Shakarganj Mills Limited

Condensed Interim Report

For the Six Months ended 31 March 2014

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

Audit Committee

Chairman	Khalid Bashir
Member	Muhammad Anwar
Member	Ali Altaf Saleem

Human Resource & Remuneration Committee

Chairman	Muhammad Anwar
Member	Khalid Bashir
Member	Ali Altaf Saleem

Chief Financial Officer — S. M. Chaudhry

Company Secretary — Asif Ali

Management Committees

Executive Committee

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

Business Strategy Committee

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

System & Technology Committee

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

SHAREHOLDERS' INFORMATION

Stock Exchange Listing

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

Public Information

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

Shareholders' Information

Inquiries concerning lost stock certificates, dividend payment, change of address, verification of transfer deeds and share transfers should be directed to CorpTec Associates (Pvt) Limited Share Registrar of the Company at Lahore.
Tel: 042 3517 0336 - 7
Fax: 042 3517 0338
E-mail: info@corptec.com.pk

Products

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

Legal Advisor

Hassan & Hassan Advocates,
Lahore

Bankers

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

Works

Principal Facility

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

Satellite Facility

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

Website

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

Registered and Principal Office

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

Karachi Office

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

Faisalabad Office

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

Share Registrar

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

COMPANY PROFILE

Shakarganj Mills Limited was incorporated in Pakistan in 1967 as a Public Limited Company and is listed on all three stock exchanges of Pakistan. Shakarganj is a leading manufacturer of food products, bio fuel and building materials as well as textiles. We transform renewable crops such as sugarcane and cotton into value added products comprising refined sugar, textiles, bio fuel and building materials in addition to generating bio power from biogas. The Company has two manufacturing facilities in Jhang District. Our registered office is in Lahore.

Shakarganj Mills, through its interest in Shakarganj Food Products Limited, is also active in production of dairy and fruit products.

Sugar Business:

We have two manufacturing facilities, located in District Jhang. We produce different types of sugar comprising pharmaceutical, beverage and commercial grades sugar as well as soft brown sugar, castor and icing sugar, sugar cubes, sachets and retail packs.

Our combined crushing capacity is of 20,000 MT of sugarcane per day which is extendable to 32,000 MT per day.

Bio Fuel Business:

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

Bio Power Business:

Biogas power generation facility is located at Jhang. This facility comprises an Effluent Treatment Plant (ETP) and a Power Generation Facility. ETP operations involve biological treatment of distillery waste to produce methane and a biological de-sulphurization plant to remove sulphur from the methane gas. This gas is then used in the power house to produce electricity which is sold to a utility company on the national grid. The present capacity of this plant is 8 megawatts. For better control, from January 2013 ETP has been transferred to Bio Fuel Business.

Building Materials Business:

Our Building Materials Division is located at Jhang facility, with a capability to produce 12 x 4 feet sheets of particle board of varying thickness. Our daily production capacity is 30 cubic metres.

Textile Business:

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

Farming & Allied Business:

This comprises different parcels of land mainly located at Jhang Division nearby our manufacturing facilities. Total area under cultivation is over 1,675 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 279 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' REVIEW

I am pleased to present the unaudited condensed interim financial information of the Company for the six month period ended 31 March 2014. This condensed interim financial information was subject to a limited scope review by the external auditors KPMG Taseer Hadi & Co., Chartered Accountants. The auditor's review report is attached to this financial information.

Financial and Operational Performance:

Summary of operating performance:

The first half of fiscal 2014 saw restricted margins given depressed sugar selling prices while input prices including raw material costs remained largely unchanged. Furthermore, due to non-availability of sugar cane, crushing season 2013-2014 closed by mid-March 2014. Our Bio-Fuel operations remained sluggish primarily on account of a shortage of molasses, forcing a closure not only in the final months of Fiscal 2013 but also the starting months of Fiscal 2014. This, in turn, affected performance of the Bio-Power business as well.

Profit after tax for the second quarter saw significant improvement and stood at Rs. 30.2 million (Q1 FY14: Rs. (296) million. Consequent on Q1 performance, the Company incurred after tax losses of Rs. 265 million for the six month period ended 31 March 2014 (H1FY13: Rs. 433 million).

Business Segments:

Sugar Division:

The Sugar Division crushed 1,259,272 MT (H1FY13: 1,409,811 MT) of sugarcane to produce 112,271 MT (H1FY13: 133,753 MT) of sugar at an average recovery rate of 8.92 percent (H1 FY13: 9.49 percent) resulting in a 16 percent decrease in sugar production.

Bio-Fuels Division:

During the period under review, the performance of Bio-Fuels Division remained reasonable with production at 36.6 million litres (H1 FY13: 40.3 million litres), down 9 percent when compared to the corresponding period last year mainly on account of a delayed start in operations and shortage of molasses. Exports accounted for around 92 percent of total sales.

Bio-Power Division:

The Bio-Power Division generated 2.8 million units of power (H1 FY13: 16.4 million units) for the six month period ended 31 March 2014. Performance during the period was poor primarily due to delayed operations.

Building Materials Division:

The division produced 4,560 cubic metres of particle board compared to 4,401 cubic metres in first half of FY13. The Building Material Division production performance remained satisfactory due to better management and availability of bagasse.

Textile Division:

Yarn production fell by 16 percent year on year, to 2.90 million kg (H1 FY13: 3.47 million kg). The decrease in production is mainly attributable to changes in product mix and focus on higher count yarn. Raw material prices soared during the period while lower yarn demand dampened selling prices, shrinking margins and profits.

Outlook:

We anticipate an improvement in the export of Bio-Fuels as well as production from the Bio-Power and Textile Divisions. In spite of all the challenges financial performance remained positive in Q2FY14 as compared to Q1FY14 and, we are hopeful that performance will improve further during the second half of Fiscal year 2014.

Without qualifying their conclusion, the Company auditors' have given a paragraph of emphasis in their review report drawing attention to conditions that may affect the Company's ability to continue as a going concern. The Company believes that there is no doubt on its ability to continue as a going concern as it has adequate resources and operating capabilities to continue operations for the foreseeable future. The steps taken by the management so far and those planned for the future are explained in Note 1.2 of the annexed condensed interim financial information.

