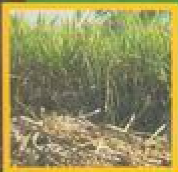
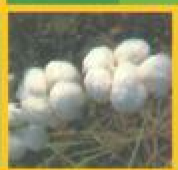
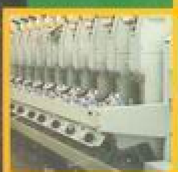
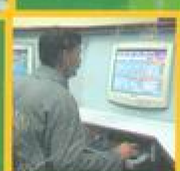

Hygienically Safe & Pure
Shakarganj
Adding Sweetness to Life
Brown Sugar Sachet
Crystalline Brown Sugar 8g sachet. Covered with molasses-flavoured syrup. Used for coffee lovers and hotel industry
White Sugar Cubes
Fine grains cube shape. Fast dissolving touch of convenience with style. Available in 500g
Pure Cane Sugar
White Sugar Sachet
Image of elegant dining especially used in hotels and restaurants. 5g sachet
Soft Brown Sugar
Unique colour and flavour. Used as ingredient bakery products, cereals etc. Available in 50kg & 400g
Caster Sugar
For perfect use in baking and creamed textures. Available in 400g
Brown Sugar
A PRODUCT OF
SHAKARGANJ MILLS LIMITED
JHANG PAKISTAN.TEL:0471-629337-41, FAX 620272
Sales and Marketing: 042-5870347

Annual Report 2004

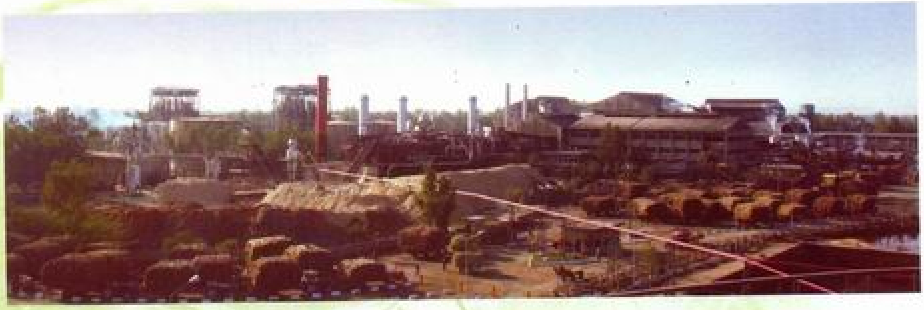








Shakarganj Mills Limited



Vision, Mission, Values

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

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

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

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

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

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

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

Contents

From Left to Right: Muhammad Bilal Sheikh, Khalid Bashir, Muhammad Arshad, Muhammad Anwar,

Board of Directors

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

Audit Committee

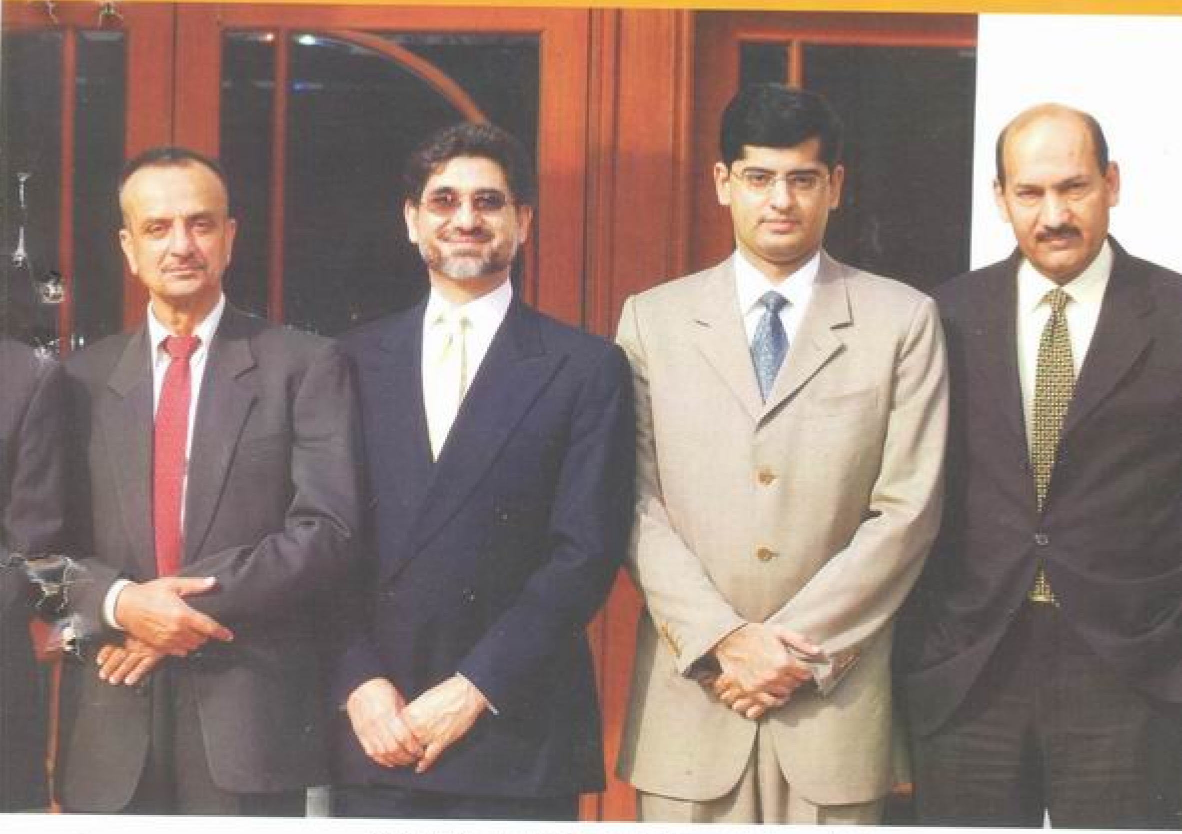
Chairman	Muhammad Anwar
	Khalid Bashir
	Muhammad Asif

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

Executive Committee

Ahsan M. Saleem
Anjum M. Saleem
Muhammad Asghar Qureshi

System & Technology Committee

Muhammad Awais Qureshi
Omer Ashraf
Saad Akhtar Jaffery

Investment Committee

Ahsan M. Saleem
Anjum M. Saleem
Omer Ashraf

Human Resource Committee

Muhammad Asghar Qureshi
Muhammad Awais Qureshi
Omer Ashraf
Hameedullah Awan

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: +92-42-5871738 +92-42-111-912-912
Email: tariqaleem@shakarganj.com.pk

Shareholder 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

Annual General Meeting

37th Annual General Meting of Shakarganj Mills Limited will be held on Monday, January 31, 2005 at 11:30 a.m. at Qasr-e-Noor 9-E-2, Main Boulevard, Gulberg-III, Lahore.

Legal Advisor

Hassan & Hassan Advocates, Lahore.

Auditors

A. F. Ferguson & Co.
Chartered Accountants

Bankers

- United Bank Ltd.
- Union Bank Ltd.
- Bank Alflah Ltd.
- The Bank of Punjab
- Askari Commercial Bank Ltd.
- National Bank of Pakistan Ltd.
- Muslim Commercial Bank Ltd.
- Crescent Commercial Bank Ltd.
- Crescent Standard Investment Bank Ltd.
- ABN Amro Bank
- Faysal Bank Ltd.
- Meezan Bank Ltd.

Shareholders' Information

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: +92-4612-223016, 223075
Fax: +92-4612-223017

Website

www.shakarganj.com.pk

Registered Office

4th Floor, Crescent Standard Tower,
10-B Block E 2, Gulberg III, Lahore. Pakistan
Tel: +92-42-5871738, +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: +92-42-5879701-2

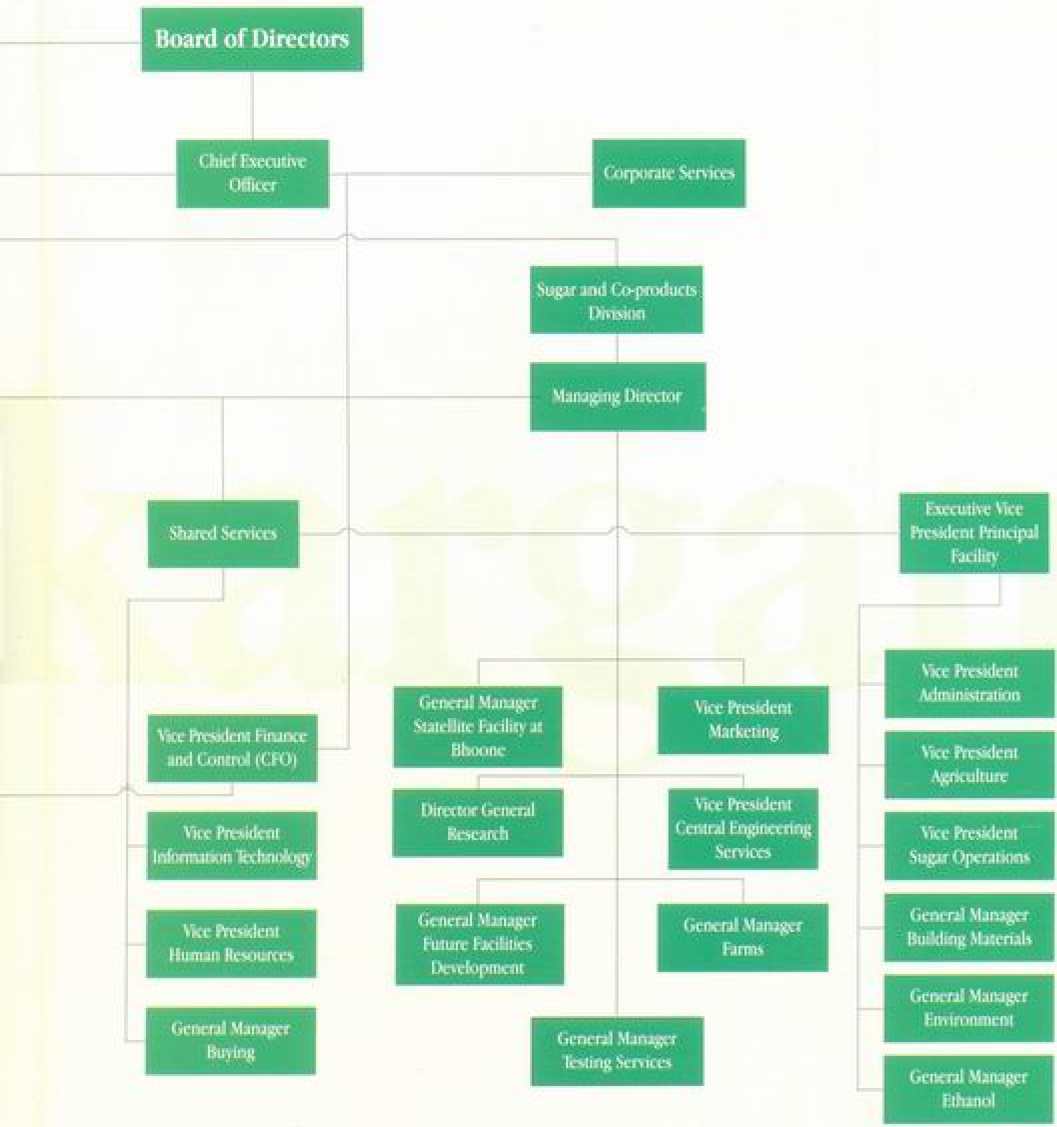
Karachi Office

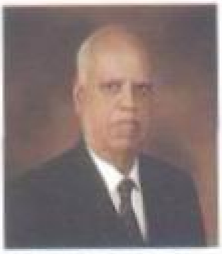
Sidco Avenue Centre, 264 R.A. Lines, Karachi.
Tel: +92-21-5688149

Faisalabad Office

Nishatabad, New Lahore Road
Faisalabad
Tel: +92-41-753057

Management House Jhang


Board of Directors
Chief Executive Officer
Corporate Services
Sugar and Co-products Division
Managing Director
Shared Services
Executive Vice President Principal Facility
Vice President Administration
General Manager Statellite Facility at Bhoone
Vice President Marketing
Vice President Finance and Control (CFO)
Vice President Agriculture
Director General Research
Vice President Central Engineering Services
Vice President Information Technology
Vice President Sugar Operations
General Manager Future Facilities Development
General Manager Farms
Vice President Human Resources
General Manager Building Materials
General Manager Environment
General Manager Buying
General Manager Testing Services
General Manager Ethanol



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

Anjum M. Saleem
Managing Director - Textile
*1996

Muhammad Awais Qureshi
Executive Vice President
Principal Facility *1980

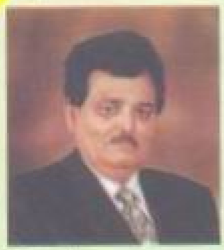
Pervaiz Akhter
Vice President
Sugar Operations *1981

Muzaffar Hussain Malik
Vice President Agriculture
*1980

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

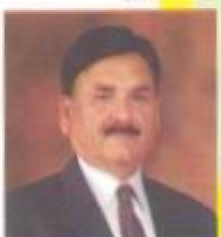
Hameedullah Awan
Vice President Administration
*2001

Dr. Shahid Afghan
Director General Research
*1987



Langer Khan
General Manager Farms
*2004

Maqsood Bhatti
General Manager Production
*1986



Ashraf Khan Afridi
General Manager Satellite Facility
Bhoone *2003

Abdul Sammee
General Manager Testing Services
*1988

Asif Ali
Head of Internal Audit
*1996

* year joined Shakarganj/ Former Crescent Ujala

Seven Years Financial Summary

		2004	2003	2002	2001	2000	1999	1998
Operating Results								
Net Sales	(Rs 000)	3,498,165	2,612,999	2,615,804	2,183,827	1,180,601	1,864,677	1,838,421
Gross Profit	(Rs 000)	380,539	330,512	432,564	332,141	138,706	237,426	158,929
Operating Profit	(Rs 000)	211,122	233,899	355,079	254,040	92,116	158,075	111,769
Profit after Tax	(Rs 000)	160,017	129,578	110,690	13,495	4,514	1,295	(30,273)
Per Share Results and Return								
Earning Per Share	(Rupees)	4.12	3.34	3.78	0.46	0.15	0.04	(1.03)
Cash Dividend per Share	(Rupees)	1.75	1.50	1.50	0.75	-	-	-
Market Price Per Share	(Rupees)	52.10	31.50	10.25	10.50	6.10	6.50	10.00
Price Earning Ratio	(Times)	12.65	9.44	2.71	22.79	41.41	147.00	(9.67)
Financial Position								
Current Assets	(Rs 000)	3,170,408	1,559,355	753,372	675,554	567,276	663,642	826,450
Current Liabilities	(Rs 000)	2,400,153	1,707,407	776,258	908,488	736,766	762,678	950,180
Net Current Assets / (Liabilities)	(Rs 000)	770,255	(148,054)	(23,086)	(232,934)	(169,490)	(99,036)	(123,730)
Operating Fixed Assets	(Rs 000)	1,287,761	1,140,175	779,251	788,568	701,693	745,879	727,129
Total Assets	(Rs 000)	6,187,263	3,196,491	1,815,615	1,849,787	1,433,551	1,757,502	1,795,026
Long-Term Debt	(Rs 000)	1,797,428	680,235	642,685	670,158	329,110	407,537	429,561
Long-Term Debt to Equity Ratio	(Times)	0.90	0.79	1.22	1.53	0.74	0.92	0.98
Shareholders' Equity	(Rs 000)	1,993,645	835,235	526,590	437,132	435,662	441,288	439,995
Share Capital	(Rs 000)	388,450	388,450	292,860	292,860	292,860	292,860	292,860
Break-up Value per Share	(Rupees)	51.58	21.50	17.98	14.93	15.22	15.07	15.02
Financial Ratios								
Current Ratio	(Times)	1.32	0.93	0.97	0.70	0.77	0.90	0.87
Long-Term Debt to Capitalization	(%)	47.29	44.13	54.96	60.53	43.68	48.01	49.39
Total Debt to Total Assets	(%)	67.82	73.87	71.00	76.37	68.52	74.89	75.55
Return on Average Assets Employed*	(%)	4.48	5.17	6.01	0.82	0.27	0.07	(1.69)
Return on Average Equity*	(%)	16.30	19.93	22.96	3.06	0.97	0.29	(6.85)
Gross Profit Ratio	(%)	10.88	12.65	15.77	15.21	11.75	12.73	8.75
Net Profit Margin	(%)	4.57	4.96	4.23	0.62	0.37	0.07	(1.67)
Interest Coverage	(Times)	2.83	1.97	2.38	1.25	1.07	1.06	0.88
Average Collection Period	(Days)	12.19	9.23	15.91	9.30	6.03	3.65	1.39
Inventory Turnover	(Times)	6.85	3.45	10.01	5.52	23.31	4.96	3.90
Fixed Assets Turnover	(Times)	2.28	1.78	3.07	2.66	1.46	2.20	2.22
Total Assets Turnover	(Times)	0.99	0.82	1.44	1.18	0.82	1.06	1.02
Other Data								
Depreciation & Amortization	(Rs 000)	155,508	100,968	71,835	67,347	67,861	72,547	90,478
Capital Expenditure	(Rs 000)	288,071	294,850	146,858	58,640	39,130	81,999	39,332

* The ratio has been calculated without the effect of fair value reserve.

