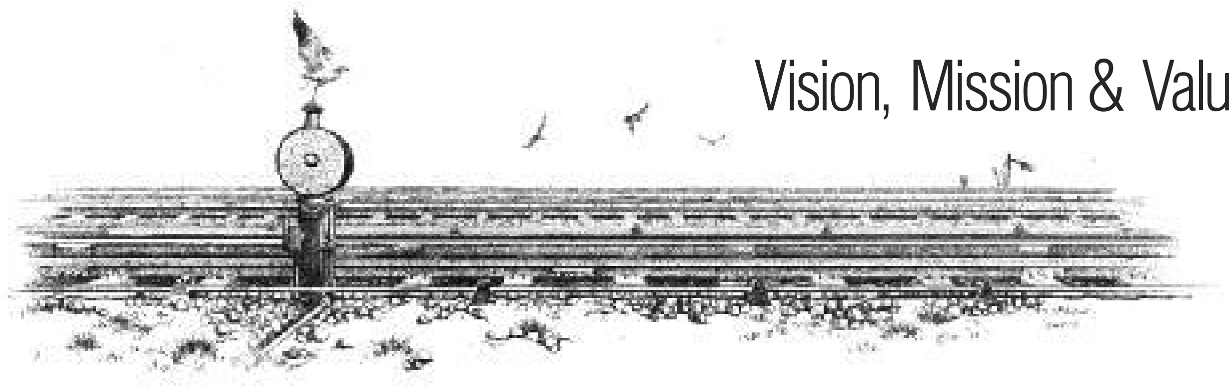
The cultural tapestry of a nation can best be enjoyed by moving round amongst its people and cities. What better way to do it than via a relaxed and unhurried train journey up and down the countryside.

ANNUAL REPORT 2008

Shakarganj Mills Limited



Vision, Mission & Values

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

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

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

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

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

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

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

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COMPANY INFORMATION

From Left to Right: Khalid Bashir, Muhammad Arshad, Muhammad Asif, Muhammad Anwar,

Board of Directors

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

Mazhar Karim, Ahsan M. Saleem, Gul Nawaz, Jamal Nasim

Chief Financial Officer
Mahboob Ali Qureshi

Company Secretary
Tariq Aleem

Audit Committee

Chairman	Muhammad Anwar
	Khalid Bashir
	Muhammad Asif

MANAGEMENT COMMITTEES

Executive Committee

Chairman	Ahsan M. Saleem
	Anjum M. Saleem
	Muhammad Asghar Qureshi

This Committee devises long term policies and visions for the Company with the sole objective for providing the best returns to shareholders by optimum allocation of existing resources. The Committee is also responsible for review of Company's operation on ongoing basis, establishing and ensuring adequacy of internal controls and monitoring compliance of key policies.

Business Strategy Committee

Chairman	Ahsan M. Saleem
	Anjum M. Saleem
	Muhammad Asghar Qureshi
	Pervaiz Akhter
	Manzoor Hussain Malik
	Shahid Hamid Mir
	Ch. Shah Muhammad

This Committee is responsible for formulation of business strategy, review of risks and their mitigation plan. Further, the Committee is also responsible for staying abreast of developments and trends in the Industry to assist the Board in planning for future capital intensive investments and growth of the Company.

System and Technology Committee

Chairman	Muhammad Awais Qureshi
	Ch. Shah Muhammad
	Mahboob Ali Qureshi
	Saad Akhtar Jaffery

This Committee is responsible for devising the I.T strategy within the Organization to keep all information systems of the Company updated in a fast changing environment.

Investment Committee

Chairman	Ahsan M. Saleem
	Anjum M. Saleem

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

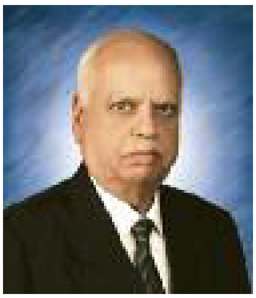
Human Resources Committee

Chairman	Muhammad Asghar Qureshi
	Muhammad Awais Qureshi
	Ch. Shah Muhammad
	Mahboob Ali Qureshi
	Hameedullah Awan

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.

Shakarganj Mills Limited

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
Executive Vice President (Op)
Satellite Facility *1981

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

Mahboob Ali Qureshi
Chief Financial Officer
*2007

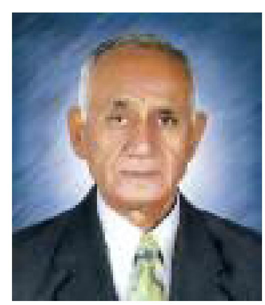
Manzoor Hussain Malik
Vice President Agriculture
*1980

Muhammad Saifullah
Vice President Operations
*1991

Hameedullah Awan
Vice President Administration
*2001

Dr. Shahid Afghan
Director General Research
*1987

Maqsood Bhatti
Senior Vice President
Satellite Facility *1986



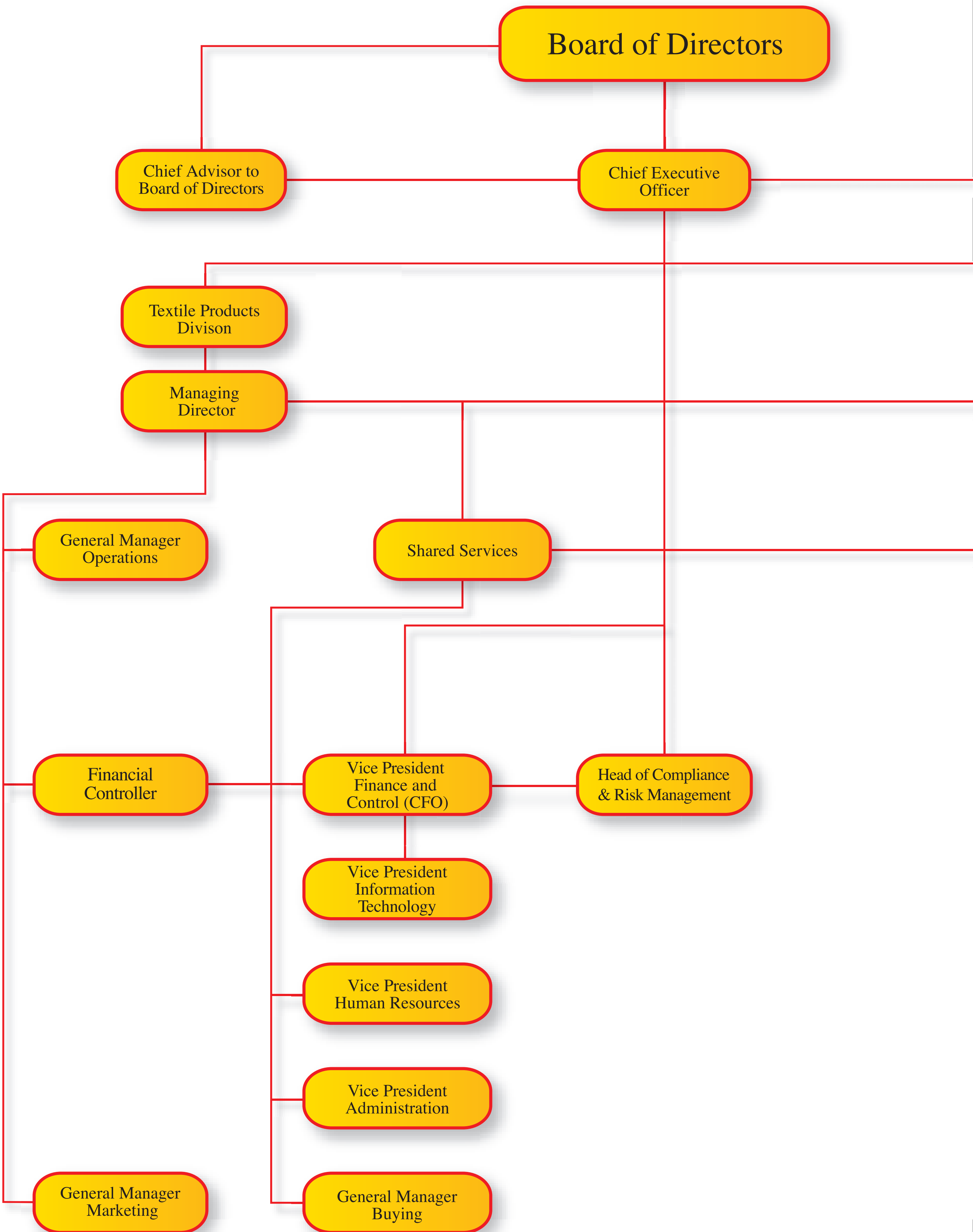
A. Ali Khan
GM (Sales) Eng. Div.
*2008

Asif Ali
General Manager Finance
*1996

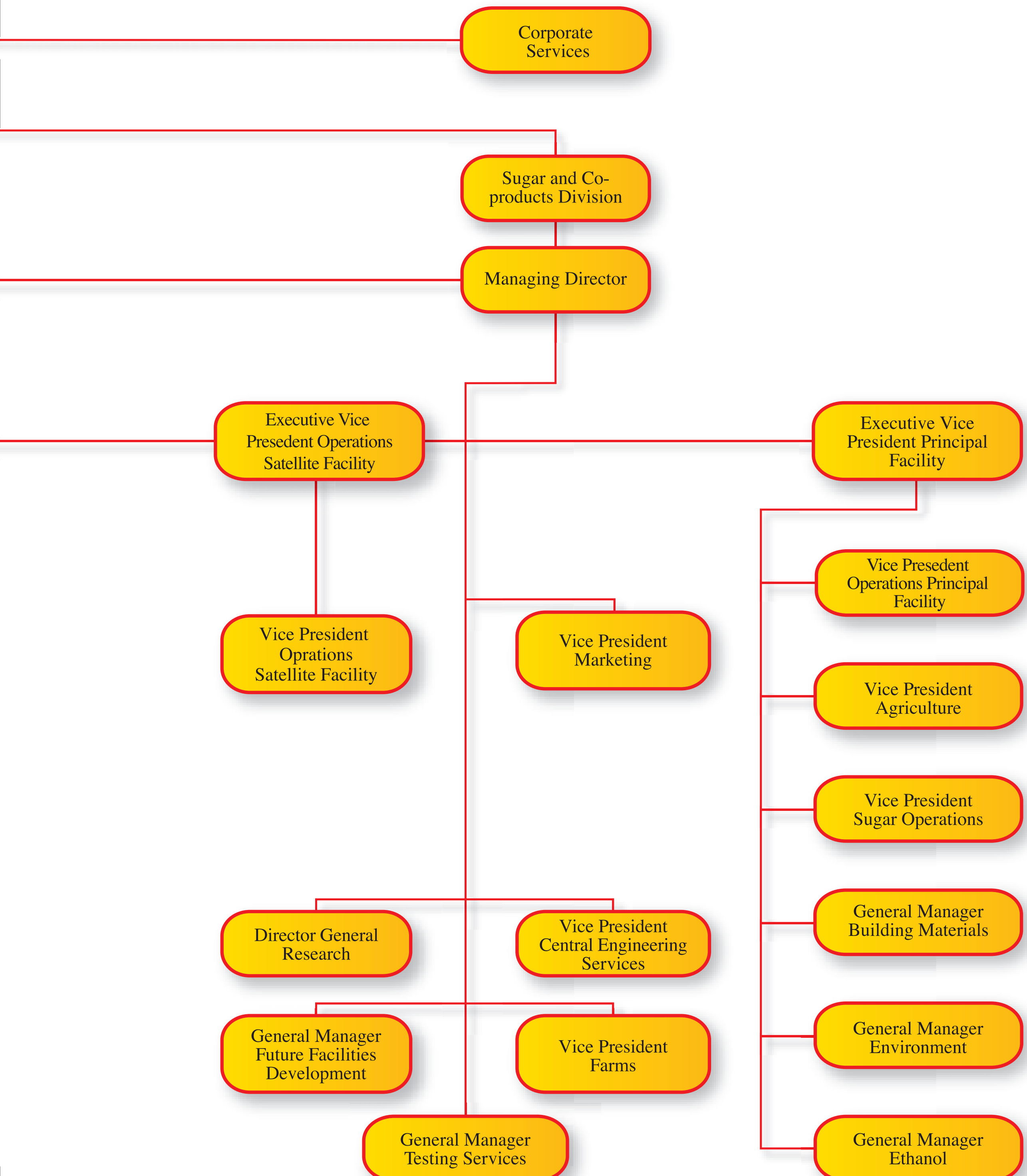
Shahid Hussain
Manager Quality Control
& Testing
*2006

Langer Khan
Vice President Farms
*2004

Amjad Farooq
Head of Internal Audit
*2004


Board of Directors
Chief Advisor to Board of Directors
Chief Executive Officer
Textile Products Divison
Managing Director
General Manager Operations
Shared Services
Financial Controller
Vice President Finance and Control (CFO)
Head of Compliance & Risk Management
Vice President Information Technology
Vice President Human Resources
Vice President Administration
General Manager Marketing
General Manager Buying

MANAGEMENT STRUCTURE



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
E-mail: tariq.aleem@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: tariq.aleem@shakarganj.com.pk

Products
- Ethanol
- Particle Board
- Sugar
- Yarn
- Electricity
- Engineering Products

Legal Advisor
Hassan & Hassan Advocates, Lahore.

Auditors
A. F. Ferguson & Co.
Chartered Accountants

Bankers
- Allied Bank Limited
- Askari Commercial Bank Limited
- Bank Alfalah Limited
- Samba Bank Limited
- Faysal Bank Limited
- Meezan Bank Limited
- MCB Bank Limited
- NIB Bank Limited
- National Bank of Pakistan Limited
- The Bank of Punjab
- United Bank Limited
- Standard Charterd Bank (Pakistan) Limited
- Saudi Pak Commercial Bank Limited

SHAREHOLDERS INFORMATION

Shakarganj Mills Limited

Works

Principal Facility

Management House,
Toba Road Jhang, Pakistan.
Tel:+92-47-7629337-41
Telex: 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
Note: Annual Report 2008 is avaliable on shakarganj website.

Registered Office

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

Principal Office

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

Karachi Office

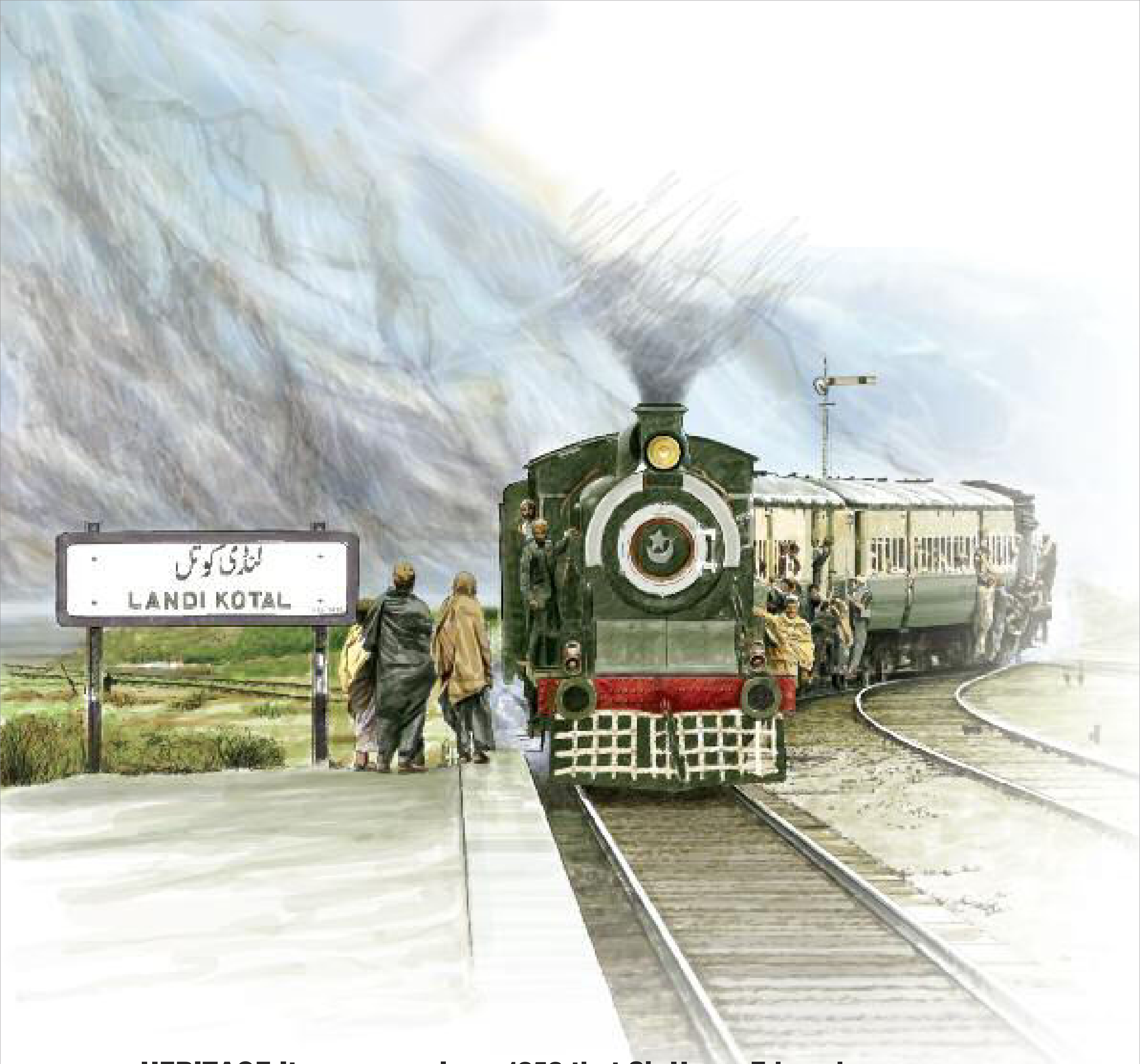
Sidco Avenue Centre,
264 R.A. Lines, Karachi.
Tel: +92-21-5688149

Faisalabad Office

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

Annual General Meeting

The 41st Annual General Meeting of Shakarganj Mills Limited will be held on Saturday, January 31, 2009 at 12:00 noon at Qasr-e-Noor, 9 E 2 Main Boulevard, Gulberg III, Lahore.



HERITAGE **It was as early as 1858 that Sir Henry Edward Frere initiated the survey for the railway line. On 13th May,1861 the first railway line was opened for public traffic between Karachi City and Kotri, the distance of 105 miles. Spreading across the entire country, Railways is a valuable part of our heritage.**

At Shakarganj Mills, great care is taken to promote national values and preserve our heritage through active support to art and literature.

SUBSIDIARY INFORMATION

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

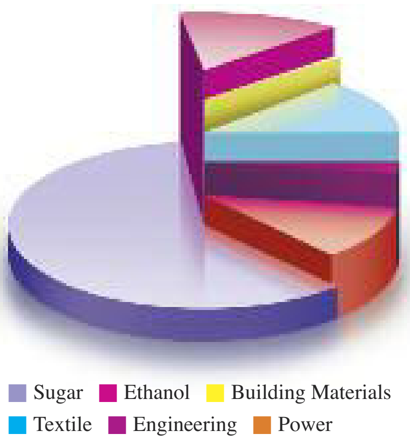
Note:
Infornatioan regarding other subsidiares has been disclosed in the financial statements.

Shakarganj Mills Limited

COMPANY PROFILE

Shakarganj Mills Limited was incorporated in Pakistan in 1967 as a Public Limited Company and is listed on all stock exchanges in Pakistan. 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. The company has its principal manufacturing facilities in Jhang along with satellite manufacturing facilities at Bhone, Faisalabad and Dargai Shah.

Segment Assets



The registered office of the company is situated in Lahore.

In addition to the various business divisions and wholly owned subsidiaries, Shakarganj holds majority interest in Shakarganj Food Products Limited, which is engaged in production of dairy and fruit products.

