



ANNUAL REPORT 2005



Shakarganj Mills Limited

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Company Information



From Left to Right: Anjum M. Saleem, Khalid Bashir, Muhammad Arshad, Muhammad Anwar,

Board of Directors

Chairman	Mazhar Karim
Chief Executive	Ahsan M. Saleem
Executive Director	Anjum M. Saleem
Non-Executive Director	Gul Nawaz
Non-Executive Director	Khalid Bashir
Non-Executive Director	Muhammad Anwar
Non-Executive Director	Muhammad Arshad
Non-Executive Director	Muhammad Asif

Audit Committee

Chairman	Muhammad Anwar
	Khalid Bashir
	Muhammad Asif

Company Secretary

Tariq Aleem

Chief Financial Officer

Omer Ashraf





Mazhar Karim, Ahsan M. Saleem, Gul Nawaz, Muhammad Asif

Management Committees

Business Strategy Committee

Ahsan M. Saleem
Anjum M. Saleem
Dr. Wasim Azhar
Muhammad Asghar Qureshi
Pervaiz Akhter
Manzoor Hussain Malik
Shahid Hamid Mir

Executive Committee

Ahsan M. Saleem
Anjum M. Saleem
Muhammad Asghar Qureshi

System & Technology Committee

Muhammad Awais Qureshi
Ashraf Khan Afridi
Omer Ashraf
Saad Akhtar Jaffery

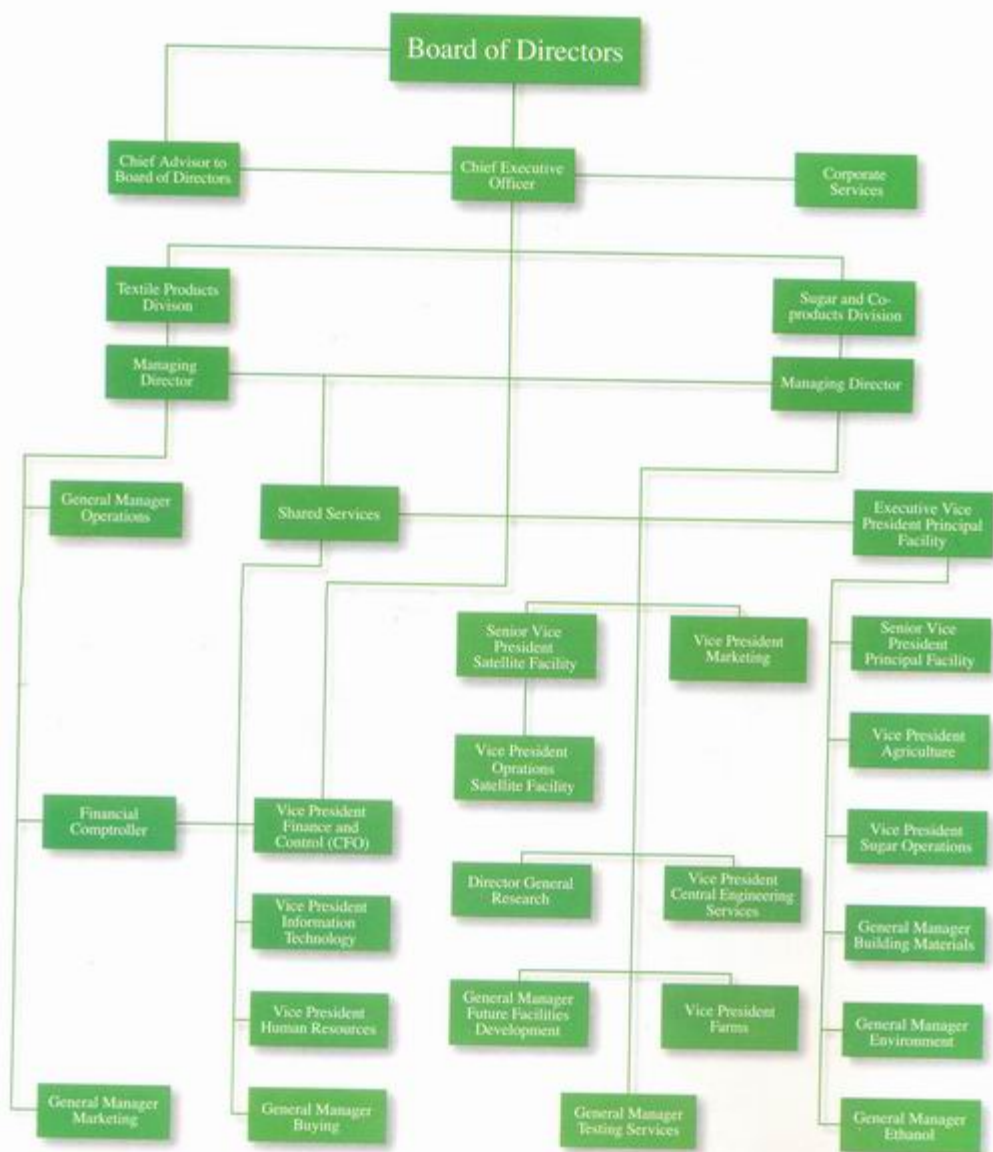
Investment Committee

Ahsan M. Saleem
Anjum M. Saleem
Omer Ashraf

Human Resource Committee

Muhammad Asghar Qureshi
Muhammad Awais Qureshi
Ashraf Khan Afridi
Omer Ashraf
Hameedullah Awan

Management Structure



The Management



Muhammad Asghar Qureshi
Managing Director
Sugar & Co. Products *1999



Anjum M. Saleem
Managing Director
Textile *1996



Muhammad Aslam Qureshi
Executive Vice President
Principal Facility *1980



Pervez Akhter
Senior Vice President
Principal Facility *1981



Ashraf Khan Afridi
Senior Vice President
Satellite Facility *2003



Manzoor Hussain Malik
Vice President Agriculture
*1980



Omer Ashraf
Vice President Finance &
Control (CFO) *2003



Hameedullah Aslam
Vice President Administration
*2001



Dr. Shahid Afghani
Director General Research
*1987



Maqsood Bhatti
Vice President Operations
Satellite Facility *1986



Langer Khan
Vice President Farms
*2004



Abdul Sammeer
General Manager Testing
Services *1988



Asif Ali
Head of Internal Audit
*1996



A study published in the September 2005 issue of the Journal of Nutrition suggests that extracts from pomegranate fruit may slow cartilage degradation in osteoarthritis. Sweet and Chilled juices are sweetly refreshing.

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 'Sugar and Allied'

Public Information

Financial analysts, Stock brokers, interested investors and financial media desiring information about "Shakarganj" should contact Tariq Aleem at Company's registered Office, Lahore.
Tel: +92-42-5873711 +92-42-111-912-912
Email: tariqaleem@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 Shareholder Services Department at the Registered Office at Lahore.
Tel: +92-42- 5871738, +92-42-111-912-912
Fax: +92-42- 5875916
E-mail: csbm@csibl.com

Products

- Ethanol
- Particle Board
- Sugar
- Yarn

Legal Advisor

Hassan & Hassan Advocates, Lahore.

Auditors

A. F. Ferguson & Co.
Chartered Accountants

Bankers

- ABN Amro Bank
- Allied Bank Limited
- Askari Commercial Bank Limited
- Bank Alfalah Limited
- Crescent Commercial Bank Limited
- Crescent Standard Investment Bank Limited
- Faysal Bank Limited
- Meezan Bank Limited



**Tea combats heart disease,
lowers cholesterol and staves
off several types of cancer
while protecting skin and
strengthening bones and
teeth. It provides a sweet
start to any given day.**



Shareholders' Information

- Muslim Commercial Bank Limited
- National Bank of Pakistan Limited
- The Bank of Punjab
- Union Bank Limited
- United Bank Limited

Works

Principal Facility

Management House, Toba Road Jhang, Pakistan.
Tel: +92-477-629337-41
Tlx: 43471CJP PK Fax: +92-477-620272
E-mail: ssugar@shakarganj.com.pk

Satellite Facility

63 K.M. Jhang Sargodha Road, Bhoone.
Tel: +92-477-223016, 223075
Fax: +92-477-223017

Website

www.shakarganj.com.pk

Registered Office

4th Floor, Crescent Standard Tower,
10-B Block E 2, Gulberg III, Lahore, Pakistan
Tel: +92-42-111-912-912
Fax: +92-42-5875916

Principal Office

10th Floor, Crescent Standard Tower,
10-B Block E 2, Gulberg III, Lahore, Pakistan
Tel: +92-42-5783801-2

Karachi Office

Sidco Avenue Centre, 264 R.A. Lines, Karachi.
Tel: +92-21-5688149

Annual General Meeting

The 38th Annual General Meeting of
Shakarganj Mills Limited will be held
on Saturday, December 31, 2005 at 11:00 a.m.
at Pearl Continental Hotel, Shahrah-e-Quaid-e-
Azam, Lahore.

Faisalabad Office

Nishatabad, New Lahore Road, Faisalabad
Tel: +92-41-8753037



Production Data

Season	Duration Season (Days)	Cane Crushed (M. Tons)	Raw Sugar Processed (M. Tons)	Sugar Produced (M. Tons)	Recovery (Percent)	Process Losses (Percent)	Molasses (M. Tons)	Ethanol (Litres)	Building Material (Cubic Meter)
2004-05	160	1,324,599.67	67,930.40	177,679.15	8.63	2.17	66,189.59	33,245,964	3,583.66
2003-04	159	1,614,539.00	—	136,813.00	8.48	2.41	81,953.00	35,408,000	5,141.00
2002-03	196	1,675,370.00	—	127,060.00	7.58	2.36	84,277.00	26,233,000	1,667.76
2001-02	195	1,704,812.00	—	128,000.00	7.53	2.42	91,890.00	15,800,156	5,669.90
2000-01	161	1,054,992.00	27,811.50	105,550.00	7.50	2.31	53,601.00	10,469,000	1,570.96
1999-00	144	524,376.69	—	39,965.00	7.63	2.20	24,243	4,967,000	497.480
1998-99	157	1,350,118.54	—	101,479.00	7.51	2.23	61,756	5,324,756	1,923.688
1997-98	163	1,434,389.42	—	112,430.00	7.85	2.38	73,477	6,350,000	2,784.438
1996-97	176	1,036,955.12	—	79,740.00	7.69	2.50	54,711	6,015,000	Nil
1995-96	151	763,316.24	—	60,285.00	7.92	2.65	39,397	2,573,700	2,117.539
1994-95	157	1,057,035.58	—	86,075.00	8.11	2.77	53,172	5,460,000	5,299.260
1993-94	196	1,203,371.20	—	88,116.50	7.34	2.65	60,150	5,250,076	4,334.770
1992-93	161	691,838.64	—	54,055.00	7.85	2.68	35,980	4,887,020	1,662.757
1991-92	174	746,506.35	—	63,985.50	8.57	2.53	37,710	4,525,900	3,360.000
1990-91	204	866,552.13	—	65,536.80	7.56	2.59	47,135	3,422,204	642.940
1989-90	187	708,632.50	—	57,912.00	8.17	2.31	33,180	3,030,217	—
1988-89	170	446,324.86	—	36,366.80	7.70	2.44	22,410	—	—
1987-88	193	698,604.86	—	55,726.00	7.98	2.61	38,740	308,494	—
1986-87	149	333,601.08	—	27,898.60	8.36	2.24	15,060	1,855,809	—
1985-86	113	237,601.67	—	20,625.00	8.66	2.29	11,470	20,239	—
1984-85	168	441,717.77	—	39,522.60	8.96	2.38	22,580	—	—
1983-84	173	427,169.49	—	35,501.20	8.31	2.40	21,860	—	—
1982-83	173	361,291.49	—	29,440.00	8.16	2.44	16,255	—	—
1981-82	207	466,040.00	—	39,474.00	8.47	2.48	21,255	—	—
1980-81	187	287,723.00	—	25,562.00	8.89	2.42	13,373	—	—
1979-80	112	61,206.63	—	5,619.30	8.95	2.25	2,358	—	—
1978-79	114	107,106.07	—	9,267.30	8.80	2.27	4,147	—	—
1977-78	177	319,980.40	—	27,620.00	8.61	2.44	14,103	—	—
1976-77	166	308,987.44	—	26,085.60	8.45	2.67	15,228	—	—
1975-76	157	246,393.59	—	18,864.88	7.61	2.68	11,424	—	—
1974-75	107	104,069.16	—	8,252.62	8.30	2.75	4,182	—	—
1973-74	101	87,824.72	—	5,476.83	6.28	3.57	4,726	—	—

Financial Highlights

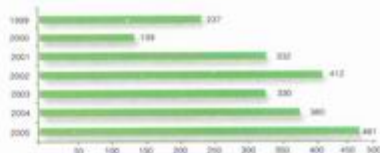
		2005	2004	2003	2002	2001	2000	1999
Operating Results:								
Net Sales	(Rs 000)	4,962,460	3,498,163	2,612,999	2,615,804	2,183,827	1,180,681	1,864,677
Cost of Sales	(Rs 000)	4,481,071	3,117,624	2,282,487	2,203,240	1,851,686	1,041,975	1,627,251
Gross Profit	(Rs 000)	481,389	380,539	330,512	412,564	332,141	138,706	237,426
Operating Profit	(Rs 000)	459,144	345,076	210,899	333,079	254,646	92,216	158,075
Profit after tax	(Rs 000)	207,381	155,495	129,578	110,650	13,495	4,314	1,295
Dividends	(Rs 000)	—	67,975	43,929	43,929	21,965	—	—
Per Share Results and Return:								
Earnings Per Share	(Rupees)	5.08	4.12	3.34	3.78	0.46	0.15	0.04
Cash Dividend per Share	(Rupees)	—	1.75	1.50	1.50	0.75	—	—
Dividend yield ratio	(%)	—	3.36	4.76	14.63	7.14	—	—
Dividend pay out ratio	(%)	—	33.90	39.70	162.76	—	—	—
Market Price Per Share	Rupees	47.50	52.10	31.50	10.25	10.50	6.10	6.50
Price Earning Ratio	(Times)	9.35	13.02	9.44	2.71	22.83	40.67	162.5
Financial Position								
Reserves	(Rs 000)	2,449,491	1,604,083	390,426	118,106	144,243	152,742	148,428
Current Assets	(Rs 000)	5,134,677	3,172,014	1,559,353	753,172	675,554	567,276	863,642
Current Liabilities	(Rs 000)	4,897,890	2,400,159	1,707,407	776,258	968,488	736,766	962,678
Net Current Assets /								
(Liabilities)	(Rs 000)	236,787	771,855	(148,054)	(23,086)	(292,934)	(169,490)	(99,036)
Property, Plant and Equipment	(Rs 000)	1,744,787	1,287,761	1,140,175	779,251	700,568	701,690	745,879
Total Assets	(Rs 000)	10,130,948	6,193,218	3,196,491	1,815,615	1,849,787	1,433,551	1,757,592
Long-Term Debt	(Rs 000)	2,077,451	1,772,257	660,233	642,685	670,158	329,110	407,537
Long-Term Debt to								
Equity Ratio	(Times)	0.66	0.88	0.79	1.22	1.53	0.74	0.92
Shareholders' Equity	(Rs 000)	3,146,552	2,009,602	835,233	526,590	437,132	445,602	441,288
Share Capital	(Rs 000)	540,537	388,430	388,430	292,860	292,860	292,860	292,860
Break-up Value per Share	(Rupees)	76.00	51.52	21.50	17.98	14.93	15.22	15.07
Financial Ratios:								
Current Ratio	(Times)	1.05	1.32	0.91	0.97	0.70	0.77	0.90
Long-Term Debt								
to Capitalization	(%)	39.77	46.86	44.15	54.96	60.52	42.48	48.01
Total Debt to Total Assets	(%)	64.64	58.44	73.87	71.00	76.37	68.92	74.89
Return on Average								
Assets Employed	(%)	3.04	3.67	5.17	6.04	0.82	0.27	0.07
Return on Average Equity	(%)	16.95	16.46	19.03	22.96	3.06	0.97	0.29
Gross Profit Ratio	(%)	9.70	10.88	12.65	15.77	15.21	11.75	12.73
Net Profit Margin	(%)	4.18	4.45	4.96	4.23	0.62	0.37	0.07
Interest Coverage	(Times)	1.64	2.55	1.97	2.10	1.23	1.07	1.06
Average Collection Period	(Days)	16	12	9.23	13.91	9.10	6.61	5.65
Debtor's turnover	(Times)	22.17	29.95	31.53	33.95	57.62	47.02	104.27
Inventory Turnover	(Times)	6.37	6.71	3.43	10.01	5.52	23.31	4.96
Fixed Assets Turnover	(Times)	3.27	2.71	1.75	3.02	2.66	1.46	2.20
Total Assets Turnover	(Times)	0.61	0.66	0.82	1.44	1.18	0.82	1.06
Other Data:								
Depreciation & Amortization	(Rs 000)	169,131	135,308	100,968	71,835	67,347	67,861	72,547
Capital Expenditure	(Rs 000)	602,993	288,071	294,850	146,838	58,640	19,130	81,599

Financial Highlights

Net Sales
(Rupees in million)



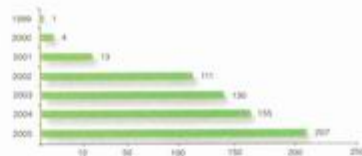
Gross Profit
(Rupees in million)



Operating Profit
(Rupees in million)



Profit after tax
(Rupees in Million)



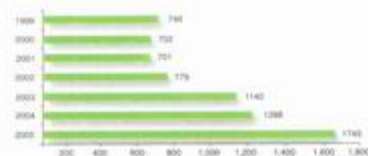
Cash Dividend Pay Out
(Rupees in Million)



Reserves
(Rupees in million)



Property, Plant and Equipment
(Rupees in Million)

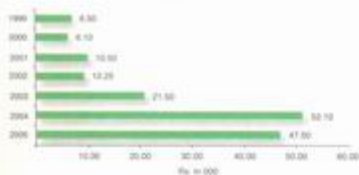


Net Current Assets / (Liabilities)
(Rupees in million)

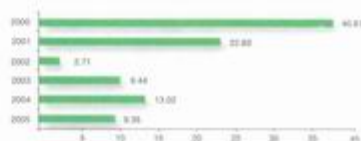


Financial Highlights

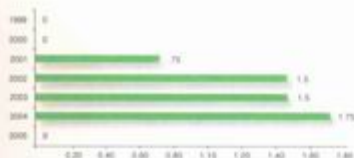
Market Price Per Share
(Rupees)



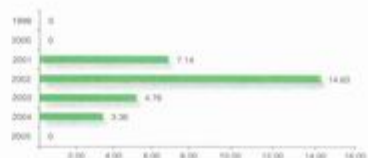
Price Earning Ratio
(Times)



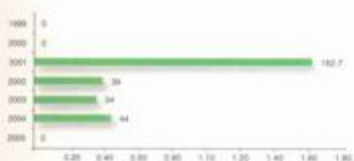
Dividend Per Share
(Rupees)



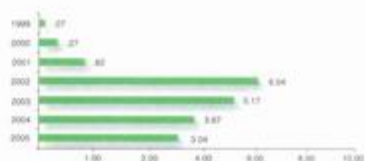
Dividend Yield Ratio
(%)



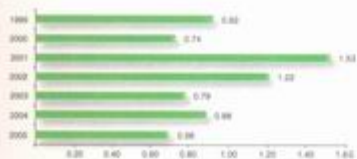
Dividend Payout Ratio



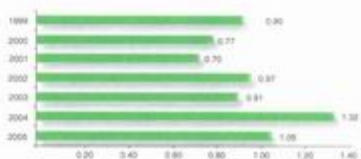
Return on Average Assets Employed
(%)



Long Term Debt to Equity Ratio
(Times)

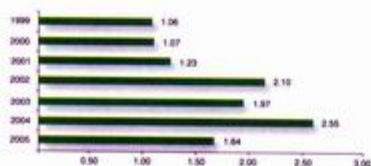


Current Ratio
(Times)

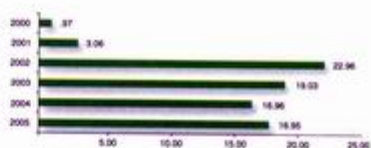


Financial Highlights

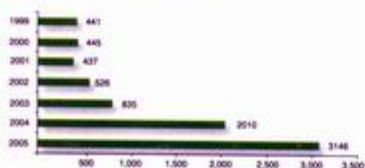
Interest Coverage
Times



Return on Average Equity
%



Shareholder's Equity
(Rupees in Million)



Quality Policy

Our quality policy stems from our vision and is to maintain industry leadership and customer satisfaction through production of high quality sugar, yarn and allied products at lowest cost, using environment friendly technology and safe working conditions. We run our business with integrity and professionalism and believe in continual improvement and a fair deal for our investors, customers, suppliers and employees.



Statement of Value Addition

	(Rupees in Million)			
	2005	%AGE	2004	%AGE
Wealth Generated				
Sales Revenue (Gross)	4,962		3,984	
Other Receipts	202		171	
	5,164		4,155	
Less: Materials & Services	3,602		2,972	
Value Added	1,562	100	1,183	100
Wealth Distributed				
	(Rs in Million)	%AGE	(Rs in Million)	%AGE
To Employees				
Salaries, Wages and Related Costs	173	11	154	11
To Government				
Income Tax, Sales Tax and Other Taxes	711	46	562	48
To Providers of Capital				
Finance Charges on Loans and Advances	279	18	135	12
	1,163	75	851	71
To Charitable Institutions	23	1	13	1
To Provide for Maintenance & Expansion of Assets				
Depreciation / Amortization	169	11	135	12
Profit Retained	207	13	116	10
	376	24	251	22
To Shareholders as Dividend	-	-	68	6
	1,562	100	1,183	100.00

Wealth Distribution for 2005



- 11 To Employees
- 46 To Govt.
- 18 To Providers of Capital
- 01 To Charitable Institutes
- 24 To Provide for Maintenance

Shakarganj Sugar Research Institute

Board of Governors

1. Mr. Mohammad Asghar Qureshi (Chairman)
2. Mr. Altaf M. Saleem (Member)
3. Mr. Mohammad Awais Qureshi (Member)
4. Mr. Malik Manzoor Hussain (Member)
5. Dr. Shahid Afghan (Director General)

Principal functions of Shakarganj Sugar Research Institute (SSRI)

1. Sugarcane breeding to evolve high yielding, early maturing, disease resistant, biotic and abiotic stresses tolerant varieties.
2. To investigate the agronomic problems of sugarcane production.
3. Research and development on utilization of biomass from sugar industry, effluents and its use for sustainable agriculture.
4. To study soils in sugarcane producing areas and to relate these to crop management.
5. To use tissue culture propagation for rapid multiplication of elite clones.
6. To study and monitor the pests and diseases of sugarcane and to develop appropriate control measures.
7. To conduct research on germination of sugarcane setts, sucrose production, translocation, storage and environmental influences on these processes.
8. To advice on the use of fertilizers and other agricultural chemicals, irrigation and drainage, diseases and pests control, the use of machines and equipments land and water management, and other aspects of crop planting, production and management.
9. To publish and disseminate information on all aspects of sugarcane production.
10. To conduct educational courses on various aspects of sugarcane growing for cane development staff and growers.