Production Data

Season	Sugar						Molasses (M.Tons)	Ethanol (Litres)	Particle Board (Cubic Meters)
	Duration of Season (Days)	Cane Crushed (M.Tons)	Raw Suger Processed (M.Tons)	Sugar Produced (M.Tons)	Recovery (Percent)	Process Losses (Percent)			
2003-2004	159	1,614,559.01	-	136,813.00	8.48	2.41	81,955	35,408,000	5,025.00
2002-2003	156	1,675,370.36	-	127,060.00	7.58	2.56	84,277	26,255,000	1,667.76
2001-2002	195	1,704,812.00	-	128,000.00	7.53	2.42	91,890	15,800,156	5,669.86
2000-2001	161	1,054,392.27	27,811.59	105,550.00	7.50	2.51	55,601	10,469,000	1,570.96
1999-2000	144	524,376.69	-	39,965.00	7.63	2.20	24,245	4,967,000	497.48
1998-1999	157	1,350,118.54	-	101,479.00	7.51	2.25	61,756	5,324,756	1,921.69
1997-1998	163	1,434,589.42	-	112,430.00	7.85	2.38	73,477	6,550,000	2,784.44
1996-1997	176	1,036,955.12	-	79,740.00	7.69	2.50	54,711	6,015,000	-
1995-1996	151	765,316.24	-	60,285.00	7.92	2.65	59,597	2,573,700	2,117.54
1994-1995	157	1,057,035.58	-	80,075.00	8.11	2.77	53,172	5,460,000	5,299.26
1993-1994	196	1,203,371.20	-	88,116.50	7.34	2.65	60,150	5,250,076	4,554.77
1992-1993	161	691,858.64	-	54,055.00	7.85	2.68	35,980	4,887,020	1,062.76
1991-1992	174	746,506.35	-	63,995.50	8.57	2.55	37,710	4,525,900	3,560.00
1990-1991	204	866,552.13	-	65,556.80	7.56	2.59	47,135	3,422,204	642.94
1989-1990	187	708,632.50	-	57,912.00	8.17	2.31	53,180	5,050,237	-
1988-1989	170	416,324.86	-	36,356.80	7.70	2.44	22,410	-	-
1987-1988	193	698,604.86	-	55,726.00	7.98	2.61	38,740	308,494	-
1986-1987	149	333,601.08	-	27,898.60	8.36	2.24	15,060	1,855,809	-
1985-1986	113	237,601.67	-	20,625.00	8.66	2.29	11,470	20,239	-
1984-1985	168	441,717.77	-	39,522.60	8.96	2.58	22,580	-	-
1983-1984	173	427,169.49	-	35,501.20	8.31	2.40	23,850	-	-
1982-1983	173	361,291.49	-	29,440.00	8.16	2.44	16,255	-	-
1981-1982	207	466,040.00	-	39,474.00	8.47	2.48	21,255	-	-
1980-1981	187	287,723.00	-	25,562.00	8.89	2.42	15,373	-	-
1979-1980	112	61,206.63	-	5,619.50	8.95	2.25	2,558	-	-
1978-1979	114	107,106.07	-	9,267.50	8.80	2.27	4,147	-	-
1977-1978	177	319,960.400	-	27,620.00	8.61	2.44	14,105	-	-
1976-1977	166	308,587.44	-	26,085.60	8.45	2.67	15,228	-	-
1975-1976	157	246,593.59	-	18,864.80	7.61	2.08	11,424	-	-
1974-1975	107	104,069.16	-	8,252.62	8.30	2.75	4,382	-	-
1973-1974	101	87,824.72	-	5,476.83	6.28	3.57	4,726	-	-

Statement of Value Addition

	(Rupees in Million) 2004		2003	
Sales Revenue (Gross)	3,983.79		3,001.67	
Other Receipts	171.20		87.17	
	4,154.99		3,088.84	
Less: Materials & Services	2,972.33		2,124.30	
Value Added	1,182.66		964.54	
Applied in the Following Way:	**(Rupees in Million)**	%Age	**(Rupees in Million)**	%Age
To Employees:				
Salaries, Wages and Related Costs	153.80	13.00	133.54	13.84
To Government:				
Income Tax, Sales Tax and Other Taxes	561.52	47.48	440.55	45.67
To Providers Of Capital				
Finance Charges On				
Loans And Advances	135.03	11.42	150.98	15.65
	850.35	71.90	725.07	75.17
To Charitable Institutions	12.94	1.09	8.92	0.92
To Provide For Maintenance & Expansion of Assets:				
Depreciation/Amortization	135.31	11.44	100.97	10.47
Profit Retained	116.09	9.82	85.65	8.88
	251.40	21.26	186.62	19.35
To Shareholders As Dividend	67.97	5.75	43.93	4.55
	1,182.66	100.00	964.54	100.00

Board of Governors

Mr. M. Asghar Qureshi
Chairman

Mr. Altaf M. Saleem
Member

Mr. M. Awais Qureshi
Member

Mr. Malik Manzoor Hussain
Member

Dr. Shahid Afghan
Director General Research

Principal Functions

1. Sugarcane breeding to evolve fertilizer responsive, disease resistant and stress tolerance varieties with high sucrose content.
2. To investigate the agronomic problems of sugarcane production.
3. Research and development on utilization of biomass, 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 basic research on germination of sugarcane setts, sucrose production, translocation and storage and on the environmental influences on these processes.
8. To provide advice on the use of fertilizers and other agricultural chemicals, irrigation, drainage, diseases and pests control, the use of machines and equipment, land and water management, and other aspects of crop production, planting and management.
9. To publish and disseminate information on all aspects of sugarcane production.
10. To provide educational courses in various aspects of sugarcane growing for farmers.
11. To collaborate and exchange information and material with Research Organizations in Pakistan and other countries.
12. To improve technology of sugarcane manufacturing by improving process and milling efficiency.

Chairman's Review 2004

This report summarizes research and development activities being conducted at Shakarganj Sugar Research Institute (SSRI) with emphasis on main goals that were achieved during the year 2003-2004. Following activities were conducted on various aspects of cane production and Specialized farming:

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

Variety SPSG-394 Approved- A Great Achievement

1. Sugarcane variety development

The work on cane variety development programme continued at the same level of priority. Bi-parental fuzz, 20 crosses of selected parentage were purchased from CSR Davis Laboratory Townsville, Australia. Fuzz of 101-bi-parental crosses from USDA Canal Point was imported under a cooperative programme during the year under report. Status of clones under different selection stages is given in table-1.

a. Original seedlings

At stage-I, Fuzz was grown from June 29 to July 16 2004. A total of original seedlings obtained was 50852. Seedling numbering 38426 & 12426 was germinated from the fuzz imported from CSR, Australia and Canal Point, USA respectively (table-1). Original seedlings were spread as single stools at 1.5 x 2-feet plot. These seedlings were transplanted on 6 acres from September 1 to 4, 2004 at experimental research farms of SSRI.

b. Progeny clones

1518 clones were selected out of 45374 original seedlings grown from cane fuzz obtained from AgCenter Houma/Canal Point USA/BSES, Australia (table-1). The progeny clones were planted at 7 x 2.5 feet plot size, on an area of three acres during autumn 2004.

c. Advanced clones

At stage-III, 290 advance clones were selected from 1194 progeny clones, and from 933 previous years advance clones, 337 were selected (table-1). The plot was 20 x 2.5 feet of 5-rows. Advanced clones were cultivated on 4.5 acres, during the year under report.

d. Promising clones for semi-final trials

At stage-IV, amongst 45 advanced clones, 13 were selected for semi-final trials (table-1). Semi-final clones would be further studied for germination capacity, tillering potential, striped cane yield, maturity trend, sucrose content and resistance against major diseases like red rot, rust, smut and pokah boeng.

Table-1 Status of Germplasm under Different Selection Stages at SSRI Jhang

Selection Stage	Seedling Year/Source of fuzz	Year 2003-2004
Stage-5	**Final clones**	
	i. S98CSSG, Davis Laboratory Townsville, Australia	2
Stage-4	**Semi-final Clones**	
	i. S99HoSG, AgCenter Houma, USA	3
	ii. S2000HoSG, AgCenter Houma, USA	10
	Total	**13**
Stage-3	**Advanced clones**	
	i. S2001HoSG, AgCenter, Houma, USA	99
	ii. S2001CPSG, USDA, Canal Point, USA	33
	iii. S2001NSG, SASAEX, Natal, South Africa	10
	iv. S2001QSG, BSES, Queensland, Australia	39
	v. S2001CSSG, Davis Laboratory Townsville, Australia	156
	vi. S2002HoSG, AgCenter Houma, USA	290
	Total	**627**
Stage-2	**Progeny clones**	
	iii. S2003HoSG, AgCenter, Houma, USA	1518
	Total	**1518**
Stage-1	**Original seedlings**	
	i. S2004CSSG, Davis Laboratory Townsville, Australia	38426
	ii. S2004CPSG, USDA, Canal Point, USA	12426
	Total	**50852**

c. Promising clone for final studies

At stage-V, 2 final clones viz: CSSG-668 & CSSG-676 were kept for final trials (table-1). Both the promising varieties have shown better performance for cane yield and quality along with resistance against major diseases. These final clones were included in coordinated trials. Extensive testing and seed multiplication was in progress. Agro-economic traits and periodic trend of sugar recovery percent cane of CSSG-668 & CSSG-676 during the years 2001-2004. It is given in table-2 & Fig.1, respectively.

Table-2. Agro-Economic traits of CSSSG-668 and CSSG-676 at final stage (2001-2004)

Clones	Agro-economic traits					Disease Reaction		
	Ger (%)	Tiller/ Plant	Millable canes (acre)	Cane weight (Kg)	Yield Acre (mds.)	Red rot	Rust	Smut
CSSG-668	63	1.16	37709	1.30	1225	MR	MR	MR
CSSG-676	60	1.86	35219	1.34	1179	MR	R	R

a. Biological control of borers

Biological control of borers through Trichogramma chilonis have proved economical, effective and environment friendly. Tricho-cards tagged to sugarcane crop in 37 cane development circles of SML covered 39,937 acres from March to September 2004. The tricho-cards were provided to cane growers of SML at a highly subsidized price of Rs.4/- per card. Data recorded on infestation of borers in cane fields indicated damage of pest was under economic threshold level. It shows efficacy of parasite being released regularly in cane fields from 1996.

New Project:

b. Biological Control of Pyrilla

Pyrilla perpusilla is one of the most infesting pest of sugar cane crop. During the crop season 2003-2004 there was serious attack of Pyrilla perpusilla in most of the sugarcane growing areas of Punjab. The management of SML approved a new research project of rearing Green Lace Wing (A pest of Pyrilla perpusilla). Severe infestation of Pyrilla perpusilla was observed in the month of March to September 2003 on autumn plantation and Ratoon crop. The Pyrilla deteriorates both yield and quality of crop. Since the chemical control of the pest was found ineffective and costly.

Keeping this in view it was decided to give cost free biological control of this pest (Pyrilla perpusilla) to SML progressive growers. This year 94755 eggs of Green Lace-Wing (Chrysoparla Carnea) have been released in the field. An effective control was observed on eggs and nymph of Pyrilla perpusilla.

Field application protocol was standardized at grand growth phase of the crop during 2004. Egg sheet having 350-400 eggs of Green Lace Wing were applied per acre in the month of March. This practice was repeated fortnightly. During the crop year 2004-2005 commercial production of this beneficial predator will start for the benefit of SML growers. In addition, Chrysoparla is equally good for effective control of borers of sugarcane, rice, maize and cotton, specifically for Haliothus species like American bollworm.

3. Tissue culture Laboratory

Main objective of this project is rapid multiplication of elite cane varieties with high quality vigorous seed to be provided to cane growers of SML. Cane varieties included for tissue culture propagation were NSG-6, NSG-39, NSG-311, NSG-555, HSF-242, CPF-243, CSSG-676 and CSSG-668. Total plantlets production was 68723. Excised plantlets shifted for hardening were 24294. Plantlets survival rate was 70 percent at hardening and 97 percent in the field plantation.

A total of 46.25 acres tissue cultured seed of different varieties was provided for multiplication at SML Seed Banks during the year under report.

4. Studies on disease tolerance

Different selection stages of cane varieties were included for screening against major disease. Amongst 2197 entries only 651 have shown combined resistant to red rot, rust, pokha Boeing and smut. Two cane varieties at final stage were showing combined resistance. Out of 1194 progenies lines, 290 have shown combined resistance and from 933-advanced lines tested only 337 were resistant and from 35-advanced lines tested only 10 were resistant. Out of 10- semi-final clones, screened for combined resistance were 3. Series-wise detail of screening against major diseases during the year under report is given in table-3.

Table-3 Screening of germplasm for combined resistance against major diseases

Sr. No.	Origin	No. of Clones	Resistance to Red rot	Rust	P. boeng	Smut	Combined
1	Promising Varieties S96NSG series	4	2	3	3	3	2
2	Final clones S98CSSG series	7	2	6	5	4	2
3	Semi final clones S99HoSG series	10	3	8	6	7	3
4	Advance lines S2000HoSG series	35	10	20	21	17	10
5	Advance lines S2001HoSG series	933	337	524	394	421	337
6	Progeny clones S2002HoSG series	1194	290	721	683	473	290
7	SCRI, Mardan Varieties	2	2	3	3	3	2
8	SRI, Faisalabad Varieties	7	3	5	4	5	3
9	Habib Sugar, Nawabshah Varieties	3	1	3	2	3	1
10	Sri Lanka clones (SL series)	2	1	2	1	2	1
	Total	2197	651	1295	1122	938	651

5. Studies on insect resistance

Clones included in the trial for insect resistance were 651. The infestation of top borer, stem borer, root borer and gurdaspur borer was estimated on internodes basis. The results have indicated that no clone has shown resistance against borer complex.

6. Botanical Garden

This new project was started in July 2004 for conserving the flora and plantation of important plants at one location. In this Botanical garden different types of plant species are collected. The Botanical garden has been established in the premises of Shakarganj Sugar Research Institute.

List of present flora at Shakarganj Mills is as under.

Sr. No.	Type of Flora	Total species
1	Trees	131
2	Shrubs	54
3	Herbs	112
4	Climbers	21
5	Cactus	31
6	Junipers	07
	Total	**356**

A thorn forest has also been developed at Shakarganj Sugar Research Institute to conserve the five endangered plant species as Salvadora oleoides (Wan), Tamarix aphylla (Frash), Capparis decidua (Kaeer), Accacia arabica (Desi Kikar) and Prosopis cineraria (Jand)

7. Flower Project

Cut flower project was started in June 2004. Following types of cut flowers are included in this project.

1. Tuberose
2. Helianthus
3. Gladiolus
4. Aspidistra
5. Amaryllis
6. Carnation

This project is still in its initial stage.

8. Agronomic trials

Technical guidance about Agronomic traits of varieties and production technology was provided to cane growers of SML. Objective was to help in enhancing yield and quality of cane crop. Agronomic trials to develop low cost production technology were conducted, which comprised increasing efficacy of fertilizer, water management, Soil management, integrated pest management and determination of post-harvest loses.

9. Soil and water advisory service

Soil and water advisory service is a permanent feature of this institute. It 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 resources. Analysis of 1563 soil sample was done. Water samples for quality were analysed of 333 tubewells during the year under report. This service is provided free of cost.

10. Workshop on R&D activities on sugar crops

Annual 2-day workshop was organized by SSRI for fifth time on October 4-5, 2004. The subject was "Research and Development Activities on Sugar Crops in Pakistan". The objective was to give opportunity to the scientists to have a through discussion on various aspects of R & D activities on sugar crops. Forty-five scientists participated in the workshop from sixteen Research Institutes from all over the country. Twelve research manuscripts were presented and discussed. The views of all the concerned scientists working on this crop gave a valuable input. Research papers alongwith recommendations were published as proceedings of the workshop in the October-December 2004 issue of Pakistan Sugar Journal.

11. Publication of Pakistan Sugar Journal

Pakistan Sugar Journal was published with the patronage of SSRI, on quarterly basis. Some papers received from other countries like Egypt and Bangladesh were included in various issues of the research journal.