Sugar Business:

Three manufacturing facilities located at Jhang, Bhone and Dargai Shah. The products include Coarse and fine grain white crystalline sugar in pharmaceutical, beverage and commercial grades. Crystalline and soft brown sugar. Castor and icing sugar. Ice cubes, sachets and retail packs.

The combined capcity is crushing of 24,000 metric tons sugarcane per day expandable up to 40,000 metric tons per day.

Ethanol Business:

Ethanol is produced in distilleries located at Jhang and Bhone. The Products include, rectified ethanol in industrial and food grades, Anhydrous Ethanol (fuel grade) and Extra Neutral Ethanol in pharmaceutical and perfume grades. The combined capacity of distilleries is 280,000-300,000 litres per day.

Building Materials Business:

Particle Board facility located at Jhang with a capability to produce 12 feet x 4 feet sheets in varying thicknesses. Daily production capacity is 30 cubic meters.

Alternate Energy Business:

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

Engineering Business:

Manufacturing and fabrication facility is located in Faisalabad. So far this facility was primarily used for production and machinery and components for in-house use. This division is now poised to leverage its experience and expertise to seek third party work.

Textile Business:

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

COMPANY PROFILE

25,856 spindles for cotton spinning and 2,304 spindles for doubling.

Farming Business:
This comprises of different parcels of land mainly located in Jhang division nearby our manufacturing facilities. Total area under cultivation is over 9,000 acres of which nearly 2,500 acres is owned land and rest is leased. The main crops include Sugarcane, Wheat, Gram, Maize, Fodder and seasonal vegetables. A dairy farm located in jhang with a herd of 200 milking cattle a small herd for fattening is under development.

Business vision and strategy:
Shakarganj's vision is to create country's leading renewable ingredients business. We aim to achieve this by building a consistent portfolio of distinctive, profitable, high-value solutions in products and services for our customers. Shakarganj is committed to providing long-term value for our shareholders. Our strategy is to build a stronger value added business on a low-cost commodity base. To deliver growth, we focus on five key business objectives.

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

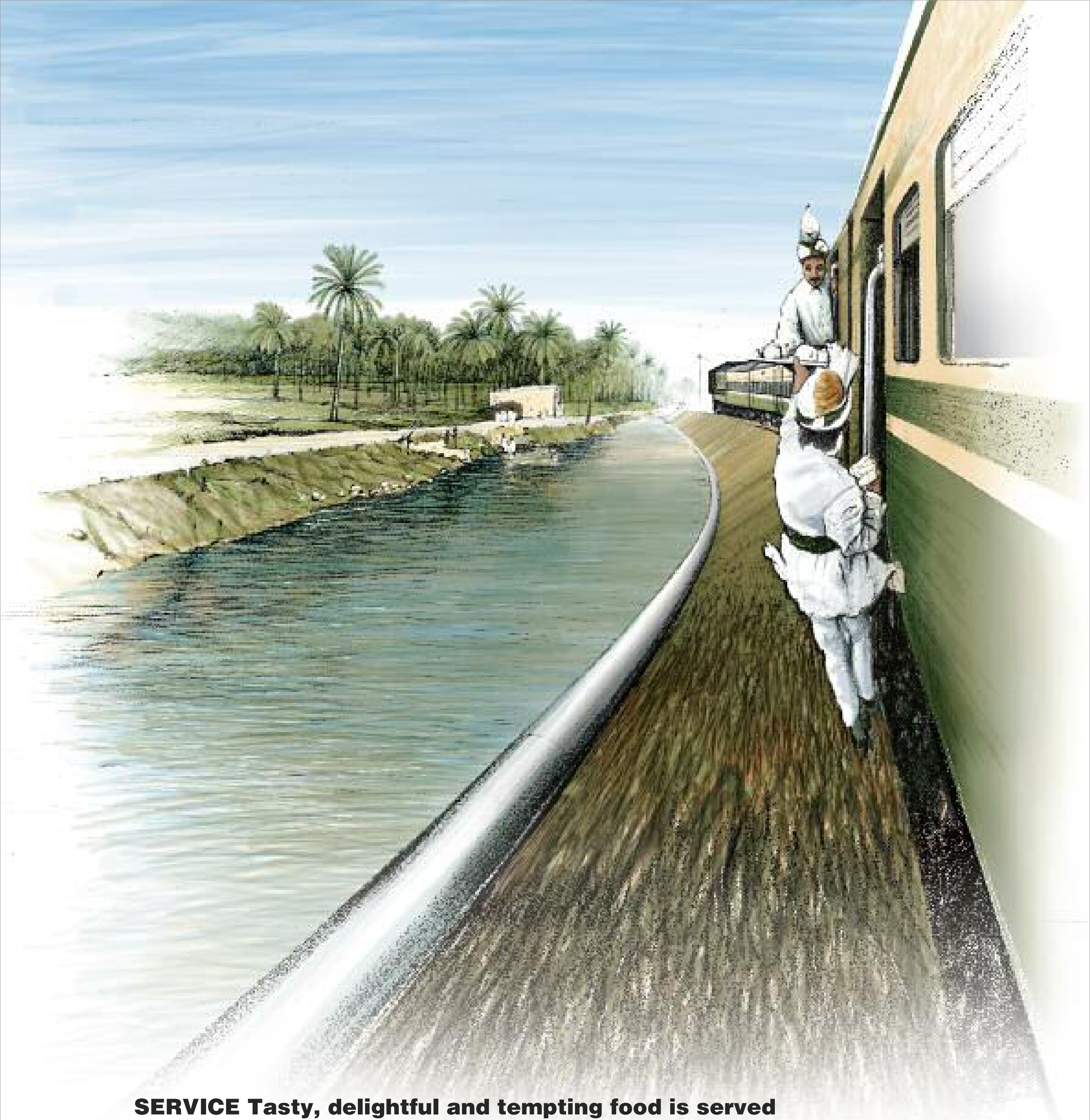
Operate efficiently and safely:
We aim to be the lowest-cost and most efficient producer in all our markets. Through our expertise in high-volume process management, our focus on technical and manufacturing excellence and the efficient use of services such as logistics and utilities, we are continually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

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

Invest in technology and people:
We are investing in our research and development capabilities to help us develop innovative solutions that meet our customers' product challenges. We are also complementing our own capabilities through business and technology partnerships, and university collaborations. To develop talent, improve leadership and help our employees succeed, we operate various programmes designed to

ensure we have the right skills at all levels to grow our business.

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



SERVICE Tasty, delightful and tempting food is served straight from the kitchen in the Dining Car. The waiters give unparalleled level of service as they carry your order and serve you meals.

Service to the community is one of the guiding principles at Shakarganj Mills. The Company invests in education at the grassroots level.

SHAKARGANJ SUGAR RESEARCH INSTITUTE
Annual Review 2008

Board of Governors

- Mr. Mohammad Asghar Qureshi
  Chairman
- Mr. Mohammad Awais Qureshi
  Member
- Mr. Malik Manzoor Hussain
  Member
- Dr. Shahid Afghan
  Director General

Principal functions

1. Sugarcane breeding to evolve high yielding, early maturing varieties having tolerance against biotic and abiotic stresses.

2. To investigate the agronomic problem of sugarcane production.

3. Research and development on utilization of biomass from sugar industry effluents and its use for sustainable agriculture.

4. To study soils in sugarcane producing areas and to relate these to crop management.

5. Development of genetic engineering and tissue culture techniques for establishment of elite clones.

6. To study and monitor the pests and diseases of sugarcane for appropriate control measures.

7. To conduct research on germination of sugarcane setts, sucrose production, translocation, storage and environmental influences on these processes.

8. To advice on the use of fertilizers and other agricultural chemicals, irrigation and drainage, diseases and pests control, the use of machines and equipments land and water management, and other aspects of crop planting, production and management.

9. To publish and disseminate information on all aspects of sugarcane production.

10. To conduct educational courses in various aspects of sugarcane growing for cane development staff and growers.

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

12. To improve technology of sugarcane production inside the sugar factories by improving process and milling efficiency. This report summarizes the R & D activities being conducted at Shakarganj Sugar Research Institute (SSRI) with emphasis on main goals that were achieved during 2007-2008. Following is the brief description on progress of the projects.

1. Sugarcane variety development

Research work on development of new cane varieties continued at the

same level of priority. Development of new cane varieties with best management practices has improved the productivity of cane growing areas of Shakarganj. In context of R & D activities, SSRI has strong collaboration with national and international research organizations for the training of the scientists, exchange of expertise, information, research materials, cane varieties and literature. Govt. of Pakistan has approved four sugarcane varieties SPSG-26 (1999), SPSG-394 (2004), NSG-311 (2007) &

NSG-555 (2007) for commercial cultivation. Area of SSRI cane varieties was gradually increasing during the year under report. It was 7,882 acres and other quality cane acreage was 33,788 at growers of Shakarganj. SSRI varieties have increased 10 percent of cane yield at the grower's fields.

SSRI each year as long term approach has been importing cane fuzz of 50-70 bi-parental crosses for raising 20-50 thousand original seedlings, 1000-3000 progenitors, 150-950 advanced lines, 18-140 semifinal clones, 5-25 final clones and 2-5 clones for National Uniform Varietal Yield Trails (NUVYT). Population status of selection breeding under different stages for last five years is given in table.1

Table-1 Status of clones/germplasm under different selection stages

Year	NUVYT	Final stage	Semi-final	Advanced	Progenitors	Seedlings
2007-08	05	25	20	150	2500	30000
2006-07	04	14	60	160	980	20000
2005-06	03	09	140	350	3000	36000
2004-05	02	06	18	600	1500	50000
2003-04	02	05	41	950	1200	46000

a. Promising cane varieties at National Uniform Varietal Yield Trials

Sugarcane new clones of CSSG, CPSG, HoSG, QSG and NSG-Series have completed final stage studies. Fifteen new varieties having good promise for cane and sugar yield were included in National Uniform Varietal Yield Trials (NUVYT) by National Agriculture Research Center (NARC), Govt. of Pakistan. Biometric traits and sugar recovery % cane are given in table-2. The clones included in NUVYT are high yielding, early maturing, non-lodging having resistance to major pest insects and diseases.

Table-2 Biometric traits of cane varieties included in NYUVT

Sr. No.	NUVYT Year/ Varieties	Ger. (%)	Tillers plant -1	M. cane (000 ha)	Cane wt. (kg)	Cane yield (t/ha)	Rec. % cane Avg. (Oct-Mar)
	2005-07 (data completed)						
1	CSSG-668	61	2.20	117	1.04	122	10.69
2	CSSG-676	58	2.30	115	1.04	120	10.69
	2006-08 (under trials)						
3	HoSG-449	56	1.21	111	1.00	109	10.23
4	CPSG-1550	57	1.83	103	0.98	118	10.52
	2007-09 (under trials)						
5	NSG-59	59	2.01	116	1.04	112	10.56
6	HoSG-529	63	2.10	119	1.06	127	10.80
7	HoSG-795	60	1.42	142	0.90	108	10.66
	2008-10 (To be planted during autumn 2008)						
8	CPSG-1663	52	1.78	124	1.30	161	10.19
9	CSSG-2453	59	1.24	124	0.90	111	10.23
10	CSSG-2402	55	1.02	107	1.12	119	10.11
	2009-11 (Seed multiplication at coordinating units for trial of autumn 2009)						
11	HoSG-129	53	1.40	117	0.98	115	10.19
12	HoSG-315	61	1.53	128	1.04	133	10.09
13	CPSG-1607	60	1.09	112	1.00	112	10.40
14	CPSG-3453	63	1.83	120	1.07	128	10.59
15	CPSG-3481	61	1.90	118	1.01	119	10.66
	Standards checks						
17	SPSG-26	59	1.41	75	1.46	102	10.01
18	HSF-240	73	2.31	115	0.78	90	9.79

CONNECTION **Pakistan Railways provides an important mode of Transportation in the farthest corners of the country and brings them closer as one complete nation.**

Shakarganj Mills also believes in bringing people together. The Company hires professionals from around the country. The Shakarganj team consists of some of the brightest people who work together to achieve collective success.

b. Import of cane fuzz to raise original seedlings

The institute was able to acquire cane fuzz from a various sources. Cane fuzz of US$ 4,000 was purchased from CSR Australia and the stuff having value of US$ 18,000 was obtained free of cost under collaborative project with Govt. of Pakistan and CanaVialis Brazil. The stuff grown in July 2007 at experimental area has given original seedlings population of 30653. Detail of cane fuzz received from various sources is given in table-3.

Table-3 Details of cane fuzz and original seedlings

Sr. No.	Source of cane fuzz	Crosses	Purchase price/ cross (US$)	Weight (gms)	Original seedlings
1.	CanaVialis, Brazil	10	Free	25	10628
2.	CSR, Australia	20	200	150	12973
3.	DFSRI, Thatta	10	Free	1000	3393
4.	SRI, South Africa	8	Free	25	3458
5.	NARC, NSCRI, Thatta	12	Free	500	201
		60	**4000**	**1700**	**30653**

2. Biocontrol of borers complex

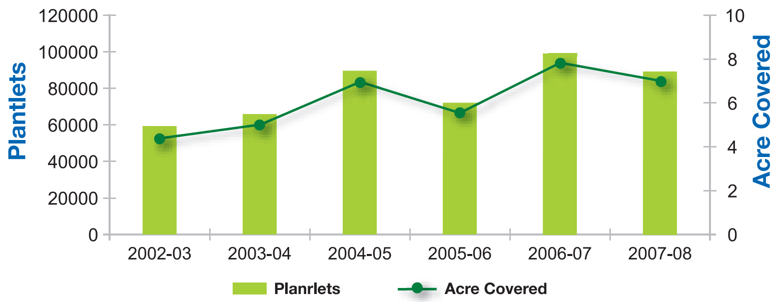
The results indicated that biocontrol of pest insects was low cost, sustainable, efficient and most importantly it was environment friendly. In contrast, chemical control was costly, short term and has adverse effect on environment. It has been observed that continues release of Trichogramma chilonis have significantly reduced infestation of borers in cane fields. During 2007-08 total acreage covered was 6666 with release of 200,000 Tricho cards. Cost of Cartap (pesticide) to control borer was Rs.850 per acre and through Tricho card (biocontrol agent) was Rs. 150 per acre. These results confirmed that establishment of biocontrol lab at SSRI has given highly cost effective control of borers complex in grower's cane fields. A valuable savings of Rs. 4.66 million has been made against the costlier pesticide for cane growers of Shakarganj. Therefore production of biological agents would be increased gradually to cover about 50 percent area of cane supply zone of Shakarganj.

3. Tissue culture programme

Sugarcane clones excised for tissues cultured were CSSG-668, CSSG-676 and HoSG-529 during the year under report. Production of plantlets was 89000 and the acreage covered as first generation crop was about 6.75 acres. Plantlet production and acreage covered as first generation crop is given in fig.1. Tissue cultured seed 12,500 mounds of third generation of promising cane variety NSG-59 was sold for an amount of Rs. 1.00 million at Kot Khera farm Shakarganj.

Studies on direct regeneration have been initiated for production of more number of plantlets at low cost. In addition to that SSRI have started somaclonal regeneration to develop genetically modified mutants of having good promise for high cane and sugar yields with tolerance against biotic and abiotic stresses.

Fig.1 Periodic Production of Tissue-Cultured Plantlets



4. Studies on disease tolerance

Nursery of different selection stages of promising clones was grown to screen against red rot, rust, Pokkah boeng and smut. Pathogenecity tests for combined resistance were conducted from Dec. 07 to Sep. 08. It was encouraging to know that out of 961 entries, the clones showing combined resistance were 123.

Studies on interaction of different races of red rot pathogen, genotypes and environment were steps forward. The institute has recently started Isolation of antagonistic fungus (Metarhizium anisopliae), which would be useful for bio-control of sugarcane termites. Isolation, identification and mass multiplication of Trichoderma viride and Trichoderma harzianum were started for bio-control of the fungal diseases of sugarcane crop.

5. Screening of germplasm for frost tolerance

Effects of frost have been included as a selection parameter in breeding programme at SSRI. Preliminary studies were conducted on quantitative and qualitative basis for post-freez deterioration. The results have indicated that most of the commercial varieties were susceptible to frost but some clones in pipeline and some at final stage have shown moderate tolerance to frost. These are HoSG-795, HoSG-529, HoSG-129 and CSSG-668, which is an encouraging factor.

6. Agronomic trials, soil and water advisory services

Objective of this programme is to provide technical guidance on production technology, biometric traits of varieties and integrated pest management. The agronomic trials conducted on promising clones were to find out optimum seed rate, appropriate row spacing, 100 percent water soluble fertilizers, efficiency of weedicides and impact on cane weight and quality from post harvest losses.

The soil and water advisory services were beneficial for cane growers of Shakarganj to know and correct fertility of soil and fitness status of water for judicious use of fertilizer and irrigation water. This activity of the institute has significantly contributed to use balanced application of NPK. Soil and water analysis services are done free of cost. Analysis of soil and water samples was done from 370 growers, covering 1233 acres. Soil samples analysed were 1240 and water samples were 1850 during the year under report.

Soil and water mapping showing water fitness and soil fertility status of 20,000 cane growers of Shakarganj have been completed. Balanced use of fertilizers has reduced input cost of Rs. 3.100 million of 13 percent growers following soil analyses based application of NPK. Analysis of soil and water samples would be extended for Shakarganj Bhone and Dargaishah cane supply zones. Soil and water mapping of the total cane supply zones would be started.


CERTIFICATE

7. Organic sugar project

Growers registered under the project were 35. Organic sugarcane was grown on 550 hectares.
In addition, 19 growers were in-conversion cultivating 116 hectares of crop during the year under report.

A well-known scientist and professor Dr. Tahir Hussain (ex-dean faculty of agriculture UAF) was appointed as consultant of the organic sugar project. The project will eventually result into production of organically certified sugar.

8. Botanic garden

This collection is only of its kind in sugar industry to develop conservation and research facilities for scholars. Flora of 428 species comprised trees, shrubs, herbs, climbers, cactus and gymnosperms. Aromatic and medicinal plantation has been done on a separate layout on 30400 Sq. ft. Status of flora at SML during 2007-08 is given in table-4. Future prospects of this botanic project were participation in exhibitions, develop collaboration with national and international botanic organizations.

Table-4 Periodic details on the status of flora species at Shakarganj, Jhang

Flora	Species (2004-05)	Species (2005-06)	Species (2006-07)	Species (2007-08)
Trees	115	135	145	153
Shrubs	45	54	58	62
Herbs	112	112	115	115
Climbers	21	21	21	21
Cactus	25	31	35	70
Gymnosperms	07	07	07	07
Total	326	360	381	428

PRECISION The Station Master keeps a close eye on the trains and their schedules. He minds the station with care and is known for his meticulousness.

At Shakarganj Mills, precision is greatly valued. From making sure that every machine in the unit is properly functioning to ensuring that stocks reach markets across Pakistan in time, the Company believes in paying attention to detail at every step.

Indigenous thorn plant species like of Salvadora oleoides, Prosopis cineraria, Capparis decidua, Tamarix aphylla, Acacia arabica, Acacia Senegal and Acacia modesta were reported endangered, therefore to conserve this valuable heritage, plantation was done on half an acres as a separate layout.

9. Participation in Gardner's club floral exhibition

The Gardner's Club Faisalabad arranged a four-day potted plants' exhibition from March 22 to 25, 2008. Overall, Shakarganj secured 2nd position in the competition, including first in logo designing. On the occasion, a trophy and three shields were awarded to Shakarganj. A special trophy was awarded for tissue culture of gerbera (cut flowers). Assistant Botanist of SSRI was awarded a shield for setting up the Shakarganj Botanical Gardens.

10. Publication of an e-book on flora at Shakarganj

An e-Book had been compiled on flora at Shakarganj as a source of scientific information for researchers, scholars and plant lovers. It comprises of 120 pages covering background information, layout of botanic garden, glossary, and biometric description on morphology, physiology and medicinal uses of 161 plant genera with its colored photograph having 100 references. A soft copy of the e-book in PDF format can be purchased @ Rs.500 per CD from the institute.

