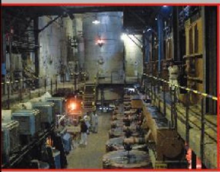
Shakarganj Mills Limited





Condensed Interim Report

For the First Quarter Ended December 31, 2010

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

1. Mazhar Karim	(Independent)	Chairman (Non-Executive)
2. Ahsan M. Saleem		Chief Executive
In alphabetic order:		
3. Ali Altaf Saleem		Executive Director
4. Khalid Bashir	(Independent)	Non-Executive Director
5. Muhammad Anwar	(Independent)	Non-Executive Director
6. Muhammad Arshad	(Independent)	Non-Executive Director
7. Muhammad Asif	(Independent)	Non-Executive Director

Audit Committee

Chairman	Muhammad Anwar
Member	Khalid Bashir
Member	Muhammad Asif

Chief Financial Officer S. M. Chaudhry

Company Secretary Asif Ali

Management Committees

Executive Committee

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

Business Strategy Committee

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

System & Technology Committee

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

Human Resource Committee

Chairman	Muhammad Asghar Qureshi
	Muhammad Pervaiz Akhter
	S. M. Chaudhry
	Hameedullah Awan
	Asif Ali

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 Asif Ali at Company's Office, Jhang.
Tel: (047) 765 2801-5
Fax: (047) 765 2811
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) 3578 8097-8
Fax: (042) 3575 5215
E-mail: info@corptec.com.pk

Products

- Sugar
- Ethanol
- Particle Board
- Yarn
- Electricity

Legal Advisor

Hassan & Hassan Advocates,
Lahore

Auditors

A.F. Ferguson & Co.
Chartered Accountants

Bankers

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

Works

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

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

Website

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

Registered and Principal Office

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

Karachi Office

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

Faisalabad Office

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

COMPANY PROFILE

Shakarganj Mills Limited was incorporated in Pakistan in 1967 as a Public Limited Company and is listed on all three stock exchanges of Pakistan. Shakarganj is a leading manufacturer of food products, industrial ethanol and particle board as well as textiles. We transform renewable crops such as sugarcane and cotton into value added products comprising refined sugar, textiles, industrial grade ethanol and building materials in addition to generating electricity generated 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 metric tons of sugarcane per day which is extendable to 32,000 metric tons per day.

Ethanol Business:

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

Building Materials Business:

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

Alternate Energy Business:

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

Textile Business:

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

Farming Business:

This comprises different parcels of land mainly located at Jhang division nearby our manufacturing facilities. Total area under cultivation is over 3000 acres of which nearly 1,600 acres is owned land and rest is leased. The main crops include Sugarcane, Wheat, Gram, Maize, Fodder and seasonal vegetables. A dairy farm located at Jhang with a herd of 260 milking and fattening cattle. A small herd of he sheep around 50 in number for fattening purpose has also been developed and this would be further enhanced around 200.

Business Vision and Strategy:

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

We focus on five key business objectives to deliver consistent growth.

- Serve our Customers:

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

- Operate Efficiently and Safely:

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

- Invest in Long Term Assets and Partnerships:

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

- Invest in Technology and People:

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

- Grow the Contribution from Value Added Products:

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

CHIEF EXECUTIVE REVIEW

Dear Shareholders

I am pleased to present the un-audited accounts of your company for the first quarter ended December 31, 2010. The division-wise operational review of the company is given below:

Sugar Division

National statistics indicate a better crop of sugarcane this year and we anticipate higher crushing in FY 2011. Despite a 25 percent increase in the minimum support price of sugarcane from Rs.100 to Rs.125 per 40 kg, the actual purchase price rose to around Rs.275 per 40 kgs. As a result of higher input costs, the margins declined significantly.

Sale of the Sugar Division stood at Rs.1,445 million compared to Rs.2,543 million in the corresponding period. The gross profit margin for the period under review was reduced to 2.45% as compared to previous period's margin of 18.80% due to higher raw material cost.

The sugarcane-crushing season started on November 24, 2010. Sugar production up to December 31, 2010 was 29,438 tons at a recovery rate of 8.33% against production of 26,792 tons at a recovery rate of 8.42% in Q1, 2009. Sugarcane crushed during the current period was 381,671 tons against 345,896 tons during the corresponding period of last year.

Operating expenses were Rs.45.05 million for the current quarter compared to Rs.45.25 million in 2009. The expenses were reduced due to non inclusion of the result of sugar plant at Dargai Shah which has been sold during the period under review and its results have been grouped under "profit from discontinued operations".