12. Library of SSRI

Some latest stuff including books, manuals, proceedings, research journals and audio-video aids were added in the library of the institute. Objective is to provide excellent reading material to member's of the library. Material available is covering most of the aspects of sugar industry.

Following is the summery of reading material at the library of SSRI.

Shakarganj Library

Quality Policy

Our quality policy stems from our vision and is to maintain industry leadership and customer satisfaction through production of high quality sugar 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.

Our Governing Principles

Our Governing Principles

Shakarganj conducts its business in a responsible manner with honesty and integrity. We also expect the same from our business partners. We set the tone for all our actions and the actions of all our employees by insisting on doing what is right. We also insist that all transactions be open and transparent, and this extends to our responsibilities regarding financial reporting. We understand our responsibilities to the shareholders and ensure that all transactions not only comply with all laws but are also fairly and accurately reflected in the accounts.

Integrity: Shakarganj does not use bribe as an instrument for any business or financial gain. Employees are not authorized to give or receive any gift or payment which may be construed as such. Employees are also required to avoid engaging in any personal activity or financial interests which would conflict with their responsibility to the company.

Role of the Board of Directors: The Board has a fiduciary responsibility for the proper direction and control of the activities of the Company. This responsibility includes such areas of stewardship as the identification and control of the company's business risks, the integrity of management information systems and clear, transparent reporting to shareholders. The Board accepts its primary responsibility for the overall control architecture of the Company. However, it recognizes that the internal control system has to be cost effective and that no cost effective system will preclude all errors or irregularities. The system is based upon written procedures, policies, guidelines, an organogram that provides an appropriate division of responsibility, a programme of internal audit, and manning of all key functions by qualified personnel and constant training.

Code of Conduct: The Board has adopted a code of conduct for its members, executives and staff, specifying the business standards and ethical considerations in conducting its business. The code includes:

- Corporate Governance
- Relationship with employees, customers, suppliers and regulators.
- Trading in Company's shares.
- Environmental responsibilities.

Responsibility to Stakeholders: Our primary purpose is to run our business efficiently and profitably to enhance shareholder value but we do it with responsibility to all stakeholders. Profitability is essential to discharge this responsibility and the corporate resources are primarily deployed towards achievement of this end. However the Company does not operate in isolation within its environment and accordingly feels responsible to all its stakeholders which are:

- Our Shareholders
- Our Customers
- Our Management and Staff
- Our Business Partners
- Our Society

Control Room

Service to Society: We are increasingly conscious of the role we have to play as responsible corporate citizen in fulfilling a wide variety of community needs. We believe in helping address issues such as education, healthcare, public safety, and environmental health. This also conforms to our basic belief that individual entities when they work together as a team can create powerful synergies and help improve the condition of the society in which they are functioning.

We have over the years actively strived to promote issues of education, health and environment. A major portion of our budget for philanthropy and sponsorship is allocated to primary and secondary schooling for less privileged children.

Health and Safety: Maintenance of health and safety standards at our plants and offices is a serious issue at SML. We are committed to actively managing health and safety risks associated with our business and are actively working towards improving our procedures to reduce, remove or control the risk of fires, accidents or injuries to employees and visitors. We also ensure that our products are transported in a safe manner complying with the safety standards and legal requirements.

Shakarganj Education Programme

Mobile Dispensary at work

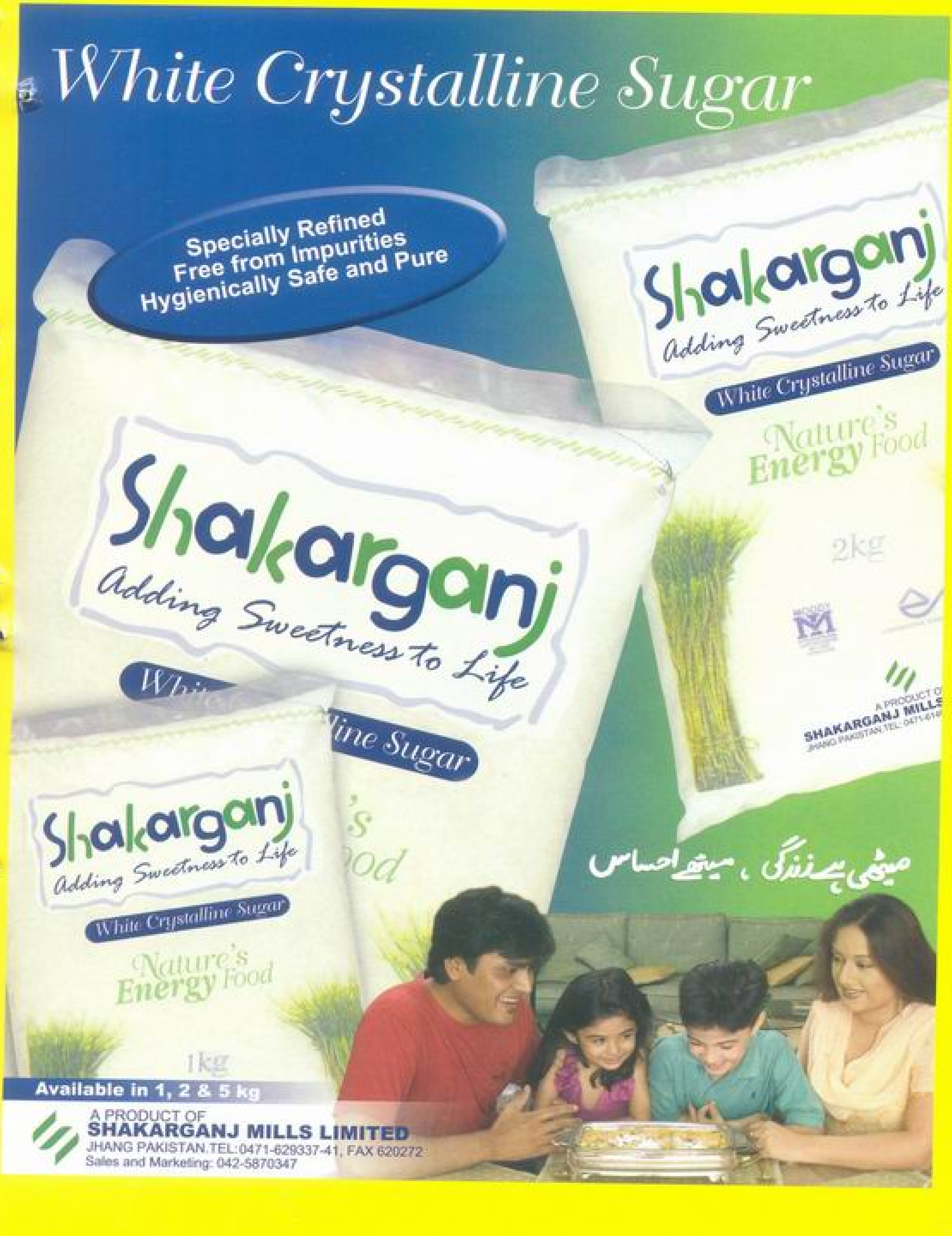
Our Governing Principles

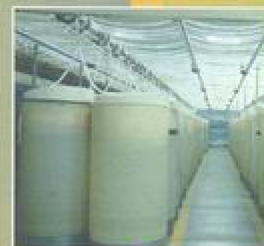
Role of Shareholders: The Board aims to ensure that shareholders are informed of all major developments affecting the company's state of affairs. Information is communicated to the shareholders in the annual report and the interim reports. The Board encourages shareholders participation at the annual general meetings to ensure a high level of accountability and information dissemination.

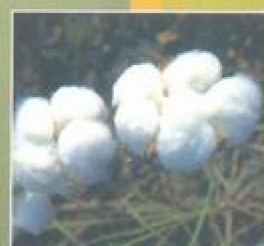
Current Products: Shakarganj is currently and primarily engaged in the manufacturing and marketing of white refined sugar and sugar by-products. The company is also manufacturing and marketing other products such as ethanol, particle board and yarn and also continues to diversify its product and market portfolio.

Current Strategy: We currently aim to preserve our leadership position in the industries we compete in by producing the best quality products while investing in human resource development, technology, production and marketing expertise. We develop our human resources by investing in training and expertise development of our people. We also consider our farmers, our raw material suppliers, as our important partners and we share our research findings from our Sugar Research Institute with them to increase the quality and yield of their crops. Shakarganj Sugar Research Institute continues to keep our farmers and Shakarganj Mills Limited (SML) at the forefront of sugar research and technology. Our operations management personnel recognize the value of technology and improvement in production processes and continue to keep pace with latest innovations and developments in the field. Shakarganj also maximizes generation and utilization of co-products and by-products minimizing waste utilizing resources effectively and efficiently and reducing overall cost of production. Our marketing team continues to strengthen our position in markets that we currently cater to, while developing new products and profitable markets. All our personnel and our farmers operate as a team to maintain SML's leadership position in the industries it competes in.

Recreational/ Fitness Centre at Shakarganj Colony


White Crystalline Sugar
Specially Refined
Free from Impurities
Hygienically Safe and Pure
Shakarganj
Adding Sweetness to Life
White Crystalline Sugar
Nature's Energy Food
2kg
میٹھی ہے زندگی ، میٹھے احساس
Shakarganj
Adding Sweetness to Life
White Crystalline Sugar
Nature's Energy Food
1kg
Available in 1, 2 & 5 kg
A PRODUCT OF
SHAKARGANJ MILLS LIMITED
JHANG PAKISTAN.TEL:0471-629337-41, FAX 620272
Sales and Marketing: 042-5870347





DIRECTORS' REPORT

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, 2004:

Financial Results

The financial results of the company are summarised below:

	(Rupees in Thousand) 2004	2003
Profit for the year	214,569	159,286
Taxation	54,552	29,708
Profit after taxation	160,017	129,578
Appropriations		
Transferred to reserves	104,000	200,700
Proposed dividend	67,975	43,929
Earnings per share (Rupees)	4.12	3.34
Dividend per share – Proposed (Rupees)	1.75	1.50

Statement on Corporate and financial reporting framework

- The 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.
- Proper books of accounts of the company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements except for changes in accounting policies as discussed in note 2.3 to the financial statements. Accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- Details of significant improvements in the Company's operations during the current year are stated in the Chief Executive's Review.
- Key operating and financial data for the last seven years in summarized form is annexed on Page10.
- Information about taxes and levies is given in the notes to the financial statements.
- Total number of employees at the end of the year was 1,402 (2003: 1,295).
- 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

- During the year five Board Meetings were held and detail of attendance by each director is as follows:

Name of Director	No. of meetings attended
Mr. Mazhar Karim	5
Mr. Ahsan M. Saleem	5
Mr. Gul Nawaz	5
Mr. Khalid Bashir	5
Mr. Muhammad Anwar	3
Mr. Muhammad Arshad	3
Mr. Muhammad Asif	5
Mr. Muhammad Bilal Sheikh	1

Pattern of Shareholding

The pattern of shareholding as per Section 236 of the Companies Ordinance, 1984 is attached separately on page 103.

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

Directors

Since the last report, no change in directorship has taken place.

The present term of the 7 elected directors will expire on June 01, 2005.

Auditors

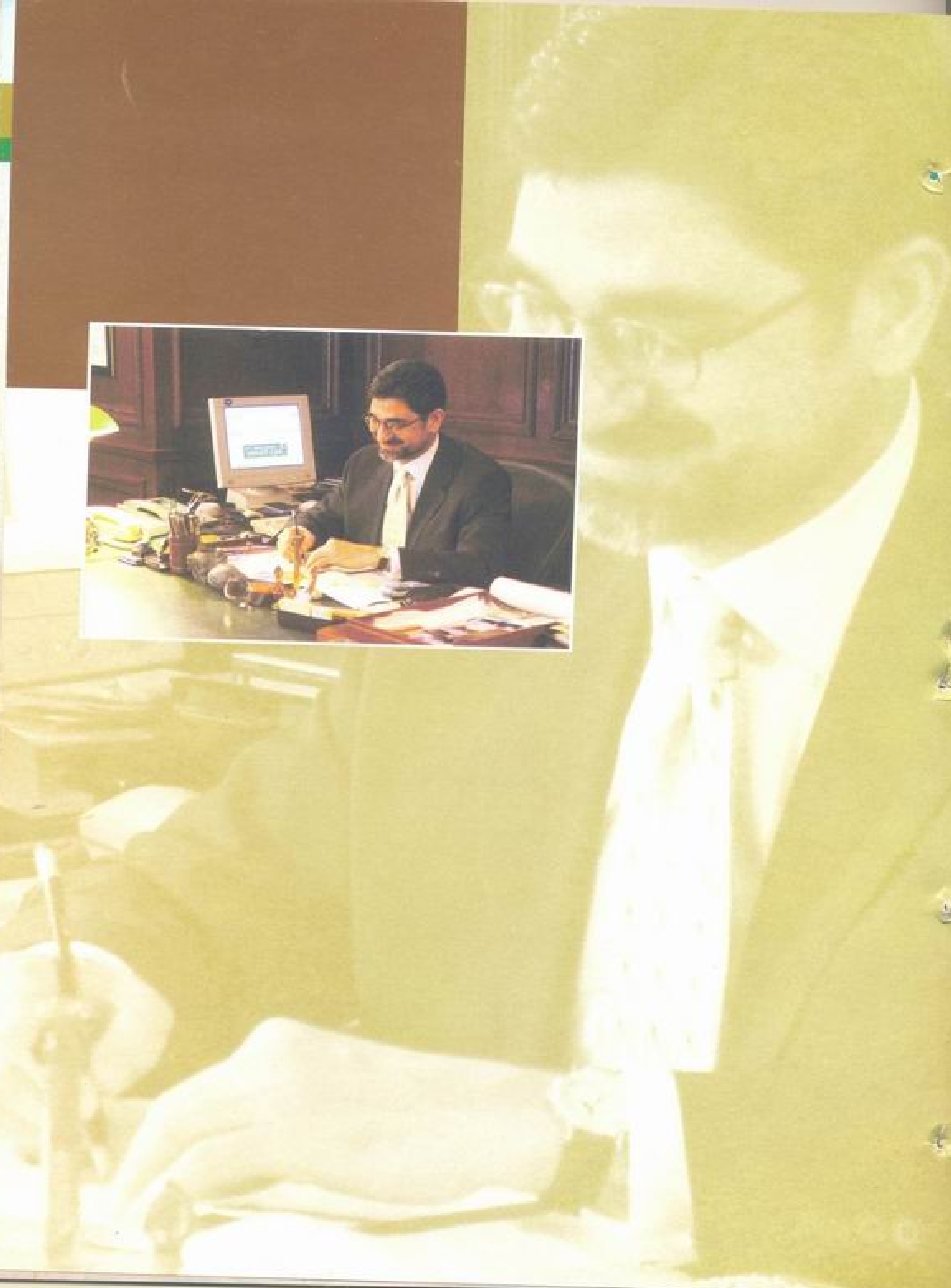
The auditors M/s A. F. Ferguson & Co., Chartered Accountants, will retire and are eligible for re-appointment as auditors of the company for the next year. The Audit Committee of the board has recommended the re-appointment of M/s A. F. Ferguson & Co., Chartered Accountants for the year ending September 30, 2005.

By order of the Board

Ahsan M. Saleem
Chief Executive

Lahore
December 30, 2004

CHIEF EXECUTIVE'S REVIEW



Dear Shakarganj Shareholder

It gives me great pleasure in presenting the annual performance review of your company along with audited financial statements for the year ended September 30, 2004.

With joint efforts of the Team Shakarganj and our farmer community, your company achieved record production, sales and pretax earnings. Our continuous emphasis on focusing on needs and requirements of the critical link in our supply chain, the farmers, is bearing fruit for the company. Impetus to this significant performance was also provided by our constant stress on cost reduction and efficient resource utilization in manufacturing of co-products.

New Landmarks in Operations & financial results

Highlights

Shakarganj has achieved many new landmarks in its operations and financial results. Highlights of these achievements are presented below:

- New Landmark of sugar production of 136,813 metric tons.
- Highest ever ethanol production of 35.408 million litres .
- Further improvment in last year's record profitablity by twenty four percent.
- Increase in earnings per share from Rupees 3.34 to 4.12.