On behalf of the Board

Ahsan M. Saleem
Chief Executive Officer
Date: 28 May 2014

KPMG Taseer Hadi & Co.
Chartered Accountants
2nd Floor,
Servis House
2-Main Gulberg Jail Road,
Lahore Pakistan

Telephone + 92 (42) 3579 0901-6
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Independent Auditor's Report on Review of Condensed Interim Financial Information to the Members

Introduction

We have reviewed the accompanying condensed interim balance sheet of Shakarganj Mills Limited ("the Company") as at 31 March 2014 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the condensed interim financial information for the six-months period then ended (here-in-after referred to as "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

The figures for the quarters ended 31 March 2014 and 31 March 2013 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion thereon.

Other matters

We draw attention to note 1.2 to the interim financial information, which highlights the company's inability to timely meet its obligation in respect of principal and markup repayments on borrowings from financial institutions. The company has incurred a gross loss during the period and as at this date the current liabilities of the company have exceeded its current assets by Rs. 4,963 million and equity has been eroded by Rs. 291 million. These conditions along with other matters set forth in note 1.2 indicate the existence of material uncertainty that may cast significant doubt about the company's ability to continue as a going concern.

Our conclusion is not qualified in respect of this matter.

KPMG Taseer Hadi & Co.

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

Lahore
Date: 28 May 2014

CONDENSED INTERIM BALANCE SHEET

As at 31 March 2014 (Un-Audited)

	Note	March 2014 Un-Audited	September 2013 Audited (Restated)	September 2012 Audited (Restated)
		----------- (Rupees in thousand)		-----------
EQUITY AND LIABILITIES				
Share capital and reserves				
Authorised capital				
80,000,000 (30 September 2013: 80,000,000) ordinary shares of Rs 10 each		800,000	800,000	800,000
50,000,000 (30 September 2013: 50,000,000) preference shares of Rs 10 each		500,000	500,000	500,000
		1,300,000	1,300,000	1,300,000
Issued, subscribed and paid up capital				
69,523,798 (30 September 2013: 69,523,798) ordinary shares of Rs 10 each		695,238	695,238	695,238
Reserves		1,126,745	1,187,887	970,230
Accumulated loss		(2,113,237)	(1,866,327)	(2,281,596)
		(291,254)	16,798	(616,128)
Surplus on revaluation of property, plant and equipment		2,123,474	2,141,914	2,281,579
Non-current liabilities				
Long term finances	7	-	26,003	459,964
Liabilities against assets subject to finance lease		5,179	10,148	18,793
Employees' retirement benefits		-	-	7,833
		5,179	36,151	486,590
Current liabilities				
Current portion of long term liabilities		1,532,783	2,117,610	1,959,402
Short term borrowings - secured		2,245,250	1,155,480	2,507,350
Trade and other payables		4,072,224	2,422,533	1,979,617
Accrued finance cost		712,123	916,193	1,122,448
Provision for taxation		-	-	504
		8,562,380	6,611,816	7,569,321
Contingencies and commitments	8			
		10,399,779	8,806,679	9,721,362

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

Chief Executive

	Note	March 2014 Un-Audited	September 2013 Audited (Restated)	September 2012 Audited (Restated)
		----------- (Rupees in thousand) -----------		
ASSETS				
Non-current assets				
Property, plant and equipment	9	6,158,577	6,252,667	6,401,019
Intangible assets		910	955	1,045
Biological assets		15,000	13,975	8,895
Investments - related parties	10	578,554	1,081,722	750,895
Employees' retirement benefits		7,291	4,467	-
Long term loans, advances, deposits and prepayments		39,608	38,323	39,969
Deferred taxation		-	-	-
		6,799,940	7,392,109	7,201,823
Current assets				
Biological assets		33,671	32,600	37,395
Stores, spares and loose tools		128,119	115,086	129,862
Stock-in-trade		2,197,335	522,007	1,765,735
Trade debts		420,132	71,619	243,138
Investments	11	300,860	248,607	119,041
Loans, advances, deposits, prepayments and other receivables		426,431	324,282	154,767
Cash and bank balances		93,291	100,369	69,601
		3,599,839	1,414,570	2,519,539
		10,399,779	8,806,679	9,721,362

Chairman

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

For the six months ended 31 March 2014 (Un-Audited)

	Note	Quarter ended		Half year ended	
		31 March 2014	31 March 2013	31 March 2014	31 March 2013
		---------------- (Rupees in thousand) ----------------			
Sales	12.1	5,856,932	3,597,289	7,561,306	6,559,851
Cost of sales	12.2	(5,748,103)	(3,007,225)	(7,585,351)	(5,686,908)
Gross profit / (loss)		108,829	590,064	(24,045)	872,943
Administrative expenses		(86,639)	(78,398)	(161,909)	(148,938)
Distribution and selling costs		(116,664)	(106,050)	(139,652)	(177,947)
Other operating expenses		(4,401)	(38,913)	(28,769)	(46,069)
Other operating income	13	237,012	62,428	294,438	106,986
Profit / (loss) from operations		138,137	429,131	(59,937)	606,975
Finance cost		(90,383)	(103,645)	(167,287)	(233,122)
Share of income from associates		45,386	55,567	47,648	123,741
Profit / (loss) before taxation		93,140	381,053	(179,576)	497,594
Taxation					
- Company		(58,524)	(30,511)	(75,471)	(48,213)
- Associates		(4,407)	(4,780)	(10,303)	(16,754)
		(62,931)	(35,291)	(85,774)	(64,967)
Profit / (loss) after taxation		30,209	345,762	(265,350)	432,627
Earnings per share					
Basic earnings per share	14.1	0.43	4.97	(3.82)	6.22
Diluted earnings per share	14.2	0.40	4.59	(3.52)	5.75

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

Chief Executive

Chairman

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 March 2014 (Un-Audited)