Operating profit from our sugar operations decreased to Rs.9.80 million from Rs.400.69 million last year. This was mainly due to the absence of any carry forward stocks from the previous fiscal year, as FY2009 started with 30,000 tons of carry forward stock at a much lower cost compared to market prices. Operating profits are expected to improve in the coming months as raw material prices stabilize further.

Ethanol and Alternate Energy Business

Sales revenue from ethanol stood at Rs.19.75 million compared to Rs.156.43 million in corresponding period of last year with the gross profit margin decreasing from 18.91% to 12.01%. The Ethanol Division produced 2.57 million liters in the period under review compared to 2.88 million liters in 2009.

Operating expenses stood at Rs.5.14 million for the quarter, compared to Rs.11.43 million in the corresponding period. Operating expenses decreased due to decrease in level of activities. As there were no exports during the period, the operating profit of Rs.18.15 million during 2009 was converted to operating loss of Rs.2.77 million during 2010.

Sales revenue of the Power Division stood at Rs 40.87 million with a gross profit of Rs.0.29 million and operating loss of Rs.0.74 million respectively.

Building Material Division

Sales revenue of the Building Material Division stood at Rs.8.61 million compared to Rs.7.91 million in the corresponding period of 2009. The Building Material Division production performance remained satisfactory as production during the period was 1,068 cubic meters compared to nil production in the same period of last year.

Operating expenses stood at Rs.0.22 million for the current period compared to Rs.0.13 million in the corresponding period. Operating loss in the previous period of Rs.3.09 million was converted in operating profit of Rs.0.62 million in the period under review.

Textile Division

Sales revenue of the Textile Division was Rs. 552.56 million in the first quarter compared to Rs. 305.11 million in the corresponding period of 2009 with the gross profit margin of 3.66% as compared to gross profit of 5.72% in corresponding period.

Production performance of Textile Division remained satisfactory in the current period. Overall production in the current period was 40,318 bags against 40,265 bags in the corresponding period. Actual production in 20's converted was 42,118 bags (4,211,800 lbs). During the current period the single yarn processed at the doubling plant was 16,695 bags compared to 17,111 bags in the corresponding period.

Operating expenses stood at Rs.6.11 million for the current period compared to Rs.6.04 million in the corresponding period. There was an increase in operating profit which stood at Rs.14.14 million against operating profit of Rs.11.41 million in the corresponding period.

Overall Result

During the quarter under review, company realized a net profit of Rs. 39.34 million against profit of Rs.165.67 million in corresponding period. As mentioned earlier, the reduction in profit was mainly due to the absence of carry forward sugar stocks Q4 of 2009-10 to Q1 of 2010-11.

Administrative and general expenses stood at Rs.57.64 million compared to Rs.95.46 million last period. Financial charges also fell from Rs. 279.46 million to Rs. 234.19 million due to lower level of borrowing.

Future Outlook

The current crushing season looks better than the previous one and we anticipate the sugarcane crop to improve further. Shakarganj Mills has a positive forward looking approach in its operations for all its business segments. The management has taken various steps to steer the company back towards profitability and a major debt re-profiling exercise has been undertaken to relieve the liquidity and debt servicing pressure on the company financials.

On behalf of the Board

Ahsan M. Saleem
Chief Executive Officer
Date: January 28, 2011

CONDENSED INTERIM BALANCE SHEET

As at December 31, 2010 (Un-Audited)

	Note	**December 2010 Un-Audited**	September 2010 Audited
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
80,000,000 (2010: 80,000,000) ordinary shares of Rs 10 each		**800,000**	800,000
50,000,000 (2010: 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 (2010: 69,523,798) ordinary shares of Rs 10 each		**695,238**	695,238
Reserves		**922,076**	969,241
Accumulated loss		**(2,831,527)**	(2,870,871)
		(1,214,213)	(1,206,392)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		**1,648,848**	1,699,425
NON-CURRENT LIABILITIES			
Long term finances	7	**1,685,925**	1,137,926
Liabilities against assets subject to finance lease		**56,716**	58,577
Employees' retirement benefits		**8,730**	9,485
Deferred income		**2,270**	2,307
		1,753,641	1,208,295
CURRENT LIABILITIES			
Current portion of long term liabilities		**1,540,754**	1,791,441
Short term borrowings - secured		**2,660,559**	2,845,639
Trade and other payables		**1,863,842**	1,117,523
Accrued finance cost		**916,463**	812,863
		6,981,618	6,567,466
CONTINGENCIES AND COMMITMENTS	8		
		9,169,894	8,268,794

The annexed notes 1 to 19 form an integral part of these financial statements.