11. To collaborate and exchange information and material with Research Organizations in Pakistan and abroad.

12. To improve technology of sugar production inside the sugar factories by improving process and milling efficiency.

Chairman's Review 2005

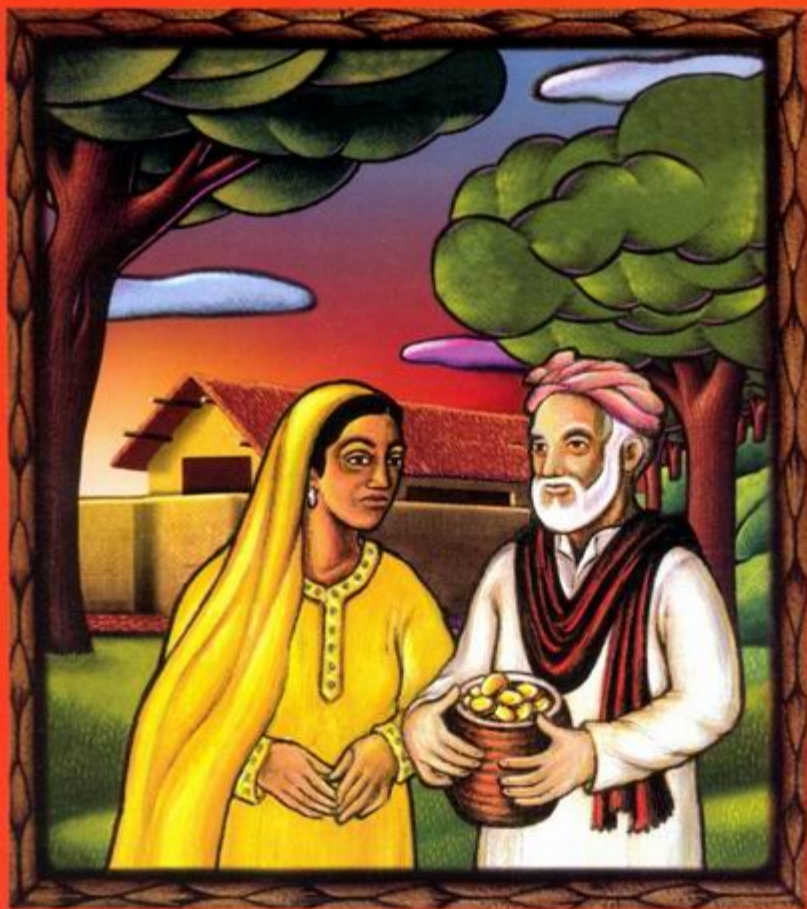
This report summarizes research and development activities being conducted at SSRI with emphasis on main goals that were achieved during the year 2004-2005. Following activities were conducted on various aspects of cane production:

- Sugarcane variety development
- Biological control of borers and pyrilla
- Tissue culture propagation of elite clones
- Studies on disease tolerance
- Studies on insect resistance
- Agronomic trials
- Soil and water advisory service
- Workshop on R & D activities
- Publication of Pakistan Sugar Journal
- Library of the institute



New Projects

- Organic Sugar Project
- Botanical Garden
- Training Courses



A poor farmer prayed for his land to bear him fruit so he could feed his family. One morning he thought that if ever he was to own anything at all in this hard world, it would have to simply appear before him. Chopping firewood by the roadside one day, he found a pot full of gold coins under a tree. He could not claim it because it was not on his land. On returning, he told his wife about the coins making her very angry for putting them back. She told her neighbor that they would share half of them with him if he would fetch them. When the neighbor opened the pot, he found it full of scorpions and snakes instead. Very angry, he took the pot and craftily emptied it in the farmer's hut. The next morning the farmer discovered the pile of gold coins inside his house. Now he could claim them for his own.

Shakarganj conducts its business in a responsible manner with honesty and integrity. All our transactions are open and transparent, and this extends to all our industrial and financial interests.

SSRI has made steady, expanding and intensifying progress by releasing new high yielding, early maturing and disease resistant cane varieties. The institute is also involved in dissemination of production technology with cooperation of cane department and farm division of SML. The major achievements of SSRI in multifarious areas of research and development are detailed below:

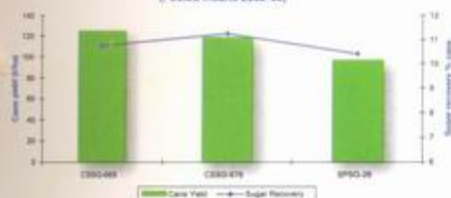
1. Sugarcane variety development

Research work on development of new cane varieties continued at the same level of priority.

a. Clones of CSSG Series at final stage

Cane fuzz of CSSG Series was imported from CSR-Australia during 1998. Data on biometric traits of two clones viz. CSSG-668 & CSSG-676 at final stage compared with SPSG-26 (Standard Check) are given in Fig. 1. Both the clones have shown better performance for cane yield and quality along with resistance against major diseases. In addition to this, CSSG-668 and CSSG-676 has shown excellent ratooning and non-lodging behavior. Therefore, these were included in coordinated varietal trials at provincial level during 2003-2004 and forwarded for National Uniform Varietal Yield Trial (NUVYT) at national level in 2004-2005. Extensive testing and seed multiplication is in progress. Experimentally these clones will be planted on an area of 1000 acres during autumn 2006.

Fig. 01 Biometric traits of CSSG-Series at Final Stage (Pooled means 2003-05)



b. Semi-final trials

Promising clones selected were 143 from S99HoSG, S2000HoSG, S2001HoSG, QSG, NSG, CSSG & S2002HoSG series. This selection was done out of 640 advance clones of previous year. Semi-final clones were selected on the basis of germination capacity, tillering potential, cane yield and early maturity trend. These clones will be further evaluated for ratoonability, abiotic and biotic stress. Description of series

showing population of clones included in semi final trials is elaborated in table-1.

c. Advanced clones

Clones advanced were 291 from 1518 progeny clones (table-1). Five rows of each clone were planted in a plot of 80 ft². This stuff was laid out on 2 acres, during the year under report.

d. Progeny clones

Progeny clones selected were 2981 out of 50852 original seedlings from CP and CSR series (table-1). Plantation was completed during September 2005. The progeny clones were planted at 5 acres having plot size of 28 ft².

e. Original seedlings

Cane fuzz of 20 bi-parental crosses was purchased for 4000 US\$ from CSR Davis Laboratory Townsville, Australia. Polycrosses of 4 progenitors were received from Thatta, Pakistan and 131-bi-parental crosses were imported under un-funded cooperative programme from Houma, USA. Fuzz was grown in July 2005. Original seedlings germinated were 35187. Out of this



seedlings 23384 were from CSR-Australia, 9695 from Houma-USA and 2108 from National Agriculture Research Council, Thatta Pakistan (Table-1). Seedlings were planted as single stools at 2 x 3 feet spacing.



In a dense, dark forest there once lived a ferocious tiger who enjoyed killing animals for sport. One day the animals decided to draw lots every day and select one animal to be sacrificed to the tiger. 'Lunch' was thus delivered to the tiger's den till one day it was the hare's turn. The hare turned up late and explained that he had barely managed to save himself from the other tiger who wanted to make a meal of him. Angered by this story, the tiger asked to be led to the other tiger's den. The smart hare led him to a well and asked him to look inside. When the tiger saw his own reflection in the water he leaped at it, mistaking it for his rival. And so the little hare helped the other animals get rid of the ferocious tiger.

At Shakarganj we believe in selfless service to the community and the community. We have started various CSR programs to help the community grow at every level.

Table-1 Status of germplasm under different selection stages 2004 – 05

Selection Stage	Seedling Year/Source of Tuz	Number of seedlings / clones
Stage -5	Final clones	
	i. S98CSSG, Davis Laboratory, Townsville, Australia	2
	Total	2
Stage -4	Semi-final Clones	
	i. S99HoSG, AgCenter, Houma, USA	3
	ii. S2000HoSG, AgCenter, Houma, USA	10
	iii. S2001HoSG, AgCenter, Houma, USA	12
	iv. S2001CPSG, USDA, Canal Point, USA	7
	v. S2001NSG, SASAEX, Natal, South Africa	2
	vi. S2001QSG, BSES, Queensland, Australia	13
	vii. S2001CSSG, Davis Laboratory, Townsville, Australia	57
	viii. S2002HoSG, AgCenter, Houma, USA	39
	Total	143
Stage -3	Advanced clones	
	i. S2003HoSG, AgCenter, Houma, USA	291
	Total	291
Stage -2	Progeny clones	
	i. S2004CSSG, Davis Laboratory, Townsville, Australia	2345
	ii. S2004CPSG, USDA, Canal Point, USA	636
	Total	2981
Stage -1	Original seedlings	
	i. S2005CSSG, Davis Laboratory, Townsville, Australia	23384
	ii. S2005TSG, Thatta, Pakistan	2108
	iii. S2005HoSG, AgCenter, Houma, USA	9695
	Total	35187

2. Biological control

a. Biological control of borers complex

Trichogramma, an egg parasite of borer complex has shown its efficacy being released regularly in cane since 1996. The acreage covered by release of Trichogramma was 76395 during the year under report. Trichogramma were tagged to sugarcane crop in 33-cane developed circles of SML. The parasitised trichogramma cards were provided at a highly subsidized price of Rs.4/- per card to cane growers of

SML. Infestation was below economic threshold level (> 5 %) in cane fields where parasite was released.

b. Biological Control of Pyrrilla

This lab was established for artificial rearing of Green Lace-Wing (*Chrysoperla carnea*) with an objective to control infestation of pyrrilla, which was inefficient with chemicals. Egg sheets of Green Lace-Wing (*Chrysoperla carnea*) released in the field were 886 during the year under report. The sheets having 350-400 eggs of Green Lace Wing applied in the cane fields @ 5-10 on per acre basis from March to September 2005. The applications of the predator were repeated fortnightly. It has shown an effective predation on eggs and nymphs of Pyrrilla. In addition, *Chrysoperla* is equally efficient for borers of sugarcane, rice, maize and cotton. This facility will be expended up to 2000 sheets annually from next fiscal year.

3. Tissue culture Propagation of elite clones

Rapid multiplication of elite clones with high quality vigorous seed was in progress during the year 2005. Sugarcane clones tissue cultured were NSG-6, NSG-311, NSG-555 and HSF-242. New clones included were CSSG-668, CSSG-676 and CPF-243 during the year under report. Total plantlets production was 70835. Plantlets shifted



for hardening were 29385. Plantlets survived were 85 percent during hardening and 95 percent in the



A jackal once fell into a large vat of blue dye. When he returned home to the jungle, he told all his astonished friends that he had transformed into a beautiful peacock and that there was no other animal finer than him. He strutted around the jungle pretending to be a peacock. His friends asked him to spread out his tail and dance like a peacock but he could not comply. They then asked him to cry like the peacock, but once again he could not do it. His friends ridiculed him and said that he was not a peacock at all, and since he himself had acknowledged that he was not a jackal, they did not want him in their company and sent him away.

At Shakarganj we are proud of our heritage. We believe that deep-rooted affection to the land and its people is the core of our business.

field plantation. First generation seed of two acre was multiplied at SML cane seed banks. About 250 acres of second generation will be planted during autumn 2006.

4. Studies on disease tolerance

Different selection stages of clones were screened against major diseases. Amongst 2169 entries only 436 had shown combined resistance to red rot, rust, pokha boeing and smut. Out of total combined resistant stuff clones, 2 were from final, 13 from semi-final, 130 from advance and 291 from progeny. Series-wise detail of different sources for screening against combined resistance for major diseases is given in table-2.

Table-2 Screening of germplasm for combined resistance against major diseases

Sr. No.	Origin	No. of Clones	Resistance to				
			Red rot	Rust	P. Boing	Smut	Combined
1	Final Clones S98 CSSG Series	4	2	4	3	3	2
2	Semi-final clones S99-2000 Series	20	13	15	13	14	13
3	Advance clones S2001-2002 Series	627	130	331	413	347	130
4	Progeny clones S2003 HoSG series	1518	291	952	789	853	291
	Total	2169	436	1302	1218	1217	436

5. Studies on insect resistance

Studies were conducted to develop sugarcane varieties having resistance against insects. The infestation of top, stem, root and gurdaspur borers was estimated on internodes basis. Results indicated that no clone had shown resistance against borer complex. Clones included in the trial for insect resistance were 436.

6. Agronomic trials

Objective of this programme is to provide technical guidance on production technology, biometric traits of varieties, integrated pest management, judicious use of fertilizer and irrigation water. This has helped enhanced yield and quality of cane crop of SML cane

growers. The agronomic trials conducted on multifarious aspects comprised seed rate, row spacing, fertilizer application, irrigation coefficients, trash mulching, weed control and post harvest losses.

7. Soil and water advisory service

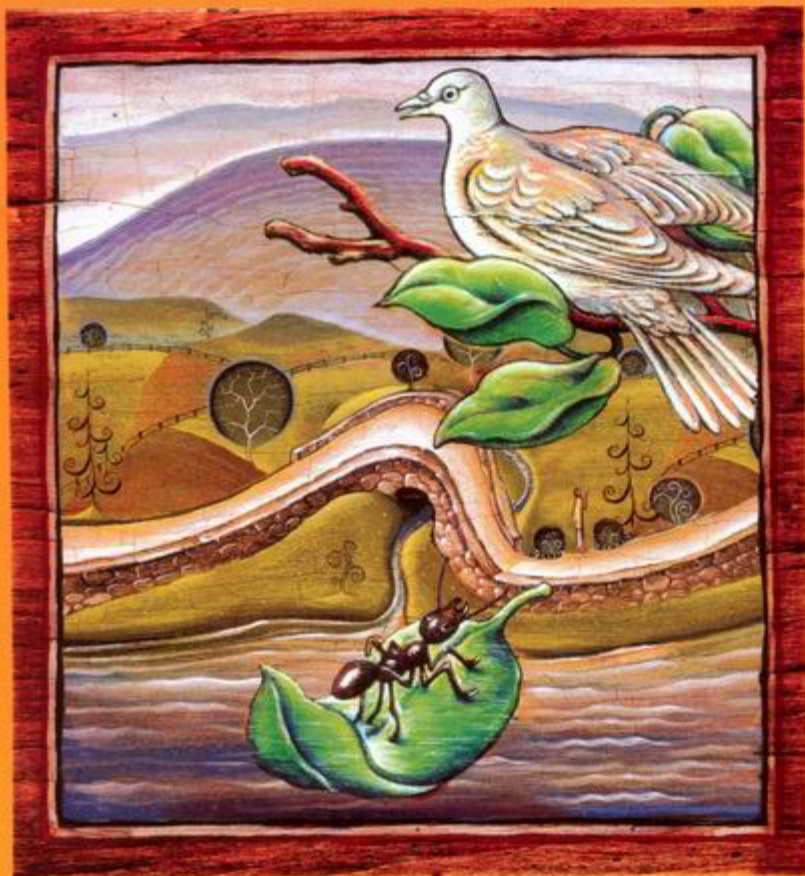
Main objective of this facility is to develop balanced application of nutrients and irrigation water. It is a permanent feature of this institute. Soil and water sample analyzed were free of cost. The service is beneficial for cane growers of this area to know fertility of soils and fitness status of water for judicious use of fertilizer and irrigation water resources. The services were extended up to 275 cane growers. Analysis of soil and water samples done was 2879 and 1144, respectively during the year under report.

8. Workshop on R&D activities on sugar crops

A fifth workshop entitled "Research and Development Activities on Sugar Crops in Pakistan" was organized on October 4-5, 2004 at the institute. Forty-five scientists participated in the workshop from sixteen Research Institutes from all over the country. Twelve research manuscripts were presented and discussed. Research papers along with



recommendations were published as proceedings of the workshop in the November-December 2004 issue of Pakistan Sugar Journal.



An ant went to a river to quench his thirst, but he tumbled in and began to drown. Fortunately, a dove happened to be sitting on a nearby tree and saw the ant's predicament. She plucked a leaf off the tree and let it drop into the water. The ant climbed on top of the leaf and was soon washed safely ashore. Shortly afterward a bird catcher came by, spread his net, and was about to ensnare the dove when the ant bit the man hard on his heel. The man let out a cry and dropped his net. Realizing that she was in danger, the dove flew safely away.

At Shakarganj our corporate philosophy is to be of service to the community. We believe in addressing issues of education, healthcare, public safety, and environmental health of the community and the environment we work in.

Shakarganj Sugar Research Institute

9. Publication of Pakistan Sugar Journal (PSJ)

Six issues of PSJ were published on bimonthly basis with the patronage of SSRI. Thirty research papers were published during the year under report. Some papers received from countries like Egypt and Bangladesh were included in various issues of the journal. Copies printed of each issue were 150 and distributed to various research organization, universities, sugar mills in the country and abroad.

10. Library of SSRI

The computerized library with devi-decimal classification was established in 1990. It provides excellent reading material to the members. Latest stuff has touched a figure of 5496 covering books, manuals, proceedings, research journals and audio-video aid. Development is in progress to facilitate users with on line asses for issuance of available material. Status of the library during the year under report is given in table-3.

Table-3 Status of the at library (2004-2005)

Sr. No.	Description	Number of units
1.	Books	5000
2.	Proceedings	270
3.	Journals on management	17
4.	Journal on sugarcane/sugar industry	12
5.	Video Cassettes	118
6.	Audio Cassettes	79

New Projects

11. Organic sugar project

Organic Sugar Certification from SKAL International, Netherlands, was completed on May 19th, 2005 for the year under report. This project has the benefits of the consultancy of Dr. Tahir Hussain, a renowned Agricultural Scientist who retired last year as Dean, (Agri Facility), University of Agriculture, Faisalabad. A model organic farm has been established at Chak No. 462 JB. Cane growers included in the project are from five circles of the gate supply zone of Shakarganj Mills.

12. Botanical Garden

This project was started on July 2004 with an aim of conserving flora of Pakistan for education and research. Species of flora collected were 356 including trees, shrubs, herbs, climbers, cacti and junipers. In addition to this, a thorn forest on an area of one acre was planted to conserve the five endangered tree species viz: Wan (Salvadora oleoides), Frash (Tamarix aphylla), Kaeer (Capparis decidua), Desi Kikar (Accacia arabica) and Jand (Prosopis cineraria).

13. Drip T. Tap Irrigation Project

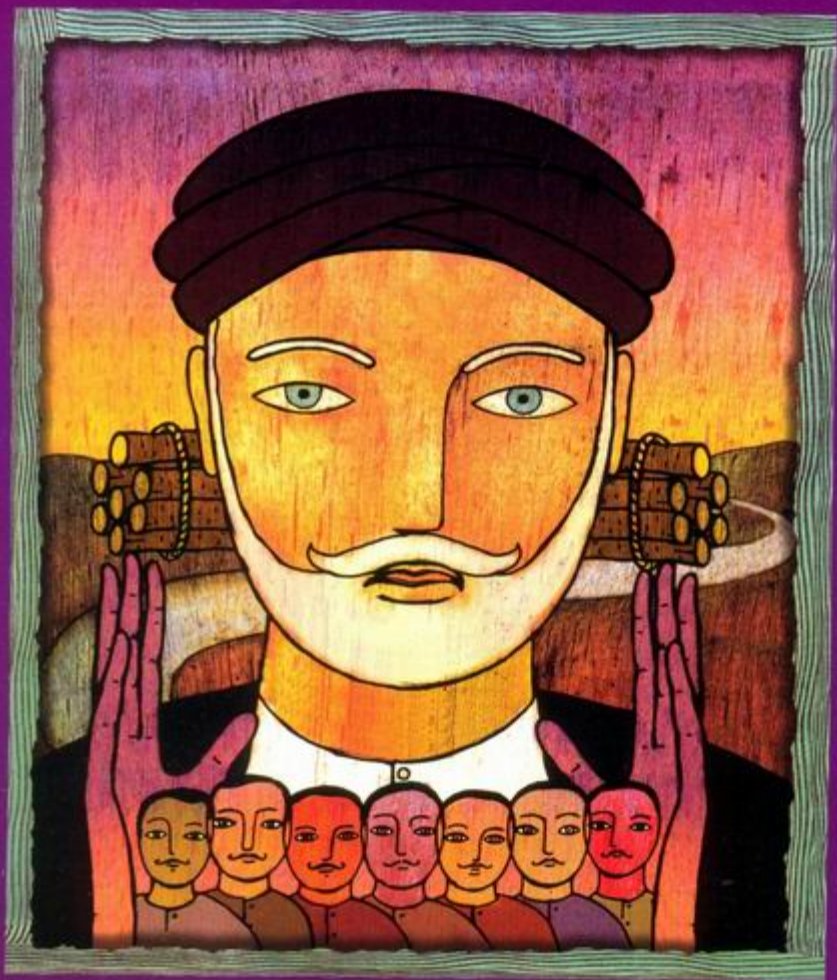
Drip T-tap irrigation trial was laid out on 8 acres of land with assistance of Rainmakers Ltd. Lahore during September 2004. Objective was to access the saving of irrigation water as compared to conventional methods. Inferences can only be drawn after a period of two to three years.

14. Training Courses

SSRI provides opportunities to scientists for improvement of qualification and high tech training. One of the scientists has completed Post-Doctorate in Molecular Biology. He has completed a project on DNA fingerprinting of sugarcane varieties using molecular markers and cloning of coat protein region of sugarcane mosaic virus. This will help improve efficiency of sugarcane variety development programme at SSRI. In



addition to this one scientist was sent on a training course titled "Genetic Improvement of Sugar- cane for Food, Fuel and Fiber" which was held at Coimbatore India.



There once lived an old farmer, who had seven sons. They lived in a far off village in the countryside. The sons were always quarrelling with one another and would not reconcile no matter what the farmer said. One day, he decided that he might have more success by setting some sort of example. He took seven sticks and tied them tightly together. Then, he told them one by one to pick up the bundle of sticks and break it. They all tried, but nothing came of their efforts. The farmer then untied the bundle and handed each son a stick and asked them to break them. The sticks broke easily. The farmer counseled his sons that they would be a match for their enemies as long as they remained united.

Over the years, Shakarganj has grown from strength to strength. One of the main reasons for this growth is the quality of our people. We realize that individuals can only become a team if they are given the right environment.



The story of tea began in ancient China over 5,000 years ago. Tea consumption spread throughout the Chinese culture reaching into every aspect of the society. In 800 A.D. Lu Yu wrote the first definitive book on tea, the Ch'a Ching.



Our Governing Principles

“As a responsible corporate citizen, we always aim to act in a socially responsible manner at all times.”

Purpose and value of business

Shakarganj Mills Limited is a sugar and sugar co-products, food and textiles manufacturing company with annual sales of Rs.5 billion and over 1,500 employees.

Shakarganj is one of the largest sugar and co-products manufacturer in Pakistan with a wide range of products. With an increasingly strong emphasis on research and technology, we are turning natural products into white crystalline sugar for general consumption, specialty sugars for food and pharmaceutical industry, retail package sugars, alternate energy resources, building materials and inputs for value-added textiles.

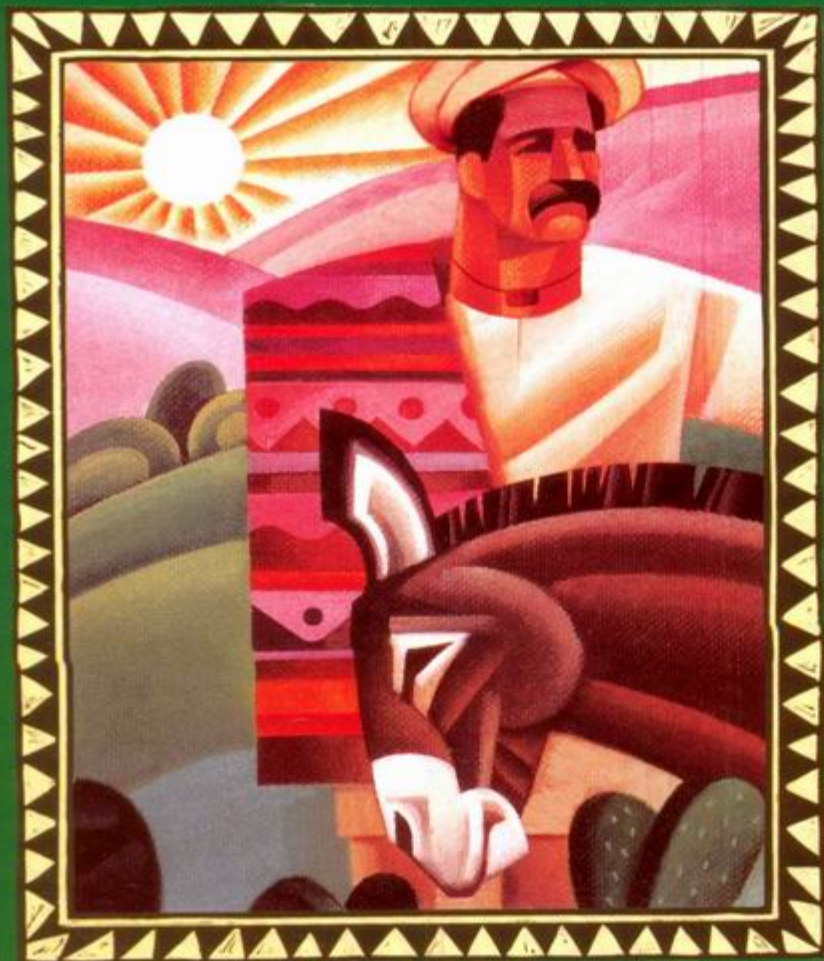
Our emphasis is to concentrate our energies and expertise on segments of the market where we can establish a leading position. As a company we are always searching for better, more efficient and more profitable ways to manufacture our products and ways to employ our technology and knowledge base in other related sectors.

As a responsible corporate citizen, we always aim to act in a socially responsible manner at all times. In a decentralized organization structure our business divisions devise procedures appropriate to and compliant with the local laws, culture and operating conditions which are always within the following minimum governing principles:

Employees

Our employees are our most crucial resource and therefore we abide by the following principles;

- **Equal Opportunities** – We are committed to offering equal opportunities to all people in their recruitment, training and career development, having regard for their particular aptitudes and abilities. Full and fair consideration is given to applicants with disabilities and every effort is made to



A donkey, who belonged to a gardener and had little to eat and much to do, prayed to be released from the gardener's employ and provided with another master. Soon, the donkey was placed in the service of a potter. Now the donkey had a greater burden to bear than before and prayed once more for lighter work. He was sold to a tanner. Once the donkey realized what kind of work his new master did, the donkey muttered a sorrowful moan that he would have been better off if he had remained content with his former masters. Not only would his new owner work him harder while living, but he wouldn't even be spared his hide once he was dead.