	Quarter ended		Half year ended	
	31 March 2014	31 March 2013 (Restated)	**31 March 2014**	31 March 2013 (Restated)
	--------------- (Rupees in thousand) ---------------			
Profit / (Loss) for the period	30,209	345,762	(265,350)	432,627
Other comprehensive income				
Item that are or may be subsequently reclassified to profit or loss account				
Fair value gain on ' Available for sale' investments	(26,940)	44,312	55,253	52,238
Share of other comprehensive income of associates	4,066	270	6,312	2,055
	(22,874)	44,582	61,565	54,293
Item that will not be reclassified to profit or loss account				
Net actuarial gains on employee retirement benefits	-	2,148	-	4,296
Total comprehensive (loss) / income for the period	7,335	392,492	(203,785)	491,216

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

Chief Executive **Chairman**

CONDENSED INTERIM CASH FLOW STATEMENT

For the six months ended 31 March 2014 (Un-Audited)

	Note	Half year ended March 2014	March 2013
		(Rupees in thousand)	
Cash flows from operating activities			
Cash (used in) / generated from operations	15	(636,905)	221,327
Finance cost paid		(366,957)	(235,882)
Taxes paid		(60,880)	(91,423)
Employees' retirement benefits paid		(10,047)	(8,525)
Net increase in long term advances, loans, deposits and prepayments		(1,285)	(33)
Net cash used in operating activities		(1,076,074)	(114,536)
Cash flows from investing activities			
Fixed capital expenditure		(87,749)	(157,545)
Dividend received		16,611	29,046
Proceeds from sale of investment		646,837	-
Sale proceeds from sale of livestock		458	602
Proceeds from sale of property, plant and equipment		18,869	6,265
Net cash generated from / (used in) investing activities		595,026	(121,632)
Cash flows from financing activities			
Repayment of finance lease		(3,641)	(5,073)
Short term financing - net		1,089,770	587,156
Long term financing - net		(612,159)	(303,380)
Net cash generated from financing activities		473,970	278,703
Net increase in cash and cash equivalents		(7,078)	42,535
Cash and cash equivalents at the beginning of the period		100,369	69,601
Cash and cash equivalents at the end of the period		93,291	112,136

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

Chief Executive **Chairman**

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 March 2014 (Un-Audited)

(Rupees in thousand)

	CAPITAL RESERVE					REVENUE RESERVE				
	Share Capital	Share Premium	Share in capital reserves of associates	Fair Value Reserve	Difference of Capital Under Scheme of Arrangement of Merger	General	Dividend Equalization	Equity Investment Market Value Equalization	Accumulated (loss) /profit	Total
Balance as at 30 September 2012 as previously reported	695,238	243,282	19,823	34,889	155,930	410,606	22,700	83,000	(2,268,692)	(603,224)
Effect of retrospective application of change in accounting policy referred in note 3.1	-	-	-	-	-	-	-	-	(12,904)	(12,904)
Balance as at 01 October 2012 as restated	695,238	243,282	19,823	34,889	155,930	410,606	22,700	83,000	(2,281,596)	(616,128)
Total comprehensive income / (loss) for the six months period ended 31 March 2013	-	-	2,055	52,238	-	-	-	-	432,627	486,920
Surplus on property, plant and equipment transferred to accumulated losses on account of:										
- incremental depreciation for the period - net of deferred tax	-	-	-	-	-	-	-	-	26,775	26,775
Effect of retrospective application of change in accounting policy referred in note 3.1	-	-	-	-	-	-	-	-	4,296	4,296
Balance as at 31 March 2013 as restated	695,238	243,282	21,878	87,127	155,930	410,606	22,700	83,000	(1,817,898)	(98,137)
Total comprehensive income / (loss) for the six months period ended 30 September 2013	-	-	4,987	158,377	-	-	-	-	(165,615)	(2,251)
Surplus on property, plant and equipment transferred to accumulated losses on account of:										
- disposal of land	-	-	-	-	-	-	-	-	99,770	99,770
- incremental depreciation for the period - net of deferred tax	-	-	-	-	-	-	-	-	13,120	13,120
Effect of retrospective application of change in accounting policy referred in note 3.1	-	-	-	-	-	-	-	-	4,296	4,296
Balance as at 30 September 2013 as restated	695,238	243,282	26,865	245,504	155,930	410,606	22,700	83,000	(1,866,327)	16,798
Total comprehensive income / (loss) for the six months period ended 31 March 2014	-	-	6,312	55,253	-	-	-	-	(265,350)	(203,785)
Gain realised on disposal of 'Available for sale' investments transferred to profit and loss	-	-	-	(122,707)	-	-	-	-	-	(122,707)
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax - incremental depreciation for the period	-	-	-	-	-	-	-	-	18,440	18,440
Balance as at 31 March 2014	695,238	243,282	33,177	178,050	155,930	410,606	22,700	83,000	(2,113,237)	(291,254)

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

Chief Executive

Chairman

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
For the Six months ended 31 March 2014 (Un-Audited)

1. The Company and its operations

1.1 The Company is incorporated in Pakistan and is listed on Karachi, Lahore and Islamabad Stock Exchanges. It is principally engaged in manufacture, purchase and sale of sugar, bio fuel, building materials, yarn (textile) and engaged in generation and sale of electricity (bio power). The Company has its principal manufacturing facilities at Jhang and satellite manufacturing facilities at Bhone. The registered office of the Company is situated in Lahore.

1.2 Going concern assumption

The Company has incurred a gross loss of Rs. 24.05 million during this interim period ended 31 March 2014 and as at this reporting date, the current liabilities of the Company have exceeded its current assets by Rs. 4,963 million (30 September 2013: Rs. 5,197 million), the equity has eroded and stands at negative Rs. 291 million. The Company has not been able to meet its various obligations for long term loans and short term borrowings. Borrowings (including mark-up payable thereon) aggregating Rs. 1,664 million (30 September 2013: Rs. 2,409 million) are over-due for payment.

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

Furthermore the Company had issued redeemable preference shares in 2005 to the shareholders of the Company which were to be redeemed along with any outstanding dividend payable in December 2009. Due to liquidity crunch the Company has not redeemed the preference shares and preference dividend amounting to Rs. 64.79 million is also outstanding as on 31 March 2014.

