Shakarganj Mills Limited






Annual Report 2011

CONTENTS

VISION, MISSION & VALUES

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

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

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

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

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

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

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

COMPANY INFORMATION

Board Of Directors

From Left to Right

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

Chief Financial Officer

S.M. Chaudhry

Company Secretary

Asif Ali

Audit Committee

Chairman

Khalid Bashir

Member

Muhammad Anwar

Ali Altaf Saleem

MANAGEMENT COMMITTEES

Executive Committee

Chairman — **Ahsan M. Saleem**

Anjum M. Saleem
Muhammad Asghar Qureshi

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 Asghar Qureshi
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.

Human Resource Committee

Chairman — **Muhammad Asghar Qureshi**

Muhammad Pervaiz Akhtar
S.M. Chaudhry
Hameedullah Awan
Asif Ali

The HR Committee has been constituted to address and improve the area of Human Resource Development. The main aim of the committee is to guide the management in formulating an overall strategic plan for HR and to provide the best working 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
- Ethanol
- Particle Board
- Yarn
- Electricity

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 2011 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

Annual General Meeting
The 44th Annual General Meeting of Shakarganj Mills Limited will be held on Tuesday, 31 January 2012 at 09:30 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, industrial ethanol and particle board as well as textiles. We transform renewable crops such as sugarcane and cotton into value added products comprising refined sugar, textiles, industrial grade ethanol and building materials in addition to generating electricity from biogas. The Company has two manufacturing facilities in Jhang District. Our registered office is in Lahore.

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

Sugar Business:

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

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

Ethanol Business:

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

Building Materials Business:

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

Alternate Energy Business:

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

Textile Business:

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

Farming Business:

This comprises different parcels of land mainly located at Jhang Division nearby our manufacturing facilities. Total area under cultivation is over 2,100 acres of which nearly 1,450 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.

Business Vision and Strategy:

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

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

- Serve our Customers:

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

- Operate Efficiently and Safely:

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

- Invest in Long Term Assets and Partnerships:

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

- Invest in Technology and People:

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

- Grow the Contribution from Value Added Products:

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

DIRECTOR'S 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 2011:

Financial Results

The financial results of the company are summarized below:

		2011	2010
		(Rupees in Thousand)	
Loss before taxation		**(48,195)**	(675,690)
Taxation		**(158,309)**	(76,447)
Loss for the year from continuing operations		**(206,504)**	(752,137)
Profit/(loss) for the year from discontinued operations		**124,981**	(127,590)
Loss for the year		**(81,523)**	(879,727)
Appropriations			
Proposed dividend			
Dividend per share - Proposed	(Rupees)	**-**	-
Bonus Shares		**-**	-
Basic earnings/(loss) per share:			
- From continuing operations	(Rupees)	**(2.97)**	(10.82)
- From discontinued operations	(Rupees)	**1.80**	(1.84)
From loss for the year	(Rupees)	**(1.17)**	(12.66)
Diluted earnings/(loss) per share:			
- From continuing operations	(Rupees)	**(2.97)**	(10.82)
- From discontinued operations	(Rupees)	**1.80**	(1.84)
From loss for the year	(Rupees)	**(1.17)**	(12.66)

Due to losses, the directors do not recommend any dividend for the year ended 30 September 2011.

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 Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

5. The system of internal control and other such procedures, which are in place, are being continuously reviewed by the internal audit function. The process of review will continue and any weakness in controls will be removed.
6. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
7. There are no significant doubts upon the Company's ability to continue as a going concern as it has adequate resources & improving its results to continue in operation for the foreseeable future.
8. 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.
9. Key operating and financial data for the last six years in summarized form is shown on Page 12-14.
10. The outstanding statutory duties, taxes, charges and levies, if any have been fully disclosed in the financial statements.
11. 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 however detailed information is available in financial statements.
12. Total number of regular employees at the end of the year was 2,181.
13. Following is the value of investments based on audited accounts for the year ended 30 September 2011:

Gratuity fund	Rupees 34.98 million
Pension fund	Rupees 216.73 million
Provident fund (un-audited accounts)	Rupees 71.35 million

Auditors

The auditors M/s A. F. Ferguson & Co., Chartered Accountants, will retire and are eligible for re-appointment as auditors of the Company for the next year. The Audit Committee of the Board has recommended the re-appointment of M/s A. F. Ferguson & Co., Chartered Accountants for the year ending 30 September 2012.

Meetings of the Board of Directors

During the year four (4) meetings of the Board of Directors were held. Leave of absence was granted to directors who could not attend the Board meetings. Attendance of each director was as follows:

Directors	144th	145th	146th	147th
Mr. Mazhar Karim	P	P	L	P
Mr. Ahsan M. Saleem	P	P	P	P
Name in alphabetic order				
Mr. Ali Altaf Saleem	P	P	P	P
Mr. Khalid Bashir	P	L	P	L
Mr. Muhammad Anwar	P	P	L	P
Mr. Muhammad Arshad	P	P	P	P
Mr. Muhammad Asif	P	P	P	-
Mrs. Rubina Rizvi	-	-	-	P

P = Present L = Leave of absence

On completion of their tenure, all the directors retired and the shareholders elected directors for the next term of three years in the extraordinary general meeting held on 31 May 2011. Following are the names of elected directors:

Mr. Mazhar Karim	Chairman
Mr. Ahsan M. Saleem	CEO
Mr. Ali Altaf Saleem	
Mr. Khalid Bashir	
Mr. Muhammad Anwar	
Mr. Muhammad Arshad	
Mrs. Rubina Rizvi	(Representing NIT)

Pattern of Shareholding

A statement of pattern of shareholding is placed on Page 86.

No trade in the shares of the Company was carried out by CEO, CFO, Company Secretary, their spouses and minor children except the following which have been duly reported as per the law:

Name of Director	Shares sold
Mr. Mazhar Karim	546,300

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's 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 2011 which contains the state of Company's affairs, reasons for incurring losses 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.

By Order of the Board

Ahsan M. Saleem
Chief Executive Officer

Date: 09 January 2012

CHIEF EXECUTIVE'S REVIEW

I welcome you to the 44th 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 2011.

Performance of our Company during the year under review has improved significantly since the previous year. Higher sugarcane crushing, increased recovery of sugar and enhanced ethanol production all contributed to the improved results in FY 2010-11, as detailed below:

Our Sugar Division crushed 1,567,361 tons of sugarcane to produce 141,549 tons of sugar, at a recovery of 9.01 percent. This was an overall increase of 80% in sugar production compared to the previous fiscal year where we produced 78,540 tons of sugar from 913,272 tons at a sugar recovery of 8.62 percent.

In the year under review, the performance of our Ethanol Division also improved due to higher capacity utilisation, which allowed us to produce 68.9 million litres, up from 22.7 million litres in the previous year. Exports accounted for about 95 percent of our production.

Stoppage at our Ethanol Division due to unavailability of molasses in the previous year had delayed the startup of our Power Division, leading to a reduced production of 21.8 million units of electricity in FY 2010-11 as compared to 27.3 million units in the previous year. Uninterrupted ethanol production in the period under review means higher electricity production in the future.

In the period under review, our Building Materials Division produced 5,920 cubic meters of particle board compared to 3,562 cubic meters the previous year. We saved significant quantities of bagasse through efficient operations of our Sugar Division and also procured the raw material from neighbouring mills to maximise capacity utilisation at this division.

Yarn production at our Textile Division decreased to 3.91 million kg in the period under review, in comparison to 6.80 million kg in the previous year. Capacity utilisation of this division was low due to a shut down of operations resulting from steep increases in cotton prices without a correspondingly sharp increase in yarn prices.

Financial Review:

As mentioned earlier in our last annual report, the Company has been in a tight liquidity position for the previous 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. 5,291 million. The management has taken a number of steps to overcome these issues including restructuring of loans and repayment of overdue markup, 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 & Power Units, partial divestment of investments in Safeway Mutual Fund Limited, Asian Stocks Fund Limited and some agricultural lands. 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, attached herewith. The Company has successfully negotiated with many of its lenders on bilateral terms and obtained various short term finance facilities to help overcome the liquidity crunch and increase capacity utilisation.

Keeping in view the position, without qualifying their opinion, the Company's 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 near future because of support from all stakeholders and concerted efforts being made by the management. The management is also confident that through the restructuring of borrowings and utilisation of improved liquidity in higher operational levels of sugarcane crushing and ethanol manufacturing and generation of adequate liquidity, the Company will be able to continue its operations in future.

Shakarganj has always had a positive forward looking approach in its operations and hopes for positive future outlook for all its business segments. We expect to achieve economies in our overall operations by De-layering and simplifying our organizational layout, reducing costs company-wide, and economies of scale. Company operations for coming year would also improve as a result of various steps taken by the company especially our core businesses of sugar & ethanol.

On behalf of the Board

Ahsan M. Saleem
Chief Executive Officer

Date: 09 January 2012

PRODUCTION DATA

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

FINANCIAL HIGHLIGHTS

		2011	2010	2009	2008	2007	2006
Operating Results:							
Net Sales	(Rs 000)	**13,363,264**	7,794,204	5,101,667	6,789,572	5,262,787	5,410,521
Cost of Sales	(Rs 000)	**12,069,279**	7,081,788	4,783,640	6,110,885	5,093,014	5,143,938
Gross Profit	(Rs 000)	**1,293,985**	712,416	318,027	678,687	169,773	266,583
Operating Profit/(Loss)	(Rs 000)	**841,167**	337,602	(522,307)	208,468	2,040,283	405,853
Profit/(Loss) Before Tax	(Rs 000)	**(48,195)**	(675,690)	(1,841,910)	(794,904)	1,046,624	(295,836)
Profit/(Loss) After Tax	(Rs 000)	**(81,523)**	(879,727)	(1,957,821)	(806,025)	621,179	66,639
Dividends	(Rs 000)	**-**	-	-	-	57,936	-
Earnings/(Loss) Before Interest, Taxes, Depreciation & Amortization	(Rs 000)	**1,321,318**	547,336	(114,083)	591,974	2,432,661	719,087
Per Share Results and Return:							
Earning Per Share	(Rupees)	**(1.17)**	(12.66)	(28.16)	(11.59)	8.94	0.96
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)	**4.90**	4.13	8.12	11.84	47.00	25.65
Price Earning Ratio	(Times)	**(4.19)**	(0.33)	(0.29)	(1.02)	4.38	20.52
Financial Position							
Reserves	(Rs 000)	**892,985**	969,241	950,008	1,084,562	1,301,388	2,694,008
Current Assets	(Rs 000)	**2,085,396**	3,321,289	2,236,267	4,269,970	3,036,408	5,244,222
Current Liabilities	(Rs 000)	**7,376,772**	6,567,466	7,365,047	6,375,012	4,545,163	6,761,064
Net Current Assets / (Liabilities)	(Rs 000)	**(5,291,376)**	(3,246,177)	(5,128,780)	(2,105,042)	(1,508,755)	(1,516,842)
Property, Plant and Equipment	(Rs 000)	**5,241,210**	4,471,988	6,385,995	5,304,266	5,982,153	4,168,832
Total Assets	(Rs 000)	**8,003,048**	8,271,886	10,173,421	12,406,788	10,910,513	11,718,890
Long-Term Debt	(Rs 000)	**2,794,162**	2,736,067	2,849,736	2,930,753	2,245,822	1,966,387
Shareholders' Equity	(Rs 000)	**(1,178,945)**	(1,206,392)	(345,917)	1,620,254	2,585,146	3,356,562
Share Capital	(Rs 000)	**695,238**	695,238	695,238	695,238	579,365	579,365
Break-up Value per Share	(Rupees)	**(16.96)**	(17.35)	(4.98)	23.31	44.62	62.77
Break-up Value per share including Surplus on Revaluation of Fixed Assets	(Rupees)	**3.42**	7.09	19.47	52.70	76.38	57.99
Financial Ratios:							
Current Ratio	(Times)	**0.28**	0.51	0.30	0.67	0.67	0.78
Long-Term Debt to Capitalization	(%)	**172.99**	178.87	113.82	64.40	46.49	36.94
Total Debt to Total Assets	(%)	**97.00**	94.00	87.00	70.47	59.44	71.36
Weighted Average Cost of Debt	%	**13.94**	14.15	17.09	14.27	11.90	11.67
Quick / Acid Test Ratio	(Times)	**0.14**	0.49	0.16	0.17	0.43	0.51
Earnings before Interest, Taxes, Depreciation & Amortization Margin (EBITDA)	(%)	**0.10**	0.07	(0.02)	7.64	46.22	13.29
Profitability Ratios:							
Gross Profit Ratio	(%)	**9.68**	9.14	6.23	10.00	3.23	4.93
Net Profit Margin	(%)	**(0.61)**	(11.29)	(38.38)	(11.87)	11.80	1.23
Average Collection Period	(Days)	**13.43**	0.68	0.98	6.46	5	15
Fixed Assets Turnover	(Times)	**2.55**	1.74	0.80	1.20	0.85	1.22
Total Assets Turnover	(Times)	**1.67**	0.94	0.50	0.55	0.49	0.54
Other Data:							
Depreciation & Amortization	(Rs 000)	**299,277**	359,177	408,224	383,133	392,038	313,234
Capital Expenditure	(Rs 000)	**139,072**	94,245	880,730	530,551	365,944	2,732,941

STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in the 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 representation of independent non-executive directors. At present five directors are independent non-executive directors.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.

3. All the directors of the Company have given declaration that they are aware of their duties and powers under the relevant laws and the Company's Memorandum and Articles of Association and the listing regulation of the stock exchanges of Pakistan.

4. 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.

5. A casual vacancy occurring in the board on 15 December 2010 was filled up by the directors within 30 days thereof.

6. The company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the company.

7. The Board has developed a vision/mission statement 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.

8. Significant policies are formally approved by the Board. However, the overall corporate strategy is in the process of being formulated for the Board.

9. 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 CEO and other executive directors, have been taken by the Board.

10. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter during the year ended 30 September 2011. Written notices of the Board Meetings, along with the agenda, were circulated at least seven days before the meetings. The Minutes of the meetings were appropriately recorded and circulated.

11. The members of Board have attended orientation course to apprise them of their duties and responsibilities.

12. The board has approved appointment of CFO, Company Secretary and the Head of Internal Audit, including their remuneration and terms and conditions of employment, as recommended by CEO.

13. The Director's Report for the year ended 30 September 2011 has been prepared in compliance with the requirements of the Code and it fully describes the salient matters required to be disclosed.

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

15. 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.

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

17. The Board has formed an audit committee. It comprises of three members, majority of whom are non-executive directors, including the Chairman. The Audit Charter of the Company requires that at least two members of the Audit Committee must be financially literate.

18. 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.