Major Diversification

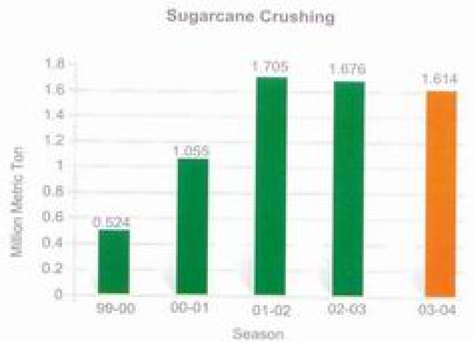
The major development during the year under review was the amalgamation of Crescent Ujala Limited into Shakarganj Mills Limited. As a result of this merger the share capital of the company has increased from Rs. 292.860 million to Rs. 388.430 million. The company has now cotton spinning capacity of 28,000 spindles. This is our entry level position in the textile business as part of our diversification policy. Given the importance of textiles in national economy and synergy with the supply chain based on agricultural produce, textiles business will be one of our focal points. After integration of this new line of business in our operations we plan to strengthen this activity to increase share holders value and diversify our risk in the future. Our vision is to have a significant presence in textile business in Pakistan.

Operating Performance Review

A brief performance review of the business lines of Sugar and co-products and textile division is presented below;

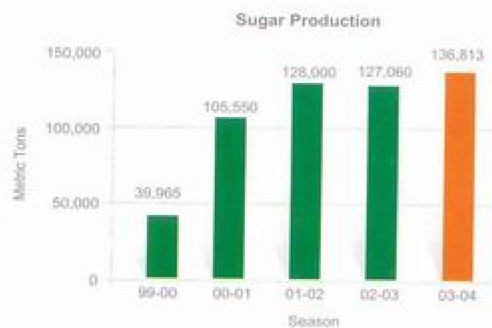
Sugar Business

Sugar production for the year once again breached the previous benchmark to reach a new high of 136,813 metric tons compared to 127,060 metric tons last year. Recovery was up from 7.58 percent to 8.47 percent. This higher recovery and high rate of daily crushing helped us achieve these results despite operation for only 155 days compared to 187 days last year and total crushing of 1.614 million tons compared to 1.675 million tons.



Ethanol and Alternate Energy Business

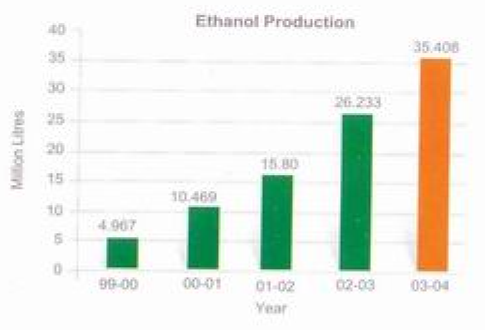
Ethanol Division worked at an expanded capacity and produced 35.408 million litres of ethanol against 26.233 million litres last year showing an increase of 35 percent. Diversification into ethanol has reduced our dependence on sugar and has brought a balance to our product mix. This year however saw a substantial increase in the price of molasses with the increase in the number of distilleries in the country and higher molasses demand overseas. We have moved towards value addition in this line of business. Shakarganj now produces three distinct varieties of ethanol for industrial and alternate energy usage.



Almost 80 percent of our ethanol production is exported, increasing the nation's foreign exchange earnings. During the year foreign sales were Rs.477 million and we expect this figure to increase in future years. Shakarganj was awarded FPCCI export merit trophy for the highest exports of this product from Pakistan for the third time.

Building Materials Buisness

During the year the production of particle board was 5,025 cubic meters as compared to 1,668 cubic meters last year. Improvement in fuel efficiency made surplus bagasse available for conversion. Market for our product also improved due to better economic conditions and increased activity in the building sector.



Textile Business

The textile division achieved a production of 5.4 million kilograms of spun yarn as compared to 4.9 million kilograms last year. The high cotton prices were the major factor which led to the shrinking of gross margins during the year and the industry could not sustain the huge swings in the prices. The high prices were the result of low worldwide production of cotton. Following a prudent business approach we accounted for this price swing and marked to market our raw material stocks. As a result, despite the increase in sales revenue from Rs.494.155 million last year to Rs.692.136 million, the gross margin for the current year came down from 9.10 percent to 2.05 percent.The company managed to keep tight control over operating expenses which only showed an increase of 8.66 percent. This new division of the company is being integrated into core business operations. After this phase we shall focus on rationalizing our manufacturing facilities to enable us to have significant presence in the textile business.

Managing Director - Textile

Financial Results

The operations for the year resulted in a pre-tax profit of Rs. 214.569 million as against Rs.159.286 million last year. This is an increase of 35 percent. The earnings per share has gone up to Rs. 4.12 against Rs. 3.34 last year.

The administrative and selling expenses increased to Rs.169.417 million against Rs.119.613 million last year which is primarily on account of increased depreciation, a software development project which your company has initiated last year and increase in sales volumes.

A strong reflection of reduced interest rates in the economy is exhibited through lowering of our financial charges to Rs.135.029 million against Rs.150.977 million last year.

The sugar prices remained depressed and we achieved a lower price per ton of sugar this year as compared to last year but as compared to most of other mills, we enjoyed a price premium due to our better quality product.

Our earnings per share improved from Rs. 3.34 to 4.12. The Market capitalization was Rs. 2,023 million as compared to last year's Rs. 922 million.

National Economic Scenario

The growth momentum of the economy continued to accelerate in FY04, with real GDP rising by a robust 6.4 percent. As in the previous year, the growth was led principally by industry and in particular Large Scale Manufacturing (LSM), which benefited from a further acceleration in aggregate domestic demand as well as strong external demand. Investment growth rate has jumped to a record 22.3 percent–the highest ever in the recent history of Pakistan, pushing the investment-GDP ratio to 18.1 percent. However, the FY04 economic performance also highlighted the vulnerability of the economy to shocks; contrary to initial expectations the agri-sector growth proved disappointing as key crops suffered heavily from natural vagaries. Furthermore the central bank was keenly aware of the rise in headline inflation, and the attendant increase in inflationary expectations through the economy, and tried to strike a balance between the growth and inflation management imperatives. The capital market continued to provide substantial returns to investors. Sugarcane production stood at 53.80 million tons as compared to 52.049 million tons of last year.

Sugar Research Institute

Ensuring a fair return and sustained development of our farmers is at forefront of our long term objectives. This vitally important link in our supply chain must be supported by our maximum possible resources. We at Shakarganj have been working under this covenant for a number of years. As a pioneering private sector initiative Shakarganj esbalished a Sugar Research Institute. This institute carries out advanced level research on all aspects of sugar cane agriculture. The main focus of the programme is to propogate better varities of sugarcane and maximize per hectacre yield of both sugarcane and sugar. The research results and benefits are made available to stakeholders without any cost as a national service. The detailed report on the activities or Shakarganj Sugar Research Institute is included in this annual report.

Corporate Farming

To ensure adequate supply of good quality seed and better sucrose yielding varieties of sugarcane we have acquired land for cultivation in our supply area to increase our footprints in the supply chain. The major benefit of

this project would be transfer of latest sugarcane technology to our farmers. These efforts are in synergy with our research programme and compliment the advanced research efforts. They provide us with a window to showcase our successful research efforts and makes it easier for the other farmers to emulate this technology package.

Contribution to Economy

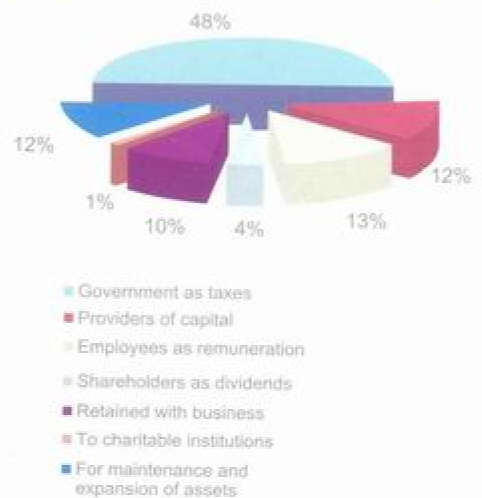
Being a responsible member of the corporate community Shakarganj always contributes substantially towards the national economy on account of taxes and other government levies. During this year your company's contribution to federal, provincial and local taxes was the tune of Rs.561.52 million. We spent Rs.135 million as cost of financing and share of workers compensation was Rs.153.80 million. During the last ten years, your company has made a consolidated contribution of Rs.2.90 billion in shape of Federal, Provincial and local taxes.

Human Resource Development

The highly qualified core management team at Shakarganj inclues Phds, Chartered Accountants, MBAs, Graduate Engineers and Masters in Science & Agriculture. In addition an extensive and structured continuous education programme is followed in the company. Shakarganj regularly sends its managers to a rigourous management training programme at Lahore University of Management Sciences leading to a Diploma in Business Management. So far 20 managers have qualified or are currently enrolled in this custom designed programme. One of our research scientists is pursuing a post doctoral programme at Punjab University. In addition to this we sent several managers on executive development programmes at leading institutions in Pakistan and INSEAD in France.

In house training facility and well equipped library with latest books on all aspects of our business is maintained for the benefit of the team members. The library subscribes to some 130 periodicals and the collection of books exceeds 4750. These facilities help our team to keep their knowledge base updated.

Earning Distribution



Exhibition of art at Display Centre

Students at School of art and Calligraphy

Social Responsibility

We have a long record as a good corporate citizen and are committed to a policy of following exemplary social standards in all our dealings.

Our Social Action Programme delivers 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 ten local schools that includes provision of clean drinking water, nutrition supplements, books, uniforms, maintenance of infrastructure and building additional facilites where required. Another ten schools would soon be added to this programme. 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 five hundred and fifty teachers have successfully completed training at this facility.

Female Students at Training Centre

The company has so far established started forty eight adult literacy centres in its vicinity, forty one are for females. The results have been very encouraging. One thousand one hundred and seventy three participants have so far been taught under this programme out of which eight hundred and twenty eight are females. Shakarganj Healthcare initiative delivers primary medical facilities at the doorsteps of our extended community. Two teams of qualified doctors, paramedical staff and mobile dispensaries served over twenty thousand patients during the year. We are aiming to increase this to forty thousand patients during next year. Diagnostic facilities, preventive treatment and free medicines are provided through this programme.

Diploma in Business Management Programme 2002-03

For efficient delivery of our sukh char programme a chain of community centres have been built in twelve locations. These centres, known as Kisan Markaz, serve as hub of activites for the social programme in each sub-community. Twenty more centres 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 faciliting supplies to Shakarganj.

Shakarganj provides support to the promising local talent in improving their artistic skills in a structured training programme at the School of Art and Caligraphy. A display centre exhibiting the works of these artists and promotion of cultural heritage is also maintained by Sharkarganj at the School.

Meeting of Farmers at Kisan Markaz

Safety, Health and Environment

Shakarganj is committed to maintain safe and hazard free environment at all its workplaces. Our target is to have zero injury and accident record. Best training and crises management skills are needed to meet any unforeseen events at any facility. We have therefore initiated a First Aid training programme in collaboration with Hilal-e-Ahmer. So far four hundred and five members of Team Shakarganj have completed this programme.

SML has always been a socially responsible corporate citizen

Shakarganj conducts all its operations by recognizing responsibilities to the environment within which we live and work. Good environment management is a key element of good overall management, and the two are not seen as separate activities. We aim for zero waste and conservation of energy resources. Key focus points for protection of our fragile environment are summarized below.

Management House

Sugarcane coming to the mills naturally brings some of the soils nutrients along with it which degrades the soil. At Shakarganj we endeavour to return these nutrients to the soil as an environmental friendly alternative to chemical replenishment. All waste materials, which contain these nutrients, are separated from sugarcane juice, composted and return to the soil as organic fertilizer. This increases the productivity at farms and provides a healthier cheaper alternative to chemical fertilizer. Our state of the art effluent treatment plant converts the waste material of ethanol facility into bio gas and environment friendly irrigation water. Biogas provides alternate energy fossil fuel. In addition to recycling this waste water the company is also continuously working to improve irrigation systems to reduce water consumption. Tree plantation campaigns are run twice every year as a national service.

IT Initiatives

We are in the process of implementing a complete ERP solution for the company which will help us in timely decision making and support our business growth and also fulfill all our operational needs.

I.T. People at work

Corporate Governance

The Company places emphasis on areas concerning effective and efficient corporate governance. The continual efforts for strengthening internal controls, updating of policy manuals and effective functioning of the internal audit is all in line with our higher emphasis on these areas. The directors and all members of Team Shakarganj are bound by a strict code of conduct which requires adherence to our governing principles described earlier in this report.

Management Committees

The executive committee deals with all matters of urgent nature and any other duty delegated by the Board of Directors.

Busiess 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.

Excellence Award

It gives me great pleasure to inform you that the annual report of your company for 2003 was selected among the best corporte reports for 2003. It was placed in second position in its category by the joint committee of ICAP and ICMAP. This represents a new milestone in corporte excellence and provides a base for further imporvement.

CEO Receiving Corporate Report Award

Future Outlook

Shakarganj has always had a positive forward looking approach in its operations. We want to be ready and prepared for any eventualities which may arise in a competitive business environment. Dependence on agriculcutural produce for for our raw materials always carries its own economic risks due to seasonal vagaries of climate, crop sizes and demand and supply imbalance.

Shakarganj's core team of highly qualified managers, prudent financial policies and investments, healthy balance sheet footing, high standards of corporate governance, diversified business lines and successful supply chain management are key focus areas to provide necessary financial depth to absorb setbacks from unforeseen changes in economic scenario beyond our control. At the same time this gives us a strong platform to benefit from any opportunities that arise for company's benefit.

Sugar crop for fiscal year 2005 is declining and not expected to meet last years quantum. However, despite of less sugarcane production we are making best efforts to adhere to our crushing benchmark. Input prices are stable and cotton crop is expected to reach new hights in Pakistan. This would contribute to further improving company's financial position next year. The current year production highlights upto end December are given below:

Desciption	2005	2004
Crushing (tons)	700,361	491,164
Production:		
Sugur (tons)	55,011	38,011
Ethanol (liters)	9,690,207	7,195,202
Partical Board (cu. metter)	1,195	-

Year 2005 ushers in a new era of opportunities and challenges for businesses globally. The post quota regime in textiles and reduction of tariffs world wide are going to have far reaching effects on global commodity markets, which in turn would have influence on Pakistani markets and the way we do business. We at Shakarganj feel that the company is ready and poised to face the challenges

If one does not Know to which port one is sailing, no wind is favourable

Lucius Ammaeus Seneca
5 BC - 65 AD

of these exciting times and take advantage of opportunities that will arise.

Our capacity expansion plan for enhancing crushing of sugarcane and increasing the capacity of ethanol manufacturing is in full swing. Initially we were hoping to catch a portion of the current crushing season but due to the delay in supply of some imported machinery we are hoping to have the trial run of sugar manufacturing equipment being imported at the satellite facility. The ethanol manufacturing there is however expected to commence during the year.

Conclusion

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 of 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.

Ahsan M. Saleem
Chief Executive

Lahore, December 30, 2004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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 all 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 causal vacancy occurred during the year ended September 30, 2004.

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 the by 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, 2004. 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, 2004 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 interims 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 30, 2004

Review Report to the Members on Statement of Compliance With Code of Corporate Governance

We have reviewed the statement of compliance with the best practices contained in the code of corporate governance prepared by the Board of Directors of **SHAKARGANJ MILLS LIMITED** to comply with the Listing Regulation No. 37 of Karachi Stock Exchange, Chapter XIII of Lahore Stock Exchange and Chapter XI of 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, 2004.

Lahore: December 30, 2004

A. F. Ferguson & Co.
Chartered Accountants

Auditors' Report to the Members

We have audited the annexed balance sheet of **SHAKARGANJ MILLS LIMITED** as at September 30, 2004 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 accounts 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 accounts and are further in accordance with accounting policies consistently applied, except for the changes as stated in note 2.3 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, 2004 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.

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Lahore
December 30, 2004

A. F. Ferguson & Co.
Chartered Accountants

	NOTE	2004 (Rupees in Thousand)	2003 (Rupees in Thousand)
Equity and Liabilities			
Share Capital and Reserves			
Issued, subscribed and paid up capital	3	388,430	544,360
Reserves		1,546,719	390,426
Unappropriated profit		68,496	56,377
		2,003,645	991,163
Surplus on Revaluation of Operating Fixed Assets	4	3,212	3,243
Non Current Liabilities			
Long term finances - secured	5	1,502,566	329,685
Long term advances	6	49,719	-
Liabilities against assets subject to finance lease	7	167,922	149,044
Employees' retirement benefits	8	1,566	-
Deferred income	9	7,988	-
Deferred taxation	10	50,484	15,949
		1,780,245	494,678
Current Liabilities			
Current portion of long term liabilities	11	356,160	362,746
Short term borrowings - secured	12	1,491,097	1,028,527
Creditors, accrued and other liabilities	13	551,243	314,787
Dividends	14	1,659	1,347
		2,400,159	1,707,407
Contingencies and Commitments	15		
		6,187,261	3,196,491

The annexed notes 1 to 44 form an integral part of these accounts.