Chief Executive

	Note	December 2010 Un-Audited	September 2010 Audited
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	**4,218,668**	4,162,523
Intangible assets		**1,262**	1,249
Assets subject to finance lease		**97,237**	221,003
Capital work-in-progress		**103,320**	88,462
Biological assets		**6,984**	8,479
Investments - related parties	10	**428,946**	415,682
Long term loans, advances, deposits and prepayments		**49,123**	50,107
		4,905,540	4,947,505
CURRENT ASSETS			
Biological assets		**7,771**	15,143
Stores, spares and loose tools		**118,859**	91,246
Stock-in-trade		**1,135,034**	131,989
Trade debts		**32,467**	14,494
Investments	11	**125,807**	143,976
Loans, advances, deposits, prepayments and other receivables		**1,397,122**	227,087
Cash and bank balances		**5,501**	33,514
		2,822,561	657,449
Non-current assets held for sale	12	**1,441,793**	2,663,840
		4,264,354	3,321,289
		9,169,894	8,268,794

Chairman

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

For the First Quarter Ended December 31, 2010 (Un-Audited)

	Note	**December 2010**	December 2009
		(Rupees in thousand)	
			Re-stated
Continuing operations:			
Sales	13	**1,913,176**	2,872,313
Cost of sales	13	**(1,851,612)**	(2,335,229)
Gross profit		**61,564**	537,084
Administrative expenses		**(48,721)**	(50,129)
Distribution and selling costs		**(8,815)**	(13,311)
Other operating expenses		**(102)**	(32,019)
Other operating income		**31,955**	10,624
Profit from operations		**35,881**	452,249
Finance cost		**(234,192)**	(279,460)
Share of profit from associates		**18,647**	10,426
(Loss)/profit before taxation		**(179,664)**	183,215
Taxation			
- Company		**(19,046)**	(15,839)
- Associates		**(6,040)**	(1,709)
		(25,086)	(17,548)
(Loss)/profit for the period from continuing operations		**(204,750)**	165,667
Discontinued operations:			
Profit for the period from discontinued operations	12	**244,090**	-
Profit for the period		**39,340**	165,667
Loss per share from continuing operations			
- basic Rupees	14	**(2.95)**	2.38
- diluted Rupees	14	**(2.95)**	2.38
Earning per share from discontinued operations			
- basic Rupees	14	**3.51**	-
- diluted Rupees	14	**3.51**	-

The annexed notes 1 to 19 form an integral part of these financial statements.

Chief Executive

Chairman

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the First Quarter Ended December 31, 2010 (Un-Audited)

	December 2010	December 2009
	(Rupees in thousand)	Re-stated
Profit after taxation	**39,340**	165,667
Other Comprehensive income:		
Fair value loss during the period	**(47,817)**	(135,963)
Share of other comprehensive income/(loss) of associates	**651**	3,187
Transfer from surplus on revaluation of property, plant and equipment on account of		
- incremental depreciation - net of tax	**5**	-
- disposal of land - net of tax	**-**	-
	5	-
Other comprehensive income/(loss) for the period	**(47,161)**	(132,776)
Total comprehensive (loss)/profit for the period	**(7,821)**	32,891

The annexed notes 1 to 19 form an integral part of these financial statements.

Chief Executive

Chairman

CONDENSED INTERIM CASH FLOW STATEMENT
For the First Quarter Ended December 31, 2010 (Un-Audited)

	Note	**December 2010**	December 2009
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from/(used) in operations	15	**(1,379,309)**	994,793
Finance cost paid		**(130,593)**	(27,979)
Taxes paid		**(10,851)**	(19,162)
Employees' retirement benefits paid		**(755)**	(4,274)
Net decrease in long term deposits		**984**	(286)
Net cash (used in)/generated from operating activities		**(1,520,524)**	943,092
Cash flows from investing activities			
Fixed capital expenditure		**(21,574)**	(17,109)
Investment - net		**-**	126,202
Dividends received		**43,495**	-
Proceeds from non-current assets held for sale		**1,350,000**	-
Proceeds from sale of property, plant and equipment		**10,220**	1,564
Net cash generated from investing activities		**1,382,141**	110,657
Cash flows from financing activities			
Long term finances - net		**447,999**	(31,341)
Net decrease in short term borrowings - secured		**(185,080)**	(825,553)
Finance lease liabilities - net		**(152,549)**	13,686
Net cash generated from/(used in) financing activities		**110,370**	(843,208)
Net increase/(decrease) in cash and cash equivalents		**(28,013)**	210,541
Cash and cash equivalents at the beginning of the period		**33,514**	24,508
Cash and cash equivalents at the end of the period		**5,501**	235,049

The annexed notes 1 to 19 form an integral part of these financial statements.

