib had many affiliations, including chairman of Pakistan Jute Mills Association, senior trustee of Crescent Foundation, trustee of Crescent Educational Trust and senior director of The Crescent Textile Mills Limited. He was also the chairman of the Board of Directors of Crescent Steel & Allied Products Limited. He also served as a director/trustee of numerous other companies and foundations. Mian Mazhar Karim will serve as a role model for the coming generations and will always be fondly remembered and missed.

May Allah the Almighty rest his soul in eternal peace and give patience to his loved ones to bear this great loss

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, bio fuel and building materials as well as textiles. We transform renewable crops such as sugarcane and cotton into value added products comprising refined sugar, textiles, bio fuel and building materials in addition to generating bio power from biogas. The Company has two manufacturing facilities in Jhang District. 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 two manufacturing facilities, located in District Jhang. 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 20,000 MT of sugarcane per day which is extendable to 32,000 MT per day.

Bio Fuel Business:

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

Bio Power 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. For better control, from January 2013 ETP has been transferred to Bio Fuel Business.

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 metres.

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 & Allied Business:

This comprises different parcels of land mainly located at Jhang Division nearby our manufacturing facilities. Total area under cultivation is over 1,800 acres of which nearly 1,355 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 has been developed, with a herd of 250 milking and fattening cattle. Small herd of rams and bucks for fattening purpose has also been developed.

Shakarganj has also launched a new product in the area of non chemicals fertilizers under the brand name of "Shakarganj Tiger Compost". The product as organic fertilizer has been developed using aerobic decomposition process with addition of standardized microbial culture in filter cake. The compost is a rich source of organic matter, with macro and micro nutrients to help improve soil is very useful for better growth, yield and quality of all field crops in general and specifically for sugarcane. This is at its initial stage and would grow up in the farmer's community with the practical exposures.

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 along with sustainable and/or higher margins.

DIRECTOR'S REPORT

Dear Shakarganj Shareholder:

The directors of your Company are pleased to submit their report together with the audited financial statements of the Company for the year ended 30 September 2013:

Financial Results

The financial results of the Company are summarised below:

		2013	2012
		(Rupees in Thousand)	
Profit before taxation		329,362	442,453
Taxation		(62,350)	56,023
Profit after taxation		267,012	498,476
Basic earnings per share:			
- Profit per share	(Rupees)	3.84	7.17
Diluted earnings per share:			
- Profit per share	(Rupees)	3.55	6.62

Keeping in view the carry forward losses, adverse current ratio and conditionality of the lenders, the directors do not recommend declaration of any dividend for the year ended 30 September 2013.

Statement on Corporate and financial reporting framework

1. These financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. Proper books of accounts of the Company have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgement.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from, if any has been adequately disclosed and explained.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Company's ability to continue as a going concern as it has adequate resources and improving its results to continue in operation for the foreseeable future as has been explained in the Chief Executive's Review and financial statements.

7. The significant deviations from last year in operating results have been explained in detail together with the reason thereof in the Chief Executive's Review as endorsed by the Directors.
8. Key operating and financial data for the last six years in summarized form is annexed.
9. The outstanding statutory duties, taxes, charges and levies, if any have been fully disclosed in the financial statements.
10. The significant plans and decisions particularly corporate restructuring of the Company along with future prospects and risks & uncertainties have been briefly outlined in the Chief Executive's Review as endorsed by the Directors. The detail information is also available in financial statements.
11. The directors of the Company having 15 years of experience on the board of a listed company are exempt from the requirements of directors training program. All the board members except two qualify for exemption under this provision of the Code. As per arrangement of the Company, one of the directors has completed training course in March 2013 and the Company will also arrange training for remaining directors as per requirements.
12. Total number of regular employees at the end of the year was 2,118.
13. Following is the value of investments of funds based on their respective audited accounts for the year ended 30 September 2013:

Gratuity Fund	Rupees 48.75 million
Pension Fund	Rupees 285.88 million
Provident Fund	Rupees 143.96 million

Auditors

The auditors KPMG Taseer Hadi & Co., Chartered Accountants, will retire and are eligible for re-appointment as auditors of the Company for the next year. The Audit Committee of the Board has recommended the re-appointment of KPMG Taseer Hadi & Co, Chartered Accountants as auditors for the year ending 30 September 2014 for consideration of members at the forthcoming Annual General Meeting.

Meetings of the Board of Directors

During the year four (4) meetings of the Board of Directors, four (4) meetings of the Audit Committee and one (1) meeting of the Human Resource and Remuneration Committee were held and the attendance of each Director is annexed herewith.

Pattern of Shareholding

The pattern of shareholding and additional information thereof is attached.

No trade in the shares of the Company was carried out by the directors, executives and their spouses and minor children except the following:

Name of Director/ Spouses / Executive	Shares purchased	Shares Sold
Mr. Ahsan M. Saleem	500	45
Mr. Anjum M. Saleem	1,565,087	-
Mr. Altaf M. Saleem	25,141	-
Mr. Ali Altaf Saleem	240	-
Mrs. Shahnaz A. Saleem	126	-
Mrs. Saira Anjum Saleem	221	-

Directors

Mian Mazhar Karim, founding member of Crescent Group and Chairman of the Board of Directors of your Company passed away on 12 September 2013. May Allah rest his soul in eternal peace. Mian Mazhar Karim's tenure as chairman at Shakarganj Mills Limited spanned over three decades. His superb leadership during this time, marked by transition and financial challenges, is widely recognized as laying the groundwork for the Company's success. The Board while paying glowing tribute to him, acknowledge his tremendous contributions for the Company and the economy of this country. The Board has co-opted Mr. Shehryar Mazhar as director to fill in the casual vacancy for the remainder of the Board's term.

During the year, Mrs. Rubina Rizvi (Nominee NIT) resigned from the Board of Directors. The Board has co-opted Mr. Rasul Bux Phulpoto, also Nominee NIT for the remainder of the Board's term. While welcoming the newly appointed director, the board records its appreciation for the valuable contribution of outgoing director.

Default in payments of debts

The details of overdue debts and the measures taken by the Company to address and settle such default situation has been adequately explained in the Chief Executive's Review which is endorsed by the Directors. The detailed information is also available in the financial statements.

Financial Statements

The financial statements of the Company have been duly audited and approved without qualification by the auditors of the Company, KPMG Taseer Hadi & Co, Chartered Accountants and their report is attached with the financial statements. The Company auditors have given a paragraph of emphasis drawing attention to the conditions that may affect the Company's ability to continue as a going concern, for which complete information and explanation are included in the Chief Executive's Review.

Chief Executive's Review

The directors endorse the contents of the Chief Executive's Review for the year ended 30 September 2013 which contains the state of Company's affairs, operational performance, debts status and default and a reasonable indication of the future prospects and other requisite information. The contents of the report shall be read along with this report and shall form an integral part of the Directors Report in terms of Section 236 of the Companies Ordinance, 1984 and requirements of Code of Corporate Governance under Listing Regulations of the Stock Exchanges.

No material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year to which this balance sheet relates and the date of the Director's Report.

By Order of the Board

Ahsan M. Saleem
Chief Executive Officer

Date: 26 December 2013

BOARD AND ITS COMMITTEES' MEETINGS
Attendance in Meetings

Name of Directors	Board		Audit Committee		Human Resource and Remuneration Committee	
	Required	Attended	Required	Attended	Required	Attended
NON - EXECUTIVE DIRECTORS						
Mazhar Karim	4	3	-	-	-	-
Khalid Bashir	4	4	4	4	1	1
Muhammad Anwar	4	4	4	4	1	1
Muhammad Arshad	4	4	-	-	-	-
Rubina Rizvi (NIT)	4	4	-	-	-	-
EXECUTIVE DIRECTORS						
Ahsan M. Saleem	4	3	-	-	-	-
Ali Altaf Saleem	4	4	4	4	1	1

CHIEF EXECUTIVE'S REVIEW

I welcome you to the 46th Annual General Meeting of Shakarganj Mills Limited. It is my pleasure to present the audited financial statements of the Company for the year ended 30 September 2013.

Performance of your Company during the year under review has improved further and your Company has posted positive results for the current year as well. Higher sugarcane recovery, better results in the Textile Division, and improved performance of the stock market have all contributed to the positive results in FY 2012-13.

Our Sugar Division crushed 1,409,811 MT of sugarcane to produce 133,753 MT of sugar, at a recovery of 9.49 percent. This was an overall increase of 7% in sugar recovery compared to the previous fiscal year where we produced 173,620 MT of sugar from 1,957,358 MT of sugarcane at a recovery of 8.87 percent. Our research and development activities to promote new varieties of sugarcane have contributed significantly to this improvement in sucrose recovery.

Bio fuel production for the year fell to 63.37 million litres from 93.80 million litres in the previous year, a decrease of 32% due to unavailability of sufficient quantities of molasses. The Company still maintained its position as the number one exporter of bio fuel, qualifying for Best Export Trophy awarded by the Federation of Pakistan Chambers of Commerce & Industry (FPCCI). Export sales accounted for about 93 percent of our total sale of bio fuel.

Bio power generation by the Company was adversely affected by inconsistent distillery operations and non-availability of sufficient spent wash beyond July 2013, the output during the year was 22.86 million units as compared to previous year generation of 27.78 million units. As a result of extensive repair & maintenance of bio gas generators, the profitability also remained under pressure.

In the period under review, our Building Materials Division produced 6,963 cubic metres of particle board compared to the record production of 8,789 cubic metres during the previous year. We used our own bagasse as well as purchase bagasse from other sugar mills to maximize capacity utilization at this division, however, due to non-availability of power beyond July 2013, the production had to be stopped.

Despite 95% capacity utilisation, yarn production at our Textile Division fell slightly to 6.60 million kg from 6.80 million kg in the previous year. Profits from this division, however, contributed significantly toward the bottom line.

Business & Financial Review:

Lower crushing affected almost all our business segments, however, the overall performance of the Company during the FY2012-13 was satisfactory. Due to non-availability of molasses, the production of bio fuel suffered in last quarter as well as closure of bio power business. All these factors impacted adversely the operational results as the Company earned an operating profit of Rs 569 million compared to Rs 1,033 million in the previous year. The profit after tax earned during the year was Rs 267 million as compared to Rs 498 million during the previous year. As explained in our last annual report, the Company has been in a tight liquidity position since last few years. Our current ratio has been adversely affected due to reclassification of various long term obligations as short term borrowings. This has led to the current liabilities of the Company exceeding its current assets by Rs 5,197 million. As at 30 September 2013, the total overdue principal and markup amounted to Rs 2,409. The management has taken a number of steps to overcome these issues including restructuring of loans and repayments, with cooperation from its existing lenders.

As a part of the restructuring process, the Company has successfully disposed off several assets such as the Dargai Shah Sugar & Bio Power Units, partial divestment of Safeway Mutual Fund Limited, Asian Stocks Fund Limited and some agricultural land. The detail of restructuring process, significant future plans, defaults in payments of debts and reasons thereof etc. have been given in financial statements particularly in Note 1.2, annexed to the accounts. The Company has successfully negotiated with a majority of its lenders on bilateral terms and obtained various short term finance facilities to help overcome the liquidity crunch and increased capacity utilization.

Keeping in view the position, without qualifying their opinion, the Company auditors' have given a paragraph of emphasis in auditors' report drawing attention to conditions that may affect the Company's ability to continue as a going concern. The Company believes that there is no significant doubt upon its ability to continue as a going concern as it has adequate resources & operating capabilities to continue in operation for the foreseeable future. It will continue as a going concern as the current situation is temporary in nature and would reverse in near future because of support from all stakeholders and concerted efforts being made by the management. The management is also confident that through restructuring of liabilities, availability of improved liquidity, higher operational activities and positive financial results, the Company will be able to remove the doubts of its ability as a going concern as stated by the auditors in the paragraph of emphasis. The steps taken by the management so far and planned in future are explained in Note 1.2 to the financial statements.

Corporate Social Responsibility

We actively seek opportunities to contribute to the communities in which we do business and to improve the environments that sustain us all. Areas of primary focus are education, health and safety, energy conservation and waste reduction, and community building. We always aim to be an exemplary corporate citizen and health and safety and environmental concerns are always among our key focal points. Our Social Action Programme delivers a variety of social services in our extended community under the banner of "Sukh Char Programme" These services include education, healthcare, promotion of arts and protection of our cultural heritage. During the year Shakarganj contributed around Rs. 10 million toward these activities. As a responsible member of the corporate community, Shakarganj always contributes substantially towards the national economy on account of taxes and other government levies. The year under consideration was no different and your Company's contribution to federal, provincial and local taxes was in excess of Rs 426 million.

Outlook

The external environment in the country will continue to remain challenging for some time to come, however, the government at both federal and provincial levels seems determined to revive the industrial sector and has taken various steps to remove bottlenecks to improvement. Investors are offered various incentives and several schemes are announced to encourage revival of the industrial sector.

As mentioned in our Future Outlook section of our previous report, performance of the Company strongly depends on the selling price of sugar and performance of its bio fuel & alternate energy business. Government permission to export sugar, while offering various incentives to help offset the costs related to such exports had a positive impact on profitability. Increases in sugar prices, both at the domestic, as well as international level will affect our bottom line positively.

Our agricultural farming part of Sugar Division also showed significant improvement in its results and contributed positively towards the bottom line. The management has also planned to arrange increased financing in order to satisfy the demand for molasses in order to run Bio Fuel operations throughout the year in Fiscal 2014 and aim to avoid the closure situation suffered in Fiscal 2012-2013.

We expect the Textile Division continue its positive contribution in future by improving electricity supply to the manufacturing operation and better marketing of yarn to achieve better profitability. Other business segments would continue to contribute to the profits of the Company.

We hope that in spite of all the challenges, next season would be better comparatively, and with the improvement in productivity of various divisions, the Company would continue on track of profitability. Shakarganj has always had a positive forward looking approach in its operations and hopes for the same for all its business segments. We expect to achieve economies of scale, revisiting and simplifying our organizational layout and reducing costs company-wide for coming years.

General

The Directors are always a source of guidance and support for the management and we appreciate their commitment to your Company's progress and prosperity. The Directors would also like to express their appreciation for the dedicated efforts, loyalty and hard work of the workers, staff and members of the management team. Our sugarcane farmers are the backbone of our industry and we thank them for their continued support. I would also like to thank our shareholders, customers and other stakeholders for their continued support.

By Order of the Board

On behalf of the Board

Ahsan M. Saleem
Chief Executive Officer

Date: 26 December 2013

PRODUCTION DATA

Season	Duration Season (Days)	Cane Crushed (MT)	Raw Sugar Processed (MT)	Sugar Produced (MT)	Recovery (Percent)
2012-13	135	1,409,811		133,753	9.49
2011-12	164	1,957,358		173,620	8.87
2010-11	136	1,567,361		141,549	9.01
2009-10	109	913,272		78,540	8.62
2008-09	110	784,056		71,600	9.13
2007-08	174	2,254,712		177,092	7.85
2006-07	155	1,587,929		128,170	8.04
2005-06	170	1,288,548	92,968.40	178,934	6.97
2004-05	160	1,324,510	67,930.40	177,679	8.63
2003-04	159	1,614,539		136,813	8.48
2002-03	196	1,675,370		127,060	7.58
2001-02	195	1,704,812		128,000	7.53
2000-01	161	1,054,992	27,811.59	105,550	7.50
1999-00	144	524,377		39,965	7.63
1998-99	157	1,350,119		101,479	7.51
1997-98	163	1,434,389		112,430	7.85
1996-97	176	1,036,955		79,740	7.69
1995-96	151	763,316		60,285	7.92
1994-95	157	1,057,036		86,075	8.11
1993-94	196	1,203,371		88,117	7.34
1992-93	161	691,839		54,055	7.85
1991-92	174	746,506		63,986	8.57
1990-91	204	866,552		65,537	7.56
1989-90	187	708,632		57,912	8.17
1988-89	170	446,325		36,367	7.70
1987-88	193	698,605		55,726	7.98
1986-87	149	333,601		27,899	8.36
1985-86	113	237,602		20,625	8.66
1984-85	168	441,718		39,523	8.96
1983-84	173	427,169		35,501	8.31
1982-83	173	361,291		29,440	8.16
1981-82	207	466,040		39,474	8.47
1980-81	187	287,723		25,562	8.89
1979-80	112	61,207		5,619	8.95
1978-79	114	107,106		9,267	8.80
1977-78	177	319,960		27,620	8.61
1976-77	166	308,987		26,086	8.45
1975-76	157	246,394		18,865	7.61
1974-75	107	104,069		8,253	8.30
1973-74	101	87,825		5,477	6.28

Losses (Percent)	Process Molasses (MT)	Bio Fuel (Litres)	Building Materials (m3)	Yarn (Bags)	Bio Power (MWh)
2.16	61,450	63,372,339	6,963	146,466	22,865
2.20	93,575	93,796,731	8,789	149,872	27,779
2.02	70,505	68,860,824	5,920	86,209	21,826
2.05	40,901	22,669,768	3,562	149,878	27,292
1.95	33 ,070	33,319,694	1,643	148,426	23,542
2.17	117,742	66,490,739	6,540	149,788	17,714
2.30	79,340	35,093,676	1,834	135,935	
2.54	71,008	27,625,611	1,477	133,580	
2.17	66,190	33,245,964	3,584	119,106	
2.41	81,953	35,408,000	5,141	119,922	
2.36	84,277	26,233,000	1,668	109,096	
2.42	91,890	15,800,156	5,670	96,326	
2.31	53,601	10,469,000	1,571	82,063	
2.20	24,243	4,967,000	497	96,999	
2.23	61,756	5,324,756	1,922	103,555	
2.38	73,477	6,350,000	2,784	85,259	
2.50	54,711	6,015,000		98,406	
2.65	39,397	2,573,700	2,118	83,542	
2.77	53,172	5,460,000	5,299	73,938	
2.65	60,150	5,250,076	4,335	50,880	
2.68	35,980	4,887,020	1,663	115,488	
2.53	37,710	4,525,900	3,360	117,902	
2.59	47,135	3,422,204	643	113,341	
2.31	33,180	3,030,217		97,388	
2.44	22,410				
2.61	38,740	308,494			
2.24	15,060	1,855,809			
2.29	11,470	20,239			
2.38	22,580				
2.40	21,860				
2.44	16,255				
2.48	21,255				
2.42	13,373				
2.25	2,358				
2.27	4,147				
2.44	14,103				
2.67	15,228				
2.68	11,424				
2.75	4,182				
3.57	4,726				