Shakarganj prides
itself in providing the
best working environ-
ment for its employees
in giving them oppor-
tunities for
enhancing their

Our Governing Principles



Cakes are made from various combinations of refined flour, some form of shortening, sweetening, eggs, milk, leavening agent, and flavoring. The most primitive peoples in the world began making cakes shortly after they discovered flour.

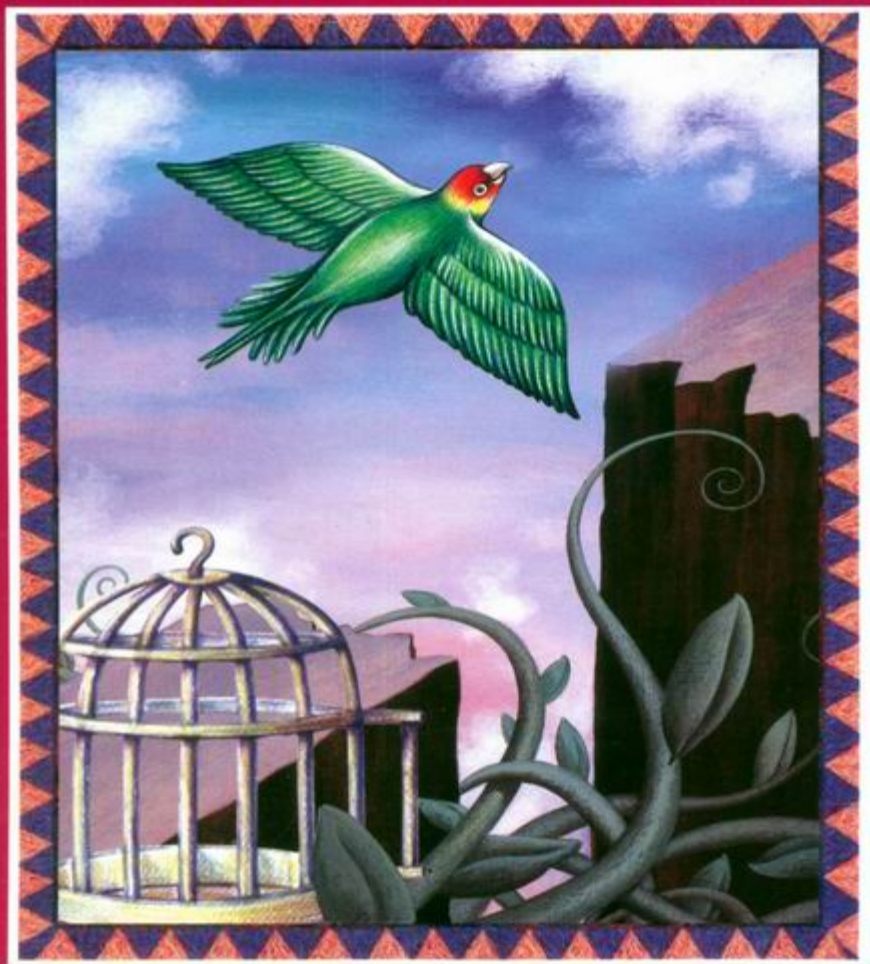
provide an opportunity for retraining any person becoming disabled whilst employed by Shakarganj.

■ **Health and safety** – we consider health and safety to be as important as any other function of the company and its business objectives. Top tier management of each business division is directly responsible for health and safety in our locations of operations. We seek to provide a safe and healthy workplace and system of work in line with all local laws and regulations, to protect all our employees, visitors and the public where they come into contact with foreseeable work hazards. Our employees are required to adopt a proactive attitude towards this end. A Health and Safety committee continues to develop awareness of work hazards and safety amongst all employees. The committee also manages and measures health and safety performance on a continuous basis.

■ **Harassment and discrimination** – we will not tolerate mental, physical or sexual harassment in the workplace. We will not allow any form of discrimination on basis of sex, race, creed language, religion or colour. We expect our employees to report any incident of harassment or discrimination to the appropriate human resource department which shall conduct an independent inquiry into all such reports and take action in light of the results of the inquiry.

■ **Human rights** – managers are required to take account of the core International Labour Organization conventions





A merchant who owned a parrot was about to depart on a trip and asked everyone what he should bring back for them. When he asked his parrot what he would like, the parrot asked him to give his friends in the jungle the message that he longed to meet them but was imprisoned in a cage. The man passed on the parrot's message and immediately on hearing it one of the parrot's friends dropped down dead from his perch on the tree. On his return he described the strange action of the parrot's friend to him. On hearing it the parrot 'played dead'. The merchant thinking his parrot had also died, took him sadly out of the cage to bury him. The moment he did so the parrot took flight and escaped to the jungle.

Innovation and
is acknowledged
appreciated a
Shakarganj. M
in letting our
apply themse
their fullest p
thus contribu
the success o

Our Governing Principles

and to strive to observe the United Nations Declaration on Human Rights, by respecting the rights of our employees.



Chikki is a simple combination of nutritious peanuts bound together with jaggery. Several variations are available with groundnuts, almonds, sesame seeds, coconut etc. The bite-size pieces provide instant natural energy to overcome physical and mental fatigue.



They are required to observe the following in particular:

Universal respect for an observance of human rights and fundamental freedoms for all without any discrimination.

We remunerate fairly with respect to skills, performance, our peers and local conditions.

We brief our employees and their representatives on all relevant matters on regular basis.

Ethical Business Practices

- **Competition** – we are committed to free and fair competition and will compete strongly but honestly complying with all relevant laws.
- **Bribery** – Shikarganj will not condone the offering or receiving of bribes or other such facilitating payments or gifts to any person or entity for the purpose of obtaining or retaining business for Shikarganj or influencing political decisions.
- **Political donations** – financial donations are not permitted to any political party or for furthering any political cause.
- **Confidentiality and accuracy of information** – the confidentiality of information received in the course of business will be respected and never be used for





A king cut his finger while cutting an apple. His minister advised him that it was for his own good at which the angry king threw the minister in jail. On a hunt the next day the king got separated from his hunting party, and tired, lay down under a tree to sleep. A tiger appeared out of the jungle, sniffed him all over and left. The relieved king rushed to the palace and enquired of his ministers why the tiger had not eaten him. He was told that a tiger did not eat flesh that was wounded. The king remembered his cut finger and the wise minister he had put in jail. He freed him, but asked the minister what good his being in jail had brought him. The wise minister replied that had he not been in jail, he would have been with the king and surely be eaten by the tiger since he was not wounded.

Our conviction that that happens is for the better has served us well the years. Shakti has grown in strength of our belief that all things come from within. We remain steadfast in this belief and move towards greater success.



A thirsty crow flew far and wide looking for water. Suddenly he espied a pitcher with some water. He flew down and tried to get at the water, but the neck of the pitcher was narrow and there was just a little water at the bottom. Try as he might he could not get at the water. He was afraid that if he toppled the pitcher, all the water would run off into the ground and he would not get any to drink. He sat there thinking when a brilliant idea struck him. He picked up a pebble from near by and threw it into the pitcher. Then he grabbed another and another. Soon the water had risen far enough for him to be able to slake his thirst.

At Shaka
continue
pace with
innovative
development
field becoming
recognizing
of technology
improvement
productivity
research

Our Governing Principles



Fried or baked, cake-like sweet donuts coated with sugar, cinnamon, powdered sugar, or icing, and filled with flavored jellies, creams, or custards. A wholesome sweet to go with coffee any time.



schedule of matters reserved for board decision. These include approval of annual and interim results, the company's strategic plans, annual budget, larger capital expenditure and investment proposals and overall system of internal control and risk management.

The directors have a legal responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of its profit and loss for that period. In preparation of these statements the directors are required to;

- Select suitable accounting policies and then apply them consistently.
- Make estimates and judgments that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue its business.

The directors are responsible to ensure that proper accounting records are kept which disclose with



reasonable accuracy the financial position of the company. They have the general responsibility for taking steps to safeguard the assets of the company.





A crow stole a piece of meat and sat perched on a tree limb eating it. A hungry fox passing by saw him and wanted the meat for herself. The clever fox started talking to the crow and praising him. She told the crow how beautiful he was, in fact he was the most handsome of birds. The fox went on to say that the crow's beauty would be complete if he could only sing. The vain crow fluffed up its feathers and got ready to sing. The moment it opened its beak, out fell the piece of meat. The wily fox grabbed it and quickly wolfed it down.

Over the years, Shakarganj has been gaining and maintaining its industrial leadership by producing the best quality products at the lowest possible cost. We are proud of it.



Chocolate as we know it today, first appeared in 1847 when Fry & Sons of Bristol, England, mixed Sugar with Cocoa Powder and Cocoa Butter (made by the Van Houten process) to produce the first solid chocolate bar.



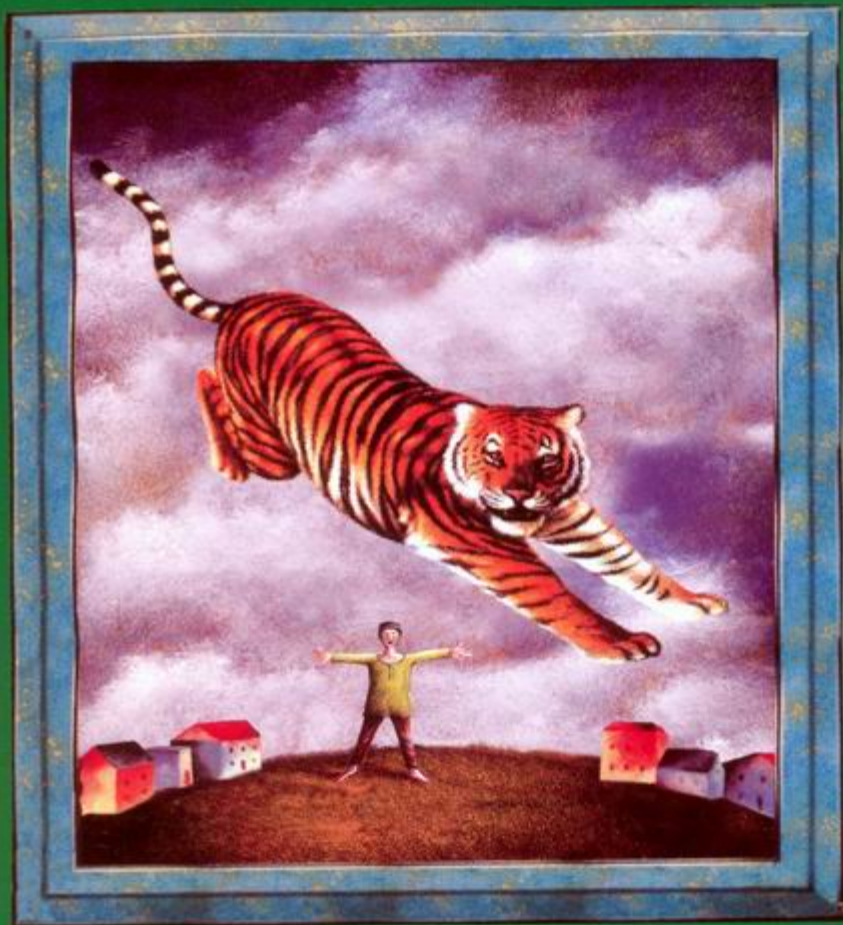
Our Governing Principles

Other specific responsibilities are delegated to board committees which operate within clearly defined terms of reference and report regularly to the board.

Within the overall guiding principles set out above the key objectives of the board are;



- The agreement of strategy
- The agreement of detailed set of objectives and policies that facilitate the achievement of strategy
- Monitoring the performance of executive management in delivery of objectives and strategy
- Monitoring and safeguarding the financial position of the Company to ensure that objectives and strategy can be delivered.
- Approval of all capital expenditure, other expenditure which is not part of the defined objectives or strategic plan.
- Approving corporate transactions – this includes any potential acquisition or disposal.
- Delegating clear levels of authority to the executive management team. This is represented by the defined system of internal controls which is reviewed by the audit committee.
- Providing appropriate framework of support and



A young shepherd grazed the villagers' flocks up in the hills every day. He had been warned to keep a look out for the tiger or else it would grab a sheep and run off with it. Grazing sheep was a lonely and boring job, so one day the boy thought of playing a joke on the villagers. He started yelling: شیر آه! شیر آه! (*Sher ayah! Sher ayah!*) All the villagers turned up to his assistance with sticks and scythes. When they discovered it was only a joke, they reprimanded him and went away. After a few days, the boy tried it again and once again he had a good laugh at the villagers' expense. One day a tiger actually showed up and when the boy yelled for help, nobody turned up. He lost some of the sheep and had to face the villagers shamefully.

At Shakarganj we are always well-prepared and forewarned. Our Shakarganj SRI Research Institute informs our farmers about the different seasonal diseases that they can be protected with the right kind of remedy.

Our Governing Principles

remuneration structures to encourage and enable executive management to deliver the objectives and strategy of the Company.

- Monitoring the risks being entered into by the Company and ensuring all of these are properly evaluated.

Code of Conduct

The board of directors has adopted a code of conduct for its members, executive management and staff members, specifying the business standards and ethical considerations in conducting its business. The code includes:

Corporate governance

- Relationship with employees, customers and regulators.
- Confidentiality of information.



- Trading in company shares.
- Environmental responsibilities.

Responsibility to stakeholders

Shakarganj is committed to operate with the primary responsibility of increasing shareholder value. However the principal responsibility to all stakeholders is never underrated.

Shareholders – the company places significant importance on communications with shareholders. We will

Jaggery or gurfi is a pure, wholesome, traditional, unrefined, whole sugar. It contains the natural goodness of minerals and vitamins inherently present in sugarcane juice. It is very rich in iron, which prevents anemia.





Two beggars regularly sought alms at the King's palace. One beggar believed that the King was the provider while the other believed that everything came from God. The King put their theories to test giving the first beggar a hollowed out pumpkin filled with gold coins and telling him to cook it and eat it. The beggar took it to the market and sold it for four coins and bought himself a good meal with it. The trader gave the pumpkin to the second beggar in charity, who took it home and on cutting it open discovered the treasure. The next day the two beggars narrated what had transpired to the humbled King. Surely God rewards His believers.

At Shakarganj
source of stren
from our Lord
We truly belie
faith in Allah
own efforts ha
us this far, and
continued con
will take us fa

Our Governing Principles



There are 13 million hectares (32 million acres) of sugar cane plantations worldwide, with over 100 countries growing the crop.

communicate our achievements and prospects to our shareholders in a timely manner. Apart from the annual general meeting the company communicates with its shareholders by way of the annual report and accounts, the half yearly and quarterly financial statements and at www.shakarganj.com.pk, the company's website. Significant matters requiring shareholders' approval are brought to extraordinary general meetings of shareholders. The company secretariat has a designated officer to deal with all queries of shareholders.



Customers – we seek to be honest and fair in our relationships with our customers. We always endeavor to provide the standards of products and services that have been agreed whilst at the same time offering value for money. At all times we take all reasonable steps to ensure the safety and quality of goods and services that we produce.

Suppliers – we will carry out our business honestly, ethically and with respect for the rights and interests of our suppliers. We will settle our bills promptly as they fall due. We will co-operate with our suppliers to improve quality and efficiency. We seek to develop relationship with suppliers consistent with these basic principles especially with respect to human rights and conditions of employment.

The wider community- we recognize our responsibilities as a member of the communities in which we operate. We strongly believe in contributing to the well being of wider Shakarganj community. We emphasize our efforts in community service on education, adult literacy, healthcare,





A view of the Ethanol manufacturing facility. We produce ethanol of international standards and export quality, which got us the export merit trophy for a third time.

Our Governing Principles

environmental issues and protection of local culture and heritage.

These business principles apply to all our employees and are the minimum standard for their behavior. The operating business divisions may have additional standards. Failure to comply with our principles may lead to disciplinary action. Shakarganj encourages open culture in all its dealings between employees and people with whom it comes in contact with. We believe effective communication is essential for dealing with any malpractice and wrongdoing. We will make all efforts to protect the confidentiality of any person including our employees, raising any concern.

“We strongly believe
in contributing to the
well-being of the wider
Shakarganj community.”

Jalebi is a sweetmeat, common in the country and hawked all over city streets (street food). It is easy to make, consisting of deep-fried, syrup-soaked batter in large, chaotic pretzel shapes. *Jalebis* are bright orange and best served warm and dripping.





The Mill House, where juice from the sugarcane is extracted on these large machines initiating the sugar-making processes.



The majority of historians accept the theory that sugarcane appeared between 10,000 and 12,000 years ago and set the date of 3,000 B.C. for cane to have traveled from the Malaysian Peninsula and Indochina to the Bay of Bengal.



Directors' Report

Dear Shakarganj Shareholder:

The directors of the Company have pleasure in submitting their report together with the audited accounts of the Company for the year ended September 30, 2005:



Financial Results

The financial results of the company are summarized below:

	2005	2004
	(Rupees in Thousand)	
Profit before Tax	179,697	210,047
Taxation	27,684	(54,552)
Profit for the year	<u>207,381</u>	<u>155,495</u>

Appropriations

Proposed dividend	—	67,975
Earnings per share (Rupees)	5.08	4.00
Dividend per share		
— Proposed (Rupees)	—	1.75
Bonus Shares	15%	—

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.



By establishing best farming practices, we are demonstrating to our family of farmers how a profitable and environmentally balanced farm is run and managed.



It has been reported and verified through archeological discoveries that ancient Arabs, Chinese and Egyptians produced fruit and nut confections which were "candied" in honey which served as a preservative. Due to the nature of the sticky substance, recent discoveries have hinted that sticks were inserted into these treats to make them easier to eat. Thus, the first lollipops were born.



Directors' Report

2. Proper books of accounts of the company have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements except for the changes as stated in Notes 2.8, 2.9 and 46. 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 is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Company's ability to continue as a going concern.
7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
8. Details of significant improvements in the Company's operations during the current year are stated in the Chief Executive's Review.
9. Key operating and financial data for the last seven years in summarized form is annexed on Page 9
10. Information about taxes and levies is given in the notes to the financial statements.





A view of the sugar manufacturing facility. The product range includes crystalline white sugar, beverage grade sugars and specialty products like brown, caster and icing sugars.

Directors' Report

11. Total number of employees at the end of the year was 1,470 (2004: 1,402).

12. Following is the value of investments based on audited accounts:

Description	Amount (Rs.)	Year Ended
Provident fund	71,344,647	September 2003
Gratuity fund	22,108,489	September 2003
Pension fund	82,362,860	September 2003

Auditors

The auditors M/s A. F. Ferguson & Co., Chartered



The Cacao Tree was worshipped by the Mayan civilization of Central America and Southern Mexico, who believed it to be of divine origin. Cacao is actually a Mayan word meaning "God Food". Sweet Chocolate makes the perfect dessert even today, providing just enough sugar content to uplift the mood.

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 September 30, 2006.

During the year four Board Meetings were held and detail of attendance by each Director is as follows:

Name of Director	No. of Meetings	
	Held	Attended
Mr. Mazhar Karim	4	1
Mr. Ahsan M. Saleem (CEO)	4	4
Mr. Anjum M. Saleem (Elected on 01-06-2005)	1	0
Mr. Gul Nawaz	4	3
Mr. Khalid Bashir	4	3
Mr. Muhammad Anwar	4	4
Mr. Muhammad Arshad	4	4
Mr. Muhammad Asif	4	4
Mr. Muhammad Bilal Sheikh (Retired 01-06-2005)	3	0





Advanced technology has helped Shakarganj facilities make a positive contribution towards the nation's foreign exchange earnings.

Directors' Report

Pattern of Shareholding

The pattern of shareholding as per Section 236 of the Companies Ordinance, 1984 is attached separately on page 123.

No trade in the shares of the company was carried out by CEO, CFO, Company Secretary, their spouses and minor children.




A very popular Pakistani sweet, *Chum Chum* is originally made out of thickened milk and flour, dipped in thick sugar syrup. The sweet doughballs are enjoyed all over the country as dessert and also feature prominently at festive occasions.



Directors

Mr. Anjum M. Saleem was elected as Director of the company in place of Mr. Muhammad Bilal Sheikh from June 01, 2005. The other directors are the same. The present term of Directors will expire on May 01, 2008.

By Order of the Board


Ahsan M. Saleem
Chief Executive

December 05, 2005



**A view of the residential block at the Shakarganj Mills Colony.
We provide our employees with the best possible facilities.**

Chief Executive's Review

I am pleased to report that despite some quite strong headwinds, generated by the challenging global market conditions and less than adequate sugarcane crop, Shakarganj made good progress in year 2005.

The commitment of the Board to investment in manufacturing technology, business expansion, diversification and research and development has enabled us to remain at the forefront of our core businesses and continue our record of growth.

Business strategies which we have been planning and testing since 2002/2003 are now in final stages of implementation and operations. We are poised to take full advantage of the inherent strength of our business, our scale, our reputation for quality, our well invested assets and skill and professionalism of our people.

It is always a pleasure to report good market performance where competitive pressure never fails to be strong and external factors always directly effect financial results.

Fiscal 2005 was an important year with regards to our production capabilities. Capacity reconfiguration plans for sugar manufacturing were taken to completion. Ethanol production capacity was significantly enhanced and the product range was broadened. The textile division acquired last year was integrated in core business operations. The determination to invest in new assets and to optimize what we have is our core focal point. Your company stands much strengthened for further growth in the coming years. Shakarganj prospers on the back of good market positions, first rate assets, healthy cash flows and most importantly, effective people.

Concerns about inflation in the economy and resulting surge in the cost of finance has a dampening effect on investments in the economy generally. However strong fundamental indicators, specially for industrial growth and good overall performance in agriculture sector should enable us to continue to perform well. Supply of sugarcane, raw material for our core business, has been affected by a less than adequate crop throughout the country. However we have been able to face this shortage rather well due to our long term supply chain

management strategy. Shakarganj treats its cane suppliers as an integral part of the Shakarganj family and has a close working relationship with the vast number of growers on its rolls. This helped us outperform our competition in procurement of raw material supplies for sugar manufacturing.

Review of Operations.

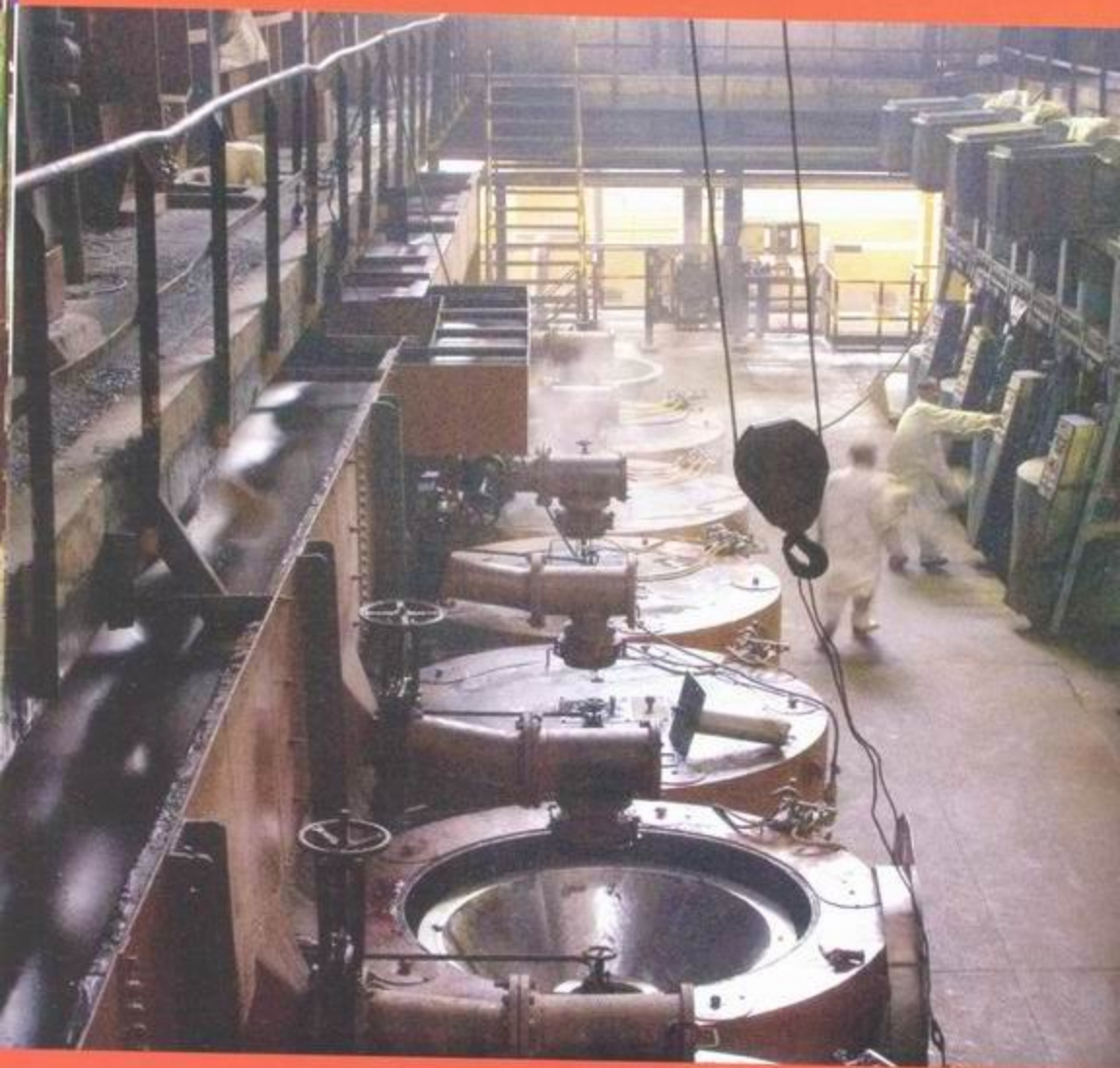
Shakarganj is a leading manufacturer of renewable food products, ingredients and textiles. All our products are made from renewable crops and by-products. We transform renewable agriculture crops, sugarcane and cotton, into value added products for customers in the sugar, food, beverage, pharmaceutical, fuel



and power, cosmetics, building and textile industries. Some of our ingredients from renewable sources often replace synthetic and petrochemical alternatives.

