Annual Report 2012






Shakarganj Mills Limited

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.

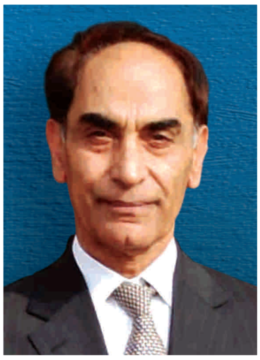
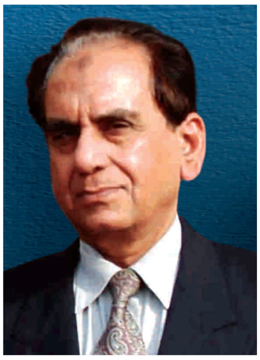
To pursue environment friendly policies and effectively and efficiently use all energy resources aiming for zero waste and a clean healthy environment in its vicinity.

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

COMPANY INFORMATION






Board Of Directors

1	Chairman (Non-Executive)	Mazhar Karim
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 Anwar
6.	Non-Executive Director	Muhammad Arshad
7.	Non-Executive Director	Rubina Rizvi (NIT)

Chief Financial Officer
S.M. Chaudhry

Company Secretary
Asif Ali

Audit Committee
Chairman
Khalid Bashir

Member
Muhammad Anwar
Ali Altaf Saleem

Human Resource and 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 Asif Ali at Company's Office, Jhang.
Tel: 047 765 2801 - 06
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 - 98
Fax: 042 3575 5215
E-mail: info@corptec.com.pk

Products

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

Legal Advisor

Hassan & Hassan Advocates,
Lahore

Auditors

A.F. Ferguson & Co.
Chartered Accountants

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

Works

Principal Facility

Management House,
Toba Road Jhang, Pakistan.
Tel: 047 765 2801 - 06
Fax: 047 765 2811
E-mail: info@shakarganj.com.pk

Satellite Facility

Shakarganj Bhone

63 km Jhang Sargodha Road,
Bhone-Pakistan.
Tel: 048 688 9210, 12
Fax: 048 688 9211

Website

www.shakarganj.com.pk
Note: Annual Report 2012 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.
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
7/3-G, Mushtaq Ahmad Gurmani Road, Gulberg II, Lahore
Tel: 042 3578 8097 - 98
Fax: 042 3575 5215
E-mail: info@corptec.com.pk

Annual General Meeting

The 45th Annual General Meeting of Shakarganj Mills Limited will be held on Thursday, 31 January 2013 at 11:45 a.m. at Qasr-e-Noor, 9-E-2 Main Boulevard, Gulberg III, Lahore.

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 M. Tons of sugarcane per day which is extendable to 32,000 M. Tons per day.

Bio Fuel Business (Formerly Ethanol):

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 (Formerly Power):

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.

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 1,265 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 200 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.

DIRECTORS' REPORT

Dear Shakarganj Shareholder:

The directors of your company are pleased to submit their report together with the audited accounts of the company for the year ended 30 September 2012:

Financial Results

The financial results of the company are summarised below:

		2012	2011
		(Rupees in Thousand)	
Profit/(loss) before taxation		442,453	(48,195)
Taxation		56,023	(158,309)
Profit/(loss) for the year from continuing operations		498,476	(206,504)
Profit for the year from discontinued operations		-	124,981
Profit/(loss) for the year		498,476	(81,523)
Basic earnings/(loss) per share:			
- From continuing operations	(Rupees)	7.17	(2.97)
- From discontinued operations	(Rupees)	-	1.80
- From Profit/(loss) for the year	(Rupees)	7.17	(1.17)
Diluted earnings/(loss) per share:			
- From continuing operations	(Rupees)	6.62	(2.97)
- From discontinued operations	(Rupees)	-	1.80
- From profit/(loss) for the year	(Rupees)	6.62	(1.17)

Keeping in view the carry over losses, negative equity and conditionality of the lenders, the directors do not recommend declaration of any dividend for the year ended 30 September 2012.

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 judgment.

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 is continuously improving performance, as evident from the financial results, and will continue to remain in operation for the foreseeable future.

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 and the Company has arranged training for one of the directors during January 2013, being conducted by ICAP.

12. Total number of regular employees at the end of the year was 2,416.

13. Following is the value of investments of funds based on their respective audited accounts for the year ended 30 September 2012:

Gratuity Fund	Rupees 38.78 million
Pension Fund	Rupees 247.14 million
Provident Fund	Rupees 107.33 million

Auditors

The auditors M/s A. F. Ferguson & Co., Chartered Accountants, will retire and have not offered themselves for reappointment. We place our sincere thanks & appreciation for their services. The Audit Committee of the Board has recommended the appointment of KPMG Taseer Hadi & Co, Chartered Accountants as auditors for the year ending 30 September 2013 for shareholders' consideration at the forthcoming annual general meeting.

Meetings of the Board of Directors

During the year five (5) meetings of the Board of Directors and five (5) meetings of the Audit Committee were held and the attendance of each Director is attached separately.

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.

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 as endorsed by the Directors.

Financial Statements

The financial statements of the Company have been duly audited and approved without qualification by the auditors of the Company, M/s. A. F. Ferguson & Co., Chartered Accountants, and their report is attached with the financial statements. The Company auditors have given a paragraph of emphasis drawing attention to conditions that affect the Company's ability to continue as a going concern for which our comments are included in Chief Executive Review.

The directors endorse the contents of the Chief Executive's Review for the year ended 30 September 2012 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 Directors' Report.

On behalf of the Board

Ahsan M. Saleem
Chief Executive Officer

Date: 07 January 2013

BOARD AND ITS COMMITTEES' MEETINGS

Attendance in Meetings

Name of Directors	Board		Audit Committee	
	Held	Attended	Held	Attended
NON - EXECUTIVE DIRECTORS				
Mazhar Karim	5	3	-	-
Khalid Bashir	5	5	5	5
Muhammad Anwar	5	5	5	4
Muhammad Arshad	5	4	-	-
Rubina Rizvi (NIT)	5	4	-	-
EXECUTIVE DIRECTORS				
Ahsan M. Saleem	5	5	-	-
Ali Altaf Saleem	5	5	5	5

Note: Meeting of the Human Resource and Remuneration Committee is usually held in the 1st quarter of the calendar year therefore, the next meeting will be held shortly.

CHIEF EXECUTIVE'S REVIEW

I welcome you to the 45th 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 2012. Performance of your Company during the year under review has further improved significantly since the previous year. Higher sugarcane crushing, enhanced production of bio fuel, bio power, building materials and yarn, all contributed to the positive results in FY 2011-12.

Our Sugar Division crushed 1,957,358 tons of sugarcane to produce 173,620 tons of sugar, at a recovery of 8.87%. This was an overall increase of 22.6% in sugar production compared to the previous fiscal year where we produced 141,549 tons of sugar from 1,567,361 tons of sugarcane at a recovery of 9.01%. Bio Fuel (Ethanol) production for the year was 93.80 million litres as compared to 68.86 million litres in the previous year, an increase of 36%. The Company maintained its position as the number one exporter of bio fuel qualifying for the Best Export Performance Trophy awarded by Pakistan Chamber of Commerce & Industry. To achieve maximum production during the current year, the company used its own molasses as well as extensive procurement from the market. Export sales accounted for about 92 percent of our total production.

Bio Power (Power) generation by the Company improved due to consistent distillery operations, the output during the year being 27.78 million units as compared to previous year bio power generation of 21.83 million units. As a result of extensive repair & maintenance of bio gas generators, we expect that serviceability of engines will be higher in number and reliability during next year.

In the period under review, our Building Materials Division set a new benchmark with the total production up by 48% to 8,789 cubic meters of particle board compared to 5,920 cubic metres produced in the previous year. We used our own bagasse while also procuring the raw material from neighbouring mills to maximise capacity utilisation at this division.

Production at our Textile Division also improved significantly to 6.80 million kg of yarn in the period under review, in comparison to 3.91 million kg in the previous year. Capacity utilisation of this division was 95%.

Business & Financial Review:

Overall performance of the Company during the FY2011-12 has improved compared to previous year. The increased Bio Fuel production and margins have contributed significantly towards the bottom line. The Company earned an operating profit of Rs 1,033 million compared to Rs 841 million in the previous year. The profit after tax earned during the year was Rs 498 million as compared to a loss of Rs 82 million during the previous year. The Company kept improving its key operating indicators in all the business segments. 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 5,050 million. As at 30 September 2012, the total overdue principal and mark up amounted to Rs 1,944 million and Rs 911 million respectively.

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 utilisation. 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 are no significant doubts 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 the 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 levels of sugarcane crushing, bio fuel manufacturing and improved 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 the future are explained in Note 1.2 to the financial statements.

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 in the coming years.

On behalf of the Board

Ahsan M. Saleem
Chief Executive Officer

Date: 07 January 2013

FINANCIAL HIGHLIGHTS

		2012	2011	2010	2009	2008	2007
Operating Results:							
Net Sales	(Rs 000)	14,762,318	13,354,705	7,794,204	5,101,667	6,789,572	5,262,787
Cost of Sales	(Rs 000)	13,044,568	12,061,782	7,081,788	4,783,640	6,110,885	5,093,014
Gross Profit	(Rs 000)	1,717,750	1,292,923	712,416	318,027	678,687	169,773
Operating Profit/(Loss)	(Rs 000)	1,033,342	841,167	337,602	(522,307)	208,468	2,040,283
Profit/(Loss) Before Tax	(Rs 000)	442,453	(48,195)	(675,690)	(1,841,910)	(794,904)	1,046,624
Profit/(Loss) After Tax	(Rs 000)	498,476	(81,523)	(879,727)	(1,957,821)	(806,025)	621,179
Dividends	(Rs 000)	-	-	-	-	-	57,936
Earnings/(Loss) Before Interest, Taxes, Depreciation & Amortization	(Rs 000)	1,457,672	1,196,749	547,336	(114,083)	591,974	2,432,661
Per Share Results and Return:							
Earning Per Share	(Rupees)	7.17	(1.17)	(12.66)	(28.16)	(11.59)	8.94
Cash Dividend Per Share	(Rupees)	-	-	-	-	-	1.00
Dividend Yield Ratio	(%)	-	-	-	-	-	2.13
Dividend Pay Out Ratio	(%)	-	-	-	-	-	9.33
Market Price Per Share at the end of the year (KSE 100 Index)	(Rupees)	12.90	4.9	4.13	8.12	11.84	47.00
Price Earning Ratio	(Times)	1.80	(4.19)	(0.33)	(0.29)	(1.02)	4.38
Financial Position							
Reserves	(Rs 000)	970,230	892,985	969,241	950,008	1,084,562	1,301,388
Current Assets	(Rs 000)	2,519,539	2,064,613	3,321,289	2,236,267	4,269,970	3,036,408
Current Liabilities	(Rs 000)	7,569,321	7,355,989	6,567,466	7,365,047	6,375,012	4,545,163
Net Current Assets / (Liabilities)	(Rs 000)	(5,049,782)	(5,291,376)	(3,246,177)	(5,128,780)	(2,105,042)	(1,508,755)
Property, Plant and Equipment	(Rs 000)	6,401,019	5,241,210	4,471,988	6,385,995	5,304,266	5,982,153
Total Assets	(Rs 000)	9,726,433	7,982,265	8,271,886	10,173,421	12,406,788	10,910,513
Long-Term Debt	(Rs 000)	2,410,570	2,794,162	2,736,067	2,849,736	2,930,753	2,245,822
Shareholders' Equity	(Rs 000)	(603,224)	(1,178,945)	(1,206,392)	(345,917)	1,620,254	2,585,146
Share Capital	(Rs 000)	695,238	695,238	695,238	695,238	695,238	579,365
Break-up Value per Share	(Rupees)	(8.68)	(16.96)	(17.35)	(4.98)	23.31	44.62
Break-up Value per share including Surplus on Revaluation of Fixed Assets	(Rupees)	24.14	3.42	7.09	19.47	52.70	76.38
Financial Ratios:							
Current Ratio	(Times)	0.33	0.28	0.51	0.30	0.67	0.67
Long-Term Debt to Capitalization	(%)	133.38	172.99	178.87	113.82	64.40	46.49
Total Debt to Total Assets	(%)	83.00	97.00	94.00	87.00	70.47	59.44
Weighted Average Cost Of Debt	%	12.86	13.94	14.15	17.09	14.27	11.90
Quick / Acid Test Ratio	(Times)	0.10	0.14	0.49	0.16	0.17	0.43
Earnings before Interest, Taxes, Depreciation & Amortization Margin (EBITDA)	(%)	0.10	0.10	0.07	(0.02)	7.64	46.22
Profitability Ratios:							
Gross Profit Ratio	(%)	11.64	9.68	9.14	6.23	10.00	3.23
Net Profit Margin	(%)	3.38	(0.61)	(11.29)	(38.38)	(11.87)	11.80
Average Collection Period	(Days)	6.01	13.43	0.68	0.98	6.46	5
Fixed Assets Turnover	(Times)	2.31	2.55	1.74	0.80	1.20	0.85
Total Assets Turnover	(Times)	1.52	1.67	0.94	0.50	0.55	0.49
Other Data:							
Depreciation & Amortization	(Rs 000)	285,750	298,815	359,177	408,224	383,133	392,038
Capital Expenditure	(Rs 000)	311,455	139,072	94,245	880,730	530,551	365,944

PRODUCTION DATA

Season	Duration Season (Days)	Cane Crushed (M.T.)	Raw Sugar Processed (M.T.)	Sugar Produced (M.T.)	Recovery (Percent)
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 (M.T.)	Bio Fuel (Litres)	Building Materials (Cubic Metres)	Yarn (Bags)	Bio Power (MW)
2.20	93,575	93,796,721	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				

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
Independent Directors	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.
Non-Executive Directors	Mr. Mazhar Karim Mr. Muhammad Anwar Mr. Muhammad Arshad Mr. Khalid Bashir Ms. Rubina Rizvi
Executive Directors	Mr. Ahsan M. Saleem Mr. Ali Altaf Saleem

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. No casual vacancy on the board has occurred during the year.
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 at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The directors were apprised about the changes in the Code, applicable laws and their duties and responsibilities to effectively manage the affairs of the Company for and on behalf of the shareholders. 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. The Company will arrange the training program for the directors as provided under Code.
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 at least once every quarter 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.