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

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

Operational measures

The Company continued with its efforts to achieve operational efficiency in current and previous periods to improve its productivity and financial results in order to generate liquidity for financing of operations and repayment of borrowings. The operational results in the current period were low compared with the previous period as the company was only able to crush 1.26 million tons of sugarcane (2013: 1.41 million tons) however the Company sold off its entire stock of sugar and bio fuel so as to have liquidity to finance its operations for the remaining period and to further utilize it towards settling of its liabilities.

Further during this interim period, the Company disposed off its entire holding in Asian Stock Fund, Crescent Jute Products Limited along with substantial holding in Safeway Mutual Fund. The realised proceeds were utilized towards repayment of bank borrowings and to finance operations.

The Company has repaid Rs. 1,666 million of the bridge loan through utilisation of improved liquidity resulting from operational results and sale of certain assets of the Company, namely, Sugar Unit at Dargai Shah, Power Division at Dargai Shah, partial disinvestment in Safeway Mutual Fund, full disinvestment in Asian Stocks Fund and partial disposal of agricultural land.

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

Long term financing - secured

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

- currently negotiating with National Bank of Pakistan to restructure its overdue principal alongwith mark-up to long term loans with deferred payment terms. Furthermore, the Company is seeking to obtain relaxation / waiver in overdue mark-up on upfront payment;
- restructuring of Rs. 176 million of over-due long term running finance and Rs. 75 million of over-due accrued mark-up under bridge finance to long term demand finance from The Bank of Punjab. As at 31 March 2013, Rs. 49.80 million in respect of restructured finance was repayable that has been subsequently paid off in full;

- restructuring of Rs. 161 million of short term financing and Rs. 76 million of over-due mark-up under bridge finance to long term loan under non mark-up arrangements from Allied Bank Limited. As at 31 March 2013, Rs. 18 million in respect of restructured short term finance was repayable that has been subsequently paid off in full;

- restructuring of bridge finance of Rs. 181 million to long term loan from United Bank Limited. This has been fully repaid during the period;

- restructuring of Rs. 473 million of various over-due borrowings to long term loan and rescheduling of long term loan of Rs. 92 million in prior years; and

- negotiating separately with each term finance certificate (TFC) holders for settlement of their outstanding over-dues. So far, the Company was successful in negotiating its over-due exposure with UBL Fund Managers and Askari Bank Limited;

Short term financing- secured

The Company has negotiated with its lenders for following short term secured financing for operational liquidity.

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

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

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

The Company has negotiated with its lenders on bilateral terms and obtained working capital lines of Rs. 1,700 million and FE 25 loans of Rs. 575 million of which Rs. 1,152 million and Rs. 527 million has been utilized as of 31 March 2014.

These facilities have been obtained against pledge of Sugar /Molasses /Bio Fuel at margin ranging from 15% to 25%.

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 condensed interim financial information have been prepared on a going concern basis based on management's expectation that:

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

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

The condensed interim financial information 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. Basis of preparation

This condensed interim financial information is un-audited and has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. The disclosures in this condensed interim financial information does not include all the information reported for full annual financial statements and should be read in conjunction with the annual financial statements for the year ended 30 September 2013.

This condensed interim financial information is being submitted to the shareholders as required by section 245 the Companies Ordinance, 1984.

3. Significant accounting policies

The accounting policies and methods of computation adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements for the year ended 30 September 2013 and should be read in conjunction with those financial statements except for a change as a result of amendments in IAS-19 - "Employee benefits" as under.

3.1 During the period, as a result of revision in IAS 19 Employee Benefits, the Company has changed its accounting policy with respect to the recognition of actuarial gains and losses related to its defined benefit plans.

Under revised IAS 19, the Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to then - net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. All the changes in the present value of defined benefit obligation are now recognized in statement of comprehensive income and the past service costs are recognized in profit and loss account, immediately in the period they occur.

Previously, the Company recognized actuarial gains/losses over the expected average remaining working lives of the current employees, to the extent that unrecognized actuarial gains/losses exceeds 10 percent of present value of defined benefit obligation.

The change in accounting policy has been applied retrospectively in accordance with IAS-8 " Accounting Policies, change in Accounting Estimates and Errors" and resulted in the following changes:

	September 2013 Audited	September 2012 Audited
	(Rupees in thousand)	
a) Balance sheet		
Before restatement - Asset	8,779	5,071
Net acturial losses recognised	4,312	12,904
Restated asset / (liability)	4,467	(7,833)

	Six months ended March 2013 Un-audited	Quarter ended ended March 2013 Un-audited
	(Rupees in thousand)	
b) Condensed interim statement of other comprehensive income		
Net actuarial gains on employee retirement benefits	4,296	2,148

This restatement has no material impact on earning per share

No actuarial valuation has been carried out for the preparation of this condensed interim financial information as the company intends to carry out actuarial valuation on 30 September 2014. For this reason it is difficult to quantify the impact of actuarial gains/losses for this interim period.

During this interim period, Rs. 2,031.34 million was received from the pension fund and gratuity fund and against this Rs. 2,040.43 million was repaid. Accordingly markup charged amounts to Rs. 17.10 million.

4. Estimates

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 30 September 2013.

5. Seasonality of operations

Due to seasonal nature of sugar segment, operating results are expected to fluctuate in the second half of the year than the first six months.

6. Taxation

The provision for taxation for the half year ended 31 March 2014 has been made on an estimated basis.

	Note	March 2014	September 2013
		(Rupees in thousand)	

7. Long term finances

	Note	March 2014	September 2013
Long term loans - secured		947,157	1,371,835
Redeemable Capital			
Preference shares (non-voting) - unsecured		345,756	345,756
Term finance certificates (non-voting) - secured		230,670	418,150
		576,426	763,906
		1,523,583	2,135,741
Less: Current portion shown under current liabilities	7.1		
- Long term loans - secured		(947,157)	(1,345,832)
- Redeemable capital - Preference Shares (non-voting) - secured		(345,756)	(345,756)
- Redeemable capital - term finance certificates (non-voting) - secured		(230,670)	(418,150)
		(1,523,583)	(2,109,738)
		-	26,003

7.1 The aggregate current portion of Rs. 1,524 million (30 September 2013: Rs. 2,110 million) includes over-due principal installments aggregating to Rs. 772 million (30 September 2013: Rs. 881 million) and Rs. 302 million (30 September 2013: Rs. 568 million) representing principal installments which under the term of original loan agreements are due for repayment in period subsequent to 31 March 2015. However, as the Company could not repay on a timely basis the installments due up till the year ended 31 March 2014 and is not compliant with certain debt covenants, which represents a breach of the respective agreements, therefore these loans have been disclosed as a current liability under the guidance contained in "IAS 1 Presentation of financial statements".