19. The Board has set-up and effective internal audit function managed by a suitably qualified audit firm who are conversant with the policies and procedures of the Company and are involved in the internal audit function on a full time basis.

20. All material information as required under the relevant rules has been provided to the Stock Exchanges and to the Securities and Exchange Commission of Pakistan within the prescribed time.

21. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, 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 Institute of Chartered Accountants of Pakistan.

22. 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.

23. All the related party transactions entered during the year were at arm's length basis and these have been placed before the Audit Committee and Board of Directors. These transactions are duly reviewed and approved by the Audit Committee and Board of Directors.

24. We confirm that all other material principles contained in the Code have been complied with.

By order of the Board.

Ahsan M. Saleem
Chief Executive Officer

Date: 09 January 2012

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 provision of the Code if 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 and effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the company's corporate governance procedures and risks.

Further, sub regulation (xiii a) of Listing Regulation 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 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 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 2011.

Chartered Accountants

Lahore
09 January 2012

Name of engagement partner:
Shahzad Hussain

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Financial Statements

For the year ended 30 September 2011

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Shakarganj Mills Limited as at 30 September 2011 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 in accounting policies as stated in notes 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 2011 and of the loss, 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 markup repayments on borrowings from financial institutions. The current liabilities of the Company have exceeded its current assets by Rs 5,291 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.
09 January 2012.

Name of engagement partner: Shahzad Hussain

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BALANCE SHEET
As at 30 September 2011

	Note	2011	2010
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
80,000,000 (2010: 80,000,000) ordinary shares of Rs 10 each		**800,000**	800,000
50,000,000 (2010: 50,000,000) preference shares of Rs 10 each		**500,000**	500,000
		1,300,000	1,300,000
Issued, subscribed and paid up capital 69,523,798 (2010: 69,523,798) ordinary shares of Rs 10 each	5	**695,238**	695,238
Reserves		**892,985**	969,241
Accumulated loss		**(2,767,168)**	(2,870,871)
		(1,178,945)	(1,206,392)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	6	**1,416,678**	1,699,425
NON-CURRENT LIABILITIES			
Long term finances	7	**363,205**	1,137,926
Liabilities against assets subject to finance lease	8	**24,837**	58,577
Employees' retirement benefits	9	**501**	12,577
Deferred income	10	**-**	2,307
		388,543	1,211,387
CURRENT LIABILITIES			
Current portion of long term liabilities	11	**2,460,408**	1,791,441
Short term borrowings - secured	12	**2,541,813**	2,845,639
Trade and other payables	13	**1,245,952**	1,117,523
Accrued finance cost	14	**1,087,629**	812,863
Provision for taxation		**40,970**	-
		7,376,772	6,567,466
CONTINGENCIES AND COMMITMENTS	15		
		8,003,048	8,271,886

The annexed notes 1 to 47 form an integral part of these financial statements.

	Note	2011	2010
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	16	**5,241,210**	4,471,988
Intangible assets	17	**1,137**	1,249
Biological assets	18	**11,140**	8,479
Investments - related parties	19	**618,052**	415,682
Employees' retirement benefits	9	**1,045**	3,092
Long term loans, advances, deposits and prepayments	20	**45,068**	50,107
Deferred taxation	21	**-**	-
		5,917,652	4,950,597
CURRENT ASSETS			
Biological assets	18	**21,493**	15,143
Stores, spares and loose tools	22	**106,393**	91,246
Stock-in-trade	23	**1,085,822**	131,989
Trade debts	24	**491,646**	14,494
Investments	25	**69,545**	143,976
Loans, advances, deposits, prepayments and other receivables	26	**191,328**	227,087
Cash and bank balances	27	**119,169**	33,514
		2,085,396	657,449
Non-current assets held for sale	28	**-**	2,663,840
		2,085,396	3,321,289
		8,003,048	8,271,886

Chief Executive

Chairman

PROFIT AND LOSS ACCOUNT

For the year ended 30 September 2011

		Note	2011	2010
			(Rupees in thousand)	
				Represented
Continuing operations:				
Sales		29	**13,363,264**	7,794,204
Cost of sales		30	**(12,069,279)**	(7,081,788)
Gross profit			**1,293,985**	712,416
Administrative expenses		31	**(297,903)**	(212,348)
Distribution and selling costs		32	**(245,291)**	(93,100)
Other operating expenses		33	**(164,228)**	(169,367)
Other operating income		34	**254,604**	100,001
Profit from operations			**841,167**	337,602
Finance cost		35	**(945,255)**	(991,063)
Share of profit/(loss) from associates		19.1	**55,893**	(22,229)
Loss before taxation			**(48,195)**	(675,690)
Taxation				
- Company			**(132,572)**	(55,860)
- Associates			**(25,737)**	(20,587)
		36	**(158,309)**	(76,447)
Loss for the year from continuing operations			**(206,504)**	(752,137)
Discontinued operations:				
Profit/(loss) for the year from discontinued operations		28	**124,981**	(127,590)
Loss for the year			**(81,523)**	(879,727)
Basic earnings/ (loss) per share				
- From continuing operations	Rupees	37	**(2.97)**	(10.82)
- From discontinued operations	Rupees	37	**1.80**	(1.84)
- From loss for the year	Rupees		**(1.17)**	(12.66)
Diluted earnings/ (loss) per share				
- From continuing operations	Rupees	37	**(2.97)**	(10.82)
- From discontinued operations	Rupees	37	**1.80**	(1.84)
- From loss for the year	Rupees		**(1.17)**	(12.66)

The annexed notes 1 to 47 form an integral part of these financial statements.

Chief Executive **Chairman**

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2011

	2011	2010
	(Rupees in thousand)	
Loss after taxation	**(81,523)**	(879,727)
Other comprehensive income:		
Fair value loss on 'Available for sale' investments	**(109,973)**	(89,780)
Loss during the year transferred to profit and loss account on derecognition of shares	**-**	(9,347)
Impairment loss transferred to profit and loss account	**31,134**	115,971
	(78,839)	16,844
Share of other comprehensive income of associates	**2,583**	2,389
Transfer from surplus on revaluation of property, plant and equipment on account of disposal of land	**185,226**	19
Other comprehensive income for the year	**108,970**	19,252
Total comprehensive income / (loss) for the year	**27,447**	(860,475)

The annexed notes 1 to 47 form an integral part of these financial statements.

Chief Executive

Chairman

CASH FLOW STATEMENT
For the year ended 30 September 2011

	Note	2011	2010
		(Rupees in thousand)	
Cash flows from operating activities			
Cash (used in) /generated from operations	38	**(308,105)**	1,665,692
Finance cost paid		**(670,489)**	(786,939)
Taxes paid		**(85,784)**	(18,247)
Employees' retirement benefits paid		**(20,636)**	(11,910)
Net decrease in long term deposits		**5,039**	49,677
Net cash (used in) / generated from operating activities		**(1,079,975)**	898,273
Cash flows from investing activities			
Fixed capital expenditure		**(152,157)**	(46,550)
Dividends received		**48,935**	14,912
Income from bank deposits received		**72,735**	13,080
Proceeds from sale of non-current assets held for sale		**1,500,000**	150,000
Proceeds from sale of property, plant and equipment		**139,441**	36,435
Proceeds from sale of investments in associates		**-**	3,063
Proceeds from sale of investments - others		**-**	197,918
Proceeds from sale of investments - held for sale		**-**	163,617
Net cash generated from investing activities		**1,608,954**	532,475
Cash flows from financing activities			
Long term finances - net		**58,095**	(113,669)
Net decrease in short term borrowings - secured		**(303,826)**	(1,208,896)
Finance lease liabilities - net		**(197,589)**	(99,174)
Dividends paid		**(4)**	(3)
Net cash used in financing activities		**(443,324)**	(1,421,742)
Net increase in cash and cash equivalents		**85,655**	9,006
Cash and cash equivalents at the beginning of the year		**33,514**	24,508
Cash and cash equivalents at the end of the year	27	**119,169**	33,514

The annexed notes 1 to 47 form an integral part of these financial statements.

Chief Executive **Chairman**

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 September 2011

(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 on 30 September 2009	695,238	243,282	10,932	23,558	155,930	433,702	410,606	22,700	83,000	516,306	950,008	(1,991,163)	(345,917)
Total comprehensive loss for the year ended 30 September 2010													
Loss for the year	-	-	-	-	-	-	-	-	-	-	-	(879,727)	(879,727)
Other comprehensive income for the year:													
Fair value gain on 'Available for sale' investments	-	-	-	16,844	-	16,844	-	-	-	-	16,844	-	16,844
Share of other comprehensive income of associates	-	-	2,389	-	-	2,389	-	-	-	-	2,389	-	2,389
Transfer from surplus on revaluation of property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-	19	19
	-	-	2,389	16,844	-	19,233	-	-	-	-	19,233	19	19,252
Total comprehensive income/(loss) for the year	**-**	**-**	**2,389**	**16,844**	**-**	**19,233**	**-**	**-**	**-**	**-**	**19,233**	**(879,708)**	**(860,475)**
Total contributions by and distributions to owners of the Company recognised directly in equity	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as on 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/(loss) 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 on 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)**

The annexed notes 1 to 47 form an integral part of these financial statements.

Chief Executive | **Chairman**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2011

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 5,291 million, the equity has been eroded and stands at negative 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 1,883 million are over-due for payment.

The Company has been facing a liquidity crunch for the last few years and in February 2010 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 repaid through sale of certain identified assets of the Company, namely, the agricultural land, investments in Safeway Mutual Fund Limited, Asian Stocks Fund Limited and Shakarganj Food Products Limited, plant and machinery at Mian Muhammad Sugar Mill (Azad Jammu & Kashmir), SML Power Division-Dargai Shah, certain residential and commercial plots and certain other idle items of plant and machinery.

The bridge finance facility and the consortium running finance facility were envisaged to be operational by April 2010 and fully re-paid by June 2011. 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 has not been able to liquidate all of the above mentioned assets as per time lines identified in the bridge loan agreement and subsequent to 30 June 2011, these facilities stand expired.

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 utilization 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:

The Company has sold the following assets during previous and current year to generate liquidity and partially repay certain over due borrowings:

	Sale proceeds (Rupees in thousands)
Sale of Sugar Unit at Dargai Shah	1,350,000
Sale of Power Division at Dargai Shah	300,000
Partial divestment in Safeway Mutual Fund Limited and Asian Stocks Fund Limited	163,628
Sale of investment in Safeway Fund Limited	71,250
Partial disposal of agricultural land	64,954

During the current 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.

While the Bridge loan facility could not become operative and expired on 30 June 2011, the Company has successfully negotiated with some of its lenders on bilateral terms and obtained short term finance during the year for working capital purposes resulting in significantly improved operational results. Furthermore, the Company has been able to restructure Rs 473 million of various over-due borrowings from MCB Bank Limited into a long term loan with relaxation in payment terms.

The above mentioned measures, alongwith various other operational improvement measures resulted in a significant improvement in productivity and financial results of the Company in current year as compared to previous years and the Company was able to crush 1.567 million tons of sugarcane compared to 0.913 million tons of sugarcane during last year at an improved average recovery of 9.01% compared to 8.62% of last year. Similarly the production of ethanol also increased from 18,136 tons last year to 55,089 tons in current year.

The Company is currently in the process of negotiations with its lenders and seeking 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 securitized 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 has requested and expects the 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;

- To freeze the amount of accrued interest on bridge facility up to 30 September 2011 which shall be paid 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.

The Company has received responses from some banks who have offered new working capital facilities and the Company is confident that based on its above-mentioned plan, it will continue to enjoy support from the lenders and also be able to reschedule existing over-due borrowings.

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 utilizing such funds to increase its operations and achieve its budgeted targets for production of sugar, ethanol etc.

These financial statements consequently, do not include any adjustments relating to the realization of its assets and liquidation of 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 01 October 2010 and their impact on these financial statements is given below:

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

- IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The application of the amendment will not affect the results or net assets of the Company as it is only concerned with presentation and disclosures.

- IFRS 8 (amendment), Operating Segments The amendment is part of the International Accounting Standards Board's (IASB) annual improvements project published in April 2009. The amendment provides clarification that the requirement for disclosing a measure of segment assets is only required when the Chief Operating Decision Maker (CODM) reviews that information. The application of the amendment does not affect the results or net assets of the Company as it is only concerned with presentation and disclosures.

- IAS 1 (amendment), 'Presentation of financial statements' is effective from 01 January 2010. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The application of the amendment will not affect the results or net assets of the Company as it is only concerned with presentation and disclosures.

- IAS 7 (amendment), 'Statement of cash flows' is effective from 01 January 2010. The amendment provides clarification that only expenditure that results in a recognized asset in the balance sheet can be classified as a cash flow from investing activity. The clarification results in an improvement in the alignment of the classification of cash flows from investing activities in the cash flow statement and the presentation of recognized assets in the balance sheet. The application of the amendment will not affect the results or net assets of the Company as it is only concerned with presentation and disclosures.

- IAS 36 (amendment), 'Impairment of assets', effective 01 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics).

- IAS 38 (amendment), 'Intangible assets', effective 01 January 2010. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.

- IAS 39 (amendment); 'Cash flow hedge accounting'. This amendment provides clarification when to recognize gains or losses on hedging instruments as a reclassification adjustments in a cash flow hedge of a forecast transaction that results subsequently in the recognition of a financial instrument. The amendment clarifies that gains or losses should be reclassified from equity to income statement in the period in which the hedged forecast cash flow affects income statement.

  IFRIC 9, 'Reassessment of embedded derivatives and IAS 39, Financial instruments: Recognition and measurement', effective 01 July 2009. This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the 'fair value through profit or loss' category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. If the entity is unable to make this assessment, the hybrid instrument must remains classified as at fair value through profit or loss in its entirety.

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 01 October 2011 or later periods, but the Company has not early adopted them:

- Amendments to IFRS 7, 'Financial instruments: Disclosures' on derecognition is effective from 01 July 2011. These amendments are part of the IASB's comprehensive review of off balance sheet activities. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial asset.

- 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.

- IAS 1, (amendments), 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. This amendment is effective for periods beginning on or after 01 January 2011.

- 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 12, 'Amendment to Deferred Taxation', issued on 23 December 2010. This amendment requires the entity holding investment properties measured at fair value in territories where there is no capital gains tax or where the capital gains rate is different from the income tax rate. This amendment is likely to reduce the deferred tax assets and liabilities recognised by the entity on such investments. The amendment is effective for annual periods beginning on or after 01 July 2012. Earlier adoption is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. It is not expected to have any material impact on the Company's financial statements.

- 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 24 (Revised), 'Related Party Disclosures', is effective for annual periods beginning on or after 01 January 2011. The definition of a related party has been clarified to simplify the identification of related party relationships, particularly in relation to significant influence and joint control. This is not expected to have a material impact on the company's financial statements.