This operating review provides a broader perspective of our business to enable you to make an informed judgment about our performance and prospects. It contains updated sections included in our previous reports as well as some new information. The Financial Review is annexed at page 67 separately.

Sugar business – Refined sugar is primarily produced from sugarcane or raw sugar in Shakarganj. The product range includes, crystalline



Our decision to invest in the latest manufacturing facilities has enabled us to remain at the forefront of our core businesses.

Chief Executive's Review

white sugar of coarse and fine grains, pharmaceutical and beverage grade sugars and specialty products like brown, caster and icing sugars as well as retail packages. These products are used for providing natural sweetness, texture and flavour across a full range of foods and drinks.

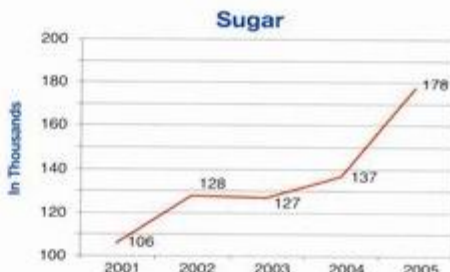
As we projected last year and reported to you, the sugarcane crop for this crushing season was less than the previous season. We were cognizant of the potential problem of lesser cane availability for sugar production and had based our production targets accordingly. However, the government of Pakistan, realizing the possibility of shortage of sugar, took timely decisions to counter this problem. Tariff barriers on import of raw sugar were removed, which enabled us to import raw sugar and refine it in our plant for domestic consumption. Efficient energy management and fuel conservation measures ensured that adequate cheap energy sources were available to profitably refine this additional quantity.

We crushed 1.32 million metric tons of sugar cane compared to 1.61 million metric tons last year. Recovery was up from 8.47 percent to 8.63 percent. Thus the sugar production from cane in fiscal 2005 was 114,000 metric tons against 137,000 metric tons last year. We also processed 68,000 metric tons of raw sugar which yielded us 64,000 tons of refined sugar. The total production of refined sugar therefore was at an all time high of 178,000 metric tons.

Ethanol and alternate energy business –

Ethanol is primarily produced from molasses, which is a co-product of sugar manufacturing or refining process. Molasses offers various benefits as animal feed, a raw material for fermentation and is also used in a diverse range of other industrial processes. At Shakarganj the molasses produced is used as raw material for ethanol production. Ethanol is a form of alcohol, which can be used in the manufacture of vinegar, in cosmetics and pharmaceutical products, in industrial products such as paint and varnishes. It can also be blended with gasoline and used as fuel. Shakarganj produces a complete range of ethanol grades for these usages.

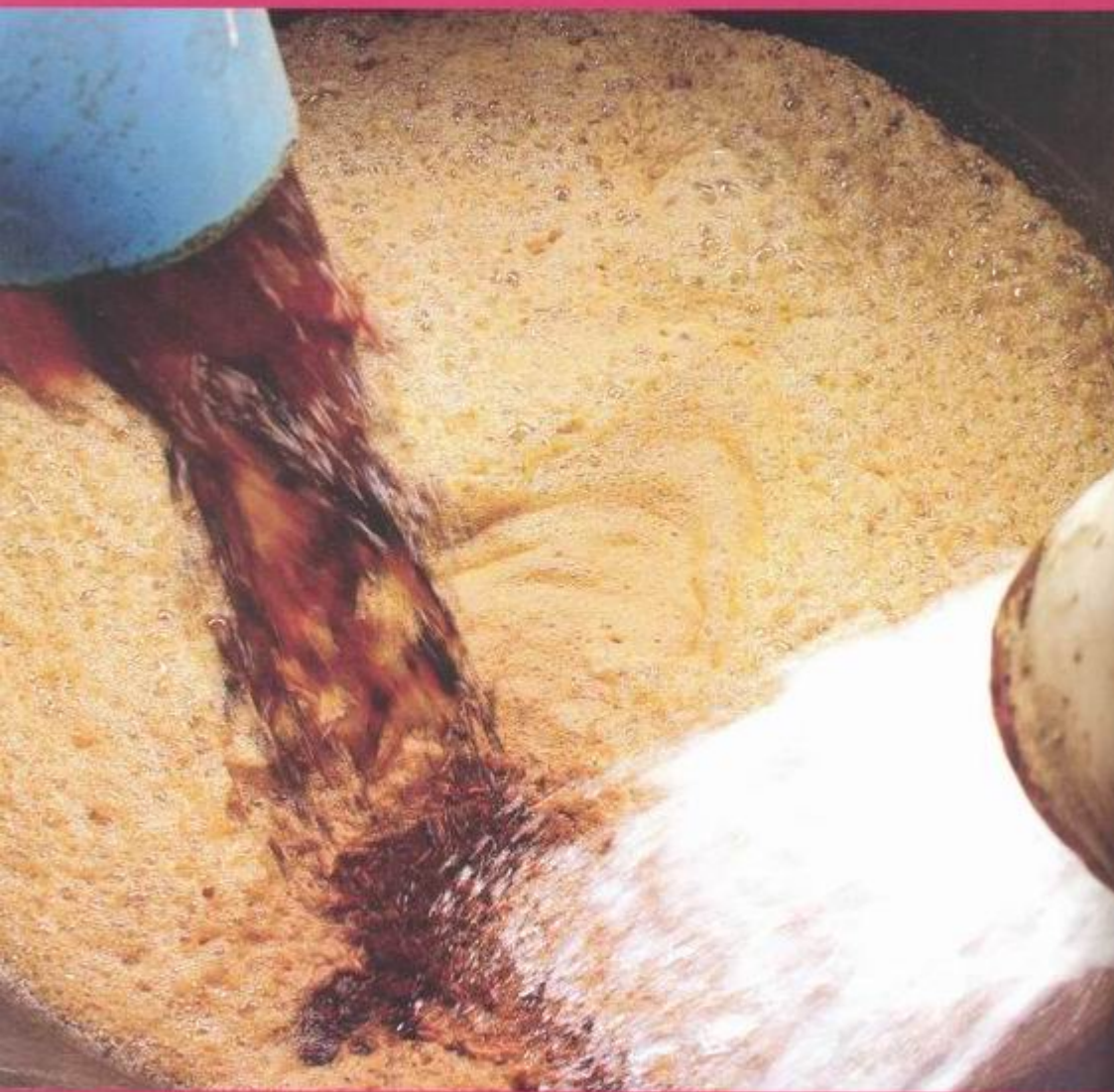
In order to produce ethanol to its plant capabilities Shakarganj has to rely on buying molasses in addition to its own molasses production. Due to very high demand of molasses within the country and internationally, its availability was rather limited during fiscal 2005. The number of distilleries operating in Pakistan increased during the year and combined with higher international demand the molasses price saw a sharp upward trend during the year. The relative quality of bought 'in' molasses was also poorer, giving



lesser yield in the current year. The production was therefore lower at 33.2 million litres compared to 35.4 million litres last year.

Almost 80 percent of ethanol produced by Shakarganj is exported, making a positive contribution towards country's foreign exchange earnings. Federation of Pakistan Chambers of Commerce and Industry recognized the export performance of Shakarganj in ethanol business and the company was, for a third time, awarded export merit trophy.

Towards the latter half of fiscal 2005, European Union prematurely ended the benefits of General System of Preferences which resulted in imposition of heavy tariffs on ethanol exports from Pakistan. This has resulted in dampening the market because EU has been by far the largest buyer of ethanol from Pakistan. Furthermore a complaint, interestingly initiated by large EU petroleum manufacturers, has triggered anti dumping measures which have also adversely affected our ethanol market and pricing. We however feel that Shakarganj will be able to overcome



Ethanol is primarily produced from molasses. Here high brix molasses is being mixed with raw water to perform the fermentation process.

Chief Executive's Review

this temporary setback within a short time span.

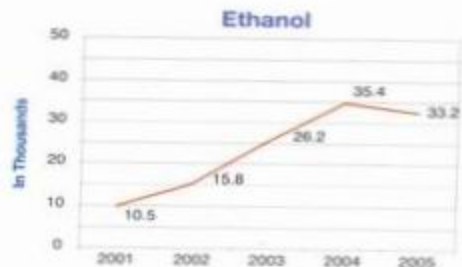
Building Materials Business – Baggasse is a natural by-product of sugar manufacturing. This consists of residual pulp and fibrous material of sugarcane after extraction of juice. This material is primarily used as a fuel source in the factory boilers for steam and power generation used in the manufacturing process. At Shakarganj innovative fuel conservation measures coupled with economies of scale result in production of surplus baggasse. We process this surplus with binding agents and high pressure compression to produce particle board sheets. These sheets are commonly used as an alternative to wood in the furniture and building industry.

Shakarganj produced 3,600 cubic meters of particle board compared to 5,000 cubic meters last year. The decrease in production is due to lesser quantity of cane crushed during the year and additional fuel used for refining of raw sugar. The market for particle board remained buoyant due to sustained activity in the building industry.

Textile Business – Cotton is an indigenous agriculture crop in Pakistan. The plant produces a number of flowers which upon maturity yield cotton fibre which is separated from the seed, cleansed and ginned to produce staple cotton. This is then further processed in spinning mills to produce spun cotton yarn. The yarn is sold to knitting and weaving mills to produce fabric. Crescent Ujala, our spinning facility, was acquired in fiscal 2004 as a strategic investment. Year under review was its first year of full operations as integral part of Shakarganj. The production was at its maximum operable capacity of 5.4 million kilograms of spun yarn, which was same as the previous year. A better than expected cotton crop has resulted in reduction of input costs, substantially improving our gross margin. The operating costs were also kept well under control and substantial reduction was achieved. A major portion of this reduction is attributable to economies due to integration with Shakarganj. We aim to become a significant player in textile business in Pakistan and are drawing out longer term strategic

plans for expanding this line of business within the next five years to a much larger size. This will not only increase our bottom line margins but also diversify our risks from dependence on only one agricultural crop for our inputs.

Farming business – A good sugarcane crop is always critical to our core operations as sugarcane



is a perishable agricultural produce open to risks of adverse weather and climatic conditions, shortage and availability of water and pest attacks. We have a large family of sugarcane growers who supply us our raw material. At the core of our supply chain management is the belief that our growers should get optimal financial returns for their untiring efforts to produce sugarcane. As an extension of this principle, we are endeavoring to establish best farming practices and provide the farmers with the latest technology. Our farming business is a testing ground for developing this technology and broadening the knowledge base on best practices. We lead by example and demonstrate to our family of farmers how a profitable and environmentally balanced farm is run and managed. We have further increased the area under cultivation in our farming business to increase our footprint in the areas where our suppliers are located and to provide synergy with our research and development activities of Shakarganj Sugar Research Institute.

Research and development – Transfer of efficient, environmentally friendly and economically rewarding technology for sugarcane agriculture is the mainstay of our supply chain management strategy.



A view of a class under progress. It is one of 30 local girls' schools adopted by Shakarganj as part of its CSR program, which provides them clean drinking water, uniforms, etc.

Chief Executive's Review

Shakarganj funds advanced research in sugarcane technology through Shakarganj Sugar Research Institute. SSRI is a unique private sector initiative in Pakistan. We have successfully bred a number of proprietary sugarcane varieties which increase the yield for our farmers and improve sugar content of the produce. At the same time low cost, effective and environment friendly biological pest control systems are also made available by the institute. All research results and benefits are open and available to the stakeholders without cost as a national service. This annual report includes a separate detailed report on the activities of the institute.

Contribution to economy – Being a responsible member of the corporate community Shakarganj always contributes substantially towards the national economy on account of taxes and other government levies. During this year your company's contribution to federal, provincial and local taxes was to the tune of Rs. 711 million. We spent Rs. 279 million as cost of financing and share of workers compensation was Rs. 172 million. During the last ten years, your company has made a consolidated contribution of Rs. 3.42 billion in shape of Federal, Provincial and local taxes.

Human resource development – A major priority for the business is to capture value through development of exceptional people, processes and technology. Our ability to attract and retain highly skilled and committed people is fundamental to our success. Our company wide talent management system identifies, develops and sustains the flow of talent to ensure we have the right people in the right job at the right time. We endeavour to have suitable career development plans and opportunities in place for our employees.

We expect to see exceptional performances by motivating, developing and rewarding our leadership team to create a culture of continuous improvement. We are working hard to infuse specific leadership skills into the business, adding an edge to the considerable know-how that our people already have.

As we build up our capacities, we are also working hard to build capability. One key area of focus has been the pursuit of manufacturing excellence. We recognize

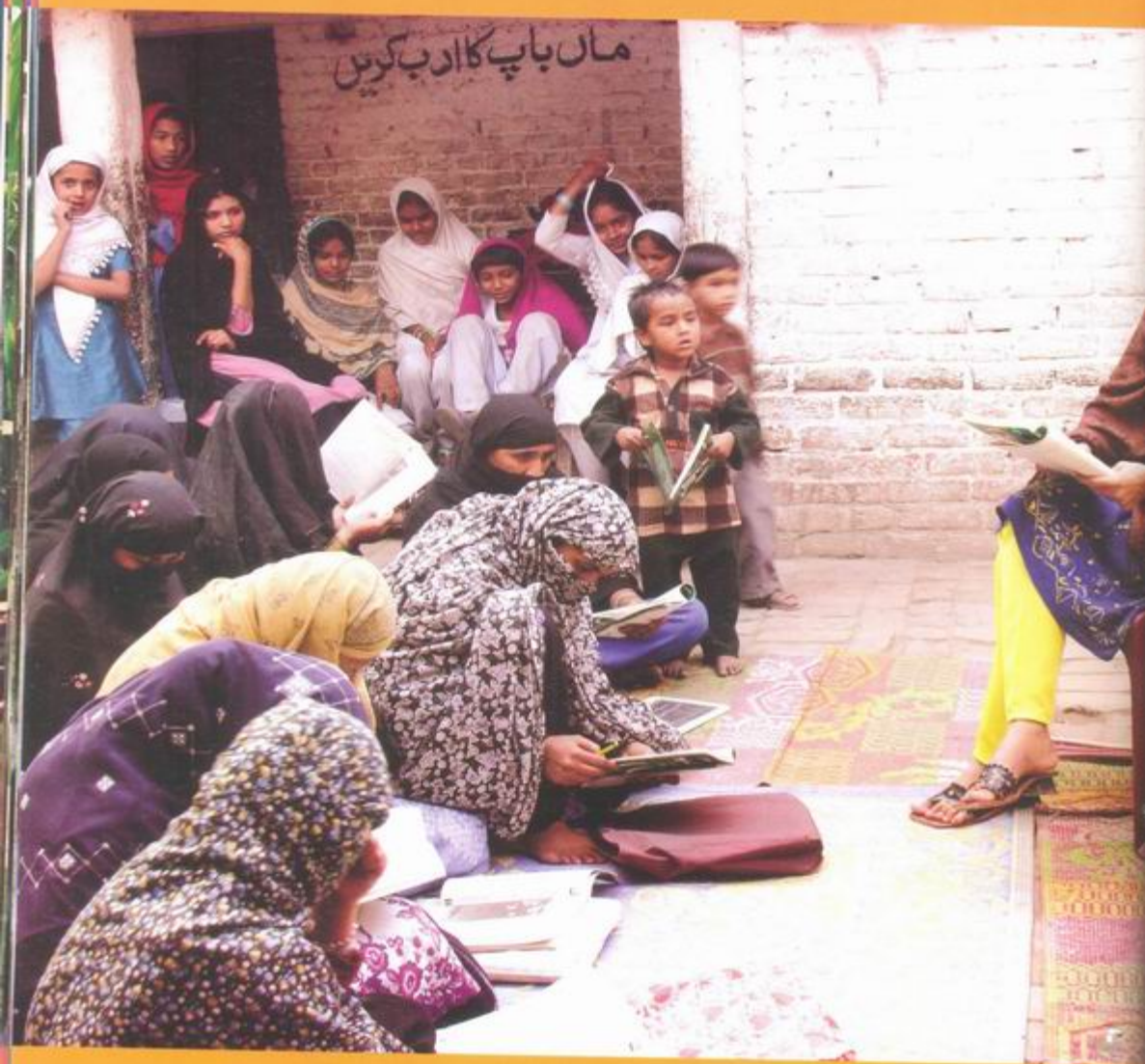


that building a winning culture, characterized by leadership, manufacturing excellence and accountability, and rewarding people for success is a foundation stone of our business development and expansion.

Extensive in-house training and development programmes are one of the tools used for development of our winning team. Ever-growing library and subscription to all relevant professional and technical journals ensures that knowledge-base is updated regularly.

We regularly offer external opportunities at our cost to the employees for career development and attendance at short and long courses and seminars at various institutions of excellence within and outside Pakistan.

Compensation plans at Shakarganj take account of the financial needs and economic well being of our employees on a longer term basis. All employees not covered in mandatory social security benefits are provided family health insurance cover by the company. Attractive benefits include gratuity and provident fund and company funded pension plans.



Adult learners at a Literacy Center run by Shakarganj's CSR program. Out of a total of 61 adult learning centers, 48 are for females.

Chief Executive's Review

Social responsibility – there is never any compromise at Shakarganj on being anything less than an exemplary corporate citizen. We are committed to follow the highest social standards in every way we conduct our business. We aim to play a positive role in the communities in which we operate. Our community involvement policy is one of the core components underpinning our ethical behavior. Our programmes involve building long term relationships with local communities to deliver our shared objective: establishing strong, safe, healthy and educated communities by investing time and resources into projects that directly address local needs.

Our Social Action Programme delivers a variety of social services in our extended community under the banner of "Sukh Char Programme". These services include Education, Healthcare, promotion of Arts and protection of our cultural heritage.

In our education programme we provide proactive support to higher education through our contribution to Lahore University of Management Sciences and National Textile University. Our school adoption initiative provides support to 30 local girls' schools that includes provision of clean drinking water, nutrition supplements, books, uniforms, maintenance of infrastructure and building additional facilities where required. Shakarganj also provides support to education programme of The Citizen's Foundation. To provide backbone support to the education initiative a purpose built teachers training institute is operating at Shakarganj premises as a public service. So far 724 teachers have successfully completed training at this facility.

Shakarganj funded special incentives for school children include recognition of high achievers in school exams with scholarships and awards, sports competitions for school children and inter-school handwriting competitions for school children and teachers.

The company has so far established 61 adult literacy centers in its vicinity, of which 48 are for females. The results have been very encouraging. 1,318

participants have so far been taught under this programme out of which 1,205 are females. Shakarganj Healthcare initiative delivers primary medical facilities at the doorsteps of our extended community. Three teams of qualified doctors, paramedical staff and mobile dispensaries served over 50,000 patients during the year. We are aiming to increase this to sixty thousand patients during next



year. Diagnostic facilities, preventive treatment and free medicines are provided through this programme.

For efficient delivery of our "Sukh Char" programme a chain of community centers have been built in 13 locations. These centers, known as Kisan Markaz, serve as hub of activities for the social programme in each sub-community. 11 more centers are planned to be built in the next two years.

In addition to delivering the "Sukh Char" programme at doorsteps, Kisan markaz also serves as a first contact point for our farmers. Each fully staffed markaz helps in transfer of farming technology and facilitating supplies to Shakarganj.

We provide support to the promising local talent in improving their artistic skills in a structured training programme at the School of Art and Calligraphy. A display centre exhibiting the works of these artists



The School of Calligraphy & Art, funded by Shakarganj, provides support to the local talent for improving their skills. Exhibits of the artists on display.

Chief Executive's Review

and promotion of cultural heritage is also maintained by Shakarganj at the School.

Kashmir was recently hit by a calamitous earthquake. We have provided logistical and financial support in relief activities. In addition Shakarganj employees, especially our mobile medical teams, have been proactive in the relief and support activities in the disaster hit areas.

Safety, health and environment – as we always aim to be an exemplary corporate citizen, health and safety and environmental concerns are always among our key focal points. We are committed to providing clean, healthy and safe conditions for our employees, contractors and visitors. In providing a good working environment there is no higher priority than safety and we target continuous improvement to reduce recordable injury and accident times to zero.

Nearly five hundred members of Team Shakarganj have participated in a structured program to obtain professional training and certification in first aid, in collaboration with Pakistan Red Crescent Society – Punjab. Preventive action and training and timely response procedures to deal with potential accidents have resulted in minimizing recordable injuries and accidents.

Environmental protection issues are always considered on a higher priority than profit concerns. Shakarganj produces all its products from renewable crops and raw materials and does not believe in making profits at the cost of damage to our environment. We proactively fund and support environmental protection activities in our communities in particular and on national level generally. Energy conservation and aiming for 'zero' waste are our key environment friendly policies. Using sugar by-products in our production lines substantially reduces use of fossil fuels and waste disposal problems. Distillery spent-wash is the ultimate waste product in our production process. This is now biologically treated to produce bio-gas as fuel and water which is safe to use for irrigation. In addition to this we encourage

and promote biological pest control, organic farming techniques and return of all natural nutrients to the soil that are brought with supply of sugar cane to the mills. We strongly support the activities of Worldwide Fund for Nature, run regular training and education programmes for water management and participate in tree plantation campaigns twice every year.

Information technology initiatives –

Information technology is considered as the backbone of our production and management policies. Dealings with such a large number of suppliers of raw materials can only be conducted in a fair manner with the help of strong IT systems. We have a custom designed system of supply chain management which integrates with our financial systems to ensure smooth flow of raw materials and timely and fair payment to suppliers.

The production facilities and our offices in different locations are connected through dedicated communication channels. Similarly our field offices



located in more than thirty locations are being linked with the central facilities by a wide area network. Twelve of these field stations are already online and the rest will be online by the end of next year.

Presently the IT system is custom designed for the company on Oracle platform. This is now being upgraded to a fully integrated ERP solution. The



Shakarganj outperforms its competitors in the procurement of raw material for sugar manufacturing, because we believe that the grower is an integral part of our family.

Chief Executive's Review

work on this project has already started with a target completion date towards end of 2006.

Corporate governance — Good governance for us is not an exercise to comply with regulatory requirements. We aim to go beyond what is required of us in rules and regulations. Corporate governance is a constant review and evaluation of all aspects of our operations, our strategy and the way we conduct our business. A separate, more detailed report on our role as a responsible corporate citizen is included in this annual report.

Management Committees

The **Executive Committee** devises long term policies and visions for the company with the sole object of giving the best returns to shareholders by optimal allocation of resources.

The **Business Strategy Committee** is responsible for keeping pace with the developments and trends in the industry which helps the company in planning for future investments and growth.

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

The **Information Technology committee** keeps all information systems of the company updated in a fast changing environment.

The **Investment Committee** helps to maintain a balanced portfolio of investments and maximize returns while keeping risk at a desirable low level.