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

Moreover during this period, Askari Bank Limited (TFC holder) executed a settlement arrangement for their outstanding exposure of Rs. 40 million as part of the PPTFC. On the execution of this arrangement, the Company paid an initial one time payment of Rs. 10 million. The remaining outstanding principal of Rs. 30 million shall be paid in 12 monthly installments of Rs. 2.5 million each starting from January 2014 till December 2014. Further the payment of accrued mark-up of Rs. 28.888 million along with the future accrual of mark-up at the terms of original trust deed shall remain suspended till the satisfactory repayment of principal amount provided the company remains compliant with the terms of the arrangement. Compliance will also entitle the company to pay mark-up with effect from September 2009 to December 2014 at the rate of 2% per annum otherwise this arrangement will stand void and past / future mark-ups as per the original trust deed will be applicable.

8. Contingencies and commitments

8.1 Contingencies

There is no material change in the status of contingencies as set out in note 14.1 to the financial statements of the Company for the year ended 30 September 2013 except for the following disclosed below:

(i) As referred to in note 1.2, the Company entered into a bridge finance agreement with a consortium of banks for Rs. 2,466 million to be repaid by 30 June 2011 from the sale of assets, identified in the agreement. For reasons specified in the note 1.2, the bridge facility could not become operative and expired on 30 June 2011. The Company has, in these financial statements, accrued mark-up based on the reduced rates contained in the bridge finance agreement on its respective borrowings to the tune of Rs. 2,466 million. Had the mark-up been accrued at the terms of original agreements, it would have been higher by Rs. 149.53 million (30 September 2013: Rs. 149.53 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. 490.07 million (30 September 2013: Rs. 486.92 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.

(ii) The Government of Punjab under the powers conferred through the Punjab Excise Act, 1914 through notification No. SO. Tax (E&T) 3-4/2012 dated 03 July 2012, levy a charge of Rs. 2 per litre on manufacturing of spirit (ethanol). The management through its legal council has challenged the imposition of said levy through a writ petition in the Lahore High Court. The Honorable Lahore High Court, through such petition, has granted an interim relief in favour of the Company and accordingly no provision has been incorporated in this condensed financial information.

8.2 Commitments

The Company has the following commitments in respect of:

(i) Contracts for capital expenditure amounting to Rs. 76.18 million (30 September 2013: Rs. 72.26 million).

(ii) Contracts for acquisition of intangible (computer software) amounting to Rs. 20 million (30 September 2013: Rs. 20 million).

(iii) Contracts for other than capital expenditures Rs. 2.88 million (30 September 2013: Rs. 11.05 million).

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

	March 2014	September 2013
	(Rupees in thousand)	
Not later than one year	1,437	1,437
Later than one year and not later than five years	360	360
	1,797	1,797

	Note	March 2014	September 2013
		(Rupees in thousand)	

9. Property, plant and equipment

	Note	March 2014	September 2013
Operating assets - at net book value			
- Owned assets		5,727,829	5,871,414
- Leased assets		57,854	60,108
	9.1	5,785,683	5,931,522
Capital work in progress	9.2	372,894	321,145
		6,158,577	6,252,667

9.1 Operating assets - at net book value

	Note	March 2014	September 2013
Net book value at the beginning of the period / year		5,931,522	6,017,847
Add: Additions during the period / year	9.1.1	36,000	370,765
Less: Deletions during the period / year		(19,608)	(115,090)
Depreciation charged during the period / year		(162,231)	(342,000)
		5,785,683	5,931,522

9.1.1 Additions during the period / year

	March 2014	September 2013
Freehold Land	379	13,206
Building and roads on freehold land	999	42,494
Plant and machinery	31,128	299,344
Tools and equipments	536	2,766
Laboratory equipment	8	1,167
Office equipments	1,879	2,677
Water, electric and weighbridge equipments	882	4,452
Furniture and fixtures	168	2,549
Vehicles	-	1,968
Library books	21	142
	36,000	370,765

9.2 Capital work in progress

	March 2014	September 2013
Civil works	5,039	3,634
Plant and machinery	289,500	224,312
	294,539	227,946
Advances to suppliers	94,939	109,783
Less: Provision for doubtful advances	(16,584)	(16,584)
	78,355	93,199
	372,894	321,145

	Note	March 2014 Un-Audited	September 2013 Audited
		(Rupees in thousand)	
10. Investments - related parties			
In equity instruments of associates	10.1	568,210	528,633
Available for sale	10.3	10,344	553,089
		578,554	1,081,722
10.1 In equity instruments of associates			
Cost		444,494	545,793
Brought forward amounts of post acquisition reserves, profits and negative goodwill recognized directly in profit and loss account		84,139	107,087
		528,633	652,880
Share of movement in reserves during the period / year		6,312	7,042
Share of profit for the period / year			
- before taxation		47,648	198,667
- provision for taxation		(10,303)	(32,825)
		37,345	165,842
		572,290	825,764
Dividend received during the period / year		(4,080)	(32,200)
Transfer to available for sale		-	(264,931)
		(4,080)	(297,131)
Balance as at period / year end	10.2	568,210	528,633
10.2 In equity instruments of associates			
Quoted			
Crescent Steel and Allied Products Limited 2,992,068 (30 September 2013: 2,720,062) fully paid ordinary shares of Rs. 10 each Inclusive of bonus issue @ 10% during the period Equity held: 4.82% (30 September 2013: 4.82%)		267,594	246,809
Unquoted			
Shakarganj Food Products Limited 74,654,596 (30 September 2013: 74,654,596) fully paid ordinary shares of Rs. 10 each Equity Held: 49.24% (30 September 2013: 49.24%)		300,616	281,824
		568,210	528,633

10.2.1 Investments in associates include goodwill amounting to Rs. 82.886 million (30 September 2013: Rs. 82.886 million).