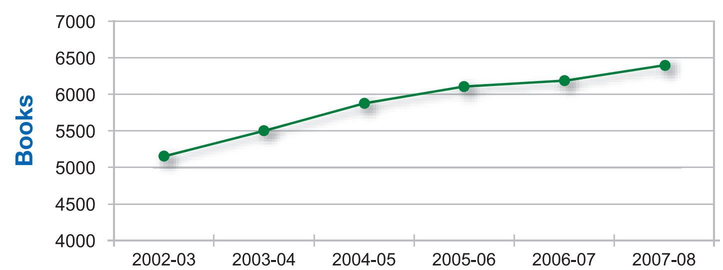
11. Publication of Pakistan Sugar Journal (PSJ)

Research papers published so far in Pakistan Sugar Journal were 416 covering most of the areas on sugarcane agriculture. Research work published in the sugar world was also abstracted in the Journal. About 200 printed copies of quarterly issue were distributed to various sugar mills, research organization and universities, in the country and abroad. Editorial board and panel of international referees have been inducted for scrutiny of research papers. This would help improve quality and recognition of PSJ at national and international levels.

12. Library

Addition of new books, manuals, proceedings, research journals and audio-video aid has touched figure of 6405 at the library of SSRI.
It would be interesting to know that all the departments of Shakarganj have now on-line access to search the catalog, receipt and issuance of the stuff. Reading material available from the year 2002 to 2008 is given in fig.2.

Fig.2 Detail of the Book at SSRI Library



13. Research publications and participation in international conferences

During the year under report 5-research publications on multifarious aspects of sugarcane crop has been published in the scientific journals of international repute. Two scientists of the institute were invited to present research work at international symposium on food security organized by the Department of Agronomy University of Agri. Faisalabad.

14. New projects

a. Sugarcane Nematology

The results of studies started under the new project revealed that Helicotylenchus spp. were the most widely distributed plant parasitic nematodes of sugarcane in district Jhang. A total of eight nematodes genera of plant parasitic nematodes namely Hoplolaimus, Pratylenchus, Hemicriconemoide, Helicotylenchus, Tylenchorhynchus, Xiphinema, Languorous, and Meloidogyne were found to be associated with roots and soils of sugarcane. Screening of varieties done indicated that HSF-240 was tolerant and SPF-238 was high susceptible. It was observed that population of parasitic nematodes was maximum in stubbles of ratoon crop. Population of nematodes associated with sugarcane varieties is given in fig. 3.

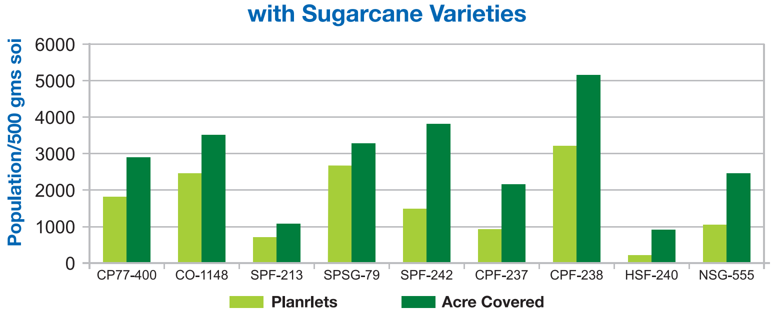
b. Enzyme Linked Immuno Sorbent Assay Lab

Sugarcane Mosaic Virus (SCMV) is amongst important diseases of sugarcane in Pakistan, causing 5 percent reduction in yield and quality. Establishment of Enzyme-Linked Immuno Sorbent Assay (ELISA) lab has been completed at SSRI. The new technology would be employed for the efficient and reliable screening of promising varieties against mosaic and other viruses.

15. Collaborative research projects

Two joint projects have been started with funding of Rs. 1.53 million, one on screening of frost tolerant genotypes and the second on development of molecular markers for resistance of rust disease. In addition, two more projects have been submitted, one on sugarcane plant improvement and other on development of biofertilizer. Hopefully, with the approval of the submitted projects funding of Rs. 17.00 millions would be available for SSRI from national and international research organizations. The out come of the projects would be beneficial for Shakarganj and collaborating organizations.

Fig.3 Population of Nematodes Associated with Sugarcane Varieties



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.6.8 billion and over 3,686 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

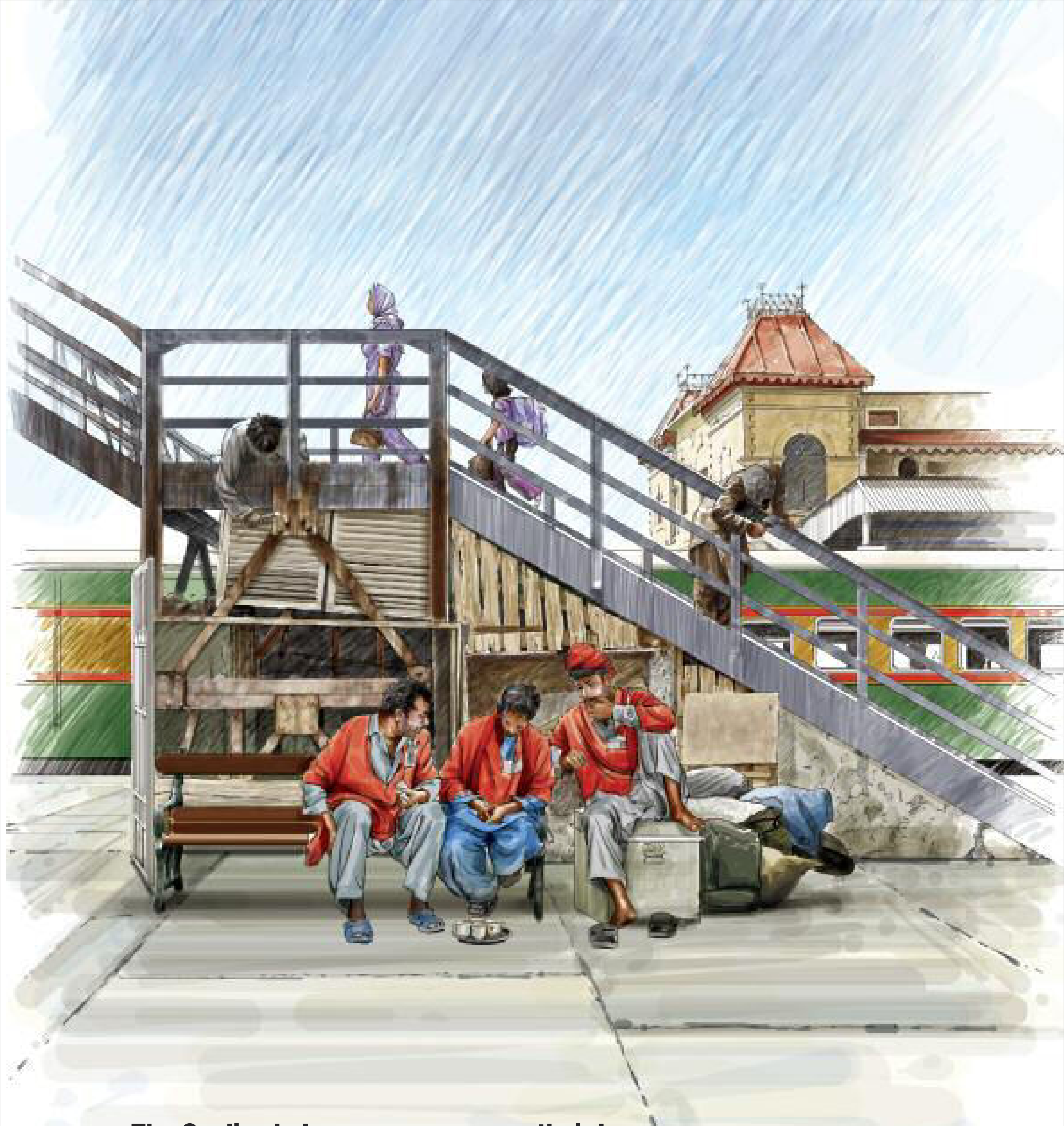
Our employees are our most crucial resource and therefore we abide by the following principles;

- **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 Health and Safety committee continues to develop awareness of work hazards and safety amongst all employees. The committee also manages and measures health and safety performance on a continuous basis.

- **Harassment and discrimination –** we will not tolerate mental, physical or sexual harassment in the workplace.



The Coolies help passengers carry their luggage. With utmost care they perfectly balance the load.

At Shakarganj Mills we equally balance profitability and corporate responsibility. The Company has become the first in Pakistan to win the Intel-Asian Institute of Management Corporate Responsibility Award.

OUR GOVERNING PRINCIPLES

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 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.

OUR GOVERNING PRINCIPLES

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.

- 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:

OUR GOVERNING PRINCIPLES

- 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 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."

AMBITION

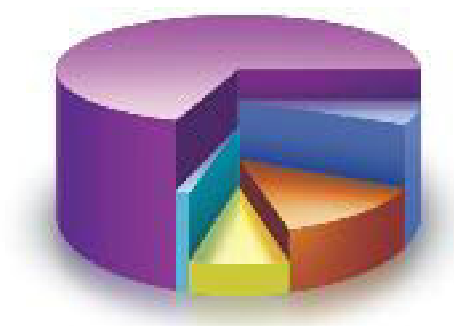
With a clear destination in mind, passengers plan their journeys well ahead of time and book their seats accordingly.

Shakarganj Mills also sets newer and more challenging goals every year and works hard to achieve them.

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, 2008:

Segment Revenues from External Customers by Geographical Areas



Financial Results

The financial results of the company are summarized below:

		2008	2007
		(Rupees in Thousand)	
Profit/ (Loss) before Tax		(721,871)	1,181,131
Taxation		(11,121)	(425,445)
(Loss)/profit for the year from continuing operations		(732,992)	755,686
Loss for the year from discontinued operations		(73,033)	(134,507)
(Loss)/profit for the year		(806,025)	(621,179)
Appropriations			
Proposed dividend			
Dividend per share – Proposed (Rupees)		–	1.00
Bonus Shares		–	20%
(Loss)/earnings per share from continuing operations			
– basic	(Rupees)	(10.54)	10.87
– diluted	(Rupees)	(10.54)	10.43
Loss per share from discontinued operations			
– basic	(Rupees)	(1.05)	(1.93)
– diluted	(Rupees)	(1.05)	(1.93)

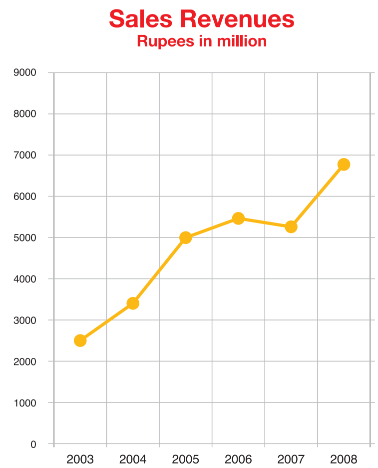
Statement on Corporate and financial reporting framework

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 4.10 and 4.15 and 4.22. 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 six years in summarized form is annexed on Page 48.

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 3,686 (2007: 2,485).

12. Following is the value of investments based on audited accounts (Provident Fund un-audited) for the year ended 30 September 2007:

Gratuity fund

Rupees 40.310 million

Pension fund

Rupees 143.179 million

Provident fund

Rupees 71.34 million

Auditors

The auditors M/s A. F. Ferguson & Co., Chartered Accountants, will retire and are eligible for re-appointment as auditors of the company for the next year. The Audit Committee of the board has recommended the re-appointment of M/s A. F. Ferguson & Co., Chartered Accountants for the year ending September 30, 2009.

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.

DIRECTOR'S REPORT

Directors	131st	132nd	133rd	134th	135th
Mr. Mazhar Karim	P	P	P	P	P
Mr. Ahsan M. Saleem	P	P	L	P	L
Name in alphabetic order					
Mr. Gul Nawaz	P	P	P	P	L
Mr. Khalid Bashir	P	P	P	P	P
Mr. Muhammad Anwar	P	P	L	P	P
Mr. Muhammad Arshad	P	P	P	P	P
Mr. Muhammad Asif	P	P	P	P	L

P = Present L = Leave A = Absent

Pattern of Shareholding

The pattern of shareholding as per Section 236 of the Companies Ordinance, 1984 is attached separately on page 226.

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 except following:

Name of Director	Shares purchased
Mr. M. Arshad	29,900
Mr. M. Anwar	59,427

Directors

Election of Directors was held on May 31, 2008 and seven retiring Directors were elected unopposed whose term of office will expire on June 1, 2011.

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 Officer

Dated : January 06, 2009

SHAKARGANJ DARGAHI SHAH

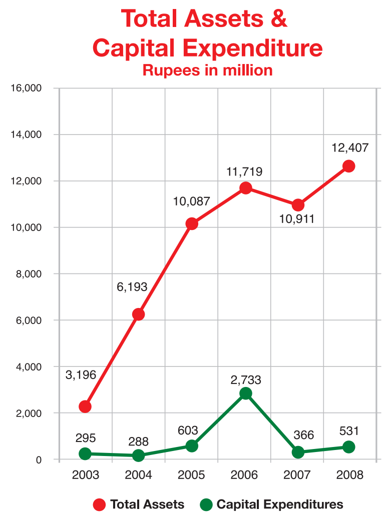
Newly constructed sugar production plant at Dargahi Shah (Jhang). This unit is going to start its production in January 2009. Power production facility of 18 MW as a part of 'Power Division' would also be the part of this unit.

CHIEF EXECUTIVE'S REVIEW

Overview

Year under review has been tumultuous for the company in many respects. Global events of catastrophic proportions, turmoil within the country in economy, political scenario and security situation vagaries of weather conditions all combined together led to disappointing results for fiscal 2008. Our business plan and budgets needed to be revised frequently due to these dynamics and despite our utmost efforts to control and minimize the financial risks we could not achieve our economic targets, although most of our quantitative benchmarks were met and in some instances surpassed.

The crushing season started off on a very positive note and was progressing according to our projections. In December 2007 the tragic assassination of Mohtarma Benazir Bhutto created a major upheaval in the political and security environment in the country, with obvious effects on the businesses. Subsequent to this the weather once again played havoc with the sugar cane crop in central Punjab. A severe and prolonged spell of frost badly affected the sugar cane grown in our procurement areas. Standing crop was damaged and sugar recoveries plummeted. This phenomenon of prolonged spells of frost for three years in running has not been observed in last one hundred years in this region. To top it all sugar trade globally saw a slump resulting in depression of prices. While the production was at its peak, all commodities in the world market were registering a sharp increase in prices while strangely sugar was the only commodity behaving in the opposite direction. After the crushing season was completed the spiral increase in rupee to dollar parity and sudden collapse of world financial markets put even more burden on the businesses in the country and we were not insulated from this wide ranging effect.



However 2008 has been a year of significant change for Shakarganj. While the major impact on financial results came from the events beyond our control, we took a number of steps to reshape our business. With a strategy to build stronger value added business on a low commodity base, this reshaping process will give us the necessary leverage to position your company to benefit from the growth opportunities in our chosen markets. To drive our business forward we are simplifying and de-layering the management structure. Each business activity will now be operated as a separate business unit either as a division of the company or its wholly owned subsidiary. Long term capital expenditure plan is nearing completion and will give us a stronger platform to grow the business and improve the quality of earnings.

Operational Review

Sustainable sourcing, creating volume, preserving and adding value and having the right people to achieve this is the core philosophy behind our operations Ensuring we

CHIEF EXECUTIVE'S REVIEW

have a long-term, reliable supply of sugarcane for our plants is essential. This involves developing long-term, mutually beneficial relationships with growers, farmers and other commercial partners to secure supply.

We begin by processing large volumes of raw materials from which we create basic products that are either sold on or used as the starting point for developing specialty ingredients and branded goods. Creating this volume and operating large-scale, efficient plants, allow us to keep unit costs low across the business. Generating optimal returns from large-scale commodity manufacturing requires firm cost and risk control to preserve value. Getting the most out of raw materials is essential to keeping unit costs low. This can be done by increasing yields through innovative manufacturing and by ensuring that nothing is wasted in the manufacturing process.Our high-volume commodity base allows us to run our plants efficiently and so produce a low-cost substrate we can then use to make more specialty, higher-margin products for both food and industrial customers. These products, some of which are branded, add value through the fact that they are either proprietary to Shakarganj, have greater functionality than alternatives or come with an additional service for the customer. This also allows us to explore and excel in making innovative by-products and co-products from the process. Running a diverse business like Shakarganj, which develops, manufactures and sells a variety of products and services to customers in different markets across the world, relies on a team of highly skilled, motivated people from a wide range of disciplines.

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 crystalline and soft 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.

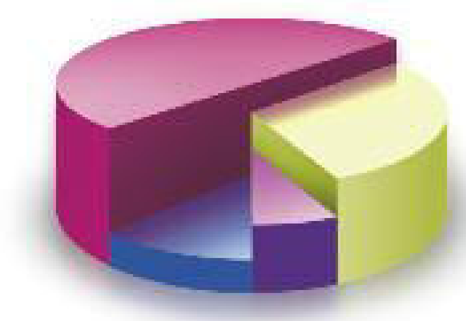
The crushing season 2007-2008 ended in the country with an increase of 17 percent in sugar production at 4.2 million tones compared to 3.36 million tones last season. Although sugarcane plantation area was higher in current season but rapid increase in crushing capacities of existing and new mills had outpaced cane production. In the middle of the season unexpected frost in central Punjab decreased recoveries and lowered the yields dramatically. On the other hand volatile behavior of sugar sale price and continued pressure on it from the intervention of the Government, resulting extreme depression in sugar sale price, which plummeted below the cost of production. Shakarganj processed 2.25 million metric tons of sugarcane as compared to 1.6 million metric tons last year. Recovery declined to 7.85 percent compared to 8.04 percent in the last year. Sugar production from cane in fiscal 2008 was 177,092 metric tons against 128,170 metric tons last year.

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. With start up of Extra Neutral Ethanol facility at Bhone, Shakarganj now has capability to commercially produce complete range of ethanol products.

In fiscal 2008 Shakarganj achieved highest ever production of ethanol and was the largest producer in the country. Production increased to 66.5 million litres from 35.1 million litres last year. Almost 90 percent of ethanol produced by Shakarganj is exported, making a positive contribution towards country's foreign exchange earnings.
A pioneering project of alternate energy was commissioned at Shakarganj in fiscal 2008. This 'first of its kind' project in the region uses biogas from distillery waste to produce electricity. The Biogas energy project can produce up to 8 megawatts of electricity, but its output capacity is directly related to distillery operations. This is an environment friendly 'green' process which produces energy from non-fossil fuel. Shakarganj has a long term contract to supply electricity produced to WAPDA. Shakarganj is exploring the possibilities of extending the capabilities of electricity generation from alternate fuels. These activities, in our de-layered structure will be undertaken by a newly formed wholly owned subsidiary, Shakarganj Energy Limited.

Segment Revenue from Ethanol Division by Geographical Areas (Rs. 000)



- Export sales - Europe: 252,929
- Export sales - Asia: 979,410
- Export sales - Africa: 569,283
- Local sales: 140,645

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

Shakarganj produced 6,540 cubic meters of particle board compared to 1,800 cubic meters last year. The production was significantly increased due to additional baggasse availability and our decision to buy in baggasse from other sugar mills. This could have been further

enhanced but increase in rates of baggasse towards end of the year forced us to limit our operations. The market for particle board remained buoyant due to sustained activity in the building industry.