FINANCIAL HIGHLIGHTS

		2013	2012	2011	2010	2009	2008
Operating Results:							
Net Sales	(Rs 000)	13,507,225	14,762,318	13,354,705	7,794,204	5,101,667	6,789,572
Cost of Sales	(Rs 000)	12,512,771	13,044,568	12,061,782	7,081,788	4,783,640	6,110,885
Gross Profit	(Rs 000)	994,454	1,717,750	1,292,923	712,416	318,027	678,687
Operating Profit/(Loss)	(Rs 000)	568,825	1,033,342	841,167	337,602	(522,307)	208,468
Profit/(Loss) Before Tax	(Rs 000)	329,362	442,453	(48,195)	(675,690)	(1,841,910)	(794,904)
Profit/(Loss) After Tax	(Rs 000)	267,012	498,476	(81,523)	(879,727)	(1,957,821)	(806,025)
Dividends	(Rs 000)	-	-	-	-	-	-
Earnings/(Loss) Before Interest, Taxes, Depreciation & Amortization	(Rs 000)	1,110,038	1,457,672	1,196,749	547,336	(114,083)	591,974
Per Share Results and Return:							
Earning Per Share	(Rupees)	3.84	7.17	(1.17)	(12.66)	(28.16)	(11.59)
Cash Dividend Per Share	(Rupees)	-	-	-	-	-	-
Dividend Yield Ratio	(%)	-	-	-	-	-	-
Dividend Pay Out Ratio	(%)	-	-	-	-	-	-
Market Price Per Share at the end of the year (KSE 100 Index)	(Rupees)	19.50	12.90	4.9	4.13	8.12	11.84
Price Earning Ratio	(Times)	5.08	1.80	(4.19)	(0.33)	(0.29)	(1.02)
Financial Position							
Reserves	(Rs 000)	1,187,887	970,230	892,985	969,241	950,008	1,084,562
Current Assets	(Rs 000)	1,414,570	2,519,539	2,064,613	3,321,289	2,236,267	4,269,970
Current Liabilities	(Rs 000)	6,611,816	7,569,321	7,355,989	6,567,466	7,365,047	6,375,012
Net Current Assets / (Liabilities)	(Rs 000)	(5,197,246)	(5,049,782)	(5,291,376)	(3,246,177)	(5,128,780)	(2,105,042)
Property, Plant and Equipment	(Rs 000)	6,252,667	6,401,019	5,241,210	4,471,988	6,385,995	5,304,266
Total Assets	(Rs 000)	8,810,991	9,726,433	7,982,265	8,271,886	10,173,421	12,406,788
Long-Term Debt	(Rs 000)	2,135,741	2,410,570	2,794,162	2,736,067	2,849,736	2,930,753
Shareholders' Equity	(Rs 000)	21,110	(603,224)	(1,178,945)	(1,206,392)	(345,917)	1,620,254
Share Capital	(Rs 000)	695,238	695,238	695,238	695,238	695,238	695,238
Break-up Value per Share	(Rupees)	0.30	(8.68)	(16.96)	(17.35)	(4.98)	23.31
Break-up Value per share including Surplus on Revaluation of Fixed Assets	(Rupees)	31.11	24.14	3.42	7.09	19.47	52.70
Financial Ratios:							
Current Ratio	(Times)	0.21	0.33	0.28	0.51	0.30	0.67
Long-Term Debt to Capitalization	(%)	99.02	133.38	172.99	178.87	113.82	64.40
Total Debt to Total Assets	(%)	75.45	82.74	97.02	94.04	86.70	70.47
Weighted Average Cost Of Debt	%	10.38	12.86	13.94	14.15	17.09	14.27
Quick / Acid Test Ratio	(Times)	0.13	0.10	0.14	0.49	0.16	0.17
Earnings before Interest, Taxes, Depreciation & Amortization Margin (EBITDA)	(%)	0.08	0.10	0.10	0.07	(0.02)	7.64
Profitability Ratios:							
Gross Profit Ratio	(%)	7.36	11.64	9.68	9.14	6.23	10.00
Net Profit Margin	(%)	1.98	3.38	(0.61)	(11.29)	(38.38)	(11.87)
Average Collection Period	(Days)	5.22	6.01	13.43	0.68	0.98	6.46
Fixed Assets Turnover	(Times)	2.16	2.31	2.55	1.74	0.80	1.20
Total Assets Turnover	(Times)	1.53	1.52	1.67	0.94	0.50	0.55
Other Data:							
Depreciation & Amortization	(Rs 000)	342,546	285,750	298,815	359,177	408,224	383,133
Capital Expenditure	(Rs 000)	371,289	311,455	139,072	94,245	880,730	530,551

STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (the "Code") contained in Regulation No. 35 of listing regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages the representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Non-Executive Directors	Mr. Muhammad Anwar Mr. Muhammad Arshad Mr. Khalid Bashir Mr. Rasul Bux Phulpoto Mr. Shehryar Mazhar
Executive Directors	Mr. Ahsan M. Saleem Mr. Ali Altaf Saleem

The condition stipulated under sub-regulation (i) (b) of the Code relating to independent directors is applicable at the time of next election of directors.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies including this company (excluding the listed subsidiaries of listed holding companies where applicable).

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. During the year two casual vacancies occurred on the Board and the same were filled up by the directors within the stipulated time.

5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

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

7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.

8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met four times during the year ended 30 September 2013 for approval of quarterly and annual financial statements of the Company. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The directors were apprised about the applicable laws and their duties and responsibilities to effectively manage the affairs of the Company for and on behalf of the Company. The Company has arranged training program for one director during the year.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

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

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The board has formed an Audit Committee. It comprises three members, of whom two are non-executive directors, including the Chairman.

16. The meetings of the audit committee were held four times during the year ended 30 September 2013 prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has formed an HR and Remuneration Committee. It comprises of three members, of whom two are non-executive directors and the chairman of the committee is a non-executive director.

18. The board has outsourced the internal audit function to Riaz Ahmad and Company, Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

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

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange(s).

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. We confirm that all other material principles enshrined in the Code have been complied with.

By order of the Board.

Ahsan M. Saleem
Chief Executive Officer

Date: 26 December 2013

KPMG Taseer Hadi & Co.
Chartered Accountants
53 L Gulberg III
Lahore Pakistan

Telephone + 92 (42) 3585 0471-76
Fax + 92 (42) 3585 0477
Internet www.kpmg.com.pk

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

We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance ("Statement of Compliance") prepared by the Board of Directors of **Shakarganj Mills Limited ("the Company")** to comply with the Listing Regulations of Lahore, Islamabad and Karachi Stock Exchanges, where the Company is listed.

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

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

Further, Sub- Regulation (x) of Listing Regulation No. 35 of the respective Stock Exchanges, where the Company is listed, requires the Company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 September 2013.

KPMG Taseer Hadi & Co.

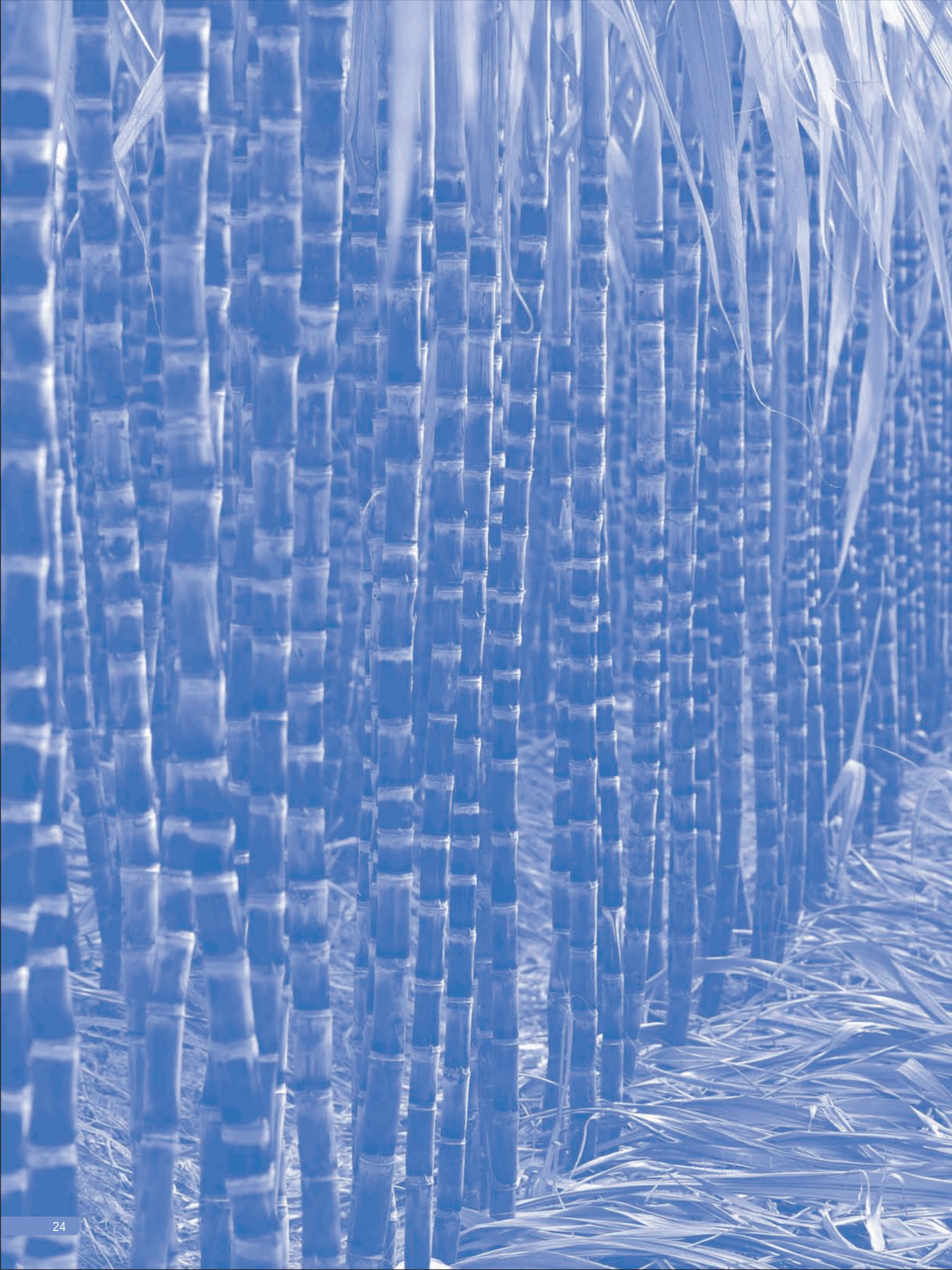
Lahore

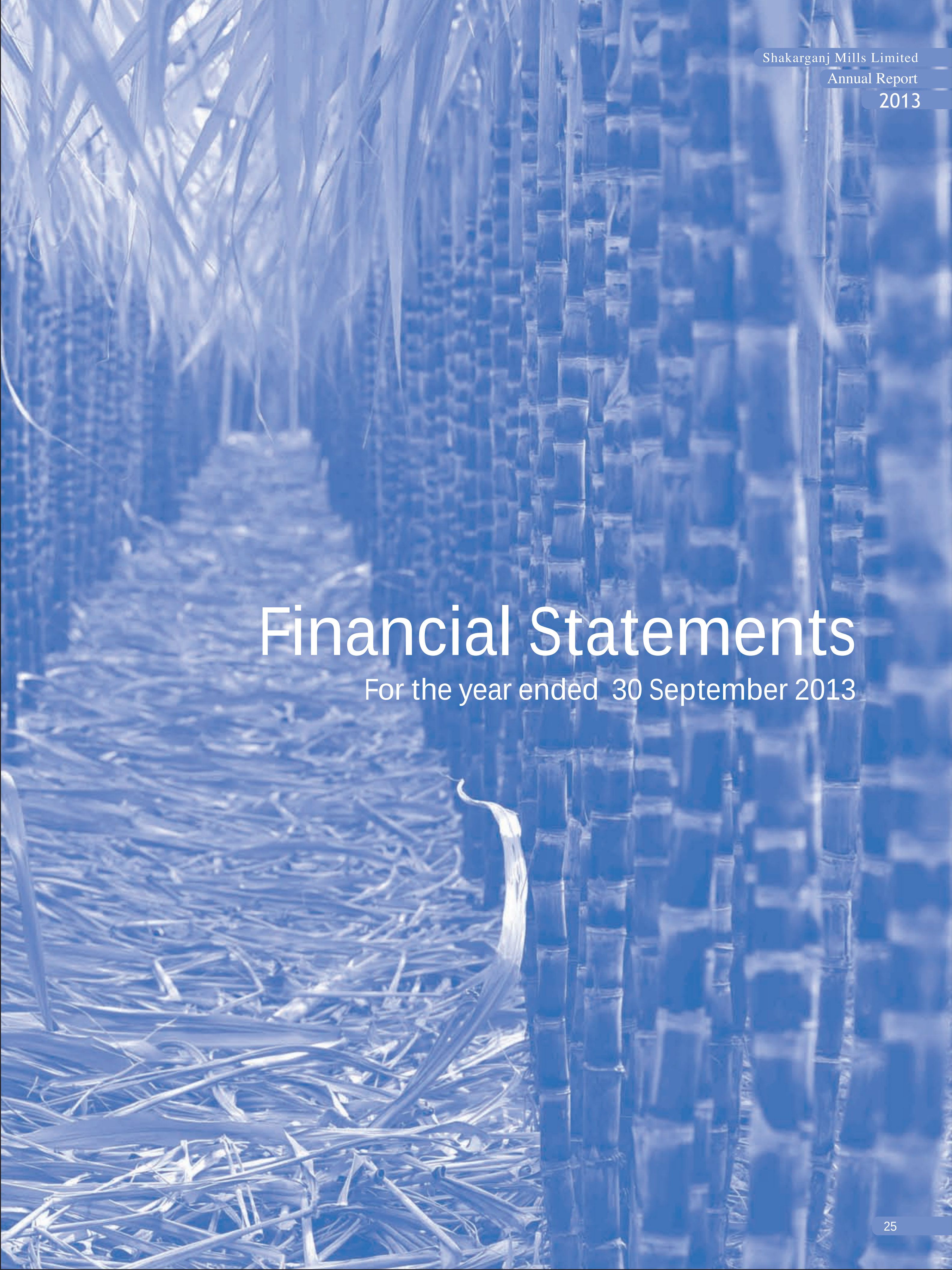
Date: 26 December 2013

KPMG Taseer Hadi & Co.
Chartered Accountants

(Bilal Ali)

KPMG Taseer Hadi & Co., a Partnership firm regi...
and a member firm of the KPMG network of independ...
firms affiliated with KPMG International Coopera...
("KPMG International"), a Swiss entity.





Financial Statements

For the year ended 30 September 2013

KPMG Taseer Hadi & Co.
Chartered Accountants
53 L Gulberg III
Lahore Pakistan

Telephone + 92 (42) 3585 0471-76
Fax + 92 (42) 3585 0477
Internet www.kpmg.com.pk

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Shakarganj Mills Limited** ("the company) as at 30 September 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 September 2013 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and

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

We draw attention to note 1.2 to the financial statements, which highlights the company's inability to timely meet its obligations in respect of principal and mark-up repayments on borrowings from financial institutions. The current liabilities of the Company have exceeded its current assets by Rs. 5,197 million. These conditions, along with other matters set forth in note 1.2 indicate the existence of material uncertainty that may cast significant doubt about the company's ability to continue as a going concern.

Our opinion is not qualified in respect of this matter.

The financial statements of the Company for the year ended 30 September 2012 were audited by A.F. Fergusons & Co, Chartered Accountants whose report dated 07 January 2013 expressed an unqualified opinion with emphasis of matter paragraph thereon.

KPMG Taseer Hadi & Co.

Lahore
26 December 2013

KPMG Taseer Hadi & Co.
Chartered Accountants
(Bilal Ali)

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

BALANCE SHEET

As at 30 September 2013

	Note	2013	2012
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
80,000,000 (2012: 80,000,000) ordinary shares of Rs. 10 each		800,000	800,000
50,000,000 (2012: 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 (2012: 69,523,798) ordinary shares of Rs. 10 each	5	695,238	695,238
Reserves		1,187,887	970,230
Accumulated loss		(1,862,015)	(2,268,692)
		21,110	(603,224)
Surplus on revaluation of property, plant and equipment	6	2,141,914	2,281,579
Non-current liabilities			
Long term finances	7	26,003	459,964
Liabilities against assets subject to finance lease	8	10,148	18,793
		36,151	478,757
Current liabilities			
Current portion of long term liabilities	10	2,117,610	1,959,402
Short term borrowings	11	1,155,480	2,507,350
Trade and other payables	12	2,422,533	1,979,617
Accrued finance cost	13	916,193	1,122,448
Provision for taxation		-	504
		6,611,816	7,569,321
Contingencies and commitments	14	-	-
		8,810,991	9,726,433

The annexed notes 1 to 46 form an integral part of these financial statements.

Chief Executive

	Note	2013	2012
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15	6,252,667	6,401,019
Intangible assets	16	955	1,045
Biological assets	17	13,975	8,895
Investments - related parties	18	1,081,722	750,895
Employees' retirement benefits	9	8,779	5,071
Long term loans, advances, deposits and prepayments	19	38,323	39,969
Deferred taxation	20	-	-
		7,396,421	7,206,894
Current assets			
Biological assets	17	32,600	37,395
Stores, spares and loose tools	21	115,086	129,862
Stock-in-trade	22	522,007	1,765,735
Trade debts	23	71,619	243,138
Investments	24	248,607	119,041
Loans, advances, deposits, prepayments and other receivables	25	324,282	154,767
Cash and bank balances	26	100,369	69,601
		1,414,570	2,519,539
		8,810,991	9,726,433

Chairman

PROFIT AND LOSS ACCOUNT

For the year ended 30 September 2013

	Note	2013	2012
		(Rupees in thousand)	
Sales - net	27	13,507,225	14,762,318
Cost of sales	28	(12,512,771)	(13,044,568)
Gross profit		994,454	1,717,750
Administrative expenses	29	(298,792)	(352,995)
Distribution and selling costs	30	(330,387)	(337,108)
Other operating expenses	31	(117,835)	(94,933)
Other income	32	321,385	100,628
Profit from operations		568,825	1,033,342
Finance cost	33	(438,130)	(729,469)
Share of profit from associates	18.1	198,667	138,580
Profit before taxation		329,362	442,453
Taxation			
- Company		(29,525)	64,140
- Associates		(32,825)	(8,117)
	34	(62,350)	56,023
Profit for the year		267,012	498,476
Basic earnings per share			
- Profit per share Rupees	35.1	3.84	7.17
Diluted earnings per share			
- Profit per share Rupees	35.2	3.55	6.62

The annexed notes 1 to 46 form an integral part of these financial statements.

Chief Executive **Chairman**

STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 30 September 2013

	2013	2012
	(Rupees in thousand)	
Profit for the period	267,012	498,476
Other comprehensive income		
Items that may be reclassified to profit and loss		
Fair value gain on 'Available for sale' investments	210,615	73,326
Share of other comprehensive income of associates	7,042	3,919
Total comprehensive income for the year	484,669	575,721

The annexed notes 1 to 46 form an integral part of these financial statements.