Chief Executive

Chairman

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For the First Quarter Ended December 31, 2010 (Un-Audited)

(Rupees in thousand)

	Share Capital	Share Premium	Capital Reserve: Share in capital reserves of associates	Capital Reserve: Fair Value Reserve	Capital Reserve: Difference of Capital Under Scheme of Arrangement of Merger	Capital Reserve: Sub - Total	Revenue Reserve: General	Revenue Reserve: Dividend Equalization	Revenue Reserve: Equity Investment Market Value Equalization	Revenue Reserve: Sub - Total	Total	Accumulated (Loss)/Profit	Total
Balance as on September 30, 2009 as restated	695,238	243,282	10,932	23,558	155,930	433,702	410,606	22,700	83,000	516,306	950,008	(1,991,163)	(345,917)
Total comprehensive income for the period ended December 31, 2009													
Profit after taxation for the period												165,667	165,667
Other comprehensive income/(loss)													
Fair value loss during the period	-	-		(135,963)	-	(135,963)	-	-	-	-	(135,963)	-	(135,963)
Share in capital reserves of associates			3,187			3,187					3,187		3,187
Balance as on December 31, 2009 restated	695,238	243,282	14,119	(112,405)	155,930	300,926	410,606	22,700	83,000	516,306	817,232	(1,825,496)	(313,026)
Balance as on September 30, 2010	695,238	243,282	13,321	40,402	155,930	452,935	410,606	22,700	83,000	516,306	969,241	(2,870,871)	(1,206,392)
Total comprehensive income for the period ended December 31, 2010													
Profit after taxation for the period						-				-	-	39,340	39,340
Other comprehensive income/(loss)													
Fair value loss during the period				(47,817)		(47,817)				-	(47,817)		(47,817)
Share in capital reserves of associates			651			651				-	651		651
Transfer from surplus on revaluation of property, plant and equipment						-				-	-	5	5
Balance as on December 31, 2010	695,238	243,282	13,972	(7,415)	155,930	405,769	410,606	22,700	83,000	516,306	922,075	(2,831,527)	(1,214,213)

The annexed notes 1 to 19 form an integral part of these financial statements.

Chief Executive

Chairman

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

For the First Quarter Ended December 31, 2010 (Un-Audited)

1. Legal status and nature of business

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

2. Basis of preparation

This condensed interim financial information is un-audited and is being submitted to the members as required by section 245 of the Companies Ordinance, 1984. The condensed interim financial information has been prepared in accordance with the requirements of the International Financial Reporting Standard (IFRS) IAS 34 'Interim Financial Reporting' as applicable in Pakistan as notified by the Securities and Exchange Commission of Pakistan. This condensed interim financial information do not include all of the information required for full financial statements and should be read in conjunction with the financial statements of the Company for the year ended September 30, 2010.

The comparative balance sheet presented in these interim financial statements has been extracted from the audited financial statements of the Company for the year ended September 30, 2010 whereas the comparative profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity are stated from the unaudited condensed interim financial statements for the first quarter ended December 31, 2009.

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

3. Significant accounting policies

The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding annual published financial statements of the company for the year ended September 30, 2010.

4. Estimates

Judgments and estimates made by the management in the preparation of the condensed quarterly financial statements are the same as those applied in the preparation of the preceding annual published financial statements of the company for the year ended September 30, 2010.

5. Risk management policies

Risk management policies are consistent with those disclosed in the financial statements for the year ended September 30, 2010.

6. Taxation

The provision for taxation for the quarter ended December 31, 2010 has been made on an estimated basis.