Farming Division:
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

ETHANOL DIVISION

With the extension of ethanol division, Shakarganj has become capable to produce 2,60,000/- liter of rectified ethanol. Major business of ethanol is with Brazil, Japan, Indonasia, Thailand, and other European countries.

returns for their untiring efforts to produce sugarcane. As an extension of this principle, we are endeavoring to establish best farming practices and provide the farmers with the latest technology. Our farming business is a testing ground for developing this technology and broadening the knowledge base on best practices. We lead by example and demonstrate to our family of farmers how a profitable and environmentally balanced farm is run and managed. We have further increased the area under cultivation in our farming business to increase our footprint in the areas where our suppliers are located and to provide synergy with our research and development activities of Shakarganj Sugar Research Institute. Corporate Farm Division now has an area over 9,300 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. As a part of our strategy to delayer and simplify the management structure this business will be operated by a wholly owned subsidiary company of Shakarganj as a separate business unit, Shakarganj Farms Limited. We expect to complete this transition in Fiscal 2009.

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. At Crescent Ujala, our spinning facility, production was at its maximum operable capacity of 6.79 million kilograms of spun yarn, as compared to 6.16 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 market for cotton yarn was tumultuous to say the least. We saw some very attractive pricing at the beginning of the year but in line with other commodity prices cotton yarn markets crashed towards the end of the year. Our gross margins saw a major reduction, operating costs also increased due to higher mandatory wage rates and spiraling price hikes in energy cost.

Research and development:

Transfer of efficient, environmentally friendly and economically rewarding technology for sugarcane agriculture 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 Operating our plants efficiently and safely at high volumes requires reliable and up-to-date manufacturing processes. We have a highly qualified team of engineers who ensure that our plants function effectively and efficiently. Our engineers are actively involved in the manufacturing line, and use a number of sophisticated computer-based process tools to

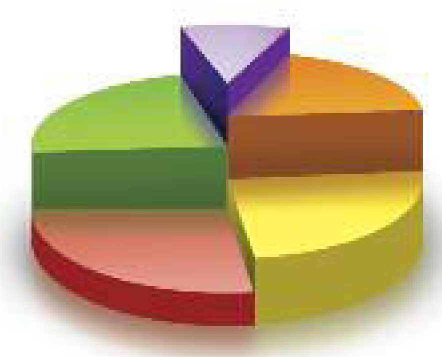
CHIEF EXECUTIVE'S REVIEW

track and model data to help identify opportunities for production efficiencies such as improving yields, saving energy or minimizing waste. When new products or processes have been developed, our team of engineers ensures that these are incorporated into our existing facilities quickly and efficiently, with minimum interruption to production.

Engineering Business:

To compliment our expansion and long term capital expenditure plans for new facilities, Shakarganj had decided to leverage its in-house engineering and technical expertise. A facility was set up for manufacture and fabrication of a number of components and machinery within Shakarganj. This gave us competitive advantage in pricing of new investments in plant and machinery.

Contribution toward National Exchequer



With our long term investment plans nearing completion engineering division will actively seek third party work for fabrication and manufacture of machinery and components.

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 Rs. 644 million. We spent Rs. 930.329 million as cost of financing. The share of workers compensation was Rs. 382 million. During the last ten years, your company has made a consolidated contribution of Rs. 4.570 billion in shape of Federal, Provincial and local taxes.

People:

Running a diverse business like Shakarganj, which develops, manufactures and sells a variety of products and services to customers in different markets, relies on a team of highly skilled, motivated people from a wide range of disciplines.

At 30 September 2008, Shakarganj employed 3,686 people in its wholly owned subsidiaries and business divisions. Our workforce encompasses a broad range of skills and experience in areas such as food science, sales and marketing, engineering and business support services.

Talent management

It is a key objective for Shakarganj to attract and retain top-quality recruits, and to ensure that our employees develop and grow in their roles and meet new challenges as their careers progress. To help achieve these objectives, we have developed and are implementing 'The Shakarganj People Strategy'. This consists of four main components:

- **Behaviours for Success –** these encourage our people to display strong leadership at all stages of seniority by exhibiting identified key characteristics and behaviours we need for success, such as a focus on excellent customer service.

- **Talent Management –** a system which addresses key business issues such as succession planning and filling development gaps to ensure we have the right skills to grow Shakarganj at all levels.

- **Leadership Curriculum –** this provides opportunities for all managers across Shakarganj to improve their skills and expand their knowledge through a number of tailored programmes, seminars and courses.

- **Graduate Development –** a graduate recruitment and development programme to attract and develop top talent and prepare them for key roles across Shakarganj.

Our remuneration policies are designed to attract, retain and reward employees of the highest calibre and experience to help execute Shakarganj's strategy.

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.

Shakarganj's efforts in working within the communities we operate in have received international recognition from Asian Forum on Corporate Social Responsibility, we won top honours amongst 170 nominees from all over Asia, and were awarded Intel-Asian Institute of Management Corporate Responsibility Award.

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 33 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 1,189 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 96 adult literacy centers in its vicinity, of which 89 are for females. The results have been very encouraging. 2,400 participants have so far been

taught under this programme out of which 2,225 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 28,776 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.

For efficient delivery of our "Sukh Char" programme a chain of

ELECTRICTY GENERATION FROM BIO GAS (POWER DIVISION)
Shakarganj is the 1st company in Pakistan which is producing electricity from Bio Gas. Bio Gas is to be desulfarized before feeding into gas engine. World known technology of GE Genbacker is being used for this purpose.

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.

In 2008 Shakarganj started a programme for implantation of artificial limbs for physically disadvantaged people in Jhang area. This programme is run in collaboration with International Committee of Red Cross. So far 18 patients have been provided custom designed artificial Lower limbs. From February 2009 the scope of this programme will extend to provision of upper limbs as well. Currently there are 48 candidates on waiting list for lower limbs and 37 for upper limbs.

Shakarganj provides 1,000 cartons of flavoured milk to thalassaemia affected children every month, in Collaboration with Punjab Red Crescent Society.

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.

This year Shakarganj received Annual Excellence Award from National Forum for Environment and Health and United Nation's Environment Program.

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.

Business Process Reengineering and Management Information System:

To enhance efficiencies and as a part of business process reengineering for continuous improvements, the Company initiated implementation of Oracle application suite, an Enterprise Resource Planning system for its financial, supply chain, manufacturing, projects and human resource management system to replace our legacy applications. This is in the implementation phase and expected to be completed in fiscal 2009. In order to support this ERP, state of the art HP servers were selected and installed. Business locations are also now connected over a High Speed Wide Area Network which has a high level of security through firewalls of state of the art technology.

Future Outlook

This is probably most uncertain time to be able to make a statement about future prospects for any business in Pakistan. Times are hard and expected to get harder. Global turmoil in financial markets and economies played havoc with carefully prepared business plans of almost all entities. Despite growing uncertainty in global economic conditions, Shakarganj's diverse and balanced portfolio of products and investments makes us, in common with our sector, more resilient than many others to recessionary pressures. The spiraling financial costs and inflationary pressure on inputs will claim a substantial share of our earnings.

Sugar and allied business faces the difficulties of a short crop and high prices of raw materials but the base commodity prices are rising in line and we expect positive return on annual basis. Ethanol and alternate energy business remain robust and we expect a larger share in contribution from this segment. Textile business is under tremendous pressure globally and the contribution from this segment is expected to be negative.

We expect to achieve economies in our overall costs by implementing the changes in business structure by de-layering and simplifying the organizational layout, company-wide cost reduction measures and economies of scale.

Excellence Awards:

Shakarganj became the first Pakistani company to be honoured with the Intel-AIM Corporate Responsibility Award at the Asian Forum on Corporate Social Responsibility held at the Grand Copt Horne in Singapore. The Award is jointly presented by Intel and the

Asian Institute of Management to one organization or individual every year to recognize successful integration of responsible behavior into their way of doing business and demonstrating impact through sustainable CSR actions. This year there were 170 nominations for the Asian CSR Awards from 15 countries, including major multinationals and top national corporations. Shakarganj was chosen from among 25 nominees for the Intel-AIM award by panel of internationally recognized judges.

Your company was awarded the Best Export Performance Award 2007 and 2008 by the Federation of Pakistan Chamber of Commerce and Industry. Annual trophy for the highest export of Ethanol from Pakistan for 2007 was awarded to Shakarganj in Islamabad by honorable Prime Minister of Pakistan Mr. Mohammad Mian Soomro. The Award for 2008 was given by Honorable Prime Minister of Pakistan Mr. Yousaf Raza Gillani in Karachi.

Recognizing our efforts in Environment conservation National Forum on Environment and Health in collaboration with United Nation's Environment Programme presented us Award of Excellence at their 5th Annual awards in Karachi.

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.

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 identify and implement a major technological step change which may improve their production efficiencies and lower costs.
Our inability to implement similar

ENGINEERING DIVISION

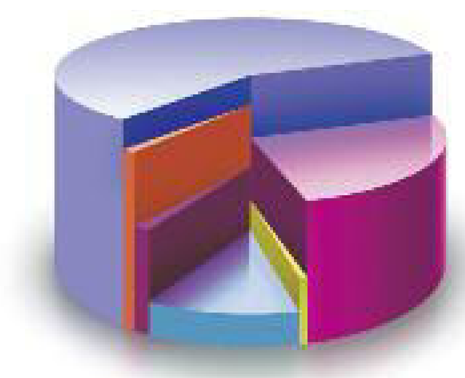
Shakarganj has attained the capability to fabricate the sugar mills machinery at its own engineering division on commercial basis. Major portion of the dargahi shah sugar mills had been fabricated from the engineering division.

steps may make us uncompetitive. Similarly we have to ensure that we match or exceed the quality and service performance of our competitors.

- 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.

Segment Revenue Contributions (Rupees in '000')



- Sugar: 4,390,452
- Ethanol: 1,946,020
- Building Materials: 47,451
- Textile: 950,539
- Engineering: 110,512
- Power: 76,157

- 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 Officer

Dated : January 06, 2009

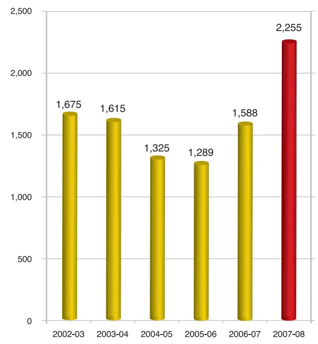
PRODUCTION DATA

Season	Duration Season (Days)	Cane Crushed (M. Tons)	Raw Sugar Processed (M. Tons)	Sugar Produced (M. Tons)	Recovery (Percent)
2007-08	174	2,254,712	–	177,092	7.85
2006-07	155	1,587,929	–	128,170	8.04
2005-06	170	1,288,548	92,968.40	178,934	6.97
2004-05	160	1,324,510	67,930.40	177,679	8.63
2003-04	159	1,614,539	–	136,813	8.48
2002-03	196	1,675,370	–	127,060	7.58
2001-02	195	1,704,812	–	128,000	7.53
2000-01	161	1,054,992	27,811.59	105,550	7.50
1999-00	144	524,377	–	39,965	7.63
1998-99	157	1,350,119	–	101,479	7.51
1997-98	163	1,434,389	–	112,430	7.85
1996-97	176	1,036,955	–	79,740	7.69
1995-96	151	763,316	–	60,285	7.92
1994-95	157	1,057,036	–	86,075	8.11
1993-94	196	1,203,371	–	88,117	7.34
1992-93	161	691,839	–	54,055	7.85
1991-92	174	746,506	–	63,986	8.57
1990-91	204	866,552	–	65,537	7.56
1989-90	187	708,632	–	57,912	8.17
1988-89	170	446,325	–	36,367	7.70
1987-88	193	698,605	–	55,726	7.98
1986-87	149	333,601	–	27,899	8.36
1985-86	113	237,602	–	20,625	8.66
1984-85	168	441,718	–	39,523	8.96
1983-84	173	427,169	–	35,501	8.31
1982-83	173	361,291	–	29,440	8.16
1981-82	207	466,040	–	39,474	8.47
1980-81	187	287,723	–	25,562	8.89
1979-80	112	61,207	–	5,619	8.95
1978-79	114	107,106	–	9,267	8.80
1977-78	177	319,960	–	27,620	8.61
1976-77	166	308,987	–	26,086	8.45
1975-76	157	246,394	–	18,865	7.61
1974-75	107	104,069	–	8,253	8.30
1973-74	101	87,825	–	5,477	6.28

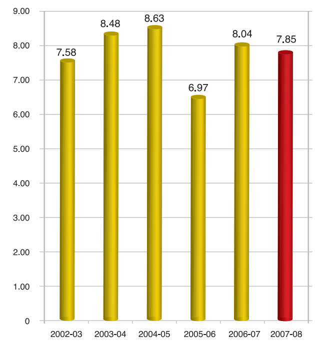
Process Losses (Percent)	Molasses (M. Tons)	Ethanol (Litres)	Building Material (Cubic Meter)	Yarn (Bags)	Electricity (MW)
2.17	117,742	66,490,739	6,540	149,788	17,714
2.30	79,340	35,093,676	1,834	135,935	–
2.54	71,008	27,625,611	1,477	133,580	–
2.17	66,190	33,245,964	3,584	119,106	–
2.41	81,953	35,408,000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

PRODUCTION DATA

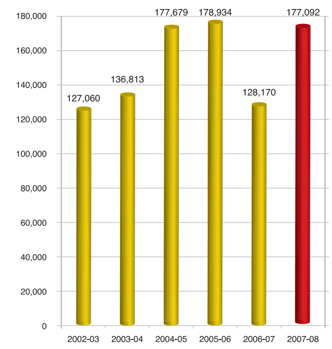
Cane Crushed
(M. Tons)



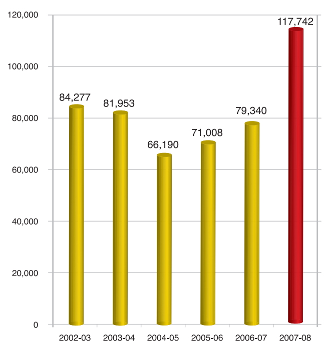
Recovery
(%)



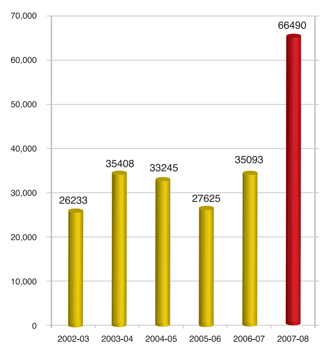
Sugar Produced
(M. Tons)



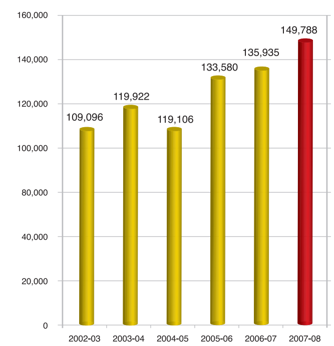
Molasses Produced
(M. Tons)



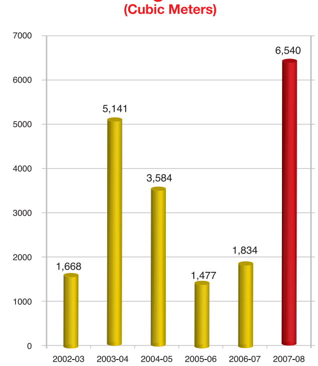
Ethanol Produced
(Thousand Litres)



Yarn
(Bags)



Building Material
(Cubic Meters)



STATEMENT OF VALUE ADDED

Shakarganj Mills Limited

(Rupees in Million)

	2008		2007	
Wealth Generated				
Sales Revenue (Gross)	6,790		5,263	
Other Receipts	78		2,234	
	6,868		7,497	
Less: Materials & Services	(5,328)		(4,732)	
Value Added	1,540	100	2,765	100
Wealth Distributed	(Rs in Million)	%age	(Rs in Million)	%age
To Employees				
Salaries, Benefits and Other Costs	382	25	314	11
To Government				
Income Tax, Sales Tax and Other Taxes	644	42	573	21
To Providers of Capital				
Dividend to Shareholders	58	–	–	–
Mark up/interest expanses on borrowed funds	930	59	859	31
	1,956	126	1,746	63
To Society				
Donation towards education, health and environments	7	1	8	1
To Provide for Maintenance & Expansion of Assets				
Depreciation / Amortization	383	25	391	14
Profit Retained	(806)	(52)	620	22
	(423)	(27)	1,011	36
	1,540	100	2,765	100

Wealth Distribution 2008

To Employees

To Government

To Providers of Capital

To Charitable Institutions

To Provide for Maintenance & Expansion of Assets

Wealth Distribution 2007

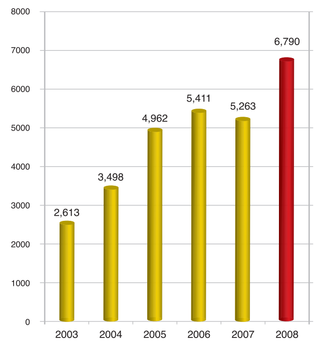
FINANCIAL HIGHLIGHTS

		2008	2007	2006	2005	2004	2003
Operating Results:							
Net Sales	(Rs 000)	6,789,572	5,262,787	5,410,521	4,962,460	3,498,163	2,612,999
Cost of Sales	(Rs 000)	6,110,885	5,093,014	5,143,938	4,481,071	3,117,624	2,282,487
Gross Profit	(Rs 000)	678,687	169,773	266,583	481,389	380,539	330,512
Operating Profit	(Rs 000)	208,468	2,040,283	405,853	459,144	345,076	210,899
Profit / (Loss) Before Tax (after continuing & discontinuing operations)	(Rs 000)	(794,904)	1,046,624	(295,836)	179,697	214,569	159,286
Profit after tax (both continuing & discontinuing operations)	(Rs 000)	(806,025)	621,179	66,639	207,381	155,495	129,578
Dividends	(Rs 000)	–	57,936	–	–	67,975	43,929
Earnings before interest, taxes, depreciation & amortizatio	(Rs 000)	591,974	2,432,661	719,087	628,275	480,384	311,867
Per Share Results and Return:							
Earning Per Share	(Rupees)	(11.59)	8.94	0.96	2.98	2.24	1.86
Cash Dividend per Share	(Rupees)	–	1.00	–	–	1.75	1.50
Dividend yield ratio	(%)	–	2.13	–	–	3.36	4.76
Dividend pay out ratio	(%)	–	9.33	–	–	43.72	33.90
Market Price Per Share at the end of the year (KSE 100 Index)	(Rupees)	11.84	47.00	25.65	47.50	52.10	31.50
Price Earning Ratio	(Times)	(1.02)	4.38	20.52	11.00	13.01	9.44
Financial Position							
Reserves	(Rs 000)	1,084,562	1,301,388	2,694,008	2,405,203	1,604,083	390,426
Current Assets	(Rs 000)	4,269,970	3,036,408	5,244,222	4,541,391	3,172,014	1,559,353
Current Liabilities	(Rs 000)	6,375,012	4,545,163	6,761,064	4,897,890	2,400,159	1,707,407
Net Current Assets / (Liabilities)	(Rs 000)	(2,105,042)	(1,508,755)	(1,516,842)	(356,499)	771,855	(148,054)
Property, plant and equipment	(Rs 000)	5,304,266	5,982,153	4,168,832	1,744,787	1,287,761	1,140,175
Total Assets	(Rs 000)	12,406,788	10,910,513	11,718,890	10,086,660	6,193,218	3,196,491
Long-Term Debt	(Rs 000)	2,930,753	2,245,822	1,966,387	2,291,537	1,772,257	660,233
Shareholders' Equity	(Rs 000)	1,620,254	2,585,146	3,356,562	3,102,264	2,009,602	835,233
Share Capital	(Rs 000)	695,238	579,365	579,365	540,537	388,430	388,430
Break-up Value per Share	(Rupees)	23.31	44.62	62.77	76.00	51.74	21.50
Break-up value per share including Surplus on Revaluation of Fixed Assets	(Rupees)	52.70	76.38	57.99	57.45	51.82	21.59
Financial Ratios:							
Current Ratio	(Times)	0.67	0.67	0.78	0.93	1.32	0.91
Long-Term Debt to Capitalization	(%)	64.40	46.49	36.94	42.48	46.86	44.15
Total Debt to Total Assets	(%)	70.47	59.44	71.36	69.24	58.44	73.87
Return on Average Assets Employed	(%)	1.20	18.42	4.42	6.77	3.67	5.17
Return on Average Equity	(%)	7.19	95.07	26.50	37.55	16.46	19.03
Return on equity	(%)	(49.75)	24.03	1.99	6.68	7.74	15.51
Return on capital employed	(%)	2.25	29.94	8.19	8.85	9.10	14.16
Weighted Average cost of debt	(%)	14.27	11.90	11.67	7.77	4.32	13.38
Quick / Acid test ratio	(Times)	0.47	0.43	0.51	0.73	1.13	0.50
Earnings before interest, taxes, depreciation & amortization margin (EBITDA)	(%)	7.64	46.22	13.29	12.66	13.73	11.94
Dividend cover ratio	(%)	–	10.72	–	–	2.35	2.22
Bonus Shares issued	(Rs 000)	115,873	–	62,074	–	–	–
Long-Term Debt to Equity Ratio	(Times)	1.81	0.87	0.59	0.74	0.89	0.79
Profitability Ratios:							
Gross Profit Ratio	(%)	10.00	3.23	4.93	9.70	10.88	12.65
Net Profit Margin	(%)	(11.87)	11.80	1.23	4.18	4.45	4.96
Interest Coverage	(Times)	0.33	2.46	0.84	1.78	2.55	1.97
Average Collection Period	(Days)	6.46	5	15	24	12	9
Debtor turnover ratio	(%)	70.97	36.51	19.85	22.32	29.95	31.53
Inventory Turnover	(Times)	4.96	4.53	2.82	4.76	6.71	3.43
Fixed Assets Turnover	(Times)	1.20	0.85	1.22	2.45	2.71	1.75
Total Assets Turnover	(Times)	0.55	0.49	0.54	0.60	0.66	0.82
Operating Cycle	(Days)	88.21	88.15	151.35	107.28	72.22	130.90
Other Data:							
Depreciation & Amortization	(Rs 000)	383,133	392,038	313,234	169,131	135,308	100,968
Capital Expenditure	(Rs 000)	530,551	365,944	2,732,941	602,993	288,071	294,850