10.2.2 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 follow:

Name	**Percentage interest held**	**Assets**	**Liabilities**	**Revenues**	**Profit / (loss)**
	For the half year ended 31 March 2014				
		---------- **(Rupees in thousand)** ----------			
Crescent Steel and Allied Products Limited	4.82%	332,508	(76,539)	89,168	18,645
Shakarganj Food Products Limited	49.24%	861,801	(780,504)	1,437,348	18,700
		1,194,309	(857,043)	1,526,516	37,345

Name	Percentage (interest held)	Assets	Liabilities	Revenues	Profit / (loss)
	For the year ended 30 September 2013				
		---------- (Rupees in thousand) ----------			
Crescent Steel and Allied Products Limited	4.82%	279,086	(43,901)	240,964	42,901
Shakarganj Food Products Limited	49.24%	787,759	(577,765)	2,435,397	(17,259)
Safeway Mutual Fund Limited	30.45%	358,808	(8,753)	148,327	140,200
		1,425,653	(630,419)	2,824,688	165,842

10.2.3 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 Associate' because the company has significant influence over its financial and operating policies through chief executive of the company.

10.2.4 The above figures of Crescent Steel and Allied Products Limited are based on reviewed consolidated financial statements as at 31 December 2013.

10.2.5 The Company has assessed the recoverable amount of investment in Crescent Steel and Allied Products Limited based on value in use calculation. This calculation has been made on discounted cashflow methodology which assumes gross profit margin of 14.60% - 17.48%, EBITDA of 16.73% - 18.91%, terminal growth rate of 6.5% and weighted average cost of capital of approximately 13.50%.

10.2.6 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 cashflow methodology which assumes gross profit margin of 15.76% - 16.38%, EBITDA of 2.55% - 3.75%, terminal growth rate of 4% and weighted average cost of capital of approximately 14.8%.

	Note	**March 2014**	September 2013
		(Rupees in thousand)	
10.3 Available for sale			
Associated companies - at cost	10.3.1	3,000	3,000
Others - at cost	10.3.2	10,047	521,143
		13,047	524,143
Add: Cumulative fair value gain	10.3.3	2,497	122,204
Less: Cumulative impairment losses recognized	10.3.4	(5,200)	(93,258)
Fair value (loss)/gain		(2,703)	28,946
		10,344	553,089

	Note	March 2014	September 2013
		(Rupees in thousand)	
10.3.1 Associated companies			
Quoted			
Crescent Jute Products Limited			
Nil (30 September 2013: 536,817) fully paid ordinary shares of Rs. 10 each	10.3.1.1	-	-
Unquoted			
Crescent Standard Telecommunications Limited			
300,000 (30 September 2013: 300,000) fully paid ordinary shares of Rs. 10 each		3,000	3,000
		3,000	3,000

10.3.1.1 Rs. 3.26 million realised on sale of 0.54 million shares resulted in a profit of Rs. 3.26 million.

	Note	March 2014	September 2013
10.3.2 Others			
Unquoted			
Crescent Group Services (Private) Limited			
220,000 (30 September 2013: 220,000) fully paid ordinary shares of Rs. 10 each		2,200	2,200
Mutual Funds - Open End Fund			
Safeway Mutual Fund			
400,000 (30 September 2013: 19,066,014) units of Rs 10. each Net asset value - Rs. 10.344 million (30 September 2013: Rs. 350.05 million)	10.3.2.1	7,847	374,026
Asian Stocks Fund			
Nil (30 September 2013: 17,675,292) units of Rs. 10 each Net asset value - Nil (30 September 2013: Rs. 202.21)	10.3.2.2	-	144,917
		10,047	521,143

10.3.2.1 Rs. 399.90 million realised on sale of 18.66 million units resulted in a profit of Rs. 33.72 million . The proceeds were substantially used for the repayment of borrowings from Standard Chartered Bank and United Bank Limited.

10.3.2.2 Rs. 243.68 million realised on sale of 17.68 million units resulted in a profit of Rs. 186.82 million. The proceeds were substantially used for the repayment of borrowings from United Bank Limited.

	March 2014	September 2013
	(Rupees in thousand)	
10.3.3 Cumulative fair value gain		
As at 1 October	122,204	41,155
Disposal of shares/units	(122,707)	-
Fair value gain during the period / year	3,000	81,049
As at period / year end	2,497	122,204
10.3.4 Cumulative impairment losses recognized		
As at 1 October	93,258	93,258
Recognized during the period / year	-	-
Transfer to Profit and loss account on derecognition of units	(88,058)	-
As at period / year end	5,200	93,258

10.4 Investments with face value of Rs. 594.25 million (30 September 2013: Rs. 922.49 million) and market value of Rs. 666 million (30 September 2013: Rs. 1,157.94 million) are pledged as security against long term running finances and short term borrowings.

	Note	March 2014	September 2013
		(Rupees in thousand)	
11. Investments			
Available for sale - cost	11.1	125,307	125,307
Add: Cumulative fair value gain	11.2	175,553	123,300
		300,860	248,607
11.1 Available for sale - at cost			
Altern Energy Limited - Quoted			
12,530,582 (30 September 2013: Rs. 12,530,582) fully paid ordinary shares of Rs. 10 each		125,307	125,307
Innovative Investment Bank Limited - Unquoted			
51,351 (30 September 2013: Rs. 51,351) fully paid ordinary shares of Rs. 10 each		-	-
		125,307	125,307
11.2 Cumulative fair value gain			
As at 1 October		123,300	(6,266)
Fair value gain during period / year		52,253	129,566
As at period / year end		175,553	123,300

11.3 Investments with face value of Rs. 124.66 million (30 September 2013: Rs. 124.66 million) and market value of Rs. 299.31 million (30 September 2013: Rs. 247.33 million) are pledged as security against long term running finances and short term borrowings.