For and one behalf of the Board

Ahsan M. Saleem
Chief Executive Officer

Date: 07 January 2013

pwc

A. F. FERGUSON & CO.

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 prepared by the Board of Directors of Shakarganj Mills Limited ('the Company') to comply with the Listing Regulation No. 35 of the Karachi, Lahore and Islamabad 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.

Regulation 35(x) of the Listing Regulations requires the Company to place before the board of directors for their consideration and approval 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 the 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 2012.

Chartered Accountants

Lahore,
07 January 2013

Name of engagement partner:
Asad Aleem Mirza

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Financial Statements

For the year ended 30 September 2012

AUDITORS' REPORT TO THE MEMBERS

pwc

A. F. FERGUSON & CO.

We have audited the annexed balance sheet of Shakarganj Mills Limited as at 30 September 2012 and the related profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

  (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes resulted on initial application of standards, amendments, or an interpretation to the existing standards as stated in note 2.2.1 to the annexed financial statements, with which we concur;

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

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

(c) in our opinion, and to the best of our information and according to the explanations given to us the balance sheet, profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 September 2012 and of the profit, total comprehensive income, changes in equity and its cash flows for the year then ended;

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

(e) We draw attention to note 1.2 to the financial statements which indicates the company could not meet its obligations in respect of principal and mark up repayments on borrowings from financial institutions. The current liabilities of the Company have exceeded its current assets by Rs 5,050 million and the equity is completely eroded. This, along with other matters as set forth in note 1.2 indicates the existence of material uncertainty which 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.

Chartered Accountants

Lahore.
07 January 2013

Name of engagement partner: Asad Aleem Mirza

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BALANCE SHEET

As at 30 September 2012

	Note	2012	2011
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
80,000,000 (2011: 80,000,000) ordinary shares of Rs 10 each		800,000	800,000
50,000,000 (2011: 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 (2011: 69,523,798) ordinary shares of Rs 10 each	5	695,238	695,238
Reserves		970,230	892,985
Accumulated loss		(2,268,692)	(2,767,168)
		(603,224)	(1,178,945)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	6	2,281,579	1,416,678
NON-CURRENT LIABILITIES			
Long term finances	7	459,964	363,205
Liabilities against assets subject to finance lease	8	18,793	24,837
Employees' retirement benefits	9	-	501
		478,757	388,543
CURRENT LIABILITIES			
Current portion of long term liabilities	10	1,959,402	2,460,408
Short term borrowings	11	2,507,350	2,541,813
Trade and other payables	12	1,979,617	1,225,169
Accrued finance cost	13	1,122,448	1,087,629
Provision for taxation		504	40,970
		7,569,321	7,355,989
CONTINGENCIES AND COMMITMENTS	14		
		9,726,433	7,982,265

The annexed notes 1 to 45 form an integral part of these financial statements.

Chief Executive

	Note	2012	2011
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15	6,401,019	5,241,210
Intangible assets	16	1,045	1,137
Biological assets	17	8,895	11,140
Investments - related parties	18	750,895	618,052
Employees' retirement benefits	9	5,071	1,045
Long term loans, advances, deposits and prepayments	19	39,969	45,068
Deferred taxation	20	-	-
		7,206,894	5,917,652
CURRENT ASSETS			
Biological assets	17	37,395	21,493
Stores, spares and loose tools	21	129,862	106,393
Stock-in-trade	22	1,765,735	1,085,822
Trade debts	23	243,138	491,646
Investments	24	119,041	69,545
Loans, advances, deposits, prepayments and other receivables	25	154,767	170,545
Cash and bank balances	26	69,601	119,169
		2,519,539	2,064,613
		9,726,433	7,982,265

Chairman

PROFIT AND LOSS ACCOUNT

For the year ended 30 September 2012

		Note	2012	2011
			(Rupees in thousand)	Represented
Continuing operations:				
Sales		28	14,762,318	13,354,705
Cost of sales		29	(13,044,568)	(12,061,782)
Gross profit			1,717,750	1,292,923
Administrative expenses		30	(352,995)	(298,151)
Distribution and selling costs		31	(337,108)	(245,043)
Other operating expenses		32	(94,933)	(171,725)
Other operating income		33	100,628	263,163
Profit from operations			1,033,342	841,167
Finance cost		34	(729,469)	(945,255)
Share of profit from associates		18.1	138,580	55,893
Profit / (loss) before taxation			442,453	(48,195)
Taxation				
- Company			64,140	(132,572)
- Associates			(8,117)	(25,737)
		35	56,023	(158,309)
Profit / (loss) for the year from continuing operations			498,476	(206,504)
Discontinued operations:				
Profit for the year from discontinued operations		27	-	124,981
Profit / (loss) for the year			498,476	(81,523)
Basic earnings / (loss) per share				
- From continuing operations	Rupees	36	7.17	(2.97)
- From discontinued operations	Rupees	36	-	1.80
- From profit / (loss) for the year	Rupees		7.17	(1.17)
Diluted earnings/ (loss) per share				
- From continuing operations	Rupees	36	6.62	(2.97)
- From discontinued operations	Rupees	36	-	1.80
- From profit / (loss) for the year	Rupees		6.62	(1.17)

The annexed notes 1 to 45 form an integral part of these financial statements.

Chief Executive **Chairman**

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2012

	2012	2011
	(Rupees in thousand)	
Profit / (loss) after taxation	498,476	(81,523)
Other comprehensive income:		
Fair value gain / (loss) on 'Available for sale' investments	73,326	(109,973)
Impairment loss transferred to profit and loss account	-	31,134
	73,326	(78,839)
Share of other comprehensive income of associates	3,919	2,583
Transfer from surplus on revaluation of property, plant and equipment on account of disposal of land	-	185,226
Other comprehensive income for the year	77,245	108,970
Total comprehensive income for the year	575,721	27,447

The annexed notes 1 to 45 form an integral part of these financial statements.

Chief Executive **Chairman**

CASH FLOW STATEMENT

For the year ended 30 September 2012

	Note	2012	2011
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from / (used in) operations	37	1,629,421	(308,105)
Finance cost paid		(694,650)	(670,489)
Taxes paid		(170,826)	(85,784)
Employees' retirement benefits paid		(15,443)	(20,636)
Net (increase) / decrease in long term deposits		(33,458)	5,039
Net cash generated from /(used in) operating activities		715,044	(1,079,975)
Cash flows from investing activities			
Fixed capital expenditure		(426,094)	(152,157)
Dividends received		36,091	48,935
Income from bank deposits received		12,467	72,735
Proceeds from sale of non-current assets held for sale		-	1,500,000
Proceeds from sale of property, plant and equipment		57,679	139,441
Net cash (used in) / generated from investing activities		(319,857)	1,608,954
Cash flows from financing activities			
Long term finances - net		(383,592)	58,095
Short term borrowings - net		(34,463)	(303,826)
Finance lease liabilities - net		(26,699)	(197,589)
Dividends paid		(1)	(4)
Net cash used in financing activities		(444,755)	(443,324)
Net (decrease) / increase in cash and cash equivalents		(49,568)	85,655
Cash and cash equivalents at the beginning of the year		119,169	33,514
Cash and cash equivalents at the end of the year	26	69,601	119,169

The annexed notes 1 to 45 form an integral part of these financial statements.

Chief Executive

Chairman

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2012

(Rupees in thousand)

			CAPITAL RESERVES				REVENUE RESERVES						
	Share capital	Share premium	Share in capital reserves of association	Fair value reserve	Difference of capital under scheme of arrangement of merger	Sub - total	General	Dividend equali-zation	Equity investment market value equalization	Sub - total	Total	Accumu-lated (loss) /profit	Total
Balance as at 30 September 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 year ended 30 September 2011													
Loss for the year	-	-	-	-	-	-	-	-	-	-	-	(81,523)	(81,523)
Other comprehensive income for the year:													
Fair value loss on 'Available for sale' investments	-	-	-	(78,839)	-	(78,839)	-	-	-	-	(78,839)	-	(78,839)
Share of other comprehensive income of associates	-	-	2,583	-	-	2,583	-	-	-	-	2,583	-	2,583
Transfer from surplus on revaluation of property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-	185,226	185,226
	-	-	2,583	(78,839)	-	(76,256)	-	-	-	-	(76,256)	185,226	108,970
Total comprehensive income/(loss) for the year	-	-	2,583	(78,839)	-	(76,256)	-	-	-	-	(76,256)	103,703	27,447
Total contributions by and distributions to owners of the Company recognised directly in equity	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 30 September 2011	695,238	243,282	15,904	(38,437)	155,930	376,679	410,606	22,700	83,000	516,306	892,985	(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 gain on 'Available for sale' investments	-	-	-	73,326	-	73,326	-	-	-	-	73,326	-	73,326
Share of other comprehensive income of associates	-	-	3,919	-	-	3,919	-	-	-	-	3,919	-	3,919
	-	-	3,919	73,326	-	77,245	-	-	-	-	77,245	-	77,245
Total comprehensive income for the year	-	-	3,919	73,326	-	77,245	-	-	-	-	77,245	498,476	575,721
Total contributions by and distributions to owners of the Company recognised directly in equity	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as on 30 September 2012	695,238	243,282	19,823	34,889	155,930	453,924	410,606	22,700	83,000	516,306	970,230	(2,268,692)	(603,224)

The annexed notes 1 to 45 form an integral part of these financial statements.

Chief Executive

Chairman

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

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 manufacture, purchase and sale of sugar, ethanol, building material, yarn and engaged in generation and sale of electricity. The Company has its principal manufacturing facilities at Jhang and 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 5,050 million (30 September 2011: Rs 5,291 million), the equity has been eroded and stands at negative Rs 603 million (30 September 2011: Rs 1,179 million). 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 2,855 million (30 September 2011: Rs 3,356 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 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 64.792 million is also outstanding as on 30 September 2012.

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 higher operational levels of cane crushing and ethanol manufacturing.

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

Operational measures

The Company undertook significant operational measures in previous year to improve its productivity and financial results in order to generate liquidity for financing of operations and repayment of borrowings. Keeping on with its efforts, the Company was able to crush 1.957 million tons of sugarcane in current year as compared to 1.552 million tons of sugarcane during the last year. Similarly, the production of ethanol also increased from 68.86 million litres in last year to 93.80 million litres in current year.

To date the Company has repaid Rs 1,666 million of the bridge loan through utilisation of improved liquidity resulting from better operational results as explained above 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, sale of investment in Safeway Fund Limited and partial disposal of agricultural land. Moreover during last year the Company also settled its lease liability of Rs 148.45 million to Meezan Bank Limited for an amount of Rs 144.1 million, under a compromise agreement with the bank.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

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:

Short term secured financing

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/ethanol 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/ ethanol).

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	200
The Bank of Punjab	200
Standard Chartered Bank	170
United Bank Limited	540
Bank Alfalah Limited	100
FE 25 loan:	
Faysal Bank Limited	100

The above facilities have been obtained against pledge of sugar/molasses/ethanol 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 2012, 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 ethanol. 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 markup.

Relaxations in repayments of existing loans

The Company had requested following relaxations from its lenders in view of its above mentioned proposal:

- rescheduling of over-due balance payable to be repaid 50% in 2011-12, 25% in 2012-13 and 25% in 2013-14;

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

- to freeze the amount of accrued interest on bridge facility up to 30 September 2011 which shall be repaid during the next three years; and

- the long term debt will remain operative (being frozen after 30 September 2011) and its interest plus installment will be paid as and when due.

To date the Company has been able to restructure/ reschedule various loans from its lenders resulting in relaxation in payments, the details of which are as follows:

- restructuring of Rs 473 million of various over-due borrowings to long term loan and rescheduling of long term loan of Rs 92 million from MCB Bank Limited;

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

- restructuring of bridge Finance of Rs 57 million to long term loan and rescheduling of over-due accrued mark up of Rs 23 million from Habib Bank Limited.

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, ethanol 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.

2. STATEMENT OF COMPLIANCE

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

2.2 Standards, Interpretations and amendments to published approved accounting standards

New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 October 2011 and their impact on these financial statements is given below:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

2.2.1 Standards and interpretations to existing standards that are effective and applicable to the Company

- IAS 1 'Presentation of financial statements' (Amendment), is effective from 1 January 2011. The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The company has opted to present the analysis in statement of changes in equity.

- IAS 24 (Revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The application of this standard has no material impact on the Company's financial statements.

- IFRIC 14 (Amendment), 'Prepayments of a minimum funding requirement', is effective from 1 January 2011. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The application of this amendment has no material impact on the Company's financial statements.

2.2.2 Standards, amendments and interpretations to existing standards that are applicable to the company and not yet effective and have not been early adopted by the Company

The following amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 October 2012 or later periods, but the Company has not early adopted them:

- IFRS 9, 'Financial instruments', addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 01 January 2013 but is available for early adoption. This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that will replace IAS 39, 'Financial instruments: Recognition and measurement'. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change will mainly affect financial institutions. The Company has yet to assess the full impact of IFRS 9.

- IFRS 12 - 'Disclosures of interests in other entities'. This is applicable from accounting periods beginning on or after 01 July 2013. This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. It is not expected to have any material impact on the Company's financial statements.

- IFRS 13 - 'Fair value measurement'. This is applicable on accounting periods beginning on or after 01 July 2013. This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. It is not expected to have any material impact on the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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- IAS 1 - 'Presentation of Financial Statement' (amendment). This is applicable on accounting periods beginning on or after 01 July 2012. The main change resulting from these amendment is a requirement for entities to group items presented in Other comprehensive income (OCI) on the basis of whether they are potentially recycled to profit or loss (reclassification adjustments). The amendment does not address which items are presented in OCI. The Company will apply this amendment from 01 January 2013 and does not expect to have a material impact on its financial statements.