Chief Executive **Chairman**

CASH FLOW STATEMENT

For the year ended 30 September 2013

	Note	2013	2012
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	36	2,890,366	1,629,421
Finance cost paid		(517,301)	(694,650)
Taxes paid		(146,325)	(170,826)
Employees' retirement benefits paid		(16,698)	(15,443)
Net decrease / (increase) in long term deposits		1,381	(33,458)
Net cash generated from operating activities		2,211,423	715,044
Cash flows from investing activities			
Fixed capital expenditure		(312,692)	(426,094)
Dividends received		46,009	36,091
Income from bank deposits received		931	12,467
Proceeds from sale of property, plant and equipment		91,861	57,679
Net cash used in investing activities		(173,891)	(319,857)
Cash flows from financing activities			
Long term finances - net		(512,829)	(383,592)
Short term borrowings - net		(1,484,355)	(34,463)
Finance lease liabilities - net		(9,569)	(26,699)
Dividends paid		(11)	(1)
Net cash used in financing activities		(2,006,764)	(444,755)
Net increase / (decrease) in cash and cash equivalents		30,768	(49,568)
Cash and cash equivalents at the beginning of the year		69,601	119,169
Cash and cash equivalents at the end of the year	26	100,369	69,601

The annexed notes 1 to 46 form an integral part of these financial statements.

Chief Executive **Chairman**

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2013

	CAPITAL RESERVES					REVENUE RESERVES				
	Share capital	Share premium	Share in capital reserves of association	Fair value reserve	Difference of capital under scheme of arrangement of merger	General	Dividend equali-zation	Equity investment market value equalization	Accumu lated loss	Total
	---------- (Rupees in thousand) ----------									
Balance as at 30 September 2011	695,238	243,282	15,904	(38,437)	155,930	410,606	22,700	83,000	(2,767,168)	(1,178,945)
Total comprehensive income for the year ended 30 September 2012										
Profit for the year	-	-	-	-	-	-	-	-	498,476	498,476
Other comprehensive income for the year:										
Fair value loss on 'Available for sale' investments	-	-		73,326	-	-	-	-	-	73,326
Share of other comprehensive income of associates	-	-	3,919	-	-	-	-	-	-	3,919
	-	-	3,919	73,326	-	-	-	-	-	77,245
Total comprehensive income for the year	-	-	3,919	73,326	-	-	-	-	498,476	575,721
Balance as at 30 September 2012	695,238	243,282	19,823	34,889	155,930	410,606	22,700	83,000	(2,268,692)	(603,224)
Profit for the year	-	-	-	-	-	-	-	-	267,012	267,012
Other comprehensive income for the year:										
Fair value gain on 'Available for sale' investments	-	-	-	210,615	-	-	-	-	-	210,615
Share of other comprehensive income of associates	-	-	7,042	-	-	-	-	-	-	7,042
	-	-	7,042	210,615	-	-	-	-	-	217,657
Surplus transferred to accumulated losses on account of										
- disposal of land	-	-	-	-	-	-	-	-	99,770	99,770
- property, plant and equipment - net of deferred tax	-	-	-	-	-	-	-	-	39,895	39,895
	-	-	-	-	-	-	-	-	139,665	139,665
	-	-	7,042	210,615	-	-	-	-	406,677	624,334
Balance as on 30 September 2013	**695,238**	**243,282**	**26,865**	**245,504**	**155,930**	**410,606**	**22,700**	**83,000**	**(1,862,015)**	**21,110**

The annexed notes 1 to 46 form an integral part of these financial statements.

Chief Executive

Chairman

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2013

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 manufacture, purchase and sale of sugar, bio fuel, building materials, yarn (textile) and engaged in generation and sale of electricity (bio power). The Company has its principal manufacturing facilities at Jhang and satellite manufacturing facilities at Bhone. The registered office of the Company is situated in Lahore.

1.2 Going concern assumption

As at the reporting date, the current liabilities of the Company have exceeded its current assets by Rs. 5,197 million (2012: Rs. 5,050 million). However the equity has become positive primarily for reasons of increased share of profits of associates and profit charge on reclassification of investment in Safeway Mutual Fund Limited as mentioned in note 18.2.6. The Company has not been able to meet its various obligations for long term loans, lease financing and short term borrowings. Borrowings (including mark-up payable thereon) aggregating Rs. 2,409 million (2012: Rs. 2,855 million) are over-due for payment.

The Company has been facing liquidity crunch for the last few years. In February 2010, the Company entered into agreements for a bridge finance facility of Rs. 2,466 million and short term running finance facility of Rs. 2,980 million from a consortium of its existing lenders. The bridge finance was envisaged to be operational by April 2010 and fully repaid by June 2011 through sale of certain assets of the Company, identified in the agreement. However, neither the bridge finance facility nor the consortium cash finance could become operative due to delays in obtaining No-objection certificate from National Bank of Pakistan for creation of pari passu charge on the assets against the above new facilities. Furthermore, the Company was not able to liquidate all of the specified assets as per timelines identified in the bridge loan agreement and subsequent to 30 June 2011, these facilities stood expired.

Furthermore, the Company had issued redeemable preference shares in 2005 to the shareholders of the Company which were to be redeemed along with any outstanding dividend payable in December 2009. Due to liquidity crunch the Company has not redeemed the preference shares and preference dividend amounting to Rs. 64.79 million is also outstanding as on 30 September 2013.

The above conditions raise significant doubts on the Company's ability to continue as a going concern. However, the management is confident of the Company's ability to continue as a going concern based on its concerted effort to re-profile borrowings and utilisation of improved liquidity in cost efficient operational levels of cane crushing and Bio Fuel manufacturing.

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

Operational measures

The Company continued with its efforts to achieve operational efficiency in previous year to improve its productivity and financial results in order to generate liquidity for financing of operations and repayment of borrowings. The Company was able to crush 1.410 million tons of sugarcane in current year as compared to 1.957 million tons of sugarcane during the last year but at an increased average recovery of 9.49% (2012: 8.87%). The production of Bio Fuel decreased from 93.80 million litres in last year to 63.37 million litres in current year primarily for reasons of extra ordinary inflationary trends in prices of molasses.

To date the Company has repaid Rs. 1,666 million of the bridge loan through utilisation of improved liquidity resulting from better operational results in current and previous years and sale of certain assets of the Company, namely, Sugar Unit at Dargai Shah, Power Division at Dargai Shah, partial divestment in Safeway Mutual Fund Limited and Asian Stocks Fund Limited and partial disposal of agricultural land.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2013

After the expiry of Bridge loan facility on 30 June 2011 the Company, in its efforts to re-profile its borrowings, continued the process of negotiations with its lenders seeking short term financing facilities for operational liquidity and relaxation in payments of its existing loan, the details of which are as follows:

Long term financing - secured

The Company requested its lenders for restructuring of over-due balances including mark-up to term borrowings under reduced and/or non-mark-up arrangements. As a result, the Company has been able to restructure/ reschedule various loans from its lenders resulting in relaxation in payments and for others still in over-due deliberations are going on, the details of which are as follows:

- currently negotiating with National Bank of Pakistan to restructure its overdue principal alongwith mark-up to long term loans with deferred payment terms. Furthermore, the Company is seeking to obtain relaxation / waiver in overdue mark-up on upfront payment;

- restructuring of Rs. 176 million of over-due long term running finance and Rs. 75 million of over-due accrued mark-up under bridge finance to long term demand finance from The Bank of Punjab;

- restructuring of Rs. 161 million of short term financing and Rs. 76 million of over due mark-up under bridge finance to long term loan under non mark-up arrangements from Allied Bank Limited as explained in note 7.3;

- restructuring of bridge finance of Rs. 181 million to long term loan from United Bank Limited;

- currently in negotiation with MCB Bank Limited for a increased working capital line and relaxation in payment terms. Restructuring of Rs. 473 million of various over-due borrowings to long term loan and rescheduling of long term loan of Rs. 92 million in prior years; and

- negotiating separately with each term finance certificate (TFC) holders for settlement of their outstanding overdues. During the year, the Company was successful in negotiating its overdue exposure with UBL Fund Managers (one of the TFC holder) as explained in note 7.4.

Short term financing- secured

The Company requested its lenders for following short term secured financing for operational liquidity:

- Working capital line against pledge of sugar at 20% margin for 120 to 150 days with an incentive for lender to adjust 10% of the new disbursement against settlement of existing over-due loans (principal only); and

- An FE 25 loan in US Dollars with a maturity of 120-150 days after settlement of working capital against pledge of sugar. Such loan is being offered to be securitised against pledge of molasses/Bio Fuel with an incentive for lender to adjust 20% of the new disbursement against settlement of existing over-due loans (principal only).

Newly disbursed facilities shall be settled upon sale of respective commodities (sugar/ Bio Fuel).

The Company after successfully negotiating with some of its lenders on bilateral terms received responses from a number of banks and obtained following working capital lines and FE 25 loans during the year:

	Amount (Rupees in million)
Working capital lines:	
MCB Bank Limited	1,000
NIB Bank Limited	240
The Bank of Punjab	200
United Bank Limited	540
Bank Alfalah Limited	200
FE 25 loan:	
Faysal Bank Limited	100

The above facilities have been obtained against pledge of sugar/molasses/Bio Fuel at margin ranging from 15% to 25% and have resulted in significantly improved operational results in current year.

Subsequent to the year ended 30 September 2013, the Company has again requested its lenders for working capital lines for financing of its operations in next year against pledge of stocks of sugar, molasses and Bio Fuel. The Company, as an additional incentive to the lenders, has offered upfront deductions ranging from 5% to 10% on the requested limits for the settlement of overdue / due installments and mark-up. As a result, the Company has been able to secure a working capital line of Rs. 200 million from Standard Chartered Bank Limited with an incentive of reduction in mark-up rate on existing over-dues effective way forward. Furthermore, the bank will release its lien on the shares of Altern Energy Limited and Safeway Mutual Fund pledged with it to enable the Company to sell them. The proceeds realized on sale of above mentioned shares will be used to settle over-due principal and mark-up.

The Company is confident that based on its above mentioned plan it will continue to be supported by the lenders and also be able to reschedule remaining of its existing over-due borrowings as well.

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

- the Company will continue to get support of its lenders and will be able to obtain relaxation in payment terms of its over-due borrowings; and

- the Company will be able to generate adequate liquidity through new short term borrowings and will be successful in utilising such funds to increase its operations and achieve its budgeted targets for production of sugar, Bio Fuel etc.

The 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2013

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standard Board and Islamic Financial Reporting Standards (IFAs) issued by the Institute of Chartered Accountants of Pakistan as are notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives shall prevail.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention except for the measurement of certain items of property, plant and equipment as referred to in note 15 at revalued amounts and recognition of certain employee retirement benefits as referred to in note 9 at present value.

3.2 Taxation

Current

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

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction neither affects accounting nor taxable profit or loss. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

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

3.3 Property, plant and equipment

Property, plant and equipment except freehold land and buildings on freehold land are stated at cost less accumulated depreciation and identified impairment loss. Freehold land is stated at revalued amount carried out by independent valuers by reference to its current market price less any identified impairment loss. Buildings are stated at revalued amount carried out by independent valuers by reference to its current market price less accumulated depreciation and identified impairment loss. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the buildings, and the net amount is restated to the revalued amount of the buildings. Property, plant and equipment acquired under finance lease are capitalized at the lease's commencement at the lower of the present value of minimum lease payments under the lease arrangements and the fair value of the leased asset. Costs in relation to certain property, plant and equipment includes borrowing costs referred to in note 3.20.

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

Depreciation on all property, plant and equipment, except land is charged to profit on the reducing balance method so as to write off the cost of an asset over its estimated useful life at the annual rates given in note 15.1 after taking into account the impact of their residual values, if considered significant.

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The company's estimate of the residual value of its property, plant and equipment as at 30 September 2013 has not required any adjustment as its impact is considered insignificant.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2013

3.4 Intangible assets

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

Amortization is charged to income on the straight line basis so as to write off the cost of an asset over its estimated useful life. Amortization on additions is charged from the month in which an asset is acquired or capitalized while no amortization is charged for the month in which the asset is disposed off. Amortization is being charged at annual rates as specified in note 16.

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

3.5 Biological assets

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

3.6 Leases

The company is the lessee:

Finance leases

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

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

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

Operating leases

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

3.7 Investments

Held to maturity

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

Available for sale

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

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

Held for trading

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

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

All purchases and sales of investments are recognized on the trade date which is the date that the company commits to purchase or sell the investment. Transaction costs are charged to profit and loss.

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

Investments in associates

Associates are the entities over which the Company has significant influence but not control, generally represented by a shareholding of between 20% and 50% of the voting right. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2013

recognized at cost, and the carrying amount is increased or decreased to recognize the company's share of the profit or loss of the associate after the date of acquisition. The company's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Company's share of its associates post acquisition profits or losses is recognized in the profit and loss account and its share in post acquisition movements in the other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Company's share of losses in associates equals or exceeds its interest in the associate including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associates. Gain on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associate.

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

Dilution gains and losses arising in investments in associates are recognized in the income statement.

3.8 Stores, spares and loose tools

Usable stores and spares are valued principally at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon. Provision is made in the financial statements for obsolete and slow moving stores and spares based on management's estimate.

3.9 Stock-in-trade

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

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

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

3.10 Financial assets and liabilities

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

Financial assets include held to maturity, available for sale and held for trading investments, trade debts, loans, advances, deposits and other receivables and cash and bank balances.

Financial liabilities include long term finances, short term borrowings, accrued finance cost and trade and other payables.

3.11 Offsetting of financial assets and liabilities

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

3.12 Trade debts

Trade debts and other receivables are recognized initially at invoice value, which approximates fair value, and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade debts and other receivables is established when there is an objective evidence that the Company will not be able to collect all the amount due according to the original terms of the receivable. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade debt is impaired. The provision is recognized in the profit and loss account. When a trade debt is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the profit and loss account.

3.13 Cash and cash equivalents

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

3.14 Non-current assets held for sale

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

3.15 Borrowings

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

NOTES TO THE FINANCIAL STATEMENTS

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Finance costs are accounted for on an accrual basis and are included in accrued finance cost to the extent of the amount remaining unpaid.

3.16 Trade and other payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Exchange gains and losses arising on translation in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

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

3.17 Deferred income

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

3.18 Derivative financial instruments

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

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

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the profit and loss account within 'other operating income/expenses'.

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

3.19 Foreign currency transactions and translation

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

Figures are rounded to nearest thousand.

3.20 Borrowing costs

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

3.21 Revenue recognition

- Revenue from sales is recognized on dispatch of goods to customers.
- Revenue from sale of electricity is recognized on transmission of electricity to Faisalabad Electric Supply Company (FESCO).
- Dividend on equity investments is recognized as income when the right of receipt is established.
- Return on deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

3.22 Segment reporting

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

3.23 Dividends and appropriations to general reserve

Dividends and appropriations to general reserves are recognized in the financial statements in the period in which these are approved.

3.24 Employees' retirement benefits

3.24.1 Defined benefit plans

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

All permanent employees who are in the management cadre of the company participate in an approved funded defined benefit pension plan. In addition, there is an approved funded defined benefit gratuity scheme for all permanent employees, who are in the management cadre of the company subject to a minimum qualifying period of service according to the terms of employment. Monthly contributions are made to these funds on the basis of actuarial recommendation at the rate of 20% per annum of basic salary for pension and 8.33% per annum of basic salary for gratuity. Actuarial valuation for the schemes was carried out as at 30 September 2013.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2013

Actual returns on plan assets during the year were Rs. 28.62 million and Rs. 4.93 million for pension and gratuity funds respectively. The actual returns on plan assets represent the difference between the fair value of plan assets at the beginning of the year and as at the end of the year after adjustments for contributions made by the company as reduced by benefits paid during the year.

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

Discount rate:	10%	per annum
Expected increase in eligible pay:	9%	per annum
Expected rate of return on plan assets:	11.5%	per annum
Expected mortality rate:	EFU 61-66 mortality table adjusted for company's experience	
Expected withdrawal and early retirement rate:	Based on experience	

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

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

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

3.24.2 Defined contribution plan

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

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

3.25 Standards, interpretations and amendments to published approved International Financial Reporting Standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2013:

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. This amendment could change the measurement of the company's obligation for its retirement benefit related amount of profit and loss account and other comprehensive income.

The company has not planned to adopt this amendment early, however, had this amendment been adopted early, other comprehensive income would have been increased by Rs. 4.31 million.

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.

- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. The amendment would not have significant impact on financial statement of the company.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. The amendment would not have significant impact on financial statement of the company.

Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following standards, with consequential amendments to other standards and interpretations.

- IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position.
- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.

- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2013

- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.
- IAS 39 Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

Apart from above certain other standards, amendments to published standards and interpretations of accounting standards became effective for accounting periods beginning on or after 1 January 2013, however, they do not affect the company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2013

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

	Note
Residual values and useful lives of depreciable assets	3.3
Net realizable value of stock in trade to their net realizable value	3.9
Provision for doubtful debts	3.12
Employees' retirement benefits	3.24
Provision for taxation	3.2
Provision for deferred taxation	3.2

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

5. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2013	2012		2013	2012
(Number of shares)		Ordinary	(Rupees in thousand)	
		Ordinary shares of Rs. 10 each		
23,544,798	23,544,798	fully paid in cash	**235,448**	235,448
		Ordinary shares of Rs. 10 each issued as fully		
33,131,816	33,131,816	paid bonus shares	**331,318**	331,318
		Ordinary shares of Rs. 10 each issued as fully		
12,847,184	12,847,184	paid for consideration other than cash	**128,472**	128,472
69,523,798	69,523,798		**695,238**	695,238

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

	2013	2012
	(Number of shares)	
Crescent Jute Products Limited	33,640	33,640
Crescent Steel and Allied Products Limited	15,244,665	15,244,665
Crescent Cotton Mills Limited	2,865,830	2,865,830
The Crescent Textile Mills Limited	5,427,488	5,427,488
	23,571,623	23,571,623

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2013

	2013	2012
	(Rupees in thousand)	
6. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		
Revaluation surplus as at 1 October	2,281,579	1,416,678
Revaluation surplus arising during the year		
- Freehold land	-	345,396
- Buildings on freehold land	-	714,004
	-	1,059,400
Deferred tax on revaluation	-	(194,499)
Surplus transferred to accumulated losses on account of		
- disposal of property, plant and equipment	(99,770)	-
- incremental depreciation	(39,895)	-
	2,141,914	2,281,579

6.1 The latest valuation of land and buildings has been carried out by an independent valuer, Empire Enterprises (Pvt) Limited on 30 September 2012. The valuation was determined by reference to current market value of the similar properties. The most significant input into this valuation approach is price per acre and price per square foot for land and buildings respectively.