	December 2010	September 2010
	(Rupees in thousand)	

7. Long term finances

	December 2010	September 2010
Long term loans - secured	**1,520,603**	1,520,603
Redeemable capital		
Preference shares (non-voting) - unsecured	**345,755**	345,755
Term finance certificates (non-voting) - secured	**630,000**	630,000
	975,755	975,755
Long term running finances - secured	**203,183**	203,183
Additions/adjustments made during the period	**447,999**	
Loan from Chief Executive and key management personnel- unsecured	**36,526**	36,526
	3,184,066	2,736,067
Less: Current portion shown under current liabilities		
- Long term loans - secured	**(949,203)**	(1,049,203)
- Redeemable capital - Preference Shares (non-voting) - secured	**(345,755)**	(345,755)
- Redeemable capital - term finance certificates (non-voting) - secured		-
- Long term running finances - secured	**(203,183)**	(203,183)
	(1,498,141)	(1,598,141)
	1,685,925	1,137,926

8. Contingencies and commitments

8.1 Contingencies

(i) The company has issued following guarantees:

Bank guarantee of Rs 9.552 million (2010: Rs 9.552 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 (2010: Rs 467 million).

(ii) The company has issued a post dated cheque in favour of the Collector of Customs against custom duty clearance in respect of import of plant and machinery amounting to Rs. 5.040 million (2010: 5.040 million).

(iii) Consequent upon filing of petition by the company in the honorable Lahore High Court to set aside SRP655(1)/2007, through which special excise duty was levied with effect from July 1, 2007, the company has not provided for an amount of Rs 59.401 million on account of special excise duty levied on sale of sugar. The honorable court has provided an interim relief to the company in the form of a stay order and the final decision of the court is yet to be made. The Company, based on the opinion of its legal advisor, is confident that the petition will be decided in their favour setting aside the provisions under the above SRO.

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

(v) As referred to in note 1.2 to the audited financial statements for the year ended September 30, 2010, the Company entered into a bridge finance agreement with a consortium of banks for Rs 2,466 million to be repaid by 30 June, 2011 from the sale of assets, identified in the agreement. For reasons specified in the note 1.2, the bridge facility could not be released to the Company till the date of these financial statements. However, the Company is confident that this will become operative as it has complied with all significant conditions precedents contained in the bridge finance facility and is also confident that the timelines contained therein for sale of identified assets along with the repayment of the bridge loan will be extended. The Company has, in these financial information, accrued markup based on the reduced rates contained in the bridge finance agreement on its respective borrowings to the tune of Rs 2,466 million. Had the markup been accrued at the terms of original agreements, it would have been higher by Rs 64 million approximately. The Company, based on the foregoing ground, is however confident that the lenders will not demand markup as per original agreements.

8.2 Commitments

The company has the following commitments in respect of

(i) Contract for capital expenditure amounting to Rs 65.213 million (2010: Rs 71.213 million).

(ii) Contracts for acquisition of intangible (computer software) amounting to Rs. 20 million (2010: Rs 20 million).

(iii) Contracts for other than capital expenditures Rs 2.71 million (2010: Rs 1.3 million)

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

	December 2010	September 2010
	(Rupees in thousand)	
Not later than one year	**6,368**	6,368
Later than one year and not later than five years	**7,737**	7,737
	14,105	14,105

	Note	December 2010	September 2010
		(Rupees in thousand)	
9. Property, plant and equipment			
Opening book value		**4,162,523**	6,385,995
Add revaluation surplus			
Add Addition during the period	9.1	**160,136**	183,025
		4,322,659	6,569,020
Less: Disposal during the period		**3,475**	16,018
Classified as held for Disposal (at book value)		**-**	2,019,430
Accumulated depreciation on lease assets transferred		**33,354**	41,398
Depreciation charged during the period		**67,162**	329,651
		103,991	2,406,497
Closing book value		**4,218,668**	4,162,523

9.1 Addition during the period

Land	**362**	5,826
Building on free hold land	**-**	43,443
Plant and machinery	**152,528**	92,514
Tools and equipment	**-**	2,759
Water electric and weighbridge equipment	**-**	2,291
Furniture and fixture	**136**	200
Office equipment	**-**	247
Vehicles	**6,859**	35,519
Arms and Ammunitions	**243**	156
Library books	**8**	70
	160,136	183,025

10. Investments - related parties

In equity instruments of associates	10.1	**428,527**	415,269
Available for sale	10.2	**419**	413
		428,946	415,682

	Note	December 2010	September 2010
		(Rupees in thousand)	

