Shareholders' Information

- National Bank of Pakistan Limited
- The Bank of Punjab
- United Bank Limited
- Standard Charterd Bank (Pakistan) Limited
- Saudi Pak Commercial Bank Limited

Works

Principal Facility

Management House, Toba Road Jhang, Pakistan.
Tel:+92-47-7629337-41
Tlx: 43471CJP PK Fax: +92-47-7620272
E-mail: ssugar@shakarganj.com.pk

Satellite Facility

63 K.M. Jhang Sargodha Road, Bhone.
Tel: +92-47-7223016, 223075
Fax: +92-47-7223017

Website

www.shakarganj.com.pk

Registered Office

Crescent Standard Tower,
10-B Block E 2, Gulberg III, Lahore. Pakistan
Tel: +92-42-5783827-29
Fax: +92-42-5875916

Principal Office

10th Floor, Crescent Standard Tower,
10-B Block E 2, Gulberg III, Lahore. Pakistan
Tel: +92-42-5783801-2
Fax: +92-42-5870357

Karachi Office

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

Faisalabad Office

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

Annual General Meeting

The 40th Annual General Meeting of Shakarganj Mills Limited will be held on Monday, December 31, 2007 at 11:00 a.m. at Qasr-e-Noor, 9 E 2 Main Boulevard, Gulberg III, Lahore.

Gulab Jamuns are fried dough balls dipped in a sugar syrup and flavoured with cardamom seeds and rosewater or saffron.

Company Information

From Left to Right: Khalid Bashir, Muhammad Arshad, Muhammad Anwar, Mazhar Karim, Ahsan M. Saleem, Gul Nawaz, Muhammad Asif

Board of Directors

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

Audit Committee

Chairman	Muhammad Anwar
	Khalid Bashir
	Muhammad Asif

Chief Financial Officer Mahboob Ali Qureshi

Company Secretary Tariq Aleem

Management Committees

Business Strategy Committee
Ahsan M. Saleem
Anjum M. Saleem
Dr. Wasim Azhar
Muhammad Asghar Qureshi
Pervaiz Akhter
Manzoor Hussain Malik
Shahid Hamid Mir
Ch. Shah Muhammad

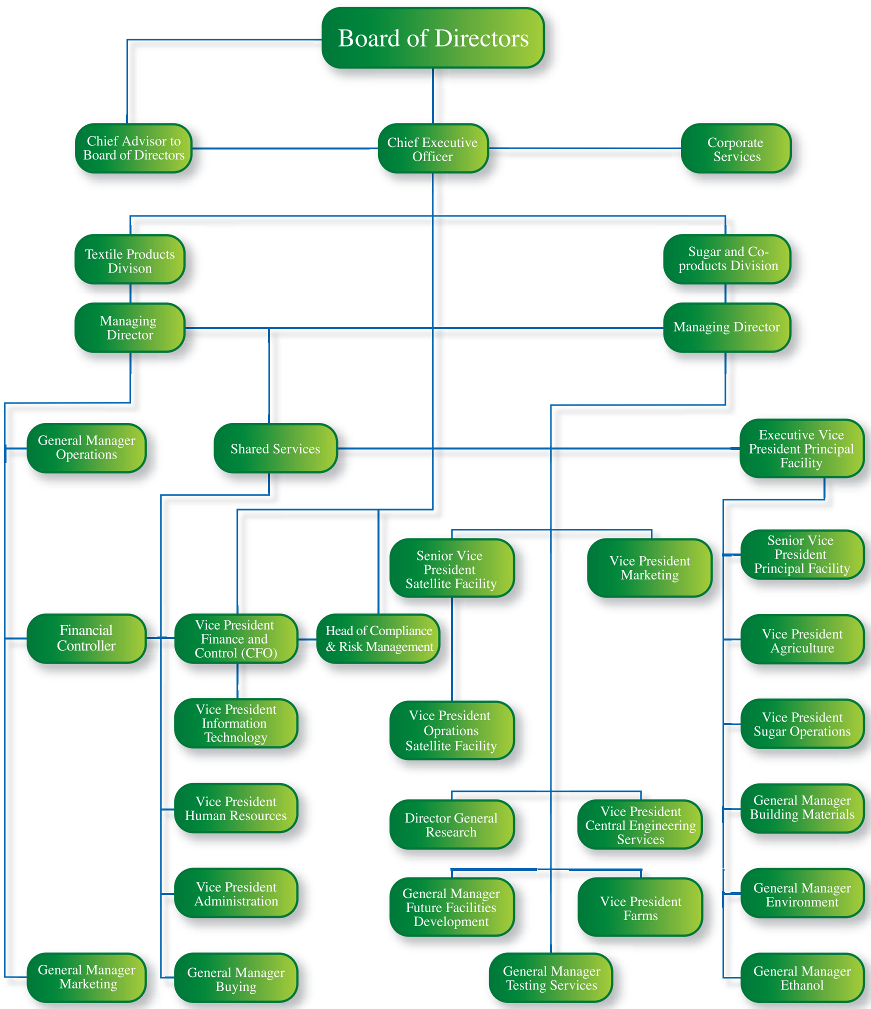
Executive Committee
Ahsan M. Saleem
Anjum M. Saleem
Muhammad Asghar Qureshi

System & Technology Committee
Muhammad Awais Qureshi
Ashraf Khan Afridi
Ch. Shah Muhammad
Mahboob Ali Qureshi
Saad Akhtar Jaffery

Investment Committee
Ahsan M. Saleem
Anjum M. Saleem

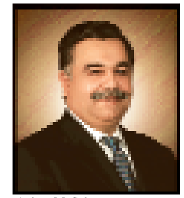
Human Resource Committee
Muhammad Asghar Qureshi
Muhammad Awais Qureshi
Ashraf Khan Afridi
Ch. Shah Muhammad
Mahboob Ali Qureshi
Hameedullah Awan

Management Structure



The Management

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
Senior Vice President
Principal Facility *1981

Ashraf Khan Afridi
Senior Vice President
Satellite Facility *2003

Manzoor Hussain Malik
Vice President Agriculture
*1980

Ch. Shah Muhammad
Head of Compliance &
Risk Management *2007

Mahboob Ali Qureshi
Chief Financial Officer
*2007

Hameedullah Awan
Vice President Administration
*2001

Dr. Shahid Afghan
Director General Research
*1987

Maqsood Bhatti
Vice President Operations
Satellite Facility *1986

Asif Ali
General Manager Finance
*1996

Shahid Hussain
Manager Quality Control
& Testing
*2006

Langer Khan
Vice President Farms
*2004

Amjad Farooq
Head of Internal Audit
*2004

Shareholders' Information

Popular across Pakistan, sweet doughballs called Chum Chum are a must at any festive or seasonal occasion.

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: +92-42-5783830 & 33 +92-42-5783827-29
Email: tariqaleem@shakarganj.com.pk

Shareholders' Information

Inquiries concerning lost stock certificates, dividend payment, change of address, verification of transfer deeds and share transfers should be directed to Shareholder Services Department at the Registered Office at Lahore.
Tel: +92-42-5783830 & 33 +92-42-5783827-29
Fax: +92-42- 5875916
E-mail: tariqaleem@shakarganj.com.pk

Products

- Ethanol
- Particle Board
- Sugar
- Yarn

Legal Advisor

Hassan & Hassan Advocates, Lahore.

Auditors

A. F. Ferguson & Co.
Chartered Accountants

Bankers

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

Shareholders' Information

- National Bank of Pakistan Limited
- The Bank of Punjab
- United Bank Limited
- Standard Charterd Bank (Pakistan) Limited
- Saudi Pak Commercial Bank Limited

Works

Principal Facility

Management House, Toba Road Jhang, Pakistan.
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Website

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Subsidiary Information

Chum-Chum is packed with tempting textures, juices and flavors. The sponge is light and delicious with an airy texture that's pure heaven. Bite through the moist interior and the different textures give you even more flavors. Also called "Pleasure Boat" because they are truly delicious and very sweet.

Shakarganj Food Products Limited

Products - (Dairy Division)
UHT Milk,
UHT Cream
Desi Ghee
Milk Powder

Products - (Juice Division)
Kinnow Concentrate
Mango Pulp

Legal Advisor
Hasan & Hasan Advocates, Lahore

Auditors
Riaz Ahmad & Co.
Chartered Accountants

Bankers
Allied Bank Limited
Bank Alfalah Limited
The Bank of Punjab
Faysal Bank Limited
MCB Bank Limited
Standard Chartered Bank (Pakistan) Limited.
Industrial Development Bank of Pakistan.

Works (Dairy Division)
4-KM, Lahore Road, Jaranwala, Pakistan.
Tel:+92-41-4310869
Fax:+92-41-4314569

Works (Juice Division)
15-KM, Sargodha Road, Near Ahmed Nagar, Chiniot,
District Jhang, Pakistan.
Tel:+92-47-6277400
Fax:+92-47-6212707

Website
www.shakarganjfoods.com

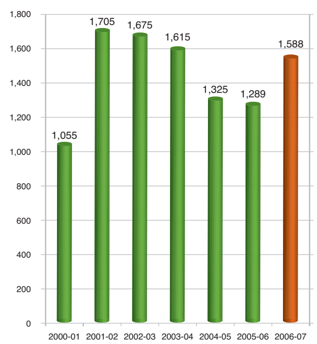
Registered Office
6th Floor, Crescent Standard Tower,
10-B, Block E-2, Gulberg III, Lahore, Pakistan.
Tel:+92-42-5783827-29
Fax:+92-42-5875916

Production Data

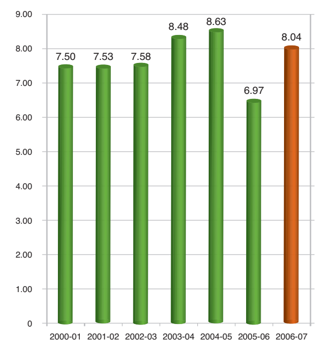
Season	Duration Season (Days)	Cane Crushed (M. Tons)	Raw Sugar Processed (M. Tons)	Sugar Produced (M. Tons)	Recovery (Percent)	Process Losses (Percent)	Molasses (M. Tons)	Ethanol (Litres)	Building Material (Cubic Meter)
2006-07	**155**	**1,587,929**	**–**	**128,170**	**8.04**	**2.30**	**79,340**	**35,093,676**	**1,834**
2005-06	170	1,288,548	92,968.40	178,934	6.97	2.54	71,008	27,625,611	1,477
2004-05	160	1,324,510	67,930.40	177,679	8.63	2.17	66,190	33,245,964	3,584
2003-04	159	1,614,539	–	136,813	8.48	2.41	81,953	35,408,000	5,141
2002-03	196	1,675,370	–	127,060	7.58	2.36	84,277	26,233,000	1,668
2001-02	195	1,704,812	–	128,000	7.53	2.42	91,890	15,800,156	5,670
2000-01	161	1,054,992	27,811.59	105,550	7.50	2.31	53,601	10,469,000	1,571
1999-00	144	524,377		39,965	7.63	2.20	24,243	4,967,000	497
1998-99	157	1,350,119		101,479	7.51	2.23	61,756	5,324,756	1,922
1997-98	163	1,434,389		112,430	7.85	2.38	73,477	6,350,000	2,784
1996-97	176	1,036,955		79,740	7.69	2.50	54,711	6,015,000	-
1995-96	151	763,316		60,285	7.92	2.65	39,397	2,573,700	2,118
1994-95	157	1,057,036		86,075	8.11	2.77	53,172	5,460,000	5,299
1993-94	196	1,203,371		88,117	7.34	2.65	60,150	5,250,076	4,335
1992-93	161	691,839		54,055	7.85	2.68	35,980	4,887,020	1,663
1991-92	174	746,506		63,986	8.57	2.53	37,710	4,525,900	3,360
1990-91	204	866,552		65,537	7.56	2.59	47,135	3,422,204	643
1989-90	187	708,632		57,912	8.17	2.31	33,180	3,030,217	
1988-89	170	446,325		36,367	7.70	2.44	22,410		
1987-88	193	698,605		55,726	7.98	2.61	38,740	308,494	
1986-87	149	333,601		27,899	8.36	2.24	15,060	1,855,809	
1985-86	113	237,602		20,625	8.66	2.29	11,470	20,239	
1984-85	168	441,718		39,523	8.96	2.38	22,580		
1983-84	173	427,169		35,501	8.31	2.40	21,860		
1982-83	173	361,291		29,440	8.16	2.44	16,255		
1981-82	207	466,040		39,474	8.47	2.48	21,255		
1980-81	187	287,723		25,562	8.89	2.42	13,373		
1979-80	112	61,207		5,619	8.95	2.25	2,358		
1978-79	114	107,106		9,267	8.80	2.27	4,147		
1977-78	177	319,960		27,620	8.61	2.44	14,103		
1976-77	166	308,987		26,086	8.45	2.67	15,228		
1975-76	157	246,394		18,865	7.61	2.68	11,424		
1974-75	107	104,069		8,253	8.30	2.75	4,182		
1973-74	101	87,825		5,477	6.28	3.57	4,726		

Production Data

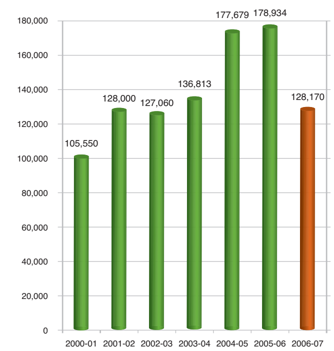
Cane Crushed (M. Tons)



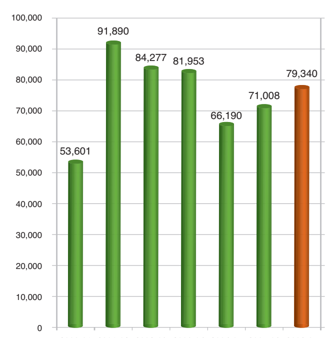
Recovery
(%)



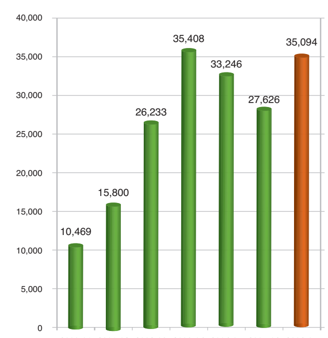
Sugar Produced (M. Tons)



Molasses Produced
(M. Tons)



Ethanol Produced
(Thousand Litres)

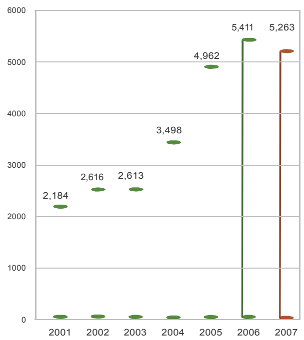


Financial Highlights

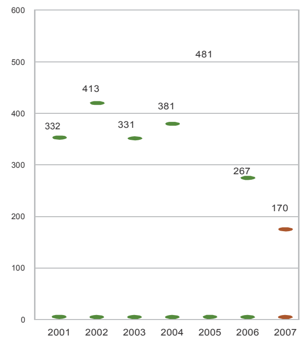
		2007	2006	2005	2004	2003	2002	2001
Operating Results:								
Net Sales	(Rs 000)	**5,262,787**	5,410,521	4,962,460	3,498,163	2,612,999	2,615,804	2,183,827
Cost of Sales	(Rs 000)	**5,093,014**	5,143,938	4,481,071	3,117,624	2,282,487	2,203,240	1,851,686
Gross Profit	(Rs 000)	**169,773**	266,583	481,389	380,539	330,512	412,564	332,141
Operating Profit	(Rs 000)	**1,905,807**	405,853	459,144	345,076	210,899	333,079	254,646
Profit after tax	(Rs 000)	**621,179**	66,639	207,381	155,495	129,578	110,650	13,495
Dividends	(Rs 000)	**57,936**	–	–	67,975	43,929	43,929	21,965
Per Share Results and Return:								
Earnings Per Share	(Rupees)	**10.72**	1.25	4.32	4.12	3.34	3.78	0.46
Cash Dividend per Share	(Rupees)	**1.00**	–	–	1.75	1.50	1.50	0.75
Dividend yield ratio	(%)	**2.13**	–	–	3.36	4.76	14.63	7.14
Dividend pay out ratio	(%)	**9.33**	–	–	43.72	33.90	39.70	162.76
Market Price Per Share	Rupees	**47.00**	25.65	47.50	52.10	31.50	10.25	10.50
Price Earning Ratio	(Times)	**4.38**	20.52	11.00	13.01	9.44	2.71	22.83
Financial Position								
Reserves	(Rs 000)	**1,301,388**	2,694,008	2,405,203	1,604,083	390,426	118,106	144,244
Current Assets	(Rs 000)	**3,036,408**	5,244,222	4,541,391	3,172,014	1,559,353	753,172	675,554
Current Liabilities	(Rs 000)	**4,545,163**	6,761,064	4,897,890	2,400,159	1,707,407	776,258	968,488
Net Current Assets / (Liabilities)	(Rs 000)	**(1,508,755)**	(1,516,842)	(356,499)	771,855	(148,054)	(23,086)	(292,934)
Property, plant and equipment	(Rs 000)	**5,982,153**	4.168,832	1,744,787	1,287,761	1,140,175	779,251	700,568
Total Assets	(Rs 000)	**10,910,513**	11,718,890	10,086,660	6,193,218	3,196,491	1,815,615	1,849,787
Long-Term Debt	(Rs 000)	**2,245,822**	1,966,387	2,291,537	1,772,257	660,233	642,685	670,158
Long-Term Debt to Equity Ratio	(Times)	**0.87**	0.59	0.74	0.88	0.79	1.22	1.53
Shareholders' Equity	(Rs 000)	**2,585,146**	3,356,562	3,102,264	2,009,602	835,233	526,590	437,132
Share Capital	(Rs 000)	**579,365**	579,365	540,537	388,430	388,430	292,860	292,860
Break-up Value per Share	(Rupees)	**44.62**	62.77	76.00	51.52	21.50	17.98	14.93
Financial Ratios:								
Current Ratio	(Times)	**0.67**	0.78	0.93	1.32	0.91	0.97	0.70
Long-Term Debt to Capitalization	(%)	**46.49**	36.94	42.48	46.86	44.15	54.96	60.52
Total Debt to Total Assets	(%)	**59.44**	71.36	69.24	58.44	73.87	71.00	76.37
Return on Average Assets Employed	(%)	**18.42**	4.42	6.77	3.67	5.17	6.04	0.82
Return on Average Equity	(%)	**95.07**	26.50	37.55	16.46	19.03	22.96	3.06
Gross Profit Ratio	(%)	**3.23**	4.93	9.70	10.88	12.65	15.77	15.21
Net Profit Margin	(%)	**11.80**	1.23	4.18	4.45	4.96	4.23	0.62
Interest Coverage	(Times)	**2.46**	0.84	1.78	2.55	1.97	2.10	1.23
Average Collection Period	(Days)	**5**	15	24	12	9	14	9
Debtor's turnover ratio	(%)	**36.51**	19.85	22.32	29.95	31.53	33.95	57.62
Inventory Turnover	(Times)	**4.53**	2.82	4.76	6.71	3.43	10.01	5.52
Fixed Assets Turnover	(Times)	**0.85**	1.22	2.45	2.71	1.75	3.02	2.66
Total Assets Turnover	(Times)	**0.49**	0.54	0.60	0.66	0.82	1.44	1.18
Other Data:								
Depreciation & Amortization	(Rs 000)	**392,038**	313,234	169,131	135,308	100,968	71,835	67,347
Capital Expenditure	(Rs 000)	**365,944**	2,732,941	602,993	288,071	294,850	146,838	58,640

Financial Highlights

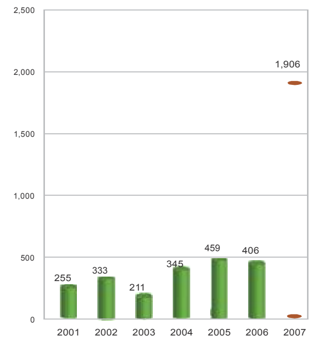
Net Sales
(Rupees in million)



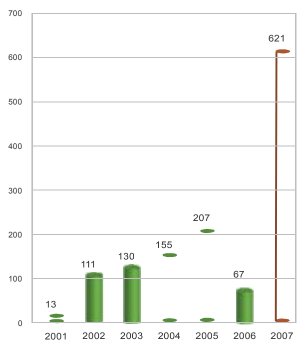
Gross Profit
(Rupees in million)



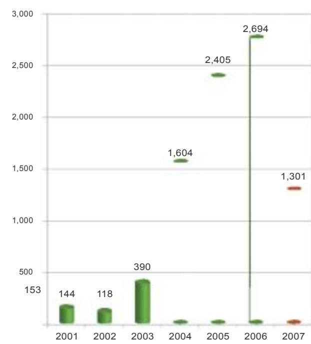
Operating Profit
(Rupees in million)



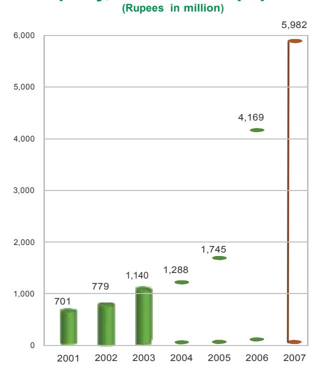
Profit after tax
(Rupees in million)



Reserves
(Rupees in million)

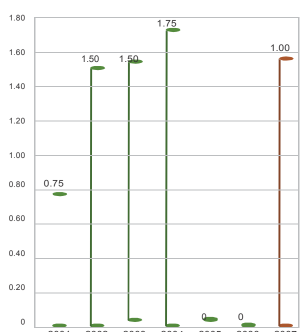


Property, Plant and Equipment
(Rupees in million)

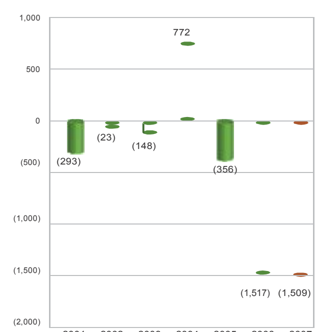


Season

Cash Dividend Per Share
(Rupees)



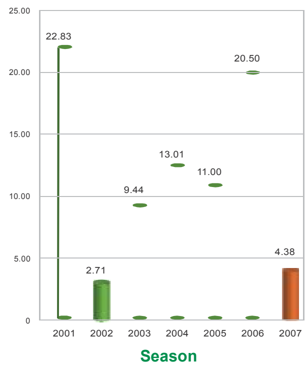
Net Current Assets
(Rupees in million)



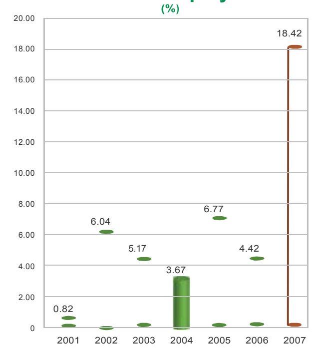
Season

Financial Highlights

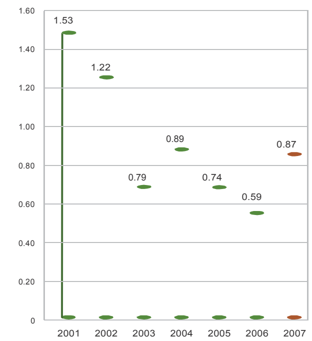
Price Earning Ratio
(Times)



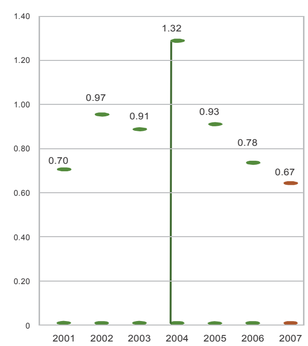
Return on Average Assets Employed
(%)



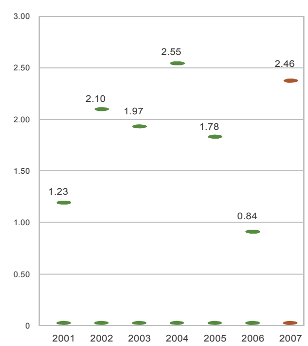
Long Term Debt to Equity Ratio (Times)



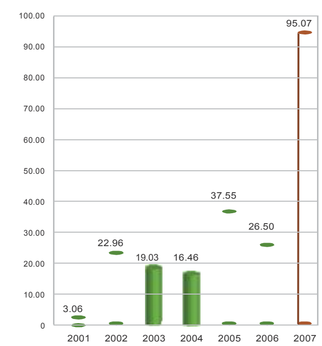
Current Ratio
(Times)



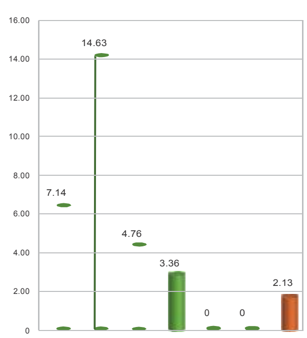
Interest Coverage
(Times)



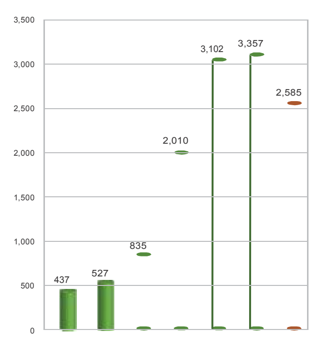
Return on Average Equity
%



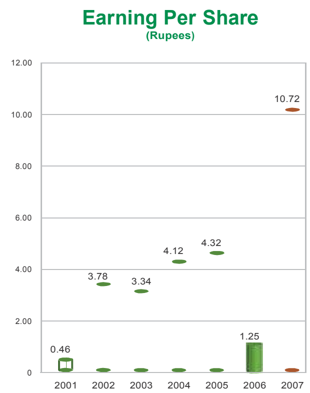
Dividend Yield Ratio
(%)

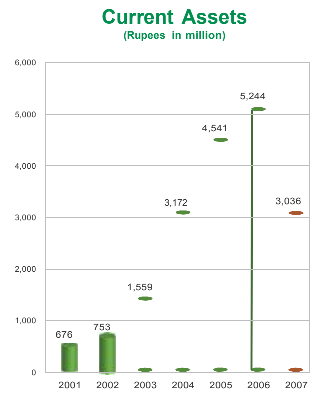


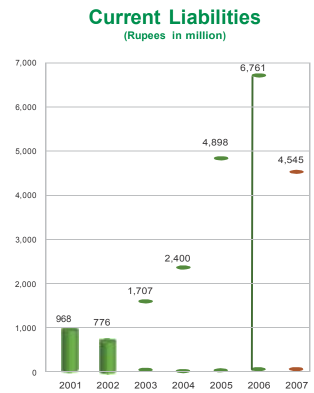
Shareholders' Equity
(Rupees in million)

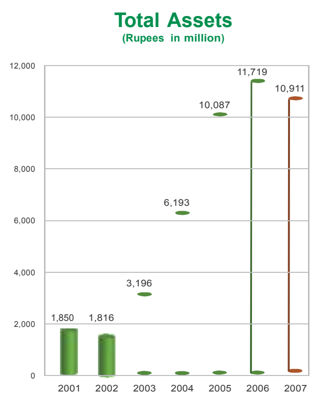


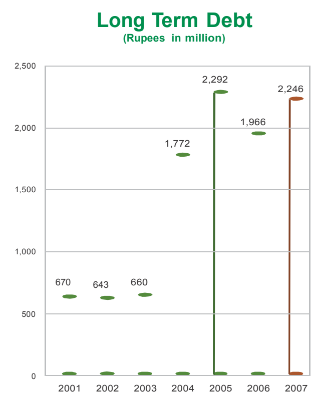
Financial Highlights

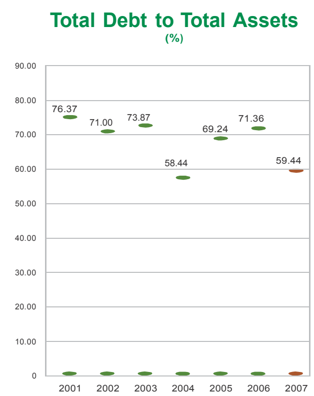


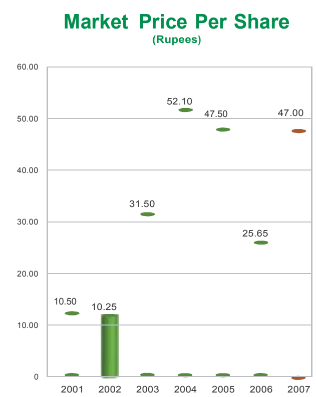








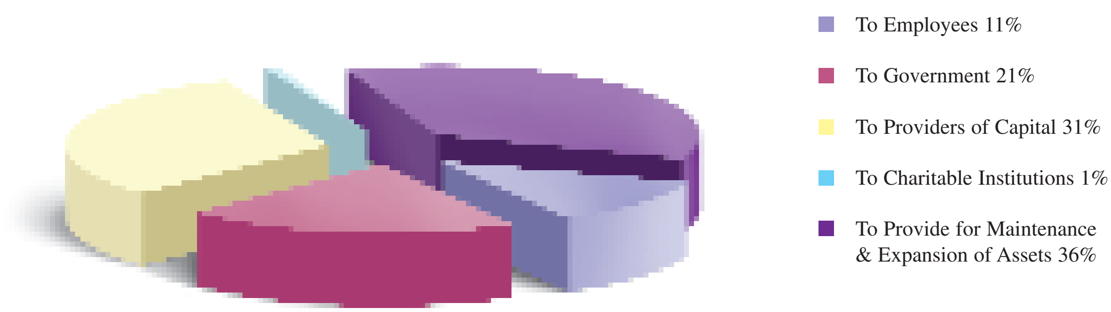


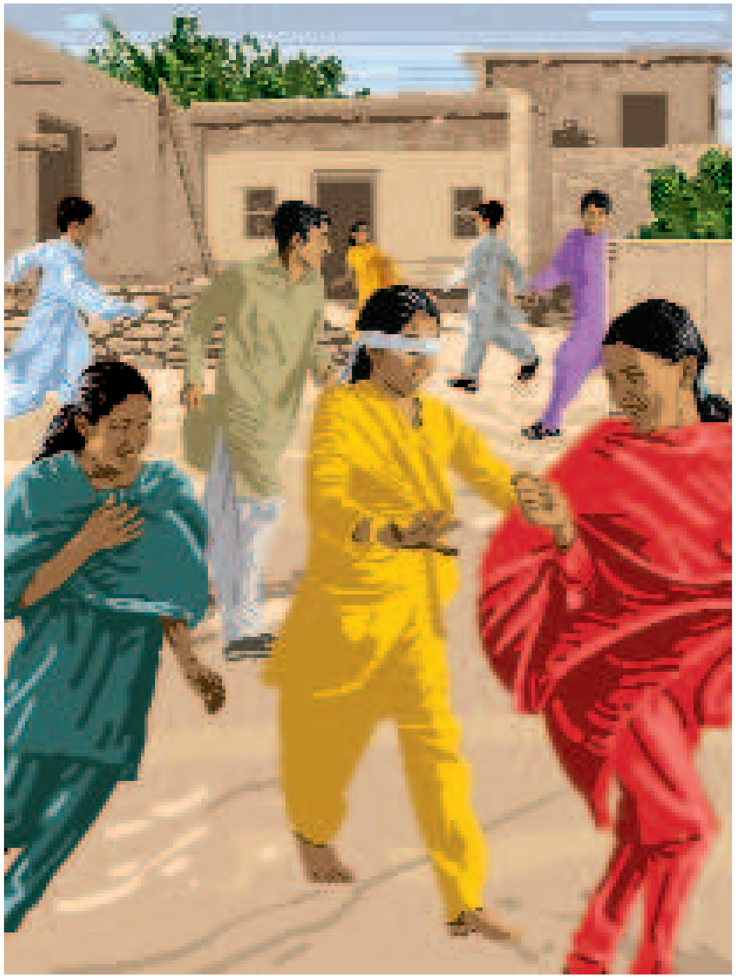


Statement of Value Addition

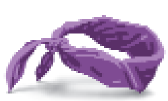
	2007 (Rs in Million)	2007 %age	2006 (Rs in Million)	2006 %age
Wealth Generated				
Sales Revenue (Gross)	5,263		5,411	
Other Receipts	2,234		608	
	7,497		6,018	
Less: Materials & Services	(4,738)		(4,027)	
Value Added	2,759	100	1,991	100
Wealth Distributed				
To Employees				
Salaries, Wages and Related Costs	314	11	237	12
To Government				
Income Tax, Sales Tax and Other Taxes	573	21	665	33
To Providers of Capital				
Finance Charges on Loans and Advances	859	31	702	35
	1,746	63	1,603	81
To Charitable Institutions	2	1	8	1
To Provide for Maintenance & Expansion of Assets				
Depreciation / Amortization	391	14	313	15
Profit Retained	620	22	67	3
	1,011	36	380	18
	2,759	100	1,991	100

Wealth Distribution for 2007





Ankh Macholi



Einstein called sixth-sense the highest form of knowing. Sometimes blocking away the senses leads to greater understanding of the environment and the people around us. In business, as in life, one must shake hands with his intuition. It certainly affects bottom lines and impacts major corporate decisions.

Shakarganj Sugar Research Institute

The Shakarganj Sugar Research Institute (SSRI) was established in 1983. Shakarganj's decision to setup the research institute was based mainly on the following facts:

- The meagre financial resources of the country demand the involvement of industry in agricultural research; on the other hand, not much emphasis has been given to sugarcane research in the government research organisations.
- Development of new cane varieties with best management practices can lead to increased crop productivity.
- The success of private sector R&D in industrialised countries has revolutionised the agriculture, milling and processing of the sugar world.

A scientist of international repute, the late Dr Sardar Ahmad Qureshi was appointed the first director general of the institute. He worked for 15 years with the institute till his death in 1998. Dr Qureshi's hard work, his passion and dedication to research work set the stage for R&D programmes to come to fruition.

Board of Governors

Mr. Mohammad Asghar Qureshi
Chairman

Mr. Mohammad Awais Qureshi
Member

Mr. Malik Manzoor Hussain
Member

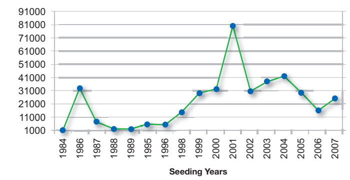
Dr. Shahid Afghan
Director General

SSI Research Projects and Achievments

1983-1985

A total of 37 acres of land was available for experimental purpose. Laboratory buildings photoperiod and crossing sheds were under construction and survey of coastal areas was done for flowering to breed cane varieties. Cooperation at the international level was started; Dr. S.A. Qureshi (late), DG of the institute visited USA, Brazil and Bangladesh to explore the possibilities for hybrid seeds. Fuzz was received from Brazil: 18 bi-parental and 4 poly crosses were conducted in 1983 and the first original seedlings population touched 1,250 transplantations in 1984. Establishment of sugarcane crossing facility under controlled weather condition to induce flowering, synchronisation of parents and production of viable

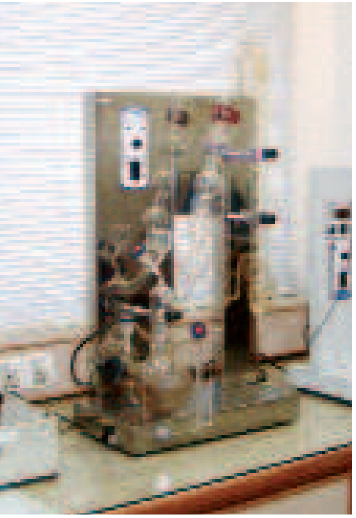
Fig.1 Detail of original seeding raised at SSRI



seeds. Stools planted 750 as progeny's first generation and a successful photo induction was given to parental lines in 1985. Detail of original seedlings that rose from 1984 till 2007 is given in Fig.1

Publication of Pakistan Sugar Journal (PSJ)

Printing of SSRI research papers in the PSJ started in 1985 on a quarterly basis and has continued on bimonthly basis from 1999. A total of 416 research papers have so far been published in the Pakistan Sugar Journal, covering areas such as agriculture milling and processing. About 150 printed copies of each issue have been distributed among various research organisations, universities and sugar mills in the country and abroad. The Institute's



Shakarganj Sugar Research Institute

A delicious moist and succulent sweet we all grew up with. Naturally sweetened freshly grated selected quality carrots, cooked in its own juice, gives it a distinctive flavor. A warm dessert ideal treat to satisfy any one's taste buds to finish a good meal.

BOG has approved to induct a proposed panel of international referees to scrutinise research papers received from within the country and abroad for publication in the PSJ. This process will help improve quality and recognition of the PSJ at both national and international levels. Work in this regard is in progress and will hopefully be initiated from the first issue of 2008.

1986-1989

The promising strains were numbered under internationally accepted system as SP-J26 and SP-J-394 during 1986. The attempts to initiate the breeding programme continued. The first time a flower appeared was in the month of May. Climatic conditions to produce flowering was not conducive, therefore an artificial photo chamber was constructed. The ratoon stools produced flowers in December, and the experiment had to be abandoned in 1987. Preliminary variety yield trials were conducted for agronomic traits. Block plantation of 42 varieties and SPSG-26 was multiplied on an acre of land. Testing of new varieties on 30 acres of farmland was done in 1989.

Soil and Water Analysis Laboratory: Major objectives were achieved through soil and water advisory service, as balanced application of nutrients and irrigation water were done. Soil and water analysis services were done free of cost. The service was beneficial for cane growers to know the correct fertility of soils and fitness status of water for use of fertiliser and irrigation water resources. 19,436 soil and water samples were analysed out of 16,798 acres of land from 4,248 cane growers till 2007. Mapping of soil and water quality status was done for cane supply zone of Shakarganj

SSRI Library: It consists of books, manuals, proceedings, research journals and audio-video aid. All the departments of Shakarganj now have access to search catalogue and current status of receipts and issuance of the stuff can be seen. Periodic increase in the reading material is given in Fig. 2.

1990-1993

Extensive testing and seed multiplication of SPSG-26 and industrial crushing trial has given sugar recovery of 8.72 percent, as compared to 5.58 percent of other commercial varieties in 1990. Projects completed under supervised programme for commercial cultivation of SPSG-26 on 200 acres of land in 1992. SPSG-26 quality premium was given, creating an interest in farmers and increased acreage from 500 to 5,000. SPSG-114, was highly acceptable to farmers due to its excellent ratoonability, found susceptible to red rot was discarded from commercial cultivation during the year 1993.

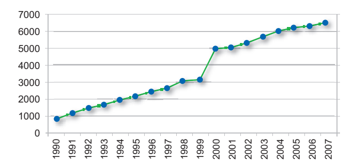
Sugarcane Pathology Laboratory: Established with a modern apparatus in 1992. Screening of about 4,000 promising cane varieties under different selection stages against various diseases of fungi, bacteria and phytoplasmas is done in the lab. Studies on the interaction of different races of red rot pathogen, genotypes and environment are in progress with isolation of antagonistic fungus (Metarhizium anisopliae) for bio-control of sugarcane termites.

1994-1996

An international workshop was organised on sugarcane crop. ISSCT Executive Committee Chairman Dr. Brine T. Eagin was a guest speaker at the workshop. Two scientists of the institute visited South Africa and Mauritius in 1995. Experiment land expanded to 100 acres and gradual switching over new varieties of the institute was continued. Planting technique was developed for growing sugarcane on saline sodic soil in 1996. Different trials conducted on variety comparison, fertiliser and weed control and seed was supplied for 234-demonstration plot of one kanal to the small farmers.

Biocontrol of Insect Pest: Use of naturally occurring living organisms to check pest population is one of the safest methods of pest management. A lab was established for artificial rearing of an egg parasite Trichogramma in 1995 to control borers' complex. Bio control of insect pest established has shown its worth as a sustainable, low-cost, efficient and most importantly environment friendly.