- IAS 39 (amendment); 'Cash flow hedge accounting'. This amendment provides clarification when to recognize gains or losses on hedging instruments as a reclassification adjustments in a cash flow hedge of a forecast transaction that results subsequently in the recognition of a financial instrument. The amendment clarifies that gains or losses should be reclassified from equity to income statement in the period in which the hedged forecast cash flow affects income statement. The application of the amendment will not affect the results or net assets of the Company as it is only concerned with presentation and disclosures.

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:

i) Estimate of recoverable amount of investment in associates - note 19
ii) Revaluation surplus on operating assets - note 6
iii) Estimated useful lives of property, plant and equipment - note 16.1
iv) Estimated recoverable amount of assets of Mian Muhammad Sugar Mills - note 16.2.4
v) Provision for taxation - note 36
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.

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 utilized.

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 income statement, except in the case of items credited or charged to equity in which case it is included in 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 2011.

Actual returns on plan assets during the year were Rs 33.010 million and Rs 6.785 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	12.5%	per annum
Expected increase in eligible pay	11.5%	per annum
Expected rate of return on plan assets	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

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 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. This is carried at revalued figures less any identified impairment loss. 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.

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 16.1 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 2011 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 any identified impairment loss.

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 17.

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 amount. Where carrying values exceed the respective recoverable amounts, 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 8. 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

Held to maturity

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

Available for sale

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

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

Held for trading

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

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

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

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.

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.

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 equity. The gain or loss relating to the ineffective portion is recognized immediately in the profit and loss account.

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 profit.

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.

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

2011	2010		2011	2010
(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:

	2011	2010
	(Number of shares)	
Asian Stocks Fund Limited	**2,108,319**	2,108,319
Crescent Jute Products Limited	**33,640**	200,640
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	27,965,727

	2011	2010
	(Rupees in thousand)	

6. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	2011	2010
Revaluation - net of deferred tax	**1,699,425**	1,699,444
Revaluation decrease arising during the year	**(97,521)**	-
Surplus transferred to accumulated losses on account of disposal of property, plant and equipment	**(185,226)**	(19)
	1,416,678	1,699,425

The latest valuation of land has been carried out by an independent valuer, M/s Saleem Engineers in 2011. Land is valued on the basis of current market value.

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.

		2011	2010
		(Rupees in thousand)	

7. LONG TERM FINANCES

		2011	2010
Long term loans - secured	- note 7.1	**1,676,945**	1,520,603
Redeemable capital			
Preference shares (non-voting) - unsecured	- note 7.4	**345,756**	345,755
Term finance certificates (non-voting) - secured	- note 7.5	**596,000**	630,000
		941,756	975,755
Long term running finances - secured	- note 7.6	**175,461**	203,183
Loan from Chief Executive and key management personnel- unsecured	- note 7.7	**-**	36,526
		2,794,162	2,736,067
Less: Current portion shown under current liabilities			
- Long term loans - secured		**(1,313,740)**	(1,049,203)
- Redeemable capital - Preference Shares (non-voting) - secured		**(345,756)**	(345,755)
- Redeemable capital - term finance certificates (non-voting) - secured		**(596,000)**	-
- Long term running finances - secured		**(175,461)**	(203,183)
	- note 7.2	**(2,430,957)**	(1,598,141)
		363,205	1,137,926

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2011

7.1 Long term loans - secured

Loan	Lender		2011	2010		Rate of mark-up per annum	Number of installments outstanding	Mark-up payable
			(Rupees in thousand)					
1	Saudi Pak Commercial Bank Limited		**75,000**	125,000	*	Base rate + 3.75% and monitoring fee of 0.25% per annum	Six quarterly installments ending November 2011, including five overdue installments aggregating to Rs 62.5 million.	Quarterly
2	Syndicate term loan	- note 7.3	**151,298**	307,678	**	Base rate + 3% subject to floor of 5.25%	One installment of Rs 105 million and a partial installment of Rs 46.3 million are overdue.	Semi-annual
3	MCB Bank Limited		**91,875**	91,875	*	Base rate + 2% subject to floor of 8%	Three semi annual installments of Rs. 30.625 million each are overdue.	Semi-annual
4	Faysal Bank Limited		**4,423**	7,500	*	Base rate + 3.25%	Three quarterly installments (including two over-due) of Rs1.25 million each and one partial overdue installment amounting to 0.67 million.	Quarterly
5	National Bank of Pakistan Limited		**190,400**	217,600	*	Base rate + 2.5%	Seven semi annual installments ending June 2014 including one overdue installment of Rs 27.2 million.	Semi-annual
6	National Bank of Pakistan Limited		**119,949**	199,950	***	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 two overdue installments of Rs 8.55 million each.	Quarterly
8	Standard Chartered Bank Limited		**400,000**	400,000	*	Base rate + 2.25%	Ten semi annual installments of Rs. 39.984 million each and two semi annual installments of Rs 80,000 each ending June 2014, including 6 overdue installments aggregating to Rs 160.096 million.	Semi-annual
9	MCB Bank Limited		**473,000**	-	*	Base rate + 2.5%	Ten semi annual installments of Rs 47.325 million each ending 25 May 2017.	Semi-annual
			1,676,945	1,520,603				

* 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

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.

7.2 The aggregate current portion of Rs 2,431 million includes principal installments aggregating to Rs 274.318 million, which, under the terms of original loan agreements were due for repayment in period subsequent to 30 September 2011. However, as the company could not repay on a timely basis the installments due uptil the year ended 30 September 2011 and is not compliant with certain debt covenants, which represents a breach of the respective agreements, therefore these loans are required to be disclosed as a current liability under the guidance contained in IAS 1 “Presentation of financial statements”. The banks have not demanded any early repayment nor have levied any penalties.

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.

Terms of redemption

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

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

Rate of dividend

The preference shareholders have a preferred right of dividend @ 8.5% per annum on a cumulative basis.

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

	2011	2010
	(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 now redeemable in 10 equal semi-annual installments ending on 22 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. The first installment is now due in March 2012.

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 expired in July 2009 and are repayable immediately. The outstanding balance carries a markup ranging from Re 0.3855 to 0.4803 per Rs 1,000 per diem. The aggregate running finances are secured against pledge of stock-in-trade, marketable securities and ranking charge on current assets of the company.

7.7 Loan from Chief Executive and key management personnel- unsecured

Unsecured interest free loans were obtained from the following on 29 September 2010 and were repaid during the year:

Name		**Amount of loan**	
		2011	2010
		(Rupees in thousand)	
Mr. Ahsan M. Saleem	Chief Executive	**-**	15,000
Mr. Anjum M. Saleem	Managing Director	**-**	30,000
Mrs. Anjum M. Saleem	Spouse of Managing Director	**-**	5,000
		-	50,000

These were recognized at amortized cost using discount rate of 17% per annum. Amortization of Rs 13.474 million on the loans has been included in interest on long term loans as referred to in note 35.

8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

		2011	2010
		(Rupees in thousand)	
Present value of minimum lease payments		**54,288**	251,877
Less: Current portion shown under current liabilities	- note 8.1	**(29,451)**	(193,300)
		24,837	58,577

The minimum lease payments have been discounted at an implicit interest rate ranging from 8.25% to 17.29% 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.

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 2011	Present value of lease liability 2010
	(Rupees in thousand)			
Not later than one year	35,020	5,569	**29,451**	193,300
Later than one year and not later than five years	31,425	6,588	**24,837**	58,577
	66,445	12,157	**54,288**	251,877

8.1 Includes 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.

9. EMPLOYEES' RETIREMENT BENEFITS

		2011	2010
		(Rupees in thousand)	
Classified under non-current liabilities			
Pension fund	- note 9.1	**501**	12,577
Classified under non-current assets			
Gratuity fund	- note 9.2	**1,045**	3,092
Profit and Loss account charge for:			
Pension Benefits	- note 9.1	**8,263**	6,791
Gratuity Benefits	- note 9.2	**2,344**	2,290
		10,607	9,081

9.1 Pension fund

The amounts recognized in the balance sheet are determined as follows:

	2011	2010
Present value of defined benefit obligations	**197,781**	166,684
Fair value of plan assets	**(216,227)**	(174,627)
Non-vested (past service) cost to be recognized in later periods	**(1,433)**	(2,865)
Unrecognized actuarial losses	**20,380**	23,385
Liability as at 30 September	**501**	12,577

	2011	2010
	(Rupees in thousand)	
The movement in the defined benefit obligation over the year is as follows:		
Present value of defined benefit obligations as at 01 October	**166,684**	161,675
Current service cost	**8,361**	6,922
Interest cost	**20,835**	19,401
Benefits paid during the year	**(11,747)**	(5,087)
Actuarial losses / (gains)	**13,648**	(16,227)
Present value of defined benefit obligations as at 30 September	**197,781**	166,684
The movement in the fair value of plan assets of the year is as follows:		
Fair value as at 01 October	**174,627**	168,530
Expected return on plan assets	**21,828**	20,224
Contributions during the year	**20,338**	(499)
Benefits paid during the year	**(11,747)**	(5,087)
Actuarial gains / (losses)	**11,181**	(8,541)
Fair value as at 30 September	**216,227**	174,627
The amounts recognized in the profit and loss account are as follows:		
Current service cost	**8,361**	6,922
Interest cost	**20,835**	19,401
Expected return on plan assets	**(21,828)**	(20,224)
Past service cost	**1,433**	1,433
Actuarial gain recognized	**(538)**	(741)
Total, included in salaries and wages	**8,263**	6,791
The amounts recognized were included in the profit and loss account as follows:		
Cost of sales	**4,178**	2,858
Administrative expenses	**4,085**	3,933
Total, included in salaries and wages	**8,263**	6,791

The actual return on plan assets was Rs 33.009 million (2010: Rs 3.115 million).

The principal actuarial assumptions used were as follows:

	2011	2010
Discount rate	**12.5%**	12.5%
Expected return on plan assets	**12.5%**	14%
Future salary increases	**11.5%**	11.5%
Average expected remaining working life time of employees	**11 years**	11 years

	2011	2010
	(Rupees in thousand)	
Plan assets are comprised as follows:		
Equity Instruments	**25,230**	29,259
Debt Instruments	**176,583**	163,390
Others	**14,415**	(18,022)
	216,228	174,627

Fair value of plan assets include Preference Shares of the company whose fair value as at 30 September 2011 is Rs 0.446 million (2010: Rs 0.878 million).

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

	2010-11	2009-10	2008-09	2007-08	2006-07
			(Rupees in thousand)		
As at 30 September					
Present value of defined benefit obligations	**197,781**	166,684	161,675	145,490	139,975
Fair value of plan assets	**(216,228)**	(174,627)	(168,530)	(147,386)	(135,250)
(Surplus)/deficit	**(18,447)**	(7,943)	(6,855)	(1,896)	4,725
Experience adjustment on plan liabilities	**13,648**	(16,227)	8,180	(12,513)	16,797
Experience adjustment on plan assets	**11,181**	(8,541)	(2,375)	(3,450)	6,737

9.2 Gratuity fund

The amounts recognized in the balance sheet are determined as follows:

	2011	2010
	(Rupees in thousand)	
Present value of defined benefit obligations	**29,651**	45,619
Fair value of plan assets	**(36,026)**	(52,048)
Unrecognized actuarial losses	**5,330**	3,337
Asset as at 30 September	**(1,045)**	(3,092)

The movement in the defined benefit obligation over the year is as follows:

	2011	2010
Present value of defined benefit obligations as at 01 October	**45,619**	42,360
Current service cost	**3,148**	2,906
Interest cost	**5,702**	5,930
Benefits paid during the year	**(23,103)**	(445)
Actuarial gains	**(1,715)**	(5,132)
Present value of defined benefit obligations as at 30 September	**29,651**	45,619

	2011	2010
	(Rupees in thousand)	
The movement in the fair value of plan assets of the year is as follows:		
Fair value as at 01 October	**52,048**	46,756
Expected return on plan assets	**6,506**	3,841
Contributions during the year	**3,387**	6,546
Benefits paid during the year	**(23,103)**	(445)
Actuarial losses	**(2,812)**	(4,650)
Fair value as at 30 September	**36,026**	52,048

The amounts recognized in the profit and loss account are as follows:

	2011	2010
Current service cost	**3,148**	2,906
Interest cost	**5,702**	5,930
Expected return on plan assets	**(6,506)**	(6,546)
Total, included in salaries and wages	**2,344**	2,290

The amounts recognized were included in the profit and loss account as follows:

	2011	2010
Cost of sales	**1,290**	955
Administrative expenses	**1,054**	1,335
Total, included in salaries and wages	**2,344**	2,290

The actual return on plan assets was Rs 6.785 million (2010: Rs 1.896 million).

	2011	2010
The principal actuarial assumptions used were as follows:		
Discount rate	**12.50%**	12.50%
Expected return on plan assets	**12.50%**	14.00%
Future salary increases	**11.50%**	11.50%
Average expected remaining working life time of employees	**10 years**	10 years

	2011	2010
	(Rupees in thousand)	
Plan assets are comprised as follows:		
Equity instruments	**3,992**	3,737
Debt instruments	**32,653**	47,126
Others	**(621)**	1,185
	36,024	52,048

Fair value of plan assets include Ordinary shares and Preference Shares of the Company whose fair values as at 30 September 2011 are Rs 0.3328 million (2010: Rs 0.249 million) and Rs 0.0648 million (2010: Rs 0.127 million) respectively.

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

	2010-11	2009-10	2008-09	2007-08	2006-07
			(Rupees in thousand)		
As at 30 September					
Present value of defined benefit obligations	**29,651**	45,619	42,362	39,264	33,353
Fair value of plan assets	**(36,026)**	(52,048)	(46,756)	(39,642)	(36,491)
Surplus	**(6,375)**	(6,429)	(4,394)	(378)	(3,138)
Experience adjustment on plan liabilities	**(1,715)**	(5,132)	(4,631)	(789)	4,655
Experience adjustment on plan assets	**(2,812)**	(4,650)	(1,162)	(1,552)	551

10. DEFERRED INCOME

This represents the unamortized balance of excess of sale proceeds over carrying amount of property, plant and equipment on sale and lease back transactions with financial institutions.

The deferred income is being amortized each year over the respective period of the lease term. The amount credited to the profit and loss account during the year was Rs 2.307 million (2010: Rs 2.307 million).

11. CURRENT PORTION OF LONG TERM LIABILITIES

		2011	2010
		(Rupees in thousand)	
Long term finances	- note 7	**2,430,957**	1,598,141
Liabilities against assets subject to finance lease	- note 8	**29,451**	193,300
		2,460,408	1,791,441

11.1 Current portion of long term liabilities include overdue installments of principal aggregating to Rs 1,039.86 million (2010: 629.337 million).