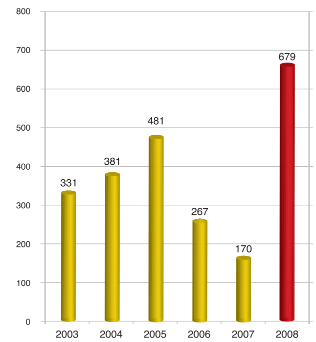
Shakarganj Mills Limited

FINANCIAL HIGHLIGHTS

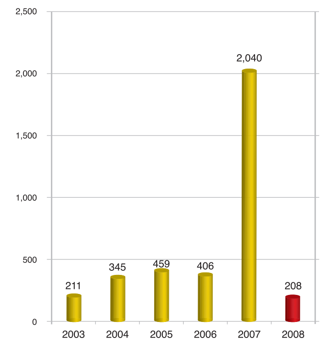
Net Sales
(Rupees in million)



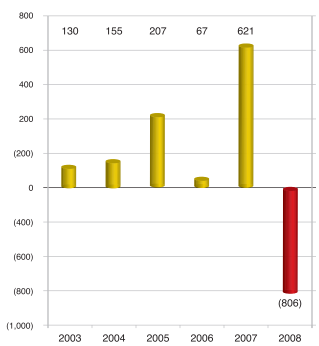
Gross Profit
(Rupees in million)



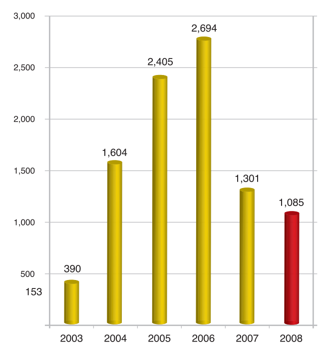
Operating Profit
(Rupees in million)



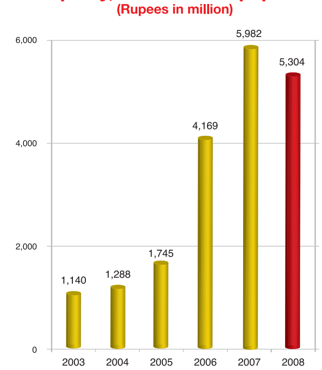
Profit after tax
(Rupees in million)



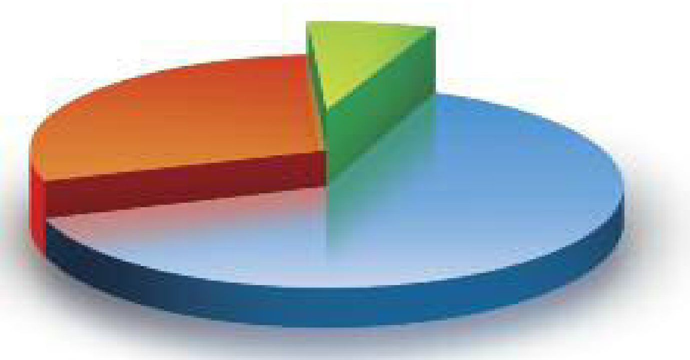
Reserves
(Rupees in million)



Property, Plant and Equipment
(Rupees in million)



New Projects
(Rupees in million)



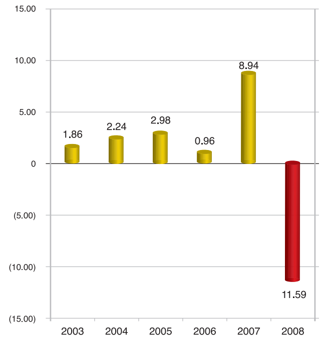
Shakarganj Dargai Shah: 1,110

Shakarganj Power: 501

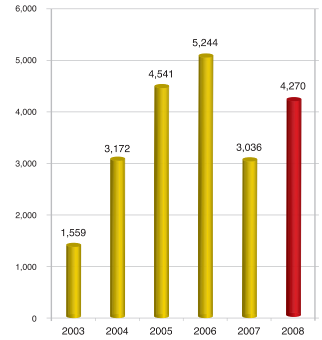
Shakarganj Engineering: 124

FINANCIAL HIGHLIGHTS

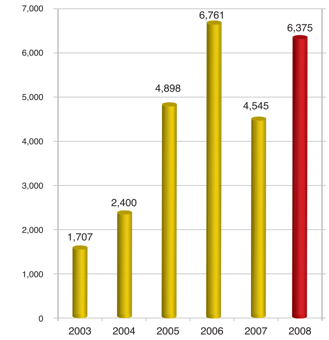
Earning Per Share
(Rupees)



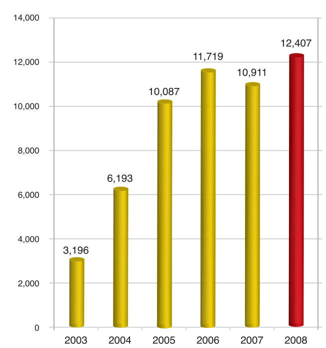
Current Assets
(Rupees in million)



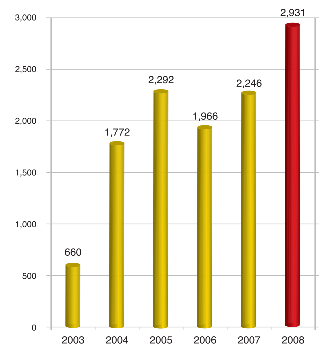
Current Liabilities
(Rupees in million)



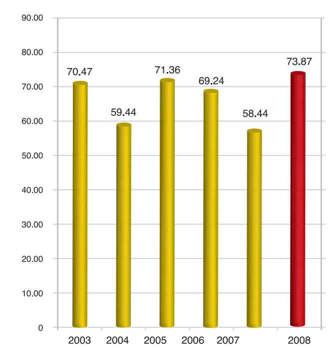
Total Assets
(Rupees in million)



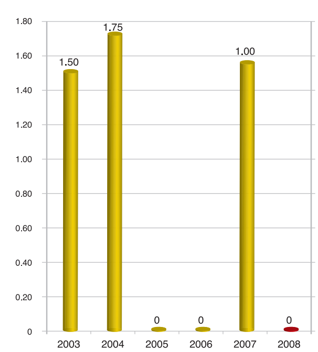
Long Term Debt
(Rupees in million)



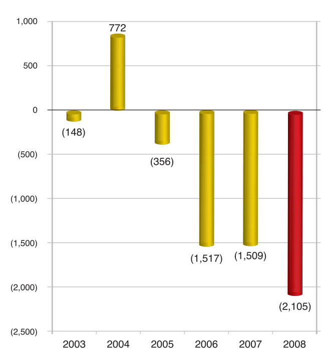
Total Debt to Total Assets
(%)



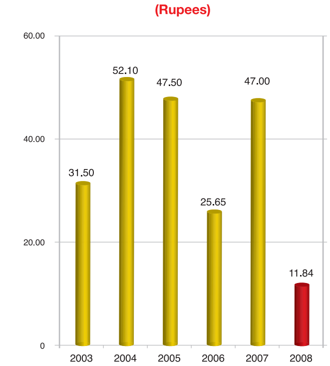
Cash Dividend Per Share
(Rupees)



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

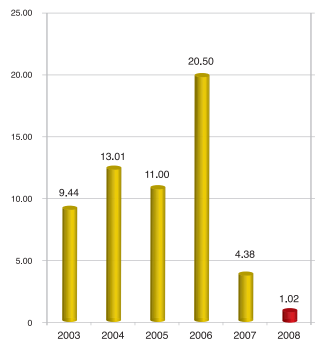


Market Price Per Share
(Rupees)

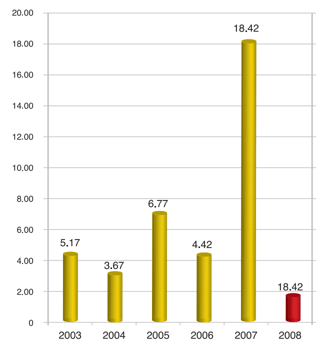


FINANCIAL HIGHLIGHTS

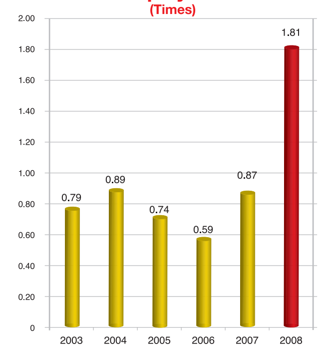
Price Earning Ratio
(Times)



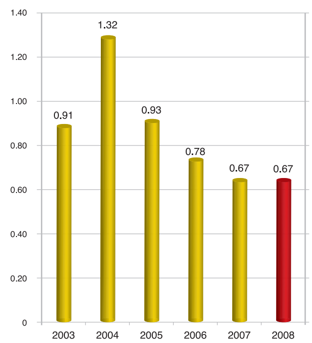
Return on Capital Employed
(%)



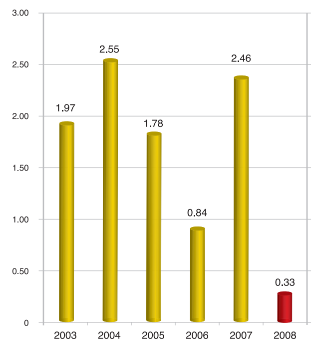
Long-Term Debt to Equity Ratio
(Times)



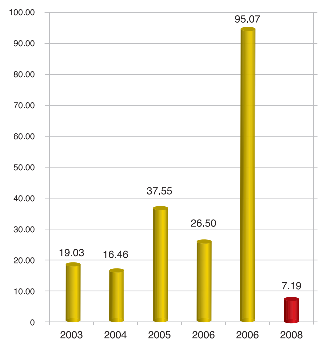
Current Ratio
(Times)



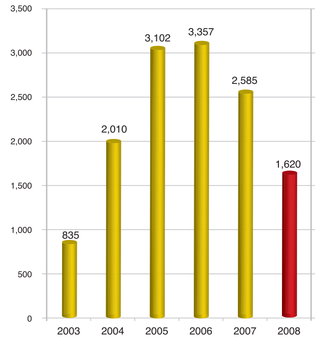
Interest Coverage
(Times)



Return on Average Equity
(%)



Shareholders' Equity
(Rupees in million)



VERTICAL ANALYSIS

(Rupees in million)

	2008	%	2007	%	2006	%
Operating Results						
Net sales	6,790	100.0	5,263	100.0	5,411	100.0
Cost of sales	(6,111)	(90.0)	(5,093)	(96.8)	(5,144)	(95.1)
Gross profit	679	10.0	170	3.2	267	4.9
Administrative expenses	(212)	(3.1)	(188)	(3.6)	(212)	(3.9)
Distribution and selling expenses	(164)	(2.4)	(93)	(1.8)	(74)	(1.4)
Other operating expenses	(172)	(2.5)	(82)	(1.6)	(183)	(3.4)
Other operating income	78	1.2	2,234	42.4	608	11.2
Operating profit from operations	208	3.1	2,040	38.8	406	7.5
Finance costs	(930)	(13.7)	(859)	(16.3)	(702)	(13.0)
Profit / (loss) before taxation	(722)	(10.6)	1,181	22.4	(296)	(5.5)
Taxation	(11)	(0.2)	(425)	(8.1)	362	6.7
Loss from discontinued operations	(73)	(1.1)	(135)	(2.6)	–	–
Net profit / (loss) after taxation	(806)	(11.9)	621	11.8	67	1.2
Balance Sheet						
Non-Current Assets						
Property, plant and equipment	5,304	42.8	5,982	54.8	4,169	35.6
Intangible assets	2	0.0	1	0.0	–	–
Assets subject to finance lease	335	2.7	223	2.0	277	2.4
Capital work-in-progress	1,284	10.4	794	7.3	634	5.4
Biological assets	6	0.1	30	0.3	7	0.1
Investments - related parties	918	7.4	735	6.7	844	7.2
Long term loans, advances, deposits and prepayments	287	2.3	110	1.0	154	1.3
Deferred taxation	–	–	–	–	390	3.3
Total Non-Current Assets	8,137	65.6	7,875	72.2	6,475	55.2
Current Assets						
Biological assets	–	–	90	0.8	185	1.6
Stores, spares and loose tools	97	0.8	91	0.8	100	0.9
Stock-in-trade	1,272	10.3	1,070	9.8	1,824	15.6
Trade debts	120	1.0	71	0.7	217	1.9
Investments	408	3.3	1,072	9.8	2,446	20.9
Loan, advances, deposits and prepayments and other receivables	188	1.5	149	1.4	282	2.4
Cash and bank balances	346	2.8	493	4.5	190	1.6
Non-current assets held for sale	1,839	14.8	–	–	–	–
Total Current Assets	4,270	34.4	3,036	27.8	5,244	44.8
Total assets	12,407	100.0	10,911	100.0	11,719	100.0
Share capital and reserves						
Paid up capital	695	5.6	579	5.3	579	4.9
Reserves	1,085	8.7	1,301	11.9	2,694	23.0
Accumulated (loss) / profit	(160)	(1.3)	704	6.5	83	0.7
Share holders' equity	1,620	13.1	2,585	23.7	3,357	28.6
Surplus on revaluation of property, plant and equipment	2,044	16.5	1,840	16.9	3	0.0
Non-Current Liabilities						
Long term finance	2,062	16.6	1,782	16.3	1,459	12.5
Long term advances	–	–	1	0.0	–	–
Liabilities against assets subject to finance lease	285	2.3	148	1.4	132	1.1
Employees' retirement benefits	11	0.1	5	0.0	2	0.0
Deferred taxation	9	0.1	4	0.0	5	0.0
Total Non-Current Liabilities	2,368	19.1	1,940	17.8	1,598	13.6
Current Liabilities						
Current portion of long term liabilities	1,026	8.3	560	5.1	579	4.9
Short term borrowings - secured	4,111	33.1	3,344	30.7	5,581	47.6
Trade and other payables	885	7.1	447	4.1	342	2.9
Accrued finance cost	315	2.5	194	1.8	259	2.2
Liabilities directly associated with non current assets classified as held for sale	38	0.3	–	–	–	–
Total Current Liabilities	6,375	51.4	4,545	41.7	6,761	57.7
Total Liabilities	12,407	100.0	10,911	100.0	11,719	100.0

HORIZONTAL ANALYSIS

Shakarganj Mills Limited

(Rupees in million)

	2008	Variance vs Last Year Increase / (Decrease) %	2007	Variance vs Last Year Increase / (Decrease) %	2006	Variance vs Last Year Increase / (Decrease) %	2005
Operating Results							
Net sales	6,790	29.0	5,263	(2.7)	5,411	9.0	4,962
Cost of sales	(6,111)	20.0	(5,093)	(1.0)	(5,144)	14.8	(4,481)
Gross profit	679	299.8	170	(36.3)	267	(44.6)	481
Administrative expenses	(212)	12.9	(188)	(11.2)	(212)	66.7	(127)
Distribution and selling expenses	(164)	75.8	(93)	26.9	(74)	26.5	(58)
Other operating expenses	(172)	110.5	(82)	(55.4)	(183)	367.5	(39)
Other operating income	78	(96.5)	2,234	267.6	608	200.7	202
Profit from operations	208	(89.8)	2,040	402.7	406	(11.6)	459
Finance costs	(930)	8.3	(859)	22.4	(702)	151.1	(279)
Profit / (loss) before taxation	(722)	(161.1)	1,181	(499.3)	(296)	(264.6)	180
Taxation	(11)	(97.4)	(425)	(217.4)	362	1,209.3	28
Loss from discontinued operations	(73)	(45.7)	(135)	–	–	–	–
Net profit / (loss) after taxation	(806)	(229.8)	621	832.2	67	(67.9)	207
Balance Sheet							
Non-Current Assets							
Property, plant and equipment	5,304	(11.3)	5,982	43.5	4,169	138.9	1,745
Intangible assets	2	46.6	1	–	–	–	–
Assets subject to finance lease	335	50.4	223	(19.7)	277	(0.5)	279
Capital work-in-progress	1,284	61.8	794	25.2	634	(75.7)	2,603
Biological assets	6	(79.0)	30	300.4	7	(40.2)	12
Investments - related parties	918	24.9	735	(12.9)	844	21.5	695
Long term loans, advances, deposits and prepayments	287	161.0	110	(28.3)	154	(24.9)	205
Deferred taxation	–	–	–	–	390	–	7
Total Non-Current Assets	8,137	3.3	7,875	21.6	6,475	16.8	5,545
Current Assets							
Biological assets	–	(100.0)	90	(51.4)	185	67.2	110
Stores, spares and loose tools	97	6.2	91	(8.5)	100	30.6	76
Stock-in-trade	1,272	18.9	1,070	(41.3)	1,824	93.7	942
Trade debts	120	69.2	71	(67.3)	217	(34.3)	331
Investments	408	(62.0)	1,072	(56.2)	2,446	(12.4)	2,792
Loan, advances, deposits and prepayments and other receivables	188	26.0	149	(47.3)	282	4.3	271
Cash and bank balances	346	(29.8)	493	159.1	190	864.6	20
Non-current assets held for sale	1,839	–	–	–	–	–	–
Total Current Assets	4,270	40.6	3,036	(42.1)	5,244	15.5	4,541
Total assets	12,407	13.7	10,911	(6.9)	11,719	16.2	10,087
Share capital and reserves							
Paid up capital	695	20.0	579	–	579	7.2	541
Reserves	1,085	(16.7)	1,301	(51.7)	2,694	12.0	2,405
Accumulated (loss) / profit	(160)	(122.7)	704	746.7	83	(46.9)	157
Share holders' equity	1,620	(37.3)	2,585	(23.0)	3,357	8.2	3,102
Surplus on revaluation of property, plant and equipment	2,044	11.1	1,840	58,190.3	3	(0.8)	3
Non-Current Liabilities							
Long term finance	2,062	15.7	1,782	22.1	1,459	(22.6)	1,885
Long term advances	–	–	1	–	–	–	9
Liabilities against assets subject to finance lease	285	92.6	148	12.5	132	(28.2)	184
Employees' retirement benefits	11	113.8	5	119.2	2	781.3	0
Deferred taxation	9	145.4	4	(25.7)	5	(17.8)	6
Total Non-Current Liabilities	2,368	22.0	1,940	21.4	1,598	(23.3)	2,083
Current Liabilities							
Current portion of long term liabilities	1,026	83.4	560	(3.4)	579	20.0	483
Short term borrowings - secured	4,111	22.9	3,344	(40.1)	5,581	39.9	3,989
Trade and other payables	885	97.7	447	30.9	342	24.5	274
Accrued finance cost	315	62.7	194	(25.3)	259	70.9	152
Liabilities directly associated with non current assets classified as held for sale	38	–	–	–	–	–	–
Total Current Liabilities	6,375	40.3	4,545	(32.8)	6,761	38.0	4,898
Total Liabilities	12,407	13.7	10,911	(6.9)	11,719	16.2	10,087

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, 2008.