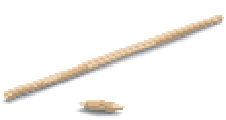
Fig.2 Detail of the book at SSRI libray



1997-1998

Approval of a New Cane Variety Spsg-26: The Government of Pakistan approved SPSG-26 for commercial cultivation in 1998. SPSG-26 has given high yield, early maturity and resistance

Gilli Danda



Power is what makes all the difference. The more powerful the strike, the better the results. In business, as in life, the power of conviction and strength of values is what sets profits in motion.

Shakarganj Sugar Research Institute

against major diseases. The institute was host of an engineering and energy workshop on factory design awarded to Pakistan in 1997 by ISSCT. 78 delegates from Australia, Brazil, Canada, Germany, India, Malaysia, South Africa, UK and USA attended the workshop.

A Manual on Production Technology: A manual was prepared on sugarcane production technology and refresher courses were started for the cane development staff.

1999-2000

Bio Composting: After getting successful results by conducting different experiments of effluents on field crops, a large plant was set up for the preparation of bio compost with the help of microbes isolated at the institute. Bio-compost is a rich source of micronutrients, macronutrients and organic matter, giving significant economic benefits to Shakarganj's cane growers. A project with Sudzucker Germany on isolation of thermophilic microbes and another with Nestle on molasses urea based feed were completed.

Workshops on R&D: First workshop was organised in 2000. Six workshops have been completed with each having about 50 scientists from fifteen institutes. 15-20 research papers were discussed and the objective was to give an opportunity to the scientists to have a thorough discussion on various aspects of sugar crops. Research papers along with recommendations were published as proceedings of the workshops in the Pakistan Sugar Journal (PSJ).

2001-2002

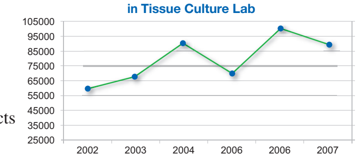
Tissue Culture Laboratory: Established for the rapid multiplication of disease free and true to type seed of new varieties like NSG-311, NSG-555, CSSG-668, CSSG-676, CPF-243 and HoSG-529. Studies on direct regeneration have been initiated for production of more number of plantlets at low cost. In addition, development is in progress on genetically modified mutants having high cane, sugar yields, resistant to biotic and abiotic stresses. Production of plantlets is given in Fig.3.

Publication of a Book: The objective was to disseminate information on multifarious aspects of production technology of sugarcane crop. Publication of the Urdu book entitled 'Kamad ki Munafa Bakhsh Kasht wa Bardash' was allotted the International Standard Book Number (ISBN 969-8705-00-7). More emphasis was given on sugarcane planting techniques, new cane varieties integrated pest management, use of bio compost appropriate fertigation, weed control and post harvest care of the cane crop. So far 5,000 copies have been distributed among Shakarganj's cane growers.

2003-2005

Approval of a new cane variety SPSG-394: The Government of Pakistan approved SPSG-394 for commercial cultivation in NWFP in 2003. Agronomic trials to develop low cost production technology were completed. Plantation of endangered five thorn species on separate layout. Cut flower project included

Fig.3 Year Wise Production of Plantlets in Tissue Culture Lab



Shakarganj Sugar Research Institute

Pateesa is also known as Sohan Papdi and is made from flour, milk and cardamoms. It is available in "lachay daar" as well as the "block" form and enjoyed all over the country with relish.

tuberose and gladiolus. Organic Sugar Certification from SKAL International, Netherlands. Drip tape irrigation installation Rainmaker Limited Australia. Post doctorate of a scientist on DNA fingerprinting in molecular biology and other completed training on genetic improvement of sugarcane from Coimbatore India in 2005.

Botanical Gardens: Botanical gardens were established with an overhead irrigation system. This is the first garden of its kind in the sugar industry in Pakistan. Objective of the project was to conserve the cultural and scientific heritage. Flora of 381 species consists of trees, shrubs, herbs, climbers, cactus and gymnosperms.

Biological Control of Pyrilla: The main objective was to start artificial rearing of Green Lacewing (Chrysoperla carnea) and to control infestation of Pyrilla perpusilla in cane fields of Shakarganj. In addition, Chrysoperla is equally efficient for borers of sugarcane, rice, maize and cotton. Year-wise production of Chrysoperla carnea sheets is given in Fig.4.

2006-2007

Approval of New Cane Varieties: Two new cane varieties of the institute NSG-311 as an excellent ratooner, early maturing and NSG-555 as excellent yielder, very early maturing self-trashing and suitable for mechanised harvesting were approved for commercial cultivation by the Government of Pakistan. Vertical increase in acreage of NSG-311 and NSG-555 was recorded. Survey for the varieties acreage conducted has shown that NSG-311 and NSG-555 was cultivated on 6,000 acres in cane supply zones of Shakarganj during 2007 New cane varieties of CSSG, CPSG, HoSG and NSG series having high yield were included in the National Uniform Varietal Yield Trial. Shakarganj's challenge,

however, is to develop more new varieties that are as good as or better than the ones farmers are planting to avoid any unexpected epidemic.

Tissue Culture of Gerbera: Ten exotic varieties were cultured having 20 colours and so far 300 plantlets were produced for acclimatisation. High tech lab for enzyme-linked immuno Sorbent Assay (ELISA) for screening of cane varieties against mosaic virus and nematology lab to develop biopesticides of entomopathogenic nematodes were established.

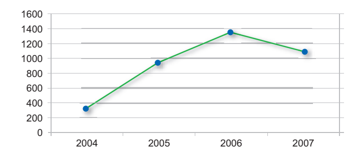
Research Publications: So far, 75 research papers have been published on agronomy, entomology, pathology, breeding and cane development in research journals of national and international repute.

Participation in Technical Conferences: During the last five years, SSRI scientists have participated in 30 national and international conferences, seminars, symposiums and workshops.

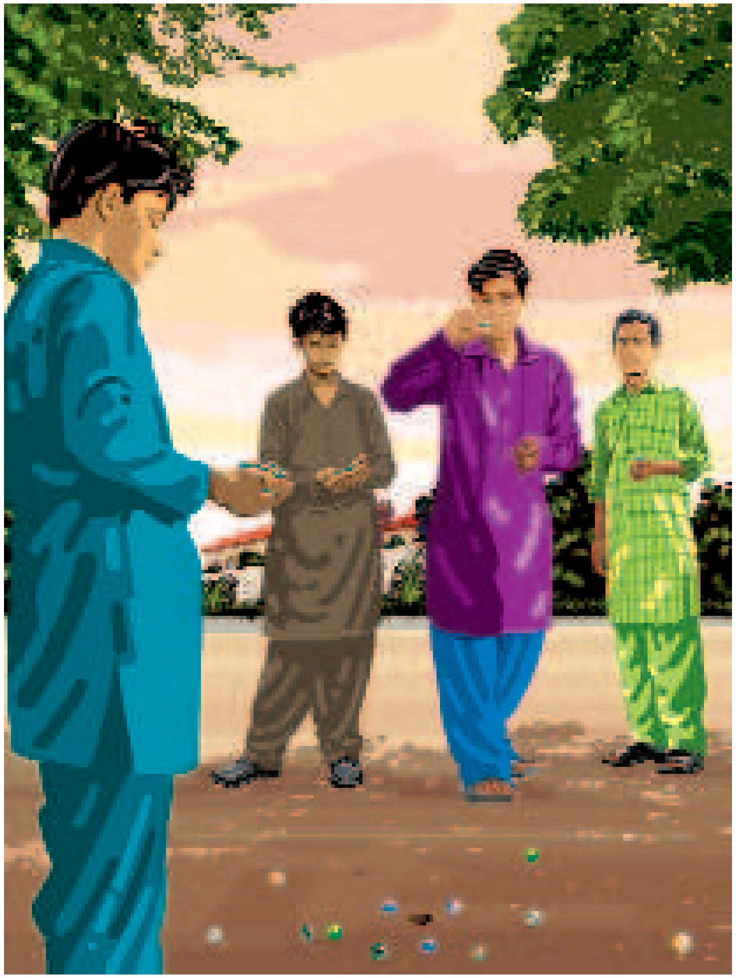
International Training of Scientists: Most of the scientists have been trained at the international level on multifarious aspects of crop production, biotechnology and genetic engineering. Two scientists completed their Ph.Ds and two scientists conducted research work for their M.Sc and Ph.D programmes.

Gold Medals: Three gold medals were given to one of the scientist at the SSRI on best research papers at the national level and for contributions in the development of sugarcane agriculture in the country.

Fig.4 Year-wise Production of Chrysoperla Sheets



BOTANICAL GARDEN: A View of Herb Garden, first of its nature in sugar industry. Different species of herbs, which are antiseptic, antibiotic, anti reparative are grown. The objective of this project was to conserve Flora of 381species.



Kanchay

Focus is what makes all the difference. When the vision is clear and the mission strong, there is no stopping anyone from winning. In business, as in life, the focus we keep, determine the goals we achieve.

Our Governing Principles

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

Purpose and value of business

Shakarganj Mills Limited is a sugar and sugar co-products, food and textiles manufacturing company with annual sales of Rs.5.3 billion and over 2,400 employees.

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

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

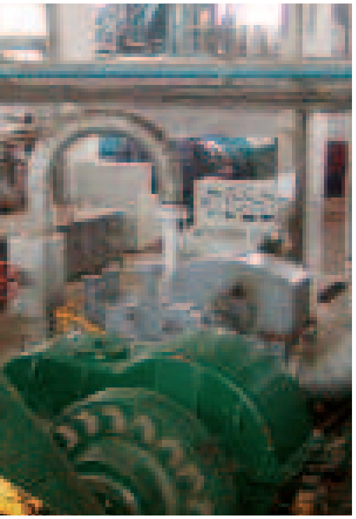
As a responsible corporate citizen, we always aim to act in a socially responsible manner at all times. In a decentralized organization structure our business divisions devise procedures appropriate to and compliant with the local laws, culture and operating conditions which are always within the following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

Employees

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

- Equal Opportunities – We are committed to offering equal opportunities to all people in their recruitment, training and career development, having regard for their particular aptitudes and abilities. Full and fair consideration is given to applicants with disabilities and every effort is made to provide an opportunity for retraining any person becoming disabled whilst employed by Shakarganj.
- Health and safety – we consider health and safety to be as important as any other function of the company and its business objectives. Top tier management of each business division is directly responsible for health and safety in our locations of operations. We seek to provide a safe and healthy workplace and system of work in line with all local laws and regulations, to protect all our employees, visitors and the public where they come into contact with foreseeable work hazards. Our employees are required to adopt a proactive attitude towards this end. A Heath and Safety committee continues to develop awareness of work hazards and safety amongst all employees. The committee also manages and measures health and safety performance on a continuous basis.
- Harassment and discrimination – we will not tolerate mental, physical or sexual harassment in the workplace. We will not allow any form of discrimination on basis of sex, race, creed language, religion or colour. We expect our employees to report any incident of harassment or discrimination to the appropriate human resource department which shall conduct an independent inquiry into all such reports and take action in light of the results of the inquiry.
- Human rights – managers are required to take account of the core International Labour Organization conventions and to strive to observe the United Nations Declaration on Human Rights, by respecting the rights of our employees. They are required to observe the following in particular;

  Universal respect for an observance of human rights and fundamental freedoms for



Our Governing Principles

Mixed burfi is flavored with Kewra and great to decorate a sweet gift box due to its three colors. Flavorsome and wholesome, it is ideal to celebrate an occasion or round off a meal.

all without any discrimination. We remunerate fairly with respect to skills, performance, our peers and local conditions.

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

Ethical Business Practices

- Competition – we are committed to free and fair competition and will compete strongly but honestly complying with all relevant laws.
- Bribery – Shakarganj will not condone the offering or receiving of bribes or other such facilitating payments or gifts to any person or entity for the purpose of obtaining or retaining business for Shakarganj or influencing political decisions.
- Political donations – financial donations are not permitted to any political party or for furthering any political cause.
- Confidentiality and accuracy of information – the confidentiality of information received in the course of business will be respected and never be used for personal gain. False information will not be given in the course of any commercial negotiation or transaction.
- Conflict of interest – any personal interest, which may prejudice or which may reasonably be deemed to be prejudice, by others, the impartiality of employees must be formally declared to senior management. This includes, but is not limited to, owning shares in business partners, trading in company shares and personal or family involvement in commercial transactions with the company.
- Business gifts and hospitality – gifts other than items of very small intrinsic value are not accepted. Employees who receive hospitality must not allow themselves to reach a position where they may be deemed to have been influenced in making a business decision as a consequence. Giving and receiving of reasonable business products, marketing materials and entertainment are permitted.

- Food safety standards – Shakarganj recognizes that quality and safety of our products used in food as a primary product or an ingredient, is essential for our customers. High priority is placed on all aspects of food safety. Food safety systems are regularly reviewed to ensure their effectiveness. Economic considerations are never put before food safety.

Board of Directors

The business and management of the company are the responsibility of the whole board. There is a formal schedule of matters reserved for board decision. These include approval of annual and interim results, the company's strategic plans, annual budget, larger capital expenditure and investment proposals and overall system of internal control and risk management.

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

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

The directors are responsible to ensure that proper accounting records are kept which disclose with reasonable accuracy the financial position of the company. They have the general responsibility for taking steps to safeguard the assets of the company.

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

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

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

Lattoo

Consistency is the key. The longest journey starts with the first step. The biggest challenge for a successful individual or corporation is to keep on being a success, to maintain the highest standards and deliver the best - always.

Our Governing Principles

- Providing appropriate framework of support and remuneration structures to encourage and enable executive management to deliver the objectives and strategy of the Company.
- Monitoring the risks being entered into by the Company and ensuring all of these are properly evaluated.

Code of Conduct

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

- Corporate governance
- Relationship with employees, customers and regulators.
- Confidentiality of information.
- Trading in company shares.
- Environmental responsibilities.

Responsibility to stakeholders

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

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

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

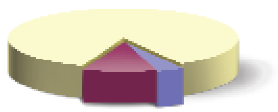
Suppliers – we will carry out our business honestly, ethically and with respect for the rights and interests of our suppliers. We will settle our bills promptly as they fall due. We will co-operate with our suppliers to improve quality and efficiency. We seek to develop relationship with suppliers consistent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

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

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

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

Sales



Export Sales - Europ
Export Sales - Others
Local Sales

Very crispy yet full of juices and texture, one requires knowledge, experience and an art to make Jalebis. Fried to perfection and dipped in sugar syrup Jalebis are enjoyed on their own or with a glass of milk.

Director's Report

Dear Shakarganj Shareholder:

The directors of the company have the pleasure in submitting their report together with the audited accounts of the company for the year ended September 30, 2007:

Financial Results

The financial results of the company are summarized below:

	2007	**2006**
	(Rupees in Thousand)	
Profit/(Loss) before Tax	**1,046,624**	(295,836)
Taxation	**(425,445)**	362,475
Profit for the year	**621,179**	66,639

Appropriations

Proposed Dividend:		
Dividend per share		
- Proposed (Rupees)	**1.00**	–
Bonus Shares	**20%**	–
Earnings per share (Rupees)	**10.72**	1.25

Statement on Corporate and financial reporting framework

1. These financial statements, prepared by the management of the company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

2. Proper books of accounts of the company have been maintained.

3. Appropriate accounting policies have been consistently applied in preparation of financial statements except for the changes as stated in Note 4.4 and 4.18. Accounting estimates are based on reasonable and prudent judgment.

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

5. The system of internal control and other such procedures, which are in place, are being continuously reviewed by the internal audit function. The process of review will continue and any weakness in controls will be removed.

6. There are no significant doubts upon the Company's ability to continue as a going concern.

7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

8. Details of significant improvements in the Company's operations during the current year are stated in the Chief Executive's Review.

9. Key operating and financial data for the last seven years in summarized form is annexed on Page 09 and 11.

10. Information about taxes and levies is given in the notes to the financial statements.

11. Total number of employees at the end of the year was 2,485 (2006: 2,147).

12. Following is the value of investments based on audited accounts for the year ended 30 September 2004:

Provident fund	Rupees 71.34 M
Gratuity fund	Rupees 22.11 M
Pension fund	Rupees 82.36 M

Auditors

The auditors M/s A. F. Ferguson & Co., Chartered Accountants, will retire and are eligible for re-appointment as auditors of the ompany 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, 2008.

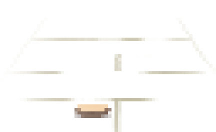
Meetings of the Board of Directors

During the year 5 meetings of the Board of Directors were held and attended as follows. Director not attending any of the meetings were duly granted leave of absence by the Board.

Directors	**127th Adjourned**	**127th**	**128th**	**129th**	**130th**
Mr. Mazhar Karim	L	L	L	P	P
Mr. Ahsan M. Saleem	L	L	L	P	P
Name in alphabetic order					
Mr. Gul Nawaz	P	P	P	P	P
Mr. Khalid Bashir	L	P	P	P	P
Mr. Muhammad Anwar	L	P	P	P	P
Mr. Muhammad Arshad	P	P	P	P	P
Mr. Muhammad Asif	P	P	P	P	P

Pehel Dooj

Success does not mean having no problems.
It is a measure of our courage.
Our determination to cross over all the hurdles in our way and reach the destination we set out for. In business, as in life, success is less about luck and more about never giving up.



Director's Report

Pattern of Shareholding

The pattern of shareholding as per Section 236 of the Companies Ordinance, 1984 is attached separately on page 196.

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

Directors

No causal vacancy was occurred during the year ended September 30, 2007.

Financial Statements

The financial statements of the Company have been duly audited and approved without qualification by the auditors of the Company, M/s. A. F. Ferguson & Co., Chartered Accountants and their report is attached with the financial statements.

No material changes and commitments affecting the financial between the end of the financial year to which this balance Sheet relates and the date of the Directors Report.

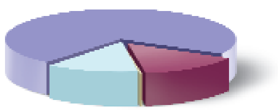
By Order of the Board

Ahsan M. Saleem
Chief Executive

Date: December 05, 2007

Ethanol Sales

Segment Revenue Contributions
(Rupees in 000)



Baloo Shahi is a genuine classic. No other sweet comes even close to its passion. Very crunchy and flaky, yet soft to pop in your mouth to really feel the unique flavor. Garnished with sliced Pista with a light coating of sugar.

Chief Executive's Review

On September 20, 2007 Shakarganj completed its fortieth year of existence. I am privileged to present to you, the review of our performance for fiscal 2007 on this momentous occasion. Before giving a review of current year's operations, it would be apt to highlight the progress of Shakarganj over last forty years.

Forty Years of Excellence

Shakarganj Mills Limited was incorporated on September 1967 as a public limited company and listed on Pakistan's bourses in June 1979. The first manufacturing plant was designed on 1,500 metric ton per day crushing capacity (TCD). Over the years the plant capacity was gradually increased and now the company operates from two locations. The current capacity is 12,000 TCD at principal location in Jhang, and 8,000 TCD extendable to 10,000 TCD at the satellite facility in Bhone. In addition a further capacity of 4,000 TCD is being added at Dargai Shah.

As the sugarcane consumption increased from increase in capacity, the need for high quality raw material and improved yields at farm level became critical for a sustainable supply chain. Realizing that this is a critical factor for sustainable growth, Shakarganj made substantial investment in research and development. Shakarganj Sugar Research Institute was established by the company in 1983. This is the only private sector research facility in Pakistan working on development of high quality cane varieties. SSRI has introduced a number of new varieties of sugarcane in the country developed by its pioneering scientists.

As the company became a substantial producer of sugar in Pakistan, a planned diversification strategy was adopted to maximize return on inputs by production of co-products. This resulted in establishment of the first ethanol production plant, producing 40,000 liters per day in 1985. Using molasses, a by product of sugar manufacturing, the distillery plant in Jhang produces 160,000 liters of ethanol per day. The Bhone facility has capacity to produce further 100,000 liters of ethanol per day. Further value addition efforts were made in ethanol production and two dehydration units are installed at Jhang, enabling us to produce up to 100,000 liters of Fuel grade ethanol per day. The plant at Bhone is capable of producing Extra Neutral Ethanol used in pharmaceutical and perfumery business.

The distillery waste is treated in a specially designed Effluent Treatment Plant which converts the waste from distillery operations into Bio Gas which is used as a replacement fossil fuel. Additional investments have been made to use this gas even more efficiently in an environment friendly manner. From January 2008, Shakarganj will pioneer the first power generation plant at Jhang, capable of producing up to 8 megawatts of electricity from bio gas. In fact in the power sector Shakarganj also has the distinction of being the first private sector power supplier on the national grid. Before diversification into co products, the company had surplus electricity generation from sugar operations which was sold to WAPDA.

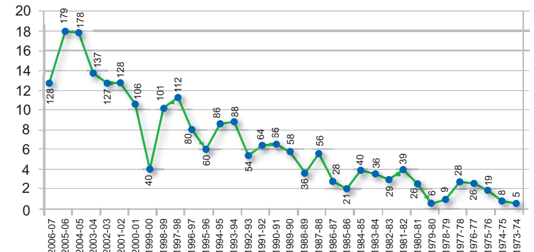
With growth in size, the focus on efficiency was always at the forefront. As the operations became more efficient the company produced surplus baggasse to its fuel requirements. In order to maximize returns a Particle board plant was installed to convert this surplus into building materials. We are capable of producing 30 cubic feet of particle board per day. In 2003-2004 Crescent Ujala Limited was merged in SML through the amalgamation scheme effective from October 01, 2003. As a result of this merger the share capital of the company increased from Rs.292.860 million to Rs.388.430 million. This unit has an operational capacity of 28,000 spindles.

In 2004 Farming Division was set up as an independent business unit. This unit serves multiple purposes. It is used as the incubator for our research operations and as showcase of good farming practices for our family of cane suppliers. At the same time with adaption of modern and scientific agriculture practices it is expected to contribute positively towards our bottom line. This would also be our primary source of value added raw materials like organically grown sugarcane. Currently the Farming Division has around ten thousand acres of land under cultivation.

Shakarganj Engineering Division was established in 2006, the objective of this division was to acquire capabilities of supplying fabricated units of machinery to the existing plants of the company with the passage of time this unit would become capable of catering the need of engineering industry beyond the requirements of various Shakarganj business units.

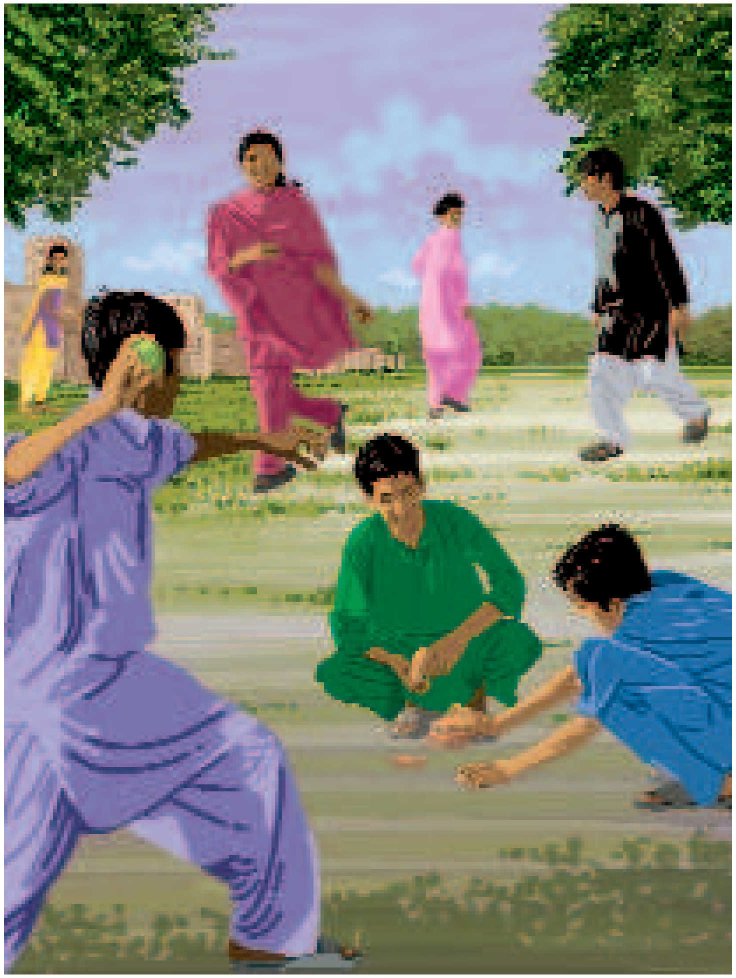
All through this journey of 40 years there has never been any compromise at Shakarganj on being anything less than an exemplary corporate citizen. We are committed to follow the highest social standards in every way we conduct our business.

Sugar Production History (Thousand MetricTons)



Shakarganj Foundation and the "Sukh Char" programs are the mainstays of our contribution back to the communities from which we generate our revenues.

The commitment of the company to investment in manufacturing technology, business expansion and



Pithu Garam

Competition is the key. Healthy competition teaches us to be alert, always on our toes, always one step ahead of the other team. In business, as in life, competition must be taken constructively in order to outdo others, and outdo ourselves each passing year.

Chief Executive's Review

diversification and research and development has enabled us to remain at the forefront of our core businesses and continue our record of growth. We are poised to take full advantage of the inherent strength of our business, our scale, our reputation for quality, our well invested assets and skill and professionalism of our people.

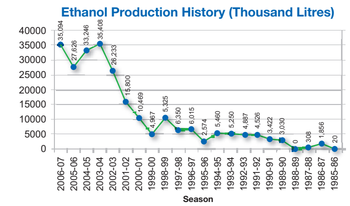
Performance during Fiscal 2007

Overview

On the face of it, Shakarganj performed well in the Fiscal 2007, achieving highest profitability in its forty years history. However this has not been a good year of operations for us. The profits generated are from reconfiguration of the investment portfolio and not from core business operations. These results are however not unexpected. We had forewarned about the expected risk of losses from operations in our last report. This situation was further aggravated by a sudden frost attack on the sugarcane crop which dramatically reduced the recoveries and yields to uneconomic levels. The support price for sugarcane was increased by over 33 percent in one single year by the government. Coupled with this increase, unhealthy and needless competition from other sugar manufacturers for the reduced supply of raw material saw the cane prices escalating to unprecedented levels. Tight monetary policy by the State Bank of Pakistan adversely affected the sugar industry already grappling with cash flow problems and higher borrowing cost. On the market side the price of the sugar crashed in the local market mainly due to government intervention through Trading Corporation of Pakistan (TCP). In this scenario Shakarganj has performed better than most of the competition in the region, but by our standards this is not in any way a satisfactory performance. However the reasons for this below par achievements were beyond the control of management.

Our Bhone unit operation was the first full season crushing campaign at satellite facility. Such start up of production as in the case of our new satellite facility contributed substantially in increasing our costs, but this was expected. A new sugar plant typically takes two to three years to achieve full operational capacity and positive economic returns. This gestation period is always required to fully develop the supply chain for sugar cane.

Textiles business has been in turmoil for most part of fiscal '07 and our textile unit has felt its effects as well. The textile division has not contributed positively towards our results this year as well.



In line with our diversification strategy the company's wholly owned subsidiary Shakarganj Food Products Limited (SFPL) has commenced its dairy and fruit juice concentrates operations during the last year. SFPL began its operations with a milk processing capacity of 75,000 (seventy five thousand) liters per day which is planned to be increased to 300,000 (three hundred thousand) liters per day by 2008. SFPL launched its brand of milk "Good Milk" in the last year and has been well received in the market.

The investment portfolio of the company has been reconfigured and realigned. The company has disposed off its investment in International Housing Finance Limited, PICIC and Crescent Leasing Corporation Limited. As mentioned in the last review the company has disposed off its holding of 30.739 million shares in PICIC carried at cost of Rs.25.25 per share

Saffron is the ingredient that gives coconut burfi its unique rich color and flavor. But it's coconut that's the dominant flavor in this popular fudge-like sweet. The layered sweet actually includes tiny flakes of coconut, so you discover crunchy refreshing bursts of flavor with each and every bite.

Chief Executive's Review

to a strategic investor for Rs.78 per share. This transaction has resulted in a capital gain of Rs.1.621 billion. The Company has sold other investments, which result a further capital gain of Rs. 387.054 million during the period. This has enabled us to reduce its debts significantly will reflect in future reduction in financial costs.

Review of Operations

Shakarganj is a leading manufacturer of renewable food products, ingredients and textiles. All our products are made from renewable crops and by-products. We transform renewable agriculture crops, sugarcane and cotton, into value added products for customers in the sugar, food, beverage, pharmaceutical, fuel and power, cosmetics, building and textile industries. Some of our ingredients from renewable sources often replace synthetic and petrochemical alternatives.

This operating review provides a broader perspective of our business to enable you to make an informed judgment about our performance and prospects. It contains updated sections included in our previous reports as well as some new information.

Sugar business

Refined sugar is primarily produced from sugarcane or raw sugar in Shakarganj. The product range includes, crystalline white sugar of coarse and fine grains, pharmaceutical and beverage grade sugars and specialty products like brown, caster and icing sugars as well as retail packages. These products are used for providing natural sweetness, texture and flavour across a full range of foods and drinks.

The crushing season 2006-2007 ended in the country with a sugar production of 3.6 million tones as compared to 2.96 million tones, showing an increase of around 22% compared to last season. Although sugarcane plantation area is increased in current season but rapid increase in crushing capacities of existing and new mills has outpaced the improvement in the area under cultivation. In the middle of the season unexpected frost in central Punjab also decreased recoveries and yields dramatically. This shortfall along with 33 %

increase in sugarcane support price from Rupees 45 to 60 per mound has exposed the company to stiff competition. On the other hand volatile behavior of sugar sale price and continued pressure on it from the intervention policy of the Government, resulted in unnatural depression of sugar price.
Apart from the aforesaid difficulties, your company was managed to crush 23 % more sugarcane in the current season as compared to last season. Recovery was also improved by more than 15% as compared to previous year. First full season crushing campaign of sugar operations of satellite facility at Bhone was another significant event during the year.

During the year under review, we crushed 1.59 million metric tons of sugarcane compared to 1.29 million metric tons last year. Recovery was 8.04 percent compared to 6.97 percent last year. Thus the sugar production from cane in fiscal year 2007 was 128,170 metric tons against 89,201 metric tons last year. Previous year we also processed 92,968 metric tons of raw sugar, which yielded us 89,751 metric tons of refined sugar.

Ethanol and alternate energy business

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

operating in Pakistan has also increased during the year. Your company was able to produce 35.1 million litres compared to 27.7 million litres last year.

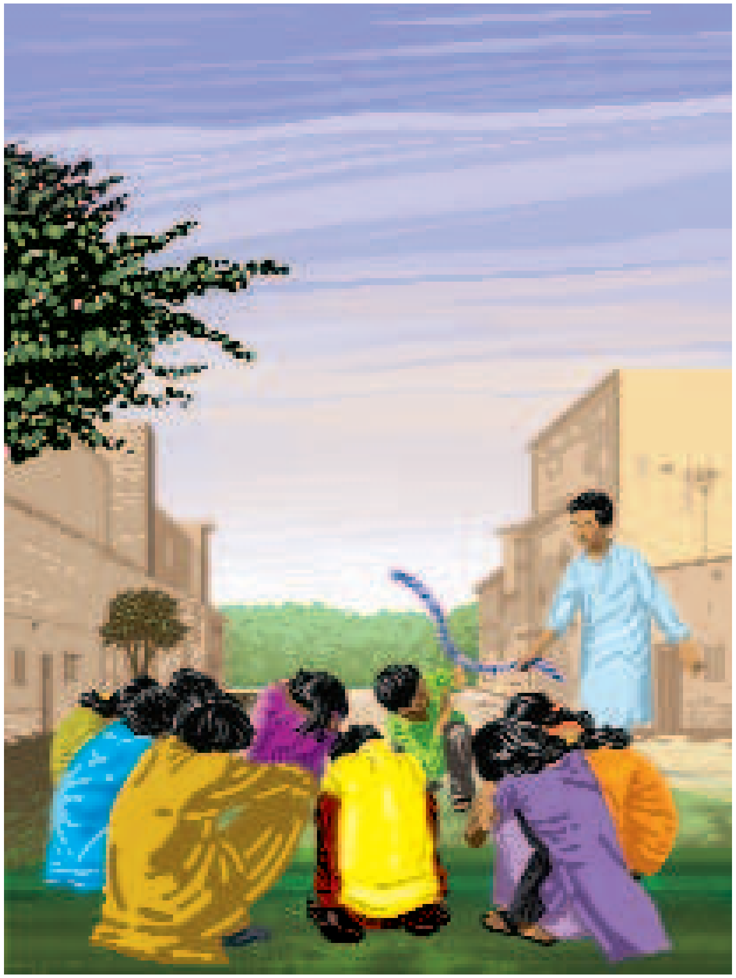
Almost 80 percent of ethanol produced by Shakarganj is exported, making a positive contribution towards country's foreign exchange earnings.. During the year under review your company 4.01 million litres Anhydrous (Fuel grade) ethanol was produced. The competition in this sector remained stiff due to limited acceptability of this alternate motor fuel. In the coming years we expect a larger market developing for this grade of ethanol and hence we intend to increase our production. Next year

In order to produce ethanol to its plant capabilities Shakarganj has to rely on buying molasses in addition to its own molasses production. Due to very high demand of molasses within the country and internationally, its availability again remained limited during fiscal 2007. Number of distilleries

our extra neutral grade facility in Bhone will also start commercial production.

Building materials business

Baggasse is a natural by-product of sugar manufacturing. This consists of residual pulp and fibrous material



Koda Jamal Shahi

In business, as in life some decisions have to be made on sixth sense and intuition that results from years of observation. Staying attentive at all times and pre-empting scenarios leads to growth.

Chief Executive's Review

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

Shakarganj produced 1,800 cubic meters of particle board compared to 1,500 cubic meters last year. The production was improved as compared to last year however the plant could not attain its full capacity due to non availability of surplus baggasse. The market for particle board remained buoyant due to sustained activity in the building industry.

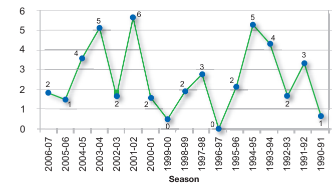
Textile business

Cotton is an indigenous agriculture crop in Pakistan. The cotton plant produces a number of flowers, which upon maturity yield cotton fibre, which is separated from the seed, cleansed and ginned to produce staple cotton. This is then further processed in spinning mills to produce spun cotton yarn. The yarn is sold to knitting and weaving mills to produce fabric. Crescent Ujala, our spinning facility, production was at its maximum operable capacity of 6.8 million kilograms of spun yarn, as compared to 6.5 million kilograms in previous year. Less than targeted production of cotton crop worldwide, resulted in higher prices of raw material and cotton was procured at relatively higher prices in the current year as compared to corresponding year. The yarn prices did not increase in the same proportion as cotton prices due to which gross profit margin was significantly affected. The operating costs were kept well under control. A major portion of this reduction is attributable to economies due to integration with Shakarganj.

Farming business

A good sugarcane crop is always critical to our core operations as sugarcane is a perishable agricultural produce open to risks of adverse weather and climatic conditions, shortage and availability of water and pest attacks. We have a large family of sugarcane growers who supply us our raw material. At the core of our supply chain management is the belief that our growers should get optimal financial returns for their untiring efforts to produce sugarcane. As an extension of this principle, we are endeavoring to establish best

Building Material Production History (Cubic Meter)



farming practices and provide the farmers with the latest technology. Our farming business is a testing ground for developing this technology and broadening the knowledge base on best practices. We lead by example and demonstrate to our family of farmers how a profitable and environmentally balanced farm is run and managed. We have further increased the area under cultivation in our farming business to increase our footprint in the areas where our suppliers are located and to provide synergy with our research and development activities of Shakarganj Sugar Research Institute. Your company has created a Corporate Farm Division which now has an area over 10,000 acres under cultivation. We have now 29 "showcase" farm sites where best agriculture practices, along with latest cultivation and harvesting tools can be seen in operation.

Research and Development

Transfer of efficient, environmentally friendly and economically rewarding technology for sugarcane agriculture

Chief Executive's Review

'Motichoor kay Laddoo' are the most popular item at weddings and child-birth. They get their name from the word Moti, which means a bead or a pearl.

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

Shakarganj Sugar Research Institute (SSRI) is on the threshold to complete its period of 25 years in 2008. This span of 25 years is a narrative, ridden with robust commitment and unalloyed professionalism, no dearth of bold initiatives, and consequent achievements. Research and development work has attracted acknowledgement and acclaim from national and international counterparts and cast ripples in research arena.

Shakarganj funds advanced research in sugarcane technology through SSRI. Our supply chain management strategy was successful for sugarcane agriculture through adopting efficient, environment friendly and economically rewarding technologies. As a component of the technologies most imperative achievements of SSRI are four sugarcane varieties SPSG-26, SPSG-394, NSG-311 and NSG-555. These varieties have been approved for commercial cultivation by the government of Pakistan. The clones in pipeline and final trials had shown good promise for cane and sugar yield with resistance to major diseases. Technical guidance provided on best management practices to cane growers have improved productivity of crop in cane fields. Soil and water advisory has been a beneficial service to correct fertility of soils and irrigation water for judicious use of these resources. Bio-control of insect pest has shown its worth as an efficient, environment friendly and low cost tool for cane growers of SML. A botanic garden has been established as a cultural and scientific heritage. Scientists of the institute have done DNA fingerprinting of sugarcane varieties first time in Pakistan. Most of scientists were trained on sugarcane crop improvement from the institutes of international repute. Benefits of the research results are explicitly accessible to the stakeholders exclusive of cost as national service.

A number of new projects have been started on organic sugar, conservation of endangered thorn species and establishment of labs, one on Enzyme linked Immunosorbent Assay (ELISA) for screening cane varieties against mosaic virus and the other for screening of entomopathogenic nematodes. This annual report includes separate details on history of SSRI with significant achievements during 1983-2007.

Contribution to Economy

Being a responsible member of the corporate community Shakarganj always contributes substantially towards the national economy on account of taxes and other government levies. During this year your company's contribution to federal, provincial and local taxes was to the tune of Rs. 589.356 million. We spent Rs. 859.183 million as cost of financing and share of workers compensation was Rs. 314.484 million. During the last ten years, your company has made a consolidated contribution of Rs. 4.351 billion in shape of Federal, Provincial and local taxes.

Human Resource Development

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

We expect to see exceptional performances by motivating, developing and rewarding our leadership team to create a culture of continuous improvement. We are working hard to infuse specific leadership skills into the business, adding an edge to the considerable know-how that our people already have. As we build up our capacities, we are also working hard to build capability. One key area of focus has been the pursuit of manufacturing excellence. We recognize that building a winning culture, characterized by leadership, manufacturing excellence and accountability, and rewarding people for success is a foundation stone of our business development and expansion.

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

Molasses Storage Tanks along with steam water pipe lines used in ethanol manufacturing.

Chief Executive's Review

information is the recent development by SML management for further updating of knowledge-base.

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

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

Social Responsibility

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

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

In our education programme we provide proactive support to higher education through our contribution to Lahore University of Management Sciences and National Textile University. Our school adoption initiative provides support to 32 local girls and boys' schools that includes provision of clean drinking water, nutrition supplements, uniforms, maintenance of infrastructure and building additional facilities where required. Shakarganj also provides support to education programme of The Citizen's Foundation. To provide backbone support to the education initiative a purpose built teachers training institute is operating at Shakarganj premises as a public service. So far 965 teachers have successfully completed training at this facility.

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

The company has so far established 75 adult literacy centers in its vicinity, of which 68 are for females. The results have been very encouraging. 1,875 participants have so far been taught under this programme out of which 1,662 are females. Shakarganj Healthcare initiative delivers primary medical facilities at the doorsteps of our extended community. Three teams of qualified doctors, paramedical staff and mobile dispensaries served over 42,218 patients during the year. We are aiming to increase this to sixty thousand patients during next two year. Diagnostic facilities, preventive treatment and free medicines are provided through this programme.