Chief Executive

As at September 30, 2004

	NOTE	2004 (Rupees in Thousand)	2003 (Rupees in Thousand)
Assets			
Tangible Fixed Assets			
Operating assets	16	**1,287,761**	1,140,175
Assets subject to finance lease	17	**247,240**	191,373
Capital work in progress	18	**1,368,074**	158,290
		2,903,075	1,489,838
Other Long Term Assets			
Investments - associated undertakings	19	**77,099**	125,583
Long term deposits	20	**36,679**	21,717
		113,778	147,300
Current Assets			
Stores, spares and loose tools	21	**47,867**	54,524
Stock-in-trade	22	**464,590**	706,446
Trade debts	23	**116,795**	66,087
Loans, advances, prepayments and other receivables	24	**248,590**	172,888
Short term investments	25	**2,264,285**	522,992
Cash and bank balances	26	**28,281**	36,416
		3,170,408	1,559,353
		6,187,261	3,196,491

Chairman

Profit and Loss Account
For the year ended September 30, 2004

	NOTE	2004	2003
		(Rupees in Thousand)	
Sales	27	3,498,163	2,612,999
Cost of Sales	28	3,117,624	2,282,487
Gross Profit		380,539	330,512
Administrative expenses	29	120,590	86,403
Distribution and selling costs	30	48,827	33,210
Other operating expenses	31	48,741	18,324
		218,158	137,937
		162,381	192,575
Other Operating Income	32	171,198	87,169
Profit from operations		333,579	279,744
Share of income from associates-net of tax		16,019	30,519
		349,598	310,263
Finance Costs	33	135,029	150,977
Profit Before Taxation		214,569	159,286
Taxation	34	54,552	29,708
Profit After Taxation		160,017	129,578
Earnings per Share - Basic and Diluted	35	4.12	3.34

The annexed notes 1 to 44 form an integral part of these accounts.

Chief Executive

Chairman

Cash Flow Statement
For the year ended September 30, 2004

	Note	(Rupees in Thousand) 2004	2003
Cash Flow From Operating Activities			
Cash used in operations	37	(20,437)	(151,084)
Financial charges paid		(116,871)	(161,283)
Taxes paid		(35,537)	(25,168)
Employees' retirement benefits paid		(5,382)	-
Net Cash (Outflow) From Operating Activities		(178,227)	(337,535)
Cash Flow From Investing Activities			
Fixed capital expenditure		(1,497,855)	(370,891)
Investment made in associates		(15,455)	-
Proceeds from sale of investment in associates		63,069	25,323
Net (increase) in long-term deposits		(14,962)	(9,578)
Dividend received		27,811	12,281
Proceeds from sale of fixed assets		34,124	91,893
Net Cash Used in Investing Activities		(1,403,268)	(250,972)
Cash Flow From Financing Activities			
Proceeds from long term finances		1,317,743	190,510
Repayment of long term finances		(180,548)	(83,745)
Long term advances		59,673	-
Net increase in short term borrowings-secured		462,570	648,026
Payment of finance lease liabilities		(42,461)	(99,462)
Dividend paid		(43,617)	(43,737)
Net Cash Inflow From Financing Activities		1,573,360	611,592
Net (Decrease)/Increase in Cash and Cash Equivalents		(8,135)	23,085
Cash and Cash Equivalents at the Beginning of the Year		36,416	13,331
Cash and Cash Equivalents at the End of the Year	26	28,281	36,416

The annexed notes 1 to 44 form an integral part of these accounts.

Chief Executive

Chairman

Statement of Changes in Equity
For the Year Ended September 30, 2004

(Rupees in Thousand)

	Share Capital	Reserves												Un-appropriated Profit	Total
		Capital						Revenue					Total		
		Balancing and Modernization	Research and Development	Share Premium	Fair Value Adjustment	Difference of capital under scheme of arrangement of merger	Sub-total	General	Dividend Equalization	Equity Investment Market Value Equalization	Sub-total				
Balance as on September 30, 2002 as previously reported	544,360	15,000	5,000	23,464	(92,837)	-	(49,373)	87,779	22,700	57,000	167,479	118,106	120,417	782,883
Effect of change in accounting policies														
Transfer from surplus on revaluation on fixed assets	-	-	-	-	-	-	-	-	-	-	-	-	7,048	7,048
Final dividend for the year ended September 30, 2002	-	-	-	-	-	-	-	-	-	-	-	-	43,929	43,929
Balance as on September 30, 2002 restated	544,360	15,000	5,000	23,464	(92,837)	-	(49,373)	87,779	22,700	57,000	167,479	118,106	171,394	833,860
Fair value gain	-	-	-	-	71,620	-	71,620	-	-	-	-	71,620	-	71,620
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	129,578	129,578
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation	-	-	-	-	-	-	-	-	-	-	-	-	34	34
Final dividend for the year ended September 30, 2002	-	-	-	-	-	-	-	-	-	-	-	-	(43,929)	(43,929)
Transferred to reserves	-	-	-	-	-	-	-	174,700	-	26,000	200,700	200,700	(200,700)	-
Balance as on September 30, 2003- restated	544,360	15,000	5,000	23,464	(21,217)	-	22,247	262,479	22,700	83,000	368,179	390,426	56,377	991,163
Difference between amount recorded for share capital issued and amount recorded for share capital acquired under scheme of arrangement for merger	(155,930)	-	-	-	-	155,930	155,930	-	-	-	-	155,930	-	-
Fair value gain	-	-	-	-	896,363	-	896,363	-	-	-	-	896,363	-	896,363
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	160,017	160,017
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation	-	-	-	-	-	-	-	-	-	-	-	-	31	31
Final dividend for the year ended September 30, 2003	-	-	-	-	-	-	-	-	-	-	-	-	(43,929)	(43,929)
Transferred to reserves	-	-	-	-	-	-	-	104,000	-	-	104,000	104,000	(104,000)	-
Balance as on September 30, 2004	388,430	15,000	5,000	23,464	875,146	155,930	1,074,540	366,479	22,700	83,000	472,179	1,546,719	68,496	2,003,645

The annexed notes 1 to 44 form an integral part of these accounts.

Chief Executive

Chairman

Notes to the Accounts for the Year Ended September 30, 2004

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, distillate, particle board and yarn.

The Lahore High Court sanctioned the Scheme of Arrangement for Amalgamation of Crescent Ujala Limited with the company with effect from October 1, 2003. According to the scheme of arrangement, members of Crescent Ujala Limited are to receive 38 ordinary shares of Rs 10 each of Shakarganj Mills Limited for each 100 shares held in Crescent Ujala Limited. These accounts have been prepared on uniting of interest basis in accordance with the International Accounting Standard 22 "Business Combinations".

2. Significant Accounting Policies

2.1 Basis of Preparation

These financial statements have been prepared under the historical cost convention except for recognition of certain staff retirement benefits at present value as stated in note 2.5, revaluation of certain fixed assets referred to in note 2.6 and revaluation of certain financial instruments at fair value as referred to in note 2.8.

2.2 Statement of Compliance

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 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 differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.3 Change in Accounting Policies

2.3.1 During the year, the SECP substituted the Fourth Schedule to the Ordinance which is effective from financial year ending on or after July 5, 2004. This has resulted in the change in accounting policies pertaining to capitalization of exchange differences (note 2.6) and recognition of dividends proposed subsequent to the year end (note 14). Comparative figures have been restated to reflect the effect of changes in accounting policies.

2.3.2 During the current year, the company in pursuance of Companies' (Amendment) Ordinance, 2002 and SRO 45(I) dated January 13, 2003 issued by SECP, has changed its accounting policy with respect to surplus on revaluation of fixed assets. Previously the gross surplus credited to this account was shown at its original amount arising at the date of revaluation and no adjustments were made except to the extent that it was actually realised on disposal of the assets that were revalued or deficit arising from revaluation of other fixed assets of the company.

The company has now recognised the deferred tax effect relating to the surplus on revaluation in accordance with International Accounting Standard (IAS) 12 (revised 2000) - Income Taxes. Moreover, each year the difference between depreciation based on revalued carrying amount of the asset (the depreciation charged in the profit and loss account) and depreciation based on the assets' original cost is transferred from the revaluation surplus to unappropriated profit, net of deferred tax. The incremental depreciation net of deferred tax relating to prior years has been transferred from the revaluation surplus to unappropriated profit under benchmark treatment of IAS 8 (revised 1993) - Net Profit or loss for the period, Fundamental errors and Changes in accounting policies, as referred to in note 4. Accordingly, comparative figures as reported in the balance sheet, profit and loss account and statement of changes in equity are restated to conform with the changed accounting policy. Had there been no change in the accounting policy:

- Surplus on revaluation of fixed assets would have been higher by Rs 7.354 million (2003: Rs 7.332 million).
- Deferred tax liability would have been lower by Rs 0.206 million (2003: Rs 0.223 million).
- Unappropriated profit would have been lower by Rs 7.113 million (2003: Rs 7.082 million).

2.4 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.

2.5 Employees' Retirement Benefits

2.5.1 Defined Benefit Plan

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

(a) Gratuity Fund

The company operates 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 this fund on the basis of actuarial recommendation @ 8.33% per annum of basic salary. Actuarial valuation for the scheme was carried out as at September 30, 2004.

Actual return on plan assets during the year was Rs.2.46 million. The actual return on plan assets represents 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 rate of the plan include allowances for deficit and surplus. Projected unit credit method using the following significant assumptions, is used for valuation of this scheme:

Discount rate	8%
Expected increase in eligible pay	7%
Expected rate of return on plan assets	10%

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

(b) Pension Fund

The company operates an approved funded defined benefit pension scheme for all permanent employees, who are in management cadre of the company. Monthly contributions are made to this fund on the basis of actuarial recommendation @ 20% per annum of basic salary. Actuarial valuation for the scheme was carried out as at September 30, 2004.

Actual return on plan assets during the year was Rs.10.962 million. The actual return on plan assets represents the difference between the fair value of 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 rate of the plan include allowances for deficit and surplus. Projected unit credit method using the following significant assumptions, is used for valuation of this scheme:

Discount rate	8%
Expected increase in eligible pay	7%
Expected rate of return on plan assets	10%

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

2.5.2 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.

2.6 Fixed Capital Expenditure and Depreciation

2.6.1 Operating Fixed Assets - Tangible

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 operating fixed assets are stated at cost less accumulated depreciation and any identified impairment loss.

Costs in relation to certain operating fixed assets comprises of historical cost, interest and cost attributable to bring the asset to working condition.

Increases in the carrying amount arising on revaluation of fixed assets are credited to surplus on revaluation of fixed assets. 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 fixed assets to unappropriated profit. All transfers to/from surplus on revaluation of fixed assets are net of applicable deferred income taxes.

Depreciation on all operating fixed assets is charged to profit on the reducing balance method so as to write off the cost of an asset over its estimated useful life at the annual rates given in note 16.1.

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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 an income or expense.

The company has changed its accounting policy relating to exchange differences on foreign currency loans. Previously exchange differences on foreign currency loans were included in the cost of tangible fixed assets. Effective from current year, the company accounts for exchange differences as an expense/income for the year.

The change in accounting policy has been applied prospectively in accordance with the 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 opening balance of un-appropriated profit. The comparative information has not been restated as it is impracticable to do so. The change in accounting policy has no effect on the amounts reported for in the Profit and Loss Account for the current year.

2.6.2 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 charges, are included in liabilities against assets subject to finance lease as referred to in note 7. The liabilities are classified as current and long term depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance charge 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 fixed assets during the year.

2.7.2 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.

2.8 Investments

Investments in Equity Instruments of Associated Undertakings

Investments in equity instruments of associated undertakings where the company has significant influence are stated using the equity method.

Other Investments

The other investments made by the company are classified for the purpose of measurement into the following categories.

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 are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are remeasured at fair value. 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.

The fair value of publicly traded securities is based on market prices quoted on Karachi Stock Exchange at the balance sheet date. The fair value of un-quoted securities is based on the break-up value of the most recent audited financial statements.

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 long term. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

Held for Trading

Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments. 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.

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.

2.9 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.

2.10 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.

Cost of work-in-process and finished goods comprises cost of direct materials, labour and appropriate manufacturing overheads.

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

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

2.11 Financial Instruments

Financial assets and financial liabilities are recognized 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.

2.12 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 realize the asset and settle the liability simultaneously.

2.13 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.

2.14 Creditors, Accrued and Other Liabilities

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.

2.15 Borrowings

Loans and borrowings are recorded at the proceeds received. In subsequent periods, borrowings are stated at amortised cost using the effective yield method. Financial charges are accounted for on an accrual basis and are included in creditors, accrued and other liabilities to the extent of the amount remaining unpaid.

2.16 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.

2.17 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 taken to the profit and loss account.

2.18 Provisions

Provisions are recognized 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 Borrowing Costs

Mark-up, interest and other charges on long-term borrowings are capitalized upto the date of commissioning of the respective fixed asset, acquired out of the proceeds of such long-term borrowings. All other mark-up, interest and other charges are charged to profit.

2.20 Derivative Financial Instruments

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

2.21 Revenue Recognition

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

Dividend income on equity investments except associates is recognized when the right of receipt is established. Dividend from associated undertakings is recognized as a reduction in cost of investments.

Gain/loss on investments in associated undertakings is accounted for to recognize the post acquisition changes in the share of net assets of the investee.

Return on deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

2.22 Business Segments

The company is divided into four business segments:

- Sugar division - manufacture of sugar;
- Distillery division - manufacture of ethanol;
- Particle board division - manufacture of particle boards; and
- Textile division - manufacture of yarn

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

2.22.1 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 long term loans and liabilities against assets subject to finance lease specifically acquired for the construction of segment assets, deferred liabilities, short term borrowings, 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.

2.22.2 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.

3. Authorised Capital

(Number of shares) 2004	2003		(Rupees in thousand) 2004	2003
50,000,000	50,000,000	Ordinary shares of Rs 10 each	**500,000**	500,000
50,000,000	-	Preference shares of Rs 10 each	**500,000**	-
100,000,000	50,000,000		**1,000,000**	500,000
-	30,000,000	Ordinary shares of Rs 10 each of former Crescent Ujala Limited	-	300,000

Issued, Subscribed and Paid Up Capital

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
750,000	750,000	Ordinary shares of Rs 10 each issued as fully paid for consideration other than cash	**7,500**	7,500
9,557,000	-	Ordinary shares of Rs 10 each issued as fully paid for consideration other than cash under the scheme of merger	**95,570**	-
		Former Crescent Ujala Limited		
-	25,100,000	Ordinary shares of Rs 10 each issued as fully paid for consideration other than cash	-	251,000
-	50,000	Ordinary shares of Rs. 10 each fully paid in cash	-	500
38,843,029	54,436,029		**388,430**	544,360

7,332,885 (2003: 6,529,503) ordinary shares of the company are held by associated undertakings.

4. Surplus on Revaluation of Operating Fixed Assets

Land, buildings and plant and machinery were revalued by an independent valuer as at September 30, 1979 and stated in note 16.1 at appreciated value. The revaluation surplus is net of applicable deferred income taxes.

	(Rupees in Thousand) 2004	2003
Opening balance	3,243	10,566
Deferred tax thereon	-	2,708
Revaluation net of deferred tax	3,243	7,858
Surplus transferred to unappropriated profit on account of incremental depreciation- net of tax for:		
- Prior years	-	4,581
- Current year	31	34
	31	4,615
	3,212	3,243

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.

5. Long Term Finances - Secured

These are composed of:

		(Rupees in Thousand) 2004	2003
Term finance certificates - No 1	- note 5.1	83,300	166,600
Term finance certificates - No 2	- note 5.2	159,904	199,920
		243,204	366,520
Long term loans	- note 5.3	1,554,224	293,713
		1,797,428	660,233
Less: Current portion shown under current liabilities			
- Term finance certificates		163,252	123,316
- Long-term loans		131,610	207,232
		294,862	330,548
		1,502,566	329,685

5.1 Term Finance Certificate - No. 1

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 15% per annum and a ceiling of 18.75% per annum.

Terms of Repayment

These are redeemable in eight semi-annual installments.

Security

These are secured against first pari passu charge on all present and future fixed assets of the company and pledge of investments referred to in note 25.1.1 having face value of Rs 32.44 million (2003: 40.00 million)

5.2 Term Finance Certificate - 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

These are redeemable in eight semi-annual installments.

Security:

These are secured against first pari passu charge on all present and future fixed assets of the company.