6.2 Except and to the extent actually realized on disposal of the assets which are revalued, the surplus on revaluation of fixed assets shall not be applied to set off or reduce any deficit or loss, whether past, current or future, or in any manner applied, adjusted or treated so as to add to the income, profit or surplus of the company, or utilized directly or indirectly by way of dividend or bonus, provided that the surplus on revaluation of fixed assets may be applied by the Company in setting off or in diminution of any deficit arising from the revaluation of any other fixed asset of the company.

		2013	2012
		(Rupees in thousand)	
7. LONG TERM FINANCES			
Long term loans - secured	- note 7.1	1,371,835	1,579,622
Redeemable capital			
- Preference shares (non-voting) - unsecured	- note 7.4	345,756	345,756
- Term finance certificates (non-voting) - secured	- note 7.5	418,150	485,192
		763,906	830,948
		2,135,741	2,410,570
Less: Current portion shown under current liabilities			
- Long term loans - secured		(1,345,832)	(1,119,658)
- Redeemable capital - Preference Shares (non-voting) - secured		(345,756)	(345,756)
- Redeemable capital - term finance certificates (non-voting) - secured		(418,150)	(485,192)
	- note 7.2	(2,109,738)	(1,950,606)
		26,003	459,964

7.1 Long term loans - secured

Loan	Lender	2013	2012	Rate of mark-up per annum	Number of installments outstanding	Mark-up payable
		(Rupees in thousand)				
1	Silk Bank Limited	-	12,500	** Base rate + 3.75% and monitoring fee of 0.2% per annum	The loan has been repaid during the year.	Quarterly
2	MCB Bank Limited	73,500	82,688	* Base rate + 2% subject to floor of 8%	Eight semi annual installments (including two over-due) of Rs. 9.19 million each ending September 2016.	Semi-annual
3	MCB Bank Limited	378,399	425,699	* Base rate + 2%	Eight semi annual installments (including two over-due) of Rs. 47.33 million each ending September 2016.	Semi-annual
		451,899	508,387			
4	National Bank of Pakistan Limited	190,326	190,400	* Base rate + 2.5%	Six semi annual installments (including five over-due) of Rs. 27.2 million each and one partial installment of Rs. 27.13 million ending June 2014.	Semi-annual
5	National Bank of Pakistan Limited	119,674	119,674	** Base rate + 3%	Eleven quarterly installments (including two over-due) of Rs. 10 million each and one partial installment of Rs. 9.67 million ending January 2016.	Quarterly
6	National Bank of Pakistan Limited	171,000	171,000	** Base rate + 2%	Twenty quarterly installments (including thirteen over-due) of Rs. 8.55 million each ending June 2015.	Quarterly
		481,000	481,074			
7	Standard Chartered Bank Limited	1,704	198,065	* Base rate + 2.25%	One semi annual partial installment of Rs. 1.7 million ending June 2014.	N/A
8	United Bank Limited	107,700	134,833	* Base rate + 1%	Three semi annual installments (including one partial over-due of Rs. 17.2 million) of Rs. 30.17 million each and one partial installment of Rs. 16 million ending January 2015.	Semi annual
9	The Bank of Punjab	79,812	132,176	** Base rate + 1%	Four quarterly installments of different amounts ending December 2013 including over-due installments of Rs. 74.54 million.	Quarterly
10	The Bank of Punjab	75,200	75,251	*** Nil	Three installments of different amounts ending 31 August 2014.	N/A
		155,012	207,427			
11	Habib Bank Limited	28,200	37,336	*** Base rate + 1%	Two semi annual installments of Rs. 9.43 million each and one installment of Rs. 9.42 million (including one overdue installment of Rs. 9.35 million) ending 31 July 2014.	Semi annual
12	Allied Bank Limited - note 7.3	69,400	-	*** Nil	Six monthly installments of Rs. 10.07 million each (including one overdue partial installment of Rs. 8.96 million ending March 2014.	N/A
13	Allied Bank Limited - note 7.3	76,920	-	*** Nil	Nine equal monthly installments starting from 15 April 2014.	N/A
		146,320	-			
		1,371,835	1,579,622			

* Base rate: Average ask rate of six-month Karachi Inter Bank Offer Rate ("KIBOR") reset for each mark-up period

** Base rate: Average ask rate of three-month Karachi Inter Bank Offer Rate ("KIBOR") to be reset for each mark-up period

*** Outstanding accrued mark-up restructured and rescheduled and carries no mark-up.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2013

Security

Loan 1

The loan was secured by way of first pari passu charge over fixed assets of the Company.

Loan 2

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

Loan 3

The loan is secured by way of mortgage and hypothecation over mortgaged properties and hypothecated assets and personal guarantees of the directors of the Company.

Loan 4

The loan is secured against first pari passu charge over present and future fixed assets of the Company.

Loan 5 to 6

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

Loan 7

The loan is secured by way of hypothecation over all present and future moveable assets of the Company and mortgage of land and buildings.

Loan 8

These are secured by way of first pari passu charge on all the present and future fixed assets and personal guarantees of the directors of the Company.

Loan 9 to 10

These are secured by way of pari passu charge over fixed assets and personal guarantees of the directors of the Company.

Loan 11

These are secured by way of first pari passu hypothecation charge over all present and future fixed assets and first pari pasu mortgage over immovable fixed assets and personal guarantees of the directors of the Company and pledge of shares of Shakarganj Foods Products Limited (SFPL) by the Company.

Loan 12 to 13

These are secured by way of first pari passu hypothecation charge over all present and future fixed assets and first pari passu mortgage over immovable fixed assets and personal guarantees of the directors of the Company.

7.2 The aggregate current portion of Rs. 2,110 million (2012: Rs. 1,951 million) includes over-due principal installments aggregating to Rs. 881 million (2012: Rs. 640 million) and Rs. 741 million (2012: Rs. 760 million) representing principal installments which under the term of original loan agreements are due for repayment in period subsequent to 30 September 2014. However, as the Company could not repay on a timely basis the installments due up till the year ended 30 September 2013 and is not compliant with certain debt covenants, which represents a breach of the respective agreements, therefore these loans have been disclosed as a current liability under the guidance contained in "IAS 1 Presentation of financial statements".

Further the lenders as part of the financing/restructuring agreements have restricted dividend distribution by the company until full satisfaction of the entire over-due amount and other amounts due during the tenor of the finance facilities.

7.3 Short term finance - restructured

During the year, short term finance facility available from Allied Bank Limited under mark-up arrangements have been restructured to an interest free long term loan. This loan is now repayable in fifteen equal monthly installments starting from January 2013 and ending in March 2014. The mark-up outstanding of Rs. 76.93 million as at the restructuring date has also been frozen and converted into an interest free long term loan repayable in nine equal monthly installments starting from April 2014 and ending December 2014.

As per the arrangement, the restructuring will remain effective provided the Company does not default on any of its installments otherwise mark-up waiver will be called off and it will be recovered at the rate of three months KIBOR plus 2%. Mark-up of Rs. 23.34 million has not been accrued based on the assertion that the Company will honor the restructuring terms.

7.4 Redeemable preference shares (non-voting) - unsecured

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

Terms of redemption

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

The preference shares were to be redeemed in the year ended on 30 September 2010.

If the Company fails to pay dividends to preference shareholders during the tenure of five years, the preference shares and the unpaid cumulative dividend may at the discretion of the investors be converted into ordinary shares on the basis of the aforementioned conversion ratio.

In case the investor does not opt for the conversion option and the Company is unable to redeem the Preference Shares along with the cumulative dividend then the outstanding preference shares along with cumulative dividend will be redeemed in subsequent three years as under:

- Outstanding amount of preference shares and cumulative dividend to be redeemed 33% in sixth year;

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2013

- Outstanding amount of preference shares and cumulative dividend to be redeemed 33% in seventh year; and

- Outstanding amount of preference shares and cumulative dividend to be redeemed 33% in eighth year

The investors will have a put option at the end of the eighth year to put the outstanding preference shares at Par value along with the cumulative dividend to the Company. An event of default will be triggered if the Company fails on the put option.

Preference dividend

The preference shareholders have a preferred right of dividend @ 8.5% per annum on a cumulative basis during the tenure of five years which ended in December 2009. The Company had till 30 September 2012 accrued preferred dividend for periods after the maturity of such shares in December 2009 as it intended to pay the dividends for periods post maturity till the preference shares are redeemed. However, during the current year, the Company has re-evaluated its obligation to pay dividend on preference shares and has decided to restrict its obligation in respect of preferred dividend to the tenure of such shares. As per the terms and conditions to issuance of preference shares, the Company has no obligation to accrue or pay dividends after aforementioned tenure of five years. Consequently, the Company has reversed preferred dividend in respect of periods subsequent to December 2009 aggregating to Rs. 52.82 million in the year ended 30 September 2012.

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

	2013	2012
	(Rupees in thousand)	
Crescent Steel and Allied Products Limited	2,999,396	2,999,396
The Crescent Textile Mills Limited	2,746,050	2,746,050
Premier Insurance Company of Pakistan Limited	53,125	53,125
Shakarganj Mills Limited Gratuity Fund	51,000	51,000
Shakarganj Mills Limited Pension Fund	351,500	351,500
Shakarganj Mills Limited Provident Fund	1,700,500	1,700,500
	7,901,571	7,901,571

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

The term finance certificates (TFCs) were issued to finance the acquisition and establishment of the sugar plant at Dargai Shah as well as the Company's existing business operations and for other purposes permitted by the Memorandum and Articles of Association.

Terms of redemption

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

During the year, UBL Fund Managers (TFC holder) executed a settlement arrangement for their outstanding exposure of Rs. 80 million as part of the PPTFC. As per the arrangement the Company will pay monthly installments of Rs. 3.33 million each for 23 months starting from January 2013 till November 2014 and a final installment of PKR 3.41 million on 31 December 2014. The mark-up outstanding of Rs. 49.52 million as at settlement arrangement date has been waived off and no further mark-up (up-to 30 September 2013 Rs. 5.99 million) would be payable till the maturity of outstanding amount provided the Company makes timely payments and remains compliant with the terms of arrangement otherwise this arrangement will stand void and past/ future mark-ups as per the original trust deed will be applicable.

Number of installments outstanding

Six semi annual installments of Rs. 54 million each and one partial overdue installment of Rs. 44.20 million (2012: Rs. 22.9 million) ending September 2016.

Security

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

	2013	2012
	(Rupees in thousand)	
8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Present value of minimum lease payments	18,020	27,589
Less: Current portion shown under current liabilities	(7,872)	(8,796)
	10,148	18,793

The minimum lease payments have been discounted at an implicit interest rate ranging from 12.82% to 13.10% (2012: 15.80% to 17.20%) to arrive at their present value. Rentals are paid in quarterly installments and in case of default in any payment, an additional charge at the rate of 3% to 20% shall be paid. The lessee has the option to purchase the assets after expiry of the lease term.

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

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

	Minimum Lease payments	Future finance cost	Present value of lease liability 2013	Present value of lease liability 2012
	(Rupees in thousand)			
Not later than one year	9,812	1,940	7,872	8,796
Later than one year and not later than five years	10,961	813	10,148	18,793
	20,773	2,753	18,020	27,589

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2013

		2013	2012
		(Rupees in thousand)	
9. EMPLOYEES' RETIREMENT BENEFITS			
Classified under non-current assets			
Pension fund	- note 9.1	2,488	935
Gratuity fund	- note 9.2	6,291	4,136
		8,779	5,071
Profit and Loss account charge for:			
Pension Benefits	- note 9.1	9,814	8,963
Gratuity Benefits	- note 9.2	3,176	1,953
		12,990	10,916
9.1 Pension fund			
The amounts recognized in the balance sheet are determined as follows:			
Present value of defined benefit obligations		273,937	237,192
Fair value of plan assets		(284,825)	(248,836)
Unrecognized actuarial losses		8,400	10,709
Asset as at 30 September		(2,488)	(935)
The movement in the defined benefit obligation over the year is as follows:			
Present value of defined benefit obligations as at 1 October		237,192	197,781
Current service cost		11,153	9,836
Interest cost		27,277	24,723
Benefits paid during the year		(5,699)	(12,546)
Actuarial losses		4,014	17,398
Present value of defined benefit obligations as at 30 September		273,937	237,192
The movement in the fair value of plan assets of the year is as follows:			
Fair value as at 1 October		248,836	216,227
Expected return on plan assets		28,616	27,029
Contributions during the year		11,368	10,398
Benefits paid during the year		(5,699)	(12,546)
Actuarial gains		1,704	7,728
Fair value as at 30 September		284,825	248,836

	2013	2012
	(Rupees in thousand)	
The amounts recognized in the profit and loss account are as follows:		
Current service cost	11,153	9,836
Interest cost	27,277	24,723
Expected return on plan assets	(28,616)	(27,029)
Past service cost	-	1,433
Total, included in salaries and wages	9,814	8,963
The amounts recognized were included in the profit and loss account as follows:		
Cost of sales	5,125	4,181
Administrative expenses	4,564	4,686
Selling expenses	88	69
Other expenses	37	27
Total, included in salaries and wages	9,814	8,963

The actual return on plan assets was Rs. 28.62 million (2012: Rs. 34.76 million).

	2013	2012
The principal actuarial assumptions used were as follows:		
Discount rate	10.0%	11.5%
Expected return on plan assets	11.5%	10.5%
Future salary increases	9.0%	12.5%
Average expected remaining working life time of employees	9 years	12 years

	2013	2012
	(Rupees in thousand)	
Plan assets are comprised as follows:		
Equity Instruments	66,901	39,789
Debt Instruments	243,158	230,160
Others	(25,234)	(21,113)
	284,825	248,836

Fair value of plan assets include ordinary shares and preference shares of the Company whose fair values as at 30 September 2013 are Rs. 8.08 million (2012: Rs. 2.02 million) and Rs. 8.36 million (2012: Rs. 11.64 million) respectively.

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

	2012-13	2011-12	2010-11	2009-10	2008-09
			(Rupees in thousand)		
As at 30 September					
Present value of defined benefit obligations	273,937	237,192	197,782	166,684	161,675
Fair value of plan assets	(284,825)	(248,836)	(216,228)	(174,627)	(168,530)
(Surplus)	(10,888)	(11,644)	(18,446)	(7,943)	(6,855)
Experience adjustment on plan liabilities	4,014	17,398	13,648	(16,227)	8,180
Experience adjustment on plan assets	1,704	7,728	11,181	(8,541)	(2,375)

	2013	2012
	(Rupees in thousand)	
9.2 Gratuity fund		
The amounts recognized in the balance sheet are determined as follows:		
Present value of defined benefit obligations	48,450	36,504
Fair value of plan assets	(50,653)	(42,835)
Unrecognized actuarial losses	(4,088)	2,195
Asset as at 30 September	(6,291)	(4,136)
The movement in the defined benefit obligation over the year is as follows:		
Present value of defined benefit obligations as at 1 October	36,504	29,651
Current service cost	3,903	2,907
Interest cost	4,198	3,706
Benefits paid during the year	(4,502)	(3,116)
Actuarial losses	8,347	3,356
Present value of defined benefit obligations as at 30 September	48,450	36,504
The movement in the fair value of plan assets of the year is as follows:		
Fair value as at 1 October	42,835	36,026
Expected return on plan assets	4,925	4,503
Contributions during the year	5,332	5,044
Benefits paid during the year	(4,502)	(3,116)
Actuarial gains	2,063	378
Fair value as at 30 September	50,653	42,835

	2013	2012
	(Rupees in thousand)	
The amounts recognized in the profit and loss account are as follows:		
Current service cost	3,903	2,907
Interest cost	4,198	3,706
Expected return on plan assets	(4,925)	(4,503)
Actuarial gains	-	(157)
Total, included in salaries and wages	3,176	1,953
The amounts recognized were included in the profit and loss account as follows:		
Cost of sales	1,717	989
Administrative expenses	1,425	950
Selling expenses	24	-
Other expenses	10	14
Total, included in salaries and wages	3,176	1,953

The actual return on plan assets was Rs. 4.93 million (2012: Rs. 4.88 million).

	2013	2012
The principal actuarial assumptions used were as follows:		
Discount rate	10.0%	11.5%
Expected return on plan assets	11.5%	11.5%
Future salary increases	9.0%	10.5%
Average expected remaining working life time of employees	8 years	10 years

	2013	2012
	(Rupees in thousand)	
Plan assets are comprised as follows:		
Equity instruments	25,508	5,759
Debt instruments	40,501	34,688
Others	(15,356)	2,388
	50,653	42,835

Fair value of plan assets include ordinary shares and preference shares of the Company whose fair values as at 30 September 2013 are Rs. 6.16 million (2012: Rs. 0.76 million) and Rs. 5.41 million (2012: Rs. 0.33 million) respectively.

NOTES TO THE FINANCIAL STATEMENTS

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

	2012-13	2011-12	2010-11	2009-10	2008-09
			(Rupees in thousand)		
As at 30 September					
Present value of defined benefit obligations	48,450	36,504	29,651	45,619	42,362
Fair value of plan assets	(50,653)	(42,835)	(36,023)	(52,048)	(46,756)
Surplus	(2,203)	(6,331)	(6,372)	(6,429)	(4,394)
Experience adjustment on plan liabilities	8,347	3,356	(1,715)	(5,132)	(4,631)
Experience adjustment on plan assets	2,063	378	279	(4,650)	(1,162)

		2013	2012
		(Rupees in thousand)	
10. CURRENT PORTION OF LONG TERM LIABILITIES			
Long term finances	- note 7	2,109,738	1,950,606
Liabilities against assets subject to finance lease	- note 8	7,872	8,796
		2,117,610	1,959,402
11. SHORT TERM BORROWINGS			
Secured			
- Running finances	- note 11.2	560,806	1,230,877
- Export refinance	- note 11.3	301,109	989,612
- Term finances	- note 11.4	-	45,682
Unsecured			
- Short term interest free financing	- note 11.5	293,565	241,179
		1,155,480	2,507,350

11.1 As per the original terms of the respective agreements with the banks, the aggregate borrowing facilities, except for those mentioned in note 11.2 and 11.3, stand expired as at 30 September 2013. The Company, as referred to in note 1.2, entered into restructuring agreements with the lenders whereby it was allowed a bridge loan facility of Rs. 2,466 million and short term running finance of Rs. 2,980 million was extended up to 31 October 2010 at the rate of three month KIBOR plus 1% and one month KIBOR plus 3% respectively. However as referred therein, the bridge finance and consortium short term running finance could not become operative. The Company however, has accrued mark-up on facilities aggregating to Rs. 2,466 million at three months of KIBOR plus 1% as it believes that it is liable to pay mark-up under the terms of the bridge loan agreement instead of the original agreements, which stand expired.

11.2 Running finances

As per the original facilities, these finances were available at a mark-up ranging from 10.03% to 12.50% (2012: 11.47% to 16.92%) on the outstanding balance or part thereof.

Out of the total balance, Rs. 210 million (2012: Rs. 573.76 million) are payable in respect of new working capital lines which are available as at 30 September 2013 at a mark-up ranging from 10.86% to 12.09% (2012: 12.32% to 14.08%) on the outstanding balance or part thereof.