12. SHORT TERM BORROWINGS - SECURED

		2011	2010
		(Rupees in thousand)	
Running finances	- note 12.2	**1,357,389**	1,857,055
Export refinance	- note 12.3	**1,087,682**	665,168
Term finances	- note 12.4	**96,742**	323,416
		2,541,813	2,845,639

12.1 As per the original terms of the respective agreements with the banks, the aggregate borrowing facilities, except for those mentioned in note 12.2 and 12.3, stand expired as at 30 September 2011. 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. The banks have not demanded the rate of markup as per previous facilities.

12.2 Running finances

As per the original facilities, these finances were available at a markup ranging from Re 0.3539 to Re 0.5074 per Rs 1,000 per diem on the outstanding balance or part thereof.

Out of the total balance payable Rs 301.870 million are payable in respect of new working capital lines which are available as at 30 September 2011 at a mark up ranging from Re 0.3540 to Re 0.5074 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.

12.3 Export refinance

As per the original facilities, these finances were available at a markup ranging from Re 0.0885 to Re 0.2423 per Rs 1,000 per diem or part thereof.

Out of the total balance payable Rs 768.123 million are payable in respect of new working capital lines which are available as at 30 September 2011 at a mark up ranging from Re 0.0885 to Re 0.1918 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.

12.4 Term finances

As per the original facilities, these finances were available at a markup ranging from Re 0.3855 to Re 0.3981 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.

Of the aggregate facility of Nil (2010: Rs 10 million) for opening of letters of credit and Nil (2010: Rs 9.52 million) for guarantees, that was available to the company up till 30 September 2011, the amount utilized at 30 September 2011 was Nil (2010: Nil) and Nil (2010: Rs 9.52 million) respectively. The aggregate facilities of letter of credits are secured against lien over shipping/import documents. The aggregate facilities for guarantees are secured against margin deposits referred to in note 26, pledge of marketable securities and charge on current assets of the company.

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

		2011	2010
		(Rupees in thousand)	

13. TRADE AND OTHER PAYABLES

Trade creditors	- note 13.1	**523,977**	569,012
Advances for sale of property, plant and equipment		**9,258**	-
Advances from customers		**414,023**	201,772
Security deposits	- note 13.2	**6,097**	25,490
Accrued liabilities		**122,639**	164,737
Payable to government			
- Sales tax		**36,212**	22,707
- Special excise duty		**53,307**	-
Unclaimed dividend		**1,557**	1,561
Derivative interest rate swap	- note 13.3	**31,672**	102,716
Penalties payable		**1,226**	1,226
Others	- note 13.4	**45,984**	28,302
		1,245,952	1,117,523

13.1 Trade creditors include amount due to related parties Rs 3.139 million (2010: Rs 7.679 million).

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

13.3 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 2011 have been marked to market and the resulting income of Rs 66.870 million (2010: loss of Rs 16.806 million) has been recognized in profit and loss account as referred to in note 34 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'.

13.4 Included in other liabilities are provisions aggregating to Rs 17.792 million (2010: 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.

		2011	2010
		(Rupees in thousand)	

14. ACCRUED FINANCE COST

Accrued mark-up on:			
- Long term finances		**666,880**	494,833
- Liabilities against assets subject to finance leases		**8,103**	14,557
- Short term borrowings		**412,646**	303,473
	- note 14.1	**1,087,629**	812,863

14.1 This includes finance cost of Rs 844.057 million (2010: Rs 442.193 million) which is overdue for payment as at 30 September 2011.

NOTES TO THE FINANCIAL STATEMENTS
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15. CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

(i) The Company has issued following guarantees:

Bank guarantee of Nil (2010: Rs 9.552 million) in favour of Sui Northern Gas Pipelines Limited against performance of contracts.

Cross corporate guarantee in favour of Allied Bank Limited to secure long term finance facility availed by the Company's associate, Shakarganj Food Products Limited of Rs 467 million (2010: Rs 467 million).

(ii) The Company has issued a post dated cheque in favour of the Collector of Customs against custom duty clearance in respect of import of plant and machinery amounting to Rs 5.040 million (2010: 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 102.428 million (2010: Rs 56 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 302.081 million approximately which may be leviable under the terms of borrowings agreements including the bridge finance facility. None of the lenders has demanded any payment for the above referred penalties and 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.

15.2 Commitments

The Company has the following commitments in respect of:

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

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

(iii) Contracts for other than capital expenditures Rs 8.28 million (2010: Rs 1.3 million)

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

	2011	2010
	(Rupees in thousand)	
Not later than one year	**3,391**	6,368
Later than one year and not later than five years	**2,880**	7,737
	6,271	14,105

16. PROPERTY, PLANT AND EQUIPMENT

		2011	2010
Operating assets	- note 16.1	**4,969,048**	4,383,526
Capital work-in-progress	- note 16.2	**272,162**	88,462
		5,241,210	4,471,988

16.1 Operating assets

2011 (Rupees in thousand)

	Cost/ re-valued amount 01 October 2010	Transfers in /(Out)	Additions/ (deletions)	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 01October 2010	Trans-fers in/ (Out)	Depre-ciation charge/ (deletions) for the year	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	1,062,864	(94,364)	1,671,361	-	-	-	-	-	1,671,361	-
			(163,113)										
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	3,182	(3,157)	5,312,681	2,332,318	32,649	221,244	459	2,560,667	2,752,014	7.5-30
			(75,643)						(26,003)				
Tools and equipment	77,604	-	424	-	-	76,372	67,348	-	3,511	-	69,247	7,125	20-40
			(1,656)						(1,612)				
Water, electric and weighbridge equipment	275,344	-	2,245	-	-	277,100	190,549	-	18,231	-	208,443	68,657	20-40
			(489)						(337)				
Furniture and fixtures	40,651	-	1,771	-	-	42,182	31,083	-	2,038	-	32,977	9,205	20
			(240)						(144)				
Office equipment	35,569	-	15,373	-	-	50,942	34,516	-	8,045	-	42,561	8,381	40
			-						-				
Vehicles	102,953	-	37,625	-	-	121,521	68,395	-	9,744	-	68,835	52,686	20
			(19,057)						(9,304)				
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	1,066,046	(97,521)	8,149,677	2,987,227	32,649	287,924	459	3,270,859	4,878,818	
		-	(260,198)	-					(37,400)				
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	1,066,046	(97,521)	8,285,403	3,054,478	-	298,818	459	3,316,355	4,969,048	
		-	(260,198)	-		-	-	-	(37,400)	-	-	-	

(*) This represents assets previously classified as "Held for sale" and includes agricultural and other land and certain other non-operating machinery. These are no more expected to be disposed off by the Company as referred to in note 28.

2010 (Rupees in thousand)

	Cost/ re-valued amount 01 October 2009	Transfers in/ (Out)	Additions/ (deletions)	Reclassified to Non-current Assets held for disposal (*)	Cost/ re-valued amount 30 September 2010	Accumulated depreciation as at 01 October 2009	Trans-fers in/ (Out)	Depre-ciation charge/ (deletions) for the year	Reclassi-fied to Non-current Assets held for disposal (*)	Accumulated depreciation as at 30 September 2010	Book value as at 30 September 2010	Rate of depreci-ation %
Owned assets												
Freehold land	1,997,513	-	5,826	(1,138,426)	864,913	-		-	-	-	864,913	-
Buildings and roads on freehold land	581,240	-	43,443	(66,343)	558,340	212,612		26,607	(2,855)	236,364	321,976	7.5
Plant and machinery	5,901,824	56,000	36,514	(813,972)	5,165,433	2,153,574	18,789	251,763	(77,068)	2,332,318	2,833,115	7.5-30
			(14,933)					(14,740)				
Tools and equipment	81,993	-	2,759	(1,754)	77,604	64,228		8,911	(781)	67,348	10,256	20-40
			(5,394)					(5,010)				
Water, electric and weighbridge equipment	374,540	-	2,291	(101,040)	275,344	186,201		26,671	(21,997)	190,549	84,795	20-40
			(447)					(326)				
Furniture and fixtures	40,725	-	200	(154)	40,651	28,796		2,386	(42)	31,083	9,568	20
			(120)					(57)				
Office equipment	36,607	-	247	(450)	35,569	33,471		1,879	(134)	34,516	1,053	40
			(835)					(700)				
Vehicles	100,349	32,780	2,739	(725)	102,953	53,132	22,609	10,279	(557)	68,395	34,558	20
			(32,190)					(17,068)				
Laboratory Equipment	18,119	-	-	-	18,119	15,715		964	-	16,679	1,440	40
Arms and ammunition	176	-	156	-	332	92		35	-	127	205	10
Library books	10,422	-	70	-	10,492	9,692		156	-	9,848	644	30
	9,143,508	88,780	94,245	(2,122,864)	7,149,750	2,757,513	41,398	329,651	(103,434)	2,987,227	4,162,523	
		-	(53,919)	-			-	(37,901)				
Leased assets												
Plant and machinery	571,750	-	-	(260,119)	255,631	65,902	-	25,163	(22,400)	49,876	205,755	7.5
			(56,000)					(18,789)				
Vehicles	65,403	-	-	-	32,623	35,621	-	4,363	-	17,375	15,248	20
			(32,780)					(22,609)				
	637,153	-	-	(260,119)	288,254	101,523	-	29,526	(22,400)	67,251	221,003	
			(88,780)	-	-	-	-	(41,398)	-	-	-	
2010	9,780,661	88,780	94,245	(2,382,983)	7,438,004	2,859,036	41,398	359,177	(125,834)	3,054,478	4,383,526	
		-	(142,699)	-	-	-	-	(79,299)	-	-	-	

(*) This represents cost/revalued amount and accumulated depreciation on assets of the Farm Division and Satellite facility at Dargai Shah after the decision was made during the year 2010 to sell them off for retirement of the Company's obligations to the lenders referred to in note 7 and 12. These assets were classified as "Non-current assets held for sale" as referred to in note 28.

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16.1.1 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**					
	Mr. Muhammad Mansha / Mr. Riaz Ahmed	107,525	-	107,525	28,098	Negotiation
	Mr. Allah Ditta	19,694	-	19,694	17,817	Negotiation
	Mr. Azmat Ullah Warraich	23,676	-	23,676	14,451	Negotiation
	Mr. Muhammad Muraed	12,219	-	12,219	4,588	Negotiation
Plant and machinery	**Outside parties**					
	Sheikhu Sugar Mill	75,643	26,003	49,640	54,400	Negotiation
Water, electric and weighbridge equipment	**Outside parties**					
	Mehar Qadir Yar	489	337	152	550	Negotiation
Vehicles	**Employees**					
	Mr. Brig Ashraf Khan Afridi	240	67	173	318	As Per Company Policy
	Mr. Major Ehsan	595	468	127	154	- do -
	Mr. Kazim Ali	408	201	207	225	- do -
	Mr Ghulam Jaffar	217	35	182	227	- do -
	Mr. Bashir Ahmad	464	285	179	425	- do -
	Mr. Javed Alam	832	654	178	333	- do -
	Muhammad Nadeem /Mr.Bashir Ahmed	472	76	396	801	Auction
	Outside parties					
	EFU General Insurance	2,770	92	2,678	2,770	Insurance Claim
	EFU General Insurance	1,462	122	1,340	1,462	Insurance Claim
	Mr. Riaz Hussain	849	680	169	905	Auction
	Rana Zulfiqar	151	24	127	405	Auction
	Haji Naseer Ahmad	399	275	124	175	Auction
	Khalil Ahmad	302	156	146	435	Auction
	Haji Naseer Ahmad	1,313	211	1,102	905	Auction
	Mr. Naik Nawaz	1,309	904	405	1,075	Auction
	Mr. Safdar Sial	793	596	197	500	Auction
	Local Grower	198	76	122	775	Auction
	Local Grower	198	95	103	375	Auction
	Local Grower	198	95	103	325	Negotiation
	Local Grower	198	95	103	500	Negotiation
	Local Grower	163	66	97	400	Negotiation
	Local Grower	155	59	96	475	Negotiation
	Local Grower	397	151	246	1,070	Negotiation
	Local Grower	350	261	89	170	Negotiation
	Local Grower	163	81	82	175	Negotiation
Other assets having book value below Rs. 50,000		6,357	5,235	1,121	4,157	
		260,199	**37,400**	**222,798**	**139,441**	

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

16.1.3 The carrying amount of freehold land, buildings and plant and machinery would have been Rs 280.587 million (2010: Rs 273.7 million), Rs 299.846 million (2010: Rs 301.671 million) and Rs 2,731.095 (2010: Rs 3,452.809) million respectively, had there been no revaluation.

16.1.4 Property, plant and equipment include assets with a book value of Nil (2010: Rs 17.63 million), Nil (2010: Rs 1.924 million) and Nil (2010: Rs 1.711 million) which are in the name of Innovative Housing Finance Limited, Security Leasing Corporation Limited and Dawood Leasing Company Limited.

		2011	2010
		(Rupees in thousand)	
			Represented
16.1.5 The depreciation charge has been allocated as follows:			
Cost of sales	- note 30	**270,094**	293,860
Administrative expenses	- note 31	**29,183**	25,492
Discontinued operations	- note 28	**-**	39,825
		299,277	359,177

		2011	2010
		(Rupees in thousand)	
16.2 Capital work-in-progress			
Civil works		**6,389**	-
Plant and machinery		**43,479**	28,396
Unallocated expenditure	- note 16.2.1	**-**	-
		49,868	28,396
Advances given for capital work in progress		**51,587**	256,145
Reclassified from / (to) non-current assets held for sale	- note 28	**170,707**	(196,079)
	- note 16.2.2	**222,294**	60,066
		272,162	88,462

16.2.1 Movement in unallocated expenditure		
Opening Balance	**-**	13
Expense incurred during the year		
Salaries wages and other benefits	**-**	25,701
Unallocated expenditure to date	**-**	25,714
Charged to cost of sales	**-**	(25,714)
Closing balance	**-**	-

		2011	2010
		(Rupees in thousand)	
16.2.2 Advances			
Considered good:			
- Plant and machinery		**207,069**	57,670
- Intangibles		**39,459**	-
- Others		**-**	2,396
		246,528	60,066
Considered doubtful:			
- Plant and machinery		**1,310**	1,000
- Intangibles		**11,674**	11,674
		12,984	12,674
		259,512	72,740
Less: Provision against doubtful advances	- note 16.2.3	**(12,984)**	(12,674)
Less: Impairment charged during the year	- note 16.2.4	**(24,234)**	-
		222,294	60,066

16.2.3 Provision against doubtful advances

	2011	2010
As at 01 October	**12,674**	3,274
Provision during the year	**310**	11,674
Advances written off against provision during the year	**-**	(2,274)
As at 30 September	**12,984**	12,674

16.2.4 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 M/s Consultancy Support and Services.