Excellence Award

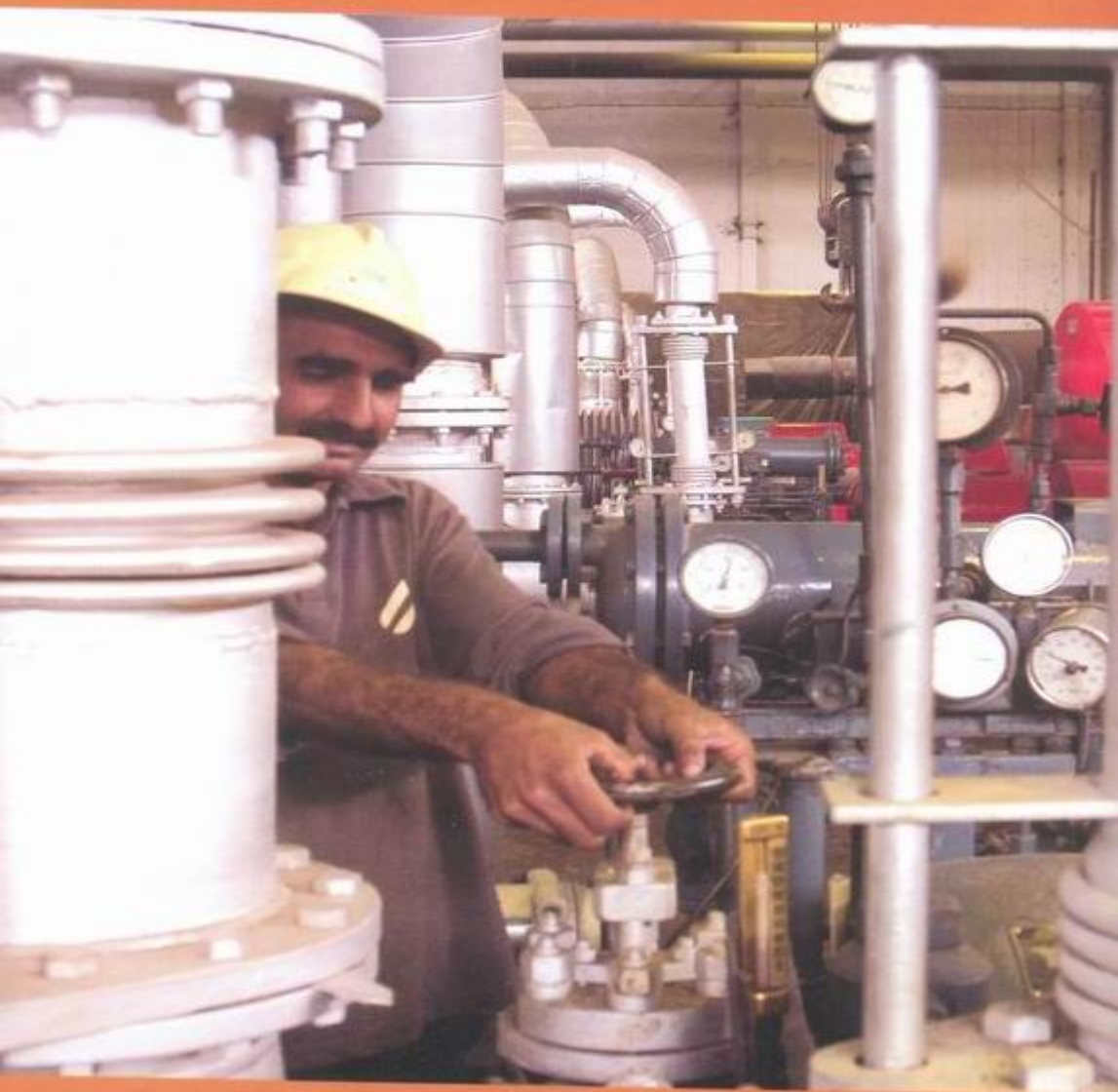
It gave me great pleasure to inform you that for the second time in a row the annual report of your company for 2004 was selected among the best corporate reports for 2004. It was placed in second position in its category by the joint committee of KAP and ICMAP.

Outlook — Shakarganj reports a strong financial performance in the year to September 2005. In the year to September 2006 we expect to continue matching our performance benchmarks, however we would expect some stronger headwinds which may affect the overall results.

The reform of the world sugar market in general and the EU sugar regime in particular may have mixed effect on the global sugar trade. The market in Pakistan will not be isolated from the fallout of these reforms. The direction of the global market will be determined directly by the time table of implementation of these reforms. It is not possible to predict or analyze the effects on our markets at this point in time. However we are monitoring these events closely and would be adjusting our strategy according to international developments. The ethanol market is being unnecessarily protected by tariff and non-tariff barriers put up by the EU, interestingly initiated by the EU petroleum industry. We are strongly pursuing these matters in EU and WTO



forums and at the same time actively developing new markets. Building materials are expected to have a brisk demand due to the continued economic growth in the building trade. Textile trade is expected to have stiff competition due to global reduction in cotton production and increased demand for raw materials,



Highly skilled and committed people are fundamental to Shakarganj's success. A dedicated employee, hard at work, is a true partner in our achievements.

Chief Executive's Review

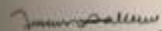
both natural and man-made. There has been a rapid increase in sugar manufacturing and distillery capacities in Punjab recently. There is always a time lag before raw material supplies are geared up to meet the increased demand. The sugarcane crop in Pakistan does not look to be more promising than the current year. We expect that the competition for raw material will be aggressive which may result in higher prices or lower supplies. However we feel that current production targets will be met and we will also continue to augment our production by refining raw sugar in the coming year. The cotton crop will also be lower than last year which will result in higher raw material prices but we expect a rise in yarn prices to meet these additional costs.

Shakarganj's results for 2006 will reflect higher costs primarily due to start-up costs of our new sugar facility. The financial costs are also expected to increase due to higher rates of mark-up in the market. We expect that the additional capacity coming online will generate the required extra cash resources.

General

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

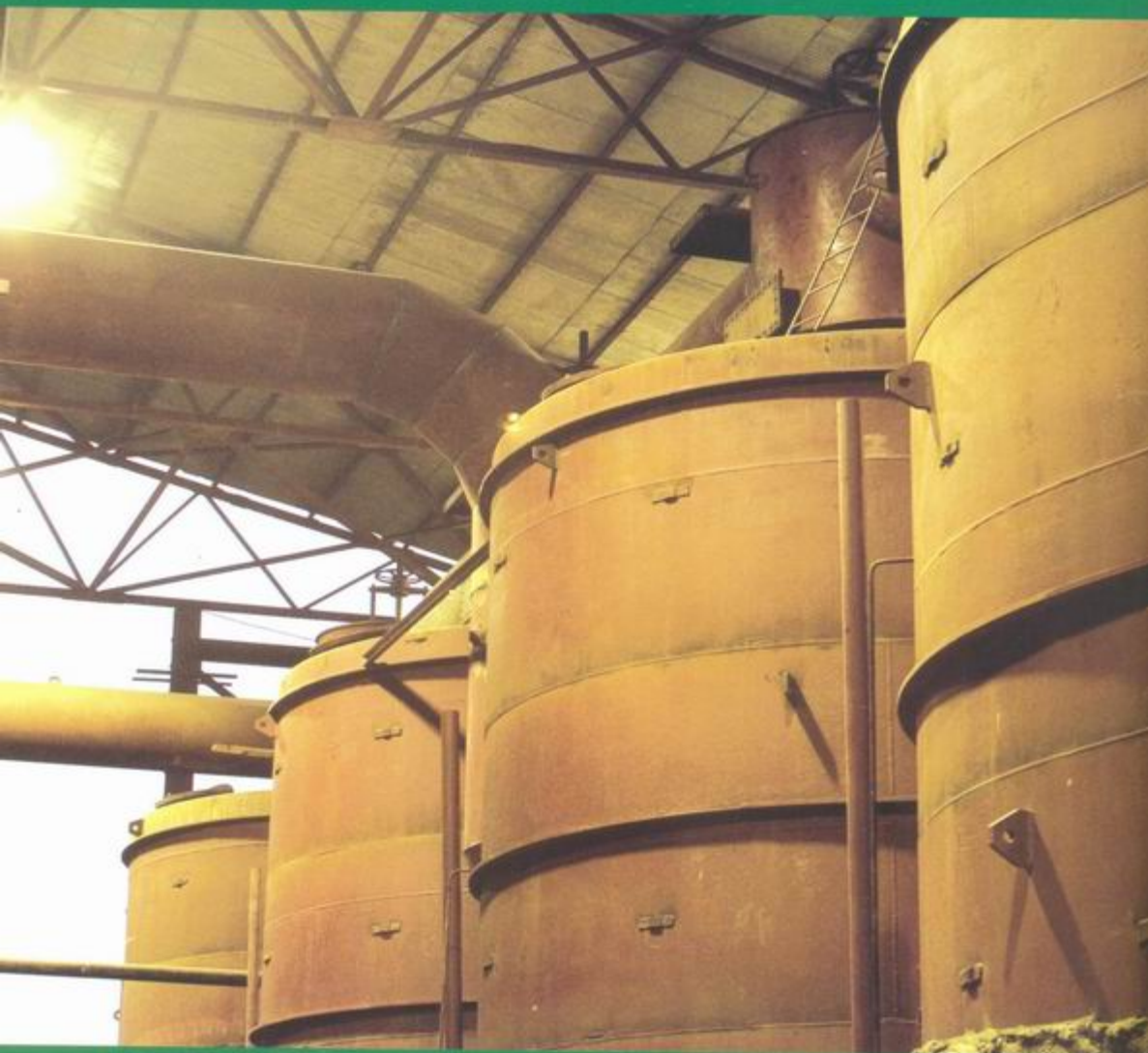
By Order of the Board



Ahsan M. Saleem
Chief Executive

Lahore, December 05, 2005





With the addition of the Satellite Facility, Shakarganj maintains its leadership as a manufacturer of renewable food products.

Financial Review

The Company recorded an after tax profit of Rs.207 million as compared to Rs. 155 million in the prior period, an increase of 33%. Underlying earnings per share increased to Rs.5.08 from Rs.4.

The company has continued to better its earnings over the last five years, with this year reporting the highest earnings in the history of the company. This has only been possible as a result of initiatives that have been taken to strengthen the performance of our core businesses, improve efficiencies and reduce costs.

Profit After Tax



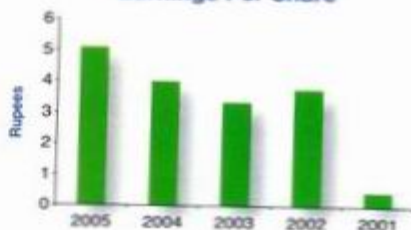
Sales

The company's sales increased from Rs.3.5 billion to Rs.4.96 billion, an increase of 42% primarily due to increase in both the quantity and prices of sugar. There was a decrease in the sales of Ethanol due to exclusion of Pakistan's name from the Generalised System of Preferences (GSP) regime as most of the exports of this commodity are to the EU. Secondly the poor quality of outside molasses purchases decreased the yields by 11%. The sales of the other two products i.e. Yam and Particle Boards remained steady.

Taxation

There is a credit in the tax for the year of Rs.27 million compared to a charge of Rs.54 million in the prior year. The taxation charge for the current tax is Rs.30 million, which represents the minimum tax due under section 113 of the Income Tax Ordinance

Earnings Per Share



2001. Secondly there is reversal of Rs.57 million in the Deferred taxation due to the availability of tax losses so the earlier provision has been reversed and a deferred tax asset has been created in view of taxable profits in the next years'.

Finance Cost

The finance cost has increased by 144 million in the current year on the back of increased interest rates which showed an upward trend for most part of the year and only steadied towards the end. The increase in Inflation and the higher private sector lending forced the State Bank of Pakistan to adopt a tight monetary policy and the rates thus started increasing. As a result our weighted average cost of borrowing almost doubled in the current year. This along with the increase in the borrowing level due to increased business activity increased our total Finance cost.

Cash Flows

Net cash used in operations was Rs.1,192 million as compared to Rs. 193 million last year. Increase in the working capital was due to a higher stock in trade which included the raw sugar imported for refining, the year end increase in trade debts due to higher sales in the month of September and increase in Investments. Our investment portfolio continues to be a mitigating factor for any cashflow constraints which we might have at any time, being liquid in nature.

Capital expenditure during the year was Rs.1,837 million which mostly consisted of the cost of the

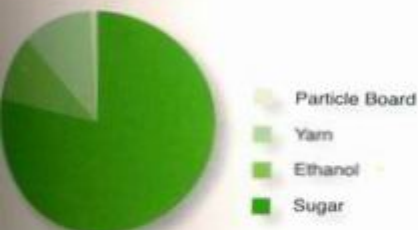


Diversification into the Textile business as a consequence of last year's merger has given Shakarganj a broader range of products.

Financial Review

satellite facility and erection of new power house with new turbines. The balance was principally used to upgrade and modernize the existing manufacturing facilities.

Revenue Mix



Our Balance Sheet footing increased from Rs.6,193 million to Rs.10,131 million as result of the addition of the new satellite facility and increase in the value of investments. The shareholders funds increased to 3,146 million from 2,010 million in the prior year. The break up value of our share increased from Rs.51 to Rs.76 primarily due the increase in the fair value of the investments available for sale whose gain is taken to equity.

Share Price and Market Capitalisation

The closing share price of the company on September 30, 2005 was Rs.47.50 compared with Rs.52.10 as at September 30, 2004. Market capitalization of the company was Rs.1,997 million compared with Rs.2,023 million at the prior year end. The high and low share prices during the year were Rs. 55.95 and Rs. 28.55 respectively.

Omer Ashraf
Chief Financial Officer

December 05, 2005



Shakarganj produces ethanol which can be blended with gasoline and used as fuel. Ethanol is also used in the manufacture of cosmetics, pharma-products and vinegar.

Statement of Compliance with Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance as contained in Regulation No.37 of the Listing Regulations of the Karachi Stock Exchange and Chapter XIII of Listing Regulations of Lahore Stock Exchange and Chapter XI of Listing Regulations of Islamabad Stock Exchange 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 six 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 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 NBFC. None of them is a member of a stock exchange.
4. No casual vacancy occurred during the year ended September 30, 2005.
5. The company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors and employees of the company.
6. The Board has developed a vision / mission statement, overall corporate strategy, and significant policies of the company. A complete record of particulars of significant policies alongwith the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and terms and conditions of employment of the Chief Executive Officer (CEO) have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence by a director elected by the Board for this purpose and the Board met once in every quarter during the year ended September 30, 2005. Written notices of the Board Meetings, alongwith agenda and working papers, were circulated at least seven days before the meetings. The Minutes of the meetings were appropriately recorded and circulated.
9. The members of Board have attended orientation course to apprise them of their duties and responsibilities.
10. 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.
11. The Director's Report for the year ended September 30, 2005 has been prepared in compliance with the requirements of the Code and it fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by the CEO and CFO before approval by the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the company, other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises of three members, all of whom are non-executive directors including the Chairman of the Committee. The Audit Charter of the Company requires that at least two members of the Audit Committee must be financially literate.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function by appointing a full-time Head of Internal Audit. The day to day operations of this function have been outsourced to M/s. Riaz Ahmad & Company who are considered suitably qualified and experienced.
18. 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.
19. 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.
20. 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

December 05, 2005



Cotton is an indigenous agricultural crop in Pakistan. The yarn produced at the Shakarganj Textile Division is sold to knitting and weaving mills to produce fabric.

Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

A. F. Ferguson & Co.
Chartered Accountants
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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 to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange, Chapter XIII of the Listing Regulations of the Lahore Stock Exchange and Section 36 (Chapter XI) of the Listing Regulations of the Islamabad Stock Exchange where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls. 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 September 30, 2005.


Chartered Accountants

Lahore
December 05, 2005



The Building Materials Division uses the residual fibrous and pulp material of sugarcane to make particle board sheets which are used in the furniture and building industry.

Auditors' Report to the Members

We have audited the annexed balance sheet of Shakarganj Mills Limited as at September 30, 2005 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) In our opinion:

- (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the changes as stated in notes 2.8, 2.9 and 46 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, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at September 30, 2005 and of the profit, its cash flows and changes in equity for the year then ended; and

(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.



Chartered Accountants

Lahore

December 05, 2005

Balance Sheet

As at September 30, 2005

	Note	2005 (Rupees in thousand)	2004
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
- 80,000,000 (2004: 80,000,000) ordinary shares of Rs 10 each		800,000	800,000
- 50,000,000 (2004: 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	3	540,537	388,430
Reserves		2,449,491	1,500,080
Unappropriated profit		156,524	121,080
		3,146,552	2,009,600
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	4	3,183	3,210
NON-CURRENT LIABILITIES			
Long term finances	5	1,884,783	1,502,560
Long term advances	6	8,872	49,710
Liabilities against assets subject to finance lease	7	183,529	167,920
Employees' retirement benefits	8	267	1,560
Deferred income	9	5,872	7,980
Deferred taxation	10	-	50,480
		2,083,323	1,780,240
CURRENT LIABILITIES			
Current portion of long term liabilities	11	482,807	356,160
Short term borrowings - secured	12	3,988,858	1,491,090
Trade and other payables	13	274,421	511,590
Accrued finance cost	14	151,804	41,300
		4,897,890	2,400,150
CONTINGENCIES AND COMMITMENTS	15		
		10,130,948	6,193,210

Balance Sheet

As at September 30, 2005

	Note	2005 (Rupees in thousand)	2004
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	16	1,744,787	1,287,761
Assets subject to finance lease	17	278,643	247,240
Capital work-in-progress	18	2,602,768	1,368,074
Biological assets	19	12,393	—
Investments - related parties	20	305,948	81,450
Long term loan and deposits	21	44,532	36,679
Deferred taxation	22	7,200	—
		<u>4,996,271</u>	<u>3,021,204</u>
CURRENT ASSETS			
Biological assets	19	110,394	—
Stores, spares and loose tools	23	76,326	47,867
Stock-in-trade	24	941,516	464,590
Trade debts	25	330,843	116,795
Investments	26	3,235,212	2,265,891
Loans, advances, prepayments and other receivables	27	339,244	248,590
Cash and bank balances	28	101,142	28,281
		<u>5,134,677</u>	<u>3,172,014</u>
		<u>10,130,948</u>	<u>6,193,218</u>

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



Chief Executive



Chairman

Profit and Loss Account

For the year ended September 30, 2005

	Note	2005 (Rupees in thousand)	2004
Sales	29	4,962,460	3,498,163
Cost of sales	30	(4,481,071)	(3,117,624)
Gross profit		481,389	380,539
Administrative expenses	31	(127,016)	(120,590)
Distribution and selling costs	32	(58,170)	(48,827)
Other operating expenses	33	(39,165)	(40,387)
Other operating income	34	202,106	174,341
Profit from operations		459,144	345,076
Finance cost	35	(279,447)	(135,029)
Profit before tax		179,697	210,047
Taxation	36	27,684	(54,552)
Profit for the year		207,381	155,495
Earnings per share	Rupees	5.08	4.00

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


Chief Executive


Chairman




Cash Flow Statement

For the year ended September 30, 2005

	Note	2005 (Rupees in thousand)	2004 (Rupees in thousand)
Cash flows from operating activities			
Cash used in operations	38	(985,036)	(20,437)
Finance cost paid		(168,949)	(116,871)
Taxes paid		(26,868)	(35,537)
Employees' retirement benefits paid		(7,884)	(5,382)
Net increase in long term deposits		(3,713)	(14,962)
Net cash used in operating activities		(1,192,450)	(193,189)
Cash flows from investing activities			
Fixed capital expenditure		(1,837,687)	(1,497,855)
Investment made in associates		—	(15,455)
Proceeds from sale of investment in associates		—	63,069
Long term loan disbursed		(4,140)	—
Dividend received		80,000	27,811
Proceeds from sale of property, plant and equipment		21,995	34,124
Net cash used in investing activities		(1,739,832)	(1,388,306)
Cash flows from financing activities			
Proceeds from long term finances		931,912	1,317,743
Repayment of long term finances		(285,696)	(180,548)
Long term advances		(48,999)	59,673
Net increase in short term borrowings - secured		2,497,761	462,570
Payment of finance lease liabilities		(21,980)	(42,461)
Dividend paid		(67,855)	(43,617)
Net cash from financing activities		3,005,143	1,573,360
Net increase/(decrease) in cash and cash equivalents		72,861	(8,135)
Cash and cash equivalents at the beginning of the year		28,281	36,416
Cash and cash equivalents at the end of the year	28	101,142	28,281

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 September 30, 2005

Share capital	CAPITAL RESERVE			
	Balancing and modernization	Research and development	Share premium	Fair value reserve

Balance as on September 30, 2003 as previously reported	544,360	15,000	5,000	23,464	(21,217)
Effect of change in accounting policy:					
- Fair value gain on investments in associated undertakings (note 2.9)					55,999
- Share of profits of associated undertakings (note 2.9)					
- Transferred from reserves due to change in accounting policy (note 46)	-	-	-	-	-
Balance as on September 30, 2003 - restated	544,360	15,000	5,000	23,464	34,742
Transferred to reserves	-	-	-	-	-
Difference between amount recorded for share capital issued and amount recorded for share capital acquired under scheme of arrangement for merger	(155,930)	-	-	-	-
Final dividend for the year ended September 30, 2003	-	-	-	-	-
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation	-	-	-	-	-
Fair value gain during the year	-	-	-	-	897,768
Profit for the year	-	-	-	-	-
Balance as on September 30, 2004 - restated	388,430	15,000	5,000	23,464	932,510
Final dividend for the year ended September 30, 2004 -	-	-	-	-	-
Transferred to reserves	-	-	-	-	-
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation	-	-	-	-	-
Preference shares (note 3.2)	152,107	-	-	-	-
Fair value gain during the year	-	-	-	-	845,408
Profit for the year	-	-	-	-	-
Balance as on September 30, 2005	540,537	15,000	5,000	23,464	1,777,918

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


Chief Executive



RESERVES								(Rupees in thousand)	
Difference of capital under scheme of arrangement of merger	Sub-total	REVENUE RESERVE				Total	Unappropriated profit	Total	
		General	Dividend equalization	Equity investment market value equalization	Sub-total				
-	22,247	262,479	22,700	83,000	368,179	390,426	56,377	991,163	
	55,959				-	55,959	-	55,959	
-	-						(46,885)	(46,885)	
-	-	(174,700)	-	(26,000)	(200,700)	(200,700)	200,700	-	
-	78,206	87,779	22,700	57,000	167,479	245,685	210,192	1,000,237	
-	-	174,700	-	26,000	200,700	200,700	(200,700)	-	
155,930	155,930	-	-	-	-	155,930	-	-	
-	-	-	-	-	-	-	(43,929)	(43,929)	
-	-	-	-	-	-	-	31	31	
-	897,768	-	-	-	-	897,768	-	897,768	
-	-	-	-	-	-	-	155,495	155,495	
155,930	1,131,904	262,479	22,700	83,000	368,179	1,500,083	121,089	2,009,602	
-	-	-	-	-	-	-	(67,975)	(67,975)	
-	-	104,000	-	-	104,000	104,000	(104,000)	-	
-	-	-	-	-	-	-	29	29	
-	-	-	-	-	-	-	-	152,107	
-	845,408	-	-	-	-	845,408	-	845,408	
-	-	-	-	-	-	-	207,381	207,381	
155,930	1,977,312	366,479	22,700	83,000	472,179	2,449,491	156,524	3,146,552	


Chairman

Notes to the Financial Statements

For the year ended September 30, 2005

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 and yarn.

After the merger of Crescent Ujala Limited with the company with effect from October 01, 2003, the activities of former Crescent Ujala Limited are being carried out by the company under the name and title of "Crescent Ujala A Division of Shakarganj Mills Limited".

2. Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards (IAS) as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention except for recognition of certain employees' retirement benefits at present value as referred to in note 2.4, revaluation of certain property, plant and equipment as referred to in note 2.5, valuation of biological assets at fair value as referred to in note 2.8 and revaluation of certain financial instruments at fair value as referred to in note 2.9.

2.3 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 recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

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

Notes to the Financial Statements

For the year ended September 30, 2005

24 Employees' retirement benefits

24.1 Defined benefit plans

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

All permanent employees who are in the management cadre of the company participate in an approved funded defined benefit pension plan. In addition, there is an approved funded defined benefit gratuity scheme for all permanent employees, who are in the management cadre of the company subject to a minimum qualifying period of service according to the terms of employment. Monthly contributions are made to these funds on the basis of actuarial recommendation at the rate of 20% per annum of basic salary for pension and 8.33% per annum of basic salary for gratuity. Actuarial valuation for the schemes was carried out as at September 30, 2005.

Actual returns on plan assets during the year were Rs 16,056 million and Rs 3,808 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	9%
Expected increase in eligible pay	8%
Expected rate of return on plan assets	10%

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

24.2 Defined contribution plans

There is an approved contributory provident fund for all permanent employees. Equal monthly contributions are made by the company and employees to the fund in accordance with the fund rules.

Interest @ 7.9% per annum is payable to the fund on the balances utilized by the company which is charged to profit.

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

25 Property, plant and equipment

Freehold land, buildings and plant and machinery as at September 30, 1979 have been revalued by an independent valuer as of that date and are shown at net revalued figures less accumulated depreciation and any identified impairment loss. Additions subsequent to that date are stated at cost less accumulated depreciation and any identified impairment loss. All other property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss.

Notes to the Financial Statements

For the year ended September 30, 2005

Costs in relation to certain property, plant and equipment comprises of historical cost, mark-up and costs attributable in bringing the asset to working condition.

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

Depreciation on all property, plant and equipment 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.

Full year's depreciation is charged on additions during the year while no depreciation is charged on assets sold or deleted during the year. Impairment loss or its reversal, if any, is also charged to income. Where an impairment loss is recognised, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Major repairs and improvements are capitalised. Minor repairs and renewals are charged to income. 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 recognised as income or expense.

2.6 Capital work-in-progress

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

2.7 Leases

The company is the lessee:

2.7.1 Finance leases

Leases where the company has substantially all the risks and rewards of ownership are classified as finance leases. At inception, finance leases are capitalised at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets.