The aggregate running finances are secured against pledge of stock-in-trade and marketable securities and registered hypothecation charge on property, plant and equipment and current assets of the company.

11.3 Export refinance

As per the original facilities, these finances were available at a mark-up ranging from 10.93% to 13.68% (2012: 11% to 16.92%) or part thereof. Foreign currency borrowings were available at mark-up rates based on LIBOR ranging from 3.38% to 8.85% (2012: 3.24% to 8.85%).

Out of the total balance, Rs. 23.13 million (2012: 300.70 million) are payable in respect of new working capital lines which are available as at 30 September 2013 at mark-up of 3.38% (2012: 4.29% to 11%) on the outstanding balance or part thereof.

The aggregate export and import finances are secured against lien on export contracts and first charge on current assets of the Company.

11.4 Term finances

The loans were paid off completely during the year. As per the original facilities, these finances were available at a mark-up of 11.20% (2012: 12.98% to 14.20%) on the balance outstanding or part thereof.

These are secured against pledge of stock-in-trade and registered charge on current and certain non-current assets of the Company.

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

11.5 Short term interest free financing

It represents unsecured short term interest free financing provided by a sugar agent for financing the operations of the Company.

		2013	2012
		(Rupees in thousand)	
12 TRADE AND OTHER PAYABLES			
Trade creditors	- note 12.1	1,096,936	769,499
Advances for sale of property, plant and equipment		9,936	9,258
Advances from customers		974,037	856,833
Security deposits	- note 12.2	6,270	6,326
Associated undertakings	- note 12.3	3,750	5,559
Accrued liabilities		140,629	154,437
Payable to government			
- Sales tax and excise duty		117,245	74,579
- Withholding tax payable		3,244	15,204
Unclaimed dividend		1,545	1,556
Derivative interest rate swap	- note 12.4	-	13,457
Workers' profit participation fund	- note 12.5	17,692	23,287
Payable to provident fund		10,361	4,955
Others	- note 12.6	40,888	44,667
		2,422,533	1,979,617

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2013

12.1 Trade creditors include interest free amounts due to associated companies amounting to nil (2012: Rs. 54.44 million) in the normal course of business.

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

12.3 These are interest free and represent expenses incurred by related parties on behalf of the Company:

	2013	2012
	(Rupees in thousand)	
Crescent Business Management (Private) Limited	-	5
Crescent Steel and Allied Products Limited	-	1,294
Crescent Software Products Limited	3,750	3,705
Shakarganj Food Products Limited	-	555
	3,750	5,559

12.4 The Company had entered into derivative interest rate swap arrangements to hedge for the possible adverse movements in interest rates arising on the interest payments due on its syndicate term loan. Under the terms of the interest rate swap arrangement, the Company was to pay LIBOR plus bank spread to the arranging bank on the syndicate term loan denominated in US $ for the purposes of the interest rate swap, and receive KIBOR on same loan denominated in PAK rupees from the arranging bank. This marked to market arrangement has been completed during the current year and the resulting income of Rs. 13.46 million (2012: Rs. 18.17 million) has been recognized in profit and loss account as referred to in note 32 as this hedging relationship does not meet the criteria of cash flow hedge and does not qualify for special hedge accounting specified in IAS 39 'Financial Instruments: Recognition and Measurement'.

	2013	2012
	(Rupees in thousand)	
12.5 Workers' profit participation fund		
Balance as at 1 October	23,287	-
Allocation for the year	17,335	23,287
Interest on funds utilized in the company's business	779	-
	41,401	23,287
Less: Amount paid to workers during the year on behalf of the Fund	23,709	-
Balance as at 30 September	17,692	23,287

12.6 Included in other liabilities are provisions aggregating to Rs. 3.12 million (2012: Rs. 17.79 million) in respect of probable loss from pending litigation of the Company against Sales Tax Authorities and the Excise Department.

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

		2013	2012
		(Rupees in thousand)	
13 ACCRUED FINANCE COST			
Accrued mark-up on:			
- Long term finances	- note 13.1	611,920	720,204
- Liabilities against assets subject to finance leases		4,555	7,294
- Short term borrowings		299,718	394,950
	- note 13.2	916,193	1,122,448

13.1 This includes accrued preference dividend amounting to Rs. 64.79 million (2012: Rs. 64.79 million).

13.2 This includes finance cost of Rs. 817 million (2012: Rs. 910.79 million) which is overdue for payment as at 30 September 2013.

14 CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

(i) The Company has issued following guarantees:

Bank guarantee of Rs. 9.55 million (2012: Rs. 9.55 million) in favour of Sui Northern Gas Pipelines Limited against performance of contracts.
Cross corporate guarantee in favour of Allied Bank Limited to secure long term finance facility availed by the Company's associate , Shakarganj Food Products Limited of Rs. 467 million (2012: Rs. 467 million).

Apart from above, outstanding letters of guarantees as at 30 September 2013 amounted to Rs. 5.35 million.

(ii) The Company has issued a post dated cheque in favour of the Collector of Customs against custom duty clearance in respect of import of plant and machinery amounting to Rs. 9.52 million (2012: Rs. 5.04 million).

(iii) As referred to in note 1.2, the Company entered into a bridge finance agreement with a consortium of banks for Rs. 2,466 million to be repaid by 30 June 2011 from the sale of assets, identified in the agreement. For reasons specified in the note 1.2, the bridge facility could not become operative and expired on 30 June 2011. The Company has, in these financial statements, accrued mark-up based on the reduced rates contained in the bridge finance agreement on its respective borrowings to the tune of Rs. 2,466 million. Had the mark-up been accrued at the terms of original agreements, it would have been higher by Rs. 149.53 million (2012: Rs. 144.40 million) approximately. However, as explained in note 1.2, the Company is in process of negotiation with lenders for restructuring of overdue balances and is confident that the lenders will not demand mark-up as per original agreements.

Moreover, pending the finalisation of restructured terms of payments with all lenders, the Company has not recognised penalties of Rs. 486.92 million (2012: Rs. 433.31 million) approximately which may be leviable under the terms of borrowings agreements including the bridge finance facility. The Company is confident that it will be able to negotiate restructured terms for repayment of loans and no penalty shall be levied by the lenders.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2013

(iv) The Sindh High Court (the Court) in the case of 'Kasim Textile' in its order of 7 May 2013 has held that benefit of carry forward of minimum tax under section 113 of the Income Tax Ordinance, 2001 is only available if tax payable in a tax year is less than minimum tax paid. If in a tax year, a company has assessed losses on which no tax is payable, the company forgoes the right to carry forward minimum tax paid in that year. In the light of this order, the Company is not entitled to carry forward minimum tax paid in the tax year 2010 to 2013 of Rs. 221.15 million as a result of assessed tax losses in these years and adjust it against normal tax liability. Also in the case of refunds claimed in any year, those would also be adjusted accordingly. However, the management is of the view that the verdict has been challenged in the Supreme Court and that they are waiting for the final outcome and accordingly tax liability for the current year has been made on the basis of minimum tax.

(v) The Sindh High Court through its order dated 01 March 2013 declared the amendments made in the WWF Ordinance, 1971 through Finance Act, 2008 applicable through which WWF is applicable on accounting profits rather than on the taxable income computed after incorporating the brought forward losses. In the light of the above order, the provision to date based on accounting profit comes to Rs. 6.59 million (30 September 2012: Rs. 8.85 million). However, these financial statements does not include any adjustment to this effect since the Company is of the opinion that it does not come under the purview of the order of the Sindh High Court and that the Lahore High Court had already declared the above amendments unconstitutional via the case reported as 2011 PLD 2643.

14.2 Commitments

The Company has the following commitments in respect of:

(i) Contract for capital expenditure amounting to Rs. 72.26 million (2012: Rs. 65.21 million).

(ii) Contracts for acquisition of intangible (computer software) amounting to Rs. 20 million (2012: Rs. 20 million).

(iii) Contracts for other than capital expenditures Rs. 11.05 million (2012: Rs. 8.28 million).

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

	2013	2012
	(Rupees in thousand)	
Not later than one year	1,437	4,992
Later than one year and not later than five years	360	1,350
	1,797	6,342

15. PROPERTY, PLANT AND EQUIPMENT

		2013	2012
Operating assets	- note 15.1	5,931,522	6,017,847
Capital work-in-progress	- note 15.2	321,145	383,172
		6,252,667	6,401,019

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2013

15.1 Operating assets

2013 **(Rupees in thousand)**

	Cost/ re-valued amount 01 October 2012	Transfers in /(Out)	Additions/ (deletions)/ (adjustments)	Effect of revaluation	Cost/ re-valued amount 30 September 2013	Accumulated depreciation as at 01 October 2012	Trans- fers in/ (Out)	Depre- ciation charge/ (deletions) for the year	Elimination of accumulated depreciation against cost on revaluation	Accumulated depreciation as at 30 September 2013	Book value as at 30 September 2013	Rate of depreci- ation %
Owned assets												
Freehold land	2,018,427	-	13,206	-	1,920,133	-	-	-	-	-	1,920,133	-
			(111,500)									
Buildings and roads on freehold land	1,048,491	-	42,494	-	1,090,985	-	-	80,474	-	80,474	1,010,511	7.5
Plant and machinery	5,465,681	-	299,344	-	5,763,521	2,752,241	-	215,814	-	2,966,885	2,796,636	7.5-30
			(1,504)					(1,170)				
Tools and equipment	80,511	-	2,766	-	51,169	72,551	-	3,067	-	44,700	6,469	20-40
			(32,108)					(30,918)				
Water, electric and weighbridge equipment	280,411	-	4,452	-	276,572	220,694	-	12,845	-	225,831	50,741	20-40
			(8,291)					(7,708)				
Furniture and fixtures	45,687	-	2,549	-	48,015	35,148	-	2,440	-	37,476	10,539	20
			(221)					(112)				
Office equipment	57,366	-	2,677	-	59,473	48,162	-	4,928	-	52,869	6,604	40
			(570)					(221)				
Vehicles	176,390	6,559	2,492	-	181,986	97,938	4,608	16,014	-	115,938	66,048	20
			(3,455)					(2,622)				
Laboratory Equipment	22,114	-	1,167	-	23,281	18,761	-	1,690	-	20,451	2,830	40
Arms and ammunition	575	-	-	-	575	287	-	57	-	344	231	10
Library books	10,814	-	142	-	10,956	10,134	-	150	-	10,284	672	30
	9,206,467	6,559	371,289	-	9,426,666	3,255,916	4,608	337,479	-	3,555,252	5,871,414	
		-	(157,649)					(42,751)				
Leased assets												
Plant and machinery	92,822	-	-	-	92,822	27,839	-	4,875	-	32,714	60,108	7.5
	-											
Vehicles	7,083	(6,559)	(524)	-	-	4,770	(4,416)	(354)	-	-	-	20
	99,905	(6,559)	(524)	-	92,822	32,609	(4,416)	4,521	-	32,714	60,108	
2013	9,306,372	-	370,765	-	9,519,488	3,288,525	192	342,000	-	3,587,966	5,931,522	
			(157,649)					(42,751)				

2012 **(Rupees in thousand)**

	Cost/ re-valued amount 01 October 2011	Transfers in /(Out)	Additions/ (deletions)/ (adjustments)	Effect of revaluation	Cost/ re-valued amount 30 September 2012	Accumulated depreciation as at 01 October 2011	Trans- fers in/ (Out)	Depre- ciation charge/ (deletions) for the year	Elimination of accumulated depreciation against cost on revaluation	Accumulated depreciation as at 30 September 2012	Book value as at 30 September 2012	Rate of depreci- ation %
Owned assets												
Freehold land	1,671,361	-	1,670	345,396	2,018,427	-	-	-	-	-	2,018,427	-
Buildings and roads on freehold land	567,725	-	51,374	429,392	1,048,491	260,574	-	24,038	(284,612)	-	1,048,491	7.5
Plant and machinery	5,312,681	10,281	199,234	-	5,465,681	2,560,667	2,549	211,360	-	2,752,241	2,713,440	7.5-30
	-	-	(54,915)	-	-	-	-	(21,048)	-	-	-	
	-	-	(1,600)	-	-	-	-	(1,287)	-	-	-	
Tools and equipment	76,372	-	4,139	-	80,511	69,247	-	3,304	-	72,551	7,960	20-40
Water, electric and weighbridge equipment	277,100	-	7,038	-	280,411	208,443	-	15,353	-	220,694	59,717	20-40
			(3,727)					(3,102)	-			
Furniture and fixtures	42,182	-	3,587	-	45,687	32,977	-	2,206	-	35,148	10,539	20
			(83)					(35)	-			
Office equipment	50,942	-	6,424	-	57,366	42,561	-	5,601	-	48,162	9,204	40
Vehicles	121,521	25,540	34,277	-	176,390	68,835	16,963	15,920	-	97,938	78,452	20
			(4,948)					(3,780)	-			
Laboratory Equipment	18,598	-	3,516	-	22,114	17,343	-	1,418	-	18,761	3,353	40
Arms and ammunition	575	-	-	-	575	216	-	71	-	287	288	10
Library books	10,620	-	195	-	10,814	9,996	-	139	-	10,134	680	30
	-	-	(1)	-	-	-	-	(1)	-	-	-	
	8,149,677	35,821	311,455	774,788	9,206,467	3,270,859	19,512	279,410	(284,612)	3,255,916	5,950,551	
		-	(63,674)					(27,966)				
			(1,600)					(1,287)				
Leased assets												
Plant and machinery	103,103	(10,281)	-	-	92,822	25,071	(2,549)	5,317	-	27,839	64,983	7.5
Vehicles	32,623	(25,540)	-	-	7,083	20,425	(16,678)	1,023	-	4,770	2,313	20
	135,726	(35,821)	-	-	99,905	45,496	(19,227)	6,340	-	32,609	67,296	
2012	8,285,403	-	311,455	774,788	9,306,372	3,316,355	285	285,750	(284,612)	3,288,525	6,017,847	
			(63,674)					(27,966)				
			(1,600)					(1,287)				

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For the year ended 30 September 2013

15.1.1 Disposal of property, plant and equipment

Particulars of assets	Sold to	Cost/ Carrying value	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
		(Rupees in thousand)				
Freehold land	**Related party**					
	Crescent Steel and Allied Products Limited - note 15.1.2	109,100	-	109,100	70,000	Negotiation
	Outside Party					
	Mr. Muhammad Nawaz	2,400	-	2,400	2,100	-do-
Plant and machinery	**Outside parties**					
	Mr. Muhammad Afzal	416	267	149	302	Negotiation
	Mr. Muhammad Farrukh	800	647	153	652	-do-
Water, electric and weighbridge equipment	**Outside parties**					
	Mr. Muhammad Rashid	604	487	117	474	Negotiation
	Mr. Muhammad Nawaz	600	490	110	862	-do-
	Mr. Khalid Bashir	489	393	96	500	-do-
	Mr. Muhammad Shahzad	5,674	5,475	199	505	-do-
Vehicles	**Employees**					
	Mr. Muhammad Sadiq	390	300	90	97	As per company policy
	Mr. Bashir Ahmad	590	509	81	147	-do-
	Outside parties					
	Mr. Ghulam Abbas	360	286	74	160	Negotiation
	Mr. Muhammad Younis	351	288	63	443	-do-
	Mr. Muhammad Younis	555	477	78	380	-do-
	Mr. Akhtar Abbas	397	147	250	900	-do-
Tools and equipment	**Outside parties**					
	Warraich Agro Services	31,690	30,507	1,183	10,000	Negotiation
Other assets having book value below Rs. 50,000		3,233	2,478	755	4,339	
		157,649	42,751	114,898	91,861	

15.1.2 The board of directors in their meeting held on 30 May 2013 approved the sale of freehold land measuring 54.55 kanals located at Chak # 253-RB, Dallowal, Faisalabad to M/s Crescent Steel and Allied Products Limited, an associated undertaking, at a negotiated price of Rs. 70 million. The negotiated price is backed by valuation of land carried out by an independent valuer, Saleem Engineers, with reference to current market value of similar properties.

15.1.3 The Company bases its valuation of operating assets suspect to impairment upon valuation performed by an independent valuation expert.

15.1.4 The carrying amount of freehold land and buildings would have been Rs. 257.84 million (2012: Rs. 256.36 million) and Rs. 350.06 million (2012: Rs. 334.49 million) respectively, had there been no revaluation.

		2013	2012
		(Rupees in thousand)	
15.1.5 The depreciation charge has been allocated as follows:			
Cost of sales	- note 28	308,714	255,035
Administrative expenses	- note 29	33,832	30,715
		342,546	285,750

15.1.6 The Company reviews the useful lives of property, plant and equipment on regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with the corresponding effect on the depreciation charge and impairment.

		2013	2012
		(Rupees in thousand)	

15.2 Capital work-in-progress

		2013	2012
Civil works		3,634	8,399
Plant and machinery		224,312	111,528
		227,946	119,927
Advances given for capital work in progress	- note 15.2.1	93,199	263,245
		321,145	383,172

15.2.1 Advances

		2013	2012
Considered good:			
- Plant and machinery	- note 15.2.4	93,199	267,159
Considered doubtful:			
- Plant and machinery		1,310	1,310
- Intangibles		15,274	11,674
		16,584	12,984
		109,783	280,143
Less: Provision against doubtful advances	- note 15.2.3	(16,584)	(12,984)
Less: Impairment charged during the year		-	(3,914)
		93,199	263,245

15.2.2 These advances include interest free amount due to an associated company amounting to Rs. 3.17 million (2012: Nil) in the normal course of business.

15.2.3 Provision against doubtful advances

	2013	2012
As at 1 October	12,984	12,984
Provision during the year	3,600	-
As at 30 September	16,584	12,984

15.2.4 Advances include an amount given to Mian Muhammad Sugar Mill in pursuance to a purchase arrangement whereby the Company will get a beneficial interest in the machinery installed at the premises. The movement to date is as follows:

		2013	2012
		(Rupees in thousand)	
Advance to date		211,217	196,917
Machinery received		(145,776)	(50,444)
		65,441	146,473
Impairment charged	- note 15.2.3.1	(28,148)	(28,148)
		37,293	118,325

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2013

15.2.3.1 This represents impairment charged to date on advance payment made by the Company for purchase of plant and machinery. The impairment has been recorded based on the valuation carried out on a yearly basis. The latest valuation has been conducted by Saleem Engineers (Pvt) Limited (2012: M/s Empire Enterprises (Pvt) Limited). As a result of valuation, no impairment occurred during the year.