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 by the Chairman and, in his absence by a director elected by the Board for this purpose and the Board met once in every quarter during the year ended September 30, 2008. 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, 2008 has been prepared in compliance with the requirements of the Code and it fully describes the salient matters required to be disclosed.

STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

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, Chartered Accountants who is 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

Dated : January 06, 2009

A. F. FERGUSON & CO.

PRICEWATERHOUSECOOPERS

A. F. Ferguson & Co.
Chartered Accountants

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, 2008.

Chartered Accountants
Lahore

January 06, 2009

A. F. FERGUSON & CO.

PricewaterhouseCoopers

A. F. Ferguson & Co.
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Shakarganj Mills Limited as at September 30, 2008 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, 2008 and of the loss, its cash flows and changes in equity for the year then ended; and

(d) in our opinion zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Chartered Accountants
Lahore,

January 06, 2009

BALANCE SHEET
AS AT SEPTEMBER 30, 2008

	Note	2008	2007
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
80,000,000 (2007: 80,000,000)			
ordinary shares of Rs 10 each		800,000	800,000
50,000,000 (2007: 50,000,000)			
preference shares of Rs 10 each		500,000	500,000
		1,300,000	1,300,000
Issued, subscribed and paid up capital			
69,523,798 (2007: 57,936,498)			
ordinary shares of Rs 10 each	5	695,238	579,365
Reserves		1,084,562	1,301,388
Accumulated (loss)/profit		(159,546)	704,393
		1,620,254	2,585,146
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	6	2,043,827	1,840,226
NON-CURRENT LIABILITIES			
Long term finances	7	2,062,440	1,782,304
Long term advances	8	–	736
Liabilities against assets subject to finance lease	9	285,427	148,195
Employees' retirement benefits	10	11,029	5,158
Deferred income	11	8,799	3,585
		2,367,695	1,939,978
CURRENT LIABILITIES			
Current portion of long term liabilities	12	1,026,316	559,678
Short term borrowings - secured	13	4,110,840	3,344,249
Trade and other payables	14	884,510	447,383
Accrued finance cost	15	315,482	193,853
		6,337,148	4,545,163
Liabilities directly associated with non current assets classified as held for sale	31	37,864	–
		6,375,012	4,545,163
CONTINGENCIES AND COMMITMENTS	16	–	–
		12,406,788	10,910,513

The annexed notes 1 to 49 form an integral part of these financial statements.

BALANCE SHEET
AS AT SEPTEMBER 30, 2008

	Note	2008	2007
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	17	5,304,266	5,982,153
Intangible assets	18	1,994	1,360
Assets subject to finance lease	19	335,078	222,720
Capital work-in-progress	20	1,284,215	793,584
Biological assets	21	6,248	29,682
Investments - related parties	22	917,771	734,968
Long term loans, advances, deposits and prepayments	23	287,246	110,052
Deferred taxation	24	–	–
		8,136,818	7,874,519
CURRENT ASSETS			
Biological assets	21	–	89,713
Stores, spares and loose tools	25	96,873	91,218
Stock-in-trade	26	1,271,798	1,069,930
Trade debts	27	120,258	71,073
Investments	28	407,578	1,071,929
Loans, advances, deposits, prepayments and other receivables	29	187,575	148,890
Cash and bank balances	30	346,394	493,241
		2,430,476	3,035,994
Non-current assets held for sale	31	1,839,494	–
		4,269,970	3,035,994
		12,406,788	10,910,513

The annexed notes 1 to 49 form an integral part of these financial statements.

Chief Executive **Chairman**

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED SEPTEMBER 30, 2008

		Note	2008	2007
			(Rupees in thousand)	Re-presented
Continuing operations				
Sales		32	6,789,572	5,262,787
Cost of sales		33	(6,110,885)	(5,093,014)
Gross profit			678,687	169,773
Administrative expenses		34	(212,433)	(188,083)
Distribution and selling costs		35	(164,080)	(93,359)
Other operating expenses		36	(171,832)	(81,648)
Other operating income		37	78,126	2,233,600
Profit from operations			208,468	2,040,283
Finance cost		38	(930,339)	(859,152)
(Loss)/profit before taxation			(721,871)	1,181,131
Taxation		39	(11,121)	(425,445)
(Loss)/profit for the year from continuing operations			(732,992)	755,686
Discontinued operations:				
Loss for the year from discontinued operations			(73,033)	(134,507)
(Loss)/profit for the year			(806,025)	621,179
(Loss)/earnings per share from continuing operations				
- basic	Rupees	40	(10.54)	10.87
- diluted	Rupees	40	(10.54)	10.43
Loss per share from discontinued operations				
- basic	Rupees	40	(1.05)	(1.93)
- diluted	Rupees	40	(1.05)	(1.93)

The annexed notes 1 to 49 form an integral part of these financial statements.

Chief Executive **Chairman**

CASH FLOW STATEMENT

FOR THE YEAR ENDED SEPTEMBER 30, 2008

Shakarganj Mills Limited

	Note	2008	2007
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	41	654,521	1,430,801
Finance cost paid		(807,833)	(924,799)
Taxes paid		(31,149)	(25,583)
Employees' retirement benefits paid		(7,650)	(7,667)
Net (increase)/decrease in long term deposits		(179,003)	41,628
Transfer to Non Current Assets Held For Sale		(36)	–
Net cash generated (used in)/from operating activities		(371,150)	514,380
Cash flows from investing activities			
Fixed capital expenditure		(1,188,411)	(536,830)
Investment made		(452,435)	(1,209,766)
Proceeds from sale of investment		201,078	3,318,749
Dividend received		5,084	113,462
Income from bank deposits received		18,875	3,409
Sale proceeds from sale of property, plant and equipment		4,832	7,811
Net cash generated (used in)/from investing activities		(1,410,977)	1,696,835
Cash flows from financing activities			
Long term finances - net		707,175	279,435
Sale proceeds from sale and lease back transaction		19,100	7,679
Long term advances - net		–	856
Net increase/(decrease) in short term borrowings - secured		766,591	(2,236,472)
Finance lease liabilities - net		200,198	40,517
Dividend paid		(57,784)	(324)
Net cash generated/(used in) from financing activities		1,635,280	(1,908,309)
Net (decrease)/increase in cash and cash equivalents		(146,847)	302,906
Cash and cash equivalents at the beginning of the year		493,241	190,335
Cash and cash equivalents at the end of the year	30	346,394	493,241

The annexed notes 1 to 49 form an integral part of these financial statements.

Chief Executive **Chairman**

ANNUAL REPORT 2008

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Share capital	CAPITAL RESERVES			
		Reserve for bonus issue	Share premium	Fair value reserve	Difference of capital under scheme of arrangement of merger
Balance as on September 30, 2006	579,365	–	243,282	1,662,617	155,930
Fair value gain during the year	–	–	–	175,598	–
Transferred to profit and loss account on derecognition of shares	–	–	–	(1,621,110)	–
Impairment loss transferred to profit and loss account	–	–	–	52,892	–
Transfer from surplus on revaluation of property, plant and equipment - net of tax	–	–	–	–	–
Profit for the year	–	–	–	–	–
Balance as on September 30, 2007	579,365	–	243,282	269,997	155,930
Fair value loss during the year	–	–	–	(100,958)	–
Transferred to profit and loss account on derecognition of shares	–	–	–	5	–
Transfer from surplus on revaluation of property, plant and equipment - net of tax	–	–	–	–	–
Transfers from general reserve for issue of bonus shares	–	115,873	–	–	–
Final dividend for the year ended September 30, 2007 - Rs 1 per share	–	–	–	–	–
Bonus shares issued during the year	115,873	(115,873)	–	–	–
Loss for the year	–	–	–	–	–
Balance as on September 30, 2008	695,238	–	243,282	169,044	155,930

The annexed notes 1 to 49 form an integral part of these financial statements.

Chief Executive

(Rupees in thousand)

R E S E R V E S							
	REVENUE RESERVES						
Sub-total	**General**	**Dividend equalization**	**Equity investment market value equalization**	**Sub-total**	**Total**	**Accumulated (loss) / profit**	**Total**
2,061,829	526,479	22,700	83,000	632,179	2,694,008	83,189	3,356,562
175,598	–	–	–	–	175,598	–	175,598
(1,621,110)	–	–	–	–	(1,621,110)	–	(1,621,110)
52,892	–	–	–	–	52,892	–	52,892
–	–	–	–	–	–	25	25
–	–	–	–	–	–	621,179	621,179
669,209	526,479	22,700	83,000	632,179	1,301,388	704,393	2,585,146
(100,958)	–	–	–	–	(100,958)	–	(100,958)
5	–	–	–	–	5	–	5
–	–	–	–	–	–	22	22
115,873	(115,873)	–	–	(115,873)	–	–	–
–	–	–	–	–	–	(57,936)	(57,936)
(115,873)	–	–	–	–	(115,873)	–	–
–	–	–	–	–	–	(806,025)	(806,025)
568,256	**410,606**	**22,700**	**83,000**	**516,306**	**1,084,562**	**(159,546)**	**1,620,254**

Chairman

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

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, yarn, industrial scale steel equipment and engaged in generation and sale of electricity. 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

Amendments to IAS 1 'Presentation of Financial Statements' - Capital disclosure is mandatory for the company's accounting period beginning on October 01, 2007. 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 and interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after their respective effective dates:

- IFRS 7 'Financial Instruments : Disclosures' is effective from October 01, 2008. It requires disclosures about the significance of financial instruments for the company's financial position and performance, as well as quantitative and qualitative disclosure on the nature and extent to risks.

- IFRS 8 'Operating Segments' is effective from October 01, 2009. It sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers.

- Certain amendments to IAS 23 ' Borrowing Costs' have been published that are applicable to the company's financial statements covering annual periods, beginning on or after October 01, 2009. Adoption of these amendments would require the company to capitalize the borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing these borrowing costs will be removed.

- IFRIC 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction' is effective from October 01, 2008. IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The company will apply IFRIC 14 from October 01, 2008, but it is not expected to have any significant impact on the company's financial statements.

2.2.3 Standards and interpretations to existing standards that are not applicable to the company and not yet effective

Standards or Interpretation	Effective date (accounting periods beginning on or after)
IFRS 2 - Share based payment	October 01, 2008
IFRIC 12 - Service concession arrangements	October 01, 2008
IFRIC 13 - Customer loyalty programmes	October 01, 2008
IFRIC 15 - Accounting for agreements for the construction of real estate	October 01, 2009
IFRIC 16 - Hedge of net investment in a foreign operation	October 01, 2009

In addition to the above, a new standard 'IFRS 4 - Insurance Contracts' has been issued by the International Accounting Standards Board but has not yet been adopted by the Institute of Chartered Accountants of Pakistan (ICAP) or notified by the SECP and, hence, presently do not form part of the local financial reporting framework.

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

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, 2008.

Actual returns on plan assets during the year were Rs 10.074 million and Rs 2.097 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	14%	per annum
Expected increase in eligible pay	13%	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 Rs 8.129 million and Rs 3.903 million to the pension and gratuity funds respectively in the next year ending September 30, 2009.

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 and once again as at September 30, 2008 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 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, 2008 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 impairment losses of Rs 46.262 million and Rs 10.930 million have been recognized during the year against property, plant and equipment and assets subject to finance lease respectively of the Textile division based on its fair value less costs to sell as determined by an independent valuation expert.

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 as specified in note 18.

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.

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. Cost of stillage, a by product of the Effluent Treatment Plant used in the generation of electricity by the Power division is valued at Nil as it does not have any market value.

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

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

4.11 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 Non-current assets held for sale

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying value is to be recovered principally through a sale transaction rather than through continuing use.

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.

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 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.

4.18 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 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'.

4.20 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 Pak 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.

4.21 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.

Revenue from sale of electricity is recognised on transmission of electricity to Faisalabad Electric Supply Company (FESCO)

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

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

4.23 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 six 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;
- Engineering division - design, fabrication and sale of industrial scale steel equipment; and
- Power division - generation and sale of electricity.

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.

4.23.1 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.

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

2008 (Number of shares)	2007 (Number of shares)		2008 (Rupees in thousand)	2007 (Rupees in thousand)
		Ordinary		
23,544,798	23,544,798	Ordinary shares of Rs 10 each fully paid in cash	235,448	235,448
33,131,816	21,544,516	Ordinary shares of Rs 10 each issued as fully paid bonus shares	331,318	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
69,523,798	57,936,498		695,238	579,365

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

	2008 (Number of shares)	2007 (Number of shares)
Asian Stock Fund Limited	2,177,400	1,665,000
Crescent Jute Products Limited	200,640	167,200
Crescent Steel and Allied Products Limited	15,244,665	6,193,082
Crescent Sugar Mills & Distillery Limited	2,865,830	2,436,692
Safeway Mutual Fund Limited	2,403,509	1,930,841
The Crescent Textile Mills Limited	5,450,988	4,522,907
	28,343,032	16,915,722

6. Surplus on revaluation of property, plant and equipment

	2008 (Rupees in thousand)	2007 (Rupees in thousand)
Revaluation - net of deferred tax	1,840,226	3,157
Revaluation surplus arising during the year	203,623	1,837,094
Surplus transferred to unappropriated profit on account of incremental depreciation - net of tax	(22)	(25)
	2,043,827	1,840,226

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 was again revalued as at September 30, 2007 and also as at September 30, 2008 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. 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.

		2008	2007
		(Rupees in thousand)	
7. Long term finances			
Long term loans - secured	- note 7.1	1,556,178	1,568,247
Redeemable capital			
Preference shares (non-voting) - unsecured	- note 7.3	345,755	345,755
Term finance certificates (non-voting) - secured	- note 7.4	630,000	–
		975,755	345,755
Long term running finances - secured	- note 7.5	398,820	331,820
		2,930,753	2,245,822
Less: Current portion shown under current liabilities			
- Long term loans - secured		(469,493)	(131,698)
- Long term running finances - secured		(398,820)	(331,820)
		(868,313)	(463,518)
		2,062,440	1,782,304

7.1 Long term loans - secured

Loan	Lender	2008 (Rupees in thousand)	2007 (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	***SBP Discount rate (10%)	None	Quarterly
2	MCB Bank Limited	–	7,750	*****Base rate + 1.5%	None	Quarterly
3	Atlas Investment Bank Limited	5,000	15,000	**Base rate + 3.5% subject to floor of 5.5%	1 installment of Rs 5 million due in September 2008 paid subsequent to year end	Semi annual
4	National Bank Limited	–	62,500	**Base rate + 3.5%	None	Quarterly
5	Saudi Pak Commercial Bank Limited	175,000	200,000	*Base rate + 3.75% and monitoring fee of 0.25% p.a	14 quarterly installments ending November 2011	Quarterly
6	MCB Bank Limited	–	68,750	*Base rate + 2% subject to floor of 7%	None	Quarterly
7	International Housing Finance Limited	913	3,396	****Base rate + 4.25%	4 monthly installments ending January 2009	Monthly

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Loan	Lender	2008 (Rupees in thousand)	2007 (Rupees in thousand)	Rate of mark-up per annum	Number of instalments outstanding	Mark-up payable
8	Orix Investment Bank Pakistan Limited	–	3,000	***Base rate+2% subject to floor of 7.5% and cap of 15%	None	Semi-annual
9	Pakistan Kuwait Investment Company (Private) Limited	–	10,000	***Base rate + 2% subject to floor of 7.5% and cap of 13%	None	Semi-annual
10	Syndicate term loan- note 7.2	525,000	735,000	**Base rate + 3% subject to floor of 5.25%	5 semi annual installments ending November 2010	Semi-annual
11	Askari Commercial Bank Limited	–	2,718	*Base rate + 2% subject to floor of 6%	None	Quarterly
12	MCB Bank Limited	122,500	183,750	*Base rate + 2% subject to floor of 8%	4 semi annual installments ending September 2010	Quarterly
13	Meezan Bank Limited	18,965	32,145	*Base rate + 2% subject to floor of 8% and cap of 18%	7 quarterly installments ending April 2010	Quarterly
14	Faysal Bank (+)	17,500	22,500	*Base rate + 3.25%	14 Quarterly installments ending December 2012	Quarterly
15	Faysal Bank (++)	2,700	4,500	*Base rate + 2.6%	6 quarterly installments ending November 2009	Quarterly
16	Faysal Bank (+++)	2,044	4,089	*Base rate + 3%	4 Quarterly installments ending June 2009	Quarterly
17	The Bank of Punjab	–	211,068	*****Base rate + 4.0% subject to floor of 8%	Lump sum payment due in July 2009	Quarterly
18	Faysal Bank Limited	64,000	–	*Base rate + 3.25%	3 years revolving arrangement ending March 2011	Semi annual
19	National Bank of Pakistan	244,800	–	*Base rate + 2.5%	9 half yearly semi annual installments ending November 2012	Quarterly
20	Standard Chartered Bank	400,000	–	*Base rate + 2.25%	10 semi annual installments including grace period of 12 months ending June 2014	Semi annual
		1,578,422	1,568,247			
Less:	Liabilities directly associated with non-current assets classified as held for sale during the year					
14	Faysal Bank (+)	(17,500)	–			
15	Faysal Bank (++)	(2,700)	–			
16	Faysal Bank (+++)	(2,044)	–			
		1,556,178	1,568,247			

* 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 company has aggregate undrawn borrowing facilities of Rs 86 million as at September 30, 2008 available upto March 19, 2011. These facilities have been arranged to finance the working capital needs of the company.

Security

Loan 1

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

Loan 2

These include mortgage of agricultural land, continuing guarantee and 1st registered parri passu hypothecation charge over current assets of the company.

Loan 3 to 5

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

Loan 6 and 7

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

Loan 8 and 9

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

Loan 10

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 11 to 16

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

Loan 17

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

Loan 18

These are secured by way of a charge on agricultural land and 1st parri passu charge on fixed assets of the company.

Loan 19

These are secured by way of 1st parri passu charge over present and future property, plant and equipment of the company.

Loan 20

These are secured by way of hypothecation over all present and future moveable assets of the company and mortgage of land and buildings.

7.2 Derivative Interest Rate Swap

The company has entered into interest rate swap arragements for its long term finances to hedge the possible adverse movements in interest rates. Under the terms of the interest rate swap arrangements, the company pays Libor plus bank spread to the arranging bank on the amount of loan denominated in US $ for the purposes of the interest rate swap and receives Kibor from the arranging bank. In two interest rate swap arrangements the company is also required to pay the exchange differential on the outstanding amount of loan denominated in US $ for the purposes of the interest rate swap. 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:

	2008	2007
	(Number of shares)	
Asian Stock Fund Limited	180,000	180,000
Crescent Commercial Bank Limited	–	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
	5,978,571	6,978,571

7.4 Redeemable term finance certificates (non-voting) - secured

The TFCs have been issued to finance the acquisition and establishment of a new sugar plant and its existing business operations and for other purposes permitted by the Memorandum and Articles of Association.