In a recent campaign to fight against occurrence of Hepatitis B, a preventive vaccination of hepatitis B has been given to 32 Government Girls adopted schools covering over 6,000 students in Tehsil Jhang and Shorkot. Moreover, it has been planned to test of tuberculosis over 6,000 students and start treatment of tuberculosis patient in these schools.

Chief Executive's Review

Sohan Halwa is crunchy, nutty, full of flavor and fun to eat. Not only does it look and taste terrific, it has one of the most satisfying crunchy sounds you'll find in any sweet.

For efficient delivery of our “Sukh Char” programme a chain of community centers have been built in 18 locations. These centers, known as Kisan Markaz, serve as hub of activities for the social programme in each sub-community. 10 more centers are planned to be built in the next year.

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

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

Safety, Health and Environment

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

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

Environmental protection issues are always considered on a higher priority than profit concerns. Shakarganj produces all its products from renewable crops and raw materials and does not believe in making profits at the cost of damage to our environment. We proactively fund and support environmental protection activities in our communities in particular and on national level generally.

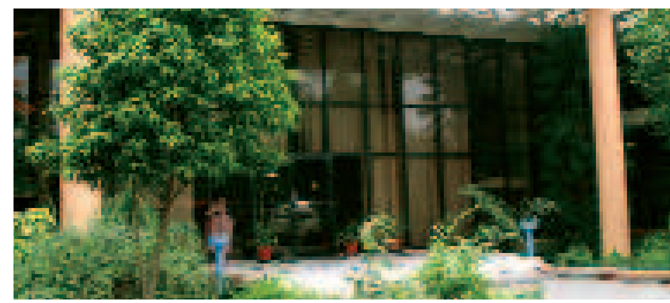
Energy conservation and aiming for 'zero' waste are key elements of our environment policies. Using sugar by-products in our production lines substantially reduces use of fossil fuels and waste disposal problems. Distillery spent-wash is the ultimate waste product in our production process. This is now biologically treated to produce bio-gas as fuel and water, which is safe to use for irrigation. In addition to this we encourage and promote biological pest control, organic farming techniques and return of all natural nutrients to the soil that are brought with supply of sugar cane to the mills. We strongly support the activities of Worldwide Fund for Nature, run regular training and education programmes for water management and participate in tree plantation campaigns twice every year.

Information Technology Initiatives:

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

The production facilities and our offices in different locations are connected through dedicated communication channels. Similarly our field offices located in more than thirty locations are being linked with the central facilities by a wide area network. Eight of these field stations are already online and the rest will be online by the end of next year.

Presently the IT system is custom designed for the company on Oracle & Linux platform. This is now being upgraded to an integrated ERP solution. Necessary software for this solution has been acquired and the complete transformation to an integrated ERP solution is expected to be completed in next 18 months. In order to support the rapidly growing SML business operations the company has deployed high-end server machines with Fiber Optic supported LAN and WAN solutions. The salient feature of the WAN connectivity is a direct Radio Link of approximately 64 Km between two SML sugar units which is considered the 1st successful Radio link in the Central Punjab, for such a long distance. This change in the infrastructure has helped the company in meeting their integration and consolidation needs for geographically fragmented SML business units. With the introduction of the Paperless environment and new technologies supported by modern gadgets with closely Knitted SML business processes have actually brought cultural change in the company, during the year 2006-2007.



Corporate Governance

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

Molasses Fermentation Station where sugar in molasses is converted into ethanol.

Chief Executive's Review

Management Committees

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

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

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

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

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

Excellence Awards

Shakarganj Laboratories was awarded ISO 17025 accreditation by the Ministry of Science and Technology, Government of Pakistan in recognition of the laboratories' compliance with the requirements of the Pakistan National Accreditations Council.

Shakarganj Sugar Research Institute's scientist has been awarded a gold medal by the Pakistan Sugar Society of Technologists. Federal Minister for Food, Agriculture and Livestock, Sikandar Hayat Bosin presented the medal during the PSST Convention held at Lahore on August 28, 2007.

Shakarganj has been nominated for the Best Export Performance Award 2006-2007 by the Federation of Pakistan Chambers of Commerce and Industry.

Outlook

With expanded production capacity due to start of full crushing campaign of satellite facility at Bhone we are confident of achieving better results in the fiscal 08. However, we expect some challenges that sugar industry may face in times to come, which may affect the overall results of your company also. Despite better anticipated sugarcane crop, the price war for procurement of sugarcane started in previous years is likely to continue this year also. In order to mitigate this situation we have already taken some firm steps for sugarcane development in the vicinity of newly commenced satellite facility, which would ensure availability of raw material at competitive price. However we feel that current production targets will be met and we will also continue to augment our production by refining raw sugar in the coming year if seems feasible.

Government's decision of allowing blending of Ethanol with gasoline fuel has brought good prospects for ethanol in local markets as it could now be marketed locally at attractive prices. Textile trade is expected to have stiff competition due to global reduction in cotton production and increased demand for raw materials, both natural and man-made. The cotton crop will also be lower than last year which will result in higher raw material prices but we expect a rise in yarn prices to meet these additional costs.

The interest rates are expected to be on higher side hence in order to cope up with this situation and decrease our dependence on borrowing in the coming years we have devised a strategy to realign our investment portfolio. The liquidity generated by realignment of portfolio and liquidation of stocks which have reached to the saturation level will not only be used for financing the expansion plans of the company but also aid the retirement of costly borrowing. We expect that the additional

Chief Executive's Review

capacity will also generate the required extra cash resources and realignment of investment portfolio will decrease our dependence on borrowing and resultant decrease in financial cost.

Risk Factors

The inherent risks and uncertainties in running a business directly affect the success of businesses. The management of Shakarganj has identified its exposure to these potential risks. The success of Shakarganj in operations depends upon our ability to mitigate these risks. As a part of our policy to produce forward looking statements we are outlining the risks which may affect our business. This exercise also helps the management focus on a strategy to mitigate risk factors:

- Failure to provide a safe working environment.
  Health and safety of our employees, contractors, Suppliers and the communities we operate in are of primary importance to us. Our failure to provide a healthy and safe working environment may result in third party liabilities, interruption in operations, fines and penalties and damage to reputation.

- Fluctuation in supply and price of raw materials.
  All our finished products are made from renewable agricultural products. These raw materials are subject to fluctuation in availability and pricing due to harvest and weather conditions, crop diseases, yields, alternative crops and by product values. We may not be able to pass on to our customers the full impact of any undue increases or our operations may suffer due to inadequate supplies.

- Technological advantages.
  Our competitors may be able to indentify and implement a major technological step change which may improve their production efficiencies and lower costs. Our inability to implement similar steps may make us uncompetitive. Similarly we have to ensure that we match or exceed the quality and service performance of our competitors.

Petha is a tender, juicy and spongy sweet. It is made from natural and fresh white pumpkins and is available in various flavours.

- Employee retention and recruitment.
  The success of our growth strategy is dependent on the knowledge and skill set of our core team of employees, attracting the right talent to work for the company and our ability to retain these employees. Our failure to do so may have an adverse effect on our performance.

- Failure to maintain effective internal controls.
  Without effective internal controls the company may be exposed to financial irregularities and losses. This covers the areas ranging from safeguarding the assets to accuracy and reliability of its records and financial reporting

- Market intervention from the government.
  The Government of Pakistan and the provincial government often intervene in the market both on demand and supply side by minimum support price mechanism for raw materials and subsidized sales of manufactured products. This disturbs and distorts the market equilibrium. The distortion may result in eroding the economic margins of the company to the extent that it suffers bottom line losses.

General

The Directors are always a source of guidance and support for the management and we appreciate their commitment to your company's progress and prosperity. The Directors would also like to express their appreciation for the dedicated efforts, loyalty and hard work 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.

By Order of the Board

Ahsan M. Saleem
Chief Executive

Lahore, December 05, 2007

Statement of Compliance with Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance as contained in Regulation No.37 of the Listing Regulations of the Karachi Stock Exchange and Chapter XIII of Listing Regulations of Lahore Stock Exchange and Chapter XI of Listing Regulations of Islamabad Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the Code in the following manner:

1. The company encourages representation of independent non-executive directors. At present six Directors are independent non-executive directors.

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

3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company. A DFI an NBFC. None of them is a member of a stock exchange.

4. No causal vacancy occurred during the year ended September 30, 2007.

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

8. 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.

9. 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, 2007. 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.

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

11. 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.

12. The Director's Report for the year ended September 30, 2007 has been prepared in compliance with the requirements of the Code and it fully describes the salient matters required to be disclosed.

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

14. 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.

15. The company has complied with all the corporate and financial reporting requirements of the Code.

16. 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.

17. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

18. 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.

19. 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.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

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

By order of the Board.

Ahsan M. Saleem
Chief Executive Officer

Lahore, December 05, 2007

A. F. Ferguson & Co.
Chartered Accountants
505-509, 5th Floor, Alfalah Building
P.O.Box 39, Shahrah-e-Quaid-e-Azam
Lahore, Pakistan
Telephone: (042) 6285078-85
Fax: (042) 6285088
E-mail : ferguson@brain.net.pk

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Shakarganj Mills Limited to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange, Chapter XIII of the Lahore Stock Exchange and Chapter XI of the Islamabad Stock Exchange, where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls. Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended September 30, 2007.

Chartered Accountants

Lahore, December 05, 2007

A. F. Ferguson & Co.
Chartered Accountants
505-509, 5th Floor, Alfalah Building
P.O.Box 39, Shahrah-e-Quaid-e-Azam
Lahore, Pakistan
Telephone: (042) 6285078-85
Fax: (042) 6285088
E-mail : ferguson@brain.net.pk

Auditors' Report to the Members

We have audited the annexed balance sheet of Shakarganj Mills Limited as at September 30, 2007 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) In our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(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, 2007 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Chartered Accountants

Lahore, December 05, 2007

Balance Sheet

As at September 30, 2007

	Note	2007	2006
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
- 80,000,000 (2006: 80,000,000) ordinary shares of Rs 10 each		800,000	800,000
- 50,000,000 (2006: 50,000,000) preference shares of Rs 10 each		500,000	500,000
		1,300,000	1,300,000
Issued, subscribed and paid up capital 57,936,498 (2006: 57,936,498) ordinary shares of Rs 10 each	5	579,365	579,365
Reserves		1,301,388	2,694,008
Unappropriated profit		704,393	83,189
		2,585,146	3,356,562
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	6	1,840,226	3,157
NON-CURRENT LIABILITIES			
Long term finances	7	1,782,304	1,459,203
Long term advances	8	736	–
Liabilities against assets subject to finance lease	9	148,195	131,727
Employees' retirement benefits	10	5,158	2,353
Deferred income	11	3,585	4,824
		1,939,978	1,598,107
CURRENT LIABILITIES			
Current portion of long term liabilities	12	559,678	579,175
Short term borrowings - secured	13	3,344,249	5,580,721
Trade and other payables	14	447,383	341,699
Accrued finance cost	15	193,853	259,469
		4,545,163	6,761,064
CONTINGENCIES AND COMMITMENTS	16		
		10,910,513	11,718,890

Balance Sheet

As at September 30, 2007

	Note	2007	2006
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	17	5,982,153	4,168,831
Intangible assets	18	1,360	–
Assets subject to finance lease	19	222,720	277,341
Capital work-in-progress	20	793,584	633,758
Biological assets	21	29,682	9,583
Investments - related parties	22	734,968	844,170
Long term loans, advances, deposits and prepayments	23	109,638	151,266
Deferred taxation	24	–	389,578
		7,874,105	6,474,527
CURRENT ASSETS			
Biological assets	21	89,713	182,416
Stores, spares and loose tools	25	91,218	99,644
Stock-in-trade	26	1,069,930	1,823,806
Trade debts	27	71,073	217,227
Investments	28	1,071,929	2,446,277
Loans, advances, deposits, prepayments and other receivables	29	149,304	284,658
Cash and bank balances	30	493,241	190,335
		3,036,408	5,244,363
		10,910,513	11,718,890

The annexed notes 1 to 48 form an integral part of these financial statements.

Chief Executive **Chairman**

Profit and Loss Account

For the year ended September 30, 2007

		Note	2007	2006
			(Rupees in thousand)	
Sales		31	5,262,787	5,410,521
Cost of sales		32	(5,093,014)	(5,143,938)
Gross profit			169,773	266,583
Administrative expenses		33	(196,931)	(211,754)
Distribution and selling costs		34	(93,359)	(73,581)
Other operating expenses		35	(207,485)	(183,082)
Other operating income		36	2,233,809	607,687
Profit from operations			1,905,807	405,853
Finance cost		37	(859,183)	(701,689)
Profit/(Loss) before taxation			1,046,624	(295,836)
Taxation		38	(425,445)	362,475
Profit for the year			621,179	66,639
Earnings per share - basic	**Rupees**	39	10.72	1.25

The annexed notes 1 to 48 form an integral part of these financial statements.

Chief Executive **Chairman**

Cash Flow Statement

For the year ended September 30, 2007

	Note	2007	2006
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from/(used in) operations	40	**1,430,801**	(452,171)
Finance cost paid		**(924,799)**	(594,024)
Taxes paid		**(25,583)**	(29,082)
Employees' retirement benefits paid		**(7,667)**	(5,506)
Net decrease in long term deposits		**41,628**	50,542
Net cash generated from/(used in) operating activities		**514,380**	(1,030,241)
Cash flows from investing activities			
Fixed capital expenditure		**(536,830)**	(783,639)
Investment made		**(1,209,766)**	(1,385,507)
Proceeds from sale/maturity of investment		**3,318,749**	1,744,705
Dividend received		**113,462**	149,423
Income from bank deposits received		**3,409**	240
Sale proceeds from sale of property, plant and equipment		**7,811**	5,243
Net cash generated from/(used in) investing activities		**1,696,835**	(269,535)
Cash flows from financing activities			
Proceeds from issuance of share capital		–	258,646
Repayment of long term finances		**279,435**	(325,150)
Sale proceeds from sale and lease back transaction		**7,679**	15,012
Long term advances - net		**856**	–
Net (decrease)/increase in short term borrowings - secured		**(2,236,472)**	1,591,863
Finance lease liabilities - net		**40,517**	(69,954)
Dividend paid		**(324)**	(39)
Net cash (used in)/ generated from financing activities		**(1,908,309)**	1,470,378
Net increase in cash and cash equivalents		**302,906**	170,602
Cash and cash equivalents at the beginning of the year		**190,335**	19,733
Cash and cash equivalents at the end of the year	30	**493,241**	190,335

The annexed notes 1 to 48 form an integral part of these financial statements.

Chief Executive | **Chairman**

Statement of Changes in Equity

For the year ended September 30, 2007

(Rupees in thousand)

	Share capital	RESERVES: CAPITAL RESERVE: Balancing and modernization	Research and development	Share premium	Fair value reserve	Difference of capital under scheme of arrangement of merger	Sub-total	REVENUE RESERVES: General	Dividend equalization	Equity investment market value equalization	Sub-total	Total	Unappropriated profit	Total
Balance as on September 30, 2005	540,537	15,000	5,000	23,464	1,733,630	155,930	1,933,024	366,479	22,700	83,000	472,179	2,405,203	156,524	3,102,264
Transfers to General Reserve	–	(15,000)	(5,000)	–	–	–	(20,000)	160,000	–	–	160,000	140,000	(140,000)	–
Fair value gain during the year	–	–	–	–	119,790	–	119,790	–	–	–	–	119,790	–	119,790
Transferred to profit and loss account on derecognition of shares	–	–	–	–	(284,365)	–	(284,365)	–	–	–	–	(284,365)	–	(284,365)
Impairment loss transferred to profit and loss account	–	–	–	–	93,562	–	93,562	–	–	–	–	93,562	–	93,562
Premium on conversion of preference shares	(126,705)	–	–	126,705	–	–	126,705	–	–	–	–	126,705	–	–
Bonus Shares issued during the year	62,074	–	–	(62,074)	–	–	(62,074)	–	–	–	–	(62,074)	–	–
Right shares issued during the year	103,459	–	–	155,187	–	–	155,187	–	–	–	–	155,187		258,646
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation								–				–	26	26
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	–	66,639	66,639
Balance as on September 30, 2006	579,365	–	–	243,282	1,662,617	155,930	2,061,829	526,479	22,700	83,000	632,179	2,694,008	83,189	3,356,562
Fair value gain during the year	–	–	–	–	175,598	–	175,598	–	–	–	–	175,598	–	175,598
Transferred to profit and loss account on derecognition of shares	–	–	–	–	(1,621,110)	–	(1,621,110)	–	–	–	–	(1,621,110)	–	(1,621,110)
Impairment loss transferred to profit and loss account	–	–	–	–	52,892	–	52,892	–	–	–	–	52,892	–	52,892
Transfer from surplus on revaluation of property, plant and equipment							–				–	–	25	25
Profit for the year							–				–	–	621,179	621,179
Balance as on September 30, 2007	**579,365**	–	–	**243,282**	**269,997**	**155,930**	**669,209**	**526,479**	**22,700**	**83,000**	**632,179**	**1,301,388**	**704,393**	**2,585,146**

The annexed notes 1 to 48 form an integral part of these financial statements.

Chief Executive

Chairman

Notes to the Financial Statements

For the year ended September 30, 2007

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 growing of sugar cane; manufacture, purchase and sale of sugar, ethanol, building material and yarn. The company has its principal manufacturing facilities at Jhang and a satellite manufacturing facility at Bhone. The registered office of the company is situated in Lahore.

2. Basis of preparation

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

2.2 Standards, Interpretations and amendments to published approved accounting standards

The following amendments to existing standards have been published that are applicable to the company's financial statements covering annual periods, beginning on or after the following dates:

2.2.1 Amendments to published standards effective in current year

IAS 19 (Amendment) - 'Employees Benefits' is mandatory for company's accounting period beginning on October 1, 2006. Its adoption by the company only impacts the format and extent of disclosures presented in the financial statements.

2.2.2 Amendments to published standards not yet effective

Certain amendments to IAS 1 'Presentation of financial statements' - Capital Disclosure have been published that are applicable to the company's financial statements covering annual periods, beginning on or after October 01, 2007. Adoption of these amendments would impact the nature and extent of disclosures made in the future financial statements of the company.

3. Basis of measurement

3.1 These financial statements have been prepared under the historical cost convention except for revaluation of certain employees' retirement benefits at present value as referred to in note 4.2, revaluation of certain property, plant and equipment, biological assets and certain financial instruments at fair values as referred to in notes 4.3, 4.6 and 4.8 respectively.

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

a) Retirement benefits

The company uses the valuation performed by an independent actuary as the present value of its retirement benefit obligations. The valuation is based on assumptions as mentioned in note 4.2

b) Recoverable amount of property, plant and equipment

The company basis its valuation of operating assets suspect to impairment upon valuation performed by an independent valuation expert. The valuation is based on fair value less costs to sell as mentioned in note 4.3

c) Biological assets

The company basis its valuation upon yield assessment performed by an independent agricultural expert and computes fair value less estimated point of sales cost to arrive at its valuation. The fair value less estimated point of sales cost is based on factors mentioned in note 4.6

3.3 Change in accounting estimate

The company, during the year, has reviewed the useful lives of property, plant and equipment and assets subject to finance lease of its Textile division. Consequently, the depreciation rates of the property, plant and equipment of the Textile division have been revised upwards in view of re-estimated useful lives of the assets.

Such a change has been accounted for as a change in an accounting estimate in accordance with International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

Had there been no change in the accounting estimate, the profit after taxation for the year ended September 30, 2007 would have been higher by Rs 17.287 million, carrying value of property, plant and equipment would have been higher by Rs 14.886 million and carrying value of assets subject to finance lease would have been higher by Rs 2.401 million. Consequential effect on profit after taxation for future periods is not considered to be material.

4. Significant accounting policies

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

4.1 Taxation

Current

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

Deferred

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

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

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

4.2 Employees' retirement benefits

4.2.1 Defined benefit plans

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

All permanent employees who are in the management cadre of the company participate in an approved funded defined benefit pension plan. In addition, there is an approved funded defined benefit gratuity scheme for all permanent employees, who are in the management cadre of the company subject to a minimum qualifying period of service according to the terms of employment. Monthly contributions are made to these funds on the basis of actuarial recommendation at the rate of 20% per annum of basic salary for pension and 8.33% per annum of basic salary for gratuity. Actuarial valuation for the schemes was carried out as at September 30, 2007.

Actual returns on plan assets during the year were Rs 18.413 million and Rs 3.575 million for pension and gratuity funds respectively. The actual returns on plan assets represent the difference between the fair value of plan assets at the beginning of the year and as at the end of the year after adjustments for contributions made by the company as reduced by benefits paid during the year.

The future contribution rates of these plans include allowances for deficit and surplus. Projected unit credit method using the following significant assumptions, is used for valuation of these schemes:

Discount rate	10%	per annum
Expected increase in eligible pay	9%	per annum
Expected rate of return on plan assets	10%	per annum
Expected mortality rate	EFU 61-66 mortality table adjusted for company's experience	
Expected withdrawal and early retirement rate	Based on experience	

Plan assets include long term Government bonds, term finance certificates of financial institutions; preference shares and ordinary shares of listed and unlisted companies and term deposits with banks. Return on Government bonds and debt is at fixed rates.

The company is expected to contribute 6.883 million and 3.206 million to the pension and gratuity funds respectively in the next year ending September 30, 2008.

Experience gains and losses arising during the year are recognized immediately in accordance with the provisions of IAS 19.

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

4.2.2 Defined contribution plan

There is an approved funded 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 @ 7-8% 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.

4.3 Property, plant and equipment

Freehold land, buildings and plant and machinery as at September 30, 1979 have been revalued by an independent valuer as of that date. Land was revalued again as at September 30, 2007 by an independent valuer by refernce to its currunt market price. These are shown at revalued figures less accumulated depreciation and any identified impairment loss. Additions subsequent to that date are stated at cost less accumulated depreciation and any identified impairment loss. All other property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss. Costs in relation to certain property, plant and equipment comprises of historical cost, revalued amount and borrowing costs referred to in note 4.20.

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

Depreciation on all property, plant and equipment, except land is charged to profit on the reducing balance method so as to write off the cost of an asset over its estimated useful life at the annual rates given in note 17 after taking into account the impact of their residual values, if considered significant.

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The company's estimate of the residual value of its property, plant and equipment as at September 30, 2007 has not required any adjustment as its impact is considered insignificant.

Depreciation on additions to property, plant and equipment is charged from the month in which the asset is acquired or capitalized, while no depreciation is charged for the month in which the asset is disposed off. The company assesses at each balance sheet date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amount of such assets are reviewed to asses whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment is recognized in income currently. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Due to consistent operating losses and the resulting equity depletion of the Textile division, there existed strong indicators requiring impairment testing in the Textile division. The Textile division qualifies as a stand-alone cash generating unit and accordingly its recoverable amount was determined to compute the resulting impairment loss, being the difference between the carrying amount and recoverable amount. Due to the impracticability and high level of estimation involved in computation of value in use, the fair value less costs to sell, as determined by an independent valuation expert, has been used to determine the recoverable amount of plant and machinery. Consequently, impairment losses of Rs 16.901 million and Rs 34.696 million has been recognized against property, plant and equipment and assets subject to finance lease of the Textile division.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

4.4 Intangible assets

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

Amortization is charged to income on the straight line basis so as to write off the cost of an asset over its estimated useful life. Amortization on additions is charged from the month in which an asset is acquired or capitalized while no amortization is charged for the month in which the asset is disposed off. Amortization is being charged at the annual rate of 20%.

The company assesses at each balance sheet date whether there is any indication that intangible assets may be impaired. If such indication exists, the carrying amount of such assets are reviewed to asses whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment is recognized in income currently. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Where an impairment loss is recognized, the amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

4.5 Capital work-in-progress

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

4.6 Biological assets

Biological assets comprise of standing crops and livestock. These are stated at fair value less estimated point-of-sale costs, with any resultant gain or loss recognized in the profit and loss account. The fair value of standing crops is based on the support price fixed by the Government and other factors such as estimated crop yield and area under cultivation. The fair value of livestock is estimated on the basis of market prices of livestock of similar age, breed and genetic merit. Point-of-sale costs include all costs that are necessary to sell the assets, excluding costs necessary to get the assets to the market.

4.7 Leases

The company is the lessee:

4.7.1 Finance leases

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

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

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

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 19. Depreciation on leased assets is charged to the profit and loss account.

Depreciation on additions to leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

4.7.2 Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lesser are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit on a straight-line basis over the lease term.

4.8 Investments

Held to maturity

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

Available for sale

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

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

The company is required to issue consolidated financial statements along with its separate financial statements, in accordance with the requirements of IAS 27 "Consolidated and Separate Financial Statements". Investments in associated undertakings, in the consolidated financial statements, are being accounted for using the equity method.

As referred to in note 28.3.2, the company, during the year, acquired aggregate 11.786 million and 18.812 million shares in Safeway Mutual Fund Limited (SWMFL) and Asian Stock Fund Limited (ASFL) at an aggregate cost of Rs 301.137 million under the terms of an agreement for settlement of its certificates of deposits with the Innovative Housing Finance Limited (IHFL) and against aggregate cash consideration of Rs 140.142 million. Consequent to this settlement and acquisition of further shares in SWMFL and ASFL, the company effectively holds 53.65% and 41.70% voting shares of the respective companies. However, the management intends to liquidate these investments within twelve months and for this purpose, an active program has been commenced to locate a buyer at a reasonable price.

As the control over SWMFL and significant influence over ASFL is expected to be temporary, consequently, in the company's consolidated financial statements, SWMFL is not being consolidated as a subsidiary and ASFL is not being measured under the equity method of accounting. In these separate financial statements, both investments are being valued at fair values based on market prices quoted on the Karachi Stock Exchange at the balance sheet date. In view of the above circumstances, these have been classified as short-term investments.

Held for trading

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

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

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

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

4.9 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. Provision is made in the financial statements for obsolete and slow moving stores and spares based on management's estimate.

4.10 Stock-in-trade

Stock of raw materials, work-in-process and finished goods, except for those in transit are valued principally at the lower of weighted average cost and net realizable value. Cost of work-in-process and finished goods comprises cost of direct materials, labour and appropriate manufacturing overheads. Cost of own produced molasses, a by product, is determined on the basis of monthly average cost of molasses purchased from third parties.

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

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

4.11 Financial assets and liabilities

Financial assets and financial liabilities are recognized, at the time when the company becomes a party to the contractual provisions of the instrument and derecognized when the company loses control of contractual rights that comprise the financial assets and in the case of financial liability when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account for the year. All financial assets and liabilities are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value or cost as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

4.12 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognized amount and the company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

4.13 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.

4.14 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

4.15 Borrowings

Loans and borrowings are recorded at the proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective yield method. Preference shares, which are redeemable on a specific date at the option of the holder, are classified as liabilities. The dividend on these preference shares is recognized in the profit and loss account as finance cost. Preference shares are classified as equity to the extent there is conclusive evidence that these will not result in an outflow of another financial asset or exchange of financial assets or liabilities under conditions that are potentially unfavorable to the company.

Finance cost is accounted for on an accrual basis and are reported under accrued finance costs to the extent unpaid.

4.16 Creditors, accruals and provisions

Liabilities for creditors and other amounts payable are carried at cost, which is the fair value of the consideration to be paid in future for the goods and/or services received, whether or not billed to the company.

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, it is probable, will result in an outflow of resources embodying economic benefits, to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at year end and adjusted to reflect the current best estimate.

4.17 Deferred income

Deferred income represents excess of sale proceeds in relation to the carrying amount of the asset acquired under sale and lease back arrangement. Deferred income is amortized on a straight line basis over the period of lease term.

4.18 Derivative financial instruments

These are initially recorded at cost on the date a derivative contract is entered into and are remeasured to fair value at subsequent reporting dates. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The company designates certain derivatives as cash flow hedges.

The company documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flow of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the profit and loss account.

Amounts accumulated in equity are recycled in the profit and loss account in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in the profit and loss account within 'finance costs'. The gain or loss relating to the ineffective portion is recognized in the profit and loss account within 'other operating income/expenses'.

4.19 Foreign currency transactions and translation

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses on translation are recognised in the profit and loss account. 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.

The financial statements are presented in Pak Rupees, which is the company's functional and presentation currency.

4.20 Borrowing costs

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

4.21 Revenue recognition

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

Dividend on equity investments is recognized as income when the right of receipt is established.

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

4.22 Business segments

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. Business segments are the primary reporting format and the company is organized into five business segments:

- Sugar division - manufacture and sale of sugar;
- Ethanol division - manufacture and sale of ethanol;
- Building Materials division - manufacture and sale of particle boards;
- Textile division - manufacture and sale of yarn; and
- Engineering division - design, fabrication and sale of industrial scale steel equipment.

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. The company mainly operates in one economic environment, hence there are no geographical segments.

4.22.1 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 deferred liabilities, other payables and accrued liabilities.

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

4.22.2 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.

4.23 Dividends

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

5. Issued, subscribed and paid up capital

2007	2006		2007	2006
(Number of shares)			(Rupees in thousand)	
		Ordinary		
23,544,798	23,544,798	Ordinary shares of Rs 10 each fully paid in cash	**235,448**	235,448
21,544,516	21,544,516	Ordinary shares of Rs 10 each issued as fully paid bonus shares	**215,445**	215,445
12,847,184	12,847,184	Ordinary shares of Rs 10 each issued as fully paid for consideration other than cash	**128,472**	128,472
57,936,498	57,936,498		**579,365**	579,365

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

	2007	2006
	(No. of shares)	
Asian Stock Fund Limited	**1,665,000**	2,023,500
Crescent Commercial Bank Limited	**–**	115
Crescent Jute Products Limited	**167,200**	192,280
Crescent Steel and Allied Products Limited	**6,193,082**	4,646,082
Crescent Sugar Mills & Distillery Limited	**2,436,692**	2,681,692
Safeway Mutual Fund Limited	**1,930,841**	2,513,341
The Crescent Textile Mills Limited	**4,522,907**	4,522,907
Premier Insurance Company of Pakistan Limited	**–**	44,500
	16,915,722	16,624,417

6. Surplus on revaluation of property, plant and equipment

Freehold land, buildings and plant and machinery of the principal facility at Jhang were revalued by an independent valuer as at September 30, 1979. Freehold land has again been revalued as at September 30, 2007 by an independent valuer by reference to its current market price. Plant and machinery and land is stated in note 17 at appreciated value. The revaluation surplus is net of applicable deferred income taxes.

	2007	2006
	(Rupees in thousand)	
Revaluation - net of deferred tax	**3,157**	3,183
Revaluation surplus arising during the year	**1,837,094**	–
Surplus transferred to unappropriated profit on account of incremental depreciation - net of tax	**(25)**	(26)
	1,840,226	3,157

6.1 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.

7. Long term finances

		2007	2006
		(Rupees in thousand)	
Long term loans - secured	- note 7.1	**1,568,247**	1,620,632
Redeemable preference shares (non-voting) - unsecured	- note 7.3	**345,755**	345,755
Long term running finances - secured	- note 7.4	**331,820**	–
		2,245,822	1,966,387
Less: Current portion shown under current liabilities - Long term loans - secured		**(463,518)**	(507,184)
		1,782,304	1,459,203

The company has aggregate undrawn borrowing facilities of Rs 168.18 million as at September 30, 2007. Undrawn facilities of Rs 68.18 million is available upto November 5, 2008 and that of Rs 100 million is available upto May 24, 2010. These facilities have been arranged to finance the working capital needs of the company.

7.1 Long term loans - secured

Loan	Lender	2007 (Rupees in thousand)	2006 (Rupees in thousand)	Rate of mark-up per annum	Number of instalments outstanding	Mark-up payable
1	Pakistan Industrial Credit and Investment Corporation Limited	**2,081**	4,638	***SBP Discount rate (10%)	3 quarterly installments ending May 2008	Quarterly
2	MCB Bank Limited	**–**	5,500	7.50%	None	Quarterly
3	MCB Bank Limited	**7,750**	11,625	*Base rate subject to floor of 5%	2 over-due installments amounting to Rs 7.75 million	Quarterly
4	Atlas Bank Limited	**15,000**	20,000	**Base rate + 3.5% subject to floor of 5.5%	3 semi annual installments ending September 2008 (including 1 over-due installment amounting to Rs 5 million)	Semi annual
5	National Bank of Pakistan	**62,500**	125,000	**Base rate + 3.5%	2 semi annual installments ending July 2008	Quarterly
6	Saudi Pak Commercial Bank Limited	**200,000**	–	*Base rate + 3.75% and monitoring fee of 0.25% p.a	16 quarterly installments ending November 2011	Quarterly
7	MCB Bank Limited	**68,750**	93,750	*Base rate + 2% subject to floor of 7%	11 quarterly installments ending May 2010	Quarterly
8	International Housing Finance Limited	**3,396**	5,534	****Base rate + 4.25%	16 monthly installments ending January 2009	Monthly
9	Orix Investment Bank Pakistan Limited	**3,000**	6,000	***Base rate+2% subject to floor of 7.5% and cap of 15%	2 semi annual installments ending June 2008	Semi-annual
10	Pakistan Kuwait Investment Company (Private) Limited	**10,000**	20,000	***Base rate + 2% subject to floor of 7.5% and cap of 13%	2 semi annual installments ending August 2008	Semi-annual
11	Syndicate term loan - note 7.2	**735,000**	945,000	**Base rate + 3% subject to floor of 5.25%	7 semi annual installments ending November 2010	Semi-annual
12	Askari Commercial Bank Limited	**2,718**	16,303	*Base rate + 2% subject to floor of 6%	1 quarterly installments ending January 2008	Quarterly
13	MCB Bank Limited	**183,750**	245,000	*Base rate + 2% subject to floor of 8%	6 semi annual installments ending September 2010	Quarterly
14	Meezan Bank Limited	**32,145**	47,282	*Base rate + 2% subject to floor of 8%	11 quarterly installments ending April 2010	Quarterly
15	Faysal Bank Limited	**22,500**	–	*Base rate + 3.25%	18 Quarterly installments ending December 2012 (including 1 over-due installment amounting to Rs 1.25 million)	Quarterly
16	Faysal Bank Limited	**4,500**	–	*Base rate + 2.6%	10 Quarterly installments ending December 2009 (including 1 over-due installment amounting to Rs 0.45 million)	Quarterly
17	Faysal Bank Limited	**4,089**	–	*Base rate + 3%	8 Quarterly installments ending June 2009 (including 1 over-due installment amounting to Rs 0.511 million)	Quarterly
18	MCB Bank Limited	**–**	75,000	*Base rate + 1.5%	None	Quarterly
19	The Bank of Punjab	**211,068**	–	*****Base rate + 4.0% subject to floor of 8%	Lumpsum payment due in November 2008	Quarterly
		1,568,247	1,620,632			

* Base rate: Average ask rate of six-month Karachi Inter Bank Offer Rate ("KIBOR") reset for each mark-up period
** Base rate: Cut-off yield of the last auction of the 6-months Government of Pakistan Treasury Bills.
*** Base rate: SBP Discount rate to be set for each mark-up period
**** Base rate: Average ask rate of twelve-month Karachi Inter Bank Offer Rate ("KIBOR") to be reset for each mark-up period
***** Base rate: Average ask rate of three-month Karachi Inter Bank Offer Rate ("KIBOR") to be reset for each mark-up period

Security

Loan 1 to 2
These are secured against first charge on all the assets of the company ranking pari passu with other creditors.

Loan 3 to 6
These are secured against first charge on property, plant and equipment of the company ranking pari passu with other creditors.

Loan 7 to 8
It is secured against equitable mortgage on immovable property financed through the loan.

Loan 9 and 10
These are secured by way of hypothecation charge over plant and machinery of the textile division.

Loan 11
The loan is secured by first charge by way of hypothecation over all moveable assets of the company and equitable mortgage charge over plant and machinery of the satellite facility.

Loan 12 to 18
These are secured against specific charges on plant and machinery financed through the respective loans.

Loan 19
This is scured by way of a ranking charge on the current assets of the company.

7.2 Derivative Interest Rate Swap
The company has entered into an interest rate swap for its syndicate term loan to hedge the possible adverse movements in interest rates. Under the terms of the interest rate swap arrangement, the company pays Libor plus bank spread to the arranging bank on the syndicate term loan denominated in US $ for the purposes of the interest rate swap, and receives Kibor from the arranging bank. There has been no transfer of liability under this arrangement, only the nature of the interest payments has changed. As this hedging relationship is ineffective and does not meet the criteria of cash flow hedge, this arrangement does not qualify for special hedge accounting specified in IAS 39 ‘Financial instruments: Recognition and Measurement’.

7.3 Redeemable preference shares (non-voting) - unsecured

Redeemable Preference shares (non-voting) were issued in 2005 to the shareholders of the company in the ratio of 85 preference shares for every 100 ordinary shares held as on October 22, 2004 and to certain institutional investors in equal proportion. These shares are listed on Lahore and Karachi Stock Exchanges. The conversion option is not binding either on the company or the preference shareholders except in case of the conversion upon maturity, where the preference shareholders opt for conversion, subsequent to the company's failure to pay preferred dividend during the entire tenure.

Terms of redemption

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

The preference shares are to be redeemed in year ending September 30, 2010 if the conversion option is not offered by the company to preference shareholders or the preference shareholders do not opt for the conversion option.

Rate of dividend

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

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

	2007	**2006**
	(Rupees in thousand)	
Asian Stock Fund Limited	**180,000**	180,000
Crescent Commercial Bank Limited	**1,000,000**	1,000,000
Crescent Steel and Allied Products Limited	**2,999,396**	2,999,396
The Crescent Textile Mills Limited	**2,746,050**	2,746,050
Premier Insurance Company of Pakistan Limited	**53,125**	53,125
	6,978,571	6,978,571

7.4 Long term running finances - secured

Long term running finance facilities available from the Bank of Punjab under mark-up arrangements amount to Rs 400 million (2006: Nil) at a mark-up of Re 0.3619 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, marketable securities and ranking charge on current assets of the company. The balance is repayable by November 5, 2008.

8. Long term advances

	2007	2006
	(Rupees in thousand)	
Total advance from leasing companies	**873**	–
Less: repayments upto September 30	**(17)**	–
Less: Current portion shown under current liabilities	**(120)**	–
	736	–

8.1 These represent advances from a financial institution and carry markup @ Rs 0.345 per Rs 1,000 per diem to finance the assets, which are included in capital work in progress as referred to in note 20.3. The balance would be transferred to liabilities against assets subject to finance lease upon receipt of the respective asset.

9. Liabilities against assets subject to finance lease

	2007	2006
	(Rupees in thousand)	
Present value of minimum lease payments	**244,235**	203,718
Less: Current portion shown under current liabilities	**(96,040)**	(71,991)
	148,195	131,727

The minimum lease payments have been discounted at an implicit interest rate ranging from 6.69% to 13.53% to arrive at their present value. Rentals are paid in monthly/quarterly/semi-annual installments and in case of default in any payment, an additional charge at the rate of 3% to 36.5% shall be paid. The lessee has the option to purchase the assets after expiry of the lease term.

Taxes, repairs and insurance costs are to be borne by the company. In case of early termination of lease, the lessee shall pay entire amount of rentals for unexpired period of lease agreement.