17. INTANGIBLE ASSETS

2011 (Rupees in thousand)

	Cost as at 01 October 2010	Additions/ (transfers/ deletions)	Transferred from /(to) Non-current asset held for sale	Cost as at 30 September 2011	Accumulated amortization 01 October 2010	Amortization charge for the year	Transferred from /(to) Non-current asset held for sale	Accumulated amortization 30 September 2011	Book value as at 30 September 2011	Rate of amortization %
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	

2010 (Rupees in thousand)

	Cost as at 01 October 2009	Additions/ (transfers/ deletions)	Transferred to asset held for disposal	Cost as at 30 September 2010	Accumulated amortization 01 October 2009	Amortization charge for the year	Transferred to asset held for disposal	Accumulated amortization 30 September 2010	Book value as at 30 September 2010	Rate of amortization %
Computer software - acquired	1,700	-	-	1,700	1,020	340	-	1,360	340	20
Nepra license fee	367		640	1,007	46	36	16	98	909	3.7-5.0
	2,067	-	640	2,707	1,066	376	16	1,458	1,249	

17.1 The amortization charge for the year has been allocated to cost of sales as referred to in note 30.

		2011	2010
		(Rupees in thousand)	
18. BIOLOGICAL ASSETS			
Sugarcane			
Mature		**17,482**	13,520
Immature		**2,209**	-
		19,691	13,520
Rice - mature		**3,340**	-
Others - mature		**671**	1,623
Livestock - mature		**8,931**	8,479
		32,633	23,622
Non - current		**11,140**	8,479
Current		**21,493**	15,143
	- note 18.3	**32,633**	23,622

18.1 The value of sugarcane crops is based on estimated average yield of 433 (2010: 340) maunds per acre on cultivated area of 165 (2010: 388) acres. The value of rice crops is based on the estimated yield of 28 (2010: Nil) maunds per acre on cultivated area of 101 (2010: Nil) acres.

18.2 96 (2010: Nil) acres relates to sugarcane cultivation which is valued at a cost of Rs 2.209 million (2010: Nil). As the crop is in early stages, costs incurred are expected to approximate its fair value less estimated point of sale cost.

		2011	2010
		(Rupees in thousand)	
18.3 Movement during the year			
Livestock			
As at 01 October		**8,479**	6,818
Increase due to purchases/costs incurred		**3,052**	2,000
Gain / (loss) arising from changes in fair value less estimated point of sale costs		**4,681**	3,722
Decrease due to sale / deceased livestock		**(7,281)**	(4,061)
As at 30 September		**8,931**	8,479
Crops			
As at 01 October		**15,143**	29,671
Increase due to purchases/costs incurred		**30,020**	78,907
Decrease due to harvest / sales		**(30,020)**	(75,184)
Fair value adjustment of agricultural assets	- note 29	**8,559**	(18,251)
As at 30 September		**23,702**	15,143
		32,633	23,622

		2011	2010
		(Rupees in thousand)	
19. INVESTMENTS - RELATED PARTIES			
In equity instruments of associates	- note 19.1	**543,867**	415,269
Available for sale	- note 19.3	**74,185**	413
		618,052	415,682
19.1 In equity instruments of associates			
Cost		**545,793**	444,494
Brought forward amounts of post acquisition reserves, profits and negative goodwill recognized directly in profit and loss accounts		**(29,225)**	19,362
		516,568	463,856
Share of movement in reserves during the year		**2,583**	2,389
Share of profit/(loss) for the year			
- before taxation		**55,893**	(22,229)
- provision for taxation		**(25,737)**	(20,587)
		30,156	(42,816)
		549,307	423,429
Dividends received during the year		**(5,440)**	(8,160)
Balance as on 30 September	- note 19.2	**543,867**	415,269
19.2 In equity instruments of associates			
Quoted			
Crescent Steel and Allied Products Limited 2,720,062 (2010: 2,720,062) fully paid ordinary shares of Rs. 10 each Equity held: 4.82% (2010: 4.82%)		**185,124**	157,692
Safeway Mutual Fund Limited 16,579,143 (2010: Nil) fully paid ordinary shares of Rs 10 each Equity held 30.45% (2010: Nil)	- note 19.2.5	**101,299**	-
Unquoted			
Shakarganj Food Products Limited 74,654,596 (2010: 74,654,596) fully paid ordinary shares of Rs. 10 each Equity Held: 49.24% (2010: 49.24%)	- note 19.2.6	**257,444**	257,577
		543,867	415,269

19.2.1 Investments in associates include goodwill amounting to Rs. 85.171 million (2010: Rs. 85.171 million).

19.2.2 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)
2011					
Crescent Steel and Allied Products Limited	4.82%	236,318	62,818	211,978	30,415
Shakarganj Food Products Limited	49.24%	633,061	446,879	1,531,055	(259)
		869,379	**509,697**	**1,743,033**	**30,156**

Name	Percentage interest held	Assets	Liabilities	Revenues	Profit/(loss)
2010					
Crescent Steel and Allied Products Limited	4.82%	235,931	87,515	142,110	17,699
Shakarganj Foods Products Limited	49.24%	646,749	462,722	1,400,131	(60,515)
		882,680	**550,237**	**1,542,241**	**(42,816)**

19.2.3 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 the director and chief executive of the Company.

19.2.4 The above figures of Crescent Steel and Allied Products Limited are based on audited consolidated financial statements as at 30 June 2011.

19.2.5 The Company's investment in Safeway Mutual Fund has been reclassified from 'Non-current assets held for sale' to 'Investment in equity instruments of associates' at its recoverable amount as on 30 September 2011 as referred to in note 28.

19.2.6 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 using a weighted average cost of capital of approximately 17% and growth rate of 65% in revenue in 2012 and 4.72% expected EBITDA. Terminal growth of 6% has been assumed.

19.3 Available for sale

			2011 (Rupees in thousand)	2010 (Rupees in thousand)
Associated companies	- at cost	- note 19.3.1	**147,917**	3,000
Others	- at cost	- note 19.3.2	**2,200**	2,200
			150,117	5,200
Add: Cumulative fair value gain		- note 19.3.3	**17,325**	413
Less: Cumulative impairment losses recognized		- note 19.3.4	**(93,257)**	(5,200)
Fair value loss			**(75,932)**	(4,787)
			74,185	413

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	2011	2010
	(Rupees in thousand)	
19.3.1 Associated companies		
Quoted		
Crescent Jute Products Limited 536,817 (2010: 536,817) fully paid ordinary shares of Rs 10 each	**-**	-
Asian Stocks Fund Limited		
16,245,673 (2010: Nil) fully paid ordinary shares of Rs 10 each Equity held 18.05% (2010: Nil)	**144,917**	-
Unquoted		
Crescent Standard Telecommunications Limited 300,000 (2010: 300,000) fully paid ordinary shares of Rs 10 each	**3,000**	3,000
	147,917	3,000
19.3.2 Others		
Unquoted		
Crescent Group Services (Private) Limited		
220,000 (2010: 220,000) fully paid ordinary shares of Rs 10 each	**2,200**	2,200
19.3.3 Cumulative fair value gain		
As at 01 October	**413**	805
Reclassified from investments held for disposal	**11,372**	-
Fair value loss during the year	**(4,207)**	(392)
	7,578	413
Impairment loss transferred to profit and loss account	**9,747**	-
As at 30 September	**17,325**	413
19.3.4 Cumulative impairment losses recognized		
As at 01 October	**5,200**	166,090
Reclassified from investments held for disposal	**78,310**	-
Recognized during the year	**9,747**	-
Adjusted on derecognition	**-**	(160,890)
As at 30 September	**93,257**	5,200

19.3.5 Investments with face value of Rs 922.486 million (2010: Rs 640 million) and market value of Rs 795.489 million (2010: Rs 676 million) are pledged as security against long term running finances and short term borrowings as referred to in note 7 and note 12 respectively.

20. LONG TERM LOANS, ADVANCES, DEPOSITS AND PREPAYMENTS

		2011	2010
		(Rupees in thousand)	
Loan to Sui Northern Gas Pipelines Limited			
- considered good	- note 20.1	**2,484**	2,898
Less: Current portion shown under short term advances	- note 26	**414**	414
		2,070	2,484
Advance to Creek Marina (Private) Limited	- note 20.2	**38,487**	38,487
Security deposits		**4,511**	9,136
		45,068	50,107

20.1 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.

20.2 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.

21. DEFERRED TAXATION

	2011	2010
	(Rupees in thousand)	
The deferred tax asset comprises temporary differences relating to:		
Accelerated tax depreciation	**(610,655)**	(822,049)
Unused tax losses	**595,996**	815,326
Undistributed reserves of associates	**14,659**	6,723
	-	-

Deferred tax asset on tax losses available for carry forward and those representing minimum tax paid available for carry forward u/s 113 of the Income Tax Ordinance, 2001 are recognized to the extent that the realization of related tax benefits through future taxable profits is probable. The company has not recognized deferred tax assets of Rs 2,586.554 million (2010: 2,348.54 million) in respect of tax losses and Rs 201.191 (2010: 76.77 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 would not be available to set these off in the foreseeable future. Minimum tax paid u/s 113 aggregating to Rs 201.191 million would not be available for carry forward against future tax liabilities subsequent to years 2012 through 2016. Tax losses amounting to Rs 810.42 million, Rs 785.16 million, Rs 1,400.73 million, Rs 1,266.51 million, Rs 914.598 million and Rs 198.230 million expire in year 2013, 2014, 2015, 2016, 2017 and 2018 respectively.

		2011	2010
		(Rupees in thousand)	
22.	**STORES, SPARES AND LOOSE TOOLS**		
	Stores	**80,790**	59,468
	Spares	**29,077**	35,065
	Loose tools	**1,136**	1,323
		111,003	95,856
	Less: Provision for obsolete items	**(4,610)**	(4,610)
		106,393	91,246

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

		2011	2010
23.	**STOCK-IN-TRADE**		
	Raw materials	**308,443**	30,903
	Work-in-process	**18,869**	25,600
	Finished goods	**758,510**	75,486
		1,085,822	131,989

23.1 Raw materials and work-in-process with a cost of Rs 39.438 million and Rs 12.272 million are being valued at net realizable value of Rs 29.985 million and Rs 9.546 million respectively.

23.2 Raw materials and finished goods amounting to Rs 1,085.822 million (2010: 131.989 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 12 respectively.

			2011	2010
			(Rupees in thousand)	
24.	**TRADE DEBTS**			
	Considered good:			
	- Secured		**2,294**	4,149
	- Unsecured	- note 24.1	**489,352**	10,345
			491,646	14,494
	Considered doubtful:		**-**	2,323
			491,646	16,817
	Less: Provision for doubtful debts	- note 24.2	**-**	(2,323)
			491,646	14,494

24.1 These include receivable from Shakarganj Food Products Limited, an associated company amounting to Rs 5.537 million (2010: Rs 2.257 million).

		2011	2010
		(Rupees in thousand)	
24.2 Provision for doubtful debts			
As at 01 October		**2,323**	2,059
Provision during the year		**-**	264
Provision written back		**(2,323)**	-
As at 30 September		**-**	2,323

25. INVESTMENTS

		2011	2010
Available for sale			
Altern Energy Limited - Quoted			
12,530,582 (2010: 12,530,582) fully paid ordinary shares of Rs 10 each		**125,307**	125,307
Innovative Investment Bank Limited - Unquoted			
51,351 (2010: 51,351) fully paid ordinary shares of Rs 10 each		**-**	-
		125,307	125,307
Add: Cumulative fair value loss	- note 25.2	**(55,762)**	18,669
Less: Cumulative Impairment loss	- note 25.3	**-**	-
		(55,762)	18,669
		69,545	143,976

25.1 Investments with a face value of Rs 124.66 million (2010: Rs 124.66 million) and market value of Rs 69.186 million (2010: 143.234 million) are pledged as security against long term running finances and short term borrowings as referred to in note 7 and note 12 respectively.

	2011	2010
	(Rupees in thousand)	
25.2 Cumulative fair value gain		
As at 01 October	**18,669**	22,753
Fair value (loss)/gain during the year	**(74,431)**	5,263
Transferred to profit and loss account on derecognition of shares	**-**	(9,347)
As at 30 September	**(55,762)**	18,669
25.3 Cumulative impairment losses recognized		
As at 01 October	**-**	32,273
Less: impairment loss adjusted upon derecognition of investment	**-**	(32,273)
As at 30 September	**-**	-

		2011	2010
		(Rupees in thousand)	

26. LOANS, ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

		2011	2010
Advances - considered good			
- to employees		**7,846**	2,883
- to suppliers and contractors	- note 26.1	**100,324**	31,703
- to sugarcane growers	- note 26.2	**12,762**	4,734
		120,932	39,320
Advances - considered doubtful:			
- to suppliers and contractors		**5,378**	-
- to sugarcane growers		**238**	3,911
		5,616	3,911
Due from related parties - unsecured and considered good	- note 26.3	**4,224**	154,141
Current portion of long term loan receivable from Sui Northern Gas Pipelines Limited	- note 26.1	**414**	414
Recoverable from government			
- Income tax		**-**	5,819
- Sales tax		**-**	3,381
- Special excise duty		**20,783**	-
		20,783	9,200
Interest receivable on deposits		**11,766**	-
Security deposits - considered good		**7,048**	1,418
Prepayments		**8,555**	14,319
Margins against bank guarantees		**800**	1,470
Others - considered good		**16,806**	6,805
		196,944	230,998
Less: provision against doubtful receivables	- note 26.4	**(5,616)**	(3,911)
		191,328	227,087

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

26.2 These relate to normal business of the company and carry mark-up ranging from 12.6% to 15.52%.

		2011	2010
		(Rupees in thousand)	
26.3	**Due from related parties**		
	Considered good		
	Crescent Sugar Mills and Distillery Limited	**563**	563
	Crescent Steel and Allied Products Limited	**1,641**	1,793
	Shakarganj Food Products Limited	**1,786**	1,785
	Shakarganj Energy (Private) Limited	**234**	150,000
		4,224	154,141
26.4	**Provision against doubtful receivables**		
	As at 01 October	**3,911**	3,806
	Provision during the year	**1,705**	1,778
	Transferred to capital work in progress	**-**	(1,000)
	Receivables written off against provision during the year	**-**	(673)
	As at 30 September	**5,616**	3,911

27. CASH AND BANK BALANCES

		2011	2010
At banks on:			
- Saving accounts	- note 27.1		
- Pak rupees		**4,518**	3,382
- Foreign currency	- note 27.2	**542**	532
		5,060	3,914
- Current accounts		**113,172**	29,138
		118,232	33,052
In hand		**937**	462
		119,169	33,514

27.1 Profit on balances in saving accounts ranges from 0.10% to 5.00% (2010: 0.10% to 5.00%) per annum.

27.2 Foreign currency accounts include US Dollars 5,353 (2010: 5,340) and Euros 635 (2010: 638).

28. NON CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

		2011	2010
		(Rupees in thousand)	
(a) Non-current assets classified as held for sale			
Satellite facility at Dargai Shah (Sugar Division)	- note 28.1	**-**	1,192,395
Investments in associated undertakings at market value	- note 28.3	**-**	210,612
Land - Agriculture (Farms Division)	- note 28.4	**-**	911,914
Other non-operating assets	- note 28.5	**-**	348,919
		-	2,663,840
(b) Analysis of the result of discontinued operations			**Represented**
Profit/(loss) for the year from discontinued operations			
Satellite facility at Dargai Shah (Sugar Division)	- note 28.1	**124,981**	(271,766)
Satellite facility at Dargai Shah (Power Division)	- note 28.2	**-**	144,176
		124,981	(127,590)
Cash flows from discontinued operations			
Satellite facility at Dargai Shah (Sugar Division)	- note 28.1	**(24)**	25
Satellite facility at Dargai Shah (Power Division)	- note 28.2	**150,000**	150,000
		149,976	150,025

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

28.1 Satellite facility at Dargai Shah (Sugar Division)

An asset sales agreement with Hunza Sugar Mills Limited was signed on 03 December 2010. As per the terms of the agreement the assets have been 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.