Terms of redemption

The term finance certificates (TFC's) are redeemable in 6 years. The principal balance is payable in ten equal semi-annual installments after a grace period of 1 year. The first installment will be due at the end of 18th month from the issue date, being September 22, 2008. Mark up is charged at average 6 months KIBOR plus 2.25% and is payable semi-annually in arrears.

Security

The TFC's are secured by a first pari passu charge by way of hypothecation over all present and future movable fixed assets of the Company and first pari passu mortgage by deposit of title deeds over land and building of the Company to the extent of outstanding face value of the TFC's plus 25% margin.

7.5 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 (2007: 400 million) at a mark-up of Re 0.493 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 July 2009.

	2008	2007
	(Rupees in thousand)	

8. Long term advances

Total advance from leasing companies	856	873
Less: repayments upto September 30	–	(17)
	856	856
Less: transferred to liabilities against assets subject to finance lease	(856)	–
Less: Current portion shown under current liabilities	–	(120)
	–	736

9. Liabilities against assets subject to finance lease

Present value of minimum lease payments	443,430	244,235
Less: Current portion shown under current liabilities	(158,003)	(96,040)
	285,427	148,195

The minimum lease payments have been discounted at an implicit interest rate ranging from 6.69% to 19.98% 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 2008	Present value of lease liability 2007
	(Rupees in thousand)			
Not later than one year	206,087	48,084	158,003	96,040
Later than one year and not later than five years	331,231	45,804	285,427	148,195
	537,318	93,888	443,430	244,235

10. Employees' retirement benefits

		2008	2007
		(Rupees in thousand)	
Balance sheet obligations for:			
Pension fund	- note 10.1	12,024	8,149
Gratuity fund	- note 10.2	(995)	(2,991)
		11,029	5,158
Profit and Loss account charge for:			
Pension Benefits	- note 10.1	9,785	7,333
Gratuity Benefits	- note 10.2	3,736	3,139
		13,521	10,472

10.1 Pension fund

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

	2008	2007
Present value of defined benefit obligations	145,490	139,975
Fair value of plan assets	(147,386)	(135,250)
Non vested (past service) cost to be recognized in later periods	19,650	(7,163)
Unrecognized actuarial (gains)/losses	(5,730)	10,587
Liability as at September 30	12,024	8,149

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

	2008	2007
Present value of defined benefit obligations as at October 1	139,975	109,038
Current Service Cost	7,880	7,763
Interest Cost		
	13,997	9,813
Benefits paid during the year	(3,849)	(3,437)
Actuarial (gains)/losses	(12,513)	16,798
Present value of defined benefit obligations as at September 30	145,490	139,975

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

	2008	2007
	(Rupees in thousand)	
Fair value as at October 1	135,250	116,759
Expected Return on plan assets	13,525	11,676
Contributions during the year	5,910	4,135
Benefits paid during the year	(3,849)	(3,437)
Actuarial (losses)/gains	(3,450)	6,117
Fair value as at September 30	147,386	135,250

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

Current Service Cost	7,880	7,763
Interest Cost	13,997	9,813
Expected return on plan assets	(13,525)	(11,676)
Past Service Cost	1,433	1,433
Total, included in salaries and wages	9,785	7,333

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

Cost of sales	4,305	3,522
Administrative expenses	5,163	3,811
Discontinued operations	117	–
Capital work in progress	200	–
Total, included in salaries and wages	9,785	7,333

Of the total charge, Rs. 4.305 million (2007: Rs. 3.522 million) and Rs. 5.480 million (2007: Rs. 3.811 million) respectively were included in 'cost of sales' and 'administrative expenses' respectively.

The actual return on plan assets was Rs. 10.074 million (2007: Rs. 17.793 million)

The principal actuarial assumptions used were as follows:

	2008	2007
Discount Rate	14%	10%
Expected Return on plan assets	10%	12%
Future salary increases	13%	9%
Average expected remaining working life time of employees	11 years	10 years

	2008	2007
	(Rupees in thousand)	
Plan assets are comprised as follows:		
Equity Instruments	35,990	7,048
Debt Instruments	111,396	120,905
Others	–	7,297
	147,386	135,250

Fair value of plan assets include Preference Shares of the company whose fair values as at September 30, 2008 is Rs 3.580 million (2007: Rs 2.100 million).

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

	2007-08	2006-07	2005-06	2004-05	2003-04
			(Rupees in thousand)		
As at September 30					
Present value of defined benefit obligations	145,490	139,975	109,038	105,657	92,989
Fair value of plan assets	(147,386)	(135,250)	(116,759)	(99,831)	(79,799)
Deficit/(surplus)	(1,896)	4,725	(7,721)	5,826	13,190
Experience adjustment on plan liabilities	(12,513)	16,797	(7,997)	3,192	2,679
Experience adjustment on plan assets	(3,450)	6,737	6,836	8,076	4,229

10.2 Gratuity fund

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

	2008	2007
	(Rupees in thousand)	
Present value of defined benefit obligations	39,264	33,354
Fair value of plan assets	(39,642)	(36,492)
Unrecognized actuarial (gains)/losses	(617)	147
Asset as at September 30	(995)	(2,991)

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	2008	2007
	(Rupees in thousand)	
The movement in the defined benefit obligation over the year is as follows:		
Present value of defined benefit obligations as at October 1	33,354	23,172
Current Service Cost	4,050	4,292
Interest Cost	3,335	2,087
Benefits paid during the year	(686)	(852)
Actuarial (gains)/losses	(789)	4,655
Present value of defined benefit obligations as at September 30	39,264	33,354
The movement in the fair value of plan assets of the year is as follows:		
Fair value as at October 1	36,492	30,235
Expected Return on plan assets	3,649	3,024
Contributions during the year	1,739	3,534
Benefits paid during the year	(686)	(852)
Actuarial (losses)/gains	(1,552)	551
Fair value as at September 30	39,642	36,492
The amounts recognized in the Profit and Loss Account are as follows:		
Current Service Cost	4,050	4,292
Interest Cost	3,335	2,086
Expected return on plan assets	(3,649)	(3,024)
Past Service Cost	–	–
Actuarial (gains)	–	(215)
Total, included in salaries and wages	3,736	3,139
The amounts recognized were included in the Profit and Loss Account as follows:		
Cost of sales	1,804	1,659
Administrative expenses	1,821	1,480
Discontinued operations	45	–
Capital work in progress	66	–
Total, included in salaries and wages	3,736	3,139

Of the total charge, Rs. 1.804 million (2007: Rs. 1.659 million) and Rs. 1.821 million (2007: Rs. 1.480 million) respectively were included in 'cost of sales' and 'administrative expenses' respectively

The actual return on plan assets was Rs. 2.097 million (2007: Rs. 3.575 million)

	2008	2007
The principal actuarial assumptions used were as follows:		
Discount Rate	14%	10%
Expected Return on plan assets	10%	10%
Future salary increases	13%	9%
Average expected remaining working life time of employees	10 years	10 years

	2008	2007
	(Rupees in thousand)	
Plan assets are comprised as follows:		
Equity Instruments	9,475	5,691
Debt Instruments	25,117	30,450
Others	5,049	351
	39,641	36,492

Fair value of plan assets include Ordinary shares and Preference Shares of the company whose fair values as at September 30, 2008 are Rs 0.857 million (2007:Rs 1.295 million) and Rs 0.520 million (2007: Rs 0.300 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:

	2007-08	2006-07	2005-06	2004-05	2003-04
			(Rupees in thousand)		
As at September 30					
Present value of defined benefit obligations	39,264	33,353	23,173	22,668	21,176
Fair value of plan assets	(39,642)	(36,491)	(30,236)	(25,087)	(22,607)
Deficit/(surplus)	(378)	(3,138)	(7,063)	(2,419)	(1,431)
Experience adjustment on plan liabilities	(789)	4,655	(3,225)	811	811
Experience adjustment on plan assets	(1,552)	551	785	1,548	530

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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 2.899 million (2007: Rs 2.475 million).

12. Current portion of long term liabilities

		2008	2007
		(Rupees in thousand)	
Long term finances	- note 7	868,313	463,518
Long term advances	- note 8	–	120
Liabilities against assets subject to finance lease	- note 9	158,003	96,040
		1,026,316	559,678

13. Short term borrowings - secured

Running finances	- note 13.1	3,029,224	2,546,294
Export refinance	- note 13.2	572,298	622,955
Term finances	- note 13.3	509,318	175,000
		4,110,840	3,344,249

13.1 Running finances

Running finances available from a consortium of commercial banks under mark-up arrangements amount to Rs 4,423 million (2007: Rs 4,060 million). The rates of mark-up range from Re 0.2942 to Re 0.4723 per Rs 1,000 per diem on the outstanding balance or part thereof. The aggregate running finances are secured against pledge of stock-in-trade and marketable securities and registered hypothecation charge on property, plant and equipment and current assets of the company.

13.2 Export refinance

The company has obtained export finance facilities aggregating to Rs 650 million (2007: Rs 650 million). The rates of markup range from Re 0.0696 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 first 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 509.318 million (2007: Rs 301.355 million). The rates of mark-up range from Re 0.3079 to Re 0.5066 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 50 million (2007: Rs 345 million) for opening of letters of credit and Rs 110 million (2007: Rs 90.50 million) for guarantees, the amount utilized at September 30, 2008 was Rs 43.913 million (2007: Rs 308.509 million) and Rs 86.500 million (2007: Rs 87.852 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

		2008 (Rupees in thousand)	2007
Trade creditors	- note 14.1	657,848	275,738
Advances from customers		69,819	37,460
Security deposits	- note 14.2	2,631	2,545
Accrued liabilities		56,263	61,892
Workers' profit participation fund	- note 14.3	94	94
Workers' welfare fund	- note 14.4	1,598	575
Payable to government			
- Sales tax		–	9,292
- Excise duty		792	–
		792	9,292
Unclaimed dividend		1,568	1,416
Derivative interest rate swap	- note 14.5	36,959	4,805
Penalties payable		4,996	4,953
Others	- note 14.6	51,942	48,613
		884,510	447,383

14.1 Trade creditors include amount due to related parties Rs 0.136 million (2007: Rs 1.321 million).

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

14.3 Workers' profit participation fund

	2008 (Rupees in thousand)	2007
As at October 1	94	90
Interest charged during the year	–	6
	94	96
Less:Payments made during the year	–	2
As at September 30	94	94

	2008	2007
	(Rupees in thousand)	
14.4 Workers' welfare fund		
As at October 1	575	575
Charge for the year	1,023	–
As at September 30	1,598	575

14.5 The company has entered into derivative interest rate swap arrangements to hedge for the possible adverse movements in interest rates arising on the interest payments due on its long term finances as mentioned in note 7.2. The derivative interest rate swap arrangements outstanding as at September 30, 2008 have been marked to market and the resulting loss of Rs 32.154 million has been recognized in profit and loss account as referred to in note 36 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’.

14.6 Included in other liabilities are provisions aggregating to Rs 29.038 million (2007: Rs 29.038 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:

	2008	2007
	(Rupees in thousand)	
As at October 1	29,038	32,334
Incurred against provisions during the year	–	(3,296)
As at September 30	29,038	29,038

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.

	2008	2007
	(Rupees in thousand)	
15. Accrued finance cost		
Accrued mark-up on:		
- Long term finances	154,405	74,460
- Liabilities against assets subject to finance leases	1,223	1,176
- Short term borrowings	159,854	118,217
	315,482	193,853

16. Contingencies and commitments

16.1 Contingencies

(i) The company has issued following guarantees:

Bank guarantee of Rs 86.50 (2007: Rs 86.50 million) in favor of Sui Northern Gas Pipelines Limited against performance of contracts.

Bank guarantee in in favour of Government of Pakistan through Collector of Sales Tax, LTU against Sales tax refund claim amounting to Rs. Nil (2007: 1.352 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 million (2007: 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. 7.680 million (2007: 4.53 million).

(iii) Claims not acknowledged as debts Rs Nil (2007: 6.319 million) .

16.2 Commitments

The company has the following commitments in respect of

(i) Letters of credit other than capital expenditure Rs 56.721 (2007: Rs 2.867 million).

(ii) Contract for capital expenditure amounting to Rs 273.202 million (2007: Rs 387.927 million) .

(iii) Contracts for acquisition of intangible (computer software) amounting to Rs. 20 million (2007: 20 million).

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

	2008	2007
	(Rupees in thousand)	
Not later than one year	25,749	57,317
Later than one year and not later than five years	96,509	122,311
Later than five years	5,802	13,317
	128,060	192,945

Shakarganj Mills Limited

17. Property, plant and equipment

2008 **(Rupees in thousand)**

	Cost/ re-valued amount October 1, 2007	Additions/ (deletions)	Effect of revaluation as at September 30, 2008	Classified as Non-current asset held for sale	Cost/ re-valued amount September 30, 2008	Accumulated depreciation as at October 1, 2007	Depreciation charge/ (deletions) for the year	Impairment charge for the year	Classified as Non-current asset held for sale	Accumulated depreciation as at September 30, 2008	Book value as at September 30, 2008	Rate of depreciation %
Freehold land	2,114,717	30,553	203,623	(959,279)	1,389,614	–	–	–	–	–	1,389,614	–
Buildings and roads on freehold land	543,181	33,583	–	(729)	575,700	157,966	29,607	–	(168)	187,110	388,590	7.5
		(335)					(295)					
Plant and machinery	4,780,147	436,937	–	–	5,212,798	1,571,381	256,375	46,262	–	1,870,469	3,342,329	7.5-30
		(4,286)					(3,549)					
Tools and equipment	78,377	1,923	–	(53,267)	26,980	39,728	15,864	–	(34,504)	21,064	5,916	20-40
		(53)					(24)					
Water, electric and weigh-bridge equipment	267,319	6,105	–	(11,294)	262,130	109,246	34,615	–	(6,952)	136,909	125,221	20-40
Furniture and fixtures	37,421	2,991	–	(886)	39,494	22,606	3,299	–	(541)	25,360	14,134	20
		(32)					(4)					
Office equipment	36,012	1,454	–	(334)	35,629	28,256	3,360	–	(185)	30,402	5,227	40
		(1,503)					(1,029)					
Vehicles	82,468	16,309	–	(37,998)	57,340	35,475	11,129	–	(15,445)	29,097	28,243	20
		(3,439)					(2,062)					
Laboratory Equipment	17,432	687	–	–	18,119	11,648	2,460	–	–	14,108	4,011	40
Arms and ammunition	98	9	–	–	107	82	2	–	–	84	23	10
Library books	10,345	–	–	–	10,345	8,976	411	–	–	9,387	958	30
	7,967,517	530,551	203,623	(1,063,787)	7,628,256	1,985,364	357,122	46,262	(57,795)	2,323,990	5,304,266	
		(9,648)	–	–			(6,963)					

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2007 **(Rupees in thousand)**

	Cost/ re-valued amount October 1, 2006	Additions/ (deletions)	Effect of revaluation as at September 30, 2007	Classified as Non-current asset held for sale	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	Classified as Non-current asset held for sale	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 weigh-bridge 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
	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	

17.1 The carrying amount of freehold land, buildings and plant and machinery would have been Rs 305.348 million (2007: Rs 274.795 million) , Rs 382.082 million (2007: Rs 379.814 million) and Rs 3,320.782 (2007: Rs 3,207.400) 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 25.902 million (2007: Rs 73.571 million).

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

		2008	2007
		(Rupees in thousand)	
Capital work-in-progress - unallocated expenditure	- note 20.2	99	46
Cost of sales	- note 33	315,395	325,427
Administrative expenses	- note 34	25,330	25,673
Discontinued operations	- note 31	16,298	11,607
		357,122	362,753

17.4 Impairment charge for the year has been allocated to cost of sales as referred to in note 33.

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)				
Building	Physical Damage	335	295	40	–	Insurance claim
Plant and Machinery	Outside parties					
	S.S Electric company	1,202	1,004	198	700	Negotiation
	Abasin Corporation Services	3,084	2,544	540	1,400	- do -
Office Equipment	Outside parties					
	Office automation Group	200	178	22	70	- do -
Computers	Physical Damage	1,303	851	452	–	Insurance claim
Vehicles	Employees					
	Muhammad Awais Qureshi					
	(Executive Vice President - Principal Facility)	675	457	218	570	Negotiation
	Yousuf Ali (Engineer)	275	93	182	205	- do -
	Syed Ziaul Hussnain (Plant Pathologist)	194	73	121	133	- do -
	Outside parties					
	EFU General Insurance	599	432	167	84	- do -
	Zaidi Traders	393	347	46	226	- do -
	EFU General Insurance	469	253	216	340	- do -
Other assets having book value below Rs. 50,000		919	436	483	717	
		9,648	6,963	2,685	4,445	

18. Intangible assets

	Cost as at September 30, 2007	Additions/ (transfers/ deletions)	Cost as at September 30, 2008	Accumulated amortization September 30, 2007	Amortization charge/ (transfers) for the year	Accumulated amortization September 30, 2008	Book value as at September 30, 2008	Rate of amorti-zation %
	2008						(Rupees in thousand)	
Computer software - acquired	1,700	–	1,700	340	340	680	1,020	20
Nepra license fee	–	1,007	1,007	–	33	33	974	3.7
	1,700	1,007	2,707	340	373	713	1,994	

	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 amorti-zation %
	2007						(Rupees in thousand)	
Computer software - acquired	–	1,700	1,700	–	340	340	1,360	20
Nepra license fee	–	–	–	–	–	–	–	
	–	1,700	1,700	–	340	340	1,360	

18.1 The amortization charge for the year has been allocated to cost of sales as referred to in note 33.

19. Assets subject to finance lease

2008 (Rupees in thousand)

	Cost as at September 30, 2007	Additions/ (transfers/ deletions)	Classified as Non-current asset held for sale	Cost as at September 30, 2008	Accumulated depreciation September 30, 2007	Depreciation charge/ (transfers) for the year	Impairment charge for the year	Classified as Non-current asset held for sale	Accumulated depreciation September 30, 2008	Book value as at September 30, 2008	Rate of depreciation %
Plant and machinery	256,954	210,108 (93,624)	–	373,438	91,149	14,986 (41,274)	10,930	–	75,791	297,647	7.5
Vehicles	97,383	7,437 (21,057)	(6,140)	77,623	40,468	11,025 (11,097)	–	(204)	40,192	37,431	20
	354,337	217,545 (114,681)	(6,140)	451,061	131,617	26,011 (52,371)	10,930	(204)	115,983	335,078	

2007 (Rupees in thousand)

	Cost as at September 30, 2006	Additions/ (transfers/ deletions)	Classified as Non-current asset held for sale	Cost as at September 30, 2007	Accumulated depreciation September 30, 2006	Depreciation charge/ (transfers) for the year	Impairment charge for the year	Classified as Non-current asset held for sale	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
	350,359	27,088 (23,110)	–	354,337	73,018	29,285 (5,382)	34,696	–	131,617	222,720	

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

		2008 (Rupees in thousand)	2007 (Rupees in thousand)
Cost of sales	- note 33	**16,038**	18,965
Administrative expenses	- note 34	**9,767**	10,320
Discontinued operations	- note 31	**206**	–
		26,011	29,285

		2008	2007
		(Rupees in thousand)	

20. Capital work-in-progress

		2008	2007
Civil works		39,640	39,654
Plant and Machinery			
(including in transit Rs Nil (2007: Rs 7.108 million))	- note 20.1	702,401	395,339
Unallocated expenditure	- note 20.2	80,406	24,077
Advances for land, plant and machinery and vehicles			
Related party - Crescent Steel and Allied Products Limited		4,656	–
Others		445,017	322,090
		449,673	322,090
Advances given for acquisition of intangible assets			
Related party - Crescent Standard Telecommunications Limited		–	4,000
Others		12,095	8,424
		12,095	12,424
		1,284,215	793,584

20.1 It includes an amount of Rs 234.628 million (2007: 98.921 million) being the cost of machinery financed by leasing companies.