The amount of future payments of the lease and the period in which these payments will become due are as follows:

	Minimum Lease payments	Future finance cost	Present value of lease liability 2007	Present value of lease liability 2006
	(Rupees in thousand)			
Not later than one year	116,721	20,681	96,040	71,991
Later than one year and not later than five years	162,229	14,034	148,195	131,727
	278,950	34,715	244,235	203,718

10. Employees' retirement benefits

		2007	2006
		(Rupees in thousand)	
Balance sheet obligations for:			
Pension fund	- note 10.1	**8,149**	4,951
Gratuity fund	- note 10.2	**(2,991)**	(2,598)
		5,158	2,353
Profit and Loss account charge for:			
Pension Benefits	- note 10.1	**7,333**	5,963
Gratuity Benefits	- note 10.2	**3,139**	1,629
		10,472	7,592

10.1 Pension fund

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

	2007	2006
Present value of defined benefit obligations	**139,975**	109,038
Fair value of plan assets	**(135,250)**	(116,759)
Non vested (past service) cost to be recognized in later periods	**(7,163)**	(8,595)
Unrecognized actuarial gains	**10,587**	21,267
Liability as at September 30	**8,149**	4,951

Notes to the Financial Statements

For the year ended September 30, 2007

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

	2007	2006
	(Rupees in thousand)	
Present value of defined benefit obligations as at October 1	**109,038**	105,657
Current Service Cost	**7,763**	5,004
Interest Cost	**9,813**	9,509
Benefits paid during the year	**(3,437)**	(3,135)
Acturial losses/(gains)	**16,798**	(7,997)
Present value of defined benefit obligations as at September 30	**139,975**	109,038

The movement in the fair value of plan assets of the the year is as follows:

Fair value as at October 1	**116,759**	99,831
Expected Return on plan assets	**11,676**	9,983
Contributions during the year	**4,135**	3,244
Benefits paid during the year	**(3,437)**	(3,135)
Acturial gains/losses	**6,117**	6,836
Fair value as at September 30	**135,250**	116,759

The amounts recognised in the Profit and Loss Account are as follows:

Current Service Cost	**7,763**	5,004
Interest Cost	**9,813**	9,509
Expected return on plan assets	**(11,676)**	(9,983)
Past Service Cost	**1,433**	1,433
Actuarial (Gains)/Losses	**–**	–
Total, included in salaries and wages	**7,333**	5,963

Of the total charge, Rs. 3.522 million (2006: Rs. 3.109 million) and Rs. 3.811 million (2006: Rs. 2.854 million) respectively were included in 'cost of sales' and 'administrative expenses' respectively.

The actual return on plan assets was Rs. 17.793 million (2006: Rs. 16.819 million)

The principal actuarial assumptions used were as follows:

	2007	2006
Discount Rate	**10%**	9%
Expected Return on plan assets	**12%**	10%
Future salary increases	**9%**	8%
Average expected remaining working life time of employees	**10 years**	10 years

Plan assets are comprised as follows:

Equity Instruments	**7,048**	1,625
Debt Instruments	**120,905**	112,435
Others	**7,297**	2,699
	135,250	116,759

Fair value of plan assets include Term Finance Certificates and Preference Shares of the company whose fair values as at September 30, 2007 are Rs Nil (2006: Rs 0.505 million) and Rs 2.100 million (2006: Rs 3.500 million) respectively.

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

	2006-07	2005-06	2004-05	2003-04	2002-03
			(Rupees in thousand)		
As at September 30					
Present value of defined benefit obligations	139,975	109,038	105,657	92,989	79,928
Fair value of plan assets	(135,250)	(116,759)	(99,831)	(79,799)	(67,326)
Deficit/(surplus)	4,725	(7,721)	5,826	13,190	12,602
Experience adjustment on plan liabilities	16,797	(7,997)	3,192	2,679	N/A
Experience adjustment on plan assets	6,737	6,836	8,076	4,229	N/A

10.2 Gratuity fund

	2007	2006
	(Rupees in thousand)	
The amounts recognised in the balance sheet are determined as follows:		
Present value of defined benefit obligations	**33,354**	23,172
Fair value of plan assets	**(36,492)**	(30,235)
Unrecognized actuarial gains	147	4,465
Asset as at September 30	**(2,991)**	(2,598)

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

	2007	2006
Present value of defined benefit obligations as at October 1	**23,172**	22,668
Current Service Cost	**4,292**	2,098
Interest Cost	**2,087**	2,039
Benefits paid during the year	**(852)**	(408)
Acturial losses/(gains)	**4,655**	(3,225)
Present value of defined benefit obligations as at September 30	**33,354**	23,172

The movement in the fair value of plan assets of the the year is as follows:

	2007	2006
	(Rupees in thousand)	
Fair value as at October 1, 2006	**30,235**	25,087
Expected Return on plan assets	**3,024**	2,508
Contributions during the year	**3,534**	2,262
Benefits paid during the year	**(852)**	(408)
Acturial gains/losses	**551**	786
Fair value as at September 30	**36,492**	30,235

The amounts recognised in the Profit and Loss Account are as follows:

	2007	2006
Current Service Cost	**4,292**	2,098
Interest Cost	**2,086**	2,040
Expected return on plan assets	**(3,024)**	(2,509)
Past Service Cost	**–**	–
Actuarial (Gains)/Losses	**(215)**	–
Total, included in salaries and wages	**3,139**	1,629

Of the total charge, Rs. 1.659 million (2006: Rs. 0.894 million) and Rs. 1.480 million (2006: Rs. 0.736 million) respectively were included in 'cost of sales' and 'administrative expenses' respectively

The actual return on plan assets was Rs.3.575 million (2006: Rs. 3.294 million)

The principal actuarial assumptions used were as follows:

	2007	2006
Discount Rate	**10%**	9%
Expected Return on plan assets	**10%**	10%
Future salary increases	**9%**	8%
Average expected remaining working life time of employees	**10 years**	10 years

Plan assets are comprised as follows:

	2007	2006
	(Rupees in thousand)	
Equity Instruments	**5,691**	918
Debt Instruments	**30,450**	29,623
Other	**351**	(306)
	36,492	30,235

Fair value of plan assets include Ordinary shares, Term Finance Certificates and Preference Shares of the company whose fair values as at September 30, 2007 are Rs 1.295 million (2006:Rs 0.913 million) , Rs Nil (2006: Rs 0.169 million) and Rs 0.300 million (2006: Rs 0.500 million) respectively.

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

	2006-07	2005-06	2004-05	2003-04	2002-03
		(Rupees in thousand)			
As at September 30					
Present value of defined benefit obligations	33,353	23,173	22,668	21,176	18,368
Fair value of plan assets	(36,491)	(30,236)	(25,087)	(22,607)	(19,299)
Deficit/(surplus)	(3,138)	(7,063)	(2,419)	(1,431)	(931)
Experience adjustment on plan liabilities	4,655	(3,225)	811	811	N/A
Experience adjustment on plan assets	551	785	1,548	530	N/A

11. Deferred income

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

The deferred income is being amortized each year over the respective period of the lease term. The amount credited to the profit and loss account during the year was Rs 2.475 million (2006: Rs 2.413 million).

12. Current portion of long term liabilities

		2007	2006
		(Rupees in thousand)	
Long term finances	- note 7	**463,518**	507,184
Long term advances	- note 8	**120**	–
Liabilities against assets subject to finance lease	- note 9	**96,040**	71,991
		559,678	579,175

13. Short term borrowings - secured

		2007	2006
		(Rupees in thousand)	
Running finances	- note 13.1	**2,546,294**	3,945,201
Export refinance	- note 13.2	**622,955**	654,019
Term finances	- note 13.3	**175,000**	981,501
		3,344,249	5,580,721

13.1 Running finances

Running finances available from a consortium of commercial banks under mark-up arrangements amount to Rs 4,060 million (2006: Rs 4,614 million). The rates of mark-up range from Re 0.2901 to Re 0.3814 per Rs 1,000 per diem on the outstanding balance or part thereof. The aggregate running finances are secured against pledge of stock-in-trade and marketable securities and registered hypothecation charge on current assets of the company.

13.2 Export refinance

The company has obtained export finance facilities aggregating to Rs 650 million (2006: Rs 800 million). The rates of markup range from Re 0.1627 to Re 0.2055 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.

13.3 Term finances

Term finance facilities available from a consortium of commercial banks under mark-up arrangements amount to Rs 301.355 million (2006: Rs 1,250 million). The rates of mark-up range from Re 0.2860 to Re 0.3882 per Rs 1,000 per diem on the balance outstanding or part thereof. These are secured against pledge of stock-in-trade and registered charge on current and certain non-current assets of the company.

Of the aggregate facility of Rs 345 million (2006: Rs 350 million) for opening of letters of credit and Rs 90.50 million (2006: Rs 90.50 million) for guarantees, the amount utilized at September 30, 2007 was Rs 308.509 million (2006: Rs 44.778 million) and Rs 87.852 million (2006: Rs 89.996 million) respectively. The aggregate facilities of letter of credits are secured against lien over shipping/import documents. The aggregate facilities for guarantees are secured against margin deposits referred to in note 29, pledge of marketable securities and charge on current assets of the company.

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

14. Trade and other payables

		2007	2006
		(Rupees in thousand)	
Trade creditors	- note 14.1	**274,417**	200,338
Advances from customers		**37,460**	9,658
Security deposits	- note 14.2	**2,545**	2,220
Accrued liabilities		**61,892**	49,486
Workers' profit participation fund	- note 14.3	**94**	90
Sales tax payable		**9,292**	25,097
Unclaimed dividend		**1,416**	1,740
Derivative interest rate swap	- note 14.4	**4,805**	–
Penalties payable		**4,953**	1,593
Others	- note 14.5	**50,509**	51,477
		447,383	341,699

14.1 Trade creditors include amount due to related parties Rs 1.321 million (2006: Rs 2.636 million).

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

14.3 Workers' profit participation fund

	2007	2006
	(Rupees in thousand)	
As at October 1	**90**	9,517
Interest charged during the year	**6**	257
Provision for the year	**–**	–
	96	9,774
Less: Payments made during the year	**2**	9,684
As at September 30	**94**	90

14.4 During the year, the company entered into a derivative interest rate swap arrangement to hedge for the possible adverse movements in interest rates arising on the interest payments due on its syndicate term loan as mentioned in note 7.2. The derivative interest rate swap outstanding as at September 30, 2007 has been marked to market and the resulting loss of Rs 4.805 million has been recognised in profit and loss account as referred to in note 35 as this hedging relationship does not meet the criteria of cash flow hedge and does not qualify for special hedge accounting specified in IAS 39 'Financial Instruments: Recognition and Measurement'.

14.5 Included in other liabilities are provisions aggregating to Rs 29.038 million (2006: Rs 32.334 million) in respect of probable loss from pending litigation of the company against Sales tax authorities and the Excise department. The movement in these provisions during the year is as follows:

	2007	2006
	(Rupees in thousand)	
As at Ocotober 1	**32,334**	32,334
Incurred against provisions during the year	**(3,296)**	–
As at September 30	**29,038**	32,334

The above provisions have been made as per the management's best estimate against various demands raised by the Sales Tax Authorities and the Excise Department, which are being contested by the company at various forums.

15. Accrued finance cost

	2007	2006
	(Rupees in thousand)	
Accrued mark-up on:		
- Long term finances	**74,460**	93,523
- Liabilities against assets subject to finance leases	**1,176**	1,884
- Short term borrowings	**118,217**	164,062
	193,853	259,469

16. Contingencies and commitments

16.1 Contingencies

(i) The company has issued following guarantees:

Bank guarantee of Rs 86.50 (2006: Rs 86.50) million in favor of Sui Northern Gas Pipelines Limited against performance of contracts.

Bank guarantee in favour of The Administrator of Zila Council, Jhang against Exit tax payable to Zila Council amounting to Rs Nil (2006: 3.125) million.

Bank guarantee in favour of Government of Pakistan through Collector of Sales Tax, LTU against Sales tax refund claim amounting to Rs. 1.352 (2006: Nil) million.

Other bank guarantees aggregating to Rs Nil (2006: 0.371) million.

Cross corporate guarantee in favour of Allied Bank Limited to secure long term finance facility availed by the company's subsidiary, Shakarganj Food Products Limited of Rs 467 (2006: 467) million.

(ii) The company has issued a post dated cheque in favour of the Collector of Customs against custom duty clearance in respect of import of plant and machinery amounting to Rs. 4.53 million (2006: Nil).

(iii) Claims not acknowledged as debts Rs 6.319 million (2006: Nil).

16.2 Commitments

The company has the following commitments in respect of

(i) Letters of credit other than capital expenditure Rs 2.867 (2006: Rs 2.507) million.

(ii) Contract for capital expenditure amounting to Rs 387.927 (2006: Rs 132.484) million.

(iii) Contracts for acquisition of intangible (computer software) amounting to Rs. 20 million (2006: Nil).

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

	2007	2006
	(Rupees in thousand)	
Not later than one year	**57,317**	54,705
Later than one year and not later than five years	**122,311**	171,094
Later than five years	**13,317**	21,851
	192,945	247,650

17. Property, plant and equipment

(Rupees in thousand)

	Cost/re-valued amount October 1, 2006	Additions/ (deletions)	Effect of re-valuation as at September 30, 2007	Cost/re-valued amount September 30, 2007	Accumulated depreciation as at October 1, 2006	Depreciation charge/ (deletions) for the year	Impairment charge for the year	Accumulated depreciation as at September 30, 2007	Book value as at September 30, 2007	Rate of depreciation %
Freehold land	237,339	40,284	1,837,094	2,114,717	–	–	–	–	2,114,717	–
Buildings and roads on freehold land	406,726	136,455	–	543,181	132,398	25,568	–	157,966	385,215	7.5
Plant and machinery	4,650,281	130,909 (1,043)	–	4,780,147	1,295,698	259,071 (289)	16,901	1,571,381	3,208,766	7.5-30
Tools and equipment	43,946	34,449 (18)	–	78,377	27,228	12,515 (15)	–	39,728	38,649	20-40
Water, electric and weighbridge equipment	262,516	4,803	–	267,319	65,659	43,587	–	109,246	158,073	20-40
Furniture and fixtures	35,898	1,621 (98)	–	37,421	19,171	3,447 (12)	–	22,606	14,815	20
Office equipment	34,546	1,476 (10)	–	36,012	23,588	4,668	–	28,256	7,756	40
Vehicles	81,555	15,259 (14,346)	–	82,468	30,977	9,636 (5,138)	–	35,475	46,993	20
Laboratory Equipment	17,124	311 (3)	–	17,432	7,900	3,750 (2)	–	11,648	5,784	40
Arms and ammunition	98	–	–	98	80	2	–	82	16	10
Library books	9,968	377	–	10,345	8,467	509		8,976	1,369	30
2007	5,779,997	365,944 (15,518)	1,837,094 –	7,967,517	1,611,166	362,753 (5,456)	16,901	1,985,364	5,982,153	
2006	3,080,808	2,732,941 (33,752)	–	5,779,997	1,336,022	287,006 (11,862)	–	1,611,166	4,168,831	

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For the year ended September 30, 2007

17.1 The carrying amount of freehold land, buildings and plant and machinery would have been Rs 274.795 (2006: Rs 234.510) million , Rs 379.814 (2006: Rs 274.155) million and Rs 3,207.400 (2006: Rs 3,354.429) million respectively, had there been no revaluation.

17.2 Property, plant and equipment include assets that are not in the name of the company with a book value of Rs 73.571 million (2006: Rs 9.045 million).

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

		2007	2006
		(Rupees in thousand)	
Capital work-in-progress - unallocated expenditure	- note 20.2	46	185
Cost of sales (including depreciation of Rs Nil (2006: Rs 21.745 million) during the trial run period of newfacility capitalized during the year)	- note 32	325,427	261,401
Administrative expenses	- note 33	27,529	25,420
Agricultural expenses	- note 35.3	9,751	–
		362,753	287,006

17.4 Impairment charge for the year has been allocated to cost of sales as referred to in note 32.

17.5 Disposal of property, plant and equipment

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
		(Rupees in thousand)				
Plant and Machinery	**Subsidiary company** Shakarganj Food Products Limited	1,043	289	754	2,836	Negotiation
Vehicles	**Leasing companies - sale and lease back**					
	Faysal Bank Limited	5,679	772	4,907	5,679	- do -
	Faysal Bank Limited	2,400	864	1,536	2,000	- do -
	Employees					
	Muhammad Iqbal (GM Material)	254	151	103	217	- do -
	Shakeel Sarwar (GM Production)	278	164	114	490	- do -
	Muhammad Ahmad Sial (GM Agri)	832	344	488	837	- do -
	Abdul Samee GM (Q&C)	969	452	517	741	- do -
	Muhamad Baber Shafique	376	180	196	257	- do -
	Abdul Abad (GM Technical - Textile Division)	850	710	140	139	- do -
	Outside parties					
	Noor-ul-Hussain	929	744	185	680	- do -
	EFU General Insurance	252	201	51	308	- do -
	EFU General Insurance	832	244	588	700	- do -
Furniture & Fixtures	Returned to vendor	80	12	68	77	- do -
Other assets having book value below Rs. 50,000		744	329	415	530	
		15,518	5,456	10,062	15,491	

18. Intangible assets

(Rupees in thousand)

	Cost as at September 30, 2006	Additions/ (transfers/ deletions)	Cost as at September 30, 2007	Accumulated amortization September 30, 2006	Amortization charge/ (transfers) for the year	Accumulated amortization September 30, 2007	Book value as at September 30, 2007	Rate of amortization %
Computer software - acquired	–	1,700	1,700	–	340	340	1,360	20
2007	–	1,700	1,700	–	340	340	1,360	
2006	–	–	–	–	–	–	–	

18.1 The amortization charge for the year has been allocated to cost of sales as referred to in note 32.

19. Assets subject to finance lease

(Rupees in thousand)

	Cost as at September 30, 2006	Additions/ (transfers/ deletions)	Cost as at September 30, 2007	Accumulated depreciation September 30, 2006	Depreciation charge/ (transfers) for the year	Impairment charge for the year	Accumulated depreciation September 30, 2007	Book value as at September 30, 2007	Rate of depreciation %
Plant and machinery	278,954	– (22,000)	256,954	44,004	17,325 (4,876)	34,696	91,149	165,805	7.5
Vehicles	71,405	27,088 (1,110)	97,383	29,014	11,960 (506)	–	40,468	56,915	20
2007	350,359	27,088 (23,110)	354,337	73,018	29,285 (5,382)	34,696	131,617	222,720	
2006	338,172	61,415 (49,228)	350,359	59,529	26,228 (12,739)	–	73,018	277,341	

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

		2007	2006
		(Rupees in thousand)	
Cost of sales	- note 32	18,965	18,319
Administrative expenses	- note 33	10,320	7,909
		29,285	26,228

20. Capital work-in-progress

		2007	2006
Civil works		39,654	84,179
Plant and Machinery (including in transit Rs. 7.108 million (2006:Nil))	- note 20.1	396,089	228,075
Unallocated expenditure	- note 20.2	24,077	35,979
Advances for land, plant and machinery and vehicles	- note 20.3	322,090	285,525
Advances given for acquisition of intangible assets			
Related party-Crescent Standard Telecommunications Limited		4,000	–
Others		7,674	–
		11,674	–
		793,584	633,758

20.1 It includes an amount of Rs 98.921 million (2006: Nil) being the cost of machinery financed by leasing companies.

20.2 It includes depreciation on property, plant and equipment and leased assets of Rs 0.046 million (2006: 0.186 million).

20.3 It includes advance payments for assets, which are financed by a financial institution as referred to in note 8.1 and will be capitalized upon receipt of the respective asset.

20.4 Aggregate balance of capital work in progress includes finance costs of Rs Nil (2006: Rs 15.857 million).

21. Biological assets

	2007	2006
	(Rupees in thousand)	
Sugarcane		
Mature	**86,204**	174,929
Immature	**27,473**	7,413
	113,677	182,342
Rice - mature	**3,509**	7,487
Livestock - mature	**2,209**	2,170
	119,395	191,999
Non - current	**29,682**	9,583
Current	**89,713**	182,416
	119,395	191,999

21.1 The value of sugarcane crops is based on estimated average yield of 583 (2006: 784) mounds per acre on cultivated area of 5,789 (2006: 7,623) acres. The value of rice crops is based on the estimated yield of 21 (2006: 22) mounds per acre on cultivated area of 458 (2006: 1,143) acres. As at September 30, 2007, 1,718 (2006: 972) acres are under preparation for wheat cultivation.

21.2 Of the total 5,789 acres of Sugarcane crop, 1,827 acres relate to the September 2007-08 crop, which is valued at cost of Rs 27.47 million. As the crop is in early stages, its fair value less estimated point of sale cost cannot be reliably measured.

21.3 Movement during the year

	2007	2006
	(Rupees in thousand)	
As at October 1	**191,999**	122,787
Increase due to purchases/costs incurred	**286,680**	227,133
(Loss)/ gain arising from changes in fair value less estimated point of sale costs	**(76,078)**	35,131
Decreases due to harvest / sales	**(283,206)**	(193,052)
As at September 30	**119,395**	191,999

22. Investments - related parties

		2007	2006
		(Rupees in thousand)	
Available for sale	- note 22.1	**193,034**	494,170
Advance against purchase of shares in subsidiary company			
- Shakarganj Food Products Limited		**541,934**	350,000
		734,968	844,170

22.1. Available for sale

Subsidiary company	- at cost	- note 22.1.1	**100**	100
Associated companies	- at cost	- note 22.1.2	**69,529**	438,091
Others	- at cost	- note 22.1.3	**2,200**	2,200
			71,829	440,391
Add: Cumulative fair value gain		- note 22.1.4	**126,405**	93,170
Less: Cumulative impairment losses recognized		- note 22.1.5	**(5,200)**	(39,391)
Fair value gain			**121,205**	53,779
			193,034	494,170

22.1.1 Subsidiary company

Unquoted

Shakarganj Food Products Limited		
10,000 (2006: 10,000) fully paid ordinary shares of Rs 10 each	**100**	100
Equity held 100% (2006: 100%)		
	100	100

22.1.2 Associated companies

	2007	2006
	(Rupees in thousand)	
Quoted		
Crescent Commercial Bank Limited		
Nil (2006: 5,058,126) fully paid ordinary shares of Rs 10 each	–	50,988
Crescent Steel and Allied Products Limited		
2,563,693 (2006: 1,922,134) fully paid ordinary shares of Rs 10 each	**52,529**	35,721
Crescent Jute Products Limited		
536,817 (2006: 536,817) fully paid ordinary shares of Rs 10 each	–	–
Safeway Mutual Fund Limited		
Nil (2006: 17,429,914) fully paid ordinary shares of Rs 10 each	–	140,240
Asian Stock Fund Limited		
Nil (2006: 18,716,500) fully paid ordinary shares of Rs 10 each	–	184,185
Unquoted		
Crescent Standard Business Management (Private) Limited		
Nil (2006: 1,000,000) fully paid ordinary shares of Rs 10 each	–	9,957
Central Depository Company of Pakistan Limited		
201,500 (2006: 130,000) fully paid ordinary shares of Rs 10 each	**14,000**	14,000
Crescent Standard Telecommunications Limited		
300,000 (2006: 300,000) fully paid ordinary shares of Rs 10 each	**3,000**	3,000
Balance carried forward	**69,529**	438,091

22.1.3 Others

	2007	2006
Unquoted		
Crescent Group Services (Private) Limited		
220,000 (2006: 220,000) fully paid ordinary shares of Rs 10 each	**2,200**	2,200
	2,200	2,200

22.1.4 Cumulative fair value gain

	2007	2006
	(Rupees in thousand)	
As at October 1	**93,170**	227,085
Transferred to short-term investments	**(53,750)**	–
Fair value gain/(loss) during the year	**87,010**	(168,540)
Transferred to profit and loss account on derecognition of shares	**(25)**	(4,766)
	126,405	53,779
Impairment loss transferred to profit and loss account	**–**	39,391
As at September 30	**126,405**	93,170

22.1.5 Cumulative impairment losses recognized

	2007	2006
As at October 1	**39,391**	–
Impairment loss recognized during the year	**–**	39,391
Transferred against short term investments	**(34,191)**	–
As at September 30	**5,200**	39,391

22.2 Investments with face value of Rs 22.9 million (2006: Rs 323.606 million) and market value of Rs 158.01 million (2006: Rs 334.653 million) are pledged as security against long term running finances and short term borrowings as referred to in note 7.4 and note 13 respectively.

22.3 Share deposit money includes an amount of Rs 59.42 million classified in previous year as a long-term loan to the company's subsidiary, Shakarganj Food Products Limited, as the company intends to purchase shares against this amount.

23. Long term loan, advances, deposits and prepayments

		2007	2006
		(Rupees in thousand)	
Loans - considered good to:			
Subsidiary - Shakarganj Food Products Limited		**–**	59,420
Related party - Asian Capital Management Fund Limited	- note 23.1	**10,000**	10,000
Sui Northern Gas Pipelines Limited	- note 23.2	**4,140**	4,140
		14,140	73,560
Less: Current portion shown under short term advances	- note 29	**828**	414
		13,312	73,146
Advance to Creek Marina (Private) Limited	- note 23.3	**38,487**	38,487
Receivable from Safeway Fund Limited	- note 23.4	**17,356**	–
Prepayments		**–**	6,160
Security deposits		**40,483**	33,473
		109,638	151,266

23.1 This is an unsecured, interest free loan extended to Asian Capital Management Fund Limited (ACMF) to meet its working capital requirements. The company intends to utilize this amount to invest in the shares of ACMF pursuant to a planned merger between ACMF and another company, Safeway Fund Limited, which is pending due to relevant regulatory approvals. Consequently, this has been classified as a long term asset.

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

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

23.4 This amount is receivable from Safeway Fund Limited (SFL) on account of sale of shares of Crescent Standard Brokerage and Investment Services Limited (CSBISL) and Crescent Standard Business Management (Private) Limited (CSBML) to CSBML and CSBISL respectively and settlement of interaccount balances between SFL, CSBISL and CSBML. The company intends to utilize this amount to invest in the shares of SFL pursuant to its planned merger with ACMF as referred to in note 23.1, which is pending due to relevant regulatory approvals. Consequently, this has been classified as a long term asset.

23.5 Maximum aggregate amount outstanding during the year in respect of related parties is as follows:

	2007	2006
	(Rupees in thousand)	
Asian Capital Management Fund Limited	**10,000**	10,000
Safeway Fund Limited	**17,356**	–
	27,356	10,000

24. Deferred taxation

The deferred tax asset comprises temporary differences relating to:

Accelerated tax depreciation	**(697,569)**	(671,298)
Employee retirement benefits	–	726
Unused tax losses	**691,996**	1,039,881
Diminution in value of investments	**5,573**	20,269
	–	389,578

Deferred tax asset on tax losses available for carry forward and those representing minimum tax paid available for carry forward u/s 113 of the Income Tax Ordinance, 2001 are recognized to the extent that the realization of related tax benefits through future taxable profits is probable. The company has not recognized deferred tax assets of Rs 905.06 million in respect of tax losses and Rs 106.36 million in respect of minimum tax paid and available for carry forward u/s 113 of the Income Tax Ordinance, 2001, as sufficient tax profits would not be available to set these off in the foreseeable future. Minimum tax paid u/s 113 aggregating to Rs 106.36 million would not be available for carry forward against future tax liabilities subsequent to years 2008 through 2013. Tax losses amounting to Rs 79.335 million, Rs 810.42 million and Rs 855.84 million expire in year 2011, 2013 and 2014 respectively.

25. Stores, spares and loose tools

	2007	2006
	(Rupees in thousand)	
Stores (including in transit Rs 1.068 million (2006: 0.899))	**54,722**	74,311
Spares	**36,369**	24,761
Loose tools	**1,627**	2,072
	92,718	101,144
Less: Provision for obsolete items	**(1,500)**	(1,500)
	91,218	99,644

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

26. Stock-in-trade

	2007	2006
	(Rupees in thousand)	
Raw materials	**57,376**	170,605
Work-in-process	**8,600**	20,982
Finished goods	**1,003,954**	1,632,219
	1,069,930	1,823,806

26.1 Raw materials and finished goods amounting to Rs. 1,061.332 million (2006: Rs 1,802.824 million) are pledged with lenders as security against long term running finances and short term borrowings as referred to in note 7.4 and note 13 respectively.

26.2 Aggregate stocks with a cost of Rs 851.042 million (2006: Nil) are being valued at net realizable value of Rs 839.754 million (2006: Nil).

27. Trade Debts

		2007	2006
		(Rupees in thousand)	
Considered good:			
- Secured		**4,816**	–
- Unsecured	- note 27.1	**66,257**	217,227
		71,073	217,227

27.1 These include receivable from Shakarganj Food Products Limited, a subsidiary company amounting to Rs 1.474 million.

28. Investments

		2007	2006
		(Rupees in thousand)	
Available for sale	- note 28.1	**1,000,970**	2,246,006
Held for trading	- note 28.2	**70,959**	88,811
Held to maturity	- note 28.3	–	111,460
		1,071,929	2,446,277

28.1 Available for sale

Related parties	- at cost	- note 28.1.1	**625,606**	4,816
Others	- at cost	- note 28.1.2	**267,406**	725,914
			893,012	730,730
Add: Cumulative fair value gain		- note 28.1.4	**143,592**	1,569,447
Less: Cumulative Impairment loss		- note 28.1.5	**(35,634)**	(54,171)
			107,958	1,515,276
			1,000,970	2,246,006

28.1.1 Related parties

	2007	2006
Subsidiary company - Quoted		
Safeway Mutual Fund Limited		
29,215,143 (2006: Nil) fully paid ordinary shares of Rs 10 each Equity held 53.65% (2006: Nil)	**290,792**	–
Associated companies - Quoted		
Asian Stock Fund Limited		
37,528,673 (2006: Nil) fully paid ordinary shares of Rs 10 each	**334,770**	–
The Premier Insurance Company of Pakistan Limited		
79,568 (2006: 66,307) fully paid ordinary shares of Rs 5 each	**44**	44
Altern Energy Limited		
Nil (2006: 476,008) fully paid ordinary shares of Rs 10 each	–	4,772
	625,606	4,816

28.1.2 Others

	2007	2006
	(Rupees in thousand)	
Quoted		
Crescent Commercial Bank Limited 5,058,126 (2006: Nil) fully paid ordinary shares of Rs 10 each	**50,988**	–
Altern Energy Limited 21,266,582 (2006: Nil) fully paid ordinary shares of Rs 10 each	**212,678**	–
Pakistan Industrial Credit & Investment Corporation Limited Nil (2006: 29,110,463) fully paid ordinary shares of Rs 10 each	–	498,940
Crescent Leasing Corporation Limited Nil (2006: 6,752,257) fully paid ordinary shares of Rs 10 each	–	88,542
Crescent Standard Investment Bank Limited Nil (2006: 10,270,249) fully paid ordinary shares of Rs 10 each	–	75,412
Crescent Standard Modaraba 172,500 (2006: 2,041,500) fully paid ordinary shares of Rs 10 each	**1,710**	20,240
International Housing Finance Limited Nil (2006: 1,687,500) fully paid ordinary shares of Rs 10 each	–	18,750
Jubilee Spinning and Weaving Mills Limited 15,584 (2006: 15,584) fully paid ordinary shares of Rs 10 each	–	–
Pakistan Strategic Allocation Fund Limited 203,000 (2006: 203,000) fully paid ordinary shares of Rs 10 each	**2,030**	2,030
Unquoted		
Crescent Standard Brokerage & Investment Services Limited Nil (2006: 880,000) fully paid ordinary shares of Rs 10 each	–	22,000
Innovative Housing Finance Limited 51,351 (2006: Nil) fully paid ordinary shares of Rs 10 each	–	–
	267,406	725,914

28.1.3 Investments with a face value of Rs 450.136 million (2006: Rs 406.510 million) and market value of Rs 479.354 million (2006: Rs 2,171.093 million) are pledged as security against long term running finances and short term borrowings as referred to in note 7.4 and note 13 respectively.

28.1.4 Cumulative fair value gain

	2007	2006
	(Rupees in thousand)	
As at October 1	**1,569,447**	1,506,545
Fair value gain during the year	**88,588**	288,330
Transferred from long-term investments	**53,750**	–
Transferred to profit and loss account on derecognition of shares	**(1,621,085)**	(279,599)
Impairment loss recognized during the year	**52,892**	54,171
As at September 30	**143,592**	1,569,447

28.1.5 Cumulative impairment losses recognized

	2007	2006
As at October 1	**54,171**	–
Add: transferred from long-term investments	**34,191**	–
Add: impairment loss recognized during the year	**52,892**	54,171
Less: impairment loss adjusted upon derecognition of investment	**(105,620)**	–
As at September 30	**35,634**	54,171

The impairment loss during the year represents 100% impairment of the company's cost of investment in Crescent Standard Investment Bank Limited (CSIBL) less impairment recognized on equity held in CSIBL as at September 30, 2006. Consequent to investigations in the affairs of CSIBL by the Securities and Exchange Commission of Pakistan (SECP), an Administrator was appointed by SECP to protect the interests of the depositors and stakeholders and to safeguard the assets of the bank. Trading in shares of CSIBL was suspended by SECP during the year resulting in recognition of full impairment of investment in CSIBL based on prudence principle. Effective June 28, 2007, CSIBL was merged with and into a non-listed company, Innovative Housing Finance Limited (IHFL) and the company, in lieu of its 10,270,249 shares in CSIBL, received 51,351 shares of IHFL. Investment in shares of IHFL has been recorded at Nil value, being the carrying value of investment in CSIBL's shares at the time of derecognition.

28.2 Held for trading

		2007	2006
		(Rupees in thousand)	
Related parties	- note 28.2.1	**–**	29,322
Others	- note 28.2.2	**70,959**	59,489
		70,959	88,811

28.2.1 Related parties

	2007	2006
Associated company - quoted		
Crescent Commercial Bank Limited		
Nil (2006: 2,171,987) fully paid ordinary shares of Rs 10 each	–	29,322
	–	29,322

28.2.2 Others

	2007	2006
	(Rupees in thousand)	
Quoted		
Crescent Commercial Bank Limited		
1,671,987 (2006: Nil) fully paid ordinary shares of Rs 10 each	**32,437**	–
Bank of Punjab Limited		
Nil (2006: 65,000) fully paid ordinary shares of Rs 10 each	–	5,580
Crescent Leasing Corporation Limited		
Nil (2006: 1,822,188) fully paid ordinary shares of Rs 10 each	–	14,578
D. G. Khan Cement Company Limited		
Nil (2006: 10,000) fully paid ordinary shares of Rs 10 each	–	960
International Housing Finance Limited		
Nil (2006: 1,347,250) fully paid ordinary shares of Rs 10 each	–	11,047
Nishat Chunian Limited		
Nil (2006: 600) fully paid ordinary shares of Rs 10 each	–	31
Oil and Gas Development Corporation of Pakistan		
90,000 (2006: 25,000) fully paid ordinary shares of Rs 10 each	**10,350**	3,196
Pakistan Industrial Credit & Investment Corporation Limited		
Nil (2006: 1,799) fully paid ordinary shares of Rs 10 each	–	131
PICIC Insurance Company Limited		
Nil (2006: 1,251,486) fully paid ordinary shares of Rs 10 each	–	23,966
Bank Alfalah Limited		
50,000 (2006: Nil) fully paid ordinary shares of Rs 10 each	**2,475**	–
Al-Abbas Cement Industries Limited		
100,000 (2006: Nil) fully paid ordinary shares of Rs 10 each	**1,205**	–
Pakistan National Shipping Corporation		
70,000 (2006: Nil) fully paid ordinary shares of Rs 10 each	**6,853**	–
Pakistan Oilfields Limited		
25,000 (2006: Nil) fully paid ordinary shares of Rs 10 each	**7,738**	–
PICIC Energy Fund		
100,000 (2006: Nil) fully paid ordinary shares of Rs 10 each	**720**	–
Thal Limited		
30,500 (2006: Nil) fully paid ordinary shares of Rs 10 each	**9,181**	–
	70,959	59,489

28.3 Held to maturity

		2007	2006
		(Rupees in thousand)	
Musharika Investment	- note 28.3.1	**17,935**	17,934
Certificate of deposits	- note 28.3.2	–	159,228
		17,935	177,162
Less: Cumulative impairment losses recognized		**(17,935)**	(65,702)
		–	111,460

28.3.1 This represents investment under musharika arrangement with Crescent Standard Modaraba on profit and loss sharing basis. Consequent to consistent failure of the Musharika to pay profits and in view of the rapidly deteriorating financial position of the Musharika, the company assessed its recoverable amount at Nil and consequently, full carrying amount of the investment was considered impaired in year 2006.

28.3.2 These represents certificates of investment of IHFL (previously issued by CSIBL, now merged with and into IHFL as referred to in note 28.1.5) and carried mark-up at the rate of 8.65% payable quarterly. In view of the negative equity and other financial indicators, the company recognized an impairment loss of Rs 47.767 million in 2006. However, during the year, subsequent to the amalgamation of CSIBL with and into IHFL as referred to in note 28.1.5, the full amount of these certificates was settled by IHFL through 10.062 million and 6.304 million shares of Asian Stock Funds Limited (ASFL) and Safeway Mutual Fund Limited (SWMFL) in July, 2007 priced at Rs 8.00 per share and Rs 12.77 per share respectively, through a settlement agreement entered into by IHFL with the company's related party, the Crescent Standard Business Management Services (Private) Limited (CSBMS). Consequently, the impairment provision of Rs 47.767 million was reversed during the year.

The company, under the terms of the settlement agreement, also acquired from IHFL, through CSBM, 8.750 million and 5.482 million shares of ASFL and SWMFL at the above mentioned prices against cash consideration.

The company, as a result of the above settlement, also acquired controling stakes in SWMFL, and increased in shareholding in ASFL to 41.70%. However, for reasons mentioned in note 4.8, these are not being consolidated or accounted for under the equity method in the company's consolidated financial statements.

29. Loans, advances, prepayments and other receivables

		2007	2006
		(Rupees in thousand)	
Advances - considered good			
- to employees		**1,056**	714
- to suppliers and contractors	- note 29.1	**32,660**	42,851
- to sugarcane growers	- note 29.2	**10,164**	31,259
- Altern Energy Limited	- note 29.3	**–**	115,365
		43,880	190,189
Advances - considered doubtful:			
- to suppliers and contractors		**513**	–
- to sugarcane growers		**2,000**	2,000
Due from related parties - unsecured			
- considered good	- note 29.4	**3**	1,206
- considered doubtful	- note 29.4	**–**	28,699
		3	29,905
Current portion of long term loan receivable from Sui Northern Gas Pipelines Limited	- note 23.2	**828**	414
Dividend receivable			
- considered good		**3,417**	865
- considered doubtful		**–**	1,096
	- note 29.5	**3,417**	1,961
Recoverable from government			
- Income tax		**16,199**	26,483
- Excise duty		**1,410**	–
- Sales tax		**19,656**	–
		37,265	26,483
Interest receivable on deposits		**5,115**	200
Security deposits		**7,499**	4,203
Prepayments		**43,216**	41,957
Margins against bank guarantees		**1,269**	1,114
Others:			
- considered good		**6,812**	18,027
- considered doubtful		**1,588**	–
		153,405	316,453
Less: provision against doubtful receivables	- note 29.6	**(4,101)**	(31,795)
		149,304	284,658

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

29.2 These relate to normal business of the company and carry mark-up ranging from 9.25% to 11.51%

29.3 Advance to Altern Energy Limited was given as unsecured sponsor loan and carried markup at the rate of 8.162% per annum. Consequent to a share purchase agreement entered into by the company with Descon Engineers Limited in year 2006 for partial divestment in AEL, the advance along with the markup thereon has been refunded to the company during the year.