- IAS 1 - 'Presentation of Financial Statement' (Amendment). This amendment has been issued part of Annual Improvements project and is applicable on accounting periods beginning on or after 1 January 2013. The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet. When an entity produces balance sheet as required by IAS 8 'Accounting policies, changes in accounting estimates and errors' in which case the balance sheet should be as at the date of the beginning of the preceding period i.e. the opening position. No notes are required to support this balance sheet. When management provides additional comparative information voluntarily e.g. statement of profit and loss, balance sheet, it should present the supporting notes to these additional statements. The Company will apply this amendment from 1 July 2013.

- IAS 16 - 'Property, plant and equipment' (Amendment). This amendment has been issued part of Annual Improvements project and is applicable on accounting periods beginning on or after 1 January 2013. The amendment clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment. The Company shall apply the amendment from 1 July 2013.

- IAS 19 - 'Employee benefits'(amendment). This is applicable on accounting periods beginning on or after 01 January 2013. The amendment will eliminate the corridor approach and calculate finance costs on a net funding basis. The Company will apply this amendment from 01 July 2013. It is not expected to have any material impact on the Company's financial statements.

- IAS 32 - 'Financial instruments: Presentation' (Amendment). This amendment has been issued part of Annual Improvements project and is applicable on accounting periods beginning on or after 1 January 2013. Prior to the amendment, IAS 32 was ambiguous as to whether the tax effects of distributions and the tax effects of equity transactions should be accounted for in the income statement or in equity. The amendment clarifies that the treatment is in accordance with IAS 12. So, income tax related to distributions is recognised in the income statement, and income tax related to the costs of equity transactions is recognised in equity. The Company will apply this amendment from 1 October 2013.

3. BASIS OF MEASUREMENT

3.1 These financial statements have been prepared under the historical cost convention except for revaluation of certain employees' retirement benefits at present value as referred to in note 4.2 and revaluation of certain property, plant and equipment, biological assets and certain financial instruments.

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

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For the year ended 30 September 2012

i) Estimate of recoverable amount of investment in equity instrument of associates - note 18.1
ii) Revaluation surplus on property, plant and equipment - note 6
iii) Estimated useful lives of property, plant and equipment - note 15.1
iv) Estimated recoverable amount of assets of Mian Muhammad Sugar Mills - note 15.2.4
v) Provision for taxation - note 35
vi) Provision for employees' retirement benefits - note 9

4. SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Taxation

Current

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

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. 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.

4.2 Employees' retirement benefits

4.2.1 Defined benefit plans

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

All permanent employees who are in the management cadre of the company participate in an approved funded defined benefit pension plan. In addition, there is an approved funded defined benefit gratuity scheme for all permanent employees, who are in the management cadre of the company subject to a minimum qualifying period of service according to the terms of employment. Monthly contributions are made to these funds on the basis of actuarial recommendation at the rate of 20% per annum of basic salary for pension and 8.33% per annum of basic salary for gratuity. Actuarial valuation for the schemes was carried out as at 30 September 2012.

Actual returns on plan assets during the year were Rs. 34.756 million and Rs. 4.881 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:	11.5%	per annum
Expected increase in eligible pay:	10.5%	per annum
Expected rate of return on plan assets:	11.5-12.5%	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).

4.2.2 Defined contribution plan

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

ii) The company uses the valuation performed by the independent actuary as the present value of its retirement benefit obligations. The valuation is based on assumption as mentioned in note 4.2.1.

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

4.3 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 4.20.

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

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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 2012 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.

4.4 Intangible assets

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

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

4.5 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.

4.6 Leases

The company is the lessee:

4.6.1 Finance leases

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

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

The related rental obligations, net of finance cost, are included in liabilities against assets subject to finance lease as referred to in note 9. The liabilities are classified as current and non-current depending upon the timing of the payment.

4.6.2 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.

4.7 Investments

a) 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.

b) 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.

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c) Held for trading

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

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

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

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

d) 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 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.

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4.8 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.

4.9 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 Power division is valued at Nil as it does not have any market value.

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

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

4.10 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.

4.11 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.

4.12 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 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.

4.13 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.

4.14 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.

4.15 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.

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

4.16 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.

4.17 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.

4.18 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'.

4.19 Foreign currency transactions and translation

a) 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.

b) 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.

4.20 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.

4.21 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.

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4.22 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.

4.23 Dividends

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

5. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2012	2011		**2012**	2011
(Number of shares)		**Ordinary**	**(Rupees in thousand)**	
23,544,798	23,544,798	Ordinary shares of Rs 10 each fully paid in cash	**235,448**	235,448
33,131,816	33,131,816	Ordinary shares of Rs 10 each issued as fully paid bonus shares	**331,318**	331,318
12,847,184	12,847,184	Ordinary shares of Rs 10 each issued as fully paid for consideration other than cash	**128,472**	128,472
69,523,798	69,523,798		**695,238**	695,238

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

	2012	2011
	(Number of shares)	
Asian Stocks Fund Limited	**2,108,319**	2,108,319
Crescent Jute Products Limited	**33,640**	33,640
Crescent Steel and Allied Products Limited	**15,244,665**	15,244,665
Crescent Sugar Mills & Distillery Limited	**2,865,830**	2,865,830
Safeway Mutual Fund Limited	**2,118,785**	2,118,785
The Crescent Textile Mills Limited	**5,427,488**	5,427,488
	27,798,727	27,798,727

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

	2012	2011
	(Rupees in thousand)	
6. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		
Revaluation surplus as at 1 October	1,416,678	1,699,425
Revaluation surplus / (decrease) arising during the year		
- Freehold land	345,396	(97,521)
- Buildings on freehold land	714,004	-
	1,059,400	(97,521)
Deferred tax on revaluation	(194,499)	-
Surplus transferred to accumulated losses on account of disposal of property, plant and equipment	-	(185,226)
Revaluation surplus as at 30 September	2,281,579	1,416,678

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.

		2012	2011
		(Rupees in thousand)	
7. LONG TERM FINANCES			
Long term loans - secured	- note 7.1	1,579,622	1,676,945
Redeemable capital			
Preference shares (non-voting) - unsecured	- note 7.4	345,756	345,756
Term finance certificates (non-voting) - secured	- note 7.5	485,192	596,000
		830,948	941,756
Long term running finances - secured	- note 7.6	-	175,461
		2,410,570	2,794,162
Less: Current portion shown under current liabilities			
- Long term loans - secured		(1,119,658)	(1,313,740)
- Redeemable capital - Preference Shares (non-voting) - secured		(345,756)	(345,756)
- Redeemable capital - term finance certificates (non-voting) - secured		(485,192)	(596,000)
- Long term running finances - secured		-	(175,461)
	- note 7.2	(1,950,606)	(2,430,957)
		459,964	363,205

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

7.1 Long term loans - secured

Loan	Lender	2012	2011		Rate of mark-up per annum	Number of installments outstanding	Mark-up payable
		(Rupees in thousand)					
1	Silk Bank Limited	12,500	75,000	*	Base rate + 3.75% and monitoring fee of 0.25% per annum	One installment of Rs. 12.5 million due on 11 November 2012.	Quarterly
2	Syndicate term loan - note 8.3	-	151,298	**	Base rate + 3% subject to floor of 5.25%	The loan has been repaid during the year.	Semi-annual
3	MCB Bank Limited	82,688	91,875	*	Base rate + 2% subject to floor of 8%	Nine semi annual installments (including one over-due) of Rs. 9.188 million each ending September 2016.	Semi-annual
4	Faysal Bank Limited	-	4,423	*	Base rate + 3.25%	The loan has been repaid during the year.	Quarterly
5	National Bank of Pakistan Limited	190,400	190,400	*	Base rate + 2.5%	Seven semi annual installments ending June 2014 including three overdue installments of Rs. 27.2 million each.	Semi-annual
6	National Bank of Pakistan Limited	119,674	119,949	***	Base rate +3%	Twelve quarterly installments ending June 2014.	Quarterly
7	National Bank of Pakistan Limited	171,000	171,000	***	Base rate +2%	Twenty quarterly installments ending June 2015 including six overdue installments of Rs. 8.55 million each.	Quarterly
8	Standard Chartered Bank Limited	198,065	400,000	*	Base rate + 2.25%	Four semi annual installments of Rs. 39.984 million each ending June 2014 and one partial overdue installment of Rs 38.12 million.	Semi annual
9	MCB Bank Limited	425,699	473,000	*	Base rate + 2.5%	Nine semi annual installments (including one over-due) of Rs. 47.325 million each ending 30 September 2016.	Semi annual
10	United Bank Limited	134,833	-	*	Base rate + 1%	Four semi annual installments of Rs. 30.167 million each and one partial installment amounting to Rs. 14.167 million.	Semi annual
11	The Bank of Punjab	132,176	-	***	Base rate +1%	Five quarterly installments ending December 2013 including overdue installment of Rs 37.9 million.	Quarterly
12	The Bank of Punjab	75,251	-	****	Nil	Three installments of Rs. 13.407 million, 40.00 million and Rs. 21.844 million falling due for payment on 31 December 2013, 30 April 2014 and 31 August 2014 respectively.	N/A
13	Habib Bank Limited	37,336	-	***	Base rate +1%	Four semi annual installments of Rs. 9.430 million each ending 31 July 2014.	Semi annual
		1,579,622	1,676,945				

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

** Base rate: Cut-off yield of the last auction of the 6-months Government of Pakistan Treasury Bills.

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

**** Outstanding accrued markup restructured and rescheduled during the year and carries no markup.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

Security

Loan 1

The loan is secured by way of 1st pari passu charge over fixed assets of the company.

Loan 2

The loan is secured by way of first hypothecation charge on all moveable assets of the company and equitable mortgage charge over plant and machinery at satellite facility.

Loan 3 to 4

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

Loan 5

The loan is secured against 1st pari passu charge over present and future fixed assets of the company

Loan 6 to 7

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

Loan 8

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 9

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 10

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 11 to 12

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

Loan 13

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 Food Products Limited (SFPL) by the Company.

7.2 The aggregate current portion of Rs 1,951 million (2011: Rs 2,431 million) includes over due principal installments aggregating to Rs 640 million (2011: Rs 686 million) and installments aggregating to Rs 760 million (2011: Rs 1,137 million) representing principal installments which under the term of original loan agreements are due for repayment in period subsequent to 30 September 2013. However, as the Company could not repay on a timely basis the installments due uptill the year ended 30 September 2012 and is non-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".

7.3 Derivative cross-currency Interest Rate Swap

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

7.4 Redeemable preference shares (non-voting) - unsecured

Redeemable Preference shares (non-voting) were issued in 2005 to the shareholders of the company in the ratio of 85 preference shares for every 100 ordinary shares held as on 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.

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;
- 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 last year 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 in the current period aggregating to Rs 52.820 million.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

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

	2012	2011
	(Number of shares)	
Asian Stocks Fund Limited	**167,500**	167,500
Crescent Steel and Allied Products Limited	**2,999,396**	2,999,396
The Crescent Textile Mills Limited	**2,746,050**	2,746,050
Premier Insurance Company of Pakistan Limited	**53,125**	53,125
	5,966,071	5,966,071

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

The 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.

Number of installments outstanding

One partial installment of Rs 22.9 million and seven semi-annual installments of Rs 63 million each ending September 2016 and one partial overdue installment of Rs 21 million.

Security

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

7.6 Long term running finances - secured

Long term running finance facilities available from the Bank of Punjab under mark-up arrangements have been restructured during the year into long term loans. It is now repayable in six quarterly installments starting in December 2011 and ending in December 2013. The mark up outstanding as at the restructuring date amounting to Rs. 75 million has also been frozen and restructured to interest free long term repayable in three installments ending August 2014.

		2012	2011
		(Rupees in thousand)	
8. Liabilities against assets subject to finance lease			
Present value of minimum lease payments		27,589	54,288
Less: Current portion shown under current liabilities	- note 8.1	(8,796)	(29,451)
		18,793	24,837

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

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 2012	Present value of lease liability 2011
	(Rupees in thousand)			
Not later than one year	12,161	3,365	8,796	29,451
Later than one year and not later than five years	21,928	3,135	18,793	24,837
	34,089	6,500	27,589	54,288

8.1 Includes Nil (2011: Rs 1.644 million) which has been classified as current obligation, under the guidance contained in IAS 1 "Presentation of financial statements", in view of delays in payments made by the Company.

		2012	2011
		(Rupees in thousand)	
9. EMPLOYEES' RETIREMENT BENEFITS			
Classified under non-current liabilities			
Pension fund	- note 9.1	-	501
Classified under non-current assets			
Pension fund	- note 9.1	935	-
Gratuity fund	- note 9.2	4,136	1,045
		5,071	1,045
Profit and Loss account charge for:			
Pension Benefits	- note 9.1	8,963	8,263
Gratuity Benefits	- note 9.2	1,953	2,344
		10,916	10,607
9.1 Pension fund			
The amounts recognized in the balance sheet are determined as follows:			
Present value of defined benefit obligations		237,192	197,781
Fair value of plan assets		(248,836)	(216,227)
Non-vested (past service) cost to be recognized in later periods		-	(1,433)
Unrecognized actuarial losses		10,709	20,380
(Asset) / liability as at 30 September		(935)	501

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

	2012	2011
	(Rupees in thousand)	
The movement in the defined benefit obligation over the year is as follows:		
Present value of defined benefit obligations as at 1 October	197,781	166,684
Current service cost	9,836	8,361
Interest cost	24,723	20,835
Benefits paid during the year	(12,546)	(11,747)
Actuarial losses	17,398	13,648
Present value of defined benefit obligations as at 30 September	237,192	197,781
The movement in the fair value of plan assets of the year is as follows:		
Fair value as at 1 October	216,227	174,627
Expected return on plan assets	27,029	21,828
Contributions during the year	10,398	20,338
Benefits paid during the year	(12,546)	(11,747)
Actuarial gains	7,728	11,181
Fair value as at 30 September	248,836	216,227
The amounts recognized in the profit and loss account are as follows:		
Current service cost	9,836	8,361
Interest cost	24,723	20,835
Expected return on plan assets	(27,029)	(21,828)
Past service cost	1,433	1,433
Actuarial gain recognized	-	(538)
Total, included in salaries and wages	8,963	8,263
The amounts recognized were included in the profit and loss account as follows:		
Cost of sales	4,181	4,178
Administrative expenses	4,686	4,085
Selling expenses	69	-
Other expenses	27	-
Total, included in salaries and wages	8,963	8,263

The actual return on plan assets was Rs 34.756 million (2011: Rs 33.009 million).