10.1 In equity instruments of associates

	Note	December 2010	September 2010
Cost		**444,494**	444,494
Brought forward amounts of post acquisition reserves and profits		**(29,226)**	19,362
		415,268	463,856
Share of movement in reserves during the period		**652**	2,389
Share of gain/(loss) for the period			
- before taxation		**18,647**	(22,229)
- provision for taxation		**(6,040)**	(20,587)
		12,607	(42,816)
		428,527	423,429
Dividend received during the period		**-**	(8,160)
		428,527	415,269

10.2 Available for sale

	Note	December 2010	September 2010
Associated companies - at cost		**3,000**	3,000
Others - at cost		**2,200**	2,200
		5,200	5,200
Add: Cumulative fair value gain		**419**	413
Less: Cumulative impairment losses recognized		**(5,200)**	(5,200)
Fair value gain		**(4,781)**	(4,787)
		419	413

11. Investments

	Note	December 2010	September 2010
Available for sale	11.1	**125,807**	143,976
Held to maturity	11.2	**-**	-
		125,807	143,976

	Note	December 2010	September 2010
		(Rupees in thousand)	

11.1 Available for sale

	Note	December 2010	September 2010
Others - at cost		**125,307**	125,307
Add: Cumulative fair value gain		**500**	18,669
Less: Cumulative Impairment loss		**-**	-
		500	18,669
		125,807	143,976

11.2 Held to maturity

	Note	December 2010	September 2010
Musharika Investment	11.2.1	**17,935**	17,935
Less: Cumulative impairment losses recognized		**(17,935)**	(17,935)
		-	-

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

12. Non Current Assets Held for Sale and discontinued operations

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

	Note	December 2010	September 2010
		(Rupees in thousand)	
(a) Non-current assets classified as held for sale			
Satellite facility at Dargai Shah (Sugar Division)	12.1	**-**	1,192,395
Investments in associated companies at market value	12.2	**180,960**	210,612
Land - Agriculture (Farms Division)	12.3	**911,914**	911,914
Other non-operating assets	12.4	**348,919**	348,919
		1,441,793	2,663,840

	Note	December 2010	December 2009
		(Rupees in thousand)	
(b) Analysis of the result of discontinued operations			
Profit/(loss) for the period from discontinued operations			
Satellite facility at Dargai Shah (Sugar Division)	12.1	**202,756**	-
Investments in associates/subsidiary companies at market value	12.2	**43,495**	-
Land - Agriculture (Farms Division)	12.3	**(2,161)**	-
		244,090	-
Cash flows from discontinued operations			
Satellite facility at Dargai Shah (Sugar Division)	12.1	**478,000**	-
Investments in associates/subsidiary companies at market value	12.2	**43,495**	-
Land - Agriculture (Farms Division)	12.3	**(292)**	-
		521,203	-

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

12.1 Satellite facility at Dargai Shah (Sugar Division)

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

Assets as classified previously in non current assets held for sale have been sold during the period as per sales agreement with Hunza Sugar Mills Limited dated December 3, 2010. As per the term of the agreement the assets have been sold for Rs 1,350 million, the Company has received Rs 478 million from the buyer while Rs 872 million have been paid into an Escrow account with Silk Bank (the Escrow Agent) and the same has been classified under Loans, advances, deposits, prepayments and other receivables on the face of the balance sheet. Company will recover the amount from the Escrow Agent upon legal transfer of the property to the buyer for which it is perusing the lenders with existing charges on this property for release of such charges.

	December 2010	September 2010
	(Rupees in thousand)	
Non-current assets classified as held for sale		
Property, plant and equipment	-	953,382
Assets subject to finance lease	-	237,720
Capital work in progress	-	1,293
	-	1,192,395

	Note	December 2010	December 2009
		(Rupees in thousand)	
Analysis of the result of discontinued operations			
Gain on sale of non current asset held for sale		**202,756**	-
Analysis of the cash flows of discontinued operations			
Investing cash flows		**478,000**	-

	Note	December 2010	September 2010
		(Rupees in thousand)	
12.2 Investments in associates / subsidiary companies at market value			
Non-current assets classified as held for sale			
Safeway Mutual Fund Limited (quoted) 16,579,143 (2010: 16,579,143) fully paid ordinary shares of Rs 10 each Equity held 30.45% (2010: 30.45%)		**165,020**	165,020
Asian Stocks Fund Limited (quoted) 16,245,673 (2010: 16,245,673) fully paid ordinary shares of Rs 10 each Equity held 18.05% (2010: 18.05%)		**144,917**	144,917
		309,937	309,937
Add: Cumulative fair value (loss)/gain	12.2.1	**(8,333)**	21,319
Less: Cumulative impairment losses recognized	12.2.2	**(120,644)**	(120,644)
Fair value loss		**(128,977)**	(99,325)
		180,960	210,612

The Company's investment in Asian Stock Fund Limited and Safeway Mutual Fund Limited have been earmarked for disposal by the management to settle its bridge loan.