29.4 Due from related parties

	2007	2006
	(Rupees in thousand)	
Considered good		
Crescent Sugar and Distillery Limited	–	108
Crescent Steel and Allied Products Limited	3	774
Crescent Standard Business Management (Private) Limited	–	324
	3	1,206
Considered doubtful		
Crescent Standard Investment Bank Limited	–	28,699
	3	29,905

29.5 Dividend receivable includes receviable from following related parties

	2007	2006
Central Depository Company of Pakistan Limited	604	585
Crescent Steel and Allied Products Limited	2,331	1,096
Pakistan Industrial Credit & Investment Corporation Limited	–	241
	2,935	1,922

29.6 Provision against doubtful receivables

	2007	2006
As at October 1	31,795	2,000
Provision during the year	2,101	29,795
Receivables written off agains provision during the year	(29,795)	–
As at September 30	4,101	31,795

30. Cash and bank balances

		2007	2006
At banks on:			
- Saving accounts	- note 30.1		
- Pak rupees		420,640	99,910
- Foreign currency	- note 30.2	376	377
		421,016	100,287
- Current accounts		71,724	87,026
		492,740	187,313
In hand		501	3,022
		493,241	190,335

30.1 Profit on balances in saving accounts ranges from 0.1% to 9.00% (2006: 0.25% to 7.25%) per annum.

30.2 Foreign currency accounts include US Dollars 5,320 (2006: 5,306) and Euros 664 (2006: 710).

31. Sales

	Sugar 2007	Sugar 2006	Ethanol 2007	Ethanol 2006
Gross sales				
- Local	4,289,120	4,518,598	185,447	138,483
- Export	–	–	638,087	641,354
- By-products	5	–	–	–
- Inter-segment	301,908	348,564	–	–
	4,591,033	4,867,162	823,534	779,837
Less: Commission to selling agents	8,564	7,815	186	272
Sales tax	569,847	572,626	24,180	18,063
	578,411	580,441	24,366	18,335
Net sales	4,012,622	4,286,721	799,168	761,502

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

32. Cost of sales

	Sugar 2007	Sugar 2006	Ethanol 2007	Ethanol 2006
Inter-segment	–	–	251,928	315,809
Raw materials consumed	2,576,042	4,316,562	267,508	214,333
	2,576,042	4,316,562	519,436	530,142
Salaries, wages and other benefits - note 32.2	149,326	106,814	14,797	10,382
Stores and spares consumed	94,115	99,917	8,809	6,213
Dyes and chemicals	18,814	27,656	17,822	15,246
Packing material consumed	37,675	47,294	–	–
Fuel and power	103,953	313,159	24,977	12,941
Repairs and maintenance	24,104	25,712	4,713	1,624
Insurance	7,598	8,303	1,674	1,186
Vehicle running and maintenance	5,300	5,129	–	–
Traveling and conveyance	1,670	812	716	182
Printing and stationery	786	737	57	64
Rent, rates and taxes	698	940	–	–
Sugarcane research and development - note 32.2	10,025	10,117	–	–
Staff training and development	420	920	18	–
Depreciation on:				
- property, plant and equipment	234,436	214,826	58,248	33,948
- leased assets	10,095	9,045	1,666	3,181
Amortization on intangibles	–	–	–	–
Impairment of:				
- property, plant and equipment	–	–	–	–
- assets subject to finance lease	–	–	–	–
Software development charges	–	–	–	–
Other expenses	15,329	24,936	1,931	2,236
	3,290,386	5,212,879	654,864	617,345
Opening work-in-process	16,952	17,682	–	–
Less: Closing work-in-process	(3,683)	(16,952)	–	–
	13,269	730	–	–
Cost of goods produced	3,303,655	5,213,609	654,864	617,345
Opening stock of finished goods	1,524,730	248,473	76,706	62,433
Less: Closing stock of finished goods	(871,156)	(1,524,730)	(107,771)	(76,706)
	653,574	(1,276,257)	(31,065)	(14,273)
	3,957,229	3,937,352	623,799	603,072
Cost of sales - goods purchased for resale	–	337,726	–	–
Less: Net expenses of trial run Capitalized	–	(46,881)	–	–
Less: own goods capitalized / transferred to capital work in progress	–	–	–	–
	3,957,229	4,228,197	623,799	603,072

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

(Rupees in thousand)

Building Materials 2007	Building Materials 2006	Textile 2007	Textile 2006	Engineering 2007	Engineering 2006	Total 2007	Total 2006
22,119	7,707	613,971	615,169	3,220	–	5,113,877	5,279,957
–	–	105,292	73,406	–	–	743,379	714,760
–	–	17,628	19,222	–	–	17,633	19,222
–	–	–	–	7,427	–	–	–
22,119	7,707	736,891	707,797	10,647	–	5,874,889	6,013,939
863	300	5,157	3,354	–	–	14,770	11,741
2,885	988	–	–	420		597,332	591,677
3,748	1,288	5,157	3,354	420	–	612,102	603,418
18,371	6,419	731,734	704,443	10,227	–	5,262,787	5,410,521
3,923	3,201	46,057	29,554	–	–	–	–
193	–	526,392	487,265	34,848	–	3,404,983	5,018,160
4,116	3,201	572,449	516,819	34,848	–	3,404,983	5,018,160
3,746	2,838	52,881	42,818	1,060	–	221,810	162,852
337	635	13,673	11,134	23	–	116,957	117,899
3,564	1,867	–	–	–	–	40,200	44,769
–	–	11,122	8,942	–	–	48,797	56,236
1,130	256	43,244	41,116	347	–	173,651	367,472
145	586	3,614	1,920	89	–	32,665	29,842
46	46	3,009	3,141	117	–	12,444	12,676
47	132	–	–	31	–	5,378	5,261
70	41	1,094	1,077	104	–	3,654	2,112
10	3	–	–	7	–	860	804
–	–	198	213	–	–	896	1,153
–	–	–	–	–	–	10,025	10,117
–	–	–	–	–	–	438	920
787	851	29,158	11,776	2,798	–	325,427	261,401
–	–	7,204	6,093	–	–	18,965	18,319
–	–	340	–	–	–	340	–
–	–	16,901	–	–	–	16,901	–
–	–	34,696	–	–	–	34,696	–
–	–	120	–	–	–	120	–
586	381	1,150	1,357	47	–	19,043	28,910
14,584	10,837	790,853	646,406	39,471	–	4,488,250	6,138,903
–	–	4,030	4,839	–	–	20,982	22,521
–	–	(4,917)	(4,030)	–	–	(8,600)	(20,982)
–	–	(887)	809	–	–	12,382	1,539
14,584	10,837	789,966	647,215	39,471	–	4,500,632	6,140,442
6,212	321	24,571	33,643	–	–	1,632,219	344,870
(4,595)	(6,212)	(20,432)	(24,571)	–	–	(1,003,954)	(1,632,219)
1,617	(5,891)	4,139	9,072	–	–	628,265	(1,287,349)
16,201	4,946	794,105	656,287	39,471	–	5,128,897	4,853,093
–	–	–	–	–	–	–	337,726
–	–	–	–	–	–	–	(46,881)
–	–	–	–	(35,883)	–	(35,883)	–
16,201	4,946	794,105	656,287	3,588	–	5,093,014	5,143,938

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

	2007	2006
	(Rupees in thousand)	
Pension fund	**3,522**	3,109
Gratuity fund	**1,659**	894
Provident fund	**2,895**	2,444
	8,076	6,447

33. Administrative expenses

		2007	2006
Salaries, wages and other benefits	- note 33.1	**89,607**	70,778
Repairs and maintenance		**8,948**	9,808
Insurance		**6,055**	5,958
Vehicle running and maintenance		**6,496**	7,883
Traveling and conveyance		**8,457**	7,305
Printing and stationary		**2,784**	2,954
Electricity and gas		**2,040**	2,044
Telephone, postage and telegram		**4,253**	4,543
Legal and professional charges	- note 33.2	**5,938**	5,854
Consultancy and advisory services		**8,684**	14,324
Rent, rates and taxes		**2,092**	2,016
Staff training and development		**235**	188
Entertainment		**2,838**	2,203
Subscriptions		**4,322**	7,862
Advertisements		**2,025**	441
Registered office expenses		**726**	726
Provision against doubtful receivables		**2,101**	29,795
Bad debts and advances written off		**–**	2,311
Depreciation on:			
- property, plant and equipment		**27,529**	25,420
- leased assets		**10,320**	7,909
Others		**1,481**	1,432
		196,931	211,754

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

	2007	2006
Pension fund	**3,811**	2,854
Gratuity fund	**1,480**	735
Provident fund	**969**	1,003
	6,260	4,592

33.2 Professional services

		2007	2006
		(Rupees in thousand)	
The charges for professional services include the following in respect of auditors' services for:			
- Statutory audit		**800**	750
- Half yearly review		**400**	150
- Certification charges		**100**	60
- Out of pocket expenses		**98**	27
		1,398	987

34. Distribution and selling costs

Salaries, wages and other benefits	- note 34.1	**3,067**	2,387
Freight and forwarding		**75,061**	55,474
Handling and distribution		**1,505**	1,465
Loading and unloading charges		**4,621**	6,420
Sales promotion expenses		**230**	596
Insurance		**8,753**	6,798
Others		**122**	441
		93,359	73,581

34.1 Salaries, wages and other benefits include provident fund contribution of Rs 0.093 million (2006: Rs 0.098 million) by the company.

35. Other operating expenses

		2007	2006
		(Rupees in thousand)	
Workers Welfare Fund		–	572
Loss on sale of property, plant and equipment		–	3,000
Impairment losses on:			
- Available for sale investments:			
classified as long term		–	39,391
classified as short term	note 28.1.4	**52,892**	54,171
- Held to maturity investments		–	65,702
Social action program expenses		**6,533**	4,071
Loss from agricultural activities	- note 35.1	**127,195**	–
Net exchange loss		**14,256**	12,083
Loss on marked to market valuation of interest rate swap		**4,805**	–
Donations	- note 35.2	**1,652**	3,922
Others		**152**	170
		207,485	183,082

35.1 Loss from agricultural activities

		2007	2006
		(Rupees in thousand)	
Loss/(gain) arising on changes in fair value of biological assets less estimated point-of-sale costs		**76,078**	(35,131)
Fair value of biological assets harvested less estimated point of sales cost		**(232,089)**	(187,934)
Less: costs of biological assets harvested	- note 35.3	**283,206**	193,052
		51,117	5,118
Loss/(income) from agricultural activities		**127,195**	(30,013)

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

35.3 This includes depreciation on property, plant and equipment of Rs 9.751 million (2006: Nil).

36. Other operating income

		2007	2006
		(Rupees in thousand)	
Income from financial assets			
Profit on sale of investments		**2,006,720**	385,384
Realized gain on investments held to maturity		**1,663**	1,482
Unrealized gain on investments held for trading		**14,795**	7,666
Dividend income from:			
- related parties		**84,857**	585
- others		**30,061**	149,703
Underwriting commission		**–**	1,600
Reversal of provision for impairment against investments classified as 'held to maturity'	- note 28.3.2	**47,767**	–
Liabilities written back		**7,221**	395
Return on advance to Altern Energy Limited		**3,799**	–
Return on bank deposits		**8,329**	240
		2,205,212	547,055
Income from non-financial assets			
Scrap sales		**18,708**	25,907
Agricultural income	- note 35.1	**–**	30,013
Profit on sale of property, plant and equipment		**4,192**	–
Rental income		**284**	94
Amortization of deferred income		**2,475**	2,413
Others		**2,938**	2,205
		28,597	60,632
		2,233,809	607,687

37. Finance cost

		2007	2006
		(Rupees in thousand)	
Interest and mark-up on:			
- Long term finances	- note 37.1	**202,117**	168,051
- Short term borrowings		**604,049**	497,202
- Workers' profit participation fund - related party		**6**	257
- Finance lease		**21,558**	22,768
Bank charges, commission and excise duty		**20,337**	10,493
Others	- note 37.2	**11,116**	2,918
		859,183	701,689

37.1 This includes preferred dividend of Rs 29.389 million (2006: 32.805 million).

37.2 This includes penalties aggregating to Rs. 5.573 million (2006: Rs 1.6 million) levied by financial institutions due to delayed payments.

38. Taxation

	2007	2006
	(Rupees in thousand)	
For the year		
- Current	**36,000**	34,700
- Deferred	**508,632**	(324,182)
	544,632	(289,482)
Prior year		
- Current	**(133)**	(14,797)
- Deferred	**(119,054)**	(58,196)
	(119,187)	(72,993)
	425,445	(362,475)

38.1 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, 2007 are estimated approximately at Rs 4,563 million (2006: Rs 3,301 million), including assessed tax losses of Rs 3,301 million (2006: Rs 907 million).

38.2 Tax charge reconciliation

	2007 %age
Numerical reconciliation between the average effective tax rate and the applicable tax rate	
Applicable tax rate	**35.00**
Tax effect of amounts that are:	
- Chargeable to tax at lower rates	
- Exempt for tax purposes	**(67.66)**
- Not deductible for tax purposes	**6.08**
Tax effect under presumptive regime and others	**(7.85)**
Tax losses for which no deferred tax asset was recognized	**86.47**
Effect of change in prior years tax	**(11.39)**
	5.65
Average effective tax rate charged to profit and loss account	**40.65**

38.2.1 The company, during the comparative year, had loss before taxation and the current tax provision represents the tax under section 113 of the Income Tax Ordinance, 2001, therefore it is impracticable to prepare the tax charge reconciliation for the comparative year.

39. Earnings per share

39.1 Basic earnings per share

		2007	2006
Profit for the year	**Rupees**	**621,179,000**	66,639,000
Weighted average number of ordinary shares in issue during the year	**Numbers**	**57,936,498**	53,477,810
Earnings per share - basic	**Rupees**	**10.72**	1.25

39.2 Diluted earnings per share

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

40. Cash used in operating activities

	2007	2006
	(Rupees in thousand)	
Profit/(loss) before taxation	**1,046,624**	(295,836)
Adjustment for:		
Depreciation/amortization of:		
- property, plant and equipment	**362,753**	287,006
- assets subject to finance lease	**29,285**	26,228
- intangible assets	**340**	–
- deferred income	**(2,475)**	(2,413)
Liabilities written back	**(7,221)**	(395)
(Profit)/loss on sale of property, plant and equipment	**(4,192)**	3,000
Impairment of:		
- property, plant and equipment	**16,901**	–
- assets subject to finance lease	**34,696**	–
- investments classified as available for sale	**52,892**	159,264
Gain on sale of investments	**(2,008,383)**	(385,384)
Unrealized gain on investments held for trading	**(14,795)**	(7,666)
Reversal of provision for impairment against investments classified as HTM	**(47,767)**	–
Interest from bank deposits	**(8,329)**	(240)
Provision against doubtful receivables	**2,101**	29,795
Bad debts and advances written off	**–**	2,311
Provision for employees' retirement benefits	**10,472**	7,592
Dividend income	**(114,918)**	(150,288)
Loss/(profit) from agricultural activities	**127,195**	(30,013)
Finance cost	**859,183**	701,689
	(712,262)	640,486
Profit before working capital changes	**334,362**	344,650
Effect on cash flow due to working capital changes:		
Decrease/(increase) in stores and spares	**8,426**	(23,318)
Decrease/(increase) in stock in trade	**753,876**	(882,290)
Increase in biological assets - net	**(54,591)**	(39,199)
Decrease in trade debts	**146,154**	113,616
Decrease/(increase) in loans, advances, prepayments and other receivables	**129,345**	(33,342)
Increase in trade and other payables	**113,229**	67,712
	1,096,439	(796,821)
	1,430,801	(452,171)

41. Remuneration of Chief Executive, Directors and Executives

41.1 The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the full time working directors and executives of the Company is as follows:

	Director		Executives	
	2007	2006	2007	2006
	(Rupees in thousand)		(Rupees in thousand)	
Managerial remuneration	-	900	24,219	17,910
Contribution to provident fund, gratuity and pension funds	-	311	4,697	5,501
Production incentives	-	-	-	180
House rent	-	405	8,042	6,507
Utilities	-	90	2,382	1,761
Reimbursable expenses	-	210	1,013	552
Others	-	-	513	1,061
	-	1,916	40,866	33,472
Number of persons	**-**	**1**	**16**	**13**

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

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

41.4 Aggregate amount charged in the financial statements for the year for fee to 8 directors (2006: 8 directors) was Rs 200,000 (2006: Rs 160,000).

42. Related Party Disclosures

The related parties comprise subsidiaries, associated undertakings, post employment benefit plans, other related companies, and key management personnel. The company in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under receivables and payables and remuneration of the key management personnel is disclosed in note 41. Other significant transactions with related parties are as follows:

		2007	2006
		(Rupees in thousand)	
Relationship with the company	**Nature of transactions**		
i. Subsidiaries	Sale of goods	**12,788**	1,127
	Equity contribution through share deposit money	**122,935**	–
	Dividend income	**58,430**	–

		2007	2006
		(Rupees in thousand)	
i. Associated Undertakings	Purchase of goods and services	**67,244**	66,591
	Sale of goods and services	**48,839**	65,379
	Share of common expenses	**1,840**	726
	Lease rentals paid	–	1,233
	Dividend income	**26,430**	585
	Purchase of investments	**160,995**	–
	Sale of investments	**17,356**	–
	Advance for purchase of services	**4,000**	–
ii. Other related parties	Expenses incurred on behalf of the company	–	3,879
	Share of common expenses	**185**	–
	Receipt of funds on behalf of the company	–	150,930
	Payments made to/on behalf of the company	–	177,407
	Purchase of marketable securities	–	17,325
	Share deposit money given	–	350,000
	Interest free loan given	–	59,420
iii. Post employment benefit plans	Expense charged in respect of retirement benefit plans	**14,429**	11,137
	Interest free loan obtained	**7,400**	–

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

43. Capacity and production

		2007	2006
Sugar			
Rated crushing capacity -			
On the basis of 140 days (2006: 140 days)	M. Tons	**2,240,000**	2,240,000
Actual cane crushed	M. Tons	**1,587,927**	1,288,547

The low crushing was due to shortage of sugarcane.

		2007	2006
Ethanol			
On the basis of 270 days (2006: 270 days) working	Liters	**43,200,000**	43,200,000
Actual production	Liters	**35,093,676**	27,625,611

The low production of ethanol was due to shortage of raw materials.

		2007	2006
Building Materials			
On the basis of 100 days (2006: 100 days) working	Cubic meter	**3,000**	3,000
Actual production	Cubic meter	**1,834**	1,477

The low production of particle board was due to shortage of baggasse.

		2007	2006
Textile			
Capacity (converted in 20s counts)	Kgs	**8,398,912**	8,398,912
Actual production (converted in 20s counts)	Kgs	**6,675,699**	7,819,205

The low production of yarn was due to the stoppages in electricity supply and shut-down of plant for major maintenance works.

Notes to the Financial Statements

For the year ended September 30, 2007

44. Business segments information

		Sugar 2007	Sugar 2006	Ethanol 2007	Ethanol 2006
Revenue					
- External	- note 31	3,710,714	3,938,157	799,168	761,502
- Intersegment	- note 31	301,908	348,564	–	–
		4,012,622	4,286,721	799,168	761,502
Segment expenses					
Cost of sales - Intersegment		–	–	251,928	315,809
- External	- note 32	3,957,229	4,228,197	371,871	287,263
		3,957,229	4,228,197	623,799	603,072
Gross profit/(loss)		55,393	58,524	175,369	158,430
- Administrative expenses	- note 33	142,884	158,146	28,457	28,093
- Distribution and selling expenses	- note 34	13,557	11,903	72,202	57,588
		156,441	170,049	100,659	85,681
Segment results		(101,048)	(111,525)	74,710	72,749
Other operating expenses					
OPERATING PROFIT					
Finance costs					
Interest income					
Other operating income					
Taxation					
PROFIT FOR THE YEAR					

44.1 Inter-segment sales and purchases

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

44.2 Basis of inter-segment pricing

All inter-segment transfers are made at cost

		Sugar 2007	Sugar 2006	Ethanol 2007	Ethanol 2006
44.3	Segment assets	3,629,119	4,634,550	1,191,484	1,030,809
	Unallocated assets				
44.4	Segment liabilities	1,436,502	1,256,541	397,791	252,504
	Unallocated liabilities				
44.5	Capital expenditure	146,786	2,173,109	285,518	390,462
	Unallocated				
44.6	Depreciation on property, plant and equipment	234,436	214,826	58,248	33,948
	Unallocated				
44.7	Depreciation on leased assets	10,095	9,045	1,666	3,181
	Unallocated				
44.8	Amortization on intangible assets	–	–	–	–
	Unallocated				
44.9	Impairment on Property, Plant and equipment	–	–	–	–
	Unallocated				
44.10	Impairment on Assets subject to finance lease	–	–	–	–
	Unallocated				

44.11 Secondary reporting format

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

	Sugar 2007	Sugar 2006	Ethanol 2007	Ethanol 2006
Distillery export sales - Europe	–	–	137,368	641,354
Export sales - Others	–	–	500,720	–
Local sales	3,710,714	3,938,157	161,080	120,148
	3,710,714	3,938,157	799,168	761,502

Notes to the Financial Statements

For the year ended September 30, 2007

(Rupees in thousand)

Building Materials		Textile		Engineering		Elimination		Total	
2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
18,371	6,419	731,734	704,443	2,800	–	–	–	5,262,787	5,410,521
–	–	–	–	7,427	–	(309,335)	(348,564)	–	–
18,371	6,419	731,734	704,443	10,227	–	(309,335)	(348,564)	5,262,787	5,410,521
3,923	3,201	46,057	29,554	–	–	(301,908)	(348,564)	–	–
12,278	1,745	748,048	626,733	3,588	–	–	–	5,093,014	5,143,938
16,201	4,946	794,105	656,287	3,588	–	(301,908)	(348,564)	5,093,014	5,143,938
2,170	1,473	(62,371)	48,156	6,639	–	(7,427)	–	169,773	266,583
654	237	24,878	25,278	58	–	–	–	196,931	211,754
77	18	7,523	4,072	–	–	–	–	93,359	73,581
731	255	32,401	29,350	58	–	–	–	290,290	285,335
1,439	1,218	(94,772)	18,806	6,581	–	(7,427)	–	(120,517)	(18,752)
								(207,485)	(183,082)
								(328,002)	**(201,834)**
								(859,183)	(701,689)
								8,329	240
								2,225,480	607,447
								(425,445)	362,475
								621,179	**66,639**
14,908	16,919	416,616	567,425	158,545	–	(1,043)		5,409,629	6,249,703
								5,500,884	5,469,187
								10,910,513	11,718,890
203	22	439,604	456,501	80,232	–	(1,043)		2,353,289	1,965,568
								4,131,852	6,393,603
								6,485,141	8,359,171
–	–	1,231	54,213	56,437	–	(53,895)		436,077	2,617,784
								594,319	176,572
								1,030,396	2,794,356
787	851	29,158	11,776	2,798	–	–	–	325,427	261,401
								37,280	25,420
								362,707	286,821
–	–	7,204	6,093	–	–	–	–	18,965	18,319
								10,320	7,909
								29,285	26,228
–	–	340	–	–	–	–	–	340	–
								–	–
								340	–
–	–	16,901	–	–	–	–	–	16,901	–
								–	–
								16,901	–
–	–	34,696	–	–	–	–	–	34,696	–
								–	–
								34,696	–
–	–	66,752	–	–	–	–	–	204,120	641,354
–	–	38,539	73,406	–	–	–	–	539,259	73,406
18,371	6,419	626,443	631,037	2,800	–	–	–	4,519,408	4,695,761
18,371	6,419	731,734	704,443	2,800	–	–	–	5,262,787	5,410,521

Notes to the Financial Statements

For the year ended September 30, 2007

45. Financial assets and liabilities

(Rupees in thousand)

	Interest / mark-up bearing			Non-interest bearing			Total		Credit Risk	
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	2007	2006	2007	2006
Financial assets										
Long term loan and deposits	–	3,312	3,312	–	30,295	30,295	33,607	75,038	33,607	75,038
Trade debts	–	–	–	71,073	–	71,073	71,073	217,227	71,073	217,227
Loans, advances and other receivables	828	–	828	17,672	–	17,672	18,500	139,797	18,500	139,797
Investments	–	–	–	1,071,929	734,968	1,806,897	1,806,897	3,290,447	1,806,897	3,290,447
Cash and bank balances	421,016	–	421,016	72,225	–	72,225	493,241	190,335	492,740	187,313
	421,844	3,312	425,156	1,232,899	765,263	1,998,162	2,423,318	3,912,844	2,422,817	3,909,822
Off balance sheet	–	–	–	–	–	–	–	–	–	–
Total	421,844	3,312	425,156	1,232,899	765,263	1,998,162	2,423,318	3,912,844	2,422,817	3,909,822
Financial liabilities										
Long term finances	463,518	1,782,304	2,245,822	–	–	–	2,245,822	1,966,387		
Long term advances	120	736	856	–	–	–	856	–		
Liabilities against assets subject to finance lease	96,040	148,195	244,235	–	–	–	244,235	203,718		
Short term borrowings	3,344,249		3,344,249	–	–	–	3,344,249	5,580,721		
Trade and other payables	–	–	–	395,732	–	395,732	395,732	306,822		
Accrued finance cost	193,853	–	193,853	–	–	–	193,853	259,469		
	4,097,780	1,931,235	6,029,015	395,732	–	395,732	6,424,747	8,317,117		
Off balance sheet										
Contracts for capital expenditure	–	–	–	407,927	–	407,927	407,927	132,484		
Guarantees	–	–	–	87,852	–	87,852	87,852	89,996		
Letters of credit other than for capital expenditure	–	–	–	2,867	–	2,867	2,867	2,507		
	–	–	–	498,646	–	498,646	498,646	224,987		
Total	**4,097,780**	**1,931,235**	**6,029,015**	**894,378**	**–**	**894,378**	**6,923,393**	**8,542,104**		
On balance sheet gap	(3,675,936)	(1,927,923)	(5,603,859)	837,167	765,263	1,602,430	(4,001,429)	(4,404,273)		
Off balance sheet gap	–	–	–	(498,646)	–	(498,646)	(498,646)	(224,987)		

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

45.1 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 minimize 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 is 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 2,423 million (2006: Rs 3,913 million), the financial assets which are subject to credit risk amount to Rs 2,422 million (2006: Rs 3,910 million). The company believes that it is not exposed to major concentration of credit risk as exposure is spread over a large number of counter parties in case of trade debts. To manage exposure to credit risk, the company applies credit limits to its customers.

(b) Currency risk

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

(c) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The company borrows at fixed and market based rates and as such the risk is minimized. Significant interest rate risk exposures are primarily managed by a mix of borrowings at fixed and variable interest rates and contracting floor and cap of interest rates as referred to in note 7. Furthermore, the company has entered into an interest rate swap arrangement for its syndicate term loan to hedge the possible adverse movements in interest rates as referred to in note 7.2

(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.

45.2 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.

Notes to the Financial Statements

For the year ended September 30, 2007

46. Date of authorization of issue

These financial statements were authorized for issue on December 05, 2007 by the board of directors of the company.

47. Events after the balance sheet date

The board of directors have proposed a final dividend for the year ended September 30, 2007 of Rs.1 (2006: Nil) per share, amounting to Rs.57.936 million (2006: Nil) at their meeting held on December 5, 2007 for approval of the members at the Annual General Meeting to be held on December 31, 2007. The Board has recommended to issue bonus shares in proportion of 20 bonus shares (2006: Nil) for every 100 ordinary shares held.

48. Corresponding figures

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

	(Rupees in thousand)
Classified from short term finances to:	
- Short term running finance	6,013
- Export refinance	303,331

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

Chief Executive **Chairman**

A. F. FERGUSON & CO.

A member firm of PRICEWATERHOUSECOOPERS

A. F. Ferguson & Co.
Chartered Accountants
505-509, 5th Floor, Alfalah Building
P.O.Box 39, Shahrah-e-Quaid-e-Azam
Lahore, Pakistan
Telephone: (042) 6285078-85
Fax: (042) 6285088
E-mail : ferguson@brain.net.pk

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Shakarganj Mills Limited (the holding company) and its subsidiary company as at September 30, 2007 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of Shakarganj Mills Limited. The financial statements of the subsidiary company, Shakarganj Food Products Limited was audited by another firm of auditors, whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such company, is based solely on the report of such other auditors. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

Group's share of income from associated companies of Rs 103.688 million shown in the consolidated profit and loss account and in note 24.1 to the consolidated financial statements is based on unaudited financial statements of these associated companies.

Except for the effect, if any, of the matter referred to in the preceding paragraph, in our opinion the consolidated financial statements present fairly the financial position of Shakarganj Mills Limited and its subsidiary company as at September 30, 2007 and the results of their operations for the year then ended.

Chartered Accountants

Lahore, December 05, 2007

Consolidated Balance Sheet

As at September 30, 2007

	Note	2007	Restated 2006
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
- 80,000,000 (2006: 80,000,000) ordinary shares of Rs 10 each		800,000	800,000
- 50,000,000 (2006: 50,000,000) preference shares of Rs 10 each		500,000	500,000
		1,300,000	1,300,000
Issued, subscribed and paid up capital 57,936,498 (2006: 57,936,498) ordinary shares of Rs 10 each	5	579,365	579,365
Share deposit money	6	60,000	–
Reserves		1,017,544	2,629,575
Unappropriated profit		730,900	255,259
		2,387,809	3,464,199
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	7	1,840,226	3,157
NON-CURRENT LIABILITIES			
Long term finances	8	2,053,533	1,811,647
Long term advances	9	736	–
Liabilities against assets subject to finance lease	10	150,636	131,727
Employees' retirement benefits	11	9,770	3,656
Deferred income	12	3,585	4,824
Deferred taxation	13	9,500	–
		2,227,760	1,951,854
CURRENT LIABILITIES			
Current portion of long term liabilities	14	682,251	631,175
Short term borrowings - secured	15	3,511,765	5,655,900
Trade and other payables	16	600,218	483,648
Accrued finance cost	17	218,875	282,907
		5,013,109	7,053,630
CONTINGENCIES AND COMMITMENTS	18		
		11,468,904	12,472,840

Consolidated Balance Sheet

As at September 30, 2007

	Note	2007	Restated 2006
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	19	6,793,062	4,964,548
Intangible assets	20	85,428	105,096
Assets subject to finance lease	21	225,198	277,341
Capital work-in-progress	22	848,134	643,178
Biological assets	23	29,682	9,583
Investments - related parties	24	193,273	614,412
Long term loans, advances, deposits, prepayments and other receivables	25	114,015	92,992
Deferred taxation	26	–	376,873
		8,288,792	7,084,023
CURRENT ASSETS			
Biological assets	23	89,713	182,416
Stores, spares and loose tools	27	106,558	121,827
Stock-in-trade	28	1,125,704	1,873,517
Trade debts	29	85,107	220,748
Investments	30	1,071,929	2,446,277
Loans, advances, deposits, prepayments and other receivables	31	190,997	350,614
Cash and bank balances	32	510,104	193,418
		3,180,112	5,388,817
		11,468,904	12,472,840

The annexed notes 1 to 52 form an integral part of these financial statements.

Chief Executive **Chairman**

Consolidated Profit and Loss Account

For the year ended September 30, 2007

	Note	2007	2006
		(Rupees in thousand)	
Sales	33	6,339,470	5,410,521
Cost of sales	34	(6,122,511)	(5,143,938)
Gross profit		216,959	266,583
Administrative expenses	35	(230,594)	(211,754)
Distribution and selling costs	36	(281,596)	(73,581)
Other operating expenses	37	(209,720)	(145,891)
Other operating income	38	2,232,772	607,687
Profit from operations		1,727,821	443,044
Finance cost	39	(922,521)	(701,689)
Income/(loss) from associated companies	24.1	103,688	(27,882)
Profit/(loss) before taxation		908,988	(286,527)
Taxation			
- Group	40	(428,521)	349,770
- Associated companies	24.1	(4,851)	(504)
		(433,372)	349,266
Profit for the year		475,616	62,739
Earnings per share - basic **Rupees**	41	8.21	1.17

The annexed notes 1 to 52 form an integral part of these financial statements.

Chief Executive **Chairman**

Consolidated Cash Flow Statement

For the year ended September 30, 2007

	Note	2007	Restated 2006
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from/(used in) operations	42	1,349,667	(454,156)
Finance cost paid		(986,553)	(594,024)
Taxes paid		(29,960)	(31,236)
Employees' retirement benefits paid		(7,797)	(5,506)
Net decrease in long term deposits		(21,023)	112,222
Net cash generated from/(used in) operating activities		304,334	(972,700)
Cash flows from investing activities			
Fixed capital expenditure		(648,859)	(783,639)
Investment made		(1,000,990)	(1,365,413)
Proceeds from sale/maturity of investment		3,308,758	1,744,705
Acquisition of subsidiary SFPL, net of cash acquired		–	2,983
Investments in associates - net		145	(19,994)
Dividend received		106,467	149,423
Income from bank deposits received		4,015	240
Sale proceeds from sale of property, plant and equipment		6,989	5,243
Net cash generated from/(used in) investing activities		1,776,525	(266,452)
Cash flows from financing activities			
Proceeds from issuance of share capital		–	258,646
Proceeds from share deposit money		60,000	
Increase in/(repayment of) long term finances		268,220	(382,691)
Sale proceeds from sale and lease back transaction		7,679	15,012
Long term advances - net		856	–
Net (decrease)/increase in short term borrowings - secured		(2,144,135)	1,591,863
Finance lease liabilities - net		43,531	(69,954)
Dividend paid		(324)	(39)
Net cash (used in)/ generated from financing activities		(1,764,173)	1,412,837
Net increase in cash and cash equivalents		316,686	173,685
Cash and cash equivalents at the beginning of the year		193,418	19,733
Cash and cash equivalents at the end of the year	32	510,104	193,418

The annexed notes 1 to 52 form an integral part of these financial statements.

Chief Executive **Chairman**

Consolidated Statement of Changes in Equity

For the year ended September 30, 2007

(Rupees in thousand)

			RESERVES													
			CAPITAL RESERVE							REVENUE RESERVE						
	Share capital	Share deposit money	Balancing and modernization	Research and development	Share premium	Share in capital reserves of accociates	Fair value reserve	Difference of capital under scheme of arrangement of merger	Sub-total	General	Dividend equalization	Equity investment market value equalization	Sub-total	Total	Unappropriated profit	Total
Balance as on September 30, 2005	540,537	–	15,000	5,000	23,464	63,506	1,522,356	155,930	1,785,256	366,479	22,700	83,000	472,179	2,257,435	332,494	3,130,466
Transfers to General Reserve	–	–	(15,000)	(5,000)	–	–	–	–	(20,000)	160,000	–	–	160,000	140,000	(140,000)	–
Fair value gain during the year	–	–	–	–	–	–	293,617	–	293,617	–	–	–	–	293,617	–	293,617
Transferred to profit and loss account on derecognition of shares	–	–	–	–	–	–	(284,365)	–	(284,365)	–	–	–	–	(284,365)	–	(284,365)
Impairment loss transferred to profit and loss account	–	–	–	–	–	–	56,371	–	56,371	–	–	–	–	56,371	–	56,371
Share in capital reserves of associates	–	–	–	–	–	(53,301)	–	–	(53,301)	–	–	–	–	(53,301)	–	(53,301)
Premium on conversion of preference shares	(126,705)	–	–	–	126,705	–	–	–	126,705	–	–	–	–	126,705	–	–
Bonus Shares issued during the year	62,074	–	–	–	(62,074)	–	–	–	(62,074)	–	–	–	–	(62,074)	–	–
Right shares issued during the year	103,459	–	–	–	155,187	–	–	–	155,187	–	–	–	–	155,187	–	258,646
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation	–	–	–	–	–	–	–	–	–	–	–	–	–	–	26	26
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	–	–	–	62,739	62,739
Balance as on September 30, 2006	579,365	–	–	–	243,282	10,205	1,587,979	155,930	1,997,396	526,479	22,700	83,000	632,179	2,629,575	255,259	3,464,199
Share deposit money received during the year	–	60,000	–	–	–	–	–	–	–	–	–	–	–	–	–	60,000
Fair value gain during the year	–	–	–	–	–	–	(141,825)	–	(141,825)	–	–	–	–	(141,825)	–	(141,825)
Transferred to profit and loss account on derecognition of shares	–	–	–	–	–	–	(1,621,052)	–	(1,621,052)	–	–	–	–	(1,621,052)	–	(1,621,052)
Impairment loss transferred to profit and loss account	–	–	–	–	–	–	52,892	–	52,892	–	–	–	–	52,892	–	52,892
Share in capital reserves of associates	–	–	–	–	–	97,954	–	–	97,954	–	–	–	–	97,954	–	97,954
Transfer from surplus on revaluation of property, plant and equipment	–	–	–	–	–	–	–	–	–	–	–	–	–	–	25	25
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	–	–	–	475,616	475,616
Balance as on September 30, 2007	579,365	60,000	–	–	243,282	108,159	(122,006)	155,930	385,365	526,479	22,700	83,000	632,179	1,017,544	730,900	2,387,809

The annexed notes 1 to 52 form an integral part of these financial statements.

Chief Executive

Chairman

1. Legal status and nature of business

Shakarganj Mills Limited (the parent company) and its subsidiary, Shakarganj Food Products Limited (together, 'the group') are enganged in the following business:

- manufacture, purchase and sale of sugar, ethanol, building material and yarn through the holding company, Shakarganj Mills Limited; and
- manufacture and sale of juices, dairy products and other allied products, through the subsidiary company, Shakarganj Food Products Limited (formerly A. M. Fruit Products (Private) Limited).

The group has its principal manufacturing facilities at Jhang, Bhone and Jaranwala.

2. Basis of preparation

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

2.2 Standards, Interpretations and amendments to published approved accounting standards

The following amendments to existing standards have been published that are applicable to the group's financial statements covering annual periods, beginning on or after the following dates:

2.2.1 Amendments to published standards effective in current year

IAS 19 (Amendment) - 'Employees Benefits' is mandatory for company's accounting period beginning on October 1, 2006. Its adoption by the company only impacts the format and extent of disclosures presented in the financial statements.

2.2.2 Amendments to published standards not yet effective

The following amendments to existing standards have been published that are applicable to the group's financial statements covering annual periods, beginning on or after the following dates:

	Effective from
i) IAS 1 - Presentation of financial statements - capital disclosure	October 1, 2007
ii) IFRS 3 - Business combinations	October 1, 2007

Adoption of the above amendments would result in an impact on the nature and extent of disclosures made in the future financial statements of the group. As a result of adoption of IFRS 3, goodwill shall not be amortised as previously requied under IAS 22. However, the carrying amount of goodwill shall be tested for impairment annually.

3. Basis of measurement

3.1 These financial statements have been prepared under the historical cost convention except for revaluation of certain employees' retirement benefits at present value as referred to in note 4.3, revaluation of certain property, plant and equipment, biological assets and certain financial instruments at fair values as referred to in notes 4.4, 4.7 and 4.9 respectively.

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

a) Retirement benefits

The group uses the valuation performed by an independent actuary as the present value of its retirement benefit obligations. The valuation is based on assumptions as mentioned in note 4.3.

b) Recoverable amount of property, plant and equipment

The group basis its valuation of operating assets suspect to impairment upon valuation performed by an independent valuation expert. The valuation is based on fair value less costs to sell as mentioned in note 4.4.

c) Biological assets

The group basis its valuation upon yield assessment performed by an independent agricultural expert and computes fair value less estimated point of sales cost to arrive at its valuation. The fair value less estimated point of sales cost is based on factors mentioned in note 4.7.

3.3 Change in accounting estimate

The group, during the year, has reviewed the useful lives of property, plant and equipment and assets subject to finance lease of its Textile division. Consequently, the depreciation rates of the property, plant and equipment of the Textile division have been revised upwards in view of re-estimated useful lives of the assets.

Such a change has been accounted for as a change in an accounting estimate in accordance with International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

Had there been no change in the accounting estimate, the profit after taxation for the year ended September 30, 2007.

3.4 Restatement of goodwill due to correction of error and change in policies of subsidiary

During the year, the accumulated losses of the subsidiary company, Shakarganj Food Products Limited (SFPL), as at September 30, 2006 were restated due to correction of certain errors, including changes to accounting policies for alignment with the applicable International Accounting Standards. These restatements have resulted in revision of the amount of goodwill recognized by the group upon acquisition of SFPL as at September 30, 2006 from Rs 79.706 million to Rs 104.424 million.