	2012	2011
The principal actuarial assumptions used were as follows:		
Discount rate	11.5%	12.5%
Expected return on plan assets	10.5%	12.5%
Future salary increases	12.5%	11.5%
Average expected remaining working life time of employees	12 years	11 years

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

	2012	2011
	(Rupees in thousand)	
Plan assets are comprised as follows:		
Equity Instruments	39,789	25,230
Debt Instruments	230,160	176,582
Others	(21,113)	14,415
	248,836	216,227

Fair value of plan assets include Ordinary shares and Preference Shares of the Company whose fair values as at 30 September 2012 are Rs 2.023 million (2011: Rs 0.8817 million) and Rs 11.638 million (2011: Rs 0.446 million) respectively.

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

	2011-12	2010-11	2009-10	2008-09	2007-08
		(Rupees in thousand)			
As at 30 September					
Present value of defined benefit obligations	237,192	197,781	166,684	161,675	145,490
Fair value of plan assets	(248,836)	(216,227)	(174,627)	(168,530)	(147,386)
(Surplus)/deficit	(11,644)	(18,446)	(7,943)	(6,855)	(1,896)
Experience adjustment on plan liabilities	17,398	13,648	(16,227)	8,180	(12,513)
Experience adjustment on plan assets	7,728	11,181	(8,541)	(2,375)	(3,450)

	2012	2011
	(Rupees in thousand)	
9.2 Gratuity fund		
The amounts recognized in the balance sheet are determined as follows:		
Present value of defined benefit obligations	36,504	29,651
Fair value of plan assets	(42,835)	(36,026)
Unrecognized actuarial losses	2,195	5,330
Asset as at 30 September	(4,136)	(1,045)
The movement in the defined benefit obligation over the year is as follows:		
Present value of defined benefit obligations as at 1 October	29,651	45,619
Current service cost	2,907	3,148
Interest cost	3,706	5,702
Benefits paid during the year	(3,116)	(23,103)
Actuarial gains	3,356	(1,715)
Present value of defined benefit obligations as at 30 September	36,504	29,651

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

	2012	2011
	(Rupees in thousand)	
The movement in the fair value of plan assets of the year is as follows:		
Fair value as at 1 October	36,026	52,048
Expected return on plan assets	4,503	6,506
Contributions during the year	5,044	3,387
Benefits paid during the year	(3,116)	(23,103)
Actuarial losses / (gains)	378	(2,812)
Fair value as at 30 September	42,835	36,026
The amounts recognized in the profit and loss account are as follows:		
Current service cost	2,907	3,148
Interest cost	3,706	5,702
Expected return on plan assets	(4,503)	(6,506)
Actuarial gains	(157)	-
Total, included in salaries and wages	1,953	2,344
The amounts recognized were included in the profit and loss account as follows:		
Cost of sales	989	1,290
Administrative expenses	950	1,054
Other expenses	14	-
Total, included in salaries and wages	1,953	2,344

The actual return on plan assets was Rs 4.880 million (2011: Rs 6.785 million).

	2012	2011
The principal actuarial assumptions used were as follows:		
Discount rate	11.5%	12.5%
Expected return on plan assets	11.5%	12.5%
Future salary increases	10.5%	11.5%
Average expected remaining working life time of employees	10 years	10 years

	2012	2011
	(Rupees in thousand)	
Plan assets are comprised as follows:		
Equity instruments	5,759	3,992
Debt instruments	34,688	32,653
Others	2,388	(619)
	42,835	36,026

Fair value of plan assets include Ordinary shares and Preference Shares of the Company whose fair values as at 30 September 2012 are Rs 0.7637 million (2011: Rs 0.3328 million) and Rs 0.332 million (2011: Rs 0.0648 million) respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

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

	2011-12	2010-11	2009-10	2008-09	2007-08
			(Rupees in thousand)		
As at 30 September					
Present value of defined benefit obligations	36,504	29,651	45,619	42,362	39,264
Fair value of plan assets	(42,835)	(36,026)	(52,048)	(46,756)	(39,642)
Surplus	(6,331)	(6,375)	(6,429)	(4,394)	(378)
Experience adjustment on plan liabilities	3,356	(1,715)	(5,132)	(4,631)	(789)
Experience adjustment on plan assets	378	(2,812)	(4,650)	(1,162)	(1,552)

		2012	2011
		(Rupees in thousand)	
10. CURRENT PORTION OF LONG TERM LIABILITIES			
Long term finances	- note 7	1,950,606	2,430,957
Liabilities against assets subject to finance lease	- note 8	8,796	29,451
		1,959,402	2,460,408
11. SHORT TERM BORROWINGS			
Secured			
- Running finances	- note 11.2	1,230,877	1,357,389
- Export refinance	- note 11.3	989,612	1,087,682
- Term finances	- note 11.4	45,682	96,742
Unsecured			
- Short term interest free financing	- note 11.5	241,179	-
		2,507,350	2,541,813

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 2012. 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 markup on facilities aggregating to Rs 2,466 million at three months of KIBOR plus 1% as it believes that it is liable to pay markup under the terms of the bridge loan agreement instead of the original agreements, which stand expired.

11.2 Running finances

As per the original facilities, these finances were available at a markup ranging from Re 0.3142 to Re 0.4636 per Rs 1,000 per diem on the outstanding balance or part thereof.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

Out of the total balance, Rs 573.762 million (2011: Rs 301.870 million) are payable in respect of new working capital lines which are available as at 30 September 2012 at a mark up ranging from Re 0.3142 to Re 0.4636 per Rs 1,000 per diem on the outstanding balance or part thereof.

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

11.3 Export refinance

As per the original facilities, these finances were available at a markup ranging from Re 0.0888 to Re 0.4567 per Rs 1,000 per diem or part thereof.

Out of the total balance, Rs 300.698 million (2011: Rs 768.123 million) are payable in respect of new working capital lines which are available as at 30 September 2012 at a mark up ranging from Re 0.0888 to Re 0.4567 per Rs 1,000 per diem 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

As per the original facilities, these finances were available at a markup ranging from Re 0.3556 to Re 0.3890 per Rs 1,000 per diem on the balance outstanding or part thereof.

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

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.

12. TRADE AND OTHER PAYABLES

		2012	2011
		(Rupees in thousand)	
Trade creditors	- note 12.1	769,499	520,838
Advances for sale of property, plant and equipment		9,258	9,258
Advances from customers		856,833	414,023
Security deposits	- note 12.2	6,326	6,097
Associated undertakings	- note 12.3	5,559	3,139
Accrued liabilities		154,437	122,639
Payable to government			
- Sales tax		21,580	15,741
- Special excise duty		52,999	52,995
- Withholding tax payable		15,204	6,570
Unclaimed dividend		1,556	1,557
Derivative interest rate swap	- note 12.4	13,457	31,672
Penalties payable		-	1,226
Workers' profit participation fund		23,287	-
Payable to provident fund		3,721	-
Others	- note 12.5	45,901	39,414
		1,979,617	1,225,169

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

12.1 Trade creditors include interest free amounts due to associated companies amounting to Rs 54.438 million (2011: Rs 1.069 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:

	2012	2011
	(Rupees in thousand)	
Crescent Business Management (Private) Limited	5	5
Crescent Steel and Allied Products Limited	1,294	1,369
Crescent Software Products Limited	3,705	750
Shakarganj Food Products Limited	555	1,015
	5,559	3,139

12.4 The company has entered into derivative interest rate swap arrangements to hedge for the possible adverse movements in interest rates arising on the interest payments due on its long term finances as mentioned in note 7.3. The derivative interest rate swap arrangements outstanding as at 30 September 2012 have been marked to market and the resulting income of Rs 18.165 million (2011: Rs 66.870 million) has been recognized in profit and loss account as referred to in note 33 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'.

12.5 Included in other liabilities are provisions aggregating to Rs 17.792 million (2011: Rs 17.792 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.

13. ACCRUED FINANCE COST

		2012	2011
Accrued mark-up on:			
- Long term finances	- note 13.1	720,204	666,880
- Liabilities against assets subject to finance leases		7,294	8,103
- Short term borrowings		394,950	412,646
	- note 13.2	1,122,448	1,087,629

13.1 This includes accrued preference dividend amounting to Rs 64.792 million (2011: Rs 117.612 million).

13.2 This includes finance cost of Rs 910.790 million (2011: Rs 844.057 million) which is overdue for payment as at 30 September 2012.

14. CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

(i) The Company has issued following guarantees:

Bank guarantee of Rs 9.552 million (2011: 9.552) 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 (2011: Rs 467 million).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

(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 (2011: Rs 5.040 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 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 144.398 million (2011: Rs 102.428 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 markup as per original agreements.

Moreover, pending the finalisation of restructured terms of payments with all lenders, the Company has not recognised penalties of Rs 433.313 million (2011: Rs 302.081 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.

14.2 Commitments

The Company has the following commitments in respect of:

(i) Contract for capital expenditure amounting to Rs 65.213 million (2011: Rs 65.213 million) .

(ii) Contracts for acquisition of intangible (computer software) amounting to Rs 20 million (2011: 20 million).

(iii) Contracts for other than capital expenditures Rs 7.29 million (2011: 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:

	2012	2011
	(Rupees in thousand)	
Not later than one year	4,992	3,391
Later than one year and not later than five years	1,350	2,880
	6,342	6,271

15. PROPERTY, PLANT AND EQUIPMENT

		2012	2011
Operating assets	- note 15.1	6,017,847	4,969,048
Capital work-in-progress	- note 15.2	383,172	272,162
		6,401,019	5,241,210

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

15.1 Operating assets

2012 (Rupees in thousand)

	Cost/ re-valued amount 01 October 2011	Transfers in /(Out)	Additions/ (deletions)/ (adjustments)	Reclassified from Non-current Assets held for disposal	Effect of revaluation as at 30 September 2012	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	Reclassi-fied to Non- current Assets held for disposal	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 (54,915) (1,600)	-	-	5,465,681	2,560,667	2,549	211,360 (21,048) (1,287)	-	-	2,752,241	2,713,440	7.5-30
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 (3,727)	-	-	280,411	208,443	-	15,353 (3,102)	-	-	220,694	59,717	20-40
Furniture and fixtures	42,182	-	3,587 (83)	-	-	45,687	32,977	-	2,206 (35)	-	-	35,148	10,539	20
Office equipment	50,942	-	6,424	-	-	57,366	42,561	-	5,601	-	-	48,162	9,204	40
Vehicles	121,521	25,540	34,277 (4,948)	-	-	176,390	68,835	16,963	15,920 (3,780)	-	-	97,938	78,452	20
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 (1)	-	-	10,814	9,996	-	139 (1)	-	-	10,134	680	30
	8,149,677	35,821 -	311,455 (63,674) (1,600)	- -	774,788	9,206,467	3,270,859	19,512	279,410 (27,966) (1,287)	(284,612)	-	3,255,916	5,950,551	
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 (63,674) (1,600)	-	774,788	9,306,372	3,316,355	285	285,750 (27,966) (1,287)	(284,612)	-	3,288,525	6,017,847	

2011 (Rupees in thousand)

	Cost/ re-valued amount 01 October 2010	Transfers in /(Out)	Additions/ (deletions)/ (adjustments)	Reclassified from Non-current Assets held for disposal (*)	Effect of revaluation as at 30 September 2011	Cost/ re-valued amount 30 September 2011	Accumulated depreciation as at 01 October 2010	Trans-fers in/ (Out)	Depre-ciation charge/ (deletions) for the year	Elimination of accumulated depreciation against cost on revaluation	Reclassi-fied to Non- current Assets held for disposal (*)	Accumulated depreciation as at 30 September 2011	Book value as at 30 September 2011	Rate of depreci-ation %
Owned assets														
Freehold land	864,913	-	1,061 (163,113)	1,062,864	(94,364)	1,671,361	-	-	-	-	-	-	1,671,361	-
Buildings and roads on freehold land	558,340	-	9,385	-	-	567,725	236,364	-	24,210	-	-	260,574	307,151	7.5
Plant and machinery	5,165,433	152,528	70,338 (75,643)	3,182	(3,157)	5,312,681	2,332,318	32,649	221,244 (26,003)	-	459	2,560,667	2,752,014	7.5-30
Tools and equipment	77,604	-	424 (1,656)	-	-	76,372	67,348	-	3,511 (1,612)	-	-	69,247	7,125	20-40
Water, electric and weighbridge equipment	275,344	-	2,245 (489)	-	-	277,100	190,549	-	18,231 (337)	-	-	208,443	68,657	20-40
Furniture and fixtures	40,651	-	1,771 (240)	-	-	42,182	31,083	-	2,038 (144)	-	-	32,977	9,205	20
Office equipment	35,569	-	15,373 -	-	-	50,942	34,516	-	8,045 -	-	-	42,561	8,381	40
Vehicles	102,953	-	37,625 (19,057)	-	-	121,521	68,395	-	9,744 (9,304)	-	-	68,835	52,686	20
Laboratory Equipment	18,119	-	479	-	-	18,598	16,679	-	664	-	-	17,343	1,255	40
Arms and ammunition	332	-	243	-	-	575	127	-	89	-	-	216	359	10
Library books	10,492	-	128	-	-	10,620	9,848	-	148	-	-	9,996	624	30
	7,149,750	152,528 -	139,072 (260,198)	1,066,046 -	(97,521)	8,149,677	2,987,227 -	32,649 -	287,924 (37,400)	-	459	3,270,859	4,878,818	
Leased assets														
Plant and machinery	255,631	(152,528)	-	-	-	103,103	49,876	(32,649)	7,844	-	-	25,071	78,032	7.5
Vehicles	32,623	-	-	-	-	32,623	17,375	-	3,050	-	-	20,425	12,198	20
	288,254	(152,528)	-	-	-	135,726	67,251	(32,649)	10,894	-	-	45,496	90,230	
2011	7,438,004	-	139,072 (260,198)	1,066,046	(97,521)	8,285,403	3,054,478	-	298,818 (37,400)	-	459	3,316,355	4,969,048	

(*) This represents assets previously classified as "Held for sale" and includes agricultural and other land and certain other non-operating machinery. These were transferred on 30 September 2011 after management decided that these assets are no longer held for sale.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

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	**Outside parties**					
	Ramzan sugar mill	54,667	20,852	33,815	50,000	Negotiation
	Mr. Muhammad Irshad	247	196	51	431	-do-
Water, electric and weighbridge equipment	**Outside parties**					
	Mr. Mushtaq Ahmad	415	315	100	250	-do-
	Mr. Muhammad Rashid	830	631	199	500	-do-
	Mr. Muhammad Azam	459	349	110	250	-do-
	Mr. Muhammad Imtiaz Rafi	327	287	40	250	-do-
	Mr. Muhammad Rashid	327	287	40	250	-do-
	Mr. Muhammad Rashid	327	287	40	250	-do-
	Mr. Muhammad Afzal	521	473	48	948	-do-
	Mr. Muhammad Afzal	521	473	48	1,078	-do-
Vehicles	**Employees**					
	Mr. Malik Farhat Abbas	1,211	1,033	178	770	As per company policy
	Dr. Mazhar Qazi	678	585	93	260	-do-
	Outside parties					
	Mr. Khushi Muhammad	1,169	975	194	897	Negotiation
	Mr. Azhar	999	601	398	1,110	-do-
Other assets having book value below Rs. 50,000		976	622	354	435	
		63,674	27,966	35,708	57,679	

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

15.1.3 The carrying amount of freehold land and buildings would have been Rs 256.361 million (2011: Rs 254.683 million) and Rs 334.487 million (2011: Rs 299.846 million) respectively, had there been no revaluation.