	2011	2010
	(Rupees in thousand)	
Non-current assets classified as held for sale		
Property, plant and equipment	**-**	953,382
Assets subject to finance lease	**-**	237,720
Capital work in progress	**-**	1,293
	-	1,192,395
Analysis of the result of discontinued operations		
Revenue	**-**	653,534
Other operating income	**157,913**	981
	157,913	654,515
Expenses		
Cost of sales	**-**	(794,772)
Administrative expenses	**(5,649)**	(12,207)
Distribution and selling costs	**(30)**	(1,047)
Other operating expenses	**(27,252)**	(51,914)
Finance cost	**(1)**	(66,341)
	(32,932)	(926,281)
Profit / (loss) before tax from discontinued operations	**124,981**	(271,766)
Taxation	**-**	-
Profit / (loss) before tax from discontinued operations	**124,981**	(271,766)
Analysis of the cash flows of discontinued operations		
Operating cash flows	**(453,854)**	48,737
Investing cash flows	**477,920**	(14,294)
Financing cash flows	**(24,090)**	(34,418)
Total cash flows	**(24)**	25

28.2 Satellite facility at Dargai Shah (Power Division)

SML Power division was sold to Shakarganj Energy (Private) Limited in the last year at a mutually agreed price, based on the valuation of the division's Non-current assets carried out by an independent valuer.

	2011	2010
	(Rupees in thousand)	
Analysis of the result of discontinued operations		
Gain on sale of non-current assets held for sale	**-**	144,176
Analysis of the cash flows of discontinued operations		
Investing cash flows	**150,000**	150,000

28.3 Investments in associated undertakings at market value

The Company's investments in Safeway Mutual Fund Limited and Asian Stocks Fund Limited were earmarked for disposal by the Company for settlement of bridge loan as referred to in note 1.2. The Company was only able to offload these investments partially in last year. As explained in note 1.2, after the expiry of bridge loan facility on 30 June 2011 the Company is negotiating with its lenders on a bilateral basis for restructuring of loans. The Company intends to settle its liabilities through improved cashflows to be generated through improved operating and financial performance in coming years.

Due to continuing depressed stock markets the management of the Company does not intend to offload these investments till the time the market fundamentally improves. Consequently, these have been reclassified in long term investments referred to in note 19.

Safeway Mutual Fund Limited, being an associated company, has been classified under "investments in equity instruments of associates" as referred to in note 19.1. The investment in Asian Stocks Funds Limited has been classified as "Available for Sale" as referred to in note 19.3. The investments have been transferred at their market value as at 30 September 2011.

		2011	2010
		(Rupees in thousand)	
Non-current assets classified as held for sale			
Carrying value as at 30 September	- note 28.3.1	**175,216**	210,612
Less: Transferred to "investments in equity instruments of associates"	- note 19.1	**(101,299)**	-
Transferred to long term 'Available for sale' investments	- note 19.3	**(73,917)**	-
		-	210,612

28.3.1 Carrying value of investment represents:

		2011	2010
Safeway Mutual Fund Limited (quoted)			
16,579,143 (2010: 16,579,143) fully paid ordinary shares of Rs 10 each		**165,020**	165,020
Equity held 30.45% (2010: 30.45%)			
Asian Stocks Fund Limited (quoted)			
16,245,673 (2010 16,245,673) fully paid ordinary shares of Rs 10 each		**144,917**	144,917
Equity held 18.05% (2010: 18.05%)			
		309,937	309,937
Add: Cumulative fair value gain	- note 28.3.2	**17,057**	21,319
Less: Cumulative impairment losses recognized	- note 28.3.3	**(151,778)**	(120,644)
Fair value loss		**(134,721)**	(99,325)
Carrying value as at 30 September 2011		**175,216**	210,612

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	2011	2010
	(Rupees in thousand)	
28.3.2 Cumulative fair value (loss)/gain		
As at 01 October	**21,319**	-
Fair value loss during the year	**(35,396)**	(94,651)
	(14,077)	(94,651)
Impairment loss transferred to profit and loss account	**31,134**	115,970
As at 30 September	**17,057**	21,319
28.3.3 Cumulative impairment losses recognized		
As at 01 October	**120,644**	139,532
Impairment losses recognised	**31,134**	115,970
Transferred to profit and loss account on derecognition of shares	**-**	(134,858)
As at 30 September	**151,778**	120,644

28.3.4 Investments with a face value of Nil (2010: Rs 240.665 million) and market value of Nil (2010: Rs 167.545 million) are pledged as security against long term running finances and short term borrowings.

28.4 Land - Agriculture (Farms Division)

The Board of Directors, in the meeting held on 24 December 2009 decided to dispose off the agricultural land of the Farms Division in piecemeal. However, due to distressed market and liquidity crunch faced by the Company, it could not dispose off land at its marketed price. The Company is of the view that under the current situation, the agricultural land is unlikely to realize its fair value in a sale transaction. Consequently, the management does not intend to sell the land anymore and has decided to use the land for securing the supply of sugarcane. In view of this, the land has been reclassified in property, plant and equipment as referred to in note 16.1

The land has been transferred to operating assets at its carrying value based on revaluation carried out in September 2008 by M/s Saleem Engineers.

	2011	2010
	(Rupees in thousand)	
28.5 Other non - operating assets held for sale		
Advance for plant and machinery at Mian Muhammad Sugar Mills - Azad Jammu & Kashmir	**-**	194,787
SML Jhang - Plant and Machinery sugar (KK turbine with generators)	**-**	3,182
6 Kanal land - Faisalabad	**-**	40,950
7 Acre land Samundari Road Faisalabad	**-**	55,800
52 kanal land - Jhang	**-**	54,200
	-	348,919

28.5.1 These assets were committed to be sold by the Company under the terms of the restructuring agreements referred to in note 1.2 signed in February 2010. However, after the expiry of bridge loan agreement on 30 June 2011 the management is in negotiation with its lenders on a bilateral basis for restructuring of its loan obligations and intends to payoff through surplus cashflows generated from improved operational and financial performance. Therefore management has decided that these assets are no longer held for sale as on 30 September 2011 and have been reclassified to Property, plant and equipment as referred to in note 16. The assets have been transferred at its recoverable amount as on 30 September 2011.

29. Sales

(Rupees in thousand)

	Sugar		Ethanol		Building Materials		Textile		Farms		Power		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
										Represented				Represented
Gross sales														
- Local	**8,714,860**	5,281,709	**193,451**	120,895	**58,673**	57,785	**1,254,835**	1,431,274	**30,269**	66,844	**89,789**	114,838	**10,341,877**	7,073,345
- Export	**-**	-	**3,529,526**	1,004,027	**-**	-	**-**	-	**-**	-	**-**	-	**3,529,526**	1,004,027
- By-products	**-**	4,777	**299**	-	**-**	-	**42,322**	35,586	**-**	-	**-**	-	**42,621**	40,363
- Fair value adjustment of agricultural assets	**-**	-	**-**	-	**-**	-	**-**	-	**8,559**	(18,251)	**-**	-	**8,559**	(18,251)
- Inter-segment	**1,103,596**	495,998	**-**	-	**-**	-	**-**	-	**10,968**	-	**98,120**	89,021	**-**	-
	9,818,456	5,782,484	**3,723,276**	1,124,922	**58,673**	57,785	**1,297,157**	1,466,860	**49,796**	48,593	**187,909**	203,859	**13,922,583**	8,099,484
Less: Commission to selling agents	**5,484**	5,561	**262**	262	**3,809**	3,370	**5,589**	5,176	**-**	-	**-**	-	**15,144**	14,369
Sales tax and Special Excise Duty	**491,530**	247,399	**30,271**	18,329	**8,870**	8,448	**18**	-	**-**	-	**13,486**	16,735	**544,175**	290,911
	497,014	252,960	**30,533**	18,591	**12,679**	11,818	**5,607**	5,176	**-**	-	**13,486**	16,735	**559,319**	305,280
Net sales	**9,321,442**	5,529,524	**3,692,743**	1,106,331	**45,994**	45,967	**1,291,550**	1,461,684	**49,796**	48,593	**174,423**	187,124	**13,363,264**	7,794,204

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

29.2 Sales of Farms division have been represented. Previously these were included in results of discontinued operations.

30. COST OF SALES

	Sugar 2011	Sugar 2010	Ethanol 2011	Ethanol 2010	Building Materials 2011	Building Materials 2010	Textile 2011	Textile 2010	Farms 2011	Farms 2010	Power 2011	Power 2010	Total 2011	Total 2010
Inter-segment	**28,826**	33,155	**1,063,497**	525,686	**38,912**	15,890	**76,237**	98,102	**-**	-	**5,209**	7,120	**-**	-
Raw materials consumed	**8,251,275**	3,608,360	**1,836,240**	401,222	**-**	8,286	**1,099,376**	1,148,409	**6,361**	4,037	**-**	-	**11,193,252**	5,170,314
	8,280,101	3,641,515	**2,899,737**	926,908	**38,912**	24,176	**1,175,613**	1,246,511	**6,361**	4,037	**5,209**	7,120	**11,193,252**	5,170,314
Salaries, wages and other benefits - note 30.3	**234,652**	148,785	**24,237**	13,529	**6,724**	4,174	**57,331**	69,972	**4,047**	8,476	**6,303**	5,521	**333,294**	250,457
Stores and spares consumed	**118,069**	39,860	**11,152**	2,759	**1,472**	577	**19,353**	16,667	**7,196**	9,005	**21,086**	1,106	**178,328**	69,974
Dyes and chemicals	**32,816**	13,129	**67,567**	18,474	**15,842**	7,503	**-**	-	**-**	-	**3,141**	3,280	**119,366**	42,386
Packing material consumed	**64,646**	27,164	**-**	-	**-**	-	**10,327**	14,850	**-**	-	**-**	-	**74,973**	42,014
Fuel and power	**357,046**	154,606	**-**	-	**1,876**	813	**22,694**	64,345	**4,096**	4,000	**54,549**	74,255	**440,261**	298,019
Repairs and maintenance	**26,792**	12,439	**542**	159	**604**	183	**1,876**	825	**2,707**	7,750	**13,417**	7,717	**45,938**	29,073
Insurance	**4,699**	4,427	**1,016**	1,036	**76**	29	**1,307**	1,677	**531**	1,066	**779**	617	**8,408**	8,852
Vehicle running and maintenance	**7,182**	3,725	**-**	-	**53**	38	**-**	-	**-**	2,273	**-**	-	**7,235**	6,036
Travelling and conveyance	**1,836**	629	**322**	77	**44**	11	**1,011**	914	**-**	-	**25**	57	**3,238**	1,688
Printing and stationery	**670**	386	**79**	15	**1**	-	**-**	-	**-**	-	**16**	6	**766**	407
Rent, rates and taxes	**787**	760	**-**	-	**-**	-	**198**	192	**9,937**	14,647	**-**	-	**10,922**	15,599
Land preparation and irrigation expense	**-**	-	**-**	-	**-**	-	**-**	-	**11,920**	21,131	**-**	-	**11,920**	21,131
Sugarcane research and development - note 30.3	**16,779**	9,004	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**16,779**	9,004
Staff training and development	**10**	209	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**10**	209
Depreciation on property, plant and equipment - note 16.1.5	**170,383**	187,485	**44,276**	46,699	**902**	975	**18,049**	18,299	**3,686**	5,463	**32,798**	34,939	**270,094**	293,860
Amortization on intangibles	**-**	-	**-**	-	**-**	-	**340**	340	**-**	-	**72**	36	**412**	376
Provision for store obsolescence	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Other expenses	**19,096**	8,734	**3,990**	2,637	**71**	34	**12,967**	1,244	**217**	194	**1,001**	986	**37,342**	13,829
	9,335,564	4,252,857	**3,052,918**	1,012,293	**66,577**	38,513	**1,321,066**	1,435,836	**50,698**	78,042	**138,396**	135,640	**12,752,538**	6,273,228
Opening work-in-process	**16,074**	2,826	**-**	-	**-**	-	**9,527**	6,233	**-**	-	**-**	-	**25,601**	9,059
Less: Closing work-in-process	**(838)**	(11,715)	**-**	-	**(8,486)**	-	**(12,272)**	(9,527)	**-**	-	**-**	-	**(21,596)**	(21,242)
	15,236	(8,889)	**-**	-	**(8,486)**	-	**(2,745)**	(3,294)	**-**	-	**-**	-	**4,005**	(12,183)
Cost of goods produced	**9,350,800**	4,243,968	**3,052,918**	1,012,293	**58,091**	38,513	**1,318,321**	1,432,542	**50,698**	78,042	**138,396**	135,640	**12,756,543**	6,261,045
Opening stock of finished goods	**35,351**	846,314	**35,705**	33,136	**707**	7,003	**3,708**	9,654	**-**	-	**-**	-	**75,471**	896,107
Less: Closing stock of finished goods	**(517,996)**	(35,244)	**(193,422)**	(35,705)	**(18,343)**	(707)	**(32,974)**	(3,708)	**-**	-	**-**	-	**(762,735)**	(75,364)
	(482,645)	811,070	**(157,717)**	(2,569)	**(17,636)**	6,296	**(29,266)**	5,946	**-**	-	**-**	-	**(687,264)**	820,743
	8,868,155	5,055,038	**2,895,201**	1,009,724	**40,455**	44,809	**1,289,055**	1,438,488	**50,698**	78,042	**138,396**	135,640	**12,069,279**	7,081,788

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

30.2 Cost of sales of Farms division has been represented. Previously these were included in results of discontinued operations.