5.3 **Long Term Loans - Secured**

These are composed of:

Loan	Lender	2004	2003	Rate of mark-up per annum	Number of installments outstanding	Mark-up payable
		(Rupees in thousand)				
1	Pakistan Industrial Credit and Investment Corporation Limited	-	6,814	7%	Paid during the year	
2	Pakistan Industrial Credit and Investment Corporation Limited	9,172	11,072	7.50%	11quarterly instalments ending May 2008	Quarterly
3	Muslim Commercial Bank Limited	24,999	58,333	7.50%	3quarterly installments ending July 2005	Quarterly
4	Muslim Commercial Bank Limited	27,500	38,500	7.50%	5semi-annual installments ending February 2007	Semi annual
5	Muslim Commercial Bank Limited	75,000	-	5.00%	Payable in lump sum in February 2006	Lumpsum
6	Muslim Commercial Bank Limited	23,250	-	5.00%	6 semi-annual installments ending September 2006	Semi annual
7	Atlas Investment Bank Limited	40,000	40,000	(*) T-Bill rate +3.5%	8 semi annual installments commencing February 2005	Semi annual
8	National Bank Limited	243,105	73,611	6 months T-bill cut off yield +3.5%	8 semi annual installments commencing May 2007	Semi annual
9	International Housing Finance Limited	9,198	10,383	(**) Base rate +3.75% subject to floor of 7.5% and ceiling of 11.5%	52 monthly installments ending January 2009	Monthly
10	Orix Investment Bank Limited	12,000	15,000	SBP Discount rate + 2% subject to floor of 7.5% and cap of 15%	8 semi annual installments ending May 2008	Semi-annual
11	Pak Kuwait Investment Company	40,000	40,000	SBP Discount rate + 2% subject to floor of 7.5% and cap of 13%	8 semi annual installments ending August 2008	Semi-annual
12	Syndicate term loan	1,050,000	-	(***) Base rate + 3% subject to minimum of 5.25%	10 semi annual installments commencing April 2006.	Semi-annual
		1,554,224	293,713			

(*) Subject to floor of 5.5%

(**) Base represents the cut-off yield of the last auction of the 5-years Pakistan Investment Bonds

(***) Base rate represents the cut-off yield of the last auction of the 6-months Government of Pakistan Treasury Bills.

Security

Loan 1

This has been repaid during the year.

Loan 2

These finances are secured by first legal mortgage on company's present and future immoveable property wherever situated and hypothecation charge on all the present and future plant and machinery of the company.

Loan 3 to 8

These are secured against first charge on fixed assets of the company ranking pari passu with other creditors.

Loan 9

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

Loan No. 10

The loan is secured by way of hypothecation charge over plant and machinery of the textile division.

Loan No. 11

The loan is secured by first charge by way of hypothecation over all the present and future plant and machinery of textile division.

Loan No. 12

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 expansion project.

6. Long Term Advances

	(Rupees in Thousand) 2004	2003
Total advance from leasing companies	60,484	-
Less: Repayment to date	811	-
	59,673	-
Less: Current portion shown under current liabilities	9,954	-
	49,719	-

These represent advances from financial institutions and carry mark-up ranging from Re. 0.13076 per 1,000 per diem to Re. 0.28104 per 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 commissioning of respective assets.

	2004 (Rupees in Thousand)	2003 (Rupees in Thousand)
7. Liabilities Against Assets Subject To Finance Lease		
Present value of minimum lease payments	**219,266**	181,242
Less: Current portion shown under current liabilities	**51,344**	32,198
	167,922	149,044

The minimum lease payments have been discounted at an implicit interest rate ranging from 4.358% to 17% to arrive at their present value. Rentals are paid in monthly/quarterly/semi-annual installments and in case of default in any payment, an additional charge at the rate of 1.67% to 3% 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 charge	Present value of lease liability 2004	Present value of lease liability 2003
	(Rupees in Thousand)			
Not later than one year	69,926	18,582	51,344	32,198
Later than one year and not later than five years				
2005	-	-	-	47,166
2006	70,330	13,132	57,198	37,170
2007	58,381	9,208	49,173	41,232
2008	51,727	2,691	49,036	10,620
2009	13,247	732	12,515	-
	193,685	25,763	167,922	136,188
Later than five years	-	-	-	12,856
	263,611	44,345	219,266	181,242

		(Rupees in Thousand) 2004	2003

8. Employees' Retirement Benefits

The amounts recognized in the balance sheet are as follows:

		2004	2003
Pension fund	- note 8.1	3,278	-
Gratuity fund	- note 8.2	(1,712)	-
		1,566	-

8.1 Pension Fund

	2004	2003
Present value of defined benefit obligations	92,989	-
Fair value of plan assets	(79,799)	-
Non vested (past service) cost to be recognized in later periods	(11,461)	-
Unrecognized actuarial gains	1,549	-
Liability as at September 30	3,278	-
Net liability/(asset) as at October 01	-	-
Charge to profit and loss account	6,908	-
Contribution by the company	(3,630)	-
Liability as at September 30	3,278	-

8.1.1 Fair value of plan assets include Term Finance Certificates of the company whose fair value as at September 30, 2004 is Rs. 3.314 million (2003: Rs Nil).

8.1.2 The company has recognized the liability for pension fund in the current year in accordance with the actuarial valuation as at September 30, 2004. In the previous year liability/asset was not recognized by the company as it was considered immaterial.

	(Rupees in Thousand) 2004	2003
8.2 Gratuity Fund		
Present value of defined benefit obligations	21,176	-
Fair value of plan assets	(22,607)	-
Unrecognized actuarial (losses)	(281)	-
(Asset) as at September 30	(1,712)	-
Net liability/(asset) as at October 01	-	-
Charge to profit and loss account	40	-
Contribution by the company	(1,752)	-
(Asset) as at September 30	(1,712)	-

8.2.1 Fair value of plan assets include Term Finance Certificates of the company which have a fair value as at September 30, 2004 of Rs. 1.028 million (2003: Rs Nil).

8.2.2 The company has recognized the liability for gratuity fund in the current year in accordance with the actuarial valuation as at September 30, 2004. In the previous year liability/asset was not recognized by the company as it was considered immaterial.

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 3.037 million (2003: Rs Nil).

10. Deferred Taxation-net

The liability for deferred taxation comprises temporary differences relating to:

	(Rupees in Thousand) 2004	2003
Accelerated tax depreciation	210,518	132,004
Surplus on revaluation of fixed assets	206	223
Unused tax losses	(141,025)	(116,278)
Minimum tax available for carry forward	(19,215)	-
	50,484	15,949

		(Rupees in Thousand) 2004	2003
11. Current Portion of Long Term Liabilities			
Long term finances -secured	- note 5	**294,862**	330,548
Long term advances	- note 6	**9,954**	-
Liabilities against assets subject to finance lease	- note 7	**51,344**	32,198
		356,160	362,746

		2004	2003
12. Short Term Borrowings - Secured			
Short term running finances	- note 12.1	**938,011**	629,266
Export refinance	- note 12.2	**189,000**	71,500
Short term finances	- note 12.3	**364,086**	327,761
		1,491,097	1,028,527

12.1 Short Term Running Finances

Running finances available from a consortium of commercial banks under mark up arrangements amount to Rs. 2,321 million (2003: Rs 1,064 million) The rate of mark up range from Re. 0.1096 to Re. 0.2466 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 hypothecation of current assets of the company.

12.2 Export Refinance

The company has obtained export finance facilities aggregating to Rs 289 million (2003: Rs 100 million). The rates of mark up range from Re 0.08904 to 0.10959 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 finances obtained from a consortium of commercial banks under mark up arrangements carry mark-up ranging from Re. 0.1369 to Re. 0.2465 per Rs. 1,000 per diem on the balance outstanding. These are secured against registered charge on current assets of the company.

Of the aggregate facility of Rs 225 million (2003: Rs. 30 million) for opening letters of credit, the amount utilized at September 30, 2004 was Rs. 24.560 million (2003: Rs. 18.694 million). The aggregate facilities of letter of credits are secured against lien over shipping/import documents.

		(Rupees in Thousand) 2004	2003
13. Creditors, Accrued and Other Liabilities			
These are composed of:			
Trade creditors	- note 13.1	163,085	120,120
Advances from customers		220,035	30,595
Security deposits	- note 13.2	1,399	1,301
Accrued liabilities		29,792	22,924
Accrued mark-up on:			
Long term finances - secured		31,541	16,248
Liabilities against assets subject to finance leases		2,127	-
Short term borrowings - secured		7,638	6,900
		41,306	23,148
Workers' profit participation fund	- note 13.3	11,308	8,646
Payable to provident fund		1,108	4,959
Sales tax payable		14,011	33,552
Others		69,199	69,542
		551,243	314,787

13.1 Trade creditors include amount due to related parties Rs 12.175 million (2003: Rs 0.755 million).

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

	(Rupees in Thousand) 2004	2003
13.3 Workers' Profit Participation Fund		
As at October 1	8,646	6,783
Interest for the year	91	268
Provision for the year	11,308	8,397
	20,045	15,448
Less: Payments made during the year	8,737	6,802
As at September 30	11,308	8,646

14. Dividends

14.1 This represents unclaimed dividend

14.2 The company, effective from current year, has not recognized the final dividend, proposed subsequent to the year end, as a liability to comply with the substituted Fourth Schedule to the Ordinance, as referred to in note 2.3.1. Such a change in policy has been accounted for retrospectively and comparative financial statements have been restated in accordance with the recommended benchmark treatment of IAS 8. Had there been no change, the unappropriated profit and the current liabilities for the year ended September 30, 2004 would have been lower and higher respectively by Rs 67.975 million (2003: Rs 43.929 million).

14.3 The Board of Directors have approved a final dividend for the year ended September 30, 2004 of Rs. 1.75 per share, amounting to Rs. 67.975 million at their meeting held on December 30, 2004 for approval of the members at the Annual General Meeting to be held on January 31, 2005. These financial statements do not reflect this dividend payable, as explained in note 14.2 .

15. Contingencies and Commitments

15.1 Contingencies

Company's share of contingencies of associated undertakings is Rs. 13.82 million (2003: Rs 36.055 million)

15.2 Commitments in Respect of

(i) Letters of credit other than capital expenditure Rs 15.461 million (2003: Rs.0.615 million).

(ii) Bank guarantees amounting to Rs 9.295 million (2003: Rs.11.795 million)

(iii) Contract for capital expenditure amounting to Rs.363.02 million (2003: Rs.388.616 million).

(iv) Company's share of commitments of associated undertaking is Rs. 11.52 million (2003: Rs.4.971 million).

16. Operating Fixed Assets

16.1 The following is a statement of the operting fixed assets

(Rupees in Thousand)

DESCRIPTION	Cost/re-valued amount As at October 01, 2003	Additions/ (Deletions)	Transfers/ Adjustm-ents	Cost/re-valued amount As at September 30, 2004	Accumulated depreciation As at October 01, 2003	Depreciation charge (deletion) for the year	Transfers/ Adjustment	Accumulated depreciation As at September 30, 2004	Book Value As at September 30, 2004	Rate of depreciation %
Freehold land	62,702	35,584 (100)	-	98,186	-	-	-	-	98,186	-
Buildings and roads on freehold land	207,336	17,852 (1,167)	-	224,021	102,274	9,271 (623)	-	110,922	113,099	5-7.5
Plant and machinery	1,871,630	178,520 (43,909)	-	2,006,241	938,077	78,104 (12,149)	(3,564)	1,000,468	1,005,773	5-7.5
Tools and equipment	25,914	24,523 (4)	-	50,433	19,818	11,729 (3)	-	31,544	18,889	10-20
Water, electric and weighbridge equipment	19,049	12,002	-	31,051	11,993	3,812	-	15,805	15,246	40
Furniture and fixtures	17,516	7,657 (1)	-	25,172	11,292	2,474 (1)	-	13,765	11,407	10-20
Office equipment	1,682	775	-	2,457	670	179	-	849	1,608	10-20
Vehicles	26,079	9,693 (2,999)	-	32,773	14,829	3,997 (2,044)	-	16,782	15,991	20
Laboratory Equipment	6,912	150	-	7,062	1,155	295	-	1,450	5,612	5
Arms and ammunition	98	-	-	98	74	2	-	76	22	10
Library books	7,774	1,315	-	9,089	6,335	826	-	7,161	1,928	10
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	
2003	1,977,581	294,850 (91,044)	65,305	2,246,692	1,015,345	90,966 (2,982)	3,188	1,106,517	1,140,175	

16.2 The carrying amount of freehold land, building and plant and machinery would have been Rs 95.357 million (2003: Rs 95.357 million), Rs 112.789 million (2003: 104.726 million) and Rs 1,005.494 million (2003: 933.252 million) respectively, had there been no revaluation.

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

		(Rupees in Thousand) 2004	2003
Capital work in progress- unallocated expenditure	- note 18.2	**1,065**	-
Cost of sales	- note 28	**95,218**	80,265
Administrative expenses	- note 29	**14,406**	10,701
		110,689	90,966

16.4 Disposal of Operating Fixed Assets

Particulars of the assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
		(Rupees in thousand)				
Land	Mr Zeghum Abbas	100	-	100	100	Negotiation
Buildings						
Godown	The Premier Insurance Company of Pakistan Limited	1,167	623	544	544	Insurance Claim
Plant & Machinery						
Ring Frames	Crescent Standard Investment Bank Limited	7,930	3,045	4,885	8,127	Sale and lease back
Draw Frames	Crescent Standard Investment Bank Limited	3,521	170	3,351	3,598	Sale and lease back
Air Compressor	Crescent Standard Investment Bank Limited	891	-	891	1,145	Sale and lease back
Luwa Filter	Crescent Standard Investment Bank Limited	3,347	136	3,211	2,576	Sale and lease back
Card DK-903	Crescent Standard Investment Bank Limited	10,392	1,401	8,991	13,000	Sale and lease back
Ring Frame (Howa Model 1964)	Ghani & Co. Faisalabad	8,059	3,222	4,837	574	Negotiation
Schlafhorst (Knotter Model1970)	Ghani & Co. Faisalabad	922	388	534	96	Negotiation
Drawing Frame DZ-2C (Model 1980)	Ghani & Co. Faisalabad	4,311	1,815	2,496	313	Negotiation
Match Coner Murata	Shafi Spinning Mills. Lahore	4,255	1,792	2,463	739	Negotiation
Sanding Machine	Decent Chipboard Factory Lahore	281	179	102	410	Negotiation
Vehicles						
	Ex- Employee					
Suzuki Khyber	Mr. Abdur Rauf	382	282	100	150	Negotiation
	Outsiders					
Honda Civic	Anjum Motors Karachi	889	703	186	300	Negotiation
Land Cruiser	Anjum Motors Karachi	141	28	113	750	Negotiation
Toyota Corolla	Anjum Motors Karachi	677	455	222	222	Negotiation
Suzuki Margalla	Anjum Motors Karachi	110	22	88	120	Negotiation
Items having book value below Rs. 50,000		**805**	**559**	**246**	**1,360**	
Total		**48,180**	**14,820**	**33,360**	**34,124**	

17. Assets Subject to Finance Lease

(Rupees In Thousand)

	Cost as at October 1, 2003	Additions/ (transfers)	Cost as at September 30, 2004	Accumulated depreciation October 1, 2003	Depreciation charge/ (transfers) for the year	Accumulated depreciation September 30, 2004	Book value as at September 30, 2004	Rate of depreciation %
Plant and machinery	186,642	28,789	215,431	7,827	11,768	19,595	195,836	5-7.5
Vehicles	16,986	51,696	68,682	4,427	12,851	17,278	51,404	20
2004	203,628	80,485	284,113	12,254	24,619	36,873	247,240	
2003	176,830	149,192 (122,395)	203,627	24,907	10,002 (22,655)	12,254	191,373	

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

		(Rupees in Thousand) 2004	2003
Capital work in progress- unallocated expenditure	- note 18.2	**1,011**	-
Cost of sales	- note 28	**18,719**	6,863
Administrative expenses	- note 29	**4,889**	3,139
		24,619	10,002

18. Capital Work In Progress

		2004	2003
Civil works		**40,229**	3,260
Plant and Machinery	- note 18.1	**1,015,630**	77,340
Advances for plant and machinery		**266,061**	77,410
Unallocated expenditure	- note 18.2	**40,881**	-
Others	- note 18.3	**5,273**	280
		1,368,074	158,290

18.1 It includes an amount of Rs. 56 million (2003: Rs. Nil) being the cost of machinery which is financed through an advance from a financial institution as referred to in note 6 and will be capitalised upon completion.

18.2 It includes depreciation on operating fixed assets and leased assets of Rs. 1.063 million and Rs. 1.011 million respectively.