		2012	2011
		(Rupees in thousand)	
15.1.4 The depreciation charge has been allocated as follows:			
Cost of sales	- note 29	255,035	270,094
Administrative expenses	- note 30	30,715	29,183
		285,750	299,277

15.1.5 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

		2012	2011
		(Rupees in thousand)	
15.2 Capital work-in-progress			
Civil works		8,399	6,389
Plant and machinery		111,528	43,479
		119,927	49,868
Advances given for capital work in progress	- note 15.2.1	263,245	222,294
		383,172	272,162

15.2.1 Advances

		2012	2011
Considered good:			
- Plant and machinery		267,159	246,528
Considered doubtful:			
- Plant and machinery		1,310	1,310
- Intangibles		11,674	11,674
		12,984	12,984
		280,143	259,512
Less: Provision against doubtful advances	- note 15.2.2	(12,984)	(12,984)
Less: Impairment charged during the year	- note 15.2.3	(3,914)	(24,234)
		263,245	222,294

15.2.2 Provision against doubtful advances

	2012	2011
As at 1 October	12,984	12,674
Provision during the year	-	310
As at 30 September	12,984	12,984

15.2.3 Impairment

This represents impairment on advance payment made by the Company for purchase of plant and machinery of Mian Muhammad Sugar Mills. The impairment has been recorded based on the valuation carried out by Empire Enterprises (Pvt) Limited (2011: M/s Consultancy Support and Services).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

16. INTANGIBLE ASSETS

	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	

	2011					(Rupees in thousand)		
	Cost as at 01 October 2010	Additions/ (transfers/ deletions)	Cost as at 30 September 2011	Accumulated amortization 01 October 2010	Amorti-zation charge for the year	Accumulated amortization 30 September 2011	Book value as at 30 September 2011	Rate of amorti-ization %
Computer software - acquired	1,700	300	2,000	1,360	340	1,700	300	20
Nepra license fee	1,007	-	1,007	98	72	170	837	3.7-5.0
	2,707	300	3,007	1,458	412	1,870	1,137	

16.1 The amortization charge for the year has been allocated to cost of sales as referred to in note 29.

17. BIOLOGICAL ASSETS

		2012	2011
		(Rupees in thousand)	
Sugarcane			
Mature		32,394	17,482
Immature		-	2,209
		32,394	19,691
Rice - mature		4,748	3,340
Others - mature		253	671
Livestock - mature		8,895	8,931
		46,290	32,633
Non - current		8,895	11,140
Current		37,395	21,493
	- note 17.3	46,290	32,633

17.1 The value of sugarcane crops is based on estimated average yield of 550 (2011: 433) maunds per acre on cultivated area of 232 (2011: 165) acres. The value of rice crops is based on the estimated yield of 38 (2011: 28) maunds per acre on cultivated area of 93 (2011: 101) acres.

17.2 Nil (2011:96) acres relates to sugarcane cultivation which is valued at a cost of Nil (2011: Rs 2.209 million).

NOTES TO THE FINANCIAL STATEMENTS

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		2012	2011
		(Rupees in thousand)	
17.3 Movement during the year			
Livestock			
As at 1 October		8,931	8,479
Increase due to purchases/costs incurred		2,368	3,052
(Loss) / gain arising from changes in fair value less estimated point of sale costs		(172)	4,681
Decrease due to sale / deceased livestock		(2,232)	(7,281)
As at 30 September		8,895	8,931
Crops			
As at 1 October		23,702	15,143
Increase due to purchases/costs incurred		45,233	50,698
Decrease due to harvest / sales		(40,229)	(41,237)
Fair value loss related to sales during the year		(5,004)	(9,461)
Transferred to finished goods		(1,551)	-
Fair value adjustment of agricultural assets	- note 33	15,244	8,559
As at 30 September		37,395	23,702
		46,290	32,633
18. INVESTMENTS - RELATED PARTIES			
In equity instruments of associates	- note 18.1	652,880	543,867
Available for sale	- note 18.3	98,015	74,185
		750,895	618,052
18.1 In equity instruments of associates			
Cost		545,793	545,793
Brought forward amounts of post acquisition reserves, profits and negative goodwill recognized directly in profit and loss accounts		(1,926)	(29,225)
		543,867	516,568
Share of movement in reserves during the year		3,919	2,583
Share of profit for the year			
- before taxation		138,580	55,893
- provision for taxation	- note 35	(8,117)	(25,737)
		130,463	30,156
		678,249	549,307
Dividends received during the year		(25,369)	(5,440)
Balance as on 30 September	- note 18.2	652,880	543,867

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

		2012	2011
		(Rupees in thousand)	
18.2 In equity instruments of associates			
Quoted			
Crescent Steel and Allied Products Limited			
2,720,062 (2011: 2,720,062) fully paid ordinary shares of Rs. 10 each Equity held: 4.82% (2011: 4.82%)	- note 18.2.5	204,715	185,124
Safeway Mutual Fund Limited			
16,579,143 (2011: 16,579,143) fully paid ordinary shares of Rs. 10 each Equity held: 30.45% (2011: 30.45%)	- note 18.2.6	148,771	101,299
Unquoted			
Shakarganj Food Products Limited			
74,654,596 (2011: 74,654,596) fully paid ordinary shares of Rs. 10 each Equity Held: 49.24% (2011: 49.24%)	- note 18.2.7	299,394	257,444
		652,880	543,867

18.2.1 Investments in associates include goodwill amounting to Rs. 82.886 million (2011: Rs. 82.886 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)
2012					
Crescent Steel and Allied Products Limited	4.82%	244,845	(51,661)	190,046	22,690
Safeway Mutual Funds Limited	30.45%	234,740	(833)	56,491	66,042
Shakarganj Foods Products Limited	49.24%	652,447	(424,329)	1,986,195	41,731
		1,132,032	**(476,823)**	**2,232,732**	**130,463**

Name	Percentage interest held	Assets	Liabilities	Revenues	Profit/(loss)
2011					
Crescent Steel and Allied Products Limited	4.82%	236,318	(62,818)	211,978	30,415
Safeway Mutual Funds Limited	30.45%	202,285	(712)	29,182	23,928
Shakarganj Foods Products Limited	49.24%	633,061	(446,879)	1,531,055	(259)
		1,071,664	(510,409)	1,772,215	54,084

NOTES TO THE FINANCIAL STATEMENTS

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

18.2.4 The above figures of Crescent Steel and Allied Products Limited and Safeway Mutual Funds Limited are based on audited consolidated financial statements as at 30 June 2012.

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 cash flow methodology which assumes gross profit margin of 14.44% - 16.54%, EBITDA of 22.20% - 25.42%, terminal growth rate of 9% and discount rate of approximately 16.50%.

18.2.6 The Company's investment in Safeway Mutual Fund Limited was reclassified from 'Non-current assets held for sale' to 'Investment in equity instruments of associates' at its recoverable amount on 30 September 2011.

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 12.74% - 13.93 %, EBITDA of 3.15% - 3.72%, terminal growth rate of 8% and discount rate (weighted average cost of capital) of approximately 14.71%.

			2012	2011
			(Rupees in thousand)	
18.3	**Available for sale**			
	Associated companies - at cost	- note 18.3.1	147,917	147,917
	Others - at cost	- note 18.3.2	2,200	2,200
			150,117	150,117
	Add: Cumulative fair value gain	- note 18.3.3	41,155	17,325
	Less: Cumulative impairment losses recognized	- note 18.3.4	(93,257)	(93,257)
	Fair value loss		(52,102)	(75,932)
			98,015	74,185
18.3.1	**Associated companies**			
	Quoted			
	Crescent Jute Products Limited			
	536,817 (2011: 536,817) fully paid ordinary shares of Rs 10 each		-	-
	Market value - Rs 0.542 million (2011: Rs 0.268 million)			
	Asian Stocks Fund Limited			
	16,245,673 (2011: 16,245,673) fully paid ordinary shares of Rs 10 each		144,917	144,917
	Market value - Rs 97.473 million (2011: Rs 73.918 million)			
	Unquoted			
	Crescent Standard Telecommunications Limited			
	300,000 (2011: 300,000) fully paid ordinary shares of Rs 10 each		3,000	3,000
			147,917	147,917

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	2012	2011
	(Rupees in thousand)	
18.3.2 Others		
Unquoted		
Crescent Group Services (Private) Limited		
220,000 (2011: 220,000) fully paid ordinary shares of Rs 10 each	2,200	2,200
18.3.3 Cumulative fair value gain		
As at 1 October	17,325	413
Reclassified from investments held for disposal	-	11,372
Fair value gain / (loss) during the year	23,830	(4,207)
	41,155	7,578
Impairment loss transferred to profit and loss account	-	9,747
As at 30 September	41,155	17,325
18.3.4 Cumulative impairment losses recognized		
As at 1 October	93,257	5,200
Reclassified from investments held for disposal	-	78,310
Recognized during the year	-	9,747
As at 30 September	93,257	93,257

18.3.5 Investments with face value of Rs 922.486 million (2011: Rs 922.486 million) and market value of Rs 903.817 million (2011: Rs 795.489 million) are pledged as security against long term running finances and short term borrowings as referred to in note 7 and 11 respectively.

		2012	2011
		(Rupees in thousand)	
19. LONG TERM LOANS, ADVANCES, DEPOSITS AND PREPAYMENTS			
Loan to Sui Northern Gas Pipelines Limited			
- considered good	- note 19.1	2,070	2,484
Less: Current portion shown under short term advances	- note 25	414	414
		1,656	2,070
Advance to Creek Marina (Private) Limited	- note 19.2	38,557	38,487
Security deposits		38,313	4,511
		78,526	45,068
Less: Provision against doubtful receivables	- note 19.2	(38,557)	-
		39,969	45,068

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

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

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For the year ended 30 September 2012

is still uncertain in near future. Furthermore, the Company has not received the confirmation of the balance receivable as at year end from Creek Marina (Private) Limited (CMPL). Consequently, based on prudence principal the Company has provided the above advance in full. The related expense has been recorded in administrative expenses - note 30.

	2012	2011
	(Rupees in thousand)	
20. DEFERRED TAXATION		
The deferred tax asset comprises temporary differences relating to:		
Accelerated tax depreciation	(608,290)	(610,655)
Revaluation surplus on property, plant and equipment	(194,499)	-
Unused tax losses	782,565	595,996
Undistributed reserves of associates	20,224	14,659
	-	-

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 3,092.747 million (2011: Rs 2,700.411 million) in respect of tax losses and Rs 262.637 million (2011: Rs 201.191 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 262.637 million would not be available for carry forward against future tax liabilities subsequent to years 2013 through 2017. Tax losses amounting to Rs 785.16 million, Rs 1,400.807 million, Rs 1,266.51 million, Rs 914.598 million, Rs 1,403.895 million and Rs 1,473.098 million expire in tax year 2014, 2015, 2016, 2017, 2018 and 2019 respectively.

	2012	2011
	(Rupees in thousand)	
21. STORES, SPARES AND LOOSE TOOLS		
Stores	68,945	80,790
Spares	63,662	29,077
Loose tools	1,865	1,136
	134,472	111,003
Less: Provision for obsolete items	(4,610)	(4,610)
	129,862	106,393

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

22. STOCK-IN-TRADE

	2012	2011
Raw materials	219,942	304,218
Work-in-process	11,240	18,869
Finished goods	1,534,553	762,735
	1,765,735	1,085,822

22.1 Raw materials and finished goods amounting to Rs 890.096 million (2011: 1,085.822 million) are pledged with lenders as security against long term running finances and short term borrowings as referred to in note 7.6 and note 11 respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

		2012	2011
		(Rupees in thousand)	
23. TRADE DEBTS			
Considered good:			
- Secured		7	2,294
- Unsecured	- note 23.1	243,131	489,352
		243,138	491,646
Less: provision for doubtful debts	- note 23.2	-	-
		243,138	491,646

23.1 These include receivable from Shakarganj Food Products Limited, an associated company amounting to Rs 2.877 million (2011: Rs 5.537 million).