Significant restatements have arisen due to the following:

Recognition of the interest free loan (refer note 8.3) on fair value as per the requirements of the International Accounting Standard 39 'Financial Instruments: Recognition and Measurement', previously being recognized at cost, resulting in decrease in long term finances and accumulated losses (pre-acquisition for the group) by approximately Rs 10 million as at September 30, 2006.

Previously, the preparation cost of film commercial used for media launch of ultra heat treated packed milk 'GoodMilk' was incorrectly recognized as an intangible asset. This error has been corrected retrospectively and consequently, the carrying amount of intangible assets decreased by Rs 12 million and accumulated losses (pre-acquisition for the group) increased by the same amount as at September 30, 2006.

Correction of valuation of inventory as at September 30, 2006 resulting in decrease in carrying value of stocks in trade and increase in accumulated losses (pre-acquisition for the group) of Rs 13 million.

Previously, SFPL, incorrectly recognized costs of TV commercial film as short term prepayments. This error has been corrected retrospectively and consequently, short term advances deposits, prepayments and other receivables decreased by and accumulated losses (pre-acquistion for the group) increased by Rs 12 million as at September 30, 2006.

4. Significant accounting policies

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

4.1 Consolidation

a) Subsidiaries

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The consolidated financial statements include Shakarganj Mills Limited and all companies in which it directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

Subsidiaries, which the group intends to dispose off within twelve months of the balance sheet date are not consolidated and are shown as current assets. Details of subsidiaries is given in note 51.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Notes to the Consolidated Financial Statements
For the year ended September 30, 2007

b) Minority interests

The group applies a policy of treating transactions with minority interests as transactions with parties external to the group. Disposals to minority interests result in gains and losses for the group that are recorded in the income statement.

c) Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

Associates, which the group intends to dispose off within twelve months of the balance sheet date are not accounted for under the equity method and are shown as current assets.

The group's share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Dilution gains and losses arising in investments in associates are recognized in the income statement.

4.2 Taxation

Current

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

Deferred

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

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Provision is not made for taxation, which would become payable if retained profits of subsidiaries were distributed to the parent company, as it is not the intention to distribute more than the dividends, the tax on which is included in the financial statements.

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

4.3 Employees' retirement benefits

4.3.1 Defined benefit plans

Parent

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

All permanent employees who are in the management cadre of the company participate in an approved funded defined benefit pension plan. In addition, there is an approved funded defined benefit gratuity scheme for all permanent employees, who are in the management cadre of the company subject to a minimum qualifying period of service according to the terms of employment. Monthly contributions are made to these funds on the basis of actuarial recommendation at the rate of 20% per annum of basic salary for pension and 8.33% per annum of basic salary for gratuity. Actuarial valuation for the schemes was carried out as at September 30, 2007.

Actual returns on plan assets during the year were Rs 18.413 million and Rs 3.575 million for pension and gratuity funds respectively. The actual returns on plan assets represent the difference between the fair value of plan assets at the beginning of the year and as at the end of the year after adjustments for contributions made by the company as reduced by benefits paid during the year.

The future contribution rates of these plans include allowances for deficit and surplus. Projected unit credit method using the following significant assumptions, is used for valuation of these schemes:

Discount rate	10%	per annum
Expected increase in eligible pay	9%	per annum
Expected rate of return on plan assets	10%	per annum
Expected mortality rate	EFU 61-66 mortality table adjusted for company's experience	
Expected withdrawal and early retirement rate	Based on experience	

Plan assets include long term Government bonds, term finance certificates of financial institutions; preference shares and ordinary shares of listed and unlisted companies and term deposits with banks. Return on Government bonds and debt is at fixed rates.

Notes to the Consolidated Financial Statements
For the year ended September 30, 2007

The company is expected to contribute 6.883 million and 3.206 million to the pension and gratuity funds respectively in the next year ending September 30, 2008.

Experience gains and losses arising during the year are recognized immediately in accordance with the provisions of IAS 19.

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

Subsidiary

The subsidiary company operates an unfunded gratuity scheme covering all permanent employees who complete the prescribed qualifying period of service. The obligations under the greatutity scheme are calculated on the basis of last drawn salary and the length of service of the employee.

4.3.2 Defined contribution plan

Parent

There is an approved funded 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 @ 7-8% 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.

4.4 Property, plant and equipment

Freehold land, buildings and plant and machinery of the parent company, as at September 30, 1979 have been revalued by an independent valuer as of that date. Land of the parent company was revalued again as at September 30, 2007 by an independent valuer by reference to its current market price. These are shown at revalued figures less accumulated depreciation and any identified impairment loss. Additions subsequent to that date are stated at cost less accumulated depreciation and any identified impairment loss. All other property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss. Costs in relation to certain property, plant and equipment comprises of historical cost, revalued amount and borrowing costs referred to in note 4.21.

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

Depreciation on all property, plant and equipment, except land is charged to profit on the reducing balance method so as to write off the cost of an asset over its estimated useful life at the annual rates given in note 19 after taking into account the impact of their residual values, if considered significant.

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The group's estimate of the residual value of its property, plant and equipment as at September 30, 2007 has not required any adjustment as its impact is considered insignificant.

Depreciation on additions to property, plant and equipment is charged from the month in which the asset is acquired or capitalized, while no depreciation is charged for the month in which the asset is disposed off.

The group assesses at each balance sheet date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amount of such assets are reviewed to asses whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment is recognized in income currently. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Due to consistent operating losses and the resulting equity depletion of the Textile division, there existed strong indicators requiring impairment testing in the Textile division. The Textile division qualifies as a stand-alone cash generating unit and accordingly its recoverable amount was determined to compute the resulting impairment loss, being the difference between the carrying amount and recoverable amount. Due to the impracticability and high level of estimation involved in computation of value in use, the fair value less costs to sell, as determined by an independent valuation expert, has been used to determine the recoverable amount of plant and machinery. Consequently, impairment losses of Rs 16.901 million and Rs 34.696 million has been recognized against property, plant and equipment and assets subject to finance lease of the Textile division.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

4.5 Intangible assets

a) Goodwill

"Goodwill represents the excess of the cost of an acquisition over the fair value of the group’s share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in ‘intangible assets’. Goodwill on acquisitions of associates is included in ‘investments in associates’ and is tested for impairment as part of the overall balance. Separately recognised goodwill is amortized over its expected useful life at an annual rate of 20%. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated amortization and impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold."

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

b) Trademarks and licenses

Acquired trademarks and licences are shown at historical cost. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives at rates mentioned in note 20.

c) Computer software

Acquired trademarks and licences are shown at historical cost. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives Intangible assets. Amortization is charged to income on the straight line basis so as to write off the cost of an asset over its estimated useful life at rates mentioned in note 20. Amortization on additions is charged from the month in which an asset is acquired or capitalized while no amortization is charged for the month in which the asset is disposed off.

The group assesses at each balance sheet date whether there is any indication that intangible assets may be impaired. If such indication exists, the carrying amount of such assets are reviewed to asses whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment is recognized in income currently. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Where an impairment loss is recognized, the amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

4.6 Capital work-in-progress

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

4.7 Biological assets

Biological assets comprise of standing crops and livestock. These are stated at fair value less estimated point-of-sale costs, with any resultant gain or loss recognized in the profit and loss account. The fair value of standing crops is based on the support price fixed by the Government and other factors such as estimated crop yield and area under cultivation. The fair value of livestock is estimated on the basis of market prices of livestock of similar age, breed and genetic merit. Point-of-sale costs include all costs that are necessary to sell the assets, excluding costs necessary to get the assets to the market.

4.8 Leases

The group is the lessee:

4.8.1 Finance leases

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

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

The related rental obligations, net of finance cost, are included in liabilities against assets subject to finance lease as referred to in note 10. The liabilities are classified as current and non-current depending upon the timing of the payment.

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 21. Depreciation on leased assets is charged to the profit and loss account.

Depreciation on additions to leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

4.8.2 Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit on a straight-line basis over the lease term.

4.9 Investments

Held to maturity

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

Available for sale

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

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

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As referred to in note 30.3.2, the company, during the year, acquired aggregate 11.786 million and 18.812 million shares in Safeway Mutual Fund Limited (SWMFL) and Asian Stock Fund Limited (ASFL) at an aggregate cost of Rs 301.137 million under the terms of an agreement for settlement of its certificates of deposits with the Innovative Housing Finance Limited (IHFL) and against aggregate cash consideration of Rs 140.142 million. Consequent to this settlement and acquisition of further shares in SWMFL and ASFL, the group effectively holds 53.65% and 41.70% voting shares of the respective companies. However, the management intends to liquidate these investments within twelve months and for this purpose, an active program has been commenced to locate a buyer at a reasonable price.

As the control over SWMFL and significant influence over ASFL is expected to be temporary, consequently, SWMFL is not being consolidated as a subsidiary and ASFL is not being measured under the equity method of accounting. In these separate financial statements, both investments are being valued at fair values based on market prices quoted on the Karachi Stock Exchange at the balance sheet date. In view of the above circumstances, these have been classified as short-term investments.

Held for trading

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

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

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

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

4.10 Stores, spares and loose tools

Usable stores and spares are valued principally at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon. Provision is made in the financial statements for obsolete and slow moving stores and spares based on management's estimate.

4.11 Stock-in-trade

Stock of raw materials, work-in-process and finished goods, except for those in transit are valued principally at the lower of weighted average cost and net realizable value. Cost of work-in-process and finished goods comprises cost of direct materials, labour and appropriate manufacturing overheads. Cost of own produced molasses, a by product, is determined on the basis of monthly average cost of molasses purchased from third parties.

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

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

4.12 Financial assets and liabilities

Financial assets and financial liabilities are recognized, at the time when the company becomes a party to the contractual provisions of the instrument and derecognized when the company loses control of contractual rights that comprise the financial assets and in the case of financial liability when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account for the year. All financial assets and liabilities are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value or cost as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

4.13 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognized amount and the group intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

4.14 Trade debts

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

4.15 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

4.16 Borrowings

Loans and borrowings are recorded at the proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective yield method. Preference shares, which are redeemable on a specific date at the option of the holder, are classified as liabilities. The dividend on these preference shares is recognized in the profit and loss account as finance cost. Preference shares are classified as equity to the extent there is conclusive evidence that these will not result in an outflow of another financial asset or exchange of financial assets or liabilities under conditions that are potentially unfavorable to the company.

Finance cost is accounted for on an accrual basis and are reported under accrued finance costs to the extent unpaid.

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4.17 Creditors, accruals and provisions

Liabilities for creditors and other amounts payable are carried at cost, which is the fair value of the consideration to be paid in future for the goods and/or services received, whether or not billed to the group.

Provisions are recognized when the group has a present legal or constructive obligation as a result of past events, it is probable, will result in an outflow of resources embodying economic benefits, to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at year end and adjusted to reflect the current best estimate.

4.18 Deferred income

Deferred income represents excess of sale proceeds in relation to the carrying amount of the asset acquired under sale and lease back arrangement. Deferred income is amortized on a straight line basis over the period of lease term.

4.19 Derivative financial instruments

These are initially recorded at cost on the date a derivative contract is entered into and are remeasured to fair value at subsequent reporting dates. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as cash flow hedges.

The group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flow of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the profit and loss account.

Amounts accumulated in equity are recycled in the profit and loss account in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in the profit and loss account within 'finance costs'. The gain or loss relating to the ineffective portion is recognized in the profit and loss account within 'other operating income/expenses'.

4.20 Foreign currency transactions and translation

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses on translation are recognized in the profit and loss account. 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.

The financial statements are presented in Pak Rupees, which is the group’s functional and presentation currency.

4.21 Borrowing costs

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

4.22 Revenue recognition

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

Dividend on equity investments is recognized as income when the right of receipt is established.

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

4.23 Business segments

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. Business segments are the primary reporting format and the company is organized into five business segments:

- Sugar division - manufacture and sale of sugar;
- Ethanol division - manufacture and sale of ethanol;
- Dairy and Fruit Products division - manufacture and sale of UHT milk and cream, milk powder, desi ghee, fruit pulp and concentrate juices;
- Building Materials division - manufacture and sale of particle boards;
- Textile division - manufacture and sale of yarn; and
- Engineering division - design, fabrication and sale of industrial scale steel equipment.

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. The group mainly operates in one economic environment, hence there are no geographical segments.

4.23.1 Segment assets and liabilities

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

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

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

Notes to the Consolidated Financial Statements
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4.23.2 Allocation of segment expenses

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

4.24 Dividends

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

5. Issued, subscribed and paid up capital

2007	2006		2007	2006
(Number of shares)			(Rupees in thousand)	
		Ordinary		
23,544,798	23,544,798	Ordinary shares of Rs 10 each fully paid in cash	**235,448**	235,448
21,544,516	21,544,516	Ordinary shares of Rs 10 each issued as fully paid bonus shares	**215,445**	215,445
12,847,184	12,847,184	Ordinary shares of Rs 10 each issued as fully paid for consideration other than cash fully paid in cash	**128,472**	128,472
57,936,498	57,936,498		**579,365**	579,365

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

	2007	2006
	(No. of shares)	
Asian Stock Fund Limited	**1,665,000**	2,023,500
Crescent Commercial Bank Limited	–	115
Crescent Jute Products Limited	**167,200**	192,280
Crescent Steel and Allied Products Limited	**6,193,082**	4,646,082
Crescent Sugar Mills & Distillery Limited	**2,436,692**	2,681,692
Safeway Mutual Fund Limited	**1,930,841**	2,513,341
The Crescent Textile Mills Limited	**4,522,907**	4,522,907
Premier Insurance Company of Pakistan Limited	–	44,500
	16,915,722	16,624,417

6. This represents share deposit money received during the year from an associated undertaking, Crescent Steel and Allied Products Limited.

7. Surplus on revaluation of property, plant and equipment

Freehold land, buildings and plant and machinery of the principal facility at Jhang were revalued by an independent valuer as at September 30, 1979. Freehold land has again been revalued as at September 30, 2007 by an independent valuer by reference to its current market price. Plant and machinery and land is stated in note 19 at appreciated value. The revaluation surplus is net of applicable deferred income taxes.

	2007	2006
	(Rupees in thousand)	
Revaluation - net of deferred tax	3,157	3,183
Revaluation surplus arising during the year	1,837,094	–
Surplus transferred to unappropriated profit on account of incremental depreciation - net of tax	(25)	(26)
	1,840,226	3,157

7.1 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.

8. Long term finances

		2007	Restated 2006
		(Rupees in thousand)	
Long term loans - secured	- note 8.1	1,961,476	2,025,076
Redeemable preference shares (non-voting) - unsecured	- note 8.4	345,755	345,755
Long term running finances - secured	- note 8.5	331,820	–
		2,639,051	2,370,831
Less: Current portion shown under current liabilities			
- Long term loans - secured		(585,518)	(559,184)
		2,053,533	1,811,647

8.1 Long term loans - secured

Loan	Lender	2007	Restated 2006	Rate of mark-up per annum	Number of instalments outstanding	Mark-up payable
		(Rupees in thousand)				
1	Pakistan Industrial Credit and Investment Corporation Limited	2,081	4,638	***SBP Discount rate (10%)	3 quarterly installments ending May 2008	Quarterly
2	MCB Bank Limited	–	5,500	7.50%	None	Quarterly
3	MCB Bank Limited	7,750	11,625	*Base rate subject to floor of 5%	2 over-due installments amounting to Rs 7.75 million	Quarterly
4	Atlas Bank Limited	15,000	20,000	**Base rate + 3.5% subject to floor of 5.5%	3 semi annual installments ending September 2008 (including 1 over-due installment amounting to Rs 5 million)	Semi annual
5	National Bank of Pakistan	62,500	125,000	**Base rate + 3.5%	2 semi annual installments ending July 2008	Quarterly
6	Saudi Pak Commercial Bank Limited	200,000	–	*Base rate + 3.75% and monitoring fee of 0.25% p.a	16 quarterly installments ending November 2011	Quarterly
7	MCB Bank Limited	68,750	93,750	*Base rate + 2% subject to floor of 7%	11 quarterly installments ending May 2010	Quarterly
8	International Housing Finance Limited	3,396	5,534	****Base rate + 4.25%	16 monthly installments ending January 2009	Monthly
9	Orix Investment Bank Pakistan Limited	3,000	6,000	***Base rate+2% subject to floor of 7.5% and cap of 15%	2 semi annual installments ending June 2008	Semi-annual
10	Pakistan Kuwait Investment Company (Private) Limited	10,000	20,000	***Base rate + 2% subject to floor of 7.5% and cap of 13%	2 semi annual installments ending August 2008	Semi-annual
11	Syndicate term loan - note 8.2	735,000	945,000	**Base rate + 3% subject to floor of 5.25%	7 semi annual installments ending November 2010	Semi-annual
12	Askari Commercial Bank Limited	2,718	16,303	*Base rate + 2% subject to floor of 6%	1 quarterly installments ending January 2008	Quarterly
13	MCB Bank Limited	183,750	245,000	*Base rate + 2% subject to floor of 8%	6 semi annual installments ending September 2010	Quarterly
14	Meezan Bank Limited	32,145	47,282	*Base rate + 2% subject to floor of 8%	11 quarterly installments ending April 2010	Quarterly
15	Faysal Bank Limited	22,500	–	*Base rate + 3.25%	18 Quarterly installments ending December 2012 (including 1 over-due installment amounting to Rs 1.25 million)	Quarterly
16	Faysal Bank Limited	4,500	–	*Base rate + 2.6%	10 Quarterly installments ending December 2009 (including 1 over-due installment amounting to Rs 0.45 million)	Quarterly
17	Faysal Bank Limited	4,089	–	*Base rate + 3%	8 Quarterly installments ending June 2009 (including 1 over-due installment amounting to Rs 0.511 million)	Quarterly
18	MCB Bank Limited	–	75,000	*Base rate + 1.5%	None	Quarterly
19	The Bank of Punjab	211,068	–	*****Base rate + 4.0% subject to floor of 8%	Lumpsum payment due in November 2008	Quarterly
20	Allied Bank of Pakistan Limited	350,000	350,000	*Base rate + 2%	10 semi annual installments commencing April 2010 August 2007	Semi annual
21	Industrial Development Bank of Pakistan -note 8.3	43,229	54,444	Interest free	10 semi annual installments ending April 2010	Not applicable
		1,961,476	2,025,076			

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

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

***Base rate: SBP Discount rate to be set for each mark-up period

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

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

The group has aggregate undrawn borrowing facilities of Rs 168.18 million as at September 30, 2007. Undrawn facilities of Rs 68.18 million is available upto November 5, 2008 and that of Rs 100 million is available upto May 24, 2010. These facilities have been arranged to finance the working capital needs of the group.

Security

Loan 1 to 2
These are secured against first charge on all the assets of the parent company ranking pari passu with other creditors.

Loan 3 to 6
These are secured against first charge on property, plant and equipment of the parent company ranking pari passu with other creditors.

Loan 7 to 8
It is secured against equitable mortgage on immovable property financed through the loan by the parent company.

Loan 9 and 10
These are secured by way of hypothecation charge over plant and machinery of the textile division.

Loan 11
The loan is secured by first charge by way of hypothecation over all moveable assets of the parent company and equitable mortgage charge over plant and machinery of the satellite facility.

Loan 12 to 18
These are secured against specific charges on plant and machinery financed through the respective loans by the parent company.

Loan 19
This is secured by way of a ranking charge on the current assets of the parent company.

Loan 20
This is secured by first ranking exclusive charge by way of an equitable mortgage and hypothecation over all present and future fixed assets of the Dairy division of the subsidiary company, Shakarganj Food Products Limited (SFPL) and a ranking charge by way of an equitable mortgage and hypothecation over all present and future assets of SFPL. Additionally, the loan is secured by a cross corporate guarantee by the parent company.

Loan 21
This loan is to be secured by creation of mortgage over the Juice division of the SFPL, legal documentation and creation of which is yet to be completed. Currently, the loan is secured by way of surrender of the 'sale certificate' of assets of Juice division to IDBP.

8.2 Derivative Interest Rate Swap
The company has entered into an interest rate swap for its syndicate term loan to hedge the possible adverse movements in interest rates. Under the terms of the interest rate swap arrangement, the company pays Libor plus bank spread to the arranging bank on the syndicate term loan denominated in US $ for the purposes of the interest rate swap, and receives Kibor from the arranging bank. There has been no transfer of liability under this arrangement, only the nature of the interest payments has changed. As this hedging relationship is ineffective and does not meet the criteria of cash flow hedge, this arrangement does not qualify for special hedge accounting specified in IAS 39 ‘Financial instruments: Recognition and Measurement’.

8.3 Interest free loan from the Industrial Development Bank of Pakistan
This loan was inherited by the subsidiary company, SFPL from the Industrial Development Bank of Pakistan (IDBP), contracted originally by A.M. Fruit Products (Private) Limited as a result of acquisition of Al-Joz Industries (Private) Limited, financed by IDBP. The loan was replayable in 10 equal half yearly instalments ending on April 25, 2007. AMFPL, owing to financial constraints, defaulted in repayment of the loan and a new repayment schedule was approved by the Honorable Lahore High Court (LHC) for settlement between IDBP and AMFPL, which was further extended by the Sub-Committee for Revival of Sick Industrial Unit (CRSIU) by two years pursuant to failure of AMFPL to make timely repayments. The loan, as presently restructured, is mark-up free. IDBPL has moved an application in LHC for repossession of the relevant assets of AMFPL, which is still pending. The subsidiary company, SFPL, since acquiring AMFPL has been making timely repayments of the loan in accordance with the revised repayment schedule agreed with IDBP on recommendations of CRSIU.

As per the recommendations of CRSIU, IDBP would be entitled to take repossession of the relevant assets in case of single default in repayment of loan. The group expects to meet the obligations on time and expects that IDBP would not pursue the matter through the court.

The fair value of the loan is estimated at the present value of all future cashflows discounted at an estimated interest rate of 13% (2006: 13%) per annum, prevailant at the time of initial recognition of the loan.

8.4 Redeemable preference shares (non-voting) - unsecured
Redeemable Preference shares (non-voting) were issued in 2005 to the shareholders of the parent company in the ratio of 85 preference shares for every 100 ordinary shares held as on October 22, 2004 and to certain institutional investors in equal proportion. These shares are listed on Lahore and Karachi Stock Exchanges. The conversion option is not binding either on the group or the preference shareholders except in case of the conversion upon maturity, where the preference shareholders opt for conversion, subsequent to the group's failure to pay preferred dividend during the entire tenure.

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

The preference shares are to be redeemed in year ending September 30, 2010 if the conversion option is not offered by the company to preference shareholders or the preference shareholders do not opt for the conversion option.

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

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

	2007	2006
	(Number of shares)	
Asian Stock Fund Limited	**180,000**	180,000
Crescent Commercial Bank Limited	**1,000,000**	1,000,000
Crescent Steel and Allied Products Limited	**2,999,396**	2,999,396
The Crescent Textile Mills Limited	**2,746,050**	2,746,050
Premier Insurance Company of Pakistan Limited	**53,125**	53,125
	6,978,571	6,978,571

8.5 Long term running finances - secured
Long term running finance facilities available from the Bank of Punjab under mark-up arrangements amount to Rs 400 million (2006: Nil) at a mark-up of Re 0.3619 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, marketable securities and ranking charge on current assets of the company. The balance is repayable by November 5, 2008.

9. Long term advances

	2007	2006
	(Rupees in thousand)	
Total advance from leasing companies	**873**	–
Less: repayments upto September 30	**(17)**	–
Less: Current portion shown under current liabilities	**(120)**	–
	736	–

9.1 These represent advances from a financial institution and carry markup @ Rs 0.345 per Rs 1,000 per diem to finance the assets, which are included in capital work in progress as referred to in note 22.3. The balance would be transferred to liabilities against assets subject to finance lease upon receipt of the respective asset.

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10. Liabilities against assets subject to finance lease

	2007	2006
	(Rupees in thousand)	
Present value of minimum lease payments	**247,249**	203,718
Less: Current portion shown under current liabilities	**(96,613)**	(71,991)
	150,636	131,727

The minimum lease payments have been discounted at an implicit interest rate ranging from 6.69% to 13.53% to arrive at their present value. Rentals are paid in monthly/quarterly/semi-annual installments and in case of default in any payment, an additional charge at the rate of 3% to 36.5% 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 group. In case of early termination of lease, the lessee shall pay entire amount of rentals for unexpired period of lease agreement.

The amount of future payments of the lease and the period in which these payments will become due are as follows:

	Minimum Lease payments	Future finance cost	Present value of lease liability	
			2007	2006
	(Rupees in thousand)			
Not later than one year	117,381	20,768	96,613	71,991
Later than one year and not later than five years	164,837	14,201	150,636	131,727
	282,218	**34,969**	**247,249**	**203,718**

11. Employees' retirement benefits

		2007	2006
		(Rupees in thousand)	
Balance sheet obligations for:			
Parent			
Pension fund	- note 11.1	8,149	4,951
Gratuity fund	- note 11.2	(2,991)	(2,598)
		5,158	2,353
Subsidiary			
Unfunded gratuity scheme	- note 11.3	3,328	637
Accumulating compensated absences	- note 11.4	1,284	666
		4,612	1,303
		9,770	3,656
Profit and Loss account charge for:			
Parent			
Pension fund	- note 11.1	7,333	5,963
Gratuity fund	- note 11.2	3,139	1,629
		10,472	7,592
Subsidiary			
Unfunded gratuity scheme	- note 11.3	2,821	637
Accumulating compensated absences	- note 11.4	618	666
		3,439	1,303
		13,911	8,895

Comparative profit and loss account charge for 2006 does not form part of prior year profit and loss account charge due to date of consolidation being September 30, 2006. The expense amount was adjusted in goodwill computation and included in pre-acquisition losses.

11.1 Pension fund - Parent

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

	2007	2006
	(Rupees in thousand)	
Present value of defined benefit obligations	139,975	109,038
Fair value of plan assets	(135,250)	(116,759)
Non vested (past service) cost to be recognized in later periods	(7,163)	(8,595)
Unrecognized actuarial gains	10,587	21,267
Liability as at September 30	8,149	4,951

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

	2007	2006
	(Rupees in thousand)	
Present value of defined benefit obligations as at October 1	109,038	105,657
Current Service Cost	7,763	5,004
Interest Cost	9,813	9,509
Benefits paid during the year	(3,437)	(3,135)
Actuarial losses/(gains)	16,798	(7,997)
Present value of defined benefit obligations as at September 30	139,975	109,038

The movement in the fair value of plan assets of the year is as follows:

	2007	2006
Fair value as at October 1	116,759	99,831
Expected Return on plan assets	11,676	9,983
Contributions during the year	4,135	3,244
Benefits paid during the year	(3,437)	(3,135)
Actuarial gains/losses	6,117	6,836
Fair value as at September 30	135,250	116,759

The amounts recognized in the Profit and Loss Account are as follows:

	2007	2006
Current Service Cost	7,763	5,004
Interest Cost	9,813	9,509
Expected return on plan assets	(11,676)	(9,983)
Past Service Cost	1,433	1,433
Actuarial (Gains)/Losses	–	–
Total, included in salaries and wages	7,333	5,963

Of the total charge, Rs. 3.522 million (2006: Rs. 3.109 million) and Rs. 3.811 million (2006: Rs. 2.854 million) respectively were included in 'cost of sales' and 'administrative expenses' respectively.

The actual return on plan assets was Rs. 17.793 million (2006: Rs. 16.819 million)

The principal actuarial assumptions used were as follows:

	2007	2006
Discount Rate	10%	9%
Expected Return on plan assets	12%	10%
Future salary increases	9%	8%
Average expected remaining working life time of employees	10 years	10 years

	2007	2006
	(Rupees in thousand)	
Plan assets are comprised as follows:		
Equity Instruments	7,048	1,625
Debt Instruments	120,905	112,435
Others	7,297	2,699
	135,250	116,759

Fair value of plan assets include Term Finance Certificates and Preference Shares of the company whose fair values as at September 30, 2007 are Rs Nil (2006: Rs 0.505 million) and Rs 2.100 million (2006: Rs 3.500 million) respectively.

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

	2006-07	2005-06	2004-05	2003-04	2002-03
			(Rupees in thousand)		
As at September 30					
Present value of defined benefit obligations	139,975	109,038	105,657	92,989	79,928
Fair value of plan assets	(135,250)	(116,759)	(99,831)	(79,799)	(67,326)
Deficit/(surplus)	4,725	(7,721)	5,826	13,190	12,602
Experience adjustment on plan liabilities	16,797	(7,997)	3,192	2,679	N/A
Experience adjustment on plan assets	6,737	6,836	8,076	4,229	N/A

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11.2 Gratuity fund - Parent

	2007	2006
	(Rupees in thousand)	
The amounts recognized in the balance sheet are determined as follows:		
Present value of defined benefit obligations	33,354	23,172
Fair value of plan assets	(36,492)	(30,235)
Unrecognized actuarial gains	147	4,465
Asset as at September 30	(2,991)	(2,598)
The movement in the defined benefit obligation over the year is as follows:		
Present value of defined benefit obligations as at October 1	23,172	22,668
Current Service Cost	4,292	2,098
Interest Cost	2,087	2,039
Benefits paid during the year	(852)	(408)
Actuarial losses/(gains)	4,655	(3,225)
Present value of defined benefit obligations as at September 30	33,354	23,172
The movement in the fair value of plan assets of the year is as follows:		
Fair value as at October 1, 2006	30,235	25,087
Expected Return on plan assets	3,024	2,508
Contributions during the year	3,534	2,262
Benefits paid during the year	(852)	(408)
Actuarial gains/losses	551	786
Fair value as at September 30	36,492	30,235
The amounts recognized in the Profit and Loss Account are as follows:		
Current Service Cost	4,292	2,098
Interest Cost	2,086	2,040
Expected return on plan assets	(3,024)	(2,509)
Past Service Cost	–	–
Actuarial (Gains)/Losses	(215)	–
Total, included in salaries and wages	3,139	1,629

Of the total charge, Rs. 1.659 million (2006: Rs. 0.894 million) and Rs. 1.480 million (2006: Rs. 0.736 million) respectively were included in 'cost of sales' and 'administrative expenses' respectively

The actual return on plan assets was Rs.3.575 million (2006: Rs. 3.294 million)

	2007	2006
The principal actuarial assumptions used were as follows:		
Discount Rate	10%	9%
Expected Return on plan assets	10%	10%
Future salary increases	9%	8%
Average expected remaining working life time of employees	10 years	10 years

	2007	2006
	(Rupees in thousand)	
Plan assets are comprised as follows:		
Equity Instruments	5,691	918
Debt Instruments	30,450	29,623
Other	351	(306)
	36,492	30,235

Fair value of plan assets include Ordinary shares, Term Finance Certificates and Preference Shares of the company whose fair values as at September 30, 2007 are Rs 1.295 million (2006:Rs 0.913 million) , Rs Nil (2006: Rs 0.169 million) and Rs 0.300 million (2006: Rs 0.500 million) respectively.

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

	2006-07	2005-06	2004-05	2003-04	2002-03
			(Rupees in thousand)		
As at September 30					
Present value of defined benefit obligations	33,353	23,173	22,668	21,176	18,368
Fair value of plan assets	(36,491)	(30,236)	(25,087)	(22,607)	(19,299)
Deficit/(surplus)	(3,138)	(7,063)	(2,419)	(1,431)	(931)
Experience adjustment on plan liabilities	4,655	(3,225)	811	811	N/A
Experience adjustment on plan assets	551	785	1,548	530	N/A

11.3 Unfunded gratuity scheme - Subsidiary

	2007	2006
	(Rupees in thousand)	
The amounts recognized in the balance sheet are determined as follows:		
Present value of defined benefit obligations	3,395	1,142
Unrecognized past service cost	–	(483)
Unrecognized actuarial gains	(67)	(22)
Liability as at September 30	3,328	637
The movement in the defined benefit obligation over the year is as follows:		
Present value of defined benefit obligations as at October 1	1,142	643
Current Service Cost	2,236	462
Interest Cost	102	15
Benefits paid during the year	(131)	–
Actuarial losses/(gains)	46	22
Present value of defined benefit obligations as at September 30	3,395	1,142
The amounts recognized in the Profit and Loss Account are as follows:		
Current Service Cost	2,236	462
Interest Cost	102	15
Past Service Cost	483	160
Total, included in salaries and wages	2,821	637

Comparative profit and loss account charge for 2006 does not form part of prior year profit and loss account charge due to date of consolidation being September 30, 2006. The expense amount was adjusted in goodwill computation and included in pre-acquisition losses.

Of the total charge, Rs. 1.662 million (2006: Rs. Nil) , Rs. 0.287 million (2006: Rs. Nil) and Rs 0.872 million (2006: Nil) respectively were included in 'cost of sales' , 'administrative expenses' and 'selling and distribution expenses' respectively.

	2007	2006
The principal actuarial assumptions used were as follows:		
Discount Rate	10%	9%
Future salary increases	9%	8%
Average expected remaining working life time of employees	13 years	11 years

The present value of defined benefit obligation is as follows:

	2006-07	2005-06	2004-05	2003-04	2002-03
			(Rupees in thousand)		
As at September 30					
Present value of defined benefit obligations	3,395	1,142	–	–	–
Experience adjustment on plan liabilities	46	–	–	–	–

11.4 Accumulating compensated absences - Subsidiary

	2007	2006
	(Rupees in thousand)	
Opening balance as at October 1	666	–
Provision for the year	618	666
Closing balance as at September 30	1,284	666

Comparative profit and loss account charge for 2006 does not form part of prior year profit and loss account charge due to date of consolidation being September 30, 2006. The expense amount was adjusted in goodwill computation and included in pre-acquisition losses.

Of the total charge, Rs. 0.252 million (2006: Rs. Nil) , Rs. 0.189 million (2006: Rs. Nil) and Rs 0.177 million (2006: Nil) respectively were included in 'cost of sales' , 'administrative expenses' and 'selling and distribution expenses' respectively.

12. Deferred income

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

The deferred income is being amortized each year over the respective period of the lease term. The amount credited to the profit and loss account during the year was Rs 2.475 million (2006: Rs 2.413 million).

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13. Deferred taxation

	2007	2006
	(Rupees in thousand)	
The deferred tax asset comprises temporary differences relating to:		
Accelerated tax depreciation	769,971	–
Employee retirement benefits	(1,517)	–
Unused tax losses	(762,881)	–
Diminution in value of investments	(5,573)	–
Investment in associated companies	9,500	–
	9,500	–

Deferred tax asset on tax losses available for carry forward and those representing minimum tax paid available for carry forward u/s 113 of the Income Tax Ordinance, 2001 are recognized to the extent that the realization of related tax benefits through future taxable profits is probable. The group has not recognized deferred tax assets of Rs 974.84 million in respect of tax losses and Rs 106.36 million in respect of minimum tax paid and available for carry forward u/s 113 of the Income Tax Ordinance, 2001, as sufficient tax profits would not be available to set these off in the foreseeable future. Minimum tax paid u/s 113 aggregating to Rs 106.36 million would not be available for carry forward against future tax liabilities subsequent to years 2008 through 2013. Tax losses amounting to Rs 79.335 million, Rs 810.42 million and Rs 855.84 million expire in year 2011, 2013 and 2014 respectively.

14. Current portion of long term liabilities

		2007	Restated 2006
		(Rupees in thousand)	
Long term finances	- note 8	585,518	559,184
Long term advances	- note 9	120	–
Liabilities against assets subject to finance lease	- note 10	96,613	71,991
		682,251	631,175

15. Short term borrowings - secured

		2007	2006
Running finances	- note 15.1	2,700,350	3,986,954
Export refinance	- note 15.2	622,955	654,019
Term finances	- note 15.3	188,460	1,014,927
		3,511,765	5,655,900

15.1 Running finances

Running finances available from a consortium of commercial banks under mark-up arrangements amount to Rs 4,210 million (2006: Rs 4,614 million). The rates of mark-up range from Re 0.2901 to Re 0.3814 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, registered hypothecation charge on current assets of the group and a ranking charge over fixed assets of the Dairy and Fruit Products division..

15.2 Export refinance

The company has obtained export finance facilities aggregating to Rs 650 million (2006: Rs 800 million). The rates of markup range from Re 0.1627 to Re 0.2055 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 group.

15.3 Term finances

Term finance facilities available from a consortium of commercial banks under mark-up arrangements amount to Rs 351.4 million (2006: Rs 1,250 million). The rates of mark-up range from Re 0.2860 to Re 0.3882 per Rs 1,000 per diem on the balance outstanding or part thereof. These are secured against pledge of stock-in-trade and registered charge on current and certain non-current assets of the group.

Of the aggregate facility of Rs 345 million (2006: Rs 350 million) for opening of letters of credit and Rs 90.50 million (2006: Rs 90.50 million) for guarantees, the amount utilized at September 30, 2007 was Rs 308.509 million (2006: Rs 44.778 million) and Rs 87.852 million (2006: Rs 89.996 million) respectively. The aggregate facilities of letter of credits are secured against lien over shipping/import documents. The aggregate facilities for guarantees are secured against margin deposits referred to in note 31, pledge of marketable securities and charge on current assets of the group.

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

16. Trade and other payables

		2007	Restated 2006
		(Rupees in thousand)	
Trade creditors	- note 16.1	**402,279**	312,716
Advances from customers		**47,360**	31,091
Security deposits	- note 16.2	**2,545**	2,220
Accrued liabilities		**75,663**	57,468
Workers' profit participation fund	- note 16.3	**94**	90
Sales tax payable		**9,292**	25,097
Unclaimed dividend		**1,416**	1,740
Derivative interest rate swap	- note 16.4	**4,805**	–
Penalties payable		**4,953**	1,593
Others	- note 16.5	**51,811**	51,633
		600,218	483,648

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16.1 Trade creditors include amount due to related parties Rs 1.321 million (2006: Rs 2.636 million).

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

16.3 Workers' profit participation fund

	2007	2006
	(Rupees in thousand)	
As at October 1	**90**	9,517
Interest charged during the year	**6**	257
Provision for the year	–	–
	96	9,774
Less: Payments made during the year	**2**	9,684
As at September 30	**94**	90

16.4 During the year, the group entered into a derivative interest rate swap arrangement to hedge for the possible adverse movements in interest rates arising on the interest payments due on its syndicate term loan as mentioned in note 8.2. The derivative interest rate swap outstanding as at September 30, 2007 has been marked to market and the resulting loss of Rs 4.805 million has been recognized in profit and loss account as referred to in note 37 as this hedging relationship does not meet the criteria of cash flow hedge and does not qualify for special hedge accounting specified in IAS 39 'Financial Instruments: Recognition and Measurement'.

16.5 Included in other liabilities are provisions aggregating to Rs 29.038 million (2006: Rs 32.334 million) in respect of probable loss from pending litigation of the group against Sales tax authorities and the Excise department. The movement in these provisions during the year is as follows:

	2007	2006
	(Rupees in thousand)	
As at October 1	**32,334**	32,334
Incurred against provisions during the year	**(3,296)**	–
As at September 30	**29,038**	32,334

The above provisions have been made as per the management's best estimate against various demands raised by the Sales Tax Authorities and the Excise Department, which are being contested by the group at various forums.

	2007	Restated 2006
	(Rupees in thousand)	

17. Accrued finance cost

	2007	2006
Accrued mark-up on:		
- Long term finances	**95,107**	113,448
- Liabilities against assets subject to finance leases	**1,176**	1,884
- Short term borrowings	**122,592**	167,575
	218,875	282,907

18. Contingencies and commitments

18.1 Contingencies

(i) The group has issued following guarantees:
Bank guarantees aggregating to Rs 86.50 (2006: Rs 87.40) million in favor of Sui Northern Gas Pipelines Limited against performance of contracts.

Bank guarantee in favour of The Administrator of Zila Council, Jhang against Exit tax payable to Zila Council amounting to Rs Nil (2006: 3.125) million.

Bank guarantee in favour of Government of Pakistan through Collector of Sales Tax, LTU against Sales tax refund claim amounting to Rs. 1.352 (2006: Nil) million.