12. Segments information

(Rupees in thousand)

	Sugar				Bio Fuel				Bio Power				Building materials				Sub-total carried forward			
	Quarter ended		Half year ended		Quarter ended		Half year ended		Quarter ended		Half year ended		Quarter ended		Half year ended		Quarter ended		Half year ended	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013	31 March 2014	31 March 2013	31 March 2014	31 March 2013	31 March 2014	31 March 2013	31 March 2014	31 March 2013	31 March 2014	31 March 2013	31 March 2014	31 March 2013	31 March 2014	31 March 2013	31 March 2014	31 March 2013
12.1 Sales																				
External	3,804,371	1,132,977	4,888,899	2,629,939	1,734,509	1,885,182	1,834,146	2,795,706	-	71,612	-	134,060	17,144	25,738	37,045	45,465	5,556,024	3,115,509	6,760,090	5,605,170
Intersegment	479,969	436,543	821,160	808,605	42,832	41,956	43,637	85,456	32,303	4,268	32,303	8,312	-	79	-	915	-	-	-	-
	4,284,340	1,569,520	5,710,059	3,438,544	1,777,341	1,927,138	1,877,783	2,881,162	32,303	75,880	32,303	142,372	17,144	25,817	37,045	46,380	5,556,024	3,115,509	6,760,090	5,605,170
12.2 Segment expenses																				
Cost of sales																				
Net of intersegment costs	4,483,975	1,484,338	6,094,804	3,393,761	978,753	1,026,176	681,138	1,318,521	12,295	18,109	22,077	49,327	(190)	4,912	8,030	19,044	5,474,833	2,533,535	6,806,049	4,780,653
Intersegment cost	30,430	2,406	38,942	7,592	460,638	420,340	790,129	778,315	15,993	41,956	15,993	85,456	19,643	16,662	31,161	26,428	-	-	-	-
	4,514,405	1,486,744	6,133,746	3,401,353	1,439,391	1,446,516	1,471,267	2,096,836	28,288	60,065	38,070	134,783	19,453	21,574	39,191	45,472	5,474,833	2,533,535	6,806,049	4,780,653
Gross profit/(loss)	(230,065)	82,776	(423,687)	37,191	337,950	480,622	406,516	784,326	4,015	15,815	(5,767)	7,589	(2,309)	4,243	(2,146)	908	81,191	581,974	(45,959)	824,517
Administrative expenses	(46,467)	(29,319)	(108,863)	(70,487)	(31,312)	(38,642)	(35,800)	(58,672)	(615)	(1,436)	(616)	(2,899)	(109)	(491)	(706)	(943)	(78,503)	(69,888)	(145,985)	(133,001)
Distribution and selling cost	(6,902)	(4,376)	(11,371)	(8,637)	(109,528)	(101,146)	(127,544)	(168,234)	-	-	-	-	(5)	(17)	(32)	(35)	(116,435)	(105,539)	(138,947)	(176,906)
	(53,369)	(33,695)	(120,234)	(79,124)	(140,840)	(139,788)	(163,344)	(226,906)	(615)	(1,436)	(616)	(2,899)	(114)	(508)	(738)	(978)	(194,938)	(175,427)	(284,932)	(309,907)
Segment results	(283,434)	49,081	(543,921)	(41,933)	197,110	340,834	243,172	557,420	3,400	14,379	(6,383)	4,690	(2,423)	3,735	(2,884)	(70)	(113,747)	406,547	(330,891)	514,610

12. Segments information

(Rupees in thousand)

	Sub-total brought forward				Textile				Farms				Others				Total			
	Quarter ended		Half year ended		Quarter ended		Half year ended		Quarter ended		Half year ended		Quarter ended		Half year ended		Quarter ended		Half year ended	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013	31 March 2014	31 March 2013	31 March 2014	31 March 2013	31 March 2014	31 March 2013	31 March 2014	31 March 2013	31 March 2014	31 March 2013	31 March 2014	31 March 2013	31 March 2014	31 March 2013	31 March 2014	31 March 2013
12.1 Sales																				
External	5,556,024	3,115,509	6,760,090	5,605,170	288,837	464,861	774,923	926,997	4,528	6,698	14,214	11,651	7,543	10,221	12,079	16,033	5,856,932	3,597,289	7,561,306	6,559,851
Intersegment	-	-	-	-	-	-	-	-	5,295	4,989	13,446	12,232	-	-	-	-	-	-	-	-
	5,556,024	3,115,509	6,760,090	5,605,170	288,837	464,861	774,923	926,997	9,823	11,687	27,660	23,883	7,543	10,221	12,079	16,033	5,856,932	3,597,289	7,561,306	6,559,851
12.2 Segment expenses																				
Cost of sales																				
Net of intersegment costs	5,474,833	2,533,535	6,806,049	4,780,653	258,361	453,902	744,239	872,500	9,828	11,268	27,120	22,642	5,081	8,520	7,943	11,113	5,748,103	3,007,225	7,585,351	5,686,908
Intersegment cost	-	-	-	-	31,757	5,434	31,757	11,587	1,800	2,661	2,244	5,482	138	(1,624)	320	660	-	-	-	-
	5,474,833	2,533,535	6,806,049	4,780,653	290,118	459,336	775,996	884,087	11,628	13,929	29,364	28,124	5,219	6,896	8,263	11,773	5,748,103	3,007,225	7,585,351	5,686,908
Gross profit/(loss)	81,191	581,974	(45,959)	824,517	(1,281)	5,525	(1,073)	42,910	(1,805)	(2,242)	(1,704)	(4,241)	2,324	3,325	3,816	4,260	108,829	590,064	(24,045)	872,943
Administrative expenses	(78,503)	(69,888)	(145,985)	(133,001)	(7,105)	(7,583)	(14,235)	(14,457)	(886)	(728)	(1,458)	(1,154)	(145)	(199)	(231)	(326)	(86,639)	(78,398)	(161,909)	(148,938)
Distribution and selling cost	(116,435)	(105,539)	(138,947)	(176,906)	(229)	(511)	(705)	(1,041)	-	-	-	-	-	-	-	-	(116,664)	(106,050)	(139,652)	(177,947)
	(194,938)	(175,427)	(284,932)	(309,907)	(7,334)	(8,094)	(14,940)	(15,498)	(886)	(728)	(1,458)	(1,154)	(145)	(199)	(231)	(326)	(203,303)	(184,448)	(301,561)	(326,885)
Segment results	(113,747)	406,547	(330,891)	514,610	(8,615)	(2,569)	(16,013)	27,412	(2,691)	(2,970)	(3,162)	(5,395)	2,179	3,126	3,585	3,934	(94,474)	405,616	(325,606)	546,058
Other operating expenses																	(4,401)	(38,913)	(28,769)	(46,069)
Finance costs																	(90,383)	(103,645)	(167,287)	(233,122)
Other operating income																	237,012	62,428	294,438	106,986
Share of income of associates																	45,386	55,567	47,648	123,741
Taxation																	(62,931)	(35,291)	(85,774)	(64,967)
Profit / (loss) for the period																	30,209	345,762	(265,350)	432,627