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

	2011	2010
	(Rupees in thousand)	
		Represented
Pension fund	**4,178**	2,858
Gratuity fund	**1,290**	955
Provident fund	**4,071**	3,100
	9,539	6,913

31. ADMINISTRATIVE EXPENSES

		2011	2010
Salaries, wages and other benefits	- note 31.1	**134,719**	106,679
Repairs and maintenance		**7,743**	5,545
Insurance		**3,445**	2,774
Vehicle running and maintenance		**11,903**	8,279
Travelling and conveyance		**3,351**	3,628
Printing and stationery		**1,612**	1,853
Electricity and gas		**2,248**	2,654
Telephone, postage and telegram		**4,174**	4,124
Legal and professional charges	- note 31.2	**69,296**	14,026
Consultancy and advisory services		**4,800**	4,735
Rent, rates and taxes		**2,672**	2,701
Entertainment		**5,463**	2,594
Subscriptions		**12,795**	11,882
Advertisements		**240**	152
Registered office expenses		**726**	726
Provision for doubtful receivables		**1,347**	13,451
Depreciation on property, plant and equipment	- note 16.1.5	**29,183**	25,492
Others		**2,186**	1,053
		297,903	212,348

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

	2011	2010
Pension fund	**4,085**	3,933
Gratuity fund	**1,054**	1,335
Provident fund	**2,093**	1,575
	7,232	6,843

		2011	2010
		(Rupees in thousand)	
			Represented

31.2 Professional services

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

		2011	2010
- Statutory audit		**1,350**	1,250
- Half yearly review		**550**	500
- Certification charges		**100**	100
- Out of pocket expenses		**116**	97
		2,116	1,947

32. DISTRIBUTION AND SELLING COSTS

		2011	2010
Salaries, wages and other benefits	- note 32.1	**2,630**	3,244
Freight and forwarding		**230,085**	78,760
Handling and distribution		**2,259**	1,452
Loading and unloading charges		**5,857**	6,322
Sales promotion expenses		**853**	252
Insurance		**3,359**	2,806
Provision for doubtful receivables		**248**	264
		245,291	93,100

32.1 Salaries, wages and other benefits include provident fund contribution of Rs 93.4 thousand (2010: Rs 82 thousand) by the company.

		2011	2010
		(Rupees in thousand)	
			Represented

33. OTHER OPERATING EXPENSES

		2011	2010
Workers' Welfare Fund		**-**	803
Impairment losses on:			
- Available for sale investments - long term	- note 19.3.4	**31,134**	115,970
- Property, plant and equipment	- note 16.2.4	**24,234**	-
Social action programme expenses	- note 33.1	**5,519**	920
Loss on sale of investments		**-**	17,067
Loss on sale property, plant and equipment	- note 16.1.1	**83,357**	-
Net exchange loss		**13,486**	12,927
Donations	- note 33.2	**1,573**	610
Loss on marked to market valuation of interest rate swap		**-**	16,806
Others		**4,925**	4,264
		164,228	169,367

33.1 Social action programme expenses include provident fund contribution of Rs 24.8 thousand (2010: Nil) by the company.

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

		2011	2010
		(Rupees in thousand)	
			Represented
34. OTHER OPERATING INCOME			
Income from financial assets			
Dividend income from related parties		**43,495**	6,752
Gain on marked to market valuation of interest rate swap		**66,871**	-
Liabilities written back		**15,484**	4,633
Return on bank deposits		**84,501**	13,080
		210,351	24,465
Income from non-financial assets			
Scrap sales		**8,971**	7,367
Profit on sale of property, plant and equipment		**-**	20,416
Rental income		**12,010**	1,144
Amortization of deferred income		**2,307**	3,005
Net income from livestock		**748**	1,379
Gain on initial recognition of interest free loan from directors		**-**	13,474
Others		**20,217**	28,751
		44,253	75,536
		254,604	100,001
35. FINANCE COST			
Interest and mark-up on:			
- Long term finances	- note 35.1	**442,093**	442,582
- Short term borrowings		**440,701**	504,012
- Due to provident fund - related party		**3,255**	542
- Finance lease	- note 35.2	**12,226**	16,429
Bank charges, commission and excise duty		**10,892**	9,474
Others		**36,088**	18,024
		945,255	991,063

35.1 This includes preference dividend of Rs 29.389 million (2010: Rs 29.389 million).

35.2 This includes penalties aggregating to Nil (2010: Rs 8.271 million) levied by financial institutions due to delayed payments.

	2011	2010
	(Rupees in thousand)	
36. TAXATION		
Current		
- For the year	**133,720**	53,500
- Prior period	**(1,148)**	2,360
	132,572	55,860

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2011

36.1 In view of the available income tax losses, the provision for current taxation represents tax under 'Final Tax Regime' and tax on minimum turnover under section 113 of the Income Tax Ordinance, 2001. Minimum tax under section 113 is available for set off for 5 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 2011 are estimated approximately at Rs 9,153.834 million (2010: Rs 9,039.61 million).

	2011	2010
	%	%
36.2 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	**(399.58)**	7.65
Tax losses for which no deferred tax is recognised	**478.24**	(44.01)
Tax effect of amounts that are not deductible for tax purposes	**50.15**	(5.81)
Impact of tax related to associates	**43.85**	(2.06)
Effect of change in prior year's tax and others	**(1.50)**	(0.29)
	171.16	(44.52)
Average effective tax rate charged to profit and loss account	**206.16**	(9.52)

		2011	2010 Represented
37. LOSS PER SHARE			
37.1 Basic earnings / (loss) per share			
Continuing operations			
Loss for the year from continuing operations	**Rupees**	**(206,504,000)**	(752,137,000)
Weighted average number of ordinary shares in issue during the year	**Number**	**69,523,798**	69,523,798
Loss per share - basic	**Rupees**	**(2.97)**	(10.82)
Discontinued operations			
Profit / (loss) for the year from discontinued operations	**Rupees**	**124,981,000**	(127,590,000)
Weighted average number of ordinary shares in issue during the year	**Number**	**69,523,798**	69,523,798
Earnings/(loss) per share - basic	**Rupees**	**1.80**	(1.84)

37.2 Diluted 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.

		2011	2010 Represented
Continuing operations			
Loss for the year from continuing operations	Rupees	(206,504,000)	(752,137,000)
Preference dividend on convertible preference shares	Rupees	29,389,237	29,409,000
Loss used to determine diluted earnings per share	Rupees	(177,114,763)	(722,728,000)
Weighted average number of ordinary shares in issue during the year	Number	69,523,798	69,523,798
Assumed conversion of convertible preference shares into ordinary shares	Number	5,774,108	5,774,108
Weighted average number of ordinary shares for diluted earnings per share	Number	75,297,906	75,297,906
Loss per share - diluted	Rupees	(2.35)	(9.60)
Restricted to basic loss per share in case of anti-dilution	Rupees	(2.97)	(10.82)

Discontinued operations

There are no dilutive instruments in respect of discontinued operations.

	2011	2010
	(Rupees in thousand)	
38. CASH USED IN OPERATING ACTIVITIES		
Profit / (loss) before taxation	**76,786**	(803,280)
Adjustment for:		
Depreciation/amortization of:		
- property, plant and equipment	**299,277**	359,177
- intangible assets	**412**	376
- deferred income	**(2,307)**	(3,005)
Impairment of advance for capital work-in-progress	**24,234**	-
Liabilities written back	**(15,484)**	(4,633)
Loss/(profit) on sale of property, plant and equipment	**83,357**	(20,416)
Profit on sale of non current assets held for disposal	**(157,967)**	(144,176)
Impairment of investments classified as available for sale	**31,134**	115,970
Loss on sale of investments in associates	**-**	17,067
Interest from bank deposits	**(84,501)**	(13,080)
Provision against doubtful receivables written back	**(2,323)**	-
Provision for :		
- doubtful advances	**1,705**	13,452
- doubtful receivables	**-**	264
Provision for employees' retirement benefits	**10,607**	9,081
Dividend income	**(43,495)**	-
Net income from livestock	**(748)**	(1,379)
(Gain) / loss on marked to market valuation of interest rate swap	**(66,871)**	16,806
Share of (profit) / loss from associates	**(55,893)**	22,229
Finance cost	**945,255**	989,230
	966,392	1,356,963
Profit before working capital changes	**1,043,178**	553,683
Effect on cash flow due to working capital changes:		
(Increase) / decrease in stores and spares	**(15,147)**	21,528
(Increase) / decrease in stock in trade	**(953,833)**	890,619
Net (increase) / decrease in biological assets	**(8,263)**	14,246
Increase in trade debts	**(474,829)**	(1,062)
(Increase)/decrease in loans, advances, prepayments and other receivables	**(109,999)**	17,699
Increase in trade and other payables	**210,788**	168,979
	(1,351,283)	1,112,009
	(308,105)	1,665,692

39. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

39.1 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	
	2011	2010	2011	2010
	(Rupees in thousand)		(Rupees in thousand)	
Managerial remuneration	**1,913**	-	**37,303**	32,024
Contribution to provident fund, gratuity and pension funds	**134**	-	**8,403**	6,235
House rent	**765**	-	**10,980**	9,100
Utilities	**191**	-	**3,328**	2,711
Reimbursable expenses	**-**	-	**1,548**	1,122
Others	**-**	-	**2,866**	1,800
	3,003	-	**64,428**	52,992
Number of persons	**1**	-	**40**	32

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

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

39.4 Aggregate amount charged in the financial statements for the year for fee to 7 directors (2010: 7 directors) was Rs 240,000 (2010: Rs 130,000).

40. RELATED PARTY DISCLOSURES

The related parties comprise subsidiaries, 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 and remuneration of the key management personnel is disclosed in note 39. Other significant transactions with related parties are as follows:

Relationship with the company	Nature of transactions	2011	2010
		(Rupees in thousand)	
i. Associated Undertakings	Purchase of goods and services	**13,171**	20,338
	Sale of goods and services	**11,178**	12,448
	Share of common expenses	**5,221**	10,319
	Health insurance expenses	**1,774**	1,758
	Dividend income	**48,936**	14,912
	Sale of SML Power Division to Shakarganj Energy (Private) Limited	**-**	300,000
	Purchase of shares	**-**	171,000

Relationship with the company	Nature of transactions	2011 (Rupees in thousand)	2010
ii. Post employment benefit plans	Expense charged in respect of retirement benefit plans	**10,607**	14,375
	Transactions with provident fund account		
	- Funds received	**653,522**	-
	- Funds paid	**644,719**	-
	- Markup expense	**3,255**	-

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

41. CAPACITY AND PRODUCTION

Sugar

		2011	2010
Rated crushing capacity - On the basis of 136 days (2010: 109 days)	M. Tons	**2,176,000**	2,016,000
Actual cane crushed	M. Tons	**1,567,361**	913,272

The low crushing was due to shortage of sugarcane and liquidity crunch. In the comparative figure of sugar, capacity includes 344,000 metric tonnes and actual crushing of 130,477 metric tonnes relating to Dargai Shah sugar unit sold during the current year.

Ethanol

		2011	2010
On the basis of 295 days (2010: 200 days) working	Liters	**75,400,000**	37,900,000
Actual production	Liters	**68,860,824**	22,669,768

The actual production is 91% of the capacity which is within normal working standards.

Building Materials

		2011	2010
On the basis of 201 days (2010: 116 days) working	Cubic meter	**6,030**	3,480
Actual production	Cubic meter	**5,920**	3,562

The actual production is 98% of the available capacity which is within normal working standards.

Textile

		2011	2010
Capacity (converted in 20s counts)	Kgs	**7,599,022**	7,557,169
Actual production (converted in 20s counts)	Kgs	**4,130,728**	7,320,414

The plant remained closed for five months due to very high cotton prices and comparatively low sale price of yarn.

Power

		2011	2010
On the basis of 365 days (2010: 365 days)	KWh	**39,312,000**	61,320,000
Actual generation	KWh	**21,825,500**	27,291,550

The low production was due to closure of plant and shortage of raw material.

42. BUSINESS SEGMENTS INFORMATION

(Rupees in thousand)

		Sugar		Ethanol		Building Materials		Textile		Farms		Power		Elimination		Total	
		2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
											Represented						Represented
Continuing operations																	
Revenue																	
- External	- note 29	**8,217,846**	5,033,526	**3,692,743**	1,106,331	**45,994**	45,967	**1,291,550**	1,461,684	**38,828**	48,593	**76,303**	98,103	**-**	-	**13,363,264**	7,794,204
- Intersegment	- note 29	**1,103,596**	495,998	**-**	-	**-**	-	**-**	-	**10,968**	-	**98,120**	89,021	**(1,212,684)**	(585,019)	**-**	-
		9,321,442	5,529,524	**3,692,743**	1,106,331	**45,994**	45,967	**1,291,550**	1,461,684	**49,796**	48,593	**174,423**	187,124	**(1,212,684)**	(585,019)	**13,363,264**	7,794,204
Segment expenses																	
Cost of sales - Intersegment		**28,826**	33,155	**1,063,497**	525,686	**38,912**	15,890	**76,240**	98,102	**-**	-	**5,209**	7,120	**(1,212,684)**	(679,953)	**-**	-
- External	- note 30	**8,839,329**	5,021,883	**1,831,704**	484,038	**1,543**	28,919	**1,212,818**	1,340,386	**50,698**	78,042	**133,187**	128,520	**-**	-	**12,069,279**	7,081,788
		8,868,155	5,055,038	**2,895,201**	1,009,724	**40,455**	44,809	**1,289,058**	1,438,488	**50,698**	78,042	**138,396**	135,640	**(1,212,684)**	(679,953)	**12,069,279**	7,081,788
Gross profit/(loss)		**453,287**	474,486	**797,542**	96,607	**5,539**	1,158	**2,492**	23,196	**(902)**	(29,449)	**36,027**	51,484	**-**	94,934	**1,293,985**	712,416
- Administrative expenses	- note 31	**188,589**	139,324	**74,711**	27,875	**931**	1,158	**25,877**	28,110	**4,265**	11,165	**3,530**	4,716	**-**	-	**297,903**	212,348
- Distribution and selling expenses	- note 32	**11,652**	4,108	**231,872**	82,895	**22**	736	**1,745**	2,733	**-**	-	**-**	2,628	**-**	-	**245,291**	93,100
		200,241	143,432	**306,583**	110,770	**953**	1,894	**27,622**	30,843	**4,265**	11,165	**3,530**	7,344	**-**	-	**543,194**	305,448
Segment results		**253,046**	331,054	**490,959**	(14,163)	**4,586**	(736)	**(25,130)**	(7,647)	**(5,167)**	(40,614)	**32,497**	44,140	**-**	-	**750,791**	406,968
Other operating expenses																**(164,228)**	(169,367)
Operating Profit																**586,563**	237,601
Finance costs																**(945,255)**	(991,063)
Interest income																**84,501**	13,080
Other operating income																**170,103**	86,921
Taxation																**(132,572)**	(55,860)
Share of income / (loss) from associates-net of tax																**30,156**	(42,816)
Loss for the year from continuing operations																**(206,504)**	(752,137)
Discontinued operations																	
Profit / (loss) for the year from discontinued operations																**124,981**	(127,590)
Loss for the year																**(81,523)**	(879,727)