16. INTANGIBLE ASSETS

	2013					(Rupees in thousand)		
	Cost as at 01 October 2012	Additions/ (transfers/ deletions)	Cost as at 30 September 2013	Accumulated amortization 01 October 2012	Amorti-zation charge for the year	Accumulated amortization 30 September 2013	Book value as at 30 September 2013	Rate of amorti-ization %
Computer software - acquired	2,000	-	2,000	1,760	60	1,820	180	20
Nepra license fee	1,007	-	1,007	202	30	232	775	3.7-5.0
	3,007	-	3,007	1,962	90	2,052	955	

	2012					(Rupees in thousand)		
	Cost as at 01 October 2011	Additions/ (transfers/ deletions)	Cost as at 30 September 2012	Accumulated amortization 01 October 2011	Amorti-zation charge for the year	Accumulated amortization 30 September 2012	Book value as at 30 September 2012	Rate of amorti-ization %
Computer software - acquired	2,000	-	2,000	1,700	60	1,760	240	20
Nepra license fee	1,007	-	1,007	170	32	202	805	3.7-5.0
	3,007	-	3,007	1,870	92	1,962	1,045	

16.1 The amortization charge for the year has been allocated to cost of sales as referred to in note 28 .

		2013	2012
		(Rupees in thousand)	
17. BIOLOGICAL ASSETS			
Sugarcane			
Mature		22,272	32,394
Immature		4,089	-
		26,361	32,394
Rice - mature		5,550	4,748
Others - mature		689	253
Livestock - mature		13,975	8,895
		46,575	46,290
Non - current		13,975	8,895
Current		32,600	37,395
	- note 17.3	46,575	46,290

17.1 The value of sugarcane crops is based on estimated average yield of 595 (2012: 550) maunds per acre on cultivated area of 240 (2012: 232) acres. The value of rice crops is based on the estimated yield of 34 (2012: 38) maunds per acre on cultivated area of 86 (2012: 93) acres.

17.2 100 acres (2012: Nil) relates to sugarcane cultivation which is valued at a cost of Rs. 4.09 million (2012: Nil).

		2013	2012
		(Rupees in thousand)	
17.3 Movement during the year			
Livestock			
As at 1 October		8,895	8,931
Increase due to purchases/costs incurred		413	2,368
Gain / (loss) arising from changes in fair value less estimated point of sale costs		5,548	(172)
Decrease due to sale / deceased livestock		(881)	(2,232)
As at 30 September		13,975	8,895
Crops			
As at 1 October		37,395	23,702
Increase due to purchases/costs incurred		43,461	45,233
Decrease due to harvest / sales		(34,327)	(40,229)
Fair value loss related to sales during the year		(10,001)	(5,004)
Transferred to finished goods		(685)	(1,551)
Fair value adjustment of agricultural assets	- note 31	(3,243)	15,244
As at 30 September		32,600	37,395
		46,575	46,290

18. INVESTMENTS - RELATED PARTIES

		2013	2012
In equity instruments of associates	- note 18.1	528,633	652,880
Available for sale	- note 18.3	553,089	98,015
		1,081,722	750,895

18.1 In equity instruments of associates

		2013	2012
Cost		545,793	545,793
Brought forward amounts of post acquisition reserves, profits and negative goodwill recognized directly in profit and loss accounts		107,087	(1,926)
		652,880	543,867
Share of movement in reserves during the year		7,042	3,919
Share of profit for the year			
- before taxation		198,667	138,580
- provision for taxation	- note 34	(32,825)	(8,117)
		165,842	130,463
		825,764	678,249
Dividends received during the year		(32,200)	(25,369)
Transferred to available for sale	- note 18.2.6	(264,931)	-
		(297,131)	(25,369)
Balance as on 30 September	- note 18.2	528,633	652,880

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2013

		2013	2012
		(Rupees in thousand)	
18.2 In equity instruments of associates			
Quoted			
Crescent Steel and Allied Products Limited 2,720,062 (2012: 2,720,062) fully paid ordinary shares of Rs. 10 each Equity held: 4.82% (2012: 4.82%)	- note 18.2.5	246,809	204,715
Safeway Mutual Fund Limited Nil (2012: 16,579,143) fully paid ordinary shares of Rs. 10 each Equity held till 15 September 2013: 30.45% (2012: 30.45%)	- note 18.2.6	-	148,771
Unquoted			
Shakarganj Food Products Limited 74,654,596 (2012: 74,654,596) fully paid ordinary shares of Rs. 10 each Equity Held: 49.24% (2012: 49.24%)	- note 18.2.7	281,824	299,394
		528,633	652,880

18.2.1 Investments in associates include goodwill amounting to Rs. 82.89 million (2012: Rs. 82.89 million).

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

Name	Percentage interest held	Assets	Liabilities	Revenues	Profit/(loss)
		----------- (Rupees in thousand) -----------			
2013					
Crescent Steel and Allied Products Limited	4.82%	279,086	(43,901)	240,964	42,901
Shakarganj Food Products Limited	49.24%	787,759	(577,765)	2,435,397	(17,259)
Safeway Mutual Fund Limited	30.45%	358,808	(8,753)	148,327	140,200
		1,425,653	(630,419)	2,824,688	165,842

Name	Percentage interest held	Assets	Liabilities	Revenues	Profit/(loss)
		----------- (Rupees in thousand) -----------			
2012					
Crescent Steel and Allied Products Limited	4.82%	244,845	(51,661)	190,046	22,690
Shakarganj Foods Products Limited	49.24%	652,447	(424,329)	1,986,195	41,731
Safeway Mutual Fund Limited	30.45%	234,740	(833)	56,491	66,042
		1,132,032	(476,823)	2,232,732	130,463

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

18.2.4 The above figures of Crescent Steel and Allied Products Limited and Safeway Mutual Fund Limited are based on audited consolidated financial statements as at 30 June 2013.

18.2.5 The Company has assessed the recoverable amount of investment in Crescent Steel and Allied Products Limited based on value in use calculation. This calculation has been made on discounted cashflow methodology which assumes gross profit margin of 12.62% - 14.60%, EBITDA of 16.66% - 18.91%, terminal growth rate of 6.5% and discount rate of approximately 13.5%.

18.2.6 The board of directors of Safeway Mutual Fund Limited in their meeting resolved to convert the company (close end fund) into an open end fund. By virtue of this change in status of the fund, Shakarganj Mills Limited could not exercise significant influence which it had through common directorship. Accordingly the investment in Safeway Mutual Fund Limited has been reclassified to available for sale. This treatment has been done in accordance with the guidelines in IAS-28 i.e. the carrying value has been determined in accordance with the funds net assets value at the conversion date of 16 September 2013 and the resulting gain has been charged to profit and loss account.

	2013	2012
	(Rupees in thousand)	
Net assets value as at 16 September 2013	374,025	-
Less: Carrying value on the basis of equity method before transfer to available for sale	(264,931)	-
Gain on transfer from equity investment to available for sale	109,094	-

18.2.7 The Company has assessed the recoverable amount of investment in Shakarganj Food Products Limited based on value in use calculation. This calculation has been made on discounted cash flow methodology which assumes gross profit margin of 15.40% - 16.38%, EBITDA of 2.78% - 3.75%, terminal growth rate of 4% and discount rate of approximately 14.8%.

		2013	2012
		(Rupees in thousand)	
18.3 Available for sale			
Associated companies - at cost	- note 18.3.1	3,000	3,000
Others - at cost	- note 18.3.2	521,142	147,117
		524,142	150,117
Add: Cumulative fair value gain	- note 18.3.3	122,204	41,155
Less: Cumulative impairment losses recognized	- note 18.3.4	(93,257)	(93,257)
Fair value gain / (loss)		28,947	(52,102)
		553,089	98,015

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2013

		2013	2012
		(Rupees in thousand)	
18.3.1 Associated companies			
Quoted			
Crescent Jute Products Limited			
536,817 (2012: 536,817) fully paid ordinary shares of Rs. 10 each Market value - Rs. 0.83 million (2012: Rs. 0.54 million)		-	-
Unquoted			
Crescent Standard Telecommunications Limited			
300,000 (2012: 300,000) fully paid ordinary shares of Rs. 10 each		3,000	3,000
		3,000	3,000
18.3.2 Others			
Unquoted			
Crescent Group Services (Private) Limited			
220,000 (2012: 220,000) fully paid ordinary shares of Rs. 10 each		2,200	2,200
Mutual Funds - Open end			
Safeway Mutual Fund			
19,066,014 (2012: Nil) units of Rs. 10 each inclusive of bonus issue @ 15% during the year Market value - Rs. 350.05 million (2012: Nil)	- note 18.2.6	374,025	-
Asian Stocks Fund			
17,675,292 (2012: 16,245,673) units of Rs. 10 each inclusive of bonus issue @ 8.8% during the year Market value - Rs. 202.21 million (2012: Rs. 97.47 million)		144,917	144,917
		521,142	147,117

18.3.3 Cumulative fair value gain

	2013	2012
As at 1 October	41,155	17,325
Fair value gain during the year	81,049	23,830
	122,204	41,155
Impairment loss transferred to profit and loss account	-	-
As at 30 September	122,204	41,155

18.3.4 Cumulative impairment losses recognized

	2013	2012
As at 1 October	93,257	93,257
Recognized during the year	-	-
As at 30 September	93,257	93,257

18.3.5 Investments with face value of Rs. 922.49 million (2012: Rs. 922.49 million) and market value of Rs. 1,157.94 million (2012: Rs. 903.82 million) are pledged as security against long term running finances and short term borrowings as referred to in note 7 and 11 respectively.

		2013	2012
		(Rupees in thousand)	

19. LONG TERM LOANS, ADVANCES, DEPOSITS AND PREPAYMENTS

		2013	2012
Loan to Sui Northern Gas Pipelines Limited - considered good	- note 19.2	1,656	2,070
Less: Current portion shown under short term advances	- note 25	414	414
		1,242	1,656
Advance to Creek Marina (Private) Limited - considered doubtful	- note 19.3	38,557	38,557
Security deposits		37,346	38,313
		77,145	78,526
Less: Provision against doubtful receivables	- note 19.1	(38,822)	(38,557)
		38,323	39,969

19.1 Provision against doubtful receivables

		2013	2012
As at 1 October		38,557	-
Provision during the year	- note 29	265	38,557
As at 30 September		38,822	38,557

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

19.3 This represents payment for two apartments in the Creek Marina Projects pursuant to a settlement agreement entered into by the Company and the former Crescent Standard Investment Bank Limited (CSIBL) in year 2006. The construction work at the site has been halted since last year due to differences between Defence Housing Authority and the developer. As per minutes of the Third General Body Meeting of Creek Marina Action Committee (CMAC), held in September 2012, the resumption of construction work is still uncertain in near future. Consequently, based on prudence principal the Company provided the above advance in full last year.

	2013	2012
	(Rupees in thousand)	

20. DEFERRED TAXATION

	2013	2012
The deferred tax asset comprises temporary differences relating to:		
Accelerated tax depreciation	(561,171)	(608,290)
Revaluation surplus on property, plant and equipment	(168,777)	(194,499)
Unused tax losses	698,485	782,565
Undistributed reserves of associates	31,463	20,224
	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2013

Deferred tax asset on tax losses available for carry forward and those representing minimum tax paid available for carry forward u/s 113 of the Income Tax Ordinance, 2001 are recognized to the extent that the realization of related tax benefits through future taxable profits is probable. The company has not recognized deferred tax assets of Rs. 2,173.82 million (2012: Rs. 3,081.24 million) in respect of tax losses and Rs 280.18 million (2012: Rs. 247.47 million) in respect of minimum tax paid and available for carry forward u/s 113 of the Income Tax Ordinance, 2001, as sufficient tax profits may not be available to set these off in the foreseeable future. Minimum tax paid u/s 113 aggregating to Rs. 280.18 million would not be available for carry forward against future tax liabilities subsequent to years 2014 through 2018. Tax losses amounting to Rs. 1,400.81 million, Rs. 472.62 million, Rs. 390.49 million, Rs. 781.29 million and Rs. 983.55 million expire in tax year 2015, 2016, 2017, 2018, 2019 and 2020 respectively.

	2013	2012
	(Rupees in thousand)	
21. STORES, SPARES AND LOOSE TOOLS		
Stores	63,248	68,945
Spares	54,916	63,662
Loose tools	1,532	1,865
	119,696	134,472
Less: Provision for obsolete items	(4,610)	(4,610)
	115,086	129,862

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

	2013	2012
22. STOCK-IN-TRADE		
Raw materials	23,552	266,984
Work-in-process	11,771	11,240
Finished goods	486,684	1,487,511
	522,007	1,765,735

22.1 Raw materials and finished goods amounting to Rs. 385.70 million (2012: Rs. 890.10 million) are pledged with lenders as security against long term running finances and short term borrowings as referred to in note 7 and note 11 respectively.

22.2 The amount charged to profit and loss account on account of write down of finished goods to net realizable value amounted to Rs. 9.84 million (2012: Nil).

		2013	2012
		(Rupees in thousand)	
23. TRADE DEBTS			
Considered good:			
- Secured		-	7
- Unsecured	- note 23.1	71,619	243,131
		71,619	243,138
Less: Provision for doubtful debts		-	-
		71,619	243,138

23.1 These include receivable from Shakarganj Food Products Limited (SFPL), an associated company amounting to Rs. 2.16 million (2012: Rs. 2.88 million) in the normal course of business of which Rs. 1.23 million is over-due by less than 180 days and Rs. 0.93 is over-due by more than 180 days.

24. INVESTMENTS

		2013 (Rupees in thousand)	2012
Available for sale - at cost	- note 24.1	125,307	125,307
Add: Cumulative fair value gain / (loss)	- note 24.2	123,300	(6,266)
		248,607	119,041

24.1 Available for sale - at cost

	2013	2012
Altern Energy Limited - Quoted		
12,530,582 (2012: 12,530,582) fully paid ordinary shares of Rs. 10 each	125,307	125,307
Market value - Rs. 248.607 million (2012: Rs. 119.041 million)		
Innovative Investment Bank Limited - Unquoted		
51,351 (2012: 51,351) fully paid ordinary shares of Rs. 10 each	-	-
	125,307	125,307

24.2 Cumulative fair value gain / (loss)

	2013	2012
As at 1 October	(6,266)	(55,762)
Fair value gain during the year	129,566	49,496
As at 30 September	123,300	(6,266)

24.3 Investments with a face value of Rs. 124.66 million (2012: Rs. 124.66 million) and market value of Rs. 247.33 million (2012: Rs. 118.43 million) are pledged as security against long term running finances and short term borrowings as referred to in note 7 and note 11 respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2013

		2013	2012
		(Rupees in thousand)	

25. LOANS, ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

		2013	2012
Advances - considered good			
- to employees		9,091	8,522
- to suppliers and contractors	- note 25.1	53,539	79,961
- to sugarcane growers		72,240	39,225
		134,870	127,708
Advances - considered doubtful:			
- to employees		177	177
- to suppliers and contractors		7,231	6,358
- to sugarcane growers		237	237
		7,645	6,772
Due from related parties - unsecured and considered good	- note 25.2	138	7,188
Current portion of long term loan receivable from Sui Northern Gas Pipelines Limited	- note 25.1	414	414
Receivable from Government			
- Income tax		116,296	-
- Export rebate		39,137	-
Security deposits - considered good		12,989	783
Prepayments		6,068	9,204
Margins against bank guarantees		2,800	2,800
Others:			
- considered good		11,570	6,670
- considered doubtful		1,645	1,645
		333,572	163,184
Less: Provision against doubtful receivables	- note 25.3	(9,290)	(8,417)
		324,282	154,767

25.1 These relate to normal business of the Company and are interest free.

25.2 Due from related parties - unsecured and considered good

	2013	2012
Crescent Cotton Mills Limited	80	80
Crescent Steel and Allied Products Limited	4	5,322
Shakarganj Food Products Limited	54	1,786
	138	7,188

25.3 Provision against doubtful receivables

	2013	2012
As at 1 October	8,417	5,616
Provision during the year	873	3,673
Written off during the year	-	(872)
As at 30 September	9,290	8,417

		2013	2012
		(Rupees in thousand)	
26. CASH AND BANK BALANCES			
At banks on:			
- Saving accounts			
- Pak rupees	- note 26.1	5	80
- Foreign currency	- note 26.2	654	583
		659	663
- Current accounts		99,049	68,789
		99,708	69,452
In hand		661	149
		100,369	69,601

26.1 Profit on balances in saving accounts ranges from 0.10% to 6.00% (2012: 0.10% to 6.00%) per annum.

26.2 Foreign currency accounts include US Dollars 5,353 (2012: 5,353) and Euros 635 (2012: 635).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2013

27. SALES

(Rupees in thousand)

	Sugar		Bio Fuel		Building Materials		Textile		Farms		Bio Power		Others		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
				Represented								Represented				
Gross sales																
- Local	6,358,149	8,173,308	238,613	246,538	94,198	134,134	1,869,083	1,663,210	45,466	36,462	180,427	271,952	47,005	40,486	8,832,941	10,566,090
- Export	872,705	-	4,289,589	4,876,810	-	-	-	-	-	-	-	-	-	-	5,162,294	4,876,810
- By-products	-	-	30,567	-	-	-	32,378	44,664	-	-	-	-	-	-	62,945	44,664
- Inter-segment	1,011,392	1,347,608	121,548	115,148	915	-	-	-	15,058	3,767	65,435	2,982	-	-	-	-
	8,242,246	9,520,916	4,680,317	5,238,496	95,113	134,134	1,901,461	1,707,874	60,524	40,229	245,862	274,934	47,005	40,486	14,058,180	15,487,564
Less:																
Commission to selling agents	6,849	9,737	334	263	6,892	9,867	10,168	7,858	-	-	-	-	17	2,078	24,260	29,803
Sales tax and Special Excise Duty	432,606	605,430	33,151	34,001	13,290	18,501	22,753	-	-	-	24,895	37,511	-	-	526,695	695,443
	439,455	615,167	33,485	34,264	20,182	28,368	32,921	7,858	-	-	24,895	37,511	17	2,078	550,955	725,246
Net sales	7,802,791	8,905,749	4,646,832	5,204,232	74,931	105,766	1,868,540	1,700,016	60,524	40,229	220,967	237,423	46,988	38,408	13,507,225	14,762,318

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

28. COST OF SALES

(Rupees in thousand)