	December 2010	September 2010
	(Rupees in thousand)	
12.2.1 Cumulative fair value (loss)/gain		
Opening balance	**21,319**	-
Fair value loss during the period	**(29,652)**	(94,651)
	(8,333)	(94,651)
Impairment loss transferred to profit and loss account	**-**	115,970
Closing balance	**(8,333)**	21,319

	December 2010	September 2010
	(Rupees in thousand)	
12.2.2 Cumulative impairment losses recognized		
Opening balance	120,644	139,532
Impairment losses recognised	-	115,970
Transferred to profit and loss account on derecognition of shares	-	(134,858)
Closing balance	120,644	120,644

	December 2010	December 2009
	(Rupees in thousand)	
Analysis of the profit for the period		
Other operating expenses	**-**	-
Other operating income	**43,495**	-
Taxation	**-**	-
Profit for the period	**43,495**	-
Analysis of the cash flows for the period		
Investing cash flows	**43,495**	-

12.3 Land - Agriculture (Farms Division)

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

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

	December 2010	December 2009
	(Rupees in thousand)	
Analysis of the result of discontinued operations		
Revenue	**10,706**	-
Cost of sales	**(16,554)**	-
Gross loss	**(5,848)**	-
Expenses		
Administrative expenses	**(534)**	-
Other Income	**4,244**	
Finance cost	**(23)**	-
	3,687	-
Loss before tax from discontinued operations	**(2,161)**	-
Taxation	**-**	-
Loss for the period from discontinued operations	**(2,161)**	-
Analysis of the cash flows of discontinued operations		
Operating cash flows	**(7,365)**	-
Investing cash flows	**21,365**	-
Financing cash flows	**(14,292)**	-
Total cash flows	**(292)**	-

12.4 Non - current assets held for sale

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

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

13. Business segments information

(Rupees in thousand)

	Sugar		Ethanol		Building Material		Textile		Power		Elimination		Total	
	December 2010	December 2009	December 2010	December 2009	December 2010	December 2009	December 2010	December 2009	December 2010	December 2009	December 2010	December 2009	December 2010	December 2009
Continuing operations														
13.1 Revenue														
- External	1,332,263	2,402,872	19,748	156,429	8,609	7,908	552,556	305,105	-	-	-	-	1,913,176	2,872,313
- Intersegment	112,873	139,719	-	-	-	-	-	-	40,867	34,665	(153,740)	(174,384)	-	-
	1,445,136	2,542,592	19,748	156,429	8,609	7,908	552,556	305,105	40,867	34,665	(153,740)	(174,384)	1,913,176	2,872,313
13.2 Segment expenses														
Cost of sales - Intersegment	4,800	-	100,476	129,904	8,135	2,941	41,542	34,665	1,255	6,875	(156,208)	(174,385)	-	-
- External	1,404,989	2,064,629	(83,100)	(3,053)	(365)	7,919	490,768	252,994	39,320	12,739	-	-	1,851,612	2,335,229
	1,409,789	2,064,629	17,376	126,851	7,770	10,860	532,310	287,659	40,575	19,614	(156,208)	(174,385)	1,851,612	2,335,229
Gross profit/(loss)	35,347	477,963	2,372	29,578	839	(2,952)	20,246	17,446	292	15,050	2,468	1	61,564	537,084
- Administrative expenses	41,378	41,548	474	2,466	207	125	5,683	5,444	980	546	-	-	48,720	50,129
- Distribution and selling expenses	3,667	3,702	4,665	8,961	11	9	422	596	50	42	-	-	8,815	13,311
	45,045	45,251	5,139	11,427	218	134	6,105	6,040	1,030	588	-	-	57,535	63,439
Segment results	(9,698)	432,712	(2,767)	18,151	621	(3,086)	14,141	11,406	(738)	14,462	-	1	4,029	473,645
Other operating expenses													(102)	(32,019)
Operating Profit													3,927	441,626
Finance costs													(234,192)	(279,460)
Other operating income													31,955	10,624
Taxation														
- Company													(19,046)	(15,839)
- Associates													(6,040)	(1,709)
													(25,086)	(17,548)
Share of income / (loss) from associates													18,647	10,426
(Loss)/Profit for the period from continuing operations													(204,750)	165,667
Discontinued operations														
Profit for the period from discontinued operations													244,090	-
Profit for the period													39,340	165,667