12.3 Segment assets and liabilities

	Segment assets		Segment liabilities	
	31March Un-Audited 2014	30 September Audited 2013	31March Un-Audited 2014	30 September Audited 2013
	(Rupees in thousand)			
Sugar	4,035,447	3,214,691	6,134,936	4,824,046
Bio Fuel	2,897,823	946,962	1,790,287	1,266,031
Bio Power	347,116	370,235	11,945	18,124
Building materials	57,391	40,635	410	2,480
Textile	388,579	353,229	175,446	178,232
Farms	755,423	757,484	24,439	14,917
Others	2,038	22,845	194	-
Unallocated	1,915,962	3,100,598	429,902	344,137
	10,399,779	8,806,679	8,567,559	6,647,967

13. Other income

	March 2014	March 2013
	(Rupees in thousand)	
Income from financial assets		
Dividend income	12,531	9,747
Profit on sale of investment	223,797	-
Return on bank deposits	409	247
	236,737	9,994
Income from non-financial assets		
Scrap sales	15,422	19,741
Profit on sale of:		
- Property, plant and equipment	3,022	4,748
Liabilities written back	11,371	60,675
Rental income	2,897	5,143
Agricultural income	1,500	401
Others	23,489	6,284
	57,701	96,992
	294,438	106,986

14. Earnings per share

14.1 Basic earnings per share

		Quarter ended		Half year ended	
		31 March 2014	31 March 2013	31 March 2014	31 March 2013
Profit / (loss) for the period	Rupees	30,209,000	345,762,000	(265,350,000)	432,627,000
Weighted average number of ordinary shares in issue during the period	Number	69,523,798	69,523,798	69,523,798	69,523,798
Earnings per share - basic	Rupees	0.43	4.97	(3.82)	6.22

14.2 Diluted earnings 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 is adjusted to eliminate the preference dividend.

		Quarter ended		Half year ended	
		31 March 2014	31 March 2013	31 March 2014	31 March 2013
Profit / (loss) for the period	Rupees	30,209,000	345,762,000	(265,350,000)	432,627,000
Preference dividend on convertible preference shares	Rupees	-	-	-	-
Profit used to determine diluted earnings per shares	Rupees	30,209,000	345,762,000	(265,350,000)	432,627,000
Weighted average number of ordinary shares in issue during the period	Number	69,523,798	69,523,798	69,523,798	69,523,798
Assumed conversion of convertible preference shares into ordinary shares	Number	5,774,108	5,774,108	5,774,108	5,774,108
Weighted average number of ordinary shares for diluted earnings per share	Number	75,297,906	75,297,906	75,297,906	75,297,906
Earnings per share - diluted	Rupees	0.40	4.59	(3.52)	5.75

15. Cash generated from operating activities

	Half year ended March 2014	Half year ended March 2013
	(Rupees in thousand)	
(Loss) / profit before taxation	(179,576)	497,594
Adjustments for:		
Depreciation on operating assets	162,231	166,310
Amortization of intangible assets	45	30
Loss on sale of property, plant and equipment	739	(4,748)
Dividend income	(12,531)	(9,747)
Share of profit from associates	(47,648)	(123,741)
Fair value gain on livestock	(1,483)	(1,246)
Profit on sale of Investment	(223,797)	-
Provision for WPPF	-	23,184
Provision for employee benefits	7,223	5,321
Finance cost	167,287	213,693
Markup waived off	(4,400)	(46,980)
	47,666	222,076
(Loss) / profit before working capital changes	(131,910)	719,670
(Increase)/ decrease in current assets:		
Stock-in-trade	(1,675,328)	(3,226,566)
Trade debts	(348,513)	(166,349)
Stores and spares	(13,034)	(25,692)
Other receivables	(116,740)	(58,509)
Biological assets	(1,071)	7,627
Increase in current liabilities:		
Trade and other payables	1,649,691	2,971,146
	(504,995)	(498,343)
Cash (used in) / generated from operations	(636,905)	221,327

16. Transactions with related parties

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. Transactions with related parties (other than disclosed elsewhere in this interim financial information) are as follows:

Relationship with the company	Nature of transactions	Half year ended March 2014	Half year ended March 2013
		(Rupees in thousand)	
i. Associated / Related Undertakings:			
Crescent Steel & Allied Products Limited	Purchase of goods	3,572	12,637
	Sale of goods	1,655	150
	Rendering services	-	38
	Common expenses	4,601	1,119
	Dividend income	4,080	5,440
Shakarganj Food Products Limited	Sale of goods	4,065	10,424
	Salary expense and other Common expenses	741	995
Premier Insurance Limited	Insurance expenses	2,808	2,500
ii. Post employment benefit plans	Expense charged in respect of retirement benefit plans	7,173	9,035
iii. Key Management Personnel	Salaries and other employee benefits	58,608	45,431

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

17. Date of authorisation for issue

This condensed interim financial information was authorised for issue on 28 May 2014 by the Board of Directors of the Company.

18. General

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purposes of comparison and better presentation as per reporting framework.

Chief Executive

Chairman

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