23.2 Provision for doubtful debts

	2012	2011
As at 1 October	-	2,323
Provision written back	-	(2,323)
As at 30 September	-	-

24. INVESTMENTS

		2012	2011
Available for sale - at cost	- note 24.1	125,307	125,307
Add: Cumulative fair value loss	- note 24.2	(6,266)	(55,762)
		119,041	69,545

24.1 Available for sale - at cost

	2012	2011
Altern Energy Limited - Quoted		
12,530,582 (2011: 12,530,582) fully paid ordinary shares of Rs 10 each	125,307	125,307
Market value - Rs 119.041 million (2011: Rs 69.545 million)		
Innovative Investment Bank Limited - Unquoted		
51,351 (2011: 51,351) fully paid ordinary shares of Rs 10 each	-	-
	125,307	125,307

24.2 Cumulative fair value loss

	2012	2011
As at 1 October	(55,762)	18,669
Fair value gain / (loss) during the year	49,496	(74,431)
As at 30 September	(6,266)	(55,762)

24.3 Investments with a face value of Rs 124.66 million (2011: Rs 124.66 million) and market value of Rs 118.427 million (2011: 69.186 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 2012

		2012	2011
		(Rupees in thousand)	
25. LOANS, ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES			
Advances - considered good			
- to employees		8,522	7,846
- to suppliers and contractors	- note 25.1	79,961	100,324
- to sugarcane growers		39,225	12,762
		127,708	120,932
Advances - considered doubtful:			
- to employees		177	-
- to suppliers and contractors		6,603	5,378
- to sugarcane growers		250	238
		7,030	5,616
Due from related parties - unsecured and considered good	- note 25.2	7,188	4,224
Current portion of long term loan receivable from Sui Northern Gas Pipelines Limited	- note 25.1	414	414
Interest receivable on deposits		-	11,766
Security deposits - considered good		783	7,048
Prepayments		9,204	8,555
Margins against bank guarantees		2,800	800
Others:			
- considered good		6,670	16,806
- considered doubtful		2,259	-
		164,056	176,161
Less: provision against doubtful receivables	- note 25.3	(9,289)	(5,616)
		154,767	170,545

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

25.2 Due from related parties - unsecured and considered good

	2012	2011
Crescent Sugar Mills and Distillery Limited	80	563
Crescent Steel and Allied Products Limited	5,322	1,641
Shakarganj Food Products Limited	1,786	1,786
Shakarganj Energy (Private) Limited	-	234
	7,188	4,224

25.3 Provision against doubtful receivables

	2012	2011
As at 1 October	5,616	3,911
Provision during the year	3,673	1,705
As at 30 September	9,289	5,616

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

		2012	2011
		(Rupees in thousand)	
26. CASH AND BANK BALANCES			
At banks on:			
- Saving accounts	- note 26.1		
- Pak rupees		80	4,518
- Foreign currency	- note 26.2	583	542
		663	5,060
- Current accounts		68,789	113,172
		69,452	118,232
In hand		149	937
		69,601	119,169

26.1 Profit on balances in saving accounts ranges from 0.10% to 6.00% (2011: 0.10% to 5.00%) per annum.

26.2 Foreign currency accounts include US Dollars 5,353 (2011: 5,353) and Euros 635 (2011: 635).

27. NON CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

An asset sales agreement with Humza Sugar Mills Limited was signed on 3 December 2010 for the sale of Company's 'Satellite facility at Dargai Shah (Sugar Division)'. As per the terms of agreement the assets were sold for Rs 1,350 million. Out of consideration of Rs 1,350 million, the Company received an amount of Rs 478 million whereas remaining amount of Rs 872 million was transferred to an Escrow account with Silk Bank Limited (Escrow agent). The Escrow Agent released the amount to members of the bridge finance arrangement in September 2011 upon legal transfer of the property to buyer after release of existing charges on this property from the lenders.

	2012	2011
	(Rupees in thousand)	
Analysis of the result of discontinued operations		
Income		
Revenue	-	-
Other operating income	-	157,913
	-	157,913
Expenses		
Cost of sales	-	-
Administrative expenses	-	(5,649)
Distribution and selling costs	-	(30)
Other operating expenses	-	(27,252)
Finance cost	-	(1)
	-	(32,932)
Profit before tax from discontinued operations	-	124,981
Taxation	-	-
Profit after tax from discontinued operations	-	124,981
Analysis of the cash flows of discontinued operations		
Operating cash flows	-	(453,854)
Investing cash flows	-	477,920
Financing cash flows	-	(24,090)
Total cash flows	-	(24)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

28. SALES

(Rupees in thousand)

	Sugar		Ethanol		Building Materials		Textile		Farms		Power		Others		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Gross sales																
- Local	8,173,308	8,714,860	246,538	193,451	134,134	58,673	1,663,210	1,254,835	36,462	30,269	271,952	89,789	40,486	-	10,566,090	10,341,877
- Export	-	-	4,876,810	3,529,526	-	-	-	-	-	-	-	-	-	-	4,876,810	3,529,526
- By-products	-	-	-	299	-	-	44,664	42,322			-	-	-	-	44,664	42,621
- Inter-segment	1,347,608	1,103,596	-	-	-	-	-	-	3,767	10,968	33,528	98,120			-	-
	9,520,916	9,818,456	5,123,348	3,723,276	134,134	58,673	1,707,874	1,297,157	40,229	41,237	305,480	187,909	40,486	-	15,487,564	13,914,024
Less: Commission to selling agents	9,737	5,484	263	262	9,867	3,809	7,858	5,589	-	-	-	-	2,078	-	29,803	15,144
Sales tax and Special Excise Duty	605,430	491,530	34,001	30,271	18,501	8,870	-	18	-	-	37,511	13,486	-	-	695,443	544,175
	615,167	497,014	34,264	30,533	28,368	12,679	7,858	5,607	-	-	37,511	13,486	2,078		725,246	559,319
Net sales	8,905,749	9,321,442	5,089,084	3,692,743	105,766	45,994	1,700,016	1,291,550	40,229	41,237	267,969	174,423	38,408	-	14,762,318	13,354,705

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

29. COST OF SALES

(Rupees in thousand)

	Sugar		Ethanol		Building Materials		Textile		Farms		Power		Others		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Inter-segment	3,393	28,826	1,290,522	1,063,497	41,024	38,912	31,705	76,237	375	-	16,932	5,209	952	-	-	-
Raw materials consumed	7,816,653	8,251,275	2,347,907	1,836,240	620	-	1,281,319	1,099,376	611	6,361	-	-	16,457	-	11,463,567	11,193,252
	7,820,046	8,280,101	3,638,429	2,899,737	41,644	38,912	1,313,024	1,175,613	986	6,361	16,932	5,209	17,409	-	11,463,567	11,193,252
Salaries, wages and other benefits - note 29.2	316,844	234,652	42,209	24,237	8,841	6,724	93,489	57,331	6,891	4,047	7,900	6,303	1,858	-	478,032	333,294
Stores and spares consumed	188,871	118,069	13,757	11,152	2,103	1,472	34,431	19,353	6,928	7,196	16,351	21,086	-	-	262,441	178,328
Dyes and chemicals	51,855	32,816	75,671	67,567	23,529	15,842			-	-	1,711	3,141	-	-	152,766	119,366
Packing material consumed	85,378	64,646	-	-	-	-	20,831	10,327	-	-	-	-	2,887	-	109,096	74,973
Fuel and power	717,798	357,046	-	-	27	1,876	173,456	22,694	5,672	4,096	24,372	54,549	-	-	921,325	440,261
Repairs and maintenance	44,542	26,792	4,037	542	686	604	532	1,876	1,521	2,707	12,070	13,417	-	-	63,388	45,938
Insurance	4,660	4,699	1,455	1,016	78	76	2,349	1,307	495	531	1,354	779	-	-	10,391	8,408
Vehicle running and maintenance	11,163	7,182	-	-	90	53	-	-	-	-	-	-	-	-	11,253	7,235
Travelling and conveyance	2,286	1,836	514	322	64	44	1,514	1,011	-	-	15	25	-	-	4,393	3,238
Printing and stationery	1,064	670	114	79	1	1	-	-	-	-	7	16	-	-	1,186	766
Rent, rates and taxes	7,557	787	-	-	-	-	198	198	7,467	9,937	-	-	-	-	15,222	10,922
Land preparation and irrigation expense	-	-	-	-	-	-	-	-	12,822	11,920	-	-	-	-	12,822	11,920
Sugarcane research and development - note 29.2	4,471	9,282	-	-	-	-	-	-	-	-	-	-	-	-	4,471	9,282
Staff training and development	42	10	-	-	-	-	-	-	-	-	-	-	-	-	42	10
Depreciation on property, plant and equipment - note 15.1.4	158,544	170,383	45,203	44,276	1,006	902	15,767	18,049	2,790	3,686	31,725	32,798	-	-	255,035	270,094
Amortization on intangibles	60	-	-	-	-	-	-	340	-	-	32	72	-	-	92	412
Other expenses	29,735	19,096	7,905	3,990	2,132	71	2,605	10,240	311	217	272	1,001	274	-	43,234	34,615
	9,444,916	9,328,067	3,829,294	3,052,918	80,201	66,577	1,658,196	1,318,339	45,883	50,698	112,741	138,396	22,428	-	13,808,756	12,742,314
Opening work-in-process	838	16,074	-	-	8,486	-	9,545	9,527	-	-	-	-	-	-	18,869	25,601
Less: Closing work-in-process	(1,711)	(838)	-	-	(1,556)	(8,486)	(7,973)	(9,545)	-	-	-	-	-	-	(11,240)	(18,869)
	(873)	15,236	-	-	6,930	(8,486)	1,572	(18)	-	-	-	-	-	-	7,629	6,732
Cost of goods produced	9,444,043	9,343,303	3,829,294	3,052,918	87,131	58,091	1,659,768	1,318,321	45,883	50,698	112,741	138,396	22,428	-	13,816,385	12,749,046
Opening stock of finished goods	517,996	35,351	193,422	35,705	18,344	707	32,974	3,708	-	-	-	-	-	-	762,736	75,471
Less: Closing stock of finished goods	(928,080)	(517,996)	(579,564)	(193,422)	(9,020)	(18,343)	(13,289)	(32,974)	(1,551)	-	-	-	(3,049)	-	(1,534,553)	(762,735)
	(410,084)	(482,645)	(386,142)	(157,717)	9,324	(17,636)	19,685	(29,266)	(1,551)	-	-	-	(3,049)	-	(771,817)	(687,264)
	9,033,959	8,860,658	3,443,152	2,895,201	96,455	40,455	1,679,453	1,289,055	44,332	50,698	112,741	138,396	19,379	-	13,044,568	12,061,782

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

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

		2012	2011
		(Rupees in thousand)	
Pension fund		4,181	4,178
Gratuity fund		989	1,054
Provident fund		6,124	4,071
		11,294	9,303

30. ADMINISTRATIVE EXPENSES

		2012	2011
Salaries, wages and other benefits	- note 30.1	177,842	134,719
Repairs and maintenance		13,128	7,743
Insurance		3,749	3,445
Vehicle running and maintenance		15,218	11,903
Travelling and conveyance		6,038	3,351
Printing and stationery		1,765	1,612
Electricity and gas		2,570	2,248
Telephone, postage and telegram		5,081	4,174
Legal and professional charges	- note 30.2	20,282	69,296
Consultancy and advisory services		5,014	4,800
Rent, rates and taxes		3,096	2,672
Entertainment		10,768	5,463
Subscriptions		10,513	12,795
Advertisements		288	240
Registered office expenses		726	726
Bad debts written off		106	-
Provision for doubtful loans, advances, deposits and receivables			
- Long term	- note 19.2	38,557	-
- Short term	- note 25.3	3,673	1,705
Depreciation on property, plant and equipment	- note 15.1.4	30,715	29,183
Others		3,866	2,076
		352,995	298,151

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

	2012	2011
Pension fund	4,686	4,085
Gratuity fund	950	1,054
Provident fund	2,279	2,093
	7,915	7,232

30.2 Professional services

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

	2012	2011
- Statutory audit	1,350	1,350
- Half yearly review	550	550
- Certification charges	140	130
- Out of pocket expenses	139	116
	2,179	2,146

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

		Note	2012	2011
			(Rupees in thousand)	
31.	**DISTRIBUTION AND SELLING COSTS**			
	Salaries, wages and other benefits	- note 31.1	3,870	2,630
	Freight and forwarding		314,587	230,085
	Handling and distribution		3,643	2,259
	Loading and unloading charges		8,991	5,857
	Sales promotion expenses		639	853
	Insurance		5,215	3,359
	Others		163	-
			337,108	245,043
31.1	Salaries, wages and other benefits include following in respect of retirement benefits:			
	Pension fund		69	-
	Provident fund		117	93
			186	93
32.	**OTHER OPERATING EXPENSES**			
	Workers' Profit Participation Fund		23,287	-
	Impairment losses on:			
	- Available for sale investments - long term		-	31,134
	- Property, plant and equipment	- note 15.2.3	3,914	24,234
	Social action programme expenses	- note 32.1	8,091	5,519
	Loss on sale property, plant and equipment	- note 15.1.1	-	83,357
	Net exchange loss		42,570	13,486
	Donations	- note 32.2	1,488	1,573
	Waste water drainage		8,549	7,497
	Others		7,034	4,925
			94,933	171,725
32.1	Social action programme expenses include following in respect of retirement benefits:			
	Pension fund		27	-
	Gratuity fund		14	-
	Provident fund		61	25
			102	25

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

		2012	2011
		(Rupees in thousand)	
33. OTHER OPERATING INCOME			
Income from financial assets			
Dividend income from related parties		10,722	43,495
Gain on marked to market valuation of interest rate swap		18,165	66,871
Liabilities written back		3,946	15,484
Return on bank deposits		701	84,501
		33,534	210,351
Income from non-financial assets			
Scrap sales		4,589	8,971
Profit on sale of property, plant and equipment		21,971	-
Rental income		13,477	12,010
Amortization of deferred income		-	2,307
Net income from livestock		1,459	748
Fair value adjustment of agricultural assets		15,244	8,559
Others		10,354	20,217
		67,094	52,812
		100,628	263,163
34. FINANCE COST			
Interest and mark-up on:			
- Long term finances	- note 34.1	316,866	442,093
- Short term borrowings		360,294	440,701
- Due to provident fund - related party		-	3,255
- Due to gratuity and pension funds - related party		25,001	-
- Finance lease		5,123	12,226
Bank charges, commission and excise duty		12,413	10,892
Others		9,772	36,088
		729,469	945,255

34.1 This includes reversal of provision of Rs 52.820 million (2011: provision of Rs 29.39 million) on account of dividend on preference shares.