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

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

	Sugar 2011	Sugar 2010	Ethanol 2011	Ethanol 2010	Building Materials 2011	Building Materials 2010	Textile 2011	Textile 2010	Farms 2011	Farms 2010	Power 2011	Power 2010	Elimination 2011	Elimination 2010	Total 2011	Total 2010
42.3 Segment assets	**3,780,620**	4,413,411	**1,393,809**	870,673	**40,389**	37,294	**293,020**	47,406	**1,035,890**	-	**612,387**	670,935	**-**	-	**7,156,115**	6,039,719
Unallocated assets															**846,933**	2,232,167
															8,003,048	8,271,886
42.4 Segment liabilities	**6,305,698**	5,984,669	**1,094,262**	560,484	**26,564**	11,801	**99,457**	650,963	**83,940**	-	**-**	10,239	**-**	-	**7,609,921**	7,218,156
Unallocated liabilities															**155,394**	560,697
															7,765,315	7,778,853
42.5 Capital expenditure	**18,284**	13,072	**56,333**	-	**-**	-	**14,011**	9,300	**2,579**	11,947	**18,357**	11,669	**-**	-	**109,564**	45,988
Unallocated															**56,446**	319,116
															166,010	365,104
42.6 Depreciation on property, plant and equipment	**170,383**	187,485	**44,276**	46,699	**902**	975	**18,049**	18,299	**3,686**	5,463	**32,798**	34,939	**-**	-	**270,094**	293,860
Unallocated															**29,183**	65,317
															299,277	359,177
42.7 Amortization on intangible assets	**-**	-	**-**	-	**-**	-	**340**	340	**-**	-	72	36	**-**	-	**412**	376
Unallocated															**-**	-
															412	376
42.8 Impairment on capital work-in-progress	**24,234**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**24,234**	-
Unallocated															**31,134**	-
															55,368	-

42.9 Secondary reporting format

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

	Sugar 2011	Sugar 2010	Ethanol 2011	Ethanol 2010	Building Materials 2011	Building Materials 2010	Textile 2011	Textile 2010	Farms 2011	Farms 2010	Power 2011	Power 2010	Elimination 2011	Elimination 2010	Total 2011	Total 2010
Export sales - Europe	**-**	-	**2,763,495**	527,622	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**2,763,495**	527,622
Export sales - Asia	**-**	-	**766,031**	476,405	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**766,031**	476,405
Local sales	**8,217,846**	5,033,526	**163,217**	102,304	**45,994**	45,967	**1,291,550**	1,461,684	**38,828**	48,593	**76,303**	98,103	**-**	-	**9,833,738**	6,790,177
	8,217,846	5,033,526	**3,692,743**	1,106,331	**45,994**	45,967	**1,291,550**	1,461,684	**38,828**	48,593	**76,303**	98,103	**-**	-	**13,363,264**	7,794,204

43. FINANCIAL RISK MANAGEMENT

43.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize 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) Foreign exchange risk

Foreign exchange risk is the risk that value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign exchange 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's exposure to foreign currency risk was as follows:

		2011	2010
		USD	
Financial Assets			
Trade debts		**4,896,816**	-
Cash and bank balances	- note 27.2	**5,353**	5,340
Financial Liabilities			
Export refinance	- note 12.3	**8,760,663**	7,734,515
Derivative liability	- note 13.3	**361,802**	1,205,021

The following significant exchange rates were applied during the year:

	2011	2010
Rupees per USD		
Average rate	**85.98**	85.24
Reporting date rate	**87.40**	86.20

At 30 September 2011, 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 Rs 35,450 million (2010: 73.260 million) lower/higher, 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.

(ii) Price risk

The company is exposed to equity securities price risk because of investments held by the company and classified either as available for sale or at fair value through profit or loss. 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**	
	2011	**2010**	**2011**	**2010**
	(Rupees in thousand)		**(Rupees in thousand)**	
Karachi Stock Exchange	**-**	-	**1,437**	14,332

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 2011 and 2010, 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.

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 2011, 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 58.398 million (2010: Rs 64.139 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:

	2011	2010
	(Rupees in thousand)	
Long term loan and deposits	**45,068**	50,107
Trade debts	**491,646**	14,494
Loans, advances and other receivables	**161,990**	203,568
Cash and bank balances	**118,232**	33,052
	816,936	301,221

The company does not hold any collateral or any other credit enhancement instruments in relation to trade receivables.

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**	**2011**	**2010**
Askari Bank Limited	A1+	AA	PACRA	**1,088**	21,370
Al-Baraka Islamic Bank	A-1	A	JCR-VIS	**1**	1
Allied Bank Limited	A1+	AA	PACRA	**1,870**	24
Atlas Bank Limited	A2	A -	PACRA	**-**	
Bank Alfalah Limited	A1+	AA	PACRA	**117**	274
Bank Islami Pakistan Limited	A1	A	PACRA	**2**	-
The Bank of Punjab	A1+	AA -	PACRA	**117**	17
Barclays Bank PLC	P-1	Aa3	Moody's	**-**	
Samba Bank Limited	A-1	A+	JCR-VIS	**-**	-
Faysal Bank Limited	A1+	AA	PACRA	**1,897**	458
Habib Bank Limited	A1+	AA+	JCR-VIS	**76**	16
KASB Bank Limited	A2	A -	PACRA	**6**	6
MCB Bank Limited	A1+	AA+	PACRA	**49,248**	6,482
Meezan Bank Limited	A-1	AA-	JCR-VIS	**-**	
NIB Bank Limited	A1+	AA-	PACRA	**106**	6
National Bank of Pakistan	A-1+	AAA	JCR-VIS	**120**	509
Silkbank Limited	A-2	A -	JCR-VIS	**5,456**	76
Standard Chartered				**-**	
Bank Limited	A1+	AAA	PACRA	**1,384**	112
United Bank Limited	A-1+	AA+	JCR-VIS	**56,744**	3,701
				118,232	33,052

(c) Liquidity risk

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 12) and cash and cash equivalents (note 27) on the basis of expected cash flow. In addition, the company's liquidity management policy involves projecting cash flows in each quarter and considering the level of liquid assets necessary to meet its liabilities; monitoring balance sheet liquidity ratios against internal and external regulatory requirements; and maintaining debt financing plans.

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

(Rupees in thousand)

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 30 September 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	**1,214,280**	-	-	-
Accrued finance cost	**1,087,629**	-	-	-
	6,219,191	**420,220**	**1,001,940**	**94,650**

(Rupees in thousand)

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 30 September 2010				
Fixed rate long term debt	345,755	-	-	-
Floating rate long term debt	1,598,141	281,126	730,800	126,000
Finance lease liabilities - Gross	193,300	902	57,675	-
Variable rate short term borrowings	2,845,639	-	-	-
Derivative financial instruments	84,887	14,981	10,466	-
Trade and other payables	1,117,523	-	-	-
Accrued finance cost	812,863	-	-	-
	6,998,108	297,009	798,941	126,000

43.2 Fair value estimation

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

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

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

The carrying value less impairment provision of trade receivables are assumed to approximate their fair values.

44. 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.

45. DATE OF AUTHORIZATION OF ISSUE

These financial statements were authorized for issue on 09 January 2012 by the board of directors of the company.

46. EVENTS AFTER THE BALANCE SHEET DATE

There are no subsequent events occurring after balance sheet date.

47. 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. Significant re-arrangements made are as follows:

	(Rupees in thousand)
Impairment losses on available for sale investments re-classified from held for disposal from 'Profit and loss for the year from discontinued operations' to 'Other operating expenses'	115,970
Results of operations of Farms division have been represented as follows:	
'Profit and loss for the year from discontinued operations' to 'Sales'	66,844
'Profit and loss for the year from discontinued operations' to 'Cost of sales'	92,572
'Profit and loss for the year from discontinued operations' to 'Administrative expenses'	11,164
'Profit and loss for the year from discontinued operations' to 'Other operating income'	13,114
'Profit and loss for the year from discontinued operations' to 'Finance cost'	1,833

Chief Executive **Chairman**

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

PATTERN OF SHAREHOLDING

1. Incorporation Number
2. Name of The Company **Shakarganj Mills Limited**
3. Pattern of Holding of the Shares held by the Shareholders as at : 30 September 2011

No. of Shareholders	Shareholding From	Shareholding To	Total shares held
338	1	100	12,364
311	101	500	94,262
251	501	1,000	191,840
449	1,001	5,000	992,410
81	5,001	10,000	572,006
47	10,001	15,000	576,155
30	15,001	20,000	522,995
17	20,001	25,000	384,657
7	25,001	30,000	192,234
11	30,001	35,000	360,840
5	35,001	40,000	188,652
8	40,001	45,000	341,501
3	45,001	50,000	143,014
4	50,001	55,000	208,018
7	55,001	60,000	412,111
3	60,001	65,000	193,497
3	65,001	70,000	198,362
2	70,001	75,000	142,791
2	75,001	80,000	151,235
1	80,001	85,000	83,262
3	90,001	95,000	274,168
6	95,001	100,000	596,284
2	100,001	105,000	201,745
2	105,001	110,000	218,866
2	110,001	115,000	225,724
2	115,001	120,000	232,660
1	120,001	125,000	120,052
6	135,001	140,000	817,154
2	140,001	145,000	284,947
2	145,001	150,000	292,660
1	150,001	155,000	152,090
2	155,001	160,000	316,747
1	160,001	165,000	165,000
1	170,001	175,000	174,850
3	175,001	180,000	531,839
1	180,001	185,000	182,684
1	185,001	190,000	185,275
2	190,001	195,000	383,400

No. of Shareholders	Shareholding From	To	Total shares held
1	195,001	200,000	200,000
2	220,001	225,000	447,566
1	285,001	290,000	289,760
1	300,001	305,000	304,249
1	410,001	415,000	412,563
1	460,001	465,000	463,600
1	505,001	510,000	508,200
1	510,001	515,000	513,240
1	525,001	530,000	526,695
1	535,001	540,000	539,696
1	630,001	635,000	630,500
1	650,001	655,000	654,703
1	680,001	685,000	684,876
1	765,001	770,000	765,150
1	1,025,001	1,030,000	1,027,000
1	1,065,001	1,070,000	1,066,138
1	1,225,001	1,230,000	1,228,800
1	1,395,001	1,400,000	1,400,000
1	1,505,001	1,510,000	1,505,913
1	1,685,001	1,690,000	1,687,582
1	1,875,001	1,880,000	1,875,844
1	2,105,001	2,110,000	2,108,319
1	2,115,001	2,120,000	2,118,785
1	2,845,001	2,850,000	2,847,428
1	2,865,001	2,870,000	2,865,830
1	3,665,001	3,670,000	3,666,302
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
1,650			**69,523,796**

Categories of Shareholder	Physical	CDC	Total	%age
5.1 - Directors, Chief Executive Officer, Their Spouse 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 Spouse and Their 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
5.2 - Associated Companies, Undertakings & Related Parties				
Asian Stocks Fund Limited	-	2,108,319	2,108,319	3.03
Crescent Jute Products Limited	200	33,440	33,640	0.05
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
	200	28,780,549	28,780,749	41.40
5.3 - 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
5.4 - Banks, DFI's, NBFI's	102,741	6,091,085	6,193,826	8.91
5.5 - Insurance Companies	8	-	8	0.00
5.6 - Modarabas & Mutual Funds	453	513,240	513,693	0.74
5.7 - Other Companies	543,938	5,041,384	5,585,322	8.03
5.8 - Non Resident				
State Street Bank & Trust Co.	216	-	216	0.00
	216	-	216	0.00
5.9 - General Public				
A. Local	950,600	18,870,759	19,821,359	28.51
	950,600	18,870,759	19,821,359	28.51
	1,614,898	67,908,898	69,523,796	100.00

Shareholders More Than 10.00%

Crescent Steel And Allied Products Limited	15,244,665	21.93
NBP - Trustee Department NI(U)T Fund	7,194,553	10.35

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Annual General Meeting of the shareholders of SHAKARGANJ MILLS LIMITED (the "Company") will be held on Tuesday, 31 January 2012 at 09:30 a.m. at Qasr-e-Noor, 9-E-2, Main Boulevard Gulberg-III, Lahore, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' and Auditors' Reports and Audited Financial Statements of the Company for the year ended 30 September 2011.

2. To appoint Company's for the financial year ending 30 September 2012 auditors and to fix their remuneration.

By Order of the Board

Lahore: 09 January 2012

Asif Ali
Company Secretary

NOTES:

1. The Share Transfer Book of the Company will remain closed from 24 January 2012 to 31 January 2012 (both days inclusive) to determine the names of members entitled to attend the meeting and vote. Transfers received in order at the Share Registrar Office of the Company, M/s. Corptec Associates (Private) Limited, 7/3-G, Mushtaq Ahmad Gurmani Road, Gulberg – II, Lahore by the close of business on 23 January 2012 will be treated in time for attending the meeting.

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

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

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

A. For Attending the Meeting

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

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

B. For Appointing Proxies

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

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

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

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

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

FORM OF PROXY

I/We____ S/o, D/o, W/o ____________________________________ of

____ (full address) a member(s) of

Shakarganj Mills Limited and holder of ____ shares as per Registered

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

do hereby appoint _____________________________ of ___________________________________ (full address)

or failing him/her ____________________________________ of ____

(full address) as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the Annual General Meeting of Shakarganj Mills Limited scheduled to be held on Tuesday, 31 January 2012 at 09:30 a.m. at Qasr-e-Noor, 9 E 2 Main Boulevard, Gulberg-III. Lahore and at any adjournment thereof.

As witness my / our hand this __________________________ day of __________________________ 2012.

Signature on
Five-Rupees
Revenue Stamp

The signature should agree
with the specimen registered
with the Company

Member ____________________________

Witness ____________________________

Address ____________________________

Dated ______________________________

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.