	Sugar		Bio Fuel		Building Materials		Textile		Farms		Bio Power		Others		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
				Represented								Represented				
Inter-segment	10,274	3,393	972,317	1,259,976	39,507	41,024	61,994	31,705	8,308	375	121,548	132,080	400	952	-	-
Raw materials consumed	6,061,183	7,816,653	1,947,766	2,347,907	887	620	1,361,558	1,281,319	1,410	611	-	-	23,185	16,457	9,395,989	11,463,567
	6,071,457	7,820,046	2,920,083	3,607,883	40,394	41,644	1,423,552	1,313,024	9,718	986	121,548	132,080	23,585	17,409	9,395,989	11,463,567
Salaries, wages and other benefits - note 28.2	300,822	316,844	49,539	47,476	8,041	8,841	111,232	93,489	6,890	6,891	2,688	2,633	1,976	1,858	481,188	478,032
Stores and spares consumed	145,883	188,871	22,855	17,677	1,565	2,103	46,503	34,431	7,983	6,928	25,762	12,431	35	-	250,586	262,441
Dyes and chemicals	40,442	51,855	63,557	77,364	20,236	23,529	-	-	-	-	216	18	-	-	124,451	152,766
Packing material consumed	72,407	85,378	-	-	-	-	21,685	20,831	-	-	-	-	2,066	2,887	96,158	109,096
Fuel and power	430,514	717,798	151	394	23	27	171,477	173,456	5,270	5,672	36,429	23,978	-	-	643,864	921,325
Repairs and maintenance	39,593	44,542	10,988	10,495	825	686	855	532	2,105	1,521	13,848	5,612	15	-	68,229	63,388
Insurance	4,933	4,660	2,528	1,643	122	78	2,735	2,349	511	495	908	1,166	-	-	11,737	10,391
Vehicle running and maintenance	9,838	11,163	-	-	213	90	-	-	-	-	-	-	-	-	10,051	11,253
Travelling and conveyance	2,495	2,286	293	529	25	64	1,651	1,514	-	-	-	-	-	-	4,464	4,393
Printing and stationery	1,018	1,064	80	119	2	1	-	-	-	-	2	2	-	-	1,102	1,186
Rent, rates and taxes	2,420	7,557	-	-	-	-	198	198	5,447	7,467	-	-	-	-	8,065	15,222
Land preparation and irrigation expense	-	-	-	-	-	-	-	-	13,321	12,822	-	-	-	-	13,321	12,822
Sugarcane research and development - note 28.2	3,552	4,471	-	-	-	-	-	-	-	-	-	-	-	-	3,552	4,471
Staff training and development	25	42	-	-	-	-	-	-	-	-	-	-	-	-	25	42
Depreciation on property, plant and equipment - note 15.1.5	192,854	158,544	60,883	50,497	2,200	1,006	21,990	15,767	2,117	2,790	28,670	26,431	-	-	308,714	255,035
Amortization on intangibles	60	60	-	-	-	-	-	-	-	-	30	32	-	-	90	92
Other expenses	34,540	29,735	11,060	7,928	2,219	2,132	2,755	2,605	419	311	702	249	501	274	52,196	43,234
	7,352,853	9,444,916	3,142,017	3,822,005	75,865	80,201	1,804,633	1,658,196	53,781	45,883	230,803	204,632	28,178	22,428	11,473,782	13,808,756
Opening work-in-process	1,711	838	-	-	1,556	8,486	7,973	9,545	-	-	-	-	-	-	11,240	18,869
Less: Closing work-in-process	(1,654)	(1,711)	-	-	(768)	(1,556)	(9,349)	(7,973)	-	-	-	-	-	-	(11,771)	(11,240)
	57	(873)	-	-	788	6,930	(1,376)	1,572	-	-	-	-	-	-	(531)	7,629
Cost of goods produced	7,352,910	9,444,043	3,142,017	3,822,005	76,653	87,131	1,803,257	1,659,768	53,781	45,883	230,803	204,632	28,178	22,428	11,473,251	13,816,385
Opening stock of finished goods	928,080	517,996	579,564	193,422	9,020	18,344	13,289	32,974	1,551	-	-	-	3,049	-	1,534,553	762,736
Less:	(396,694)	(928,080)	(58,610)	(579,564)	(11,862)	(9,020)	(26,240)	(13,289)	(685)	(1,551)	-	-	(942)	(3,049)	(495,033)	(1,534,553)
	531,386	(410,084)	520,954	(386,142)	(2,842)	9,324	(12,951)	19,685	866	(1,551)	-	-	2,107	(3,049)	1,039,520	(771,817)
	7,884,296	9,033,959	3,662,971	3,435,863	73,811	96,455	1,790,306	1,679,453	54,647	44,332	230,803	204,632	30,285	19,379	12,512,771	13,044,568

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

NOTES TO THE FINANCIAL STATEMENTS

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

	2013	2012
	(Rupees in thousand)	
Pension fund	5,125	4,181
Gratuity fund	1,717	989
Provident fund	6,492	6,124
	13,334	11,294

29. ADMINISTRATIVE EXPENSES

		2013	2012
Salaries, wages and other benefits	- note 29.1	175,685	177,842
Repairs and maintenance		11,889	13,128
Insurance		4,132	3,749
Vehicle running and maintenance		13,361	15,218
Travelling and conveyance		7,935	6,038
Printing and stationery		1,970	1,765
Electricity and gas		2,075	2,570
Telephone, postage and telegram		5,243	5,081
Legal and professional charges	- note 29.2	9,058	20,282
Consultancy and advisory services		4,537	5,014
Rent, rates and taxes		3,362	3,096
Staff training and development		508	562
Entertainment		5,482	10,768
Subscriptions		9,613	10,513
Advertisements		618	288
Registered office expenses		729	726
Provision for doubtful loans, advances, deposits and receivables:			
- Long term	- note 19.1	265	38,557
- Short term	- note 25.3	873	3,673
- Capital work in progress	- note 15.2.3	3,600	-
Depreciation on property, plant and equipment	- note 15.1.5	33,832	30,715
Others		4,025	3,410
		298,792	352,995

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

	2013	2012
Pension fund	4,564	4,686
Gratuity fund	1,425	950
Provident fund	2,269	2,279
	8,258	7,915

29.2 Professional services

The charges for professional services include the following in respect of auditors' services for:

	2013	2012
- Statutory audit	1,350	1,350
- Half yearly review	550	550
- Certification charges	100	140
- Out of pocket expenses	300	139
	2,300	2,179

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2013

			2013	2012
			(Rupees in thousand)	
30.	**DISTRIBUTION AND SELLING COSTS**			
	Salaries, wages and other benefits	- note 31.1	4,512	3,870
	Freight and forwarding		306,961	314,587
	Handling and distribution		2,781	3,643
	Loading and unloading charges		9,961	8,991
	Sales promotion expenses		1,104	639
	Insurance		4,811	5,215
	Others		257	163
			330,387	337,108
30.1	**Salaries, wages and other benefits include following in respect of retirement benefits:**			
	Pension fund		88	69
	Gratuity fund		24	-
	Provident fund		118	117
			230	186
31.	**OTHER OPERATING EXPENSES**			
	Workers' Profit Participation Fund		17,335	23,287
	Impairment losses on:			
	- Available for sale investments - long term		-	-
	- Property, plant and equipment	- note 15.2.4	-	3,914
	Social action programme expenses	- note 31.1	7,917	8,091
	Loss on sale property, plant and equipment	- note 15.1.1	34,903	-
	Net exchange loss		43,875	42,570
	Donations	- note 31.2	2,312	1,488
	Waste water drainage		7,772	8,549
	Fair value adjustment of agricultural assets	- note 31.3	3,243	-
	Others		478	7,034
			117,835	94,933
31.1	**Social action programme expenses include following in respect of retirement benefits:**			
	Pension fund		37	27
	Gratuity fund		10	14
	Provident fund		59	61
			106	102

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

31.3 In the year 2012, there was net income from agricultural activities which was classified under other operating income as referred to in note 32.

		2013	2012
		(Rupees in thousand)	

32. OTHER INCOME

		2013	2012
Income from financial assets			
Dividend income from related parties		13,809	10,722
Gain on marked to market valuation of interest rate swap		13,457	18,165
Gain on transfer of equity investment to available for sale	- note 18.2.6	109,094	-
Return on bank deposits		547	701
		136,907	29,588
Income from non-financial assets			
Scrap sales		34,043	4,589
Profit on sale of:			
- Property, plant and equipment		11,866	21,971
- Store items		1,371	-
Liabilities written back		73,587	3,946
Rental income		9,262	13,477
Net income from livestock		-	1,459
Fair value adjustment of agricultural assets	- note 17.3	-	15,244
Export rebate		39,137	-
Others		15,212	10,354
		184,478	71,040
		321,385	100,628

33. FINANCE COST

		2013	2012
Interest and mark-up on:			
- Long term finances	- note 33.1	199,535	316,866
- Short term borrowings	- note 33.1	192,632	360,294
- Workers' profit participation fund		1,841	-
- Due to gratuity and pension funds - related party		27,922	25,001
- Due to provident fund - related party		889	-
- Finance lease		3,253	5,123
Bank charges, commission and excise duty		8,780	12,413
Others		3,278	9,772
		438,130	729,469

33.1 This includes penalties aggregating to Rs. 1.71 million (2012: Nil) levied by financial institutions due to delayed payments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2013

	2013	2012
	(Rupees in thousand)	
34. TAXATION		
For the year		
- Current	110,647	137,392
- Deferred	-	(194,499)
	110,647	(57,107)
Prior year		
- Current	(81,122)	(7,033)
	29,525	(64,140)
Associates	32,825	8,117
	62,350	(56,023)

34.1 The Company takes into account the current income tax law and the decisions taken by appellate authorities. Instance where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its views on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

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

For the purposes of current taxation, the tax losses available for carry forward as at 30 September 2013 are estimated approximately at Rs. 8,447.96 million (2012: Rs. 7,845.79 million).

	2013 %	2012 %
34.3 Tax charge reconciliation		
Numerical reconciliation between the average effective tax rate and the applicable tax rate		
Applicable tax rate	34.00	35.00
Tax effect for income under presumptive tax regime	(139.77)	(137.91)
Tax losses for which no deferred tax is recognised	67.16	88.67
Tax effect of amounts that are not deductible for tax purposes	17.66	2.61
Impact of tax related to associates	6.89	0.58
Effect of change in prior year's tax and others	33.97	(1.61)
	(14.09)	(47.66)
Average effective tax rate charged to profit and loss account	19.91	(12.66)

		2013	2012
35. EARNINGS PER SHARE			
35.1 Basic earnings per share			
Profit for the year	Rupees	267,012,000	498,476,000
Weighted average number of ordinary shares in issue during the year	Number	69,523,798	69,523,798
Earnings per share - basic	Rupees	3.84	7.17

35.2 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.

		2013	2012
Profit for the year		267,012,000	498,476,000
Preference dividend on convertible preference shares		-	-
Profit used to determine diluted earnings per share	Rupees	267,012,000	498,476,000
Weighted average number of ordinary shares in issue during the year	Number	69,523,798	69,523,798
Assumed conversion of convertible preference shares into ordinary shares	Number	5,774,108	5,774,108
Weighted average number of ordinary shares for diluted earnings per share	Number	75,297,906	75,297,906
Profit per share - diluted	Rupees	3.55	6.62

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2013

36. CASH GENERATED FROM OPERATING ACTIVITIES

	2013	2012
	(Rupees in thousand)	
Profit before taxation	329,362	442,453
Adjustment for:		
Depreciation/amortization of:		
- property, plant and equipment	342,546	285,750
- intangible assets	90	92
Impairment of advance for capital work-in-progress	-	3,914
Liabilities written back	(73,587)	(3,946)
Loss / (gain) on sale of property, plant and equipment	23,037	(21,971)
Interest from bank deposits	(547)	(701)
Provision for doubtful loans, advances, deposits and receivables:		
- Long term	265	38,557
- Short term	873	3,673
- Capital work in progress	3,600	-
Provision for employees' retirement benefits	12,990	10,916
Dividend income	(13,809)	(10,722)
Net income from livestock	(5,080)	(1,459)
Gain on marked to market valuation of interest rate swap	(13,457)	(18,165)
Gain on transfer of equity investment to available for sale	(109,094)	-
Share of profit from associates	(198,667)	(138,580)
Finance cost	438,130	729,469
	407,290	876,827
Profit before working capital changes	736,652	1,319,280
Effect on cash flow due to working capital changes:		
Decrease / (increase) in stores and spares	14,776	(23,156)
Decrease / (increase) in stock in trade	1,243,728	(679,913)
Net decrease / (increase) in biological assets	4,795	(12,198)
Decrease in trade debts	171,519	248,508
(Increase) / decrease in loans, advances, prepayments and other receivables	(54,476)	339
Increase in trade and other payables	773,372	776,561
	2,153,714	310,141
Cash generated from operating activities	2,890,366	1,629,421

37. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Directors		Executives	
	2013	2012	2013	2012
	(Rupees in thousand)		(Rupees in thousand)	
Managerial remuneration	3,000	2,763	58,530	58,564
Contribution to provident fund, gratuity and pension funds	210	194	10,371	11,700
House rent	1,200	1,105	16,156	18,691
Utilities	300	276	5,955	4,553
Reimbursable expenses	180	-	424	435
Others	-	-	1,515	5,227
	4,890	4,338	92,951	99,170
Number of persons	1	1	46	51

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

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

37.4 Aggregate amount charged in the financial statements for the year for fee to 7 directors (2012: 7 directors) was Rs. 290,000 (2012: Rs. 300,000).

38. PROVIDENT FUND RELATED DISCLOSURE

The company operates a provident fund for its employees.

The following information is based on audited financial statements of the Fund;

	2013	2012
	(Rupees in thousand)	
Size of the fund	148,783	108,537
Cost of investment made	101,426	140,426
Fair value of investments	44,826	71,405
Percentage of investments made	30%	66%
The breakup of investments is as follows:		
Term deposit receipts - MCB Bank Limited	-	39,000
Available for sale		
Ordinary shares - listed companies	9,856	13,368
Preference shares - listed companies	2,954	1,045
Mutual funds	32,016	17,992
	44,826	32,405
	44,826	71,405

The above investments out of provident fund from the funds received from the Company have been made in accordance with the requirement of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2013

39. NUMBER OF EMPLOYEES

The Company has employed following number of persons:

	2013	2012
	(Number of persons)	
- As at 30 September	2,118	2,219
- Average number of employees	2,169	2,200

40. RELATED PARTY DISCLOSURES

The related parties comprise associated undertakings, post employment benefit plans, other related companies, and key management personnel. The company in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under receivables and payables, contingencies and commitments are disclosed in note 14 and remuneration of the key management personnel is disclosed in note 37. Other significant transactions with related parties are as follows:

Relationship with the company	Nature of transactions	2013	2012
		(Rupees in thousand)	
i. Associated Undertakings			
Crescent Steel & Allied Products Limited	Purchase of goods	38,584	324,575
	Sale of goods	150	600
	Rendering services	38	2,147
	Sale of land	70,000	-
	Use of material and services	-	6,600
	Payments to others on behalf of the related party	-	6,238
	Salary expense and other common expenses	2,816	2,492
	Dividend income	8,160	6,800
Shakarganj Food Products Limited	Sale of goods	16,181	10,832
	Salary expense and other common expenses	2,058	787
Premium Insurance Company of Pakistan	Insurance expenses	5,437	4,325
The Crescent Textile Mills Limited	Rendering services	-	10
Asian Stocks Fund Limited	Dividend Income	13,809	10,722
Safeway Mutual Fund Limited	Dividend Income	24,040	18,569
ii. Post employment benefit plans	Expense charged in respect of retirement benefit plans	21,928	19,496
	Transactions with pension and gratuity fund account		
	- Funds received	3,360,441	3,806,062
	- Funds paid	3,360,441	3,831,049
	- Mark-up expense	27,922	25,001

40.1 All transactions with related parties have been carried out on bilaterally agreed terms.

		2013	2012

41. CAPACITY AND PRODUCTION

Sugar

		2013	2012
Rated crushing capacity -			
On the basis of 135 days (2012: 164 days)	MT	2,088,000	2,564,000
Actual cane crushed	MT	1,409,811	1,957,358

The low crushing was due to shortage of sugarcane and liquidity crunch.

Bio Fuel

		2013	2012
On the basis of 306 days (2012: 366 days) working	Litres	93,897,270	93,800,000
Actual production	Litres	63,372,339	93,796,721

The actual production is 67% of the capacity. The low production was due to non-availability of quality raw material.

Building Materials

		2013	2012
On the basis of 206 days (2012: 266 days) working	m^3	6,592	8,778
Actual production	m^3	6,673	8,789

The actual production is more than 100% of the production capacity.

Textile

		2013	2012
Capacity (converted in 20s counts)	kg	7,207,893	7,387,331
Actual production (converted in 20s counts)	kg	6,879,867	7,038,544

The actual production is 95% of the capacity which is within normal working standards.

Bio Power

		2013	2012
On the basis of 253 days (2012: 365 days)	KWh	27,081,120	39,072,000
Actual generation	KWh	22,864,600	27,778,900

The actual production is 84% of the capacity. The low production was due to shortage of raw material.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2013

42. BUSINESS SEGMENTS INFORMATION

(Rupees in thousand)

	Sugar		Bio Fuel		Building Materials		Textile		Farms		Bio Power		Others		Elimination		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
				Represented								Represented						
Revenue																		
- External - note 27	6,791,399	7,558,141	4,525,284	5,089,084	74,016	105,766	1,868,540	1,700,016	45,466	36,462	155,532	234,441	46,988	38,408	-	-	13,507,225	14,762,318
- Intersegment - note 27	1,011,392	1,347,608	121,548	115,148	915	-	-	-	15,058	3,767	65,435	2,982	-	-	(1,214,348)	(1,469,505)	-	-
	7,802,791	8,905,749	4,646,832	5,204,232	74,931	105,766	1,868,540	1,700,016	60,524	40,229	220,967	237,423	46,988	38,408	(1,214,348)	(1,469,505)	13,507,225	14,762,318
Segment expenses																		
Cost of sales																		
- Intersegment - note 28	10,274	3,393	972,317	1,259,976	39,507	41,024	61,994	31,705	8,308	375	121,548	132,080	400	952	(1,214,348)	(1,469,505)	-	-
- External - note 28	7,874,022	9,030,566	2,690,654	2,175,887	34,304	55,431	1,728,312	1,647,748	46,339	43,957	109,255	72,552	29,885	18,427	-	-	12,512,771	13,044,568
	7,884,296	9,033,959	3,662,971	3,435,863	73,811	96,455	1,790,306	1,679,453	54,647	44,332	230,803	204,632	30,285	19,379	(1,214,348)	(1,469,505)	12,512,771	13,044,568
Gross profit	(81,505)	(128,210)	983,861	1,768,369	1,120	9,311	78,234	20,563	5,877	(4,103)	(9,836)	32,791	16,703	19,029	-	-	994,454	1,717,750
- Administrative expenses - note 29	160,940	198,845	95,858	113,629	1,546	2,362	32,380	27,680	2,539	3,636	4,559	5,984	970	859	-	-	298,792	352,995
- Distribution and selling expenses - note 30	54,247	14,875	273,959	319,903	60	19	2,121	2,311	-	-	-	-	-	-	-	-	330,387	337,108
	215,187	213,720	369,817	433,532	1,606	2,381	34,501	29,991	2,539	3,636	4,559	5,984	970	859	-	-	629,179	690,103
Segment results	(296,692)	(341,930)	614,044	1,334,837	(486)	6,930	43,733	(9,428)	3,338	(7,739)	(14,395)	26,807	15,733	18,170	-	-	365,275	1,027,647
Other operating expenses																	(117,835)	(94,933)
Operating Profit																	247,440	932,714
Finance costs																	(438,130)	(729,469)
Other income																	321,385	100,628
Taxation																	(29,525)	64,140
Share of income from associates-net of tax																	165,842	130,463
Profit for the year																	267,012	498,476

42.1 Inter-segment sales and purchases

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

42.2 Basis of inter-segment pricing

All inter-segment transfers are made at cost.