The related rental obligations, net of finance cost, are included in liabilities against assets subject to finance lease as referred to in note 7. The liabilities are classified as current and non-current depending upon the timing of the payment.

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.

Assets acquired under a finance lease are depreciated over the useful life of the asset on reducing balance method at the rates given in note 17. Depreciation of leased assets is charged to profit and loss account.

Depreciation on additions to leased assets is charged from the year in which an asset is acquired while no depreciation is charged on transfers to property, plant and equipment during the year.



Notes to the Financial Statements

For the year ended September 30, 2005

27.2 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.

28 Biological assets

During the current year, the company has adopted IAS 41 "Agriculture" in light of an opinion given by the Technical committee of the Institute of Chartered Accountants of Pakistan (ICAP). As per the requirements of IAS 41 "Agriculture", Standing crops are stated at fair value, immediately after harvesting, less estimated point-of-sale costs, with any resultant gain or loss recognised in the income statement. Point-of-sale costs include all costs that are necessary to sell the assets. The market value of standing crops is based on the support price fixed by the government and other factors such as the estimated crop yield and area under cultivation. Fair value of biological assets, where little biological transformation has taken place since initial cost incurrence, is based on initial costs incurred.

The company has accounted for biological assets prospectively in accordance with the allowed alternative treatment of IAS 8 "Net profit or loss for the period, fundamental errors and changes in accounting policies" as it is impracticable to reasonably determine the amount of adjustment relating to the opening balance of un-appropriated profit. Had there been no change in the accounting policy, profit for the year would have been lower by Rs 122.787 million.

29 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 amortised cost using the effective yield method.

Available for sale

Investments classified as available for sale including investments in associated undertakings, 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. Unrealised gains and losses arising from the changes in the fair value are included in fair value reserve in the period in which they arise.

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.

Previously, the company accounted for investments in equity instruments of associated undertakings, where the company has significant influence, using the equity method of accounting. The company has changed its policy in line with the requirements of IAS-28 (Revised 2003) "Investments in Associates", which will be applicable on the company in respect of its financial statements for the year ended September 30, 2006.



Notes to the Financial Statements

For the year ended September 30, 2005

The change in the policy has been applied retrospectively under the benchmark treatment of IAS 8 "Net profit or loss for the period, fundamental errors and changes in accounting policies". The comparative information as reported in the balance sheet, profit and loss account and statement of changes in equity has been restated to conform to the changed accounting policy. Had there been no change in the accounting policy, the carrying value of investments and fair value reserve as at year end would have been lower by Rs 4.402 million and Rs 61.316 million respectively and profit for the year would have been higher by Rs 5.51 million.

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. These are initially measured at cost and at subsequent reporting dates, these investments are remeasured at fair value. Realised and unrealised 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 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 recognised 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 recognised as expense. Where an impairment loss subsequently reverses, the carrying amount of the investment is increased to the revised recoverable amount but limited to the extent of initial cost of the investment. A reversal of the impairment loss is recognised in income.

2.10 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.

2.11 Stock-in-trade

Stock of raw materials, except for stock of molasses and those in transit, work-in-process and finished goods are valued principally at the lower of weighted average cost and net realisable value. Cost of work-in-process and finished goods comprises cost of direct materials, labour and appropriate manufacturing overheads. Stock of waste materials and molasses is valued at net realisable value.

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

Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make a sale.

2.12 Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

Notes to the Financial Statements

For the year ended September 30, 2005

2.13 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are set off and the net amount is reported in the balance sheet if the company has the legal right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.14 Trade debts

Trade debts are carried at original invoice amount less an estimate made for doubtful receivable balances based on review of outstanding amounts at the year end. Bad debts are written off when identified.

2.15 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.

2.16 Borrowings

Loans and borrowings are recorded at the proceeds received. In subsequent periods, borrowings are stated at amortised 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 recognised 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 unfavourable to the company.

2.17 Trade and other payables

Liabilities for trade and other amounts payable are measured at cost which is the fair value of the consideration to be paid in future for goods and services.

2.18 Provisions

Provisions are recognised when the company has a present obligation as a result of past event, which it is probable will result in an outflow of economic benefits and a reliable estimate can be made of the amount of the obligation.

2.19 Derivative financial instruments

These are initially recorded at cost and are remeasured at fair value at subsequent reporting dates.

2.20 Foreign currencies

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into rupees at the spot rate. All non-monetary items are translated into rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

All exchange differences are charged to the profit and loss account.



Notes to the Financial Statements

For the year ended September 30, 2005

2.21 Finance cost

Mark-up, interest and other charges on borrowings are capitalised upto 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.

2.22 Revenue recognition

Revenue from sales is recognised on dispatch of goods to customers.

Dividend on equity investments is recognised as income when the right to receive payment is established. Return on deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

2.23 Business segments

The company is divided into four business segments:

- Sugar division - manufacture of sugar;
- Ethanol division - manufacture of ethanol;
- Building materials division - manufacture of particle boards; and
- Textile division - manufacture of yarn

All these business segments are located in the same geographical area.

2.23.1 Segment assets and liabilities

The assets of a segment include all operating assets used by a segment and consists principally of operating cash, receivables, inventories and property, plant and equipment, net off allowances and provisions.

Segment liabilities include all operating liabilities consisting principally of deferred liabilities, other payables and accrued liabilities.

The carrying amount of identifiable assets and liabilities are directly attributed to respective segments. The carrying amount of jointly used assets and liabilities of sugar and allied segments is classified as unallocated assets and liabilities.

2.23.2 Allocation of segment expenses

All identifiable expenses are directly attributed to the respective segments. The jointly incurred expenses of sugar and allied segments are allocated on the basis of segment revenues.



Notes to the Financial Statements

For the year ended September 30, 2005

3 Issued, subscribed and paid up capital

2005 (Number of shares)	2004 (Number of shares)		2005 (Rupees in thousand)	2004 (Rupees in thousand)
		Ordinary		
13,198,995	13,198,995	Ordinary shares of Rs 10 each fully paid in cash	131,990	131,990
15,337,034	15,337,034	Ordinary shares of Rs 10 each issued as fully paid bonus shares	153,370	153,370
10,307,000	10,307,000	Ordinary shares of Rs 10 each issued as fully paid for consideration other than cash	103,070	103,070
38,843,029	38,843,029		388,430	388,430
		Preference		
15,210,691	—	Preference shares of Rs 10 each fully paid in cash	152,107	—
54,053,720	38,843,029		540,537	388,430

- 3.1 11,840,794 (2004: 16,428,033) ordinary shares of the company are held by associated undertakings
- 3.2 Subsequent to the year end, the company has converted 15,210,691 preference shares into 2,540,184 ordinary shares of Rs 10 each in the ratio stated in note 5.3 through an offer to preference shareholders. Under the terms of the offer, the preference shareholders opting for conversion into ordinary shares have waived their right to receive preferred dividend.

4 Surplus on revaluation of property, plant and equipment

Freehold land, buildings and plant and machinery were revalued by an independent valuer as at September 30, 1979 and stated in note 16 at appreciated value. The revaluation surplus is net of applicable deferred income taxes.

	2005 (Rupees in thousand)	2004 (Rupees in thousand)
Revaluation - net of deferred tax	3,212	3,243
Surplus transferred to unappropriated profit on account of incremental depreciation - net of tax	29	31
	3,183	3,212

- 4.1 Incremental depreciation represents the difference between the actual depreciation on buildings and plant and machinery and the equivalent depreciation based on the historical cost of buildings and plant and machinery.

Notes to the Financial Statements

For the year ended September 30, 2005

		2005 (Rupees in thousand)	2004
5. Long term finances			
These are composed of:			
Term finance certificates - secured	- note 5.1	79,952	243,200
Long term loans - secured	- note 5.2	1,865,830	1,554,200
Redeemable preference shares (non-voting) - unsecured	- note 5.3	345,755	-
		<u>2,291,537</u>	<u>1,797,400</u>
Less: Current portion shown under current liabilities			
- Term finance certificates		79,952	163,200
- Long term loans		326,802	131,600
		<u>406,754</u>	<u>294,800</u>
		<u>1,884,783</u>	<u>1,502,600</u>
5.1 Term finance certificates - secured			
Term finance certificates - No 1	- note 5.1.1	-	83,300
Term finance certificates - No 2	- note 5.1.2	79,952	159,900
		<u>79,952</u>	<u>243,200</u>
5.1.1 These have been repaid during the year.			
5.1.2 Term finance certificates - No 2			
The TFCs have been issued as fully paid scrips of Rs 5,000, Rs 25,000, Rs 50,000, Rs 100,000 and Rs 1,000,000 denomination or multiple thereof. These are listed on Lahore Stock exchange.			
Rate of return			
The return on TFCs is payable semi-annually and is calculated at the State Bank of Pakistan discount rate + 2% per annum subject to a floor of 12.25% per annum and a ceiling of 15.75% per annum.			
Terms of repayment			
The outstanding balance of TFCs is redeemable in two semi-annual instalments.			
Security			
These are secured against first pari passu charge on all present and future property, plant and equipment of the company.			
The company has Rs 100 million undrawn borrowing facility as at September 30, 2005. This facility has been arranged to finance the working capital needs of the Company.			



Notes to the Financial Statements

For the year ended September 30, 2005

52 Long term loans - secured

These are composed of:

Loan Lender	2005 (Rupees in thousand)	2004	Rate of mark-up per annum	Number of instalments outstanding	Mark-up payable
1. Pakistan Industrial Credit and Investment Corporation Limited	6,982	9,172	9.00%	11 quarterly instalments ending May 2008	Quarterly
2. MCB Bank Limited	100,000	24,999	* Base rate + 2% subject to floor of 7%	16 quarterly instalments commencing August 2006	Quarterly
3. MCB Bank Limited	16,500	27,500	7.50%	3 semi-annual instalments ending February 2007	Quarterly
4. MCB Bank Limited	75,000	75,000	* Base rate subject to floor of 5%	Payable in lump sum in February 2006	Quarterly
5. MCB Bank Limited	19,375	23,250	* Base rate subject to floor of 5%	5 semi-annual instalments ending September 2007	Quarterly
6. Atlas Investment Bank Limited	30,000	40,000	** Base rate + 3.5% subject to floor of 5.5%	6 semi annual instalments ending September 2008	Semi annual
7. National Bank Limited	187,500	243,105	** Base rate + 3.5%	6 semi annual instalments ending July 2008	Semi annual
8. International Housing Finance Limited	7,423	9,198	* Base rate + 4.25%	40 monthly instalments ending January 2009	Monthly
9. Orix Investment Bank Pakistan Limited	9,000	12,000	***Base rate + 2% subject to floor of 7.5% and cap of 15%	6 semi annual instalments ending May 2008	Semi-annual
10. Pakistan Kuwait Investment Company (Private) Limited	30,000	40,000	***Base rate + 2% subject to floor of 7.5% and cap of 13%	6 semi annual instalments ending August 2008	Semi-annual
11. Syndicate term loan	1,050,000	1,050,000	** Base rate + 3% subject to floor of 5.25%	10 semi annual instalments commencing May 2006	Semi-annual
12. Askari Commercial Bank Limited	24,454	-	* Base rate + 2% subject to floor of 6%	9 quarterly instalments ending November 2007	Quarterly
13. MCB Bank Limited	245,000	-	* Base rate + 2% subject to floor of 8%	8 equal semi annual instalments commencing March 2007	Quarterly
14. Meezan Bank Limited	64,596	-	* Base rate + 2% Subject to floor of 8%	19 quarterly instalments ending November 2010	Quarterly
	<u>1,865,830</u>	<u>1,554,224</u>			

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

Notes to the Financial Statements

For the year ended September 30, 2005

Security

Loan 1

These finances are secured by first pari passu charge on all the current and non-current assets of the company.

Loan 2 to 7

These are secured against first charge on property, plant and equipment of the company ranking pari passu with other creditors.

Loan 8

It is secured against equitable mortgage on immovable property financed through the loan.

Loan 9 and 10

These are secured by way of hypothecation charge over plant and machinery of the textile division.

Loan 11

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

Loan 12 to 14

This loan is secured against first specific charge on plant and machinery financed through the loan.

5.3 Redeemable preference shares (non-voting) - unsecured

During the year, the company issued preference right shares to the existing shareholders of the company and to certain institutional investors in equal proportion. 85 preference shares (non-voting) have been issued as right to existing shareholders for every 100 ordinary shares held as on October 22, 2004. 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.

5.3.1 6,798,571 (2004: Nil) preference shares of the company are held by associated undertakings.

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 will be redeemed after five years of the issuance if the conversion option is not offered by the company to preference shareholders or the preference shareholders do not opt for the conversion option.

Rate of dividend

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



Notes to the Financial Statements

For the year ended September 30, 2005

	2005 (Rupees in thousand)	2004
6. Long term advances		
Total advance from leasing companies	10,674	60,484
Less: Repayment to date	—	811
	10,674	59,673
Less: Current portion shown under current liabilities	1,802	9,954
	8,872	49,719

This represents advance from financial institutions as referred to in note 18.2 and carry mark-up at the rate of Rs. 0.18723 per Rs 1,000 per diem to finance the assets which are included in capital work-in-progress. The balance would be transferred to liabilities against assets subject to finance lease on receipt of respective assets.

	2005 (Rupees in thousand)	2004
7. Liabilities against assets subject to finance lease		
Present value of minimum lease payments	257,780	219,266
Less: Current portion shown under current liabilities	74,251	51,344
	183,529	167,922

The minimum lease payments have been discounted at an implicit interest rate ranging from 4.36% to 17.53% to arrive at their present value. Rentals are paid in monthly / quarterly / semi-annual instalments 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	
			2005	2004
			(Rupees in thousand)	
Not later than one year	94,300	20,049	74,251	51,344
Later than one year and not later than five years	207,520	23,991	183,529	167,922
	301,820	44,040	257,780	219,266

Notes to the Financial Statements

For the year ended September 30, 2005

		2005	2004
		(Rupees in thousand)	
8. Employees' retirement benefits			
The amounts recognised in the balance sheet are as follows:			
Pension fund	- note 8.1	2,232	3,278
Gratuity fund	- note 8.2	(1,965)	(1,712)
		<u>267</u>	<u>1,566</u>

8.1 Pension fund

Present value of defined benefit obligations	105,657	92,985
Fair value of plan assets	(99,831)	(79,799)
Non vested (past service) cost to be recognised in later periods	(10,028)	(11,461)
Unrecognised actuarial gains	6,434	1,549
Liability as at September 30	<u>2,232</u>	<u>3,278</u>
Opening liability	3,278	-
Charge to profit and loss account	5,465	6,900
Contribution by the company	(6,511)	(3,630)
Liability as at September 30	<u>2,232</u>	<u>3,278</u>

Fair value of plan assets include Term Finance Certificates and Preference Shares of the company whose fair values as at September 30, 2005 are Rs 1.517 million (2004: Rs 3.314 million) and Rs 2.75 million (2004: Rs Nil) respectively.

	2005	2004
	(Rupees in thousand)	
8.2 Gratuity fund		
Present value of defined benefit obligations	22,668	21,176
Fair value of plan assets	(25,087)	(22,607)
Unrecognised actuarial gains/(losses)	454	(281)
(Asset) as at September 30	<u>(1,965)</u>	<u>(1,712)</u>
Opening (asset)	(1,712)	-
Charge to profit and loss account	1,120	40
Contribution by the company	(1,373)	(1,752)
(Asset) as at September 30	<u>(1,965)</u>	<u>(1,712)</u>

Fair value of plan assets include Term Finance Certificates and Preference Shares of the company whose fair values as at September 30, 2005 are Rs 0.507 million (2004: Rs 1.028 million) and Rs 1.65 million (2004: Rs Nil) respectively.



Notes to the Financial Statements

For the year ended September 30, 2005

83 Charge to profit and loss account for the year comprises:

	(Rupees in thousand)			
	Pension fund		Gratuity fund	
	2005	2004	2005	2004
Current service cost	4,573	6,106	1,687	1,418
Interest cost for the year	7,439	6,394	1,694	1,455
Expected return on plan assets	(7,980)	(6,733)	(2,261)	(1,911)
Recognition of past service cost	1,433	1,432	-	-
Recognition of transitional (asset)	-	(291)	-	(922)
	<u>5,465</u>	<u>6,908</u>	<u>1,120</u>	<u>40</u>

9. Deferred income

This represents the unamortised balance of excess of sale proceeds over carrying amount of plant and machinery on sale and lease back transaction with financial institutions.

The deferred income is being amortised each year over the respective period of the lease term. The amount credited to the profit and loss account during the year was Rs 2.116 million (2004: Rs 3.037 million).

2005 2004
(Rupees in thousand)

10. Deferred taxation

The liability for deferred taxation comprises temporary differences relating to:

Accelerated tax depreciation	-	210,518
Surplus on revaluation of property, plant and equipment	-	206
Unused tax losses	-	(141,025)
Minimum tax available for carry forward	-	(19,215)
	<u>-</u>	<u>50,484</u>

11. Current portion of long term liabilities

Long term finances	- note 5	406,754	294,862
Long term advances	- note 6	1,802	9,954
Liabilities against assets subject to finance lease	- note 7	74,251	51,344
		<u>482,807</u>	<u>356,160</u>

Notes to the Financial Statements

For the year ended September 30, 2005

		2005 (Rupees in thousand)	2004
12. Short term borrowings - secured			
Short term running finances	- note 12.1	3,496,543	938,011
Export refinance	- note 12.2	100,439	189,000
Short term finances	- note 12.3	391,876	364,086
		<u>3,988,858</u>	<u>1,491,097</u>

12.1 Short term running finances

Running finances available from a consortium of commercial banks under mark-up arrangements amount to Rs 4,544 million (2004: Rs 2,321 million). The rates of mark-up range from Re 0.1394 to Re 0.3211 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 current and non-current assets of the company.

12.2 Export refinance

The company has obtained export finance facilities aggregating to Rs. 289 million (2004: Rs 289 million). The rates of mark-up range from Re 0.1575 to Re 0.2260 per Rs 1,000 per diem or part thereof. The aggregate export and import finances are secured against lien on export contracts and ranking charge on current assets of the company.

12.3 Short term finances

Short term finance facilities available from a consortium of commercial banks under mark-up arrangements amount to Rs. 557 million (2004: Rs 334 million). The rates of mark-up range from Re 0.1074 to Re 0.2534 per Rs 1,000 per diem on the balance outstanding or part thereof. These are secured against registered charge on current assets of the company.

Of the aggregate facility of Rs 116.778 million (2004: Rs 225 million) for opening letters of credit and Rs 89.996 million (2004: Rs 10 million) for guarantees, the amount utilized at September 30, 2005 was Rs 22.135 million (2004: Rs 24.560 million) and Rs 89.996 million (2004: Rs 9.295 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 27, pledge of marketable securities and charge on current assets of the company.

Notes to the Financial Statements

For the year ended September 30, 2005

		2005	2004
		(Rupees in thousand)	
13. Trade and other payables			
Trade creditors	- note 13.1	132,518	163,085
Advances from customers		10,090	220,035
Security deposits	- note 13.2	1,738	1,399
Accrued liabilities		34,211	29,792
Workers' profit participation fund	- note 13.3	9,517	11,308
Sales tax payable		-	14,011
Unclaimed dividend		1,779	1,659
Others		84,568	70,307
		<u>274,421</u>	<u>511,596</u>

13.1 Trade creditors include amount due to related parties Rs 1.206 million (2004: Rs 12.175 million).

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

		2005	2004
		(Rupees in thousand)	
13.3 Workers' profit participation fund			
Opening balance		11,308	8,646
Interest for the year		412	91
Provision for the year		9,479	11,308
		<u>21,199</u>	<u>20,045</u>
Less: Payments made during the year		11,682	8,737
As at September 30		<u>9,517</u>	<u>11,308</u>

14. Accrued finance cost

Accrued interest and mark-up on:

- Long term finances	85,204	31,541
- Liabilities against assets subject to finance leases	1,734	2,127
- Short term borrowings	64,866	7,638
	<u>151,804</u>	<u>41,306</u>

Notes to the Financial Statements

For the year ended September 30, 2005

15. Contingencies and commitments

The company has the following commitments in respect of

- Letters of credit other than capital expenditure Rs 2,393 million (2004: Rs 15,461 million).
- Bank guarantees amounting to Rs 89,996 million (2004: Rs 9,295 million).
- Contracts for capital expenditure amounting to Rs 161,722 million (2004: Rs 363.02 million).

16. Property, plant and equipment

The following is a statement of the property, plant and equipment

	(Rupees in thousand)									
	Cost/re-valued amount as at September 30, 2004	Additions/ (deletions)	Transfers/ Adjustments	Cost/re-valued amount as at September 30, 2005	Accumulated depreciation September 30, 2004	Depreciation charge/ (deletions) for the year	Transfers/ Adjustments	Accumulated depreciation September 30, 2005	Book value as at September 30, 2005	Rate of depreciation %
Freehold land	98,186	96,813 (10)	-	194,989	-	-	-	-	194,989	-
Buildings and roads on freehold land	224,021	28,590 (8,622)	-	243,989	110,922	9,498 (4,512)	-	115,908	128,081	5.73
Plant and machinery	2,006,241	423,470	-	2,427,711	1,000,468	103,763	-	1,104,231	1,323,480	5.73
Tools and equipment	50,433	10,705 (233)	-	60,925	31,544	11,330 (110)	-	42,764	18,161	16.40
Water, electric and weighbridge equipment	31,051	12,154	-	43,205	15,805	5,480	-	21,285	21,920	10.20
Furniture and fixtures	25,172	7,896 (2,648)	-	30,420	13,765	3,433 (1,326)	-	15,872	14,548	10.20
Office equipment	2,457	1,167 (391)	-	3,233	849	247 (82)	-	1,014	2,219	10.20
Vehicles	32,773	23,653 (179)	3,295	59,542	16,782	8,573 (106)	-	25,249	34,293	20
Laboratory Equipment	7,062	54	-	7,116	1,450	283	-	1,733	5,383	5
Arms and ammunition	98	-	-	98	76	2	-	78	20	10
Library books	9,089	491	-	9,580	7,161	726	-	7,887	1,693	10
2005	2,486,583	602,993 (12,063)	3,295	3,080,808	1,198,822	143,335 (6,136)	-	1,336,021	1,744,787	
2004	2,246,692	288,071 (48,180)	-	2,486,583	1,106,517	110,689 (14,820)	(3,564)	1,198,822	1,287,761	

- 16.1 The carrying amount of freehold land, building and plant and machinery would have been Rs 192.160 million (2004: Rs 95.357 million), Rs 127.794 million (2004: Rs 112.789 million) and Rs 1,323.22 million (2004: Rs 1,005.494 million) respectively, had there been no revaluation.

Notes to the Financial Statements

For the year ended September 30, 2005

2005 **2004**
(Rupees in thousand)

16.2 The depreciation charge for the year has been allocated as follows:

Capital work-in-progress			
- unallocated expenditure	- note 18.3	1,654	1,065
Cost of sales	- note 30	121,469	95,218
Administrative expenses	- note 31	20,212	14,406
		<u>143,335</u>	<u>110,689</u>

16.3 Disposal of property, plant and equipment

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
Buildings	Mr. Yousaf Niazi	3,410	2,377	1,033	13,849	Negotiation
	International Housing Finance Limited	5,212	2,135	3,077	5,058	-do-
Office equipment	International Housing Finance Limited	391	82	309	508	Negotiation
	International Housing Finance Limited	1,598	421	1,177	1,934	Negotiation
Furniture and fixture	International Housing Finance Limited	1,452	1,121	331	646	
	Other assets having book value below Rs. 50,000	12,063	6,136	5,927	21,995	

17. Assets subject to finance lease

	Cost as at September 30, 2004	Additions/ (transfers)	Cost as at September 30, 2005	Accumulated depreciation September 30, 2004	Depreciation charge/ (transfers) for the year	Accumulated depreciation September 30, 2005	Book value as at September 30, 2005	Rate of depreciation %
Plant and machinery	215,431	56,000	271,431	19,595	15,275	34,870	236,561	5-7.5
Vehicles	68,682	4,494 (6,435)	66,741	17,278	10,521 (13,140)	24,659	42,082	20
2005	284,113	60,494 (6,435)	338,172	36,873	25,796 (13,140)	59,529	278,643	
2004	203,628	80,485	284,113	12,254	24,619	36,873	247,240	

Notes to the Financial Statements

For the year ended September 30, 2005

		2005 (Rupees in thousand)	2004
17.1	The depreciation charge for the year has been allocated as follows:		
Capital work-in-progress - unallocated expenditure	- note 18.3	1,791	1,011
Cost of sales	- note 30	20,740	18,719
Administrative expenses	- note 31	3,265	4,889
		<u>25,796</u>	<u>24,619</u>

18 Capital work-in-progress

Civil works		244,811	40,229
Plant and Machinery	- note 18.1	1,697,986	1,015,630
Advances for land, plant and machinery and vehicles	- note 18.2	544,046	266,061
Unallocated expenditure		113,492	40,881
Others		2,433	5,273
		<u>2,602,768</u>	<u>1,368,074</u>

18.1 It includes an amount of Rs 45,523 million (2004: Nil) being the cost of machinery financed by leasing companies.

18.2 It includes advance payments for assets which are financed by financial institutions as referred to in note 6 and will be capitalised upon receipt of respective assets.