Other bank guarantees aggregating to Rs Nil (2006: 0.371) million.

Cross corporate guarantee in favour of Allied Bank Limited to secure long term finance facility availed by the company's subsidiary, Shakarganj Food Products Limited of Rs 467 (2006: 467) million.

(ii) The company has issued a post dated cheque in favour of the Collector of Customs against custom duty clearance in respect of import of plant and machinery amounting to Rs. 4.53 million (2006: Nil).

(iii) Claims not acknowledged as debts Rs 6.319 million (2006: Nil).

(iv) During the course of negotiations for acquisition of net operating fixed assets of Dairy Crest Foods (Private) Limited (DCFL) by the subsidiary of the group, SFPL, the management of DCFL disclosed to the group about a pending litigation between Mohammad saleem etc. vs Ravi Agricultural (the original owner of the dairy plant, eventually acquired by DCFL) pending before the Additional District and Session Judge, Faisalabad, which challenges the title of DCFL to the moveable and immovable property. By signing the tripartite asset transfer agreement, DCFL agreed to inform the group in writing of all orders made in the suit as soon as the relevant orders are passed. Further, the sponsors of DCFL agreed to use their best efforts to get the suit dismissed as soon as possible and indemnify the buyer on demand against all losses, costs, expenses, damages and claims that may be made against or incurred by the group as a consequence of any order or decision in the suit.

Further, if it is held in the suit that DCFL did not have full title to the assets transferred to the group, the sponsors of DCFL would pay to the group on demand the amount paid by the group plus a markup at the rate of 15% per annum from the date of payment by the group. As of the date of preparation of these financial statements, the suit is still pending before the Additional District and Session Judge, Faisalabad awaiting adjudication. The management of the group is confident that DCFL will be able to get the suit dismissed and the results of the suit will be favourable.

(v) The subsidiary company, SFPL was unable to submit sales tax refund claim amounting to Rs 4.496 million for the month of July 2006 within the stipulated time owing to confusion over sales tax refund rules and the applicability of time limit for submission of refund claim and has been refused extension in time limit for filing of refund claim by the Collector of Sales Tax and the Central Board of Revenue. Owing to the fact that a large number of registered sales tax payers are facing similar difficulty and their appeals before the Sales Tax Appellate Tribunal are pending adjudication, no provision has been recognized in these financial statements for recoverabilty of such sales tax as the group is confident of favorable outcome of the appeals.

18.2 Commitments

The group has the following commitments in respect of

(i) Letters of credit other than capital expenditure Rs 2.867 (2006: Rs 2.507) million.

(ii) Contract for capital expenditure amounting to Rs 494.711 (2006: Rs 132.484) million.

(iii) Contracts for acquisition of intangible (computer software) amounting to Rs. 20 million (2006: Nil).

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

	2007	2006
	(Rupees in thousand)	
Not later than one year	**57,317**	54,705
Later than one year and not later than five years	**122,311**	171,094
Later than five years	**13,317**	21,851
	192,945	247,650

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19. Property, plant and equipment

(Rupees in thousand)

	Cost/ re-valued amount October 1, 2006	Additions/ (deletions)	Acquisition of subsidiary	Effect of revaluation as at September 30, 2007	Cost/ re-valued amount September 30, 2007	Accumulated depreciation as at October 1, 2006	Depreciation charge/ (deletions) for the year	Impairment charge for the year	Acquisition of subsidiary	Accumulated depreciation impairment as at September 30, 2007	Book value as at September 30, 2007	Rate of depreciation %
Freehold land	251,813	41,591	–	1,837,094	2,130,498	–	–	–	–	–	2,130,498	–
Buildings and roads on freehold land	454,073	140,883	–	–	594,956	134,786	28,018	–	–	162,804	432,152	5-7.5
Plant and machinery	5,398,942	184,605 (861)	–	–	5,582,686	1,322,383	297,918 (59)	16,901	–	1,637,143	3,945,543	5-30
Tools and equipment	43,946	34,449 (18)	–	–	78,377	27,228	12,515 (15)	–	–	39,728	38,649	20-40
Water, electric and weighbridge equipment	269,184	4,900 (6,492)	–	–	267,592	66,040	44,083 (842)	–	–	109,281	158,311	10-40
Furniture and fixtures	37,540	1,745 (98)	–	–	39,187	19,271	3,611 (12)	–	–	22,870	16,317	10-20
Office equipment	35,966	2,518 (32)	–	–	38,452	23,661	4,847 (2)	–	–	28,506	9,946	10-40
Vehicles	86,222	18,835 (14,346)	–	–	90,711	31,493	10,857 (5,138)	–	–	37,212	53,499	20
Laboratory Equipment	18,167	411 (3)	–	–	18,575	7,962	3,853 (2)	–	–	11,813	6,762	10-40
Arms and ammunition	98	–	–	–	98	80	2	–	–	82	16	10
Library books	9,968	377	–	–	10,345	8,467	509	–	–	8,976	1,369	30
2007	6,605,919	430,314 (21,850)	– –	1,837,094 –	8,851,477	1,641,371	406,213 (6,070)	16,901	–	2,058,415	6,793,062	
2006	3,080,808	2,732,941 (33,752)	825,922	–	6,605,919	1,336,022	287,006 (11,862)	–	30,205	1,641,371	4,964,548	

19.1 The carrying amount of freehold land, buildings and plant and machinery would have been Rs 274.795 million (2006: Rs 234.510) million , Rs 379.814 (2006: Rs 274.155) million and Rs 3,207.400 (2006: Rs 3,354.429) million respectively, had there been no revaluation.

19.2 Property, plant and equipment include assets that are not in the name of the group with a book value of Rs 73.571 million (2006: Rs 9.045 million).

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

		2007	2006
		(Rupees in thousand)	
Capital work-in-progress - unallocated expenditure	- note 22.2	**46**	185
Cost of sales (including depreciation of Rs Nil (2006: 21.745 million) during the trial run period of new facility capitalized during the year)	- note 34	**368,577**	261,401
Administrative expenses	- note 35	**27,633**	25,420
Distribution and selling costs	- note 36	**206**	–
Agricultural expenses	- note 37.3	**9,751**	–
		406,213	287,006

19.4 Impairment charge for the year has been allocated to cost of sales as referred to in note 34.

19.5 Disposal of property, plant and equipment

(Rupees in thousand)

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
Plant and Machinery	**Outside party**					
	Textile Machinery Trading, Faisalabad	860	60	800	800	Negotiation
Water, Electric & weighbridge equipment	**Outside party**					
	Sohail Ahmad and Brothers, Faisalabad	6,492	842	5,650	1,200	- do -
Vehicles	**Leasing companies - sale and lease back**					
	Faysal Bank Limited	5,679	772	4,907	5,679	- do -
	Faysal Bank Limited	2,400	864	1,536	2,000	- do -
	Employees					
	Muhammad Iqbal (GM Material)	254	151	103	217	- do -
	Shakeel Sarwar (GM Production)	278	164	114	490	- do -
	Muhammad Ahmad Sial (GM Agri)	832	344	488	837	- do -
	Abdul Samee GM (Q&C)	969	452	517	741	- do -
	Muhamad Baber Shafique	376	180	196	257	- do -
	Abdul Abad (GM Technical - Textile Division)	850	710	140	139	- do -
	Outside parties					
	Noor-ul-Hussain	929	744	185	680	- do -
	EFU General Insurance	252	201	51	308	- do -
	EFU General Insurance	832	244	588	700	- do -
Furniture & Fixtures	Returned to vendor	80	12	68	77	- do -
Other assets having book value below Rs. 50,000		767	330	437	543	
		21,850	**6,070**	**15,780**	**14,668**	

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20. Intangible assets

(Rupees in thousand)

	Cost as at September 30, 2006	Additions/ (transfers/ deletions)	Acquisition of subsidiary	Cost as at September 30, 2007	Amortization September 30, 2006	Amortization charge/ (transfers) for the year	Acquisition of subsidiary	Accumulated amortization September 30, 2007	Book value as at September 30, 2007	Rate of amortization %
Goodwill	104,424	–	–	104,424	–	20,885	–	20,885	83,539	20
Computer software - acquired	–	1,700	–	1,700	–	340	–	340	1,360	20
Trade marks and copy rights	721	–	–	721	48	144	–	192	529	20
2007	105,145	1,700	-	106,845	48	21,369	–	21,417	85,428	
2006	–	–	105,145	105,145	–	–	49	49	105,096	

20.1 The amortization charge for the year has been allocated as follows:

		2007	2006
		(Rupees in thousand)	
Cost of sales	- note 34	**340**	–
Administrative expenses	- note 35	**20,885**	–
Distribution and selling costs	- note 36	**144**	–
		21,369	–

21. Assets subject to finance lease

(Rupees in thousand)

	Cost as at September 30, 2006	Additions/ (transfers/ deletions)	Cost as at September 30, 2007	Accumulated depreciation September 30, 2006	Depreciation charge/ (transfers) for the year	Impairment charge for the year	Accumulated depreciation September 30, 2007	Book value as at September 30, 2007	Rate of depreciation %
Plant and machinery	278,954	1,640 (22,000)	258,594	44,004	17,332 (4,876)	34,696	91,156	167,438	7.5-10
Vehicles	71,405	27,976 (1,110)	98,271	29,014	12,003 (506)	-	40,511	57,760	20
2007	350,359	29,616 (23,110)	356,865	73,018	29,335 (5,382)	34,696	131,667	225,198	
2006	338,172	61,415 (49,228)	350,359	59,529	26,228 (12,739)	-	73,018	277,341	

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

		2007	2006
		(Rupees in thousand)	
Cost of sales	- note 34	**19,015**	18,319
Administrative expenses	- note 35	**10,320**	7,909
		29,335	26,228

22. Capital work-in-progress

		2007	Restated 2006
		(Rupees in thousand)	
Civil works		**41,974**	90,210
Plant and Machinery (including in transit Rs. 7.108 million (2006:Nil))	- note 22.1	**439,662**	231,464
Unallocated expenditure	- note 22.2	**24,077**	35,979
Advances for land, plant and machinery and vehicles	- note 22.3	**322,090**	285,525
Advances given for acquisition of intangible assets			
Related party - Crescent Standard Telecommunications Limited		**4,000**	–
Others		**16,331**	–
		20,331	–
		848,134	643,178

22.1 It includes an amount of Rs 98.921 million (2006: Nil) being the cost of machinery financed by leasing companies.

22.2 It includes depreciation on property, plant and equipment and leased assets of Rs 0.046 million (2006: 0.186 million).

22.3 It includes advance payments for assets, which are financed by a financial institution as referred to in note 9.1 and will be capitalized upon receipt of the respective asset.

22.4 Aggregate balance of capital work in progress includes finance costs of Rs Nil (2006: Rs 15.857 million).

23. Biological assets

	2007	2006
	(Rupees in thousand)	
Sugarcane		
Mature	**86,204**	174,929
Immature	**27,473**	7,413
	113,677	182,342
Rice - mature	**3,509**	7,487
Livestock - mature	**2,209**	2,170
	119,395	191,999
Non - current	**29,682**	9,583
Current	**89,713**	182,416
	119,395	191,999

23.1 The value of sugarcane crops is based on estimated average yield of 583 (2006: 784) mounds per acre on cultivated area of 5,789 (2006: 7,623) acres. The value of rice crops is based on the estimated yield of 21 (2006:22) mounds per acre on cultivated area of 458 (2006: 1,143) acres. As at September 30, 2007, 1,718 (2006: 972) acres are under preparation for wheat cultivation.

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23.2 Of the total 5,789 acres of Sugarcane crop, 1,827 acres relate to the September 2007-08 crop, which is valued at cost of Rs 27.47 million. As the crop is in early stages, its fair value less estimated point of sale cost cannot be reliably measured.

23.3 Movement during the year

	2007	2006
	(Rupees in thousand)	
As at October 1	**191,999**	122,787
Increase due to purchases/costs incurred	**286,680**	227,133
(Loss)/ gain arising from changes in fair value less estimated point of sale costs	**(76,078)**	35,131
Decreases due to harvest / sales	**(283,206)**	(193,052)
As at September 30	**119,395**	191,999

24. Investments - related parties

		2007	2006
In equity instruments of associated companies	- note 24.1	**177,233**	530,892
Available for sale	- note 24.3	**16,040**	83,520
		193,273	614,412

24.1 In equity instruments of associated companies

		2007	2006
Cost		**55,529**	373,103
Brought forward amounts of post acquisition reserves and profits and negative goodwill recognized directly in profit and loss account		**157,789**	239,476
		213,318	612,579
Share of movement in reserves during the year		**97,954**	(53,301)
Share of profit for the year			
- before taxation		**103,688**	(27,882)
- provision for taxation		**(4,851)**	(504)
		98,837	(28,386)
		410,109	530,892
(Less)/Add: Share of profits and reserves of associates: transferred to short term investments:			
- to be disposed off during twelve months		**(233,448)**	–
disposed off during the year		**7,567**	–
dividends received during the year		**(6,995)**	–
Balance as on September 30	- note 24.2.	**177,233**	530,892

24.2 In equity instruments of associated companies

	2007	2006
	(Rupees in thousand)	
Quoted		
Crescent Steel and Allied Products Limited 2,563,693 (2006: 1,922,134) fully paid ordinary shares of Rs 10 each Equity held: 4.99 % (2006: 4.12 %)	177,233	128,429
Safeway Mutual Fund Limited Nil (2006: 17,429,914) fully paid ordinary shares of Rs 10 each Equity held: Nil (2006: 32.01 %)	–	237,393
Asian Stock Fund Limited Nil (2006: 18,716,500) fully paid ordinary shares of Rs 10 each Equity held: Nil (2006: 20.80 %)	–	137,126
Shakarganj Foods Limited (formerly Aljadeed Textile Mills Limited) 1,360,000 (2006: 1,360,000) fully paid ordinary shares of Rs 10 each Equity held: 45.33 % (2006: 45.33 %)	–	–
Unquoted		
Crescent Standard Business Management (Private) Limited Nil (2006: 1,000,000) fully paid ordinary shares of Rs 10 each Equity held: Nil (2006: 29.60 %)	–	27,944
Crescent Standard Telecommunications Limited 300,000 (2006: 300,000) fully paid ordinary shares of Rs 10 each Equity held: 24.88 % (2006: 24.88 %)	–	–
	177,233	530,892

Investments in associates include goodwill amounting to Rs 12.432 million (2006: Rs 26.442 million).

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24.2.1 The group's share of the results of its principal associates, all of which are incorporated in Pakistan, and its share of the assets (including goodwill) and liabilities are as follows:

Name	Percentage interest held	Assets	Liabilities	Revenues	Profit/(loss)
		(Rupees in thousand)			
2006					
Accounted for on equity method					
Crescent Steel and Allied Products Limited	4.12%	187,424	58,995	88,689	(6,562)
Safeway Mutual Fund Limited	32.01%	244,824	7,431	20,384	1,304
Asian Stock Fund Limited	20.80%	140,841	3,715	(15,030)	(18,656)
Aljadeed Textile Mills Limited	45.33%	–	–	–	–
Crescent Standard Business Management (Private) Limited	29.60%	32,659	4,715	3,216	(1,472)
Crescent Standard Tele-communications Limited	24.88%	–	–	–	(3,000)
		605,748	74,856	97,259	(28,386)
2007					
Crescent Steel and Allied Products Limited	5.00%	275,811	98,578	157,772	62,147
Safeway Mutual Fund Limited	32.01%	–	–	60,057	49,992
Asian Stock Fund Limited	20.80%	–	–	16,251	12,252
Crescent Standard Business Management (Private) Limited	29.60%	–	–	2,129	(25,554)
Shakarganj Food Limited (formerly Aljadeed Textile Mills Limited)	45.33%	–	–	–	–
Crescent Standard Telecommunications Limited	24.88%	–	–	–	–
		275,811	98,578	236,209	98,837

24.2.2 The group has not recorded any loss on investment in Shakarganj Foods Limited (formerly Al-Jadeed Textile Mills Limited) and Crescent Standard Telecommunications Limited (CSTL), as these are already fully impaired in these consolidated financial statements.

24.2.3 Safeway Mutual Fund Limited (SWMFL) was group's associated company uptil June 2007 and its share of profits were recognized till then, however, consequent to the management's decision to sell of SWFML and Asian Stocks Fund Limited in June 2007, as referred to in note 4.9, these are no more being accounted for under the equity method of accounting and are being classified as current assets.

24.2.4 The group's investment in Crescent Steel and Allied Products Limited is less than 20% but it is considered to be associate as per the requirements of IAS 28 'Investments in Associates' because the group has significant influence over the financial and operating policies of the company.

24.3. Available for sale

			2007	2006
			(Rupees in thousand)	
Associated companies	- at cost	- note 24.3.1	**14,000**	64,988
Others	- at cost	- note 24.3.2	**2,200**	2,200
			16,200	67,188
Add: Cumulative fair value gain		- note 24.3.3	**2,040**	18,532
Less: Cumulative impairment losses recognized		- note 24.3.4	**(2,200)**	(2,200)
Fair value gain			**(160)**	16,332
			16,040	83,520

24.3.1 Associated companies

	2007	2006
Quoted		
Crescent Commercial Bank Limited		
Nil (2006: 5,058,126) fully paid ordinary shares of Rs 10 each	–	50,988
Crescent Jute Products Limited		
536,817 (2006: 536,817) fully paid ordinary shares of Rs 10 each	–	–
Unquoted		
Central Depository Company of Pakistan Limited		
201,500 (2006: 130,000) fully paid ordinary shares of Rs 10 each	**14,000**	14,000
	14,000	64,988

24.3.2 Others

	2007	2006
	(Rupees in thousand)	
Unquoted		
Crescent Group Services (Private) Limited		
220,000 (2006: 220,000) fully paid ordinary shares of Rs 10 each	**2,200**	2,200
	2,200	2,200

24.3.3 Cumulative fair value gain

	2007	2006
As at October 1	**18,532**	15,811
Transferred to short-term investments	**(17,297)**	–
Fair value gain/(loss) during the year	**805**	5,287
Transferred to profit and loss account on derecognition of shares	–	(4,766)
	2,040	16,332
Impairment loss transferred to profit and loss account	–	2,200
As at September 30	**2,040**	18,532

24.3.4 Cumulative impairment losses recognized

	2007	2006
As at October 1	**2,200**	–
Impairment loss recognized during the year	–	2,200
As at September 30	**2,200**	2,200

24.4 Investments with face value of Rs 22.9 million (2006: Rs 323.606 million) and market value of Rs 158.01 million (2006: Rs 334.653 million) are pledged as security against long term running finances and short term borrowings as referred to in note 8.5 and note 15 respectively.

25. Long term loans, advances, deposits, prepayments and other receivables

		2007	2006
		(Rupees in thousand)	
Loans - considered good to:			
Related party - Asian Capital Management			
Fund Limited	- note 25.1	**10,000**	10,000
Sui Northern Gas Pipelines Limited	- note 25.2	**7,140**	4,140
Employees	- note 25.3	**355**	190
		17,495	14,330
Less: Current portion shown under short term advances	- note 31	**936**	463
		16,559	13,867
Advance to Creek Marina (Private) Limited	- note 25.4	**38,487**	38,487
Receivable from Safeway Fund Limited	- note 25.5	**17,356**	–
Prepayments		–	6,160
Security deposits and others		**41,613**	34,478
		114,015	92,992

25.1 This is an unsecured, interest free loan extended to Asian Capital Management Fund Limited (ACMF) to meet its working capital requirements. The group intends to utilize this amount to invest in the shares of ACMF pursuant to a planned merger between ACMF and another company, Safeway Fund Limited, which is pending due to relevant regulatory approvals. Consequently, this has been classified as a long term asset.

25.2 This represents un-secured loans given to SNGPL for development of infrastructure for supply of gas to the principal facility and the Dairy and Fruit Products division. Mark up is charged at the rate of 1.5% per annum. This amount is receivable in 10 equal annual installments ending May 2017.

25.3 These represent interest free un-secured loans given to employees (including loans to executive of Rs 0.14 million (2006: Rs 0.19 million) for purchase of vehicles in accordance with the terms of employment. These are repayable in four years from the date of disbursement. Aggregate repayment during the year by the executives was Rs 0.048 million.

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

25.5 This amount is receivable from Safeway Fund Limited (SFL) on account of sale of shares of Crescent Standard Brokerage and Investment Services Limited (CSBISL) and Crescent Standard Business Management (Private) Limited (CSBML) to CSBML and CSBISL respectively and settlement of interaccount balances between SFL, CSBISL and CSBML. The company intends to utilize this amount to invest in the shares of SFL pursuant to its planned merger with ACMF as referred to in note 23.1, which is pending due to relevant regulatory approvals. Consequently, this has been classified as a long term asset.

25.6 Maximum aggregate amount outstanding during the year in respect of related parties is as follows:

	2007	2006
	(Rupees in thousand)	
Asian Capital Management Fund Limited	**10,000**	10,000
Safeway Fund Limited	**17,356**	–
Employees	**828**	193
	28,184	10,193

26. Deferred taxation

The deferred tax asset comprises temporary differences relating to:

	2007	2006
Accelerated tax depreciation	–	(717,596)
Employee retirement benefits	–	1,160
Unused tax losses	–	1,085,745
Diminution in value of investments	–	20,269
Investment in associated companies	–	(12,705)
	–	376,873

27. Stores, spares and loose tools

	2007	2006
	(Rupees in thousand)	
Stores (including in transit Rs 1.068 million (2006: 0.899 million))	**64,107**	93,162
Spares	**42,324**	28,093
Loose tools	**1,627**	2,072
	108,058	123,327
Less: Provision for obsolete items	**(1,500)**	(1,500)
	106,558	121,827

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

28. Stock-in-trade

	2007	Restated 2006
	(Rupees in thousand)	
Raw materials	**57,924**	170,605
Work-in-process	**10,835**	21,913
Finished goods	**1,056,945**	1,680,999
	1,125,704	1,873,517

28.1 Raw materials and finished goods amounting to Rs. 1,079.969 million (2006: Rs 1,802.824 million) are pledged with lenders as security against long term running finances and short term borrowings as referred to in note 8.5 and note 15 respectively.

28.2 Aggregate stocks with a cost of Rs 882.169 million (2006: Nil) are being valued at net realizable value of Rs 861.034 million (2006: Nil).

29. Trade Debts

	2007	2006
	(Rupees in thousand)	
Considered good:		
- Secured	**4,816**	–
- Unsecured	**80,291**	220,748
	85,107	220,748

30. Investments

		2007	2006
		(Rupees in thousand)	
Available for sale	- note 30.1	**1,000,970**	2,246,006
Held for trading	- note 30.2	**70,959**	88,811
Held to maturity	- note 30.3	–	111,460
		1,071,929	2,446,277

30.1 Available for sale

			2007	2006
Related parties	- at cost	- note 30.1.1	**859,053**	4,816
Others	- at cost	- note 30.1.2	**267,406**	725,914
			1,126,459	730,730
Add: Cumulative fair value gain		- note 30.1.4	**(124,046)**	1,569,447
Less: Cumulative Impairment loss		- note 30.1.5	**(1,443)**	(54,171)
			(125,489)	1,515,276
			1,000,970	2,246,006

30.1.1 Related parties

	2007	2006
	(Rupees in thousand)	
Subsidiary company - Quoted		
Safeway Mutual Fund Limited		
29,215,143 (2006: Nil) fully paid ordinary shares of Rs 10 each	**509,785**	–
Equity held 53.65% (2006: Nil)		
Associated companies - Quoted		
Asian Stock Fund Limited		
37,528,673 (2006: Nil) fully paid ordinary shares of Rs 10 each	**349,224**	–
The Premier Insurance Company of Pakistan Limited		
79,568 (2006: 66,307) fully paid ordinary shares of Rs 5 each	**44**	44
Altern Energy Limited		
Nil (2006: 476,008) fully paid ordinary shares of Rs 10 each	–	4,772
	859,053	4,816

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30.1.2 Others

	2007	2006
	(Rupees in thousand)	
Quoted		
Crescent Commercial Bank Limited		
5,058,126 (2006: Nil) fully paid ordinary shares of Rs 10 each	**50,988**	–
Altern Energy Limited		
21,266,582 (2006: Nil) fully paid ordinary shares of Rs 10 each	**212,678**	–
Pakistan Industrial Credit & Investment Corporation Limited		
Nil (2006: 29,110,463) fully paid ordinary shares of Rs 10 each	–	498,940
Crescent Leasing Corporation Limited		
Nil (2006: 6,752,257) fully paid ordinary shares of Rs 10 each	–	88,542
Crescent Standard Investment Bank Limited		
Nil (2006: 10,270,249) fully paid ordinary shares of Rs 10 each	–	75,412
Crescent Standard Modaraba		
172,500 (2006: 2,041,500) fully paid ordinary shares of Rs 10 each	**1,710**	20,240
International Housing Finance Limited		
Nil (2006: 1,687,500) fully paid ordinary shares of Rs 10 each	–	18,750
Jubilee Spinning and Weaving Mills Limited		
15,584 (2006: 15,584) fully paid ordinary shares of Rs 10 each	–	–
Pakistan Strategic Allocation Fund Limited		
203,000 (2006: 203,000) fully paid ordinary shares of Rs 10 each	**2,030**	2,030
Unquoted		
Crescent Standard Brokerage & Investment Services Limited		
Nil (2006: 880,000) fully paid ordinary shares of Rs 10 each	–	22,000
Innovative Housing Finance Limited		
51,351 (2006: Nil) fully paid ordinary shares of Rs 10 each	–	–
	267,406	725,914

30.1.3 Investments with a face value of Rs 450.136 million (2006: Rs 406.510 million) and market value of Rs 479.354 million (2006: Rs 2,171.093 million) are pledged as security against long term running finances and short term borrowings as referred to in note 8.5 and note 15 respectively.

30.1.4 Cumulative fair value gain

	2007	Restated 2006
	(Rupees in thousand)	
As at October 1	1,569,447	1,506,545
Fair value gain during the year	(142,630)	288,330
Transferred from long-term investments	17,297	–
Transferred to profit and loss account on derecognition of shares	(1,621,052)	(279,599)
Impairment loss recognized during the year	52,892	54,171
As at September 30	(124,046)	1,569,447

30.1.5 Cumulative impairment losses recognized

	2007	2006
As at October 1	54,171	–
Add: impairment loss recognized during the year	52,892	54,171
Less: impairment loss adjusted upon derecognition of investment	(105,620)	–
As at September 30	1,443	54,171

The impairment loss during the year represents 100% impairment of the group's cost of investment in Crescent Standard Investment Bank Limited (CSIBL) less impairment recognized on equity held in CSIBL as at September 30, 2006. Consequent to investigations in the affairs of CSIBL by the Securities and Exchange Commission of Pakistan (SECP), an Administrator was appointed by SECP to protect the interests of the depositors and stakeholders and to safeguard the assets of the bank. Trading in shares of CSIBL was suspended by SECP during the year resulting in recognition of full impairment of investment in CSIBL based on prudence principle. Effective June 28, 2007, CSIBL was merged with and into a non-listed company, Innovative Housing Finance Limited (IHFL) and the group, in lieu of its 10,270,249 shares in CSIBL, received 51,351 shares of IHFL. Investment in shares of IHFL has been recorded at Nil value, being the carrying value of investment in CSIBL's shares at the time of derecognition.

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30.2 Held for trading

		2007	2006
		(Rupees in thousand)	
Related parties	- note 30.2.1	–	29,322
Others	- note 30.2.2	70,959	59,489
		70,959	88,811

30.2.1 Related parties

Associated company - quoted

	2007	2006
Crescent Commercial Bank Limited Nil (2006: 2,171,987) fully paid ordinary shares of Rs 10 each	–	29,322
	–	29,322

30.2.2 Others

Quoted

	2007	2006
Crescent Commercial Bank Limited 1,671,987 (2006: Nil) fully paid ordinary shares of Rs 10 each	32,437	–
Bank of Punjab Limited Nil (2006: 65,000) fully paid ordinary shares of Rs 10 each	–	5,580
Crescent Leasing Corporation Limited Nil (2006: 1,822,188) fully paid ordinary shares of Rs 10 each	–	14,578
D. G. Khan Cement Company Limited Nil (2006: 10,000) fully paid ordinary shares of Rs 10 each	–	960
Balance carried forward	32,437	21,118

	2007	2006
	(Rupees in thousand)	
Balance brought forward	**32,437**	21,118
International Housing Finance Limited		
Nil (2006: 1,347,250) fully paid ordinary shares of Rs 10 each	–	11,047
Nishat Chunian Limited		
Nil (2006: 600) fully paid ordinary shares of Rs 10 each	–	31
Oil and Gas Development Corporation of Pakistan		
90,000 (2006: 25,000) fully paid ordinary shares of Rs 10 each	**10,350**	3,196
Pakistan Industrial Credit & Investment Corporation Limited		
Nil (2006: 1,799) fully paid ordinary shares of Rs 10 each	–	131
PICIC Insurance Company Limited		
Nil (2006: 1,251,486) fully paid ordinary shares of Rs 10 each	–	23,966
Bank Alfalah Limited		
50,000 (2006: Nil) fully paid ordinary shares of Rs 10 each	**2,475**	–
Al-Abbas Cement Industries Limited		
100,000 (2006: Nil) fully paid ordinary shares of Rs 10 each	**1,205**	–
Pakistan National Shipping Corporation		
70,000 (2006: Nil) fully paid ordinary shares of Rs 10 each	**6,853**	–
Pakistan Oilfields Limited		
25,000 (2006: Nil) fully paid ordinary shares of Rs 10 each	**7,738**	–
PICIC Energy Fund		
100,000 (2006: Nil) fully paid ordinary shares of Rs 10 each	**720**	–
Thal Limited		
30,500 (2006: Nil) fully paid ordinary shares of Rs 10 each	**9,181**	–
	70,959	59,489

30.3 Held to maturity

		2007	2006
		(Rupees in thousand)	
Musharika Investment	- note 30.3.1	**17,935**	17,934
Certificate of deposits	- note 30.3.2	–	159,228
		17,935	177,162
Less: Cumulative impairment losses recognized		**(17,935)**	(65,702)
		–	111,460

30.3.1 This represents investment under musharika arrangement with Crescent Standard Modaraba on profit and loss sharing basis. Consequent to consistent failure of the Musharika to pay profits and in view of the rapidly deteriorating financial position of the Musharika, the group assessed its recoverable amount at Nil and consequently, full carrying amount of the investment was considered impaired in year 2006.

30.3.2 These represents certificates of investment of IHFL (previously issued by CSIBL, now merged with and into IHFL as referred to in note 28.1.5) and carried mark-up at the rate of 8.65% payable quarterly. In view of the negative equity and other financial indicators, the group recognized an impairment loss of Rs 47.767 million in 2006. However, during the year, subsequent to the amalgamation of CSIBL with and into IHFL as referred to in note 30.1.5, the full amount of these certificates was settled by IHFL through 10.062 million and 6.304 million shares of Asian Stock Funds Limited (ASFL) and Safeway Mutual Fund Limited (SWMFL) in July, 2007 priced at Rs 8.00 per share and Rs 12.77 per share respectively, through a settlement agreement entered into by IHFL with the group's related party, the Crescent Standard Business Management Services (Private) Limited (CSBMS). Consequently, the impairment provision of Rs 47.767 million was reversed during the year.

The group, under the terms of the settlement agreement, also acquired from IHFL, through CSBM, 8.750 million and 5.482 million shares of ASFL and SWMFL at the above mentioned prices against cash consideration.

The group, as a result of the above settlement, also acquired controlling stakes in SWMFL, and increased in shareholding in ASFL to 41.70%. However, for reasons mentioned in note 4.9, these are not being consolidated or accounted for under the equity method in the company's consolidated financial statements.

31. Loans, advances, prepayments and other receivables

		2007	Restated 2006
		(Rupees in thousand)	
Advances - considered good			
- to employees		1,860	1,068
- to suppliers and contractors	- note 31.1	38,797	46,194
- to sugarcane growers	- note 31.2	10,164	31,259
- Altern Energy Limited	- note 31.3	–	115,365
		50,821	193,886
Advances - considered doubtful:			
- to suppliers and contractors		513	–
- to sugarcane growers		2,000	2,000
Due from related parties - unsecured			
- considered good	- note 31.4	300	1,330
- considered doubtful	- note 31.4	–	28,699
		300	30,029
Current portion of long term loan receivable from Sui Northern Gas Pipelines Limited	- note 25.2	936	463
Dividend receivable			
- considered good		3,417	865
- considered doubtful		–	1,096
	- note 31.5	3,417	1,961
Recoverable from government			
- Income tax		13,139	25,327
- Excise duty		1,867	–
- Sales tax		54,475	22,255
		69,481	47,582
Interest receivable on deposits		5,115	200
Security deposits		7,499	5,077
Prepayments		45,347	82,070
Margins against bank guarantees		1,269	1,114
Others:			
- considered good		6,812	18,027
- considered doubtful		1,588	–
		195,098	382,409
Less: provision against doubtful receivables	- note 31.6	(4,101)	(31,795)
		190,997	350,614

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

31.2 These relate to normal business of the group and carry mark-up ranging from 9.25% to 11.51%

31.3 Advance to Altern Energy Limited was given as unsecured sponsor loan and carried markup at the rate of 8.162% per annum. Consequent to a share purchase agreement entered into by the company with Descon Engineers Limited in year 2006 for partial divestment in AEL, the advance along with the markup thereon has been refunded to the group during the year.

31.4 Due from related parties

	2007	Restated 2006
	(Rupees in thousand)	
Considered good		
Crescent Sugar and Distillery Limited	–	108
Crescent Steel and Allied Products Limited	3	774
Crescent Standard Business Management (Private) Limited	–	324
Shakarganj Foods Limited	297	124
	300	1,330
Considered doubtful		
Crescent Standard Investment Bank Limited	–	28,699
	300	30,029

31.5 Dividend receivable includes receivable from following related parties

	2007	2006
Central Depository Company of Pakistan Limited	604	585
Crescent Steel and Allied Products Limited	2,331	1,096
Pakistan Industrial Credit & Investment Corporation Limited	–	241
	2,935	1,922

31.6 Provision against doubtful receivables

	2007	2006
As at October 1	31,795	2,000
Provision during the year	2,101	29,795
Receivables written off against provision during the year	(29,795)	–
As at September 30	4,101	31,795

32. Cash and bank balances

		2007	2006
At banks on:			
- Saving accounts	- note 32.1		
- Pak rupees		431,074	100,586
- Foreign currency	- note 32.2	376	377
		431,450	100,963
- Current accounts		78,092	89,268
		509,542	190,231
In hand		562	3,187
		510,104	193,418

32.1 Profit on balances in saving accounts ranges from 0.1% to 9.00% (2006: 0.25% to 7.25%) per annum.

32.2 Foreign currency accounts include US Dollars 5,320 (2006: 5,306) and Euros 664 (2006: 710).

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33. Sales

(Rupees in thousand)

	Sugar 2007	Sugar 2006	Ethanol 2007	Ethanol 2006	Building Materials 2007	Building Materials 2006	Textile 2007	Textile 2006	Engineering 2007	Engineering 2006	Dairy and fruit products 2007	Dairy and fruit products 2006	Total 2007	Total 2006
Gross sales														
- Local	4,289,120	4,518,598	185,447	138,483	22,119	7,707	613,971	615,169	–	–	1,069,757	–	6,180,414	5,279,957
- Export	–	–	638,087	641,354	–	–	105,292	73,406	–	–	65,007	–	808,386	714,760
- By-products	5	–	–	–	–	–	17,628	19,222	–	–	–	–	17,633	19,222
- Inter-segment	301,908	348,564	–	–	–	–	–	–	10,647	–	–	–	–	–
	4,591,033	4,867,162	823,534	779,837	22,119	7,707	736,891	707,797	10,647	–	1,134,764	–	7,006,433	6,013,939
Less: Commission to selling agents	8,564	7,815	186	272	863	300	5,157	3,354	–	–	–	–	14,770	11,741
Trade discounts	–	–	–	–	–	–	–	–	–	–	55,281	–	55,281	–
Sales tax	569,847	572,626	24,180	18,063	2,885	988	–	–	–	–	–	–	596,912	591,677
	578,411	580,441	24,366	18,335	3,748	1,288	5,157	3,354	–	–	55,281	–	666,963	603,418
Net sales	4,012,622	4,286,721	799,168	761,502	18,371	6,419	731,734	704,443	10,647	–	1,079,483	–	6,339,470	5,410,521

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

34. Cost of sales

		Sugar 2007	Sugar 2006	Ethanol 2007	Ethanol 2006	Building Materials 2007	Building Materials 2006	Textile 2007	Textile 2006	Engineering 2007	Engineering 2006	Dairy and fruit products 2007	Dairy and fruit products 2006	Total 2007	Total 2006
Inter-segment		–	–	251,928	315,809	3,923	3,201	46,057	29,554	–	–	–	–	–	–
Raw materials consumed		2,576,042	4,316,562	267,508	214,333	193	–	526,392	487,265	34,848	–	620,707	–	4,025,690	5,018,160
		2,576,042	4,316,562	519,436	530,142	4,116	3,201	572,449	516,819	34,848	–	620,707	–	4,025,690	5,018,160
Salaries, wages and other benefits	- note 34.2	149,326	106,814	14,797	10,382	3,746	2,838	52,881	42,818	1,060	–	28,634	–	250,444	162,852
Processing charges		–	–	–	–	–	–	–	–	–	–	12,403	–	12,403	–
Stores and spares consumed		94,115	99,917	8,809	6,213	337	635	13,673	11,134	23	–	-	–	116,957	117,899
Dyes and chemicals		18,814	27,656	17,822	15,246	3,564	1,867	–	–	–	–	7,173	–	47,373	44,769
Packing material consumed		37,675	47,294	–	–	–	–	11,122	8,942	–	–	225,723	–	274,520	56,236
Fuel and power		103,953	313,159	24,977	12,941	1,130	256	43,244	41,116	347	–	74,563	–	248,214	367,472
Repairs and maintenance		24,104	25,712	4,713	1,624	145	586	3,614	1,920	89	–	18,433	–	51,098	29,842
Insurance		7,598	8,303	1,674	1,186	46	46	3,009	3,141	117	–	2,713	–	15,157	12,676
Vehicle running and maintenance		5,300	5,129	–	–	47	132	–	–	31	–	1,545	–	6,923	5,261
Traveling and conveyance		1,670	812	716	182	70	41	1,094	1,077	104	–	249	–	3,903	2,112
Printing and stationery		786	737	57	64	10	3	–	–	7	–	342	–	1,202	804
Rent, rates and taxes		698	940	–	–	–	–	198	213	–	–	–	–	896	1,153
Sugarcane research and development	- note 34.2	10,025	10,117	–	–	–	–	–	–	–	–	–	–	10,025	10,117
Staff training and development		420	920	18	–	–	–	–	–	–	–	–	–	438	920
Depreciation on:															
- property, plant and equipment		234,436	214,826	58,248	33,948	787	851	29,158	11,776	2,798	–	43,150	–	368,577	261,401
- leased assets		10,095	9,045	1,666	3,181	–	–	7,204	6,093	–	–	50	–	19,015	18,319
Amortization on intangibles		–	–	–	–	–	–	340	–	–	–	–	–	340	–
Impairment of:															
- property, plant and equipment		–	–	–	–	–	–	16,901	–	–	–	–	–	16,901	–
- assets subject to finance lease		–	–	–	–	–	–	34,696	–	–	–	–	–	34,696	–
Software development charges		–	–	–	–	–	–	120	–	–	–	–	–	120	–
Other expenses		15,329	24,936	1,931	2,236	586	381	1,150	1,357	47	–	2,915	–	21,958	28,910
		3,290,386	5,212,879	654,864	617,345	14,584	10,837	790,853	646,406	39,471	–	1,038,600	–	5,526,850	6,138,903
Opening work-in-process		16,952	17,682	–	–	–	–	4,030	4,839	–	–	931	–	21,913	22,521
Less: Closing work-in-process		(3,683)	(16,952)	–	–	–	–	(4,917)	(4,030)	–	–	(2,235)	–	(10,835)	(20,982)
		13,269	730	–	–	–	–	(887)	809	–	–	(1,304)	–	11,078	1,539
Cost of goods produced		3,303,655	5,213,609	654,864	617,345	14,584	10,837	789,966	647,215	39,471	–	1,037,296	–	5,537,928	6,140,442
Opening stock of finished goods		1,524,730	248,473	76,706	62,433	6,212	321	24,571	33,643	–	–	48,780	–	1,680,999	344,870
Less: Closing stock of finished goods		(871,156)	(1,524,730)	(107,771)	(76,706)	(4,595)	(6,212)	(20,432)	(24,571)	–	–	(52,991)	–	(1,056,945)	(1,632,219)
		653,574	(1,276,257)	(31,065)	(14,273)	1,617	(5,891)	4,139	9,072	–	–	(4,211)	–	624,054	(1,287,349)
		3,957,229	3,937,352	623,799	603,072	16,201	4,946	794,105	656,287	39,471	–	1,033,085	–	6,161,982	4,853,093
Cost of sales - goods purchased for resale		–	337,726	–	–	–	–	–	–	–	–	–	–	–	337,726
Less: Net expenses of trial run Capitalized		–	(46,881)	–	–	–	–	–	–	–	–	–	–	–	(46,881)
Less: own goods capitalized / transferred to capital work in progress		–	–	–	–	–	–	–	–	(39,471)	–	–	–	(39,471)	–
		3,957,229	4,228,197	623,799	603,072	16,201	4,946	794,105	656,287	–	–	1,033,085	–	6,122,511	5,143,938