	Sugar		Bio Fuel		Building Materials		Textile		Farms		Bio Power		Others		Elimination		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
42.3 Segment assets	3,214,691	3,272,704	946,962	1,579,188	40,635	47,390	323,341	342,358	747,346	754,214	432,164	745,653	942	4,610	-	-	5,706,081	6,746,117
Unallocated assets																	3,104,910	2,980,316
																	8,810,991	9,726,433
42.4 Segment liabilities	4,824,046	5,280,716	1,266,031	1,234,749	2,480	255	178,232	154,609	14,917	14,379	18,124	117,341	-	-	-	-	6,303,830	6,802,049
Unallocated liabilities																	344,137	1,246,029
																	6,647,967	8,048,078
42.5 Capital expenditure	81,261	85,133	117,659	120,066	-	8,480	68,066	2,942	-	598	-	48,997	-	-	-	-	266,986	266,216
Unallocated																	45,706	85,456
																	312,692	351,672
42.6 Depreciation on property, plant and equipment	192,854	158,544	60,883	50,497	2,200	1,006	21,990	15,767	2,117	2,790	28,670	26,431	-	-	-	-	308,714	255,035
Unallocated																	33,832	30,715
																	342,546	285,750
42.7 Amortization on intangible assets	60	60	-	-	-	-	-	-	-	-	30	32	-	-	-	-	90	92
																	90	92
42.8 Impairment on capital work-in-progress	-	3,914	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,914
																	-	3,914
42.9 Secondary reporting format																		
Segment revenue from external customers by geographical areas is as follows:																		
Export sales - Europe	-	-	1,703,159	4,202,471	-	-	-	-	-	-	-	-	-	-	-	-	1,703,159	4,202,471
Export sales - Africa	115,877	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	115,877	-
Export sales - Asia	756,828	-	2,586,430	674,339	-	-	-	-	-	-	-	-	-	-	-	-	3,343,258	674,339
Local sales	5,918,694	7,558,141	235,695	212,274	74,016	105,766	1,868,540	1,700,016	45,466	36,462	155,532	234,441	46,988	38,408	-	-	8,344,931	9,885,508
	6,791,399	7,558,141	4,525,284	5,089,084	74,016	105,766	1,868,540	1,700,016	45,466	36,462	155,532	234,441	46,988	38,408	-	-	13,507,225	14,762,318

43. FINANCIAL RISK MANAGEMENT

43.1 Financial risk factors

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

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

(a) Market risk

(i) Currency risk

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

The Company is exposed to currency risk arising only with respect to the United States Dollar (USD). The Company has a minimal bank balance in Euro and thus is not exposed to currency risk in respect of Euros. Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivable from / payable to the foreign entities and cash at banks. The Company's exposure to currency risk is as follows:

		2013	2012
		(USD)	
Financial assets			
Trade debts		-	1,244,759
Cash and bank balances	- note 26.2	5,353	5,353
Financial liabilities			
Export refinance	- note 11.3	2,851,718	6,183,863
Derivative liability	- note 12.4	-	142,099

The following significant exchange rates were applied during the year:

	2013	2012
Rupees per USD		
Average rate	98.83	89.92
Reporting date rate	105.50	94.70

At 30 September 2013, if the Rupee had weakened/strengthened by 10% against the US dollar with all other variables held constant, post-tax profit for the year would have been lower / higher as under, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated short term borrowings, trade receivables and cash and bank balances.

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For the year ended 30 September 2013

Foreign currency sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Company's profit before tax and equity. The Company's exposure to foreign currency changes for all other currencies is not material.

	Change in Exchange rate %	Effect on profit before tax	Effect on equity
		(Rupees in thousand)	
2013	10%	(56,474)	(52,888)
	-10%	56,474	52,888
2012	10%	(48,068)	(31,244)
	-10%	48,068	31,244

(ii) Price risk

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

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

The summary below explains the impact of increase of the KSE-100 index on equity. The analysis is based on the assumption that the KSE-100 index had increased/decreased by 10% with all other variables held constant and all the company's equity instruments moved according to the historical correlation with the KSE-100 index:

	Impact on other components of equity 2013	2012
	(Rupees in thousand)	
Karachi Stock Exchange	**24,944**	21,706

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

(iii) Cash flow and fair value interest rate risk

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

The company's interest rate risk arises from both long-term and short term borrowings. Borrowings issued at variable rates expose the company to cash flow interest rate risk. During 2013 and 2012, the company's borrowings at variable rates were denominated in Rupees.

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

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

At 30 September 2013, if interest rates on both short term and long borrowings had been 1% higher/ lower with all other variables held constant, post-tax profit for the year would have been Rs. 2.85 million (2012: Rs. 51.28 million) lower/higher, mainly as a result of higher/lower interest expense on KIBOR based borrowings.

(b) Credit risk

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

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

	2013	2012
	(Rupees in thousand)	
Long term loan and deposits	38,323	39,969
Trade debts	71,619	243,138
Loans, advances and other receivables	257,444	58,999
Cash and bank balances	99,708	69,452
	467,094	411,558

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Company believes that it is not exposed to major concentration of credit risk as its exposure is spread over a large number of counter parties. The company does not hold any collateral or any other credit enhancement instruments in relation to trade receivables. The aging of trade receivables is as follows:

	2013	2012
	(Rupees in thousand)	
Upto 30 days	7,349	158,486
30 to 60 days	27,680	33,339
60 to 180 days	23,639	36,647
180 to 365 days	4,902	13,317
More than 365 days	8,049	1,349
	71,619	243,138

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2013

The management estimates the recoverability of trade receivables on the basis of financial position and past history of its customers based on the objective evidence that it will not received the amount due from the particular customer. The provision is written off by the Company when it expects that it cannot recover the balance due. Any subsequent repayments in relation to amount written off, are credited to income statement.

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

	Rating Short term	Long term	Rating Agency	2013	2012
				(Rupees in thousand)	
Askari Bank Limited	A1+	AA	PACRA	1,272	146
Al-Baraka Islamic Bank	A1	A	PACRA	1	1
Allied Bank Limited	A1+	AA+	PACRA	15,973	107
Bank Alfalah Limited	A1+	AA	PACRA	22,124	235
Bank Islami Pakistan Limited	A1	A	PACRA	3	3
The Bank of Punjab	A1+	AA -	PACRA	769	191
Barclays Bank PLC	A1	A+	S&P	-	-
Samba Bank Limited	A-1	AA-	JCR-VIS	-	-
Faysal Bank Limited	A1+	AA	PACRA	1,210	507
Habib Bank Limited	A-1+	AA+	JCR-VIS	29,660	1,944
KASB Bank Limited	A3	BBB	PACRA	69	69
MCB Bank Limited	A1+	AAA	PACRA	8,046	59,338
Meezan Bank Limited	A-1+	AA	JCR-VIS	-	-
NIB Bank Limited	A1+	AA-	PACRA	1,160	10
National Bank of Pakistan	A-1+	AAA	JCR-VIS	2,828	320
Silkbank Limited	A-2	A -	JCR-VIS	278	2,247
Standard Chartered Bank Limited	A1+	AAA	PACRA	1,078	4,035
United Bank Limited	A-1+	AA+	JCR-VIS	15,231	294
Sindh Bank Limited	A-1	AA -	JCR-VIS	6	5
				99,708	69,452

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

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the company's businesses, the finance department maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors the forecasts of the company's undrawn borrowing facilities (note 11) and cash and cash equivalents (note 26) on the basis of expected cash flow. In addition, the company's liquidity management policy involves projecting cash flows in each quarter and considering the level of liquid assets necessary to meet its liabilities; monitoring balance sheet liquidity ratios against internal and external regulatory requirements; and maintaining debt financing plans.

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

(Rupees in thousand)

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 30 September 2013				
Fixed rate long term debt	345,756	-	-	-
Floating rate long term debt	1,763,982	26,003	-	-
Finance lease liabilities - Gross	9,812	10,961	-	-
Variable rate short term borrowings	1,155,480	-	-	-
Trade and other payables	2,422,533	-	-	-
Accrued finance cost	916,193	-	-	-
	6,613,756	36,964	-	-

(Rupees in thousand)

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 30 September 2012				
Fixed rate long term debt	345,756	-	-	-
Floating rate long term debt	1,604,850	459,964	-	-
Finance lease liabilities - Gross	12,161	10,792	11,136	-
Variable rate short term borrowings	2,507,350	-	-	-
Derivative financial instruments	13,457	-	-	-
Trade and other payables	1,966,160	-	-	-
Accrued finance cost	1,122,448	-	-	-
	7,572,182	470,756	11,136	-

43.2 Fair value estimation

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the company are the current bid prices.

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

The carrying value less impairment provision of trade receivables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2013

	Loans and receivables 2013	Loans and receivables 2012
	(Rupees in thousand)	
43.3 Financial instruments by categories		
Long term deposits	38,323	39,969
Trade debts	71,619	243,138
Advances, deposits, prepayments and other receivables	257,444	58,999
Cash and Bank balances	99,708	69,453

	Available for sale 2013	Available for sale 2012
	(Rupees in thousand)	
Investments - available for sale	801,696	217,056

	Financial liabilities at amortized cost 2013	Financial liabilities at amortized cost 2012
	(Rupees in thousand)	
Long term finances	2,135,741	2,410,570
Liabilities against assets subject to finance lease	18,020	27,589
Short term borrowings - secured	1,155,480	2,507,350
Trade and other payables	2,422,533	1,979,617
Accrued finance cost	916,193	1,122,448

43.4 Capital risk management

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

The company's objectives when managing capital are:

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

(ii) to provide an adequate return to shareholders.

The company monitors capital on the basis of the debt-to-equity ratio - calculated as a ratio of total debt to equity.

The gearing ratios as at 30 September 2013 and 2012 were as follows:

	2013	2012
	(Rupees in thousand)	
Total debt	3,309,241	4,945,509
Total equity	21,110	(603,224)
Total debt and equity	3,330,351	4,342,285
Gearing ratio	99%	114%

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

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

44. DATE OF AUTHORIZATION OF ISSUE

These financial statements were authorized for issue on 26 December 2013 by the board of directors of the company.

45. EVENTS AFTER THE BALANCE SHEET DATE

There are no subsequent events occurring after balance sheet date.

46. CORRESPONDING FIGURES

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purposes of comparison and better presentation as per reporting framework however, no significant re-arrangements have been made.

	(Rupees in thousand)
Opening balance of 'finished goods' - stock-in-trade for the year ended 30 September 2012 has been classified to 'raw materials' - stock-in-trade	47,042

Chief Executive **Chairman**

PATTERN OF SHAREHOLDING

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

1. Incorporation Number **0002546**
2. Name of The Company **Shakarganj Mills Limited**
3. Pattern of Holding of the Shares held by the Shareholders as at : 30 September 2013

No. of Shareholders	Shareholding From	Shareholding To	Total shares held
365	1	100	12,468
294	101	500	91,055
258	501	1,000	208,282
412	1,001	5,000	985,445
95	5,001	10,000	711,974
57	10,001	15,000	710,834
28	15,001	20,000	489,957
16	20,001	25,000	376,481
11	25,001	30,000	307,262
7	30,001	35,000	228,240
6	35,001	40,000	228,652
10	40,001	45,000	430,216
10	45,001	50,000	492,814
6	50,001	55,000	320,208
6	55,001	60,000	352,111
2	60,001	65,000	126,500
5	65,001	70,000	334,362
2	70,001	75,000	142,791
2	75,001	80,000	151,705
1	80,001	85,000	83,262
3	85,001	90,000	267,500
4	90,001	95,000	367,668
6	95,001	100,000	599,544
3	100,001	105,000	306,745
1	105,001	110,000	108,866
2	110,001	115,000	225,724
2	115,001	120,000	237,197
4	120,001	125,000	490,054
5	135,001	140,000	681,224
3	140,001	145,000	425,447
2	145,001	150,000	296,627
2	150,001	155,000	304,590
2	155,001	160,000	316,747
1	165,001	170,000	170,000
1	170,001	175,000	174,850

No. of Shareholders	Shareholding From	To	Total shares held
2	175,001	180,000	354,939
1	185,001	190,000	185,275
1	190,001	195,000	193,000
1	195,001	200,000	200,000
1	200,001	205,000	201,400
2	220,001	225,000	447,566
1	225,001	230,000	226,500
1	255,001	260,000	256,000
1	285,001	290,000	289,760
1	300,001	305,000	304,249
1	320,001	325,000	325,000
1	410,001	415,000	412,563
1	525,001	530,000	527,545
1	535,001	540,000	539,696
1	650,001	655,000	654,703
1	655,001	660,000	657,754
1	695,001	700,000	698,500
1	765,001	770,000	765,150
1	1,065,001	1,070,000	1,066,138
1	1,870,001	1,875,000	1,870,800
1	2,105,001	2,110,000	2,108,319
1	2,115,001	2,120,000	2,118,785
1	2,825,001	2,830,000	2,829,942
1	2,865,001	2,870,000	2,865,830
1	2,935,001	2,940,000	2,935,859
1	3,050,001	3,055,000	3,054,913
1	3,805,001	3,810,000	3,809,502
1	5,425,001	5,430,000	5,427,488
1	7,190,001	7,195,000	7,194,553
1	15,240,001	15,245,000	15,244,665
1,666			**69,523,796**

Categories of Shareholder	Physical	CDC	Total	%age
Directors, Chief Executive Officer, Their Spouses and Minor Children				
Chief Executive				
Mr. Ahsan M. Saleem	-	528,000	528,000	0.76
Directors				
Mr. Ali Altaf Saleem	-	290,000	290,000	0.42
Mr. Khalid Bashir	-	58,212	58,212	0.08
Mr. Muhammad Anwar	-	67,222	67,222	0.10
Mr. Muhammad Arshad	-	143,136	143,136	0.21
Director's Spouses and Their Minor Children				
Mrs. Shahnaz A. Saleem	-	146,300	146,300	0.21
	-	**1,232,870**	**1,232,870**	**1.77**
Executives	**-**	**6,007,000**	**6,007,000**	**8.64**
Associated Companies, Undertakings & Related Parties				
Crescent Steel And Allied Products Limited	-	15,244,665	15,244,665	21.93
Crescent Cotton Mills Limited	-	2,865,830	2,865,830	4.12
The Crescent Textile Mills Limited	-	5,427,488	5,427,488	7.81
Trustees - SGML Gratuity Fund	-	59,431	59,431	0.09
Trustees - SGML Pension Fund	-	157,441	157,441	0.23
Trustees - SGML Provident Fund	-	765,150	765,150	1.10
	-	**24,520,005**	**24,520,005**	**35.27**
NIT & ICP (Name Wise Detail)				
National Bank of Pakistan-Trustee Wing	71	-	71	0.00
National Investment Trust Limited	-	185,275	185,275	0.27
NBP - Trustee Department NI(U)T Fund	-	7,194,553	7,194,553	10.35
	71	**7,379,828**	**7,379,899**	**10.61**
Mutual Funds				
Asian Stocks Fund Open End	-	2,108,319	2,108,319	3.03
Safeway Mutual Fund Open End	-	2,118,785	2,118,785	3.05
Golden Arrow Selected Stocks Fund Limited		3,809,502	3,809,502	5.48
	-	**8,036,606**	**8,036,606**	**11.56**
Banks, NBFCs, DFIs, Takaful, Pension Funds	**102,741**	**392,216**	**494,957**	**0.71**
Modarabas	**453**	**-**	**453**	**0.00**
Insurance Companies	**8**	**-**	**8**	**0.00**
Other Companies,Corporate Bodies, Trust etc.	**544,354**	**6,726,001**	**7,270,355**	**10.46**
General Public	**918,438**	**13,663,205**	**14,581,643**	**20.97**
	1,566,065	**67,957,731**	**69,523,796**	**100.00**

Shareholders More Than 5.00%

Crescent Steel And Allied Products Limited	15,244,665	21.93
NBP - Trustee Department NI(U)T Fund	7,194,553	10.35
The Crescent Textile Mills Limited	5,427,488	7.81
Golden Arrow Selected Stocks Fund Limited	3,809,502	5.48

NOTICE OF 46TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Annual General Meeting of the shareholders of SHAKARGANJ MILLS LIMITED (the "Company") will be held on Tuesday, 28 January 2014 at 11:30 a.m. at Qasr-e-Noor, 9-E-2, Main Boulevard Gulberg-III, Lahore, to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Directors' and Auditors' Reports and Audited Financial Statements of the Company for the year ended 30 September 2013.

2. To appoint Company's auditors for the financial year ending 30 September 2014 and to fix their remuneration.

By Order of the Board

Asif Ali
Company Secretary

Lahore: 26 December 2013

NOTES:

1. The Share Transfer Book of the Company will remain closed from 21 January 2014 to 28 January 2014 (both days inclusive) to determine the names of members entitled to attend the meeting and vote. Transfers received in order at the Share Registrar Office of the Company, M/s. CorpTec Associates (Private) Limited, 503-E, Johar Town, Lahore by the close of business on 20 January 2014 will be treated in time for attending the meeting.

2. A member entitled to attend and vote at this meeting may appoint any other member as his/her proxy to attend, speak and vote for him/her behalf. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarized attested copy of the power of attorney must he deposited at the Registered Office of the Company at least 48 hours before the time of holding the meeting, and must be signed, stamped and witnessed.

3. Members are requested to timely notify any change in their addresses.

4. Members who have deposited their shares in the Central Depository System of the Central Depository Company of Pakistan Limited will have to follow the under mentioned guidelines as laid down by Securities and Exchange Commission of Pakistan:

A. For Attending the Meeting

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

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

B. For Appointing Proxies

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

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

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

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

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

FORM OF PROXY

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

____ (full address) a member(s) of

Shakarganj Mills Limited and holder of ______________________________________ shares as per Registered

Folio No. ____________ and/or CDC Participant I.D. No. _______________ and Sub Account No. ______________

do hereby appoint _____________________________ of ___________________________________ (full address)

or failing him/her ____________________________________ of ____

(full address) as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the Annual General Meeting of Shakarganj Mills Limited scheduled to be held on Tuesday, 28 January 2014 at 11:30 a.m. at Qasr-e-Noor, 9 E 2 Main Boulevard, Gulberg-III, Lahore and at any adjournment thereof.

As witness my / our hand this __________________________ day of __________________________ 2014.

Member ____________________________

Witness ____________________________

Address ____________________________

Dated ______________________________

Signature on
Five-Rupees
Revenue Stamp

The signature should agree
with the specimen registered
with the Company

Notes:

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

BOOK POST

If undelivered, please return to:

Shakarganj Mills Limited

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