13.3 Segment assets and liabilities

	December 31, 2010	September 30, 2010	December 31, 2010	September 30, 2010	December 31, 2010	September 30, 2010	December 31, 2010	September 30, 2010	December 31, 2010	September 30, 2010	December 31, 2010	September 30, 2010	December 31, 2010	September 30, 2010
Segment assets	4,398,085	4,413,411	876,796	870,673	37,926	37,294	48,667	47,406	675,456	670,935	-	-	6,036,930	6,039,719
Unallocated assets													3,132,964	2,229,075
													9,169,894	8,268,794
Segment liabilities	5,987,930	5,984,669	560,248	560,484	11,769	11,801	651,289	650,963	10,560	10,239	-	-	7,221,796	7,218,156
Unallocated liabilities													1,513,463	557,605
													8,735,259	7,775,761

		December 2010	December 2009
		(Rupees in thousand)	

14. Earnings per share

14.1 Basic earnings per share

Continuing operations			
Profit for the period from continuing operations	Rupees	**(204,750,000)**	165,667,000
Weighted average number of ordinary shares in issue during the period	Number	**69,523,798**	69,523,798
(Loss)/earning per share - basic	Rupees	**(2.95)**	2.38
Discontinued operations			
Profit for the period from discontinued operations	Rupees	**244,090,000**	-
Weighted average number of ordinary shares in issue during the period	Number	**69,523,798**	69,523,798
Earning per share - basic	Rupees	**3.51**	-

14.2 Diluted earning per share

Diluted earning 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 is adjusted to eliminate the preference dividend.

Continuing operations			
Profit for the period from continuing operations	Rupees	**(204,750,000)**	165,667,000
Preference dividend on convertible preference shares	Rupees	**7,352,250**	7,352,250
(Loss)/Profit used to determine diluted earnings per share	Rupees	**(197,397,750)**	173,019,250
Weighted average number of ordinary shares in issue during the period	Number	**69,523,798**	69,523,798
Assumed conversion of convertible preference shares into ordinary shares	Number	**5,774,108**	5,774,108
Weighted average number of ordinary shares for diluted earnings per share	Number	**75,297,906**	75,297,906
(Loss)/earning per share - diluted	Rupees	**(2.62)**	2.30

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

Discontinued operations

There are no dilutive instruments in respect of discontinued operations.

	December 2010	December 2009
	(Rupees in thousand)	
15. Cash used in operating activities		
Profit before taxation	**64,425**	183,215
Adjustment for:		
Depreciation/amortization of:		
- property, plant and equipment	**67,162**	100,843
- assets subject to finance lease	**3,901**	6,945
- intangible assets	**85**	-
- deferred income	**(37)**	(37)
Profit on sale of property, plant and equipment	**(6,745)**	(1,111)
Profit on sale of non current asset held for sale	**(208,476)**	-
Loss/(gain) on sale of investments	**-**	17,973
Provision for employees' retirement benefits	**-**	3,208
Dividend income	**(43,495)**	-
Share of loss from associates	**(18,647)**	(10,426)
Loss from agriculture activities	**2,161**	9,920
Finance cost	**234,193**	279,460
	30,102	406,775
Profit before working capital changes	**94,527**	589,990
Effect on cash flow due to working capital changes:		
Decrease / (Increase) in stores and spares	**(27,613)**	(11,210)
Decrease in stock in trade	**(1,003,045)**	468,425
Net decrease / (increase) in biological assets	**6,706**	(6,276)
(Increase) / decrease in trade debts	**(17,973)**	(194,405)
Decrease in loans, advances, prepayments and other receivables	**(1,178,230)**	(4,474)
Increase in trade and other payables	**746,319**	152,743
	(1,473,836)	404,803
	(1,379,309)	994,793

16. Related Party Disclosure

Nature of transactions		
Sale of goods and services	**2,235**	21,081
Share of common expenses	**629**	1,015
Health insurance expenses	**421**	-
Dividend income	**43,495**	-

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

17. Date of authorization of issue

This condensed interim financial information was authorised for issue on January 28, 2011 by the Board of Directors of the company.

18. Events after the balance sheet date

No material events have occurred subsequent to December 31, 2010.

19. 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.

Chief Executive

Chairman

Shakarganj Mills Limited

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