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

	(Rupees in Thousand) 2004	2003
19. Investments - Associated Undertakings		
Quoted		
Crescent Steel and Allied Products Limited		
987,831 (2003: 748,048) fully paid ordinary shares of Rs 10 each Equity held 4.06% (2003: 3.72%)	**67,935**	43,280
Crescent Sugar Mills and Distillery Limited		
Nil (2003: 955,848) fully paid ordinary shares of Rs 10 each Equity held Nil (2003: 5.03%)	-	22,837
The Crescent Textile Mills Limited		
Nil (2003: 17,561) fully paid ordinary shares of Rs 10 each Equity held Nil (2003: 0.04%)	-	869
Crescent Boards Limited		
Nil (2003: 91,960) fully paid ordinary shares of Rs 10 each Equity held Nil (2003: 0.78%)	-	1,645
Crescent Commercial Bank Limited (formerly MashreqBank Pakistan Limited)		
Nil (2003: 5,010,705) fully paid ordinary shares of Rs 10 each Equity held Nil (2003: 5.73%)	-	51,463
Crescent Jute Products Limited		
536,817 (2003: 536,817) fully paid ordinary shares of Rs 10 each Equity held 3.56% (2003: 3.56%)	-	-
Jubilee Spinning and Weaving Mills Limited		
Nil (2003: 15,584) fully paid ordinary shares of Rs 10 each Equity held Nil (2003: 0.22%)	-	-
Unquoted		
Crescent Standard Business Management (Private) Limited		
1,000,000 (2003: 550,000) fully paid ordinary shares of Rs 10 each Equity held 29.6% (2003: 48.84%)	**9,164**	5,489
	77,099	125,583

19.1 Aggregate market value of quoted investments is Rs 63.665 million (2003: Rs 140.435 million).

19.2 Investments having face value of Rs 0.182 (2003: Rs 0.236 million) are pledged as security against long term finances.

20. These represent security deposits and are interest free.

		(Rupees in Thousand) 2004	2003
21. Stores, Spares and Loose Tools			
Stores (including in transit Rs Nil (2003: Rs 0.738 million))		**12,268**	35,530
Spares		**35,288**	19,659
Loose tools		**1,811**	835
		49,367	56,024
Less: Provision for obsolete items		**1,500**	1,500
		47,867	54,524
22. Stock-in-Trade			
Raw materials	- note 22.1	**98,554**	92,709
Work-in-process		**9,968**	12,329
Finished goods	- note 22.2	**356,068**	601,408
		464,590	706,446

22.1 Raw materials amounting to Rs 98.55 million (2003: Rs Nil) are valued at net realisable value.

22.2 Finished goods amounting to Rs 14.564 million (2003: Rs. 20.64 million) are carried at net realisable value.

22.3 Raw materials and finished goods amounting to Rs 417.44 million are pledged with lenders as security against short term borrowings as referred to in note 12.

	(Rupees in Thousand) 2004	2003
23. Trade Debts- Considered good		
Secured	**37,129**	-
Unsecured	**79,666**	66,087
	116,795	66,087

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

24. Loans, Advances, Prepayments and Other Receivables

		(Rupees in Thousand) 2004	2003
Loans to employees - considered good		243	330
Advances - considered good	- note 24.1		
To suppliers and contractors		142,203	78,419
To sugarcane growers		17,342	20,195
		159,545	98,614
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 24.2	1,788	2,843
Income tax refundable		20,436	4,916
Sales tax refundable		94	2,994
Prepayments		19,845	7,572
Margins against bank guarantees		1,394	1,769
Others		45,245	53,850
		248,590	172,888

24.1 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% per annum.

24.2 Due from Related Parties

	(Rupees in Thousand) 2004	2003
Crescent Sugar and Distillery Limited	395	361
Crescent Steel and Allied Products Limited	816	700
Crescent Standard Business Management (Private) Limited	577	1,782
	1,788	2,843

		(Rupees in Thousand) 2004	2003
25. Short-Term Investments			
- Available for sale	- note 25.1	**2,050,045**	522,992
- Held for trading	- note 25.2	**149,833**	-
- Held to maturity	- note 25.3	**64,407**	-
		2,264,285	522,992

25.1 Available for Sale

		2004	2003
At cost	- note 25.1.1	**1,174,899**	544,209
Fair value gain/(loss)		**875,146**	(21,217)
		2,050,045	522,992

25.1.1 Available for Sale - At Cost

Quoted

	2004	2003
Pakistan Industrial Credit & Investment Corporation Limited 20,104,674 (2003: 6,137,875) fully paid ordinary shares of Rs 10 each	**617,489**	150,908
Safeway Mutual Fund Limited 15,013,540 (2003: 9,326,100) fully paid ordinary shares of Rs 10 each	**140,231**	89,382
Crescent Standard Investment Bank Limited 9,488,749 (2003: 4,879,858) fully paid ordinary shares of Rs 10 each	**64,084**	59,520
Crescent Leasing Corporation Limited 4,879,521 (2003: 4,319,352) fully paid ordinary shares of Rs 10 each	**71,725**	73,361
Trust Commercial Bank Limited 3,076,923 (2003: 9,695,939) fully paid ordinary shares of Rs 10 each	**22,000**	105,859
Crescent Knitwear Limited 700,000 (2003: 700,000) fully paid ordinary shares of Rs 10 each	**700**	7,122

	(Rupees in Thousan	
	2004	20
Prudential Discount & Guarantee House Limited 12,000 (2003: 46,000) fully paid ordinary shares of Rs 10 each	168	
The Premier Insurance Company of Pakistan Limited 40,129 (2003: 40,129) fully paid ordinary shares of Rs 5 each	44	
Asian Stocks Fund Limited 16,125,000 (2003: Nil) fully paid ordinary shares of Rs 10 each	158,268	
Pakistan Strategic Allocation Fund Limited 3,346,000 (2003: Nil) fully paid ordinary shares of Rs 10 each	33,460	
Crescent Commercial Bank Limited **(formerly MashreqBank Pakistan Limited)** 5,010,705 (2003: 5,010,705) fully paid ordinary shares of Rs 10 each	51,463	
Crescent Boards Limited 91,960 (2003: 91,960) fully paid ordinary shares of Rs 10 each	556	
PICIC Commercial Bank Limited Nil (2003: 910,500) fully paid ordinary shares of Rs 10 each	-	32
Fauji Fertilizer Company Limited Nil (2003: 25,000) fully paid ordinary shares of Rs 10 each	-	1
Shaheen Cotton Mills Limited Nil (2003: 535,000) fully paid ordinary shares of Rs 10 each	-	6
Crescent Spinning Mills Limited Nil (2003: 341,300) fully paid ordinary shares of Rs 10 each	-	3
Paramount Leasing Limited Nil (2003: 22,000) fully paid ordinary shares of Rs 10 each	-	
AR Pak International Investment Limited Nil (2003: 10,000) fully paid ordinary shares of Rs 10 each	-	
Pakistan Oil Fields Limited Nil (2003: 1,350) fully paid ordinary shares of Rs 10 each	-	
Pacific Leasing Company Limited Nil (2003: 2,000) fully paid ordinary shares of Rs 10 each	-	

	(Rupees in Thousand) 2004	2003
Jubilee Spinning and Weaving Mills Limited 15,584 (2003: 15,584) fully paid ordinary shares of Rs 10 each	-	-
Husein Sugar Mills Limited 631 (2003: 631) fully paid ordinary shares of Rs 10 each	-	-
Pakistan International Airlines Corporation Limited 26 (2003: 51) fully paid ordinary shares of Rs 10 each	-	-
Muslim Commercial Bank Limited Nil (2003: 3,565) fully paid ordinary shares of Rs 10 each	-	-
Unquoted		
International Housing Finance Limited 312,500 (2003: 312,500) fully paid ordinary shares of Rs 10 each	2,511	2,511
Crescent Group Services (Private) Limited 220,000 (2003: 220,000) fully paid ordinary shares of Rs 10 each	2,200	2,200
Asian Capital Management Limited 1,000,000 (2003: Nil) fully paid ordinary shares of Rs 10 each	10,000	-
Crescent Ujala Limited Nil (2003: 330,000) fully paid ordinary shares of Rs 10 each	-	3,300
Crescent Standard Business Management (Private) Limited Nil (2003: 450,000) fully paid ordinary shares of Rs 10 each	-	4,475
	1,174,899	544,209

Investments having face value of Rs 169.529 million (2003: Rs 40.537 million) are pledged as security against long term finances, working capital loans and bank guarantees.

25.2 Held for trading

Quoted

	2004	2003
Pakistan Industrial Credit & Investment Corporation Limited 784,044 (2003: Nil) fully paid ordinary shares of Rs 10 each	56,059	-
Hub Power Company Limited 1,000,000 (2003: Nil) fully paid ordinary shares of Rs 10 each	30,950	-

	(Rupees in Thousand) 2004	2003
Crescent Leasing Corporation Limited 1,154,666 (2003: Nil) fully paid ordinary shares of Rs 10 each	16,916	-
Dewan Salman Fiber Limited 850,000 (2003: Nil) fully paid ordinary shares of Rs 10 each	15,980	-
Pakistan Capital Market Fund Limited 764,500 (2003: Nil) fully paid ordinary shares of Rs 10 each	7,033	-
Sui Southern Gas Company Limited 235,000 (2003: Nil) fully paid ordinary shares of Rs 10 each	6,157	-
Al- Meezan Mutual Fund Limited 488,175 (2003: Nil) fully paid ordinary shares of Rs 10 each	5,809	-
Fauji Cement Company Limited 361,500 (2003: Nil) fully paid ordinary shares of Rs 10 each	5,603	-
Fauji Fertilizer Bin Qasim Limited 150,000 (2003: Nil) fully paid ordinary shares of Rs 10 each	2,970	-
Crescent Commercial Bank Limited 150,960 (2003: Nil) fully paid ordinary shares of Rs 10 each	1,502	-
Pak Suzuki Motor Company Limited 7,000 (2003: Nil) fully paid ordinary shares of Rs 10 each	854	-
	149,833	-

25.3 Held to Maturity

Musharika investment	64,407	-

This represents investment under musharika arrangement with Financial Link Modaraba on profit and loss sharing basis.

		(Rupees in Thousand) 2004	2003
26. Cash and Bank Balances			
At banks on:			
- saving accounts	- note 26.1		
- Pak rupees		124	24,036
- Foreign currency	- note 26.2	370	358
		494	24,394
- current accounts		26,807	10,777
		27,301	35,171
In hand		980	1,245
		28,281	36,416

26.1 Profit on balances in saving accounts ranges from 0.14% to 2% per annum.

26.2 Foreign currency accounts include US Dollars 5,278 (2003: 5,264) and Euros 778 (2003: 778).

27. Sales

(Rupees in Thousand)

	Sugar		Distillery		Particle Board		Textile		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Gross sales										
- Local	2,492,321	2,054,643	144,917	82,937	37,969	24,498	777,519	562,096	3,452,726	2,724,174
- Export	36,084	-	477,879	269,094	-	-	-	-	513,963	269,094
- By-products	239	-	-	-	-	-	16,865	8,403	17,104	8,403
- Inter-segment	230,818	146,038	-	-	-	-	-	-	-	-
	2,759,462	2,200,681	622,796	352,031	37,969	24,498	794,384	570,499	3,983,793	3,001,671
Less: Commission to selling agents	5,599	3,325	278	-	1,364	-	2,703	1,930	9,944	5,255
Sales tax	351,146	291,110	19,873	14,151	5,121	3,743	99,546	74,413	475,686	383,417
	356,745	294,435	20,151	14,151	6,485	3,743	102,249	76,343	485,630	388,672
Net sales	2,402,717	1,906,246	602,645	337,880	31,484	20,755	692,135	494,156	3,498,163	2,612,999

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

28. Cost of Goods Sold

(Rupees in Thousand)

	Sugar		Distillery		Particle Board		Textile		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Inter-segment	-	-	211,615	133,923	6,246	1,854	12,957	10,261	-	-
Raw materials consumed	1,650,594	1,770,044	82,068	46,368	994	-	515,271	344,595	2,248,927	2,161,007
	1,650,594	1,770,044	293,683	180,291	7,240	1,854	528,228	354,856	2,248,927	2,161,007
Salaries, wages and other benefits -note 28.2	64,871	56,663	5,762	2,772	2,395	2,167	31,821	28,934	104,849	90,536
Stores and spares consumed	67,712	60,776	5,542	3,039	1,811	1,005	17,041	3,638	92,106	68,458
Dyes and chemicals	18,114	17,484	16,405	10,147	6,785	2,085	-	-	41,304	29,716
Packing material consumed	24,184	22,764	-	-	-	-	7,203	6,124	31,387	28,888
Fuel and power	27,628	21,426	40,108	35,196	4,067	4,074	57,910	53,894	129,713	114,590
Repairs and maintenance	24,422	19,343	5,030	2,030	1,273	610	1,023	1,086	31,748	23,069
Insurance	3,875	3,079	205	196	92	90	2,455	1,934	6,627	5,299
Vehicle running and maintenance	5,041	2,684	-	-	-	-	-	-	5,041	2,684
Travelling and conveyance	807	341	-	-	-	-	688	885	1,495	1,226
Printing and stationery	790	448	-	-	-	-	-	-	790	448
Rent, rates and taxes	568	149	-	-	-	-	473	544	1,041	693
Sugarcane research and development	41,966	22,651	-	-	-	-	-	-	41,966	22,651
Staff training and development	4,536	4,367	-	258	-	-	-	-	4,536	4,625
Depreciation on fixed assets	71,019	58,639	14,987	10,457	921	947	8,291	10,222	95,218	80,265
Depreciation of leased assets	9,009	2,925	2,105	1,575	-	-	7,605	2,363	18,719	6,863
Other expenses	8,341	8,343	4,214	1,931	1,759	822	142	116	14,456	11,212
	2,023,477	2,072,126	388,041	247,892	26,343	13,654	662,880	464,596	2,869,923	2,652,230
Opening work-in-process	3,180	5,491	-	-	3,576	3,460	5,573	3,174	12,329	12,125
Less: Closing work-in-process	1,535	3,180	-	-	2,188	3,576	6,245	5,573	9,968	12,329
	1,645	2,311	-	-	1,388	(116)	(672)	(2,399)	2,361	(204)
Cost of goods produced	2,025,122	2,074,437	388,041	247,892	27,731	13,538	662,208	462,197	2,872,284	2,652,026
Opening stock of finished goods	521,113	192,254	55,760	21,426	3,850	10,566	20,685	7,623	601,408	231,869
	2,546,235	2,266,691	443,801	269,318	31,581	24,104	682,893	469,820	3,473,692	2,883,895
Less: Closing stock of finished goods	326,824	521,113	9,510	55,760	5,170	3,850	14,564	20,685	356,068	601,408
	2,219,411	1,745,578	434,291	213,558	26,411	20,254	668,329	449,135	3,117,624	2,282,487

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

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

(Rupees in thousand)

	Pension fund		Gratuity fund	
	2004	2003	2004	2003
Current service cost	3,642	-	850	-
Interest cost for the year	3,814	-	872	-
Expected return on plan assets	(4,016)	-	(1,146)	-
Recognition of past service cost	854	-	-	-
Recognition of transitional (asset)	(174)	-	(553)	-
	4,120	-	23	-

In addition to above, salaries, wages and other benefits include provident fund contribution of Rs 2.022 million (2003: Rs 1.839 million) by the company.

29. Administrative Expenses

(Rupees in Thousand)

		2004	2003
Salaries, wages and other benefits	- note 29.1	44,080	38,151
Repairs and maintenance		4,256	3,703
Insurance		1,809	1,502
Vehicle running and maintenance		2,785	2,016
Travelling and conveyance		11,337	6,015
Printing and stationary		2,207	1,280
Electricity and gas		878	804
Telephone, postage and telegram		2,946	2,623
Legal and professional charges	- note 29.2	4,039	2,045
Consultancy and advisory services		7,383	4,812
Rent, rates and taxes		4,040	2,136
Staff training and development		326	239
Entertainment		268	188
Subscriptions		4,230	2,911
Advertisements		512	739
Registered office expenses		726	726
Other receivables written off		5,745	-
Depreciation on fixed assets		14,406	10,701
Depreciation on leased assets		4,889	3,139
Others		3,728	2,673
		120,590	86,403

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

(Rupees in thousand)

	Pension fund		Gratuity fund	
	2004	2003	2004	2003
Current service cost	2,464	-	568	-
Interest cost for the year	2,580	-	583	-
Expected return on plan assets	(2,717)	-	(765)	-
Recognition of past service cost	578	-	-	-
Recognition of transitional (asset)	(117)	-	(369)	-
	2,788	-	17	-

In addition to above, salaries, wages and other benefits include provident fund contribution of Rs 0.768 million (2003: Rs 0.628 million) by the company.