	2012	2011
35. TAXATION		
For the year		
- Current	137,392	133,720
- Deferred	(194,499)	-
	(57,107)	133,720
Prior year		
- Current	(7,033)	(1,148)
	(64,140)	132,572
Associates	8,117	25,737
	(56,023)	158,309

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

35.1 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.

35.2 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 arising in future years.

For the purposes of current taxation, the tax losses available for carry forward as at 30 September 2012 are estimated approximately at Rs 11,072.321 million (2011: Rs 10,183.182 million).

	2012 %	2011 %
35.3 Tax charge reconciliation		
Numerical reconciliation between the average effective tax rate and the applicable tax rate		
Applicable tax rate	35.00	35.00
Tax effect for income under presumptive tax regime	(137.91)	(399.58)
Tax losses for which no deferred tax is recognised	132.63	478.24
Tax effect of recognition of previously unrecognised tax losses	(43.96)	-
Tax effect of amounts that are not deductible for tax purposes	2.61	50.15
Impact of tax related to associates	0.58	43.85
Effect of change in prior year's tax and others	(1.61)	(1.50)
	(47.66)	171.16
Average effective tax rate charged to profit and loss account	(12.66)	206.16

		2012	2011
36. LOSS PER SHARE			
36.1 Basic earnings / (loss) per share			
Continuing operations			
Profit /(loss) for the year from continuing operations	**Rupees**	498,476,000	(206,504,000)
Weighted average number of ordinary shares in issue during the year	**Number**	69,523,798	69,523,798
Earnings / (loss) per share - basic	**Rupees**	7.17	(2.97)
Discontinued operations			
Profit for the year from discontinued operations	**Rupees**	-	124,981,000
Weighted average number of ordinary shares in issue during the year	**Number**	69,523,798	69,523,798
Earnings per share - basic	**Rupees**	-	1.80

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

36.2 Diluted earnings / (loss) per share

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

		2012	2011
Continuing operations			
Profit / (loss) for the year from continuing operations		498,476,000	(206,504,000)
Preference dividend on convertible preference shares		-	29,389,237
Profit / (loss) used to determine diluted earnings per share	**Rupees**	498,476,000	(177,114,763)
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 / (loss) per share - diluted	**Rupees**	6.62	(2.35)
Restricted to basic profit / (loss) per share in case of anti-dilution	**Rupees**	6.62	(2.97)

Discontinued operations

There are no dilutive instruments in respect of discontinued operations.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

	2012	2011
	(Rupees in thousand)	
37. CASH GENERATED FROM / (USED IN) OPERATING ACTIVITIES		
Profit before taxation	442,453	76,786
Adjustment for:		
Depreciation/amortization of:		
- property, plant and equipment	285,750	299,277
- intangible assets	92	412
- deferred income	-	(2,307)
Impairment of advance for capital work-in-progress	3,914	24,234
Liabilities written back	(3,946)	(15,484)
(Profit) /loss on sale of property, plant and equipment	(21,971)	83,357
Profit on sale of non-current assets held for disposal	-	(157,967)
Impairment of investments classified as available for sale	-	31,134
Interest from bank deposits	(701)	(84,501)
Provision against doubtful receivables written back	-	(2,323)
Provision for doubtful loans, advances, deposits and receivables		
- Long term	38,557	-
- Short term	3,673	1,705
Provision for employees' retirement benefits	10,916	10,607
Dividend income	(10,722)	(43,495)
Net income from livestock	(1,459)	(748)
Gain on marked to market valuation of interest rate swap	(18,165)	(66,871)
Share of profit from associates	(138,580)	(55,893)
Finance cost	729,469	945,255
	876,827	966,392
Profit before working capital changes	1,319,280	1,043,178
Effect on cash flow due to working capital changes:		
Increase in stores and spares	(23,156)	(15,147)
Increase in stock in trade	(679,913)	(953,833)
Net increase in biological assets	(12,198)	(8,263)
Decrease / (increase) in trade debts	248,508	(474,829)
Decrease / (increase) in loans, advances, prepayments and other receivables	339	(109,999)
Increase in trade and other payables	776,561	210,788
	310,141	(1,351,283)
Cash generated from / (used in) operating activities	1,629,421	(308,105)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

38. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

38.1 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	
	2012	**2011**	**2012**	**2011**
	(Rupees in thousand)		(Rupees in thousand)	
Managerial remuneration	2,763	1,913	58,564	37,303
Contribution to provident fund, gratuity and pension funds	194	134	11,700	8,403
House rent	1,105	765	18,691	10,980
Utilities	276	191	4,553	3,328
Reimbursable expenses	-	-	435	1,548
Others	-	-	5,227	2,866
	4,338	3,003	99,170	64,428
Number of persons	**1**	1	**51**	40

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

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

38.4 Aggregate amount charged in the financial statements for the year for fee to 7 directors (2011: 7 directors) was Rs 300,000 (2011: Rs 240,000).

39. 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 38. Other significant transactions with related parties are as follows:

Relationship with the company	**Nature of transactions**	**2012**	2011
		(Rupees in thousand)	
i. Associated Undertakings	Purchase of goods and services	324,586	13,171
	Sale of goods and services	13,579	11,178
	Share of common expenses	3,278	5,221
	Health insurance expenses	4,325	1,774
	Dividend income	36,091	48,936
	Payment to others on behalf of the related party	6,238	-
	Use of material and services	6,600	-
ii. Post employment benefit plans	Expense charged in respect of retirement benefit plans	19,496	16,504
	Transactions with provident fund account		
	- Funds received	-	653,522
	- Funds paid	-	644,719
	- Markup expense	-	3,255

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

Relationship with the company	Nature of transactions	2012	2011
		(Rupees in thousand)	
ii. Post employment benefit plans	Transactions with pension and gratuity fund account		
	- Funds received	3,806,062	-
	- Funds paid	3,831,049	-
	- Markup expense	25,001	-

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

40. CAPACITY AND PRODUCTION

		2012	2011
Sugar			
Rated crushing capacity - On the basis of 164 days (2011: 136 days)	M. Tons	2,564,000	2,176,000
Actual cane crushed	M. Tons	1,957,358	1,567,361
The low crushing was due to shortage of sugarcane and liquidity crunch.			
Ethanol			
On the basis of 366 days (2011: 295 days) working	Litres	93,800,000	75,400,000
Actual production	Litres	93,796,721	68,860,824
The actual production is 100% of the capacity.			
Building Materials			
On the basis of 266 days (2011: 201 days) working	Cubic meter	8,778	6,030
Actual production	Cubic meter	8,789	5,920
The actual production is more than 100% of the production capacity.			
Textile			
Capacity (converted in 20s counts)	Kg	7,387,331	7,599,022
Actual production (converted in 20s counts)	Kg	7,038,544	4,130,728
The actual production is 95% of the capacity which is within normal working standards.			
Power			
On the basis of 365 days (2011: 365 days)	KWh	39,072,000	39,312,000
Actual generation	KWh	27,778,900	21,825,500

The actual production is 71% of the capacity. The low production was due to shortage of raw material and non-availability of engines due to overhauling.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

41. BUSINESS SEGMENTS INFORMATION

(Rupees in thousand)

	Sugar		Ethanol		Building Materials		Textile		Farms		Power		Others		Elimination		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Continuing operations																		
Revenue																		
- External - note 28	7,558,141	8,217,846	5,089,084	3,692,743	105,766	45,994	1,700,016	1,291,550	36,462	30,269	234,441	76,303	38,408	-	-	-	14,762,318	13,354,705
- Intersegment - note 28	1,347,608	1,103,596	-	-	-	-	-	-	3,767	10,968	33,528	98,120	-	-	(1,384,903)	(1,212,684)	-	-
	8,905,749	9,321,442	5,089,084	3,692,743	105,766	45,994	1,700,016	1,291,550	40,229	41,237	267,969	174,423	38,408	-	(1,384,903)	(1,212,684)	14,762,318	13,354,705
Segment expenses																		
Cost of sales - Intersegment	3,393	28,826	1,290,522	1,063,497	41,024	38,912	31,705	76,240	375	-	16,932	5,209	952	-	(1,384,903)	(1,212,684)	-	-
- External - note 29	9,030,566	8,831,832	2,152,630	1,831,704	55,431	1,543	1,647,748	1,212,818	43,957	50,698	95,809	133,187	18,427	-	-	-	13,044,568	12,061,782
	9,033,959	8,860,658	3,443,152	2,895,201	96,455	40,455	1,679,453	1,289,058	44,332	50,698	112,741	138,396	19,379	-	(1,384,903)	(1,212,684)	13,044,568	12,061,782
Gross (loss) / profit	(128,210)	460,784	1,645,932	797,542	9,311	5,539	20,563	2,492	(4,103)	(9,461)	155,228	36,027	19,029	-	-	-	1,717,750	1,292,923
- Administrative expenses - note 30	198,845	188,837	113,629	74,711	2,362	931	27,680	25,877	3,636	4,265	5,984	3,530	859	-	-	-	352,995	298,151
- Distribution and selling expenses - note 31	14,875	11,404	319,903	231,872	19	22	2,311	1,745	-	-	-	-	-	-	-	-	337,108	245,043
	213,720	200,241	433,532	306,583	2,381	953	29,991	27,622	3,636	4,265	5,984	3,530	859	-	-	-	690,103	543,194
Segment results	(341,930)	260,543	1,212,400	490,959	6,930	4,586	(9,428)	(25,130)	(7,739)	(13,726)	149,244	32,497	18,170	-	-	-	1,027,647	749,729
Other operating expenses																	(94,933)	(171,725)
Operating Profit																	932,714	578,004
Finance costs																	(729,469)	(945,255)
Other operating income																	100,628	263,163
Taxation																	64,140	(132,572)
Share of income from associates-net of tax																	130,463	30,156
Profit / (loss) for the year from continuing operations																	498,476	(206,504)
Discontinued operations																		
Profit for the year from discontinued operations																	-	124,981
Profit / (loss) for the year																	498,476	(81,523)

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

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

	Sugar 2012	Sugar 2011	Ethanol 2012	Ethanol 2011	Building Materials 2012	Building Materials 2011	Textile 2012	Textile 2011	Farms 2012	Farms 2011	Power 2012	Power 2011	Others 2012	Others 2011	Elimination 2012	Elimination 2011	Total 2012	Total 2011
41.3 Segment assets	3,272,704	3,780,620	1,579,188	1,393,809	47,390	40,389	342,358	293,020	754,214	1,035,890	745,653	612,387	4,610	-	-	-	6,746,117	7,156,115
Unallocated assets																	2,980,316	826,150
																	9,726,433	7,982,265
41.4 Segment liabilities	5,280,716	6,305,698	1,234,749	1,094,262	255	26,564	154,609	99,457	14,379	83,940	117,341	-			-	-	6,802,049	7,609,921
Unallocated liabilities																	1,246,029	134,611
																	8,048,078	7,744,532
41.5 Capital expenditure	85,133	18,284	120,066	56,333	8,480	-	2,942	14,011	598	2,579	48,997	18,357	-	-	-	-	266,216	109,564
Unallocated																	85,456	56,446
																	351,672	166,010
41.6 Depreciation on property, plant and equipment	158,544	170,383	45,203	44,276	1,006	902	15,767	18,049	2,790	3,686	31,725	32,798	-	-	-	-	255,035	270,094
Unallocated																	30,715	29,183
																	285,750	299,277
41.7 Amortization on intangible assets	-	-	-	-	-	-	60	340	-	-	32	72			-	-	92	412
Unallocated																	-	-
																	92	412
41.8 Impairment on capital work-in-progress	3,914	24,234	-	-	-	-	-	-	-	-	-	-			-	-	3,914	24,234
Unallocated																	-	31,134
																	3,914	55,368

41.9 Secondary reporting format

Continuing operations

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

	Sugar 2012	Sugar 2011	Ethanol 2012	Ethanol 2011	Building Materials 2012	Building Materials 2011	Textile 2012	Textile 2011	Farms 2012	Farms 2011	Power 2012	Power 2011	Others 2012	Others 2011	Elimination 2012	Elimination 2011	Total 2012	Total 2011
Export sales - Europe	-	-	4,202,471	2,763,495	-	-	-	-	-	-	-	-	-	-	-	-	4,202,471	2,763,495
Export sales - Asia	-	-	674,339	766,031	-	-	-	-	-	-	-	-	-	-	-	-	674,339	766,031
Local sales	7,558,141	8,217,846	212,274	163,217	105,766	45,994	1,700,016	1,291,550	36,462	38,828	234,441	76,303	38,408	-	-	-	9,885,508	9,833,738
	7,558,141	8,217,846	5,089,084	3,692,743	105,766	45,994	1,700,016	1,291,550	36,462	38,828	234,441	76,303	38,408	-	-	-	14,762,318	13,363,264

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

42. FINANCIAL RISK MANAGEMENT

42.1 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:

		2012	2011
		USD	
Financial Assets			
Trade debts		1,244,759	4,896,816
Cash and bank balances	- note 26.2	5,353	5,353
Financial Liabilities			
Export refinance	- note 11.3	6,183,863	8,760,663
Derivative liability	- note 12.3	142,099	361,802

The following significant exchange rates were applied during the year:

Rupees per USD

	2012	2011
Average rate	89.92	85.98
Reporting date rate	94.70	87.40

At 30 September 2012, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

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)	
2012	10%	(48,068)	(31,244)
	-10%	48,068	31,244
2011	10%	(35,450)	(23,042)
	-10%	35,450	23,042

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

	Impact on post-tax profit		Impact on other components of equity	
	2012	2011	2012	2011
	(Rupees in thousand)		(Rupees in thousand)	
Karachi Stock Exchange	**-**	-	**21,706**	14,373