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

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

	2007	2006
	(Rupees in thousand)	
Parent		
Pension fund	3,522	3,109
Gratuity fund	1,659	894
Provident fund	2,895	2,444
	8,076	6,447
Subsidiary		
Unfunded gratuity scheme	1,662	–
Accumulating compensated absences	252	–
	1,914	–
Total	9,990	6,447

35. Administrative expenses

		2007	2006
Salaries, wages and other benefits	- note 35.1	94,986	70,778
Repairs and maintenance		8,969	9,808
Insurance		6,205	5,958
Vehicle running and maintenance		6,941	7,883
Traveling and conveyance		8,820	7,305
Printing and stationary		3,055	2,954
Electricity and gas		2,107	2,044
Telephone, postage and telegram		4,583	4,543
Legal and professional charges	- note 35.2	11,074	5,854
Consultancy and advisory services		8,684	14,324
Rent, rates and taxes		2,166	2,016
Staff training and development		235	188
Entertainment		3,010	2,203
Subscriptions		4,574	7,862
Advertisements		2,025	441
Registered office expenses		726	726
Provision against doubtful receivables		2,101	29,795
Bad debts and advances written off		–	2,311
Depreciation on:			
- property, plant and equipment		27,633	25,420
- leased assets		10,320	7,909
Amortization of goodwill		20,885	–
Others		1,495	1,432
		230,594	211,754

Notes to the Consolidated Financial Statements
For the year ended September 30, 2007

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

	2007	2006
	(Rupees in thousand)	
Parent		
Pension fund	3,811	2,854
Gratuity fund	1,480	735
Provident fund	969	1,003
	6,260	4,592
Subsidiary		
Unfunded gratuity scheme	287	–
Accumulating compensated absences	189	–
	476	–
Total	6,736	4,592

35.2 Professional services

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

	2007	2006
	(Rupees in thousand)	
- Statutory audit	980	750
- Half yearly review	450	150
- Certification charges	100	60
- Out of pocket expenses	101	27
	1,631	987

36. Distribution and selling costs

		2007	2006
Salaries, wages and other benefits	- note 36.1	18,233	2,387
Freight and forwarding		125,291	55,474
Handling and distribution		1,505	1,465
Loading and unloading charges		4,621	6,420
Sales promotion expenses		113,790	596
Depreciation on property, plant and equipment		206	–
Insurance		8,753	6,798
Rent, rates and taxes		845	–
Vehicle running and maintenance		798	–
Traveling and conveyence		4,745	–
Telephone, postage and telegram		900	–
Amoritzation of intangible assets		144	–
Others		1,765	441
		281,596	73,581

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

	2007	2006
	(Rupees in thousand)	
Parent		
Provident fund	93	98
Subsidiary		
Unfunded gratuity scheme	872	–
Accumulating compensated absences	177	–
	1,049	–
Total	1,142	98

37. Other operating expenses

		2007	2006
Workers Welfare Fund		–	572
Loss on sale of property, plant and equipment		2,348	3,000
Impairment losses on:			
- Available for sale investments:			
classified as long term		–	2,200
classified as short term	- note 30.1.4	52,892	54,171
- Held to maturity investments		–	65,702
Social action program expenses		6,533	4,071
Loss from agricultural activities	- note 37.1	127,195	–
Net exchange loss		14,143	12,083
Loss on marked to market valuation of interest rate swap		4,805	–
Donations	- note 37.2	1,652	3,922
Others		152	170
		209,720	145,891

37.1 Loss from agricultural activities

		2007	2006
		(Rupees in thousand)	
Loss/(gain) arising on changes in fair value of biological assets less estimated point-of-sale costs		76,078	(35,131)
Fair value of biological assets harvested less estimated point of sales cost		(232,089)	(187,934)
Less: costs of biological assets harvested	- note 37.3	283,206	193,052
		51,117	5,118
Loss/(income) from agricultural activities		127,195	(30,013)

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

37.3 This includes depreciation on property, plant and equipment of Rs 9.751 million (2006: Nil).

38. Other operating income

		2007	2006
		(Rupees in thousand)	
Income from financial assets			
Profit on sale of investments classified as:			
- available for sale		1,984,288	358,202
- held for trading		22,432	27,182
- associated companies		7,567	–
Realized gain on investments held to maturity		1,663	1,482
Unrealized gain on investments held for trading		14,795	7,666
Dividend income from:			
- related parties		77,862	585
- others		30,061	149,703
Underwriting commission		–	1,600
Reversal of provision for impairment against investments classified as 'held to maturity'	- note 30.3.2	47,767	–
Liabilities written back		7,221	395
Return on advance to Altern Energy Limited		3,799	–
Return on bank deposits		8,935	240
		2,206,390	547,055
Income from non-financial assets			
Scrap sales		19,359	25,907
Agricultural income	- note 37.1	–	30,013
Rental income		284	94
Amortization of deferred income		2,475	2,413
Others		4,264	2,205
		26,382	60,632
		2,232,772	607,687

39. Finance cost

		2007	2006
Interest and mark-up on:			
- Long term finances	- note 39.1	250,926	168,051
- Short term borrowings		616,747	497,202
- Workers' profit participation fund - related party		6	257
- Finance lease		21,566	22,768
Bank charges, commission and excise duty		21,681	10,493
Others	- note 39.2	11,595	2,918
		922,521	701,689

39.1 This includes preferred dividend of Rs 29.389 million (2006: 32.805 million).

39.2 This includes penalties aggregating to Rs. 5.573 million (2006: Rs 1.6 million) levied by financial institutions due to delayed payments.

40. Taxation

	2007	2006
	(Rupees in thousand)	
For the year		
- Current	42,336	34,700
- Deferred	505,427	(318,553)
	547,763	(283,853)
Prior year		
- Current	(188)	(14,797)
- Deferred	(119,054)	(51,120)
	(119,242)	(65,917)
	428,521	(349,770)

40.1 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, 2007 are estimated approximately at Rs 4,939 million (2006: Rs 3,478 million), including assessed tax losses of Rs 3,301 million (2006: Rs 907 million).

41. Earnings per share

41.1 Basic earnings per share

		2007	2006
Profit for the year	Rupees	475,616,000	62,739,000
Weighted average number of ordinary shares in issue during the year	Numbers	57,936,498	53,477,810
Earnings per share - basic	Rupees	8.21	1.17

41.2 Diluted earnings per share

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

42. Cash used in operating activities

	2007	2006
	(Rupees in thousand)	
Profit/(loss) before taxation	908,988	(286,527)
Adjustment for:		
Depreciation/amortization of:		
- property, plant and equipment	406,213	287,006
- assets subject to finance lease	29,335	26,228
- intangible assets	21,369	–
- deferred income	(2,475)	(2,413)
Share of loss/(income) from associated companies	(103,688)	28,386
Liabilities written back	(7,221)	(395)
(Profit)/loss on sale of property, plant and equipment	2,348	3,000
Impairment of:		
- property, plant and equipment	16,901	–
- assets subject to finance lease	34,696	–
- investments classified as available for sale	52,892	122,073
Gain on sale of investments	(2,015,950)	(385,384)
Unrealized gain on investments held for trading	(14,795)	(7,666)
Reversal of provision for impairment against investments classified as HTM	(47,767)	–
Interest from bank deposits	(8,935)	(240)
Provision against doubtful receivables	2,101	29,795
Bad debts and advances written off	–	2,311
Provision for employees' retirement benefits	13,911	7,592
Dividend income	(107,923)	(150,288)
Loss/(profit) from agricultural activities	127,195	(30,013)
Finance cost	922,521	701,689
	(679,272)	631,681
Profit before working capital changes	229,716	345,154
Effect on cash flow due to working capital changes:		
Decrease/(increase) in stores and spares	15,269	(38,351)
Decrease/(increase) in stock in trade	747,813	(867,257)
Increase in biological assets - net	(54,591)	(39,199)
Decrease in trade debts	135,641	113,616
Decrease/(increase) in loans, advances, prepayments and other receivables	151,704	(33,953)
Increase in trade and other payables	124,115	65,834
	1,119,951	(799,310)
	1,349,667	(454,156)

43. Remuneration of Chief Executive, Directors and Executives

43.1 The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the full time working directors and executives of the Company is as follows:

	Director		Executives	
	2007	2006	2007	2006
	(Rupees in thousand)		(Rupees in thousand)	
Managerial remuneration	–	900	37,066	17,910
Contribution to provident fund, gratuity and pension funds	–	311	4,697	5,501
Production incentives	–	–	–	180
House rent	–	405	11,254	6,507
Utilities	–	90	2,558	1,761
Reimbursable expenses	–	210	1,013	552
Others	–	–	1,797	1,061
	–	1,916	58,385	33,472
Number of persons	**–**	**1**	**32**	**13**

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

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

43.4 Aggregate amount charged in the financial statements for the year for fee to 8 directors (2006: 8 directors) was Rs 200,000 (2006: Rs 160,000).

44. Related Party Disclosures

The related parties comprise subsidiaries, associated undertakings, post employment benefit plans, other related companies, and key management personnel. The company in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under receivables and payables and remuneration of the key management personnel is disclosed in note 41. Other significant transactions with related parties are as follows:

		2007	2006
		(Rupees in thousand)	
Relationship with the company	**Nature of transactions**		
i. Subsidiaries	Dividend income	58,430	–
ii. Associated Undertakings	Purchase of goods and services	67,244	66,591
	Sale of goods and services	48,839	65,379
	Share of common expenses	1,840	726
	Lease rentals paid	–	1,233
	Dividend income	26,430	585
	Purchase of investments	160,995	–
	Sale of investments	17,356	–
	Advance for purchase of services	4,000	–
iii. Other related parties	Expenses incurred on behalf of the company	–	3,879
	Share of common expenses	185	–
	Receipt of funds on behalf of the company	–	150,930
	Payments made to/on behalf of the company	–	177,407
	Purchase of marketable securities	–	17,325
	Share deposit money given	–	350,000
	Interest free loan given	–	59,420
iv. Post employment benefit plans	Expense charged in respect of retirement benefit plans	14,429	11,137
	Interest free loan obtained	7,400	–

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

45 Capacity and production

		2007	2006
Sugar			
Rated crushing capacity -			
On the basis of 140 days (2006: 140 days)	M. Tons	**2,240,000**	2,240,000
Actual cane crushed	M. Tons	**1,587,927**	1,288,547

The low crushing was due to shortage of sugarcane.

Ethanol			
On the basis of 270 days (2006: 270 days) working	Liters	**43,200,000**	43,200,000
Actual production	Liters	**35,093,676**	27,625,611

The low production of ethanol was due to shortage of raw materials.

Building Materials			
On the basis of 100 days (2006: 100 days) working	Cubic meter	**3,000**	3,000
Actual production	Cubic meter	**1,834**	1,477

The low production of particle board was due to shortage of baggasse.

Textile			
Capacity (converted in 20s counts)	Kgs	**8,398,912**	8,398,912
Actual production (converted in 20s counts)	Kgs	**6,675,699**	7,819,205

The low production of yarn was due to the stoppages in electricity supply and shut-down of plant for major maintenance works.

		2007	2006
Dairy and Fruit products division			
Ultra Heat Treated packed milk and cream			
Capacity	Litres	**45,625,000**	45,625,000
Actual production	Litres	**22,838,636**	–
Milk powder			
Capacity	Kgs	**1,825,000**	1,825,000
Actual production	Kgs	**101,575**	–
Desi Ghee			
Capacity	Kgs	**365,000**	365,000
Actual production	Kgs	**119,434**	–
Fruit pulps and concentrate juices			
Capacity	Kgs	**20,280,000**	–
Actual production	Kgs	**774,883**	–

Under utilization of production is due to limited sales orders

46. Business segments information

(Rupees in thousand)

		Sugar		Ethanol		Building Materials		Textile		Engineering		Dairy and Fruit		Elimination		Total	
		2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Revenue																	
- External	- note 33	3,710,714	3,938,157	799,168	761,502	18,371	6,419	731,734	704,443	–	–	1,079,483	–	–	–	6,339,470	5,410,521
- Intersegment	- note 33	301,908	348,564	–	–	–	–	–	–	10,647	–	–	–	(312,555)	(348,564)	–	–
		4,012,622	4,286,721	799,168	761,502	18,371	6,419	731,734	704,443	10,647	–	1,079,483	–	(312,555)	(348,564)	6,339,470	5,410,521
Segment expenses																	
Cost of sales																	
- Intersegment		–	–	251,928	315,809	3,923	3,201	46,057	29,554	–	–	–	–	(301,908)	(348,564)	–	–
- External	- note 34	3,957,229	4,228,197	371,871	287,263	12,278	1,745	748,048	626,733	–	–	1,033,085	–	–	–	6,122,511	5,143,938
		3,957,229	4,228,197	623,799	603,072	16,201	4,946	794,105	656,287	–	–	1,033,085	–	(301,908)	(348,564)	6,122,511	5,143,938
Gross profit/(loss)		55,393	58,524	175,369	158,430	2,170	1,473	(62,371)	48,156	10,647	–	46,398	–	(10,647)	–	216,959	266,583
- Administrative expenses	- note 35	142,884	158,146	28,457	28,093	654	237	24,878	25,278	58	–	33,663	–	–	–	230,594	211,754
- Distribution and selling expenses	- note 36	13,557	11,903	72,202	57,588	77	18	7,523	4,072	–	–	188,237	–	–	–	281,596	73,581
		156,441	170,049	100,659	85,681	731	255	32,401	29,350	58	–	221,900	–	–	–	512,190	285,335
Segment results		(101,048)	(111,525)	74,710	72,749	1,439	1,218	(94,772)	18,806	10,589	–	(175,502)	–	(10,647)	–	(295,231)	(18,752)
Other operating expenses																(209,720)	(145,891)
Operating Profit																(504,951)	(164,643)
Finance costs																(922,521)	(701,689)
Interest income																8,935	240
Other operating income																2,223,837	607,447
Income from associate																103,688	(27,882)
Taxation																(433,372)	349,266
Profit for the year																475,616	62,739

46.1 Inter-segment sales and purchases

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

46.2 Basis of inter-segment pricing

All inter-segment transfers are made at cost.

		Sugar 2007	Sugar 2006	Ethanol 2007	Ethanol 2006	Building Materials 2007	Building Materials 2006	Textile 2007	Textile 2006	Engineering 2007	Engineering 2006	Dairy and Fruit 2007	Dairy and Fruit 2006	Elimination 2007	Elimination 2006	Total 2007	Total 2006
46.3	Segment assets	3,629,119	4,634,550	1,191,484	1,030,809	14,908	16,919	416,616	567,425	158,545	–	1,100,087	–	(1,043)		6,509,716	6,249,703
	Unallocated assets															4,959,188	6,223,137
																11,468,904	12,472,840
46.4	Segment liabilities	1,436,502	1,256,541	397,791	252,504	203	22	439,604	456,501	80,232	–	755,728	–	(1,043)		3,109,017	1,965,568
	Unallocated liabilities															4,131,852	7,039,916
																7,240,869	9,005,484
46.5	Capital expenditure	146,786	2,173,109	285,518	390,462	–	–	1,231	54,213	56,437	–	114,076	–	(53,895)		550,153	2,617,784
	Unallocated															591,483	176,572
																1,141,636	2,794,356
46.6	Depreciation on property, plant and equipment	234,436	214,826	58,248	33,948	787	851	29,158	11,776	2,798	–	43,357	–	–	–	368,784	261,401
	Unallocated															37,383	25,420
																406,167	286,821
46.7	Depreciation on leased assets	10,095	9,045	1,666	3,181	–	–	7,204	6,093	–	–	50	–	–	–	19,015	18,319
	Unallocated															10,320	7,909
																29,335	26,228
46.8	Amortization on intangible assets	–	–	–	–	–	–	340	–	–	–	21,029	–	–	–	21,369	–
	Unallocated															–	–
																21,369	–
46.9	Impairment on Property, Plant and equipment	–	–	–	–	–	–	16,901	–	–	–	–	–	–	–	16,901	–
	Unallocated															–	–
																16,901	–
46.10	Impairment on Assets subject to finance lease	–	–	–	–	–	–	34,696	–	–	–	–	–	–	–	34,696	–
	Unallocated															–	–
																34,696	–

46.11 Secondary reporting format

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

	Sugar 2007	Sugar 2006	Ethanol 2007	Ethanol 2006	Building Materials 2007	Building Materials 2006	Textile 2007	Textile 2006	Engineering 2007	Engineering 2006	Dairy and Fruit 2007	Dairy and Fruit 2006	Elimination 2007	Elimination 2006	Total 2007	Total 2006
Distillery export sales - Europe	–	–	137,368	641,354	–	–	66,752	–	–	–	–	–	–	–	204,120	641,354
Export sales - Others	–	–	500,720	–	–	–	38,539	73,406	–	–	65,007	–	–	–	604,266	73,406
Local sales	3,710,714	3,938,157	161,080	120,148	18,371	6,419	626,443	631,037	–	–	1,014,476	–	–	–	5,531,084	4,695,761
	3,710,714	3,938,157	799,168	761,502	18,371	6,419	731,734	704,443	–	–	1,079,483	–	–	–	6,339,470	5,410,521

47. Financial assets and liabilities

(Rupees in thousand)

	Interest / mark-up bearing			Non-interest bearing			Total		Credit Risk	
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	2007	2006	2007	2006
Financial assets										
Long term loans, advances, deposits prepayments and other receivables	–	6,204	6,204	–	27,356	27,356	33,560	49,509	33,560	49,509
Trade debts	–	–	–	85,107	–	85,107	85,107	220,741	85,107	220,741
Loans, advances and other receivables	936	–	936	18,773	–	18,773	19,709	140,295	19,709	140,295
Investments	–	–	–	1,071,929	193,273	1,265,202	1,265,202	3,060,689	1,265,202	3,060,689
Cash and bank balances	431,450	–	431,450	78,654	–	78,654	510,104	190,537	509,542	187,350
	432,386	6,204	438,590	1,254,463	220,629	1,475,092	1,913,682	3,661,771	1,913,120	3,658,584
Off balance sheet	–	–	–	–	–	–	–	–	–	–
Total	**432,386**	**6,204**	**438,590**	**1,254,463**	**220,629**	**1,475,092**	**1,913,682**	**3,661,771**	**1,913,120**	**3,658,584**
Financial liabilities										
Long term finances	585,518	2,053,533	2,639,051	–	–	–	2,639,051	2,384,387		
Long term advances	120	736	856	–	–	–	856	–		
Liabilities against assets subject to finance lease	96,613	150,636	247,249	–	–	–	247,249	203,718		
Short term borrowings	3,511,765		3,511,765	–	–	–	3,511,765	5,655,200		
Trade and other payables	–	–	–	538,667	–	538,667	538,667	445,000		
Accrued finance cost	218,875	–	218,875	–	–	–	218,875	281,528		
	4,412,891	2,204,905	6,617,796	538,667	–	538,667	7,156,463	8,969,833		
Off balance sheet										
Contracts for capital expenditure	–	–	–	407,927	–	407,927	407,927	132,484		
Guarantees	–	–	–	87,852	–	87,852	87,852	89,996		
Letters of credit other than for capital expenditure	–	–	–	2,867	–	2,867	2,867	2,507		
	–	–	–	498,646	–	498,646	498,646	224,987		
Total	**4,412,891**	**2,204,905**	**6,617,796**	**1,037,313**	**–**	**1,037,313**	**7,655,109**	**9,194,820**		
On balance sheet gap	(3,980,505)	(2,198,701)	(6,179,206)	715,796	220,629	936,425	(5,242,781)	(5,308,062)		
Off balance sheet gap	–	–	–	(498,646)	–	(498,646)	(498,646)	(224,987)		

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

Notes to the Consolidated Financial Statements
For the year ended September 30, 2007

47.1 Financial risk management objectives

The group 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 minimize 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 group 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 is 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 1,914 million (2006: Rs 3,662 million), the financial assets which are subject to credit risk amount to Rs 1,913 million (2006: Rs 3,659 million). The company believes that it is not exposed to major concentration of credit risk as exposure is spread over a large number of counter parties in case of trade debts. To manage exposure to credit risk, the company applies credit limits to its customers.

(b) Currency risk

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

(c) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The company borrows at fixed and market based rates and as such the risk is minimized. Significant interest rate risk exposures are primarily managed by a mix of borrowings at fixed and variable interest rates and contracting floor and cap of interest rates as referred to in note 8. Furthermore, the company has entered into an interest rate swap arrangement for its syndicate term loan to hedge the possible adverse movements in interest rates as referred to in note 8.2.

(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.

47.2 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.

48. Date of authorization of issue

These financial statements were authorized for issue on December 05, 2007 by the board of directors of the company.

49. Events after the balance sheet date

The board of directors have proposed a final dividend for the year ended September 30, 2007 of Rs.1 (2006: Nil) per share, amounting to Rs.57.936 million (2006: Nil) at their meeting held on December 5, 2007 for approval of the members at the Annual General Meeting to be held on December 31, 2007. The Board has recommended to issue bonus shares in proportion of 20 bonus shares (2006: Nil) for every 100 ordinary shares held.

50. Business combination

On September 30, 2006, 100% shares in Shakarganj Food Products Limited (Formerly A.M. Fruit Products (Private) Limited) were acquired by Shakarganj Mills Limited resulting in formation of the Shakarganj Group. Details of net assets acquired and goodwill are as follows:

	Restated (Rupees in thousand)
Purchase consideration (in cash)	100
Fair value of net liabilities acquired	(104,324)
Goodwill	104,424

The goodwill is attributable to the high anticipated profitability of the acquired business.

The assets and liabilities arising from acquisition are as follows:

Property, plant and equipment	795,716
Capital work in progress	9,420
Intangible assets	673
Long term loan	141
Long term deposits	1,004
Stores and spares	7,150
Stock in trade	64,744
Trade debts	3,521
Advances, deposits, prepayments and other receivables	68,763
Cash and bank balances	3,083
Share deposit money	(350,000)
Long term finances	(409,985)
Deferred liabilities - gratuity	(1,303)
Short term borrowings	(75,180)
Current portion of long term finances	(52,000)
Trade and other payables	(143,827)
Accrued finance cost	(23,438)
Provision for taxation	(2,806)
Net asset	(104,324)

Notes to the Consolidated Financial Statements
For the year ended September 30, 2007

50.1 The carrying value of assets and liabilities acquired approximate their fair values.

50.2 As referred to in note 4.9, the group, as part of an overall settlement of its balances with CSIBL, acquired further shares in Safeway Mutual Fund Limited (SWMFL) and Asian Stocks Fund Limited (ASFL), previously being accounted for as associates in the group's consolidated financial statements. Consequent to this acquisition, the group acquired controlling stakes in SWMFL and further increased its significant influence in ASFL, however, the management of the group has decided to dispose of its investment in SWMFL and ASFL within a period of twelve months, consequently, SWMFL and ASFL have not been consolidated or accounted for under the equity method of accounting in these financial statements.

51. Detail of subsidiaries

Name of subsidiary	Accounting year end	Percentage of holding	Country of incorporation
Shakarganj Food Products Limited (Formerly A. M. Fruit Products (Private) Limited)	September 30, 2007	100%	Pakistan
Safeway Mutual Fund Limited	June 30, 2007	53.65%	Pakistan

52. Corresponding figures

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

	(Rupees in thousand)
Classified from short term finances to:	
- Short term running finance	6,013
- Export refinance	303,331

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 - (Form 34)

For the year ended September 30, 2007

No. of Shareholders	Shareholding From	Shareholding To	Total Shares held
248	1	100	8,249
356	101	500	117,698
238	501	1,000	193,411
316	1,001	5,000	769,153
81	5,001	10,000	645,955
47	10,001	15,000	603,433
17	15,001	20,000	308,492
14	20,001	25,000	329,942
9	25,001	30,000	245,113
9	30,001	35,000	291,249
9	35,001	40,000	332,582
4	40,001	45,000	171,405
7	45,001	50,000	338,367
5	50,001	55,000	268,230
3	55,001	60,000	177,357
3	60,001	65,000	184,350
2	65,001	70,000	139,385
3	70,001	75,000	218,691
1	75,001	80,000	76,470
5	80,001	85,000	412,028
1	85,001	90,000	87,500
4	90,001	95,000	372,889
1	95,001	100,000	100,000
2	100,001	105,000	202,549
2	110,001	115,000	225,904
3	120,001	125,000	370,492
2	125,001	130,000	252,584
1	135,001	140,000	140,000
5	145,001	150,000	740,251
1	150,001	155,000	150,500
2	155,001	160,000	319,500
2	165,001	170,000	335,700
1	180,001	185,000	185,000
2	185,001	190,000	372,972
1	195,001	200,000	195,336
1	215,001	220,000	219,772
1	315,001	320,000	319,500
1	390,001	395,000	393,000
1	435,001	440,000	439,621
2	445,001	450,000	899,747
2	455,001	460,000	913,861
2	495,001	500,000	998,617
1	505,001	510,000	507,000
1	545,001	550,000	550,000
1	555,001	560,000	559,396
1	740,001	745,000	745,000
1	885,001	890,000	888,449
1	1,020,001	1,025,000	1,022,500
1	1,215,001	1,220,000	1,215,928
1	1,660,001	1,665,000	1,665,000
1	1,805,001	1,810,000	1,806,857
1	1,930,001	1,935,000	1,930,841
1	2,370,001	2,375,000	2,371,342
1	4,520,001	4,525,000	4,522,907
1	6,190,001	6,195,000	6,193,082
1	7,715,001	7,720,000	7,720,000
1	12,170,001	12,175,000	12,171,340
1,432			**57,936,497**

Pattern of Shareholding

For the year ended September 30, 2007

	Categories of Shareholders	Shares Held	%age
5.1	**Directors, Chief Executive Officer, Their Spouse and Childern**		
	Directors		
	Mr. Khalid Bashir	3,525	0.01
	Mr. Ahsan M. Saleem	439,621	0.76
	Mr. Mazhar Karim	458,244	0.79
	Mr. Muhammad Anwar	6,496	0.01
	Mr. Muhammad Arshad	94,063	0.16
	Directors Spouse and Their Childern		
	Mrs. Abida Mazhar	10,903	0.02
	Mrs. Shahnaz A. Saleem	3,636	0.01
		1,016,488	**1.75**
5.2	**Associated Companies, Undertakings & Related Parties**		
	Asian Stock Fund Limited	1,665,000	2.87
	Crescent Jute Products Limited	167,200	0.29
	Crescent Steel And Allied Products Ltd.	6,193,082	10.69
	Crescent Sugar Mills & Distillery Limited	2,436,692	4.21
	Safeway Mutual Fund Limited	1,930,841	3.33
	The Crescent Textile Mills Limited	4,522,907	7.81
		16,915,722	**29.20**
5.3	**NIT & ICP (Name Wise Detail)**		
	Investment Corporation of Pakistan	36,828	0.06
	National Bank of Pakistan,Trustee Deptt.	12,171,340	21.01
		12,208,168	**21.07**
5.4	**Banks, DFI's, NBFI's**		
	Banks, DFI's, NBFI's	59,108	0.10
	Banks, DFI's, NBFI's (CDC)	8,663,020	14.95
		8,722,128	**15.05**
5.5	**Insurance Companies**		
	Insurance Companies	139	0.00
	Insurance Companies (CDC)	10,000	0.02
		10,139	**0.02**
5.6	**Modaraba and Mutual Funds**		
	Modaraba and Mutual Funds	453	0.00
	Modaraba and Mutual Funds (CDC)	550,000	0.95
		550,453	**0.95**

Pattern of Shareholding

For the year ended September 30, 2007

	Categories of Shareholders	Shares Held	%age
5.7	**Other Companies**		
	Other Companies	453,760	0.78
	Other Companies (CDC)	3,068,447	5.30
		3,522,207	**6.08**
5.8	**Non Resident**		
	State Street Bank & Trust Co.	180	0.00
		180	**0.00**
5.9	**General Public**		
	A. Local	1,043,457	1.80
	A. Local (CDC)	13,947,555	24.07
		14,991,012	**25.87**
		57,936,497	**100.00**

Shareholders More Than 10.00%		
National Bank of Pakistan,Trustee Deptt.	**12,171,340**	**21.01**
Innovative Housing Finance Limited	**7,720,000**	**13.32**
Crescent Steel And Allied Products Ltd.	**6,193,082**	**10.69**

Shakarganj Mills Limited
Notice of Annual General Meeting

NOTICE is hereby given that the 40th Annual General Meeting of the shareholders of Shakarganj Mills Limited (the "Company") will be held on Monday, 31 December 2007 at 11.00 a.m. at Qasr-e-Noor, 9-E-2, Main Boulevard, Gulberg-III, Lahore to transact the following business:

ORDINARY BUISNESS:

1. To receive, consider and adopt the Directors' and Auditors' reports and audited financial statements for the year ended September 30, 2007

2. To consider and approve dividend payout and bonus shares issuance for the year ended September 30, 2007 as recommended by the Directors of the Company:

- Final dividend of Rs. 1 (Rupee one only) for the year ended September 30, 2007, that is, ten percent (10%)

- Bonus shares in the ratio of two (2) shares for every ten (10) shares, that is, twenty percent (20%).

3. To appoint auditors and fix their remuneration.

SPECIAL BUISNESS:

1. To consider and, if thought fit, to pass the following resolutions as special resolutions as approved by the Board of Directors (the "Board") of the Company in a meeting held on December 5, 2007, with or without modifications, under Section 208 of the Companies Ordinance, 1984:

"IT IS HEREBY RESOLVED THAT:

(1) the approval of the Company be and is hereby accorded to make equity investment of Rs. 100,000,000 (Rupees one hundred million only) in Crescent Steel and Allied Products Limited ("CSAPL") by the acquisition of certain shares of CSAPL at the market price.

(2) the approval of the Company be and is hereby accorded to make equity investment of Rs. 50,000,000 (Rupees fifty million only) in Crescent Textile Mills Limited ("CTM") by the acquisition of certain shares of CTM at the market price.

(3) the Chief Executive Officer of the Company be and is hereby authorized to do all acts, deeds and things, take any or all necessary actions to make investments in CSAPL and CTM as aforesaid and to dispose off the shares so acquired as he thinks fit on behalf of the Company and to delegate his powers in this behalf to any other Director or Officer of the Company, as deemed fit.

(4) the Company Secretary be and is hereby authorized to affix the common seal of the Company on any document as and when required."

2. To discuss any other business with the permission of the Chair.

BY ORDER OF THE BOARD

Tariq Aleem
Company Secretary
Lahore
December 5, 2007

Shakarganj Mills Limited
Notice of Annual General Meeting

Notes:

1. Participation In The Annual General Meeting

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

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

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

A. For Attending the Meeting

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

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

B. For Appointing Proxies

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

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

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

(d) The proxy shall produce his original NIC or original passport at the time of the Meeting.

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

2. Book Closure Notice

The Share Transfer Books of the Company will remain closed from 27 December 2007 to 3 January 2008 (both days inclusive). Physical transfers/CDS Transaction Ids received in order at the Registered Office of the Company upto the close of business on 26 December 2007 will be considered in time for the determination of entitlement of shareholders to attend and vote at the meeting.

3. Book Closure Notice For Preference Shares For The 3rd Year Ended September 30, 2007

The Share Transfer Books of Preference Shares (Non-Voting) of the Company will remain closed for entitlement of 8.5% Preferred Dividend (Rs. 0.85 per Preference Shares) from 27 December 2007 to 3 January 2008 (both days inclusive). Physical transfers/CDS Transaction Ids received in order at the Registered Office of the Company upto the close of business on 26 December 2007 will be considered in time for entitlement of Preferred Dividend. The Preferred Shareholders are not entitled to attend the meeting.

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

Shakarganj Mills Limited
Notice of Annual General Meeting

STATEMENT UNDER SECTION 160(1) (b) OF THE COMPANIES ORDINANCE, 1984

The following statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting of Shakarganj Mills Limited (the "Company") to be held on December 31, 2007.

INVESTMENT IN ASSOCIATED COMPANIES:

A. Crescent Steel and Allied Products Limited ("CSAPL")

1. An equity investment of up to Rs. 100,000,000 (Rupees one hundred million only) is proposed to be made CSAPL, an associated company of the Company by the acquisition of certain shares of CSAPL at the market price. The market price of CSAPL has ranged between Rs.58 (Rupees fifty eight only) to Rs. 103.45 (Rupees one hundred and three and Paisas forty five only) per share during the last six (6) months. The breakup value of CSAPL as on September 30, 2007 is Rs. 64.25 (Rupees sixty four and Paisas twenty five only) per share. This investment at the current price will not only yield good capital gains to the Company but will also provide a good stream of dividend income. Key financial highlights / ratios are given as under:

	Financial Year (June 30)		
	2006-2007	2005-2006	2004-2005
Earning per share (Rupees)	14.6	7.4	8.9
Break-up value per share (Rupees)	68.6	58.2	76.6
Dividend per share (Rupees)	3	-	3
Bonus shares (%)	10	20	20
Price earning ratio (Times)	4.9	5.9	8.6

2. Following is the breakdown of the Company's total exposure in CSAPL:

	Exposure in CSAPL (Rs. In million)			
	Approval	Invested	Proposed	Total
Investment in shares	135.72	54.189	100.00	235.72

3. CSAPL's Spiral Pipe Plant has a capability of manufacturing high quality steel pipes in the diameter range of 8" – 90" (219mm – 2286mm) in wall thickness from 4mm – 19mm and material grades up to API 5L X-80.

4. Reason for not investing against previous approved investment limit is due to volatile condition of capital market and more concentration on core business.

B. Crescent Textile Mills Limited ("CTM")

5. An additional equity investment of up to Rs. 50,000,000 (Rupees fifty million only) is proposed to be made in CTM, an associated company of the Company by the acquisition of certain shares of CTM at the market price. The management is of the view that due to inherited strength of CTM reflected by its breakup value of Rs.58.80 (Rupees fifty eight and Paisas eighty only) (as of September 30, 2007), the investment will not only yield good capital gains but will also provide a good stream of income over the years. Key financial highlights / ratios are given as under:

	Financial Year (June 30)		
	2006-2007	2005-2006	2004-2005
Earning per share (Rupees)	1.96	(1.27)	6.26
Break-up value per share (Rupees)	66.82	55.03	60.26
Dividend (Cash/Stock)	10.00%	10.00%	10.00%
Price earning ratio (Times)	35.20	(17.72)	8.75

6. Following is the breakdown of the Company's total exposure in CTM:

	Exposure in CTM (Rs. In million)			
	Approval	Invested	Proposed	Total
Investment in shares	20.00	-	50.00	70.00

7. Reason for not investing against previous approved investment limit is due to volatile condition of capital market and more concentration on core business.

8. The following information is being submitted as required under SECP Notification No. SRO 865(I)/2000, dated December 06, 2000 in respect of the companies where investment limit is intended to be increased:

Shakarganj Mills Limited
Notice of Annual General Meeting

(i)	Name of the investee companies	Crescent Steel and Allied Products Limited	Crescent Textile Mills Limited
(ii)	Nature, amount and extent of investment. – Limit present – Limit proposed (Rs. in million)	Equity Investment 135.72 235.72	Equity Investment 20.00 70.00
(iii)	Average market price of the shares intended to be purchased during preceding six months.	Rs.74.36	Rs. 59.74
(iv)	Break up value of shares intended to be purchased on the basis of last published financial statements.	Rs.64.25	Rs. 58.80
(v)	Price at which shares will be purchased.	Market Price	
(vi)	Earning per share of the investee company in last three years (Rs.): 2005 2006 2007	 8.90 7.40 14.6	 6.26 (1.40) 1.96
(vii)	Source of funds from where shares will be purchased.	(a) Sale of shares of different companies heldby the Company. (b) Internal generation of funds.	
(viii)	Period for which investment will be made.	Long-term	
(ix)	Purpose of investment.	(a) Profitability (b) Invest surplus funds available with the company.	
(x)	Benefits likely to accrue to the Company and the shareholders from the proposed investments.	1. There will be regular inflow of dividends on these investments which will increase profitability of the company. 2. Over a period of time, the market value of these investments will appreciate that will enhance shareholders value of investment.	

9. Hence, pursuant to a meeting of the Board of Directors (the “Board”) of the Company dated December 5, 2007, the Board has unanimously approved the proposition and decided to place before the shareholders for consideration and their approval at the Annual General Meeting to be held on December 31, 2007.

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

The Directors of the Company have no direct or indirect interest in the Special Business and/or Special Resolution, except and to the extent of their shareholding in the Company.
The Memorandum and Articles of Association of Investee Company is kept at 6th Floor, Crescent Standard Tower, 10-B E/II, Gulberg-III, Lahore, and can be inspected from 10.00 a.m. to 11.30 a.m. on any working day up to December 30, 2007.

Form of Proxy

I/We_______________________________ S/o, D/o, W/o _____________________________ of

____ (full address) a member(s) of

Shakarganj Mills Limited and holder of _________________________________ shares as per Registered

Folio No. ________ and/or CDC Participant I.D. No. _____________ and Sub Account No. ___________

do hereby appoint _______________________ of ____________________________ (full address)

or failing him/her _____________________________ of ________________________________

(full address) as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the Annual General Meeting of Shakarganj Mills Limited scheduled to be held on Monday, the December 31, 2007 at 11:00 a.m. at Qasr-e-Noor, 9 E 2 Main Boulevard, Gulberg-III. Lahore and at any adjournment thereof.

As witness my / our hand this ____________________ day of ____________________ 2007.

Member ______________________

Witness ______________________

Address ______________________

Dated ________________________

Signature on
Five-Rupees
Revenue Stamp

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

Notes:

1. A member entitled to attend and vote at a General Meeting is entitled to appoint a proxy
2. The instrument appointing a Proxy, together with the Power of Attorney, if any, under which it is signed or a notarially certified copy thereof, should be deposited at the Registered office, not less than 48 hours before the time of holding the Meeting.
3. CDC account holders will further have to follow the under mentioned guidelines as laid down in circular No. 1 dated January 26, 2000 of the Securities & Exchange Commission of Pakistan for appointing proxies.
4. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
5. The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.
6. Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
7. The proxy shall produce his original NIC or original passport at the time of the meeting.
8. In case of a corporate entity, the Board of Directors' resolution/power of attorney with specimen signatures of the proxy holder shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.