29.2 Professional Services

	(Rupees in Thousand) 2004	2003
The charges for professional services include the following in respect of auditors' services for:		
Statutory audit	375	320
Audit of Workers' Profit Participation Fund and other certificates	83	30
Half yearly review	125	50
Cost audit	60	-
Out of pocket expenses	37	19
	680	419

30. Distribution and Selling Costs

		2004	2003
Salaries, wages and other benefits	- note 30.1	1,581	961
Freight and forwarding		38,028	24,978
Handling and distribution		3,629	2,695
Loading and unloading charges		1,619	1,185
Sales promotion expenses		501	915
Insurance		2,487	386
Others		982	2,090
		48,827	33,210

30.1 Salaries, wages and other benefits include provident fund contribution of Rs 0.338 million (2003: Rs 0.274 million) by the company.

		(Rupees in Thousand) 2004	2003
31. Other Operating Expenses			
Workers Profit Participation Fund		11,308	8,397
Loss on sale of fixed assets		6,696	-
Loss on sale of raw cotton		-	374
Loss on sale of investments in associated undertakings		13,728	-
Diminution in value of investments		-	630
Merger expenses		742	-
Social action program		3,212	-
Net exchange loss		2,721	-
Donations	- note 31.1	9,729	8,923
Others		605	-
		48,741	18,324

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

	2004	2003
32. Other Operating Income		
Income From Financial Assets		
Profit on sale of investments	82,479	46,902
Unrealised gain on investments held for trading	18,048	-
Unrealised gain on 'available-for-sale' investments of former Crescent Ujala Limited	-	6,862
Dividend income	49,587	13,231
Return on bank deposits	2,983	6,451
	153,097	73,446
Income From Non-Financial Assets		
Scrap sales	9,453	8,515
Profit on sale of fixed assets	-	3,817
Rental income	72	59
Commission on sale of fertilizer	72	118
Amortisation of deferred income	3,037	-
Underwriting commission	113	-
Others	5,354	1,214
	18,101	13,723
	171,198	87,169

	(Rupees in Thousand) 2004	2003
33. Finance Cost		
Interest and mark-up on:		
- Long term finances - secured	55,955	70,950
- Short term borrowings - secured	51,323	47,565
- Workers' profit participation fund	91	268
- Employees' provident fund	370	410
- Finance lease	17,478	18,976
Bank charges, commission and excise duty	7,069	7,632
Lease termination charges	-	2,078
Others	2,743	3,098
	135,029	150,977

	2004	2003
34. Provision for Taxation		
For the year		
- Current	20,017	14,000
- Deferred	(8,173)	15,708
	11,844	29,708
Prior year		
- Current	-	-
- Deferred	42,708	-
	42,708	-
	54,552	29,708

34.1 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, 2004 are estimated approximately at Rs 403 million (2003: Rs 332 million), including assessed tax losses of Rs 262 million (2003: Rs 262 million).

34.2 Tax charge reconciliation

Numerical reconciliation between the average effective tax rate and the applicable tax rate

	2004 % age	2003 % age
Applicable tax rate	**35.00**	35.00
Effect of:		
- Income chargeable to tax at lower rates	**(6.93)**	(2.47)
- Income not chargeable to tax	**(14.16)**	(10.30)
- Income under presumptive tax regime	**(8.63)**	(7.02)
- Others	**0.24**	3.44
Effect of change in prior year's tax	**19.90**	-
	(9.58)	(16.35)
Average effective tax rate charged to profit and loss account	**25.42**	18.65

35. Earnings per share

35.1 Basic earnings per share

		2004	2003
Profit after taxation attributable to ordinary shareholders	Rupees	**160,017,000**	129,578,000
Number of ordinary shares in issue during the year	Number	**38,843,029**	38,843,029
Earnings per share- basic	Rupees	**4.12**	3.34

35.2 Diluted earnings/(loss) per share

There is no dilution effect on the basic earnings per share of the company as the company has no such commitments.

36. Remuneration of Chief Executive and Executives

36.1 The aggregate amount charged in the accounts for the year for remuneration, including certain benefits, to the Chief Executive and executives of the Company is as follows:

(Rupees in Thousand)

Description	Chief Executive		Executives	
	2004	2003	2004	2003
Managerial remuneration	-	1,920	12,390	6,481
Contribution to provident fund, gratuity and pension funds	-	120	2,137	277
Production incentives	-	-	436	56
House rent	-	864	4,732	2,455
Utilities	-	192	1,238	648
Reimbursable expenses	-	177	722	323
Others	-	48	46	5
	-	3,321	21,701	10,245
Number of Persons	1	1	9	5

36.2 Chief executive's remuneration for the year ended September 30, 2003 represents remuneration and other benefits provided to chief executive of former Crescent Ujala Limited.

36.3 The Company also provides its chief executive and some of its executives with company maintained cars.

36.4 Aggregate amount charged in the accounts for the year for fee to 7 directors (2003: 6 directors) was Rs. 185,000 (2003: Rs. 115,000).

	(Rupees in Thousand) 2004	2003
37. Cash used in Operations		
Profit before taxation	214,569	159,286
Add: Adjustment for non cash charges and other items:		
Depreciation on fixed assets	110,689	90,966
Depreciation on leased assets	24,619	10,002
Amortisation of deferred income	(3,037)	-
Loss/(Profit) on sale of fixed assets	6,696	(3,832)
(Profit) on sale of investments	(82,479)	(46,902)
Loss on sale of investments in associates	13,728	-
Unrealised gain on investments held for trading	(18,048)	-
Unrealised gain on 'available-for-sale' investments of former Crescent Ujala Limited	-	(6,862)
Share of income from associates	(16,019)	(30,519)
Provision for employees' retirement benefits	6,948	-
Dividend income	(49,587)	(13,231)
Finance costs	135,029	150,977
	128,539	150,599
Profit before working capital changes	343,108	309,885
Effect on cash flow due to working capital changes:		
- Decrease/(increase) in stores and spares	6,657	(20,339)
- Decrease/(increase) in stock in trade	241,856	(424,622)
- (Increase)/decrease in trade debts	(50,708)	41,617
- (Increase)/decrease in loans, advances, prepayments and other receivables	(35,245)	697
- (Increase) in short term investments	(744,403)	(65,734)
- Increase in creditors, accrued and other liabilities	218,298	7,412
	(363,545)	(460,969)
	(20,437)	(151,084)

	2004	2003
	Number	
38. Number of Employees		
Number of employees as at September 30	1,402	1,295

39. Related Party Disclosures

Amounts due to and from related parties are shown under the relevant notes to the accounts and other significant transactions with related parties are given below.

Related party transactions are stated at prices considered equivalent to prices that would prevail in arm's length transactions principally substantiated in the following manner.

Relationship with the Company	Nature of Transactions	Pricing Method	(Rupees in Thousand) 2004	2003
i. Associated company	Dividends received	Not applicable	9,326	4,189
	Purchase of goods	Comparable uncontrolled price method	24,725	3,188
	Purchase of Services	Comparable uncontrolled price method	6,680	7,652
	Sale of yarn	Comparable uncontrolled price method	9,860	3,973
	Share of common expenses	Comparable uncontrolled price method	2,496	1,263

40. Capacity and Production

		2004	2003
Sugar:			
On the basis of 160 days	M. Tons	108,800	108,800
Actual production	M. Tons	136,813	127,060
Distillery:			
On the basis of 270 days working	Litres	32,400,000	21,600,000
Actual production	Litres	35,408,000	26,233,000
Particle board:			
On the basis of 200 days working	Cubic meter	6,000	6,000
Actual production	Cubic meter	5,025	1,668
Textile:			
Capacity (converted in 20s counts)	Kgs.	8,899,263	8,498,993
Actual production (converted in 20s counts)	Kgs.	8,875,560	8,248,640

40.1 The low production of particle board was due to shortage of baggase.

41. Business Segments Information

(Rupees in Thousand)

		Sugar		Distillery		Particle Board		Textile		Total	
		2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	Net sales - note 27	2,402,717	1,906,246	602,645	337,880	31,484	20,755	692,135	494,156	3,498,163	2,612,999
	Segment expenses										
	- Cost of sales - note 28	2,219,411	1,745,578	434,291	213,558	26,411	20,254	668,329	449,135	3,117,624	2,282,487
	Gross profit/(loss)	183,306	160,668	168,354	124,322	5,073	501	23,806	45,021	380,539	330,512
	- Administrative expenses - note 29	70,382	52,966	17,653	9,388	922	577	31,633	23,473	120,590	86,403
	- Distribution and selling costs - note 30	8,179	6,420	38,986	25,202	123	70	1,538	1,518	48,827	33,210
		78,561	59,386	56,639	34,590	1,045	647	33,171	24,991	169,417	119,613
	Segment results	104,745	101,282	111,715	89,732	4,028	(146)	(9,365)	20,030	211,122	210,899
41.1	**Inter segment sales and purchases**										
	Inter-segment sales and purchases have been eliminated from total figures.										
41.2	**Segment assets**	2,011,266	1,371,742	567,657	234,950	19,220	19,920	536,088	614,792	3,134,231	2,241,404
	Unallocated assets									3,053,030	955,087
										6,187,261	3,196,491
41.3	**Segment liabilities**	1,034,387	28,626	320,564	1,223	1,228	113	313,192	357,978	1,669,371	387,940
	Unallocated liabilities									4,517,890	2,808,551
										6,187,261	3,196,491
41.4	**Capital expenditure**	189,811	51,394	83,015	28,951	1,135	-	37,556	108,716	311,517	189,061
	Unallocated									57,039	254,981
										368,556	444,042
41.5	**Depreciation/Amortization**	80,026	61,564	17,092	12,031	921	947	17,769	15,140	115,808	89,682
	Unallocated									19,500	11,286
										135,308	100,968
41.6	**Secondary reporting format** Segment revenue from external customers by geographical areas is as follows:										
	Distillery export sales - Europe	-	-	477,879	269,094	-	-	-	-	477,879	269,094
	Sugar export sales - Others	36,084	-	-	-	-	-	-	-	36,084	-
	Local sales	2,135,815	1,760,208	124,766	68,786	31,484	20,755	692,135	494,156	2,984,200	2,343,905
		2,171,899	1,760,208	602,645	337,880	31,484	20,755	692,135	494,156	3,498,163	2,612,999

42. Financial Assets and Liabilities

	2004						2004	2003
	Interest/Mark-up Bearing			Non Interest Bearing			Total	Total
	Maturity upto one year	Maturity after one years	Sub-Total	Maturity upto one year	Maturity after one year	Sub-Total		
Financial assets								
Long term deposits	-	-	-	-	36,679	36,679	36,679	21,717
Trade debts	-	-	-	116,795	-	116,795	116,795	66,087
Loans, advances and other receivables	17,342	-	17,342	47,103	-	47,103	64,445	54,857
Short term investments	-	-	-	2,264,285	-	2,264,285	2,264,285	522,992
Cash and bank balances	493	-	493	27,788	-	27,788	28,281	36,416
	17,835	-	17,835	2,455,971	36,679	2,492,650	2,510,485	701,869
Off balance sheet	-	-	-	-	-	-	-	-
	17,835	-	17,835	2,455,971	36,679	2,492,650	2,510,485	701,869
Financial liabilities								
Long term finances	294,862	1,502,565	1,797,427	-	-	-	1,797,427	660,233
Long term advances	9,955	49,718	59,673	-	-	-	59,673	-
Liabilities against assets subject to finance lease	51,344	167,922	219,266	-	-	-	219,266	181,242
Employees' retirement benefits	-	-	-	-	1,566	1,566	1,566	-
Finances under mark up arrangements and other credit facilities	1,491,097	-	1,491,097	-	-	-	1,491,097	1,028,527
Creditors, accrued and other liabilities	1,108	-	1,108	281,491	-	281,491	282,599	205,394
Dividends	-	-	-	1,659	-	1,659	1,659	1,347
	1,848,366	1,720,205	3,568,571	283,150	1,566	284,716	3,853,287	2,076,743
Off balance sheet								
Contracts for capital expenditure	-	-	-	363,020	-	363,020	363,020	388,616
Guarantees	-	-	-	9,295	-	9,295	9,295	11,795
Letters of credit other than for capital expenditure	-	-	-	15,461	-	15,461	15,461	615
	-	-	-	387,776	-	387,776	387,776	401,026
On balance sheet gap	(1,830,531)	(1,720,205)	(3,550,736)	2,172,821	35,113	2,207,934	(1,342,802)	(1,374,874)
Off balance sheet gap	-	-	-	(387,776)	-	(387,776)	(387,776)	(401,026)

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

42.1 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 recognized 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 2,510 million, the financial assets which are subject to credit risk amount to Rs 2,509 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 and cash flow risk exposures are primarily managed by contracting floor and cap of interest rate.

(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.

42.2 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.

43. Date of Authorization of Issue

These financial statements were authorised for issue on December 30, 2004 by the Board of Directors of the company.

44. Corresponding Figures

Previous year's figures have been rearranged, wherever necessary for the purposes of comparison and include corresponding figures of former Crescent Ujala Limited after elimination of inter-company balances and transactions. Significant re-arrangements made are as follows:

	(Rupees in thousand)
Re-classification of Non-participatory redeemable capital-secured to short term borrowings-secured	150,000
Classified as creditors, accrued and other liabilities - Workers' profit participation fund	8,485
Classified as loans, advances, prepayments and other receivables - Provision for taxation	24,226

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

Chief Executive

Chairman

Pattern of Shareholding
As at September 30, 2004

FORM 34

No. of Shareholders	Shareholding From	Shareholding To	Total shares Held
242	1	100	8,712
242	101	500	70,346
182	501	1,000	127,202
172	1,001	5,000	382,540
49	5,001	10,000	387,770
20	10,001	15,000	247,835
8	15,001	20,000	136,144
12	20,001	25,000	275,588
6	25,001	30,000	168,672
12	30,001	35,000	389,624
7	35,001	40,000	267,288
6	40,001	45,000	262,879
4	45,001	50,000	186,984
4	50,001	55,000	208,928
3	55,001	60,000	170,819
3	60,001	65,000	188,211
2	70,001	75,000	145,360
2	80,001	85,000	165,263
3	85,001	90,000	262,928
2	95,001	100,000	197,350
1	105,001	110,000	106,933
1	140,001	145,000	141,420
1	145,001	150,000	150,000
1	155,001	160,000	157,906
2	165,001	170,000	337,170
1	175,001	180,000	180,000
1	180,001	185,000	180,074
1	185,001	190,000	186,432
1	215,001	220,000	216,665
1	260,001	265,000	264,224
1	280,001	285,000	281,300
1	290,001	295,000	294,105
1	295,001	300,000	296,500
1	325,001	330,000	325,444
1	400,001	405,000	405,000
1	735,001	740,000	735,765
1	775,001	780,000	779,286
1	1,175,001	1,180,000	1,180,000
1	1,445,001	1,450,000	1,447,201
1	1,855,001	1,860,000	1,915,496
1	2,030,001	2,035,000	2,035,000
1	3,230,001	3,235,000	3,230,648
1	3,525,001	3,530,000	3,528,702
1	7,520,001	7,525,000	7,523,487
1	8,690,001	8,695,000	8,693,828
1,007			38,843,029

Pattern of Shareholding
As at September 30, 2004

	Categories of Shareholders	Shares Held	%age
5.1	**Directors, Chief Executive Officer, Their Spouse and Children**		
	Chief Executive		
	Mr. Ahsan M. Saleem	180,924	0.46
	Directors		
	Mr. Khalid Bashir	2,519	0.01
	Mr. Mazhar Karim	27,318	0.07
	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. Shahnaz A. Saleem	12,547	0.03
	Mrs. Tanveer Khalid Bashir	64,802	0.17
		350,561	**0.90**
5.2	**Associated Companies, Undertakings & Related Parties**		
	Crescent Jute Products Limited	167,200	0.43
	Crescent Standard Business Management (Pvt) Ltd.	7,523,487	19.37
	Crescent Steel And Allied Products Limited	3,528,702	9.08
	Crescent Sugar Mills & Distillery Limited	1,915,496	4.93
	The Crescent Textile Mills Limited	3,230,648	8.32
	The Premier Insurance Co. of Pakistan Ltd.	62,500	0.16
		16,428,033	**42.29**
5.3	**NIT & ICP (Name Wise Detail)**		
	Investment Corporation of Pakistan	34,131	0.09
	National Bank of Pakistan, Trustee Deptt.	8,693,828	22.38
		8,727,959	**22.47**
5.4	**Banks, DFI's, NBFC's**	**3,141,658**	**8.09**
5.5	**Insurance Companies**	**121**	**0.00**
5.6	**Modarabas and Mutual Funds**	**1,459,087**	**3.76**
5.7	**Other Companies**	**3,167,149**	**8.15**
5.8	**Non Residents**	**157**	**0.00**
5.9	**General Public**	**5,568,304**	**14.34**
		38,843,029	**100.00**

Shareholders More Than 10 percent

Crescent Standard Business Management (Pvt) Ltd.	7,523,487	19.37
National Bank of Pakistan, Trustee Deptt.	8,693,828	22.38