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 2012 and 2011, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

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

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

At 30 September 2012, 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 51.277 million (2011: Rs 58.398 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:

	2012	2011
	(Rupees in thousand)	
Long term loan and deposits	39,969	6,581
Trade debts	243,138	491,646
Loans, advances and other receivables	58,999	56,288
Cash and bank balances	69,452	118,232
	411,558	672,747

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:

	2012	2011
	(Rupees in thousand)	
Upto 30 days	158,486	484,792
30 to 60 days	33,339	1,595
60 to 180 days	36,647	-
180 to 365 days	13,317	-
More than 365 days	1,349	5,259
	243,138	491,646

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

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	2012	2011
Askari Bank Limited	A1+	AA	PACRA	146	1,088
Al-Baraka Islamic Bank	A-1	A	JCR-VIS	1	1
Allied Bank Limited	A1+	AA+	PACRA	107	1,870
Bank Alfalah Limited	A1+	AA	PACRA	235	117
Bank Islami Pakistan Limited	A1	A	PACRA	3	2
The Bank of Punjab	A1+	AA -	PACRA	191	117
Barclays Bank PLC	A1	A+	S&P	-	-
Samba Bank Limited	A-1	AA-	JCR-VIS	-	-
Faysal Bank Limited	AA	A1+	PACRA	507	1,897
Habib Bank Limited	A1+	AA	JCR-VIS	1,944	76
KASB Bank Limited	A3	BBB	PACRA	69	6
MCB Bank Limited	A1+	AA+	PACRA	59,338	49,248
Meezan Bank Limited	A1+	AA-	JCR-VIS	-	-
NIB Bank Limited	A1+	AA-	PACRA	10	106
National Bank of Pakistan	A1+	AAA	JCR-VIS	320	120
Silkbank Limited	A2	A -	JCR-VIS	2,247	5,456
Standard Chartered Bank Limited	A1+	AAA	PACRA	4,035	1,384
United Bank Limited	A1+	AA+	JCR-VIS	294	56,744
Sindh Bank Limited	A1	AA -	JCR-VIS	5	-
				69,452	118,232

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

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 2012				
Fixed rate long term debt	345,756	-	-	-
Floating rate long term debt	838,525	532,672	693,617	-
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	-	-	-
	6,805,857	543,464	704,753	-

(Rupees in thousand)

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 30 September 2011				
Fixed rate long term debt	345,756	-	-	-
Floating rate long term debt	963,021	408,917	981,818	94,650
Finance lease liabilities - Gross	35,020	11,303	20,122	-
Variable rate short term borrowings	2,541,813	-	-	-
Derivative financial instruments	31,672	-	-	-
Trade and other payables	1,193,497	-	-	-
Accrued finance cost	1,087,629	-	-	-
	6,198,408	420,220	1,001,940	94,650

42.2 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 2012

42.3 Financial instruments by categories

	Loans and receivables	
	2012	2011
	(Rupees in thousand)	
Long term deposits	39,969	6,581
Trade debts	243,138	491,646
Advances, deposits, prepayments and other receivables	58,999	56,288
Cash and Bank balances	69,452	118,232

	Available for sale	
	2012	2011
	(Rupees in thousand)	
Investments - available for sale	119,041	69,545

	Financial liabilities at amortized cost	
	2012	2011
	(Rupees in thousand)	
Long term finances	2,410,570	2,794,162
Liabilities against assets subject to finance lease	27,589	54,288
Short term borrowings - secured	2,507,350	2,541,813
Trade and other payables	1,979,617	1,225,169
Accrued finance cost	1,122,448	1,087,629

42.4 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 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2012

43. Date of authorization of issue

These financial statements were authorized for issue on 07 January 2013 by the board of directors of the company.

44. Events after the balance sheet date

There are no subsequent events occurring after balance sheet date.

45. 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

PATTERN OF SHAREHOLDING

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

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 2012

No. of Shareholders	Shareholding From	Shareholding To	Total shares held
349	1	100	12,270
302	101	500	90,145
248	501	1,000	192,077
424	1,001	5,000	954,784
81	5,001	10,000	593,410
49	10,001	15,000	594,635
28	15,001	20,000	484,609
13	20,001	25,000	302,599
6	25,001	30,000	163,762
5	30,001	35,000	163,043
7	35,001	40,000	260,451
8	40,001	45,000	339,485
7	45,001	50,000	344,816
4	50,001	55,000	207,953
6	55,001	60,000	352,111
2	60,001	65,000	129,231
3	65,001	70,000	198,362
3	70,001	75,000	216,829
2	75,001	80,000	156,205
1	80,001	85,000	83,262
2	85,001	90,000	178,500
3	90,001	95,000	274,168
5	95,001	100,000	496,984
2	100,001	105,000	201,745
3	105,001	110,000	328,766
2	110,001	115,000	225,724
2	115,001	120,000	237,197
1	120,001	125,000	120,052
1	125,001	130,000	127,270
6	135,001	140,000	821,224
2	140,001	145,000	284,947
1	145,001	150,000	147,127
1	150,001	155,000	152,090
2	155,001	160,000	316,747
1	170,001	175,000	174,850
3	175,001	180,000	531,839
1	180,001	185,000	182,684

No. of Shareholders	Shareholding From	To	Total shares held
1	185,001	190,000	185,275
2	190,001	195,000	383,400
1	195,001	200,000	200,000
2	220,001	225,000	447,566
1	230,001	235,000	232,300
1	250,001	255,000	253,500
1	285,001	290,000	289,760
1	300,001	305,000	304,249
1	340,001	345,000	344,445
1	375,001	380,000	375,643
1	410,001	415,000	412,563
1	525,001	530,000	526,695
1	535,001	540,000	539,696
1	650,001	655,000	654,703
1	665,001	670,000	666,302
2	680,001	685,000	1,369,876
1	765,001	770,000	765,150
1	805,001	810,000	808,500
1	1,065,001	1,070,000	1,066,138
1	1,225,001	1,230,000	1,228,800
1	1,505,001	1,510,000	1,505,913
1	1,685,001	1,690,000	1,687,582
1	1,900,001	1,905,000	1,900,844
1	2,030,001	2,035,000	2,032,502
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	2,910,001	2,915,000	2,910,859
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
1,621			**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	-	527,545	527,545	0.76
Directors				
Mr. Ali Altaf Saleem	-	289,760	289,760	0.42
Mr. Khalid Bashir	-	58,212	58,212	0.08
Mr. Mazhar Karim	3,588	4	3,592	0.01
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. Abida Mazhar	13,083	-	13,083	0.02
Mrs. Shahnaz A. Saleem	-	146,174	146,174	0.21
	16,671	1,232,053	1,248,724	1.80
Associated Companies, Undertakings & Related Parties				
Asian Stocks Fund Limited	-	2,108,319	2,108,319	3.03
Crescent Steel And Allied Products Limited	-	15,244,665	15,244,665	21.93
Crescent Sugar Mills & Distillery Limited	-	2,865,830	2,865,830	4.12
Safeway Mutual Fund Limited	-	2,118,785	2,118,785	3.05
The 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
	-	28,747,109	28,747,109	41.35
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				
Golden Arrow Selected Stocks Fund Limited	-	2,032,502	2,032,502	2.92
	-	2,032,502	2,032,502	2.92
Banks, NBFCs, DFIs, Takaful, Pension Funds	102,741	2,119,728	2,222,469	3.20
Modarabas	453	127,270	127,723	0.18
Insurance Companies	8	-	8	0.00
Other Companies				
Other Companies,Corporate Bodies, Trust etc.	544,354	7,216,604	7,760,958	11.16
General Public	917,531	19,086,873	20,004,404	28.77
	1,581,829	**67,941,967**	**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

NOTICE OF 45TH ANNUAL GENERAL MEETING

Notice is hereby given that the 45th Annual General Meeting of shareholders of Shakarganj Mills Limited (the "Company") will be held on Thursday, 31 January 2013 at 11:45 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 Reports of Directors and Auditors together with Audited Annual Financial Statements for the year ended 30 September 2012.

2. To appoint Company's auditors for the financial year ending 30 September 2013 and to fix their remuneration. In terms of Section 253 of the Companies Ordinance, 1984, the shareholders are hereby informed that the retiring auditors M/s A. F. Ferguson & Co. Chartered Accountants have not offered themselves for re-appointment for the year ending 30 September 2013. Audit Committee and Board of Directors have proposed the name of M/s. KPMG Taseer Hadi & Co. Chartered Accountants as auditors of the company for the year ending 30 September 2013.

SPECIAL BUSINESS

3. To consider and approve the de-listing of the Company from the Lahore Stock Exchange (Guarantee) Limited and Islamabad Stock Exchange (Guarantee) Limited while retaining the listing of the Company on Karachi Stock Exchange (Guarantee) Limited

By Order of the Board

Lahore: 07 January 2013

Asif Ali
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from 24 January 2013 to 31 January 2013 (both days inclusive). Transfers received in order at Share Registrar Office of the Company, CorpTec Associates (Pvt.) Limited, 7/3-G, Mushtaq Ahmed Gurmani Road, Gulberg-II, Lahore by the close of business on 23 January 2013, will be treated in time to attend the meeting.

2. A member entitled to attend and vote at this meeting may appoint any other member as his/her proxy to attend and vote instead of him/her. A Proxy must be a member of the Company.

3. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarially attested copy of the power of attorney must be deposited at the Registered Office of the Company at least 48 hours before the time of the meeting.

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

A. For Attending the Meeting

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

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

B. For Appointing Proxies

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

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

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

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

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

Statement under Section 160 (1) (b) of the Companies Ordinance, 1984

This statement set out the material facts concerning the special business to be transacted at the annual general meeting of the Company to be held on 31 January 2013.

The Company is listed on all three stock exchanges of Pakistan i.e., Karachi, Lahore and Islamabad Stock Exchanges. The Board of Directors of the Company is of the view that there is no need to keep the Company listed on Lahore and Islamabad Stock Exchanges as it involves unnecessary expenditure (including annual listing fees, printing cost etc) which is not in the interest of the Company and its shareholders. These expenditures would continue to increase in future if the Company is not delisted from both these stock exchanges. It would be sufficient if the Company is listed on one stock exchange i.e., Karachi Stock Exchange Limited. The following resolution is proposed to be passed as special resolution:

RESOLVED that the Company be de-listed from the Lahore Stock Exchange Limited ("LSE"), and the Islamabad Stock Exchange Limited ("ISE") under Section 9(5) of the Securities & Exchange Ordinance, 1969 while the Company shall remain listed on the Karachi Stock Exchange Limited.

RESOLVED FURTHER that the Chief Executive Officer and /or the Company Secretary, be and are hereby authorized to fulfill all requisite legal and procedural formalities for accomplishing the de-listing of the Company from LSE and ISE and to make application, sign and submit requisite documents as may be reasonably required by LSE and ISE so as to effectuate the de-listing of the Company and to take all actions and do necessary acts, deeds and things for implementation of this resolution including filing of appeals before the appropriate forum, if need be.

The Directors have no other personal interest, directly or indirectly, in the proposed special business except in their capacities as shareholders and directors of 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 Thursday, 31 January 2013 at 11:45 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 __________________________ 2013.

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.

DIVIDEND MANDATE FORM

Dear Shakarganj Shareholder(s):

Re: Dividend Mandate Form

With reference to the captioned subject, it is to inform you that under Section 250 of the Companies Ordinance 1984 a shareholder may, if so desire, directs the Company to pay dividend through his/her/its Bank Account.

In pursuance of the directions given by the Securities & Exchange Commission of Pakistan vide Circular Number 19 of 2012 & Reference No. SMD/CJW/Misc/19/2009 date 05 June 2012, I/we ________________ ______________ request being the registered shareholder of ______________ having Folio No. __________________hereby gives the opportunity to authorize the Company to directly credit in your bank account cash dividend, if any, declared by the Company in future.

[PLEASE NOTE THAT THIS DIVIDEND MANDATE IS OPTIONAL AND NOT COMPULSORY, IN CASE YOU DO NOT WISH YOUR DIVIDEND TO BE DIRECTLY CREDITED INTO YOUR BANK ACCOUNT THEN THE SAME SHALL BE PAID TO YOU THROUGH THE DIVIDEND WARRANTS].

Do you wish the cash dividend declared by the Company, if any, is directly credited in your bank account, instead of issue of dividend warrants. Please tick "√ " any of the following boxes:

YES   NO

If yes then please provide the following information:

Transferee Detail	
Title of Bank Account	
Bank Account Number	
Branch Name And Address	
Cell Number of Transferee	
Landline Number of Transferee, if any	

It is stated that the above mentioned information is correct, that I will intimate the changes in the above mentioned information to the Company and the concerned Share Registrar as soon as these occur.

____

Signature of the Member/Shareholder

INTIMATION FOR THE COPY OF COMPUTERIZED NATIONAL IDENTITY CARD [CNIC]

Dear Shakarganj Shareholder(s):

Re: Copy of Computerized National Identity Card [CNIC]

As per direction of the Securities & Exchange Commission of Pakistan vide SRO 779(1)/2011 dated 18 August 2011, the dividend warrants to be issued by the companies should bear the CNIC number of the registered member(s) or their authorized representative(s) and dividend warrants cannot be issued without inserting the CNIC number of the member(s) or its authorized representative(s).

You are, therefore, requested to please provide us a copy of your CNIC without any further delay failing which your future dividend warrant(s) will be withheld in compliance of the aforesaid direction of the SECP at our following address:

Head of Shares Department
CorpTec Associates (Private) Limited
Share Registrar: Shakarganj Mills Limited
7/3 - G, Mushtaq Ahmed Gurmani Road, Gulberg - II
Lahore, Pakistan

Tel: (042) 3578 8097 - 98, (042) 3576 1661 - 62

Kindly mention your folio number alongwith name of company, on the copy of CNIC for identification purposes and also mention your contact number.

Shakarganj Mills Limited

BOP Tower, 10-B Block E2, Gulberg III, Lahore, Pakistan
Tel: (042) 3578 3801 - 06 Fax: (042) 3578 3811
www.shakarganj.com.pk