18.3 It includes depreciation on property, plant and equipment and leased assets of Rs 2,717 million (2004: 1,061 million) and Rs 2,802 million (2004: 1,011 million) respectively and finance cost of Rs 154,668 million (2004: Rs 35,678 million).

	2005 (Rupees in thousand)	2004
19 Biological assets		
Sugarcane		
Mature	104,297	-
Immature	12,393	-
	<u>116,690</u>	-
Rice - mature	6,097	-
	<u>122,787</u>	-
Non - current	12,393	-
Current	110,394	-
	<u>122,787</u>	-

At September 30, 2005, the cultivated area of sugarcane and rice is 6,602 acres and 624 acres respectively while 3,049 acres are under preparation for wheat cultivation.

Notes to the Financial Statements

For the year ended September 30, 2005

			2005	2004
			(Rupees in thousand)	
20. Investments - related parties				
Available for sale				
Associated companies	- at cost	- note 20.1	124,256	15,735
Others	- at cost	- note 20.2	56,003	9,957
			180,259	25,692
Fair value gain			125,689	55,758
			305,948	81,450
20.1 Associated companies - quoted				
Crescent Commercial Bank Limited				
7,287,626 (2004: Nil) fully paid ordinary shares of Rs 10 each			73,463	-
Crescent Steel and Allied Products Limited				
1,185,397 (2004: 987,831) fully paid ordinary shares of Rs 10 each			15,735	15,735
Crescent Jute Products Limited				
536,817 (2004: 536,817) fully paid ordinary shares of Rs 10 each			-	-
Safeway Mutual Fund Limited				
4,228,003 (2004: 15,013,540) fully paid ordinary shares of Rs 10 each			35,058	-
			124,256	15,735
20.2 Others				
Quoted				
Asian Stocks Fund Limited				
4,679,125 (2004: 16,125,000) fully paid ordinary shares of Rs 10 each			46,046	-
Unquoted				
Crescent Standard Business Management (Private) Limited				
1,000,000 (2004: 1,000,000) fully paid ordinary shares of Rs 10 each			9,957	9,957
Equity held 29.60% (2004: 29.60%)			56,003	9,957

Notes to the Financial Statements

For the year ended September 30, 2005

- 20.3 Investments with face value of Rs Nil (2004: Rs 0.182 million) are pledged as security against long term finances.
- 20.4 5,010,705 shares of Crescent Commercial Bank Limited with a face value of Rs 51.463 million are pledged in a separate CDC account with the State Bank of Pakistan as per SBP's requirement for granting of license to Crescent Commercial Bank Limited.

2005 2004
(Rupees in thousand)

21. Long term loan and deposits

Loan - considered good	- note 21.1	4,140	-
Security deposits		40,392	36,679
		<u>44,532</u>	<u>36,679</u>

- 21.1 This represents an un-secured loan given to Sui Northern Gas Pipelines Limited for the development of infrastructure for supply of natural gas to the principal facility. Mark-up is charged at 1.5% per annum and is receivable annually. This amount is receivable in 10 equal annual instalments commencing May, 2007.

2005 2004
(Rupees in thousand)

22. Deferred taxation

The deferred tax asset comprises temporary differences relating to:

Accelerated tax depreciation	(280,575)	-
Surplus on revaluation of property, plant and equipment	(316)	-
Employees' retirement benefits	83	-
Unused tax losses	<u>288,008</u>	-
	<u>7,200</u>	<u>-</u>

23. Stores, spares and loose tools

Stores	42,758	12,208
Spares	33,841	35,288
Loose tools	<u>1,227</u>	<u>1,811</u>
	<u>77,826</u>	<u>49,307</u>
Less: Provision for obsolete items	<u>1,500</u>	<u>1,500</u>
	<u>76,326</u>	<u>47,807</u>

- 23.1 Stores and spares include items which may result in fixed capital expenditure but are not distinguishable at this stage.



Notes to the Financial Statements

For the year ended September 30, 2005

24. Stock-in-trade

		2005 (Rupees in thousand)	2004
Raw materials	- note 24.1	574,125	98,554
Work-in-process		22,521	9,968
Finished goods	- note 24.2	344,870	356,068
		<u>941,516</u>	<u>464,590</u>

24.1 Raw materials amounting to Rs 40.12 million (2004: Rs 98.55 million) are valued at net realisable value.

24.2 Finished goods amounting to Rs Nil (2004: Rs 14.564 million) are carried at net realisable value.

24.3 Raw materials and finished goods amounting to Rs 849.408 million are pledged with lenders as security against short term borrowings as referred to in note 12.

25. Trade debts - considered good

		2005 (Rupees in thousand)	2004
Secured		-	37,129
Unsecured		330,843	79,666
		<u>330,843</u>	<u>116,795</u>

26. Investments

Available for sale	- note 26.1	2,800,121	2,051,651
Held for trading	- note 26.2	206,481	149,833
Held to maturity	- note 26.3	228,610	64,407
		<u>3,235,212</u>	<u>2,265,891</u>

26.1 Available for sale

Related parties - at cost	- note 26.1.1	885,484	969,695
Others - at cost	- note 26.1.2	262,408	205,204
		1,147,892	1,174,899
Fair value gain		1,652,229	876,752
		<u>2,800,121</u>	<u>2,051,651</u>

Notes to the Financial Statements

For the year ended September 30, 2005

	2005	2004
	(Rupees in thousand)	(Rupees in thousand)
26.1.1 Related parties		
Associated companies		
Quoted		
Pakistan Industrial Credit & Investment Corporation Limited		
30,169,136 (2004: 20,104,674) fully paid ordinary shares of Rs 10 each	620,502	617,000
Crescent Commercial Bank Limited		
Nil (2004: 5,010,705) fully paid ordinary shares of Rs 10 each	-	51,000
The Premier Insurance Company of Pakistan Limited		
48,155 (2004: 40,129) fully paid ordinary shares of Rs 5 each	44	-
Safeway Mutual Fund Limited		
12,684,009 (2004: 15,013,540) fully paid ordinary shares of Rs 10 each	105,174	140,000
Altern Energy Limited		
1,500,000 (2004: Nil) fully paid ordinary shares of Rs 10 each	19,425	-
Unquoted		
Crescent Group Services (Private) Limited		
220,000 (2004: 220,000) fully paid ordinary shares of Rs 10 each	2,200	2,200
	747,345	811,400
Others - quoted		
Asian Stocks Fund Limited		
14,037,375 (2004: 16,125,000) fully paid ordinary shares of Rs 10 each	138,139	158,200
	885,484	969,600
26.1.2 Others		
Quoted		
Crescent Board Limited		
Nil (2004: 91,960) fully paid ordinary shares of Rs 10 each	-	55,000
Crescent Knitwear Limited		
Nil (2004: 700,000) fully paid ordinary shares of Rs 10 each	-	700,000
Crescent Leasing Corporation Limited		
6,752,257 (2004: 4,879,521) fully paid ordinary shares of Rs 10 each	88,542	71,725
Crescent Standard Investment Bank Limited		
10,164,749 (2004: 9,488,749) fully paid ordinary shares of Rs 10 each	74,342	64,084
Crescent Standard Modaraba		
2,034,500 (2004: Nil) fully paid ordinary shares of Rs 10 each	20,206	-
	183,090	137,065
C/F		



Notes to the Financial Statements

For the year ended September 30, 2005

	2005 (Rupees in thousand)	2004
B/F	183,090	137,065
International Housing Finance Limited		
1,500,000 (2004: Nil) fully paid ordinary shares of Rs 10 each	18,750	—
Husein Sugar Mills Limited		
Nil (2004: 631) fully paid ordinary shares of Rs 10 each	—	—
Jubilee Spinning and Weaving Mills Limited		
15,584 (2004: 15,584) fully paid ordinary shares of Rs 10 each	—	—
Prudential Discount & Guarantee House Limited		
12,000 (2004: 12,000) fully paid ordinary shares of Rs 10 each	168	168
Pakistan International Airlines Corporation Limited		
Nil (2004: 26) fully paid ordinary shares of Rs 10 each	—	—
Pakistan Strategic Allocation Fund Limited		
3,340,000 (2004: 3,346,000) fully paid ordinary shares of Rs 10 each	33,400	33,460
Trust Commercial Bank Limited		
Nil (2004: 3,076,923) fully paid ordinary shares of Rs 10 each	—	22,000
Unquoted		
Asian Capital Management Limited		
1,000,000 (2004: 1,000,000) fully paid ordinary shares of Rs 10 each	10,000	10,000
Central Depository Company of Pakistan Limited		
100,000 (2004: Nil) fully paid ordinary shares of Rs 10 each	14,000	—
Crescent Standard Telecommunications Limited		
300,000 (2004: Nil) fully paid ordinary shares of Rs 10 each	3,000	—
International Housing Finance Limited		
Nil (2004: 312,500) fully paid ordinary shares of Rs 10 each	—	2,511
	<u>262,408</u>	<u>205,204</u>

Investments with a face value of Rs 551.884 million (2004: Rs 169.529 million) are pledged as security against long term finances, working capital loans and bank guarantees.

Notes to the Financial Statements

For the year ended September 30, 2005

		2005	2004
		(Rupees in thousand)	
26.2	Held for trading		
	Related parties	- note 26.2.1	85,178
	Others	- note 26.2.2	121,303
			206,481
26.2.1	Related parties		
	Associated companies - Quoted		
	Pakistan Industrial Credit & Investment Corporation Limited		
	1,205,916 (2004: 784,044) fully paid ordinary shares of Rs 10 each	83,329	56,059
	Crescent Commercial Bank Limited		
	150,960 (2004: 150,960) fully paid ordinary shares of Rs 10 each	1,849	1,502
		85,178	57,561
26.2.2	Others		
	Quoted		
	Al- Meezan Mutual Fund Limited		
	450,080 (2004: 488,175) fully paid ordinary shares of Rs 10 each	4,681	5,809
	Bosicor Pakistan Limited		
	50,000 (2004: Nil) fully paid ordinary shares of Rs 10 each	832	-
	Crescent Leasing Corporation Limited		
	1,746,188 (2004: 1,154,666) fully paid ordinary shares of Rs 10 each	24,447	16,916
	Dewan Farooq Motors Limited		
	225,000 (2004: Nil) fully paid ordinary shares of Rs 10 each	5,490	-
	Dewan Salman Fiber Limited		
	200,000 (2004: 850,000) fully paid ordinary shares of Rs 10 each	3,170	15,980
	Fauji Cement Company Limited		
	Nil (2004: 361,500) fully paid ordinary shares of Rs 10 each	-	5,603
	Fauji Fertilizer Company Limited		
	30,000 (2004: Nil) fully paid ordinary shares of Rs 10 each	3,907	-
	Fauji Fertilizer Bin Qasim Limited		
	Nil (2004: 150,000) fully paid ordinary shares of Rs 10 each	-	2,970
	Hub Power Company Limited		
	1,030,000 (2004: 1,000,000) fully paid ordinary shares of Rs 10 each	30,179	30,990
	C/F	72,706	78,228

Notes to the Financial Statements

For the year ended September 30, 2005

		2005 (Rupees in thousand)	2004
	B/F	72,706	78,228
International Housing Finance Limited			
1,106,000 (2004: Nil) fully paid ordinary shares of Rs 10 each		10,618	—
Indus Motors Company Limited			
50,000 (2004: Nil) fully paid ordinary shares of Rs 10 each		6,650	—
Lucky Cement Company Limited			
50,000 (2004: Nil) fully paid ordinary shares of Rs 10 each		2,620	—
Pakistan Capital Market Fund Limited			
Nil (2004: 764,500) fully paid ordinary shares of Rs 10 each		—	7,033
PIIC Commercial Bank Limited			
155,750 (2004: Nil) fully paid ordinary shares of Rs 10 each		6,300	—
Pakistan International Airlines Corporation Limited			
125,000 (2004: Nil) fully paid ordinary shares of Rs 10 each		994	—
Pakistan PTA Limited			
215,000 (2004: Nil) fully paid ordinary shares of Rs 10 each		1,591	—
Pak Suzuki Motors Company Limited			
63,130 (2004: 7,000) fully paid ordinary shares of Rs 10 each		9,533	854
Sui Southern Gas Company Limited			
Nil (2004: 235,000) fully paid ordinary shares of Rs 10 each		—	6,157
Telecards Limited			
200,000 (2004: Nil) fully paid ordinary shares of Rs 10 each		2,460	—
TRG Pakistan Limited			
300,000 (2004: Nil) fully paid ordinary shares of Rs 10 each		3,270	—
Tripack Films Limited			
100,800 (2004: Nil) fully paid ordinary shares of Rs 10 each		4,561	—
		<u>121,303</u>	<u>92,272</u>
2.3 Held to maturity			
Musharika Investment	- note 26.3.1	56,497	64,407
Certificate of deposits	- note 26.3.2	172,203	—
		<u>228,610</u>	<u>64,407</u>

2.3.1 This represents investment under musharika arrangement with Crescent Standard Modaraba on profit and loss sharing basis.

2.3.2 This represents deposits held with Crescent Standard Investment Bank Limited carrying mark-up ranging from 6.75% to 8.65% per annum.

Notes to the Financial Statements

For the year ended September 30, 2005

2005 2004
(Rupees in thousand)

27. Loans, advances, prepayments and other receivables

Loans to employees - considered good		1,085	243
Advances - considered good	- note 27.1		
To suppliers and contractors		51,828	142,203
To sugarcane growers		40,661	17,342
		92,489	159,545
Advance for shares of Creek Marina (Private) Limited		150,000	-
Advances - considered doubtful			
To sugarcane growers		2,000	2,000
Less: Provision for doubtful advances		2,000	2,000
		-	-
Due from related parties - considered good	- note 27.2	380	1,788
Claims recoverable from government			
Income tax		17,304	20,436
Sales tax		23,036	94
		40,340	20,530
Prepayments		30,769	19,802
Margins against bank guarantees		1,115	1,394
Others		23,066	45,288
		339,244	248,590

- 27.1 These relate to normal business of the company and are interest free except advances given to sugarcane growers which carry mark-up ranging from 5% to 9.25% per annum.

2005 2004
(Rupees in thousand)

27.2 Due from related parties

Crescent Sugar and Distillery Limited	245	395
Crescent Steel and Allied Products Limited	135	836
Crescent Standard Business Management (Private) Limited	-	577
	380	1,788

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



Notes to the Financial Statements

For the year ended September 30, 2005

2005 2004
(Rupees in thousand)

28. Cash and bank balances

At banks on:			
- Saving accounts	- note 28.1		
- Pak rupees		134	124
- Foreign currency	- note 28.2	370	370
		504	494
- Current accounts		99,103	26,807
		99,607	27,301
In hand		1,535	980
		101,142	28,281

28.1 Profit on balances in saving accounts ranges from 0.25% to 6.2% per annum.

28.2 Foreign currency accounts include US Dollars 5,292 (2004: 5,278) and Euros 758 (2004: 778).

29. Sales

(Rupees in thousand)

	Sugar		Ethanol		Building Materials		Textile		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Gross sales										
- Local	4,408,438	2,492,321	130,181	144,917	35,780	37,969	625,582	777,519	5,199,981	3,452,726
- Export	-	36,084	415,835	477,879	-	-	-	-	415,835	513,963
- By-products	22	239	-	-	-	-	15,570	16,865	15,592	17,104
- Inter-segment	275,932	230,818	-	-	-	-	-	-	-	-
	4,684,392	2,759,462	546,016	622,796	35,780	37,969	641,152	794,384	5,631,408	3,983,793
Less:										
Commission to selling agents	9,868	5,599	-	278	1,517	1,364	2,475	2,703	13,860	9,944
Sales tax	572,474	351,146	16,980	19,873	4,660	5,121	60,974	99,546	655,088	475,686
	582,342	356,745	16,980	20,151	6,177	6,485	63,449	102,249	668,948	485,630
Net sales	4,102,050	2,402,717	529,036	602,645	29,603	31,484	577,703	692,135	4,962,460	3,498,163

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

Notes to the Financial Statements

For the year ended September 30, 2005

30. Cost of sales

(Rupees in thousand)

	Sugar		Ethanol		Building Materials		Textile		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Inter-segment	-	-	259,596	211,615	6,740	6,246	9,596	12,957	-	-
Raw materials consumed	2,833,483	1,650,594	299,532	82,068	-	994	386,459	515,271	3,519,474	2,248,927
	2,833,483	1,650,594	559,128	293,683	6,740	7,240	396,055	528,228	3,519,474	2,248,927
Salaries, wages and other benefits - note 30.2	73,412	6,487	9,503	5,362	3,248	2,395	34,763	31,821	120,926	104,849
Stores and spares consumed	82,477	6,712	4,574	5,542	1,864	1,811	14,062	17,041	102,977	92,106
Dyes and chemicals	22,878	18,114	14,839	16,805	4,247	6,785	-	-	41,964	41,304
Packing material consumed	42,688	24,184	-	-	-	-	7,779	7,203	50,467	31,387
Fuel and power	172,048	27,529	17,785	40,105	143	4,067	63,080	57,910	247,056	129,711
Repairs and maintenance	17,426	24,422	2,352	5,080	72	1,273	1,693	1,023	21,543	31,748
Insurance	2,799	3,875	682	205	52	92	3,328	2,455	6,861	6,627
Vehicle running and maintenance	6,041	5,041	-	-	187	153	-	-	6,228	5,194
Travelling and conveyance	752	807	182	262	62	56	1,580	688	2,576	1,813
Printing and stationery	788	790	73	49	3	2	-	-	864	861
Rent, rates and taxes	568	568	-	-	-	-	220	473	788	1,041
Sugarcane research and development	15,315	41,966	-	-	-	-	-	-	15,315	41,966
Staff training and development	2,032	4,536	-	-	-	-	-	-	2,032	4,536
Depreciation on:										
- property, plant and equipment	76,247	71,019	34,112	14,987	920	921	10,190	8,291	121,469	95,218
- leased assets	1,568	9,009	1,947	2,105	-	-	7,225	7,605	20,740	18,719
Other expenses	16,230	8,341	2,950	3,883	1,598	1,548	256	142	21,034	13,914
	3,376,752	2,023,477	642,127	388,041	19,136	26,343	540,231	662,880	4,302,314	2,869,923
Opening work-in-process	1,535	3,180	-	-	2,188	3,576	6,245	5,573	9,968	12,329
Less: Closing work-in-process	17,682	1,535	-	-	-	2,188	4,839	6,245	22,521	9,968
	(16,147)	1,645	-	-	2,188	1,388	1,406	(672)	(12,553)	2,361
Cost of goods produced	3,360,605	2,025,122	642,127	388,041	21,324	27,731	541,637	662,208	4,289,761	2,872,284
Opening stock of finished goods	326,824	521,113	9,510	55,760	5,170	3,850	14,564	20,685	356,068	601,408
Less: Closing stock of finished goods	248,473	326,824	62,433	9,510	321	5,170	33,643	14,564	344,870	356,068
	78,351	194,289	(52,923)	46,250	4,849	(1,320)	(19,079)	6,121	11,198	245,340
	3,438,956	2,219,411	589,204	434,291	26,173	26,411	522,558	668,329	4,300,959	3,117,624
Cost of sales - goods purchased for resale	181,450	-	-	-	-	-	-	-	181,450	-
Less: Own work capitalised	-	-	-	-	1,338	-	-	-	1,338	-
	3,620,406	2,219,411	589,204	434,291	24,835	26,411	522,558	668,329	4,481,071	3,117,624

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

Notes to the Financial Statements

For the year ended September 30, 2005

2005
(Rupees in thousand)

2004

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

Pension fund	3,150	4,120
Gratuity fund	615	23
Provident fund	2,182	2,022
	<u>5,947</u>	<u>6,165</u>

31. Administrative expenses

Salaries, wages and other benefits	- note 31.1	49,352	44,080
Repairs and maintenance		4,091	4,256
Insurance		3,499	1,809
Vehicle running and maintenance		4,081	2,785
Travelling and conveyance		10,186	11,337
Printing and stationary		2,439	2,207
Electricity and gas		1,416	878
Telephone, postage and telegram		3,088	2,946
Legal and professional charges	- note 31.2	6,458	4,039
Consultancy and advisory services		7,377	7,383
Rent, rates and taxes		2,755	4,040
Staff training and development		128	326
Entertainment		414	268
Subscriptions		4,412	4,230
Advertisements		622	512
Registered office expenses		726	726
Other receivables written off		-	5,745
Depreciation on:			
- property, plant and equipment		20,212	14,406
- leased assets		3,265	4,889
Others		2,495	3,728
		<u>127,016</u>	<u>120,590</u>

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

Pension fund	2,315	2,788
Gratuity fund	505	17
Provident fund	1,116	768
	<u>3,936</u>	<u>3,573</u>

Notes to the Financial Statements

For the year ended September 30, 2005

2005 2004
(Rupees in thousand)

31.2 Professional services

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

Statutory audit	425	375
Half yearly review	150	125
Certification charges	199	-
Out of pocket expenses	99	37
	<u>873</u>	<u>537</u>

32. Distribution and selling costs

Salaries, wages and other benefits	- note 32.1	3,310	1,581
Freight and forwarding		45,992	38,028
Handling and distribution		1,143	3,629
Loading and unloading charges		4,427	1,619
Sales promotion expenses		1,226	501
Insurance		2,072	2,487
Others		-	982
		<u>58,170</u>	<u>48,827</u>

- 32.1 Salaries, wages and other benefits include provident fund contribution of Rs 0.086 million (2004: Rs 0.338 million) by the company.

2005 2004
(Rupees in thousand)

33. Other operating expenses

Workers Profit Participation Fund		9,479	11,308
Loss on sale of property, plant and equipment		-	6,696
Loss on sale of investments in associated undertakings		-	5,374
Merger expenses		579	742
Social action program		8,884	3,212
Net exchange loss		4,995	2,721
Donations		13,993	9,729
Others	- note 33.1	1,235	605
		<u>39,165</u>	<u>40,387</u>



Notes to the Financial Statements

for the year ended September 30, 2005

31 The company donated Rs 2.5 million to the Shakarganj Foundation. Mr Ahsan M. Saleem, the Chief Executive is a member of the Board of Trustees of the Foundation.

2005 2004
(Rupees in thousand)

4. Other operating income

Income from financial assets

Profit on sale of investments	32,297	82,479
Realised gain on investments held to maturity	23,527	—
Unrealised gain on investments held for trading	24,128	18,048
Dividend income		
- Related parties	44,188	3,201
- Others	15,178	49,529
	59,366	52,730
	460	2,983
Return on bank deposits	139,778	156,240

Income from non-financial assets

Scrap sales	16,136	9,453
Agricultural income	22,344	—
Profit on sale of property, plant and equipment	16,068	—
Rental income	83	72
Commission on sale of fertilizer	41	72
Amortisation of deferred income	2,116	3,037
Liability written back	467	—
Underwriting commission	—	113
Others	5,073	5,354
	62,328	18,101
	202,106	174,341

- note 34.1

34.1 Agricultural income

Gain arising on recognition of biological assets at fair value	122,787	—
less estimated point-of-sale costs	44,369	—
Sale of agricultural produce	167,156	—
	144,812	—
Less: costs related to agriculture activity	22,344	—

Notes to the Financial Statements

For the year ended September 30, 2005

	2005	2004
	(Rupees in thousand)	
35. Finance cost		
Interest and mark-up on:		
- Long term finances	- note 35.1	55,9
- Short term borrowings	90,585	51,3
- Workers' profit participation fund	161,389	0
- Employees' provident fund	412	3
- Finance lease	-	3
Bank charges, commission and excise duty	20,047	17,4
Others	6,429	7,0
	585	2,7
	<u>279,447</u>	<u>135,02</u>

35.1 This includes preferred dividend of Rs 25,973 million (2004: Nil).

36. Taxation

For the year		
- Current	28,000	20,017
- Deferred	(3,538)	(8,173)
	<u>24,462</u>	<u>11,844</u>
Prior year		
- Current	2,000	-
- Deferred	(54,146)	42,708
	<u>(52,146)</u>	<u>42,708</u>
	<u>(27,684)</u>	<u>54,552</u>

36.1 In view of the available tax losses, the provision for current taxation represents the minimum tax due under section 113 of the Income Tax Ordinance, 2001. Such minimum tax is available for set off against normal tax liability that may arise in five succeeding tax years.

For purposes of current taxation the tax losses available for carry forward as at September 30, 2005 are estimated approximately at Rs 822.879 million (2004: Rs 403 million), including assessed tax losses of Rs 606.460 million (2004: Rs 262 million).



Notes to the Financial Statements

For the year ended September 30, 2005

	2005 % age	2004 % age
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 of amounts that are:		
- Chargeable to tax at lower rates	(9.91)	(6.93)
- Exempt for tax purposes	(10.99)	(13.61)
- Not deductible for tax purposes	8.47	-
Tax effect under presumptive tax regime and others	(8.96)	(8.39)
Effect of change in prior year's tax	(29.02)	19.90
	(50.41)	(9.03)
Average effective tax rate charged to profit and loss account	(15.41)	25.97

37. Earnings per share

37.1 Basic earnings per share

Profit for the year	Rupees	207,381,000	155,495,000
Weighted average number of shares in issue during the year			
- ordinary shares	Numbers	38,843,029	38,843,029
- preference shares	Numbers	2,018,231	-
		40,861,260	38,843,029
Earnings per share - basic	Rupees	5.08	4.00

37.2 Diluted earnings per share

There is no dilution of the basic earnings per share of the company as the effect of company's commitment to convert 1,000 preference shares into 167 ordinary shares of Rs 10 each is anti-dilutive.

Notes to the Financial Statements

For the year ended September 30, 2005

38. Cash used in operating activities

	2005	2004
	(Rupees in thousand)	
Profit before taxation	179,697	210,047
Add: Adjustment for:		
Depreciation on property, plant and equipment	143,335	110,689
Depreciation on leased assets	25,796	24,619
Amortisation of deferred income	(2,116)	(3,037)
(Profit)/Loss on sale of property, plant and equipment	(16,068)	6,696
Loss on sale of investments in associates	-	5,374
Unrealised gain on investments held for trading	(24,128)	(18,048)
Provision for employees' retirement benefits	6,585	6,948
Dividend income	(59,366)	(52,730)
Fair value gain on recognition of biological assets	(122,787)	-
Finance cost	279,447	135,029
	230,698	215,540
Profit before working capital changes	410,395	425,587
Effect on cash flow due to working capital changes:		
- (Increase)/decrease in stores and spares	(28,359)	6,657
- (Increase)/decrease in stock-in-trade	(476,926)	241,856
- (Increase) in trade debts	(214,048)	(50,708)
- (Increase) in loans, advances, prepayments and other receivables	(114,420)	(35,245)
- (Increase) in investments	(324,283)	(826,882)
- (Decrease)/increase in trade and other payables	(237,295)	218,298
	(1,395,431)	(446,024)
	(985,036)	(20,437)



Notes to the Financial Statements

For the year ended September 30, 2005

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 Chief Executive, full time working directors and executives of the Company is as follows:

	Director		Executives	
	2005 (Rupees in thousand)	2004	2005 (Rupees in thousand)	2004
Managerial remuneration	1,200	—	15,735	12,390
Contribution to provident fund, gratuity and pension funds	75	—	2,703	2,137
Production incentives	—	—	—	436
House rent	540	—	5,983	4,732
Utilities	120	—	1,573	1,238
Reimbursable expenses	2,705	—	865	722
Others	57	—	1,036	46
	<u>4,697</u>	<u>—</u>	<u>27,895</u>	<u>21,701</u>
Number of persons	1	—	13	9

39.2 The Company also provides its director and some of its executives with company maintained cars.

39.3 Aggregate amount charged in the financial statements for the year for fee to 8 directors (2004: 7 directors) was Rs 160,000 (2004: Rs 185,000).

40. Related Party Disclosures

The related parties comprise associated undertakings, other related companies and certain 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:

	2005 (Rupees in thousand)	2004
Dividends received	44,188	3,201
Insurance premium paid	2,294	4,580
Lease rentals	8,312	—
Repayment of long term loan	2,190	—
Finance cost paid	663	—
Purchase of goods	31,849	24,725
Purchase of Services	1,215	6,680
Sale of yarn	24,940	9,860
Share of common expenses	5,083	2,496

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

Notes to the Financial Statements

For the year ended September 30, 2005

		2005	2004
41. Capacity and production			
Sugar			
Rated crushing capacity -			
On the basis of 160 days	M. Tons	1,600,000	1,720,000
Actual cane crushed	M. Tons	1,324,510	1,614,539
The low crushing was due to shortage of sugarcane.			
Ethanol			
On the basis of 270 days working	Litres	43,200,000	32,400,000
Actual production	Litres	33,245,964	35,408,000
The low production of ethanol was due to lack of available orders from customers.			
Building materials			
On the basis of 200 days working	Cubic meters	6,000	6,000
Actual production	Cubic meters	3,584	5,025
The low production of particle board was due to shortage of baggase.			
Textile			
Capacity (converted in 20s counts)	Kgs	8,899,263	8,899,263
Actual production (converted in 20s counts)	Kgs	7,952,951	8,875,560
The low production of yarn was due to stoppages in electricity supply and shut-down of plant for major maintenance works.			

42. Number of employees

The company employed 1,470 employees as at September 30, 2005 (2004: 1,402).



Notes to the Financial Statements

For the year ended September 30, 2005

43. Business segments information

		(Rupees in thousand)									
		Sugar		Ethanol		Building materials		Textile		Total	
		2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Net sales	- note 29	4,102,050	2,402,717	529,036	602,645	29,603	31,484	577,703	692,135	4,962,460	3,498,163
Segment expenses											
- Cost of sales	- note 30	3,620,406	2,219,411	589,204	434,291	24,835	26,411	522,558	668,329	4,481,071	3,117,624
Gross profit/(loss)		481,644	183,306	(60,168)	168,354	4,768	5,073	55,145	23,806	481,389	380,539
- Administrative expenses	- note 31	90,433	70,382	12,504	17,653	700	922	23,379	31,633	127,016	120,590
- Distribution and selling costs	- note 32	11,347	8,179	45,416	38,986	19	123	1,388	1,538	58,170	48,827
		101,780	78,561	57,920	56,639	719	1,045	24,767	33,171	185,186	169,417
Segment results		379,864	104,745	(118,088)	111,715	4,049	4,028	30,378	(9,365)	296,203	211,122
43.1 Inter-segment sales and purchases											
Inter-segment sales and purchases have been eliminated from total figures.											
43.2 Segment assets											
Unallocated assets		3,225,809	2,011,266	915,997	567,657	12,168	19,220	499,304	536,088	4,653,278	3,134,231
										5,477,670	3,058,987
										10,130,948	6,193,218
43.3 Segment liabilities											
Unallocated liabilities		6,401	1,034,387	3,020	320,564	76	1,228	271,501	313,192	280,998	1,669,371
										9,849,950	4,523,847
										10,130,948	6,193,218
43.4 Capital expenditure											
Unallocated		171,697	189,811	268,813	83,015	898	1,135	51,309	37,556	492,717	311,517
										170,770	57,039
										663,487	368,556
43.5 Depreciation/Amortisation											
Unallocated		87,815	80,026	36,059	17,092	920	921	17,415	17,769	142,209	115,808
										26,922	19,500
										169,131	135,308
43.6 Secondary reporting format											
Segment revenue from external customers											
by geographical areas is as follows:											
Ethanol export sales - Europe											
Sugar export sales - Others		-	36,084	415,835	477,879	-	-	-	-	415,835	477,879
Local sales		-	-	-	-	-	-	-	-	-	36,084
		3,826,118	2,135,815	113,201	124,766	29,603	31,484	577,703	692,135	4,546,625	2,984,200
		3,826,118	2,171,899	529,036	602,645	29,603	31,484	577,703	692,135	4,962,460	3,498,163

Notes to the Financial Statements

For the year ended September 30, 2005

44. Financial assets and liabilities

	(Rupees in thousand)							
	Interest / mark-up bearing			Non-interest bearing				
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	2005 Total	2004 Total
Financial assets								
Long term loan and deposits	-	4,140	4,140	-	40,392	40,392	44,532	36,659
Trade debts	-	-	-	330,843	-	330,843	330,843	116,795
Loans, advances, prepayments and other receivables	40,661	-	40,661	175,646	-	175,646	216,307	64,445
Investments	-	-	-	3,235,212	218,940	3,454,152	3,454,152	2,264,285
Cash and bank balances	504	-	504	100,638	-	100,638	101,342	28,280
	41,165	4,140	45,305	3,842,339	259,332	4,101,671	4,146,976	2,510,485
Off balance sheet	-	-	-	-	-	-	-	-
Total	41,165	4,140	45,305	3,842,339	259,332	4,101,671	4,146,976	2,510,485
Financial liabilities								
Long term finances	406,754	1,884,783	2,291,537	-	-	-	2,291,537	1,797,427
Long term advances	1,802	8,872	10,674	-	-	-	10,674	59,673
Liabilities against assets subject to finance lease	74,251	183,529	257,780	-	-	-	257,780	219,286
Employees' retirement benefits	-	-	-	-	267	267	267	1,586
Short term borrowings	3,988,858	-	3,988,858	-	-	-	3,988,858	1,491,007
Trade and other payables	-	-	-	242,952	-	242,952	242,952	242,952
Accrued finance cost	-	-	-	151,804	-	151,804	151,804	41,306
	4,471,665	2,077,184	6,548,849	394,756	267	395,023	6,943,872	3,853,287
Off balance sheet	-	-	-	-	-	-	-	-
Contracts for capital expenditure	-	-	-	161,722	-	161,722	161,722	30,030
Guarantees	-	-	-	89,996	-	89,996	89,996	9,285
Letters of credit other than for capital expenditure	-	-	-	2,393	-	2,393	2,393	15,461
	-	-	-	254,111	-	254,111	254,111	307,776
Total	4,471,665	2,077,184	6,548,849	648,867	267	649,134	7,197,983	4,241,083
On balance sheet gap	(4,430,500)	(2,073,044)	(6,503,544)	3,447,583	259,065	3,706,648	(2,796,896)	(1,342,802)
Off balance sheet gap	-	-	-	(254,111)	-	(254,111)	(254,111)	(307,776)

The effective interest/mark-up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.



Notes to the Financial Statements

For the year ended September 30, 2005

44.1 Financial risk management objectives

The company finances its operations through equity, borrowings and management of working capital with a view to maintaining a reasonable mix between the various sources of finance to minimise risk. Taken as a whole, risks arising from the company's financial instruments is limited as there is no significant exposure to market risk in respect of such instruments. The company manages its exposure to financial risk in the following manner:

(a) Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The company's credit risk primarily attributable to its trade debts and its balances at banks. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. Out of the total financial assets of Rs 4,147 million, the financial assets which are subject to credit risk amount to Rs 691 million. The company believes that it is not exposed to major concentration of credit risk as exposure is spread over a large number of counter parties in case of trade debts. To manage exposure to credit risk, the company applies credit limits to its customers.

(b) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises mainly where receivables and payables exist due to transactions with foreign buyers and suppliers. The company believes that it is not exposed to major foreign exchange risk.

(c) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The company borrows at fixed and market based rates and as such the risk is minimized. Significant interest rate risk exposures are primarily managed by a mix of borrowings at fixed and variable interest rates and contracting floor and cap of interest rates as referred to in note 5.

(d) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. The company follows an effective cash management and planning policy to ensure availability of funds. The company also aims at maintaining flexibility in funding by keeping committed credit lines available.

44.2 Fair value of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

45. Date of authorisation of issue

These financial statements were authorised for issue on December 05, 2005 by the Board of Directors of the company.

Notes to the Financial Statements

For the year ended September 30, 2005

46. Events after the balance sheet date

The Board of Directors have proposed a final dividend for the year ended September 30, 2005 of Rs Nil (2004: Rs 1.75) per share, amounting to Rs Nil (2004: Rs 67, 975 million) at their meeting held on December 5, 2005 for approval of the members at the Annual General Meeting to be held on December 31, 2005. The Board has recommended to issue bonus shares in proportion of 15 bonus shares (2004: Nil) for every 100 ordinary shares held and proposed transfer of following amounts to general reserves:

Transfers From:	(Rupees in thousand)	2005	2004
- balancing and modernization reserve	15,000	-	-
- research and development reserve	5,000	-	-
- un-appropriated profit	140,000	104,000	-


Previously appropriations other than dividends made subsequent to the balance sheet date were recorded in the statement of changes in equity. The company, effective from the current year, has not recorded such appropriations in its statement of changes in equity as it is considered more appropriate for the purpose of presentation. Such a change in policy has been accounted for retrospectively and comparative financial statements have been restated in accordance with the benchmark treatment of IAS-8 'Net profit or loss for the period, fundamental errors and changes in accounting policy'. However, the change has no effect on the current or prior years' shareholders' equity.

47. Corresponding figures

Previous year's figures have been rearranged, wherever necessary for the purposes of comparison. Significant re-arrangements made are as follows:

	(Rupees in thousand)
Classified separately from trade and other payables	
- Accrued finance cost	41,306
Classified as trade and other payables	
- Unclaimed dividend	1,659

The above figures have been re-arranged as the re-classification made is considered more appropriate for the purpose of presentation.


Chief Executive


Chairman



No. of Shareholders	Shareholding From	To	Total Shares held
247	1	100	8,584
262	101	500	76,510
165	501	1,000	114,752
153	1,001	5,000	328,086
45	5,001	10,000	348,439
18	10,001	15,000	219,134
8	15,001	20,000	134,215
12	20,001	25,000	276,316
2	25,001	30,000	57,916
11	30,001	35,000	357,909
9	35,001	40,000	340,526
5	40,001	45,000	218,547
4	45,001	50,000	186,572
6	50,001	55,000	311,107
3	55,001	60,000	173,461
3	60,001	65,000	186,911
1	65,001	70,000	70,000
3	70,001	75,000	216,360
1	80,001	85,000	80,263
3	85,001	90,000	262,928
1	90,001	95,000	93,582
1	105,001	110,000	106,933
1	140,001	145,000	141,420
1	145,001	150,000	150,000
2	165,001	170,000	337,170
1	180,001	185,000	180,924
1	215,001	220,000	216,665
1	260,001	265,000	264,889
1	275,001	280,000	280,000
2	295,001	300,000	600,000
2	325,001	330,000	652,762
1	335,001	340,000	336,105
1	485,001	490,000	486,432
1	495,001	500,000	500,000
1	530,001	535,000	535,000
1	575,001	580,000	575,350
1	775,001	780,000	779,286
1	785,001	790,000	786,200
1	1,410,001	1,415,000	1,415,000
1	1,560,001	1,565,000	1,564,000
1	1,570,001	1,575,000	1,572,601
1	1,795,001	1,800,000	1,800,000
1	1,915,001	1,920,000	1,915,496
1	2,035,001	2,040,000	2,037,000
1	2,770,001	2,775,000	2,772,202
1	2,850,001	2,855,000	2,851,000
1	3,230,001	3,235,000	3,230,648
1	8,690,001	8,695,000	8,693,828
992			38,843,029



Pattern of Shareholding

For the year ended September 30, 2005

Categories of Shareholders	Shares Held	%age
5.1 Directors, Chief Executive Officer, Their Spouse and Children		
Chief Executive		
Mr. Ahsan M. Saleem	180,924	0.47
Directors		
Mr. Anjum M. Saleem	336,105	0.87
Mr. Khalid Bashir	2,519	0.01
Mr. Mazhar Karim	327,318	0.84
Mr. Muhammad Anwar	4,640	0.01
Mr. Muhammad Arshad	50,023	0.13
Directors Spouse and Their Children		
Mrs. Abida Mazhar	7,788	0.02
Mrs. Saira Anjum Saleem	21,551	0.06
Mrs. Shahnaz A. Saleem	12,547	0.03
Mrs. Tanveer Khalid Bashir	64,802	0.17
	<u>1,008,217</u>	<u>2.60</u>
Executives	182,944	0.47
5.2 Associated Companies, Undertakings & Related Parties		
Asian Stocks Fund Limited	1,800,000	4.63
Crescent Commercial Bank Limited	100	0.00
Crescent Jute Products Limited	167,200	0.43
Crescent Standard Business Management (Pvt) Ltd.	7,103	0.02
Crescent Steel And Allied Products Limited	2,772,202	7.14
Crescent Sugar Mills & Distillery Limited	1,915,496	4.93
Safeway Mutual Fund Ltd.	1,572,601	4.05
The Crescent Textile Mills Limited	3,230,648	8.32
The Premier Insurance Co. of Pakistan Ltd.	50,000	0.13
Pakistan Industrial Credit & Investment Corp. Ltd.	325,444	0.84
	<u>11,840,794</u>	<u>30.48</u>
5.3 NIT & ICP		
Investment Corporation of Pakistan	34,117	0.09
National Bank of Pakistan, Trustee Deptt.	8,693,828	22.38
	<u>8,727,945</u>	<u>22.47</u>
5.4 Banks, DFI's, NBFI's	7,810,464	20.11
5.5 Insurance Companies	121	0.00
5.6 Modaraba and Mutual Funds	10,486	0.03
5.7 Other Companies	3,973,570	10.23
5.8 Non Resident	157	0.00
5.9 General Public	5,288,331	13.61
	<u>38,843,029</u>	<u>100.00</u>
Shareholders Holding More Than 10.00%		
National Bank of Pakistan, Trustee Deptt.	8,693,828	22.38

Notice of Annual General Meeting

NOTICE is hereby given to all the shareholders of SHAKARGANJ MILLS LIMITED (the "Company") that the 38th Annual General Meeting of the Company will be held on Saturday, December 31, 2005 at 11.00 a.m. at Pearl Continental Hotel, Shahrah-e-Quaid-e-Azam, Lahore to transact the following business:

1. To confirm the minutes of the preceding Meeting of the shareholders of the Company.
2. To receive, consider and adopt the Directors' and Auditors' reports and Audited Accounts for the year ended September 30, 2005.
3. To consider and approve the issuance of Bonus Shares in proportion of 15 bonus shares for every 100 ordinary shares held i.e. 15 % as recommended by the Board.
4. To appoint auditors for the year 2005 – 2006 and fix their remuneration. The retiring Auditors M/s A. F. Ferguson & Co., Chartered Accountants, Lahore, being eligible offer themselves for re-appointment.
5. SPECIAL BUSINESS:
To consider and, if thought fit, to pass the following resolution as special resolution with or without modifications under Section 208 of the Companies Ordinance, 1984:

"RESOLVED THAT approval of the Company be and is hereby accorded to invest an amount upto Rs.250 million by way of equity investment in the share capital of 'Shakarganj Food Products Limited (Proposed) (Formerly: A. M. Fruit Products (Pvt) Limited)' an associated company and to invest upto Rs.19 million by subscription of right shares offered by Crescent Commercial Bank Limited, another associated company.

RESOLVED FURTHER THAT the Chief Executive of the Company be and is hereby authorized to take any or all necessary actions to make investments as aforesaid and to dispose off the shares so acquired as he thinks fit on behalf

of the Company and to delegate and appoint any other Director and / or officer of the Company, on his behalf."

6. To consider any other matter with the permission of the Chair.

BY ORDER OF THE BOARD

Tariq Aleem
Company Secretary
Lahore
December 5, 2005.

1. Book Closure Notice for Ordinary Shares

The Share Transfer Books of Ordinary Shares of the Company will remain closed from December 24, 2005 to December 31, 2005 (both days inclusive) for determination of entitlement of Bonus and Right Shares. Physical transfers / CDS Transaction Ids received in order at the Registered Office of the company upto the close of business on December 23, 2005 will be considered in time for entitlement of Bonus / Right Shares and attending the meeting.

2. Book Closure Notice for Preference Shares for the 1st Year Ended September 30, 2005

The Share Transfer Books of Preference Shares (Non-Voting) of the Company will remain closed for entitlement of 8.5% Preferred Dividend (Rs. 0.85 per Preference Share) from December 24, 2005 to December 31, 2005 (both days inclusive). Physical transfers / CDS Transaction Ids received in order at the Registered Office of the company upto the close of business on December 23, 2005 will be considered in time for entitlement of Preferred Dividend. The Preferred Shareholders are not entitled to attend the meeting.

3. Participation in the Annual General Meeting

A member entitled to attend and vote at this meeting may appoint any other member as his / her proxy to attend and vote instead of him / her.



Notice of Annual General Meeting

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

Members, who have deposited their shares into Central Depository Company of Pakistan Limited, are being advised to bring their National Identity Card along with CDC Participant ID and account number at the meeting venue. If any proxies are granted by any such shareholders, the same must be accompanied with attested copies of the National Identity Cards of the grantor and the signature on the proxy forms should be the same as appearing on the National Identity Cards.

4. Shareholders are requested to immediately notify the change in address, if any.

Statement Under Section 160(1) (B) Of The Companies Ordinance, 1984

This statement sets out the material facts pertaining to the special business to be transacted at the 38th Annual General Meeting of the Company to be held on December 31, 2005.

Investment In Associated Undertaking

1. A. M. Fruit Products (Pvt) Limited (AMFP) was registered as a Private Limited Company under the Companies Ordinance, 1984 but was not carrying out any business operations for the last few years. The Authorized Capital of AMFP was Rs. 5 million. AMFP has filed an application with Company Registration Office, Lahore for conversion into a Public Limited Company and change of its name to 'Shakarganj Food Products Limited' (SFPL). The Authorized Capital of the proposed SFPL has been increased to Rs.500 million divided into 50 million ordinary shares of Rs.10/- each. The registered office of SFPL is situated at 4th Floor Crescent Standard Tower, 10-B E/II, Gulberg-III, Lahore. The main objects of SFPL are the production of concentrate juices, dairy products and Speciality Sugar Products.

With a view of balanced diversification, the Company intends to make investment up to Rs.250 million by way of equity participation in share capital of SFPL. The shares will be subscribed at face value of Rs. 10/- each for long term investment purpose.

The Directors of the Company have no interest in the above said investment except that one of the Directors of the Company is also Director in SFPL.

2. Crescent Commercial Bank Limited (CresBank) is a banking company licensed by State Bank of Pakistan under Banking Companies Ordinance, 1962 with Authorized Capital of Rs.3 billion divided into 300 million ordinary shares of Rs.10/- each. CresBank is listed on all three stock exchanges of the country and its registered office is situated at Bahria Complex, 24-A M. T. Khan Road, Karachi.

CresBank has offered 25% right shares at par value of Rs.10/- each to its existing shareholders. The Company holds 7.439 million ordinary shares of CresBank and intends to subscribe upto 1.9 million right shares offered at par value of Rs. 10/- each.

The Directors of the Company have no interest in the above said investment except that its Chief Executive holds the position of Director in CresBank and he has no other interest except and to the extent of his shareholding in CresBank.

The Memorandum and Articles of Association of both the companies are kept at their Registered Office, which can be inspected from 10.00 a.m. to 11.30 a.m. on all working days up to December 29, 2005.

The Company is fully authorized by its Memorandum of Association to make such investments.

Notice of Annual General Meeting

Following is the information as required under Notification No. SRO 865(I) / 2000, dated December 06, 2000 in this respect:

(i)	Name of the investee companies	Shakarganj Food Products Limited (Proposed) (Formerly: A. M. Fruit Products (Pvt) Limited)	Crescent Commercial Bank Limited
(ii)	Nature, amount and extent of investment.	Upto 25 million ordinary shares of Rs.10/- each	Upto 1.9 million ordinary shares of Rs.10/- each
(iii)	Average market price of the shares intended to be purchased during preceding six months.	N. A. (Unquoted)	Rs. 11.86
(iv)	Break up value of shares intended to be purchased on the basis of last published financial statements. (Rs.)	N. A. (under the process of conversion)	Rs.8.60
(v)	Price at which shares will be purchased.	Par Value of Rs.10/- each	
(vi)	Earning per share of the investee company in last three years (Rs.): 2002 2003 2004	N. A. N. A. N. A.	N. A. 1.77 (0.54)
(vii)	Source of funds from where shares will be purchased.	Surplus Funds / reserves of the Company	
(viii)	Period for which investment will be made.	Long Term	
(ix)	Purpose of investment.	Balanced diversification	Subscription of Right Offer
(x)	Benefits likely to accrue to the company and the shareholders from the proposed investments.	Adequate profits are expected after commencement of commercial operations.	To receive dividends that will increase profitability of the Company and to take capital gains that would advantage of the potential increase shareholder value.

Form of Proxy

Folio No. _____ CDC Participant's Identity Card No _____ A/C. No. _____

I/We _____ of _____ a member / members of Shakarganj Mills Limited, and holder of _____ shares do hereby appoint _____ of _____ or failing him / her _____ of _____ who is also a member of the Company, vide Registered Folio No. _____ as my / our proxy to attend, speak and vote for me / us and on my / our behalf at the 38th Annual General Meeting of the Company to be held on Saturday, December 31, 2005 at 11:00 a.m. at Pearl Continental Hotel, Shahrah-e-Quaid-e-Azam, Lahore and at any adjournment thereof.

As witness my / our hand this _____ day of _____ 2005.

Signature on
Five-Rupees
Revenue Stamp

The signature should agree
with the specimen registered
with the Company.

Dated:

Place:

Notes:

1. The Proxy Form should be deposited at our Registered Office, 4th Floor, Crescent Standard Tower, 10-B, Block E-2, Main Boulevard, Gulberg-III, Lahore, as soon as possible but not less than 48 hours before the time of holding the meeting and in default, the Proxy Form will not be treated as valid.
2. No person shall act as proxy unless he / she is a member of the company except a corporation being a member may appoint as its proxy any officer of such corporation whether a member of the company or not.