20.2 It includes depreciation on property, plant and equipment and leased assets of Rs 0.138 million (2007: Rs 0.046 million).

It also includes the following in respect of retirement benefits:

	2008	2007
	(Rupees in thousand)	
Pension fund	200	–
Gratuity fund	66	–
	266	–

20.3 Aggregate balance of capital work in progress includes finance costs of Rs 45.881 million (2007: Rs Nil).

		2008	2007
		(Rupees in thousand)	

21. Biological assets

Sugarcane			
Mature		144,004	86,204
Immature		2,070	27,473
		146,074	113,677
Rice - mature		7,788	3,509
Livestock - mature		6,248	2,209
		160,110	119,395
Less: Transferred to Non Current Asset Held for Sale	- note 21.1	(153,862)	–
		6,248	119,395
Non - current		6,248	29,682
Current		–	89,713
		6,248	119,395

21.1 Following the approval of the management and shareholders in September 2008, the company decided to sell its Farms division to a subsidiary of the company. Consequent to the decision the entire identified assets and identified liabilities of the Farms are classified as a disposal group and accounted for under IFRS 5 'Non-current Assets Held For Sale and Discontinued Operations' as referred to in Note 31.

21.2 The value of mature sugarcane crops is based on estimated average yield of 611 (2007: 583) mounds per acre on cultivated area of 3,997 (2007: 4,114) acres out of the total 4,315 (2007: 5,789) acres. The value of rice crops is based on the estimated yield of 21 (2007: 21) mounds per acre on cultivated area of 476 (2007: 458) acres. As at September 30, 2008, 3,708 (2007: 1,718) acres are under preparation for wheat cultivation.

21.3 Of the total 4,315 acres of Sugarcane crop, 318 acres relate to the September 2008-09 crop, which is valued at cost of Rs 2.070 million. As the crop is in early stages, its fair value less estimated point of sale cost cannot be reliably measured.

		2008	2007
		(Rupees in thousand)	

22. Investments - related parties

Available for sale	- note 22.1	917,771	193,034
Advance against purchase of shares in subsidiary company			
- Shakarganj Food Products Limited	- note 22.3	–	541,934
		917,771	734,968

			2008	2007
			(Rupees in thousand)	

22.1. Available for sale

			2008	2007
Subsidiary company	- at cost	- note 22.1.1	819,303	100
Associated companies	- at cost	- note 22.1.2	69,529	69,529
Others	- at cost	- note 22.1.3	2,200	2,200
			891,032	71,829
Add: Cumulative fair value gain		- note 22.1.4	31,939	126,405
Less: Cumulative impairment losses recognized		- note 22.1.5	(5,200)	(5,200)
Fair value gain			26,739	121,205
			917,771	193,034

22.1.1 Subsidiary company

Unquoted

Shakarganj Food Products Limited

	2008	2007
57,554,600 (2007: 10,000) fully paid ordinary shares of Rs 10 each Equity held 53% (2007: 100%)	575,546	100

Asian Capital Management Limited

	2008	2007
6,750,000 (2007: Nil) fully paid ordinary shares of Rs 10 each Equity held 75% (2007: Nil)	118,800	–

Safeway Fund Limited

	2008	2007
3,093,750 (2007: Nil) fully paid ordinary shares of Rs 10 each	124,957	–
Equity held 75% (2007: Nil)	819,303	100

	2008	2007
	(Rupees in thousand)	
22.1.2 Associated companies		
Quoted		
Crescent Steel and Allied Products Limited		
2,820,062 (2007: 2,563,693) fully paid ordinary shares of Rs. 10 each	52,529	52,529
Crescent Jute Products Limited		
536,817 (2007: 536,817) fully paid ordinary shares of Rs 10 each	–	–
Unquoted		
Central Depository Company of Pakistan Limited		
500,000 (2007: 201,500) fully paid ordinary shares of Rs 10 each	14,000	14,000
Crescent Standard Telecommunications Limited		
300,000 (2007: 300,000) fully paid ordinary shares of Rs 10 each	3,000	3,000
	69,529	69,529
22.1.3 Others		
Unquoted		
Crescent Group Services (Private) Limited		
220,000 (2007: 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		
As at October 1	126,405	93,170
Transferred to short-term investments	–	(53,750)
Fair value (loss)/gain during the year	(94,466)	87,010
Transferred to profit and loss account on derecognition of shares	–	(25)
As at September 30	31,939	126,405

	2008	2007
	(Rupees in thousand)	
22.1.5 Cumulative impairment losses recognized		
As at October 1	5,200	39,391
Transferred against short term investments	–	(34,191)
As at September 30	5,200	5,200

22.2 Investments with face value of Rs 25.600 million (2007: Rs 22.900 million) and market value of Rs 75.802 million (2007: Rs 158.010 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 Shares were received during the current year against the share deposit money.

23. Long term loans, advances, deposits and prepayments

		2008	2007
		(Rupees in thousand)	
Loans - considered good to:			
Subsidiary - Shakarganj Food Products Limited	- note 23.1	164,881	–
Related party - Asian Capital Management Limited	- note 23.2	10,000	10,000
Sui Northern Gas Pipelines Limited	- note 23.3	3,726	4,140
		178,607	14,140
Less: Current portion shown under short term advances	- note 29	414	414
		178,193	13,726
Advance to Creek Marina (Private) Limited	- note 23.4	38,487	38,487
Receivable from Safeway Fund Limited	- note 23.5	17,356	17,356
Security deposits		53,210	40,483
		287,246	110,052

23.1 This is an unsecured loan extended to the subsidiary of the company to finance its working capital needs at an average mark-up at the rate of average borrowing rate of the company plus 1%. During the year markup has been charged at 13.89% to the subsidiary of the company.

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

23.3 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.

23.4 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.

23.5 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 23.2, which is pending due to relevant regulatory approvals. Consequently, this has been classified as a long term asset.

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

	2008	2007
	(Rupees in thousand)	
Shakarganj Food Products Limited	164,881	–
Asian Capital Management Limited	10,000	10,000
Safeway Fund Limited	17,356	17,356
	192,237	27,356

24. Deferred taxation

The deferred tax asset comprises temporary differences relating to:

	2008	2007
Accelerated tax depreciation	(751,945)	(697,569)
Employee retirement benefits	–	–
Unused tax losses	746,420	691,996
Diminution in value of investments	5,525	5,573
	–	–

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 1,443.27 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 2009 through 2013. Tax losses amounting to Rs 79.34 million, Rs 810.42 million, Rs 765.41 million and Rs 1,345.65 million expire in year 2011, 2013, 2014 and 2015 respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	2008	2007
	(Rupees in thousand)	

25. Stores, spares and loose tools

	2008	2007
Stores (including in transit Rs 8.700 million (2007: 1.068 million))	67,141	54,722
Spares	29,691	36,369
Loose tools	1,541	1,627
	98,373	92,718
Less: Provision for obsolete items	(1,500)	(1,500)
	96,873	91,218

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

	2008	2007
	(Rupees in thousand)	

26. Stock-in-trade

	2008	2007
Raw materials	324,721	57,376
Work-in-process	9,885	8,600
Finished goods	937,192	1,003,954
	1,271,798	1,069,930

26.1 Raw materials and finished goods amounting to Rs. 1,239.86 million (2007: Rs 1,061.332 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 191.455 million (2007: 851.042 million) are being valued at net realizable value of Rs 189.464 million (2007: 839.754 million).

		2008	2007
		(Rupees in thousand)	

27. Trade Debts

		2008	2007
Considered good:			
- Secured		34,839	4,816
- Unsecured	- note 27.1	85,419	66,257
		120,258	71,073

27.1 These include receivable from Shakarganj Food Products Limited, a subsidiary company amounting to Rs 1.614 million (2007: 1.474 million).

28. Investments

		2008	2007
		(Rupees in thousand)	
Available for sale	- note 28.1	378,959	1,000,970
Held for trading	- note 28.2	28,619	70,959
Held to maturity	- note 28.3	–	–
		407,578	1,071,929

28.1 Available for sale

			2008	2007
Related parties	- at cost	- note 28.1.1	44	625,606
Others	- at cost	- note 28.1.2	265,541	267,406
			265,585	893,012
Add: Cumulative fair value gain		- note 28.1.4	113,374	143,592
Less: Cumulative Impairment loss		- note 28.1.5	–	(35,634)
			113,374	107,958
			378,959	1,000,970

	2008	2007
	(Rupees in thousand)	
28.1.1 Related parties		
Subsidiary company - Quoted		
Safeway Mutual Fund Limited		
Nil (2007: 29,215,143) fully paid ordinary shares of Rs 10 each Equity held Nil (2007: 53.65%)	–	290,792
Associated companies - Quoted		
Asian Stock Fund Limited		
Nil (2007: 37,528,673) fully paid ordinary shares of Rs 10 each	–	334,770
The Premier Insurance Company of Pakistan Limited		
95,482 (2007: 79,568) fully paid ordinary shares of Rs 5 each	44	44
	44	625,606
28.1.2 Others		
Quoted		
Crescent Commercial Bank Limited		
5,058,126 (2007: 5,058,126) fully paid ordinary shares of Rs 10 each	50,988	50,988
Altern Energy Limited		
21,266,582 (2007: 21,266,582) fully paid ordinary shares of Rs 10 each	212,678	212,678
Crescent Standard Modaraba		
Nil (2007: 172,500) fully paid ordinary shares of Rs 10 each	–	1,710
Jubilee Spinning and Weaving Mills Limited		
15,584 (2007: 15,584) fully paid ordinary shares of Rs 10 each	–	–
Pakistan Strategic Allocation Fund Limited		
187,500 (2007: 203,000) fully paid ordinary shares of Rs 10 each	1,875	2,030
Innovative Housing Finance Limited - Unquoted		
51,351 (2007: 51,351) fully paid ordinary shares of Rs 10 each	–	–
	265,541	267,406

28.1.3 Investments with a face value of Rs 262.641 million (2007: Rs 450.136 million) and market value of Rs 375.188 million (2007: Rs 479.354 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

	2008	2007
	(Rupees in thousand)	
As at October 1	143,592	1,569,447
Fair value (loss)/gain during the year	(6,492)	88,588
Transferred from long-term investments	–	53,750
Transferred to profit and loss account on derecognition of shares	5	(1,621,085)
Impairment loss recognized during the year	–	52,892
Fair value gain for Non current assets held for sale	(23,731)	–
As at September 30	113,374	143,592

Fair value loss during the year includes amount of fair value gain of Rs 51.126 million and Rs 47.661 million for investments in Safeway Mutual Fund Limited and Asian Stock Fund Limited respectively classified under Non-current assets held for sale.

28.1.5 Cumulative impairment losses recognized

	2008	2007
	(Rupees in thousand)	
As at October 1	35,634	54,171
Add: transferred from long-term investments	–	34,191
Add: impairment loss recognized during the year	–	52,892
Less: impairment loss adjusted upon derecognition of investment	(1,443)	(105,620)
Less: Impairment loss for Non current assets held for sale	(34,191)	–
As at September 30	–	35,634

28.2 Held for trading - quoted

	2008	2007
Crescent Commercial Bank Limited		
1,671,987 (2007: 1,671,987) fully paid ordinary shares of Rs 10 each	17,472	32,437
D. G. Khan Cement Company Limited		
10,000 (2007: Nil) fully paid ordinary shares of Rs 10 each	393	–
Oil and Gas Development Corporation of Pakistan		
Nil (2007: 90,000) fully paid ordinary shares of Rs 10 each	–	10,350
Carried forward	17,865	42,787

	2008	2007
	(Rupees in thousand)	
Brought forward	17,865	42,787
Bank Alfalah Limited		
Nil (2007: 50,000) fully paid ordinary shares of Rs 10 each	–	2,475
Al-Abbas Cement Industries Limited		
Nil (2007: 100,000) fully paid ordinary shares of Rs 10 each	–	1,205
Pakistan National Shipping Corporation		
95,000 (2007: 70,000) fully paid ordinary shares of Rs 10 each	5,144	6,853
Pakistan Oilfields Limited		
10,000 (2007: 25,000) fully paid ordinary shares of Rs 10 each	2,435	7,738
PICIC Energy Fund		
100,000 (2007: 100,000) fully paid ordinary shares of Rs 10 each	445	720
Thal Limited		
Nil (2007: 30,500) fully paid ordinary shares of Rs 10 each	–	9,181
United Bank Limited		
40,000 (2007: Nil) fully paid ordinary shares of Rs 10 each	2,730	–
	28,619	70,959

28.2.1 Investments with a face value of Rs 16.419 million (2007: Rs 16.419 million) and market value of Rs 17.158 million (2007: Rs 31.852 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.

		2008	2007
		(Rupees in thousand)	
28.3 Held to maturity			
Musharika Investment	- note 28.3.1	17,935	17,935
Less: Cumulative impairment losses recognized		(17,935)	(17,935)
		–	–

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.

29. Loans, advances, prepayments and other receivables

		2008	2007
		(Rupees in thousand)	
Advances - considered good			
- to employees		1,062	1,056
- to suppliers and contractors	- note 29.1	23,833	32,660
- to sugarcane growers	- note 29.2	12,142	10,164
		37,037	43,880
Advances - considered doubtful:			
- to suppliers and contractors		513	513
- to sugarcane growers		2,000	2,000
Due from related parties - unsecured and considered good	- note 29.4	4,254	3
Current portion of long term loan receivable from Sui Northern Gas Pipelines Limited	- note 23.2	414	414
Dividend receivable - considered good		130	3,417
Recoverable from government			
- Income tax		36,227	16,199
- Excise duty		–	1,410
- Sales tax		65,383	19,656
		101,610	37,265
Interest receivable on deposits		284	5,115
Security deposits		21,998	7,499
Prepayments		14,842	43,216
Margins against bank guarantees		599	1,269
Others:			
- considered good		6,407	6,812
- considered doubtful		50	1,588
		190,138	152,991
Less: provision against doubtful receivables	- note 29.6	(2,563)	(4,101)
		187,575	148,890

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 11.24% to 15.24%

	2008	2007
	(Rupees in thousand)	
29.4 Due from related parties		
Considered good		
Crescent Sugar Mills and Distillery Limited	635	–
Crescent Steel and Allied Products Limited	1,829	3
Shakarganj Food Products Limited	1,790	–
	4,254	3
29.5 Dividend receivable includes receivable from following related parties		
Central Depository Company of Pakistan Limited	–	604
Crescent Steel and Allied Products Limited	–	2,331
	–	2,935
29.6 Provision against doubtful receivables		
As at October 1	4,101	31,795
Provision during the year	677	2,101
Receivables written off against provision during the year	(2,215)	(29,795)
As at September 30	2,563	4,101

		2008	2007
		(Rupees in thousand)	

30. Cash and bank balances

		2008	2007
At banks on:			
- Saving accounts			
- Pak rupees	- note 30.1	222,458	420,640
- Foreign currency	- note 30.2	446	376
		222,904	421,016
-Current accounts		118,910	71,724
		341,814	492,740
In hand		4,580	501
		346,394	493,241

30.1 Profit on balances in saving accounts ranges from 0.10% to 11.00% (2007: 0.10% to 9.00%) per annum.

30.2 Foreign currency accounts include US Dollars 5,327 (2007: 5,320) and Euros 652 (2007: 664).

31 Non Current Assets Held For Sale and Discontinued Operations

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

	2008	2007
	(Rupees in thousand)	
(a) Non-current assets classified as held for sale		
Shakarganj Farms (Pvt.) Ltd.	1,224,392	–
Investments in subsidiary and associate company at market value	615,102	–
Total	1,839,494	–
(b) Liabilities directly associated with non-current assets classified as held for sale		
Shakarganj Farms (Pvt.) Ltd.	37,864	–

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

i) Shakarganj Farms (Pvt.) Ltd.

The assets and liabilities related to Shakarganj Farms (part of the Sugar segment) have been presented as held for sale following the approval of the management of SML and shareholders in September 2008 to incorporate Shakarganj Farms as a new company namely Shakarganj Farms (Private) Limited in consideration for shares. The competition for the transaction is expected within 12 months from the balance sheet date.

	2008	2007
	(Rupees in thousand)	
Non-current assets classified as held for sale		
Property, plant and equipment	1,005,992	–
Assets subject to finance lease	5,936	–
Long term advances and deposits	1,809	–
Stores, spares and loose tools	938	–
Biological assets	153,862	–
Loans, advances, deposits, prepayments and other receivables	55,819	–
Cash and Bank balances	36	–
	1,224,392	–
Liabilities directly associated with non-current assets classified as held for sale		
Long term finances	11,700	–
Current portion of long term liabilities:		–
Long term finances	10,544	
Liabilities against assets subject to finance lease	1,859	
Creditors, accrued and other liabilities	12,884	–
Accrued finance cost	877	–
	37,864	–

	2008	2007
	(Rupees in thousand)	
Analysis of the result of discontinued operations		
Loss from agricultural activities	(54,961)	(125,627)
Expenses		
Administrative expenses	(16,841)	(8,849)
Finance cost	(679)	(31)
Other charges	(552)	–
	(18,072)	(8,880)
Loss before tax on discontinued operations	(73,033)	(134,507)
Taxation	–	–
Loss for the year from discontinued operations	(73,033)	(134,507)
Analysis of the cash flows of discontinued operations		
Operating cash flows	(110,202)	n/a
Investing cash flows	(56,206)	n/a
Financing cash flows	166,431	n/a
Total cash flows	23	n/a

	2008	2007
	(Rupees in thousand)	
ii) Investments in subsidiary and associate companies - at market value		
Subsidiary company - Quoted		
Safeway Mutual Fund Limited		
29,215,143 (2007: Nil) fully paid ordinary shares of Rs 10 each Cost Rs in thousands 290,792	379,797	–
Associated companies - Quoted		
Asian Stock Fund Limited		
37,528,673 (2007: Nil) fully paid ordinary shares of Rs 10 each Cost Rs in thousands 334,770	235,305	–
	615,102	–

Last year the company 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 held 53.65% and 41.70% voting shares of the respective companies. However, the management intended to liquidate these investments within twelve months and for this purpose, an active program commenced to locate a buyer at a reasonable price. Consequently, these were classified as short term investments in the financial statements for the year ended September 30, 2007.

These investments could not be off-loaded during the year due to unusually adverse investment scenario of the country resulting in the cessation of the operations of the Karachi Stock Exchange (KSE) in Pakistan near the end of August 2008. These circumstances were unforeseen and beyond the control of the management and circumvented any possibility of disposal of these investments at a reasonable price, however, the management remains committed to its plan of disposing these investments at a price that is fair. Accordingly these investments are shown under the Non Current Assets Held For Sale under IFRS 5 'Non Current Assets Held For Sale and Discontinued Operations' .

Investment with face value of Rs 459.855 million and market value of Rs 482.786 million are pledged as security against long term running finance and short term borrowing as refered to in note 7.4 and note 13 respectivly.

32. Sales

	Sugar		Ethanol		Building Materials	
	2008	2007	2008	2007	2008	2007
Gross sales						
- Local	4,297,347	4,289,120	163,722	185,447	58,067	22,119
- Export	76,826	–	1,801,622	638,087	–	–
- By-products	52	5	–	–	–	–
- Inter-segment	603,518	301,908	–	–	–	–
	4,977,743	4,591,033	1,965,344	823,534	58,067	22,119
Less: Commission to selling agents	8,849	8,564	224	186	2,584	863
Sales tax and Special Excise Duty	578,442	569,847	22,853	24,180	8,032	2,885
	587,291	578,411	23,077	24,366	10,616	3,748
Net sales	4,390,452	4,012,622	1,942,267	799,168	47,451	18,371

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

33. Cost of sales

Inter-segment	–	–	549,035	251,928	17,986	3,923
Raw materials consumed	3,460,218	2,576,042	572,169	267,508	–	193
	3,460,218	2,576,042	1,121,204	519,436	17,986	4,116
Salaries, wages and other benefits - note 33.2	180,060	149,326	16,572	14,797	5,353	3,746
Stores and spares consumed	112,629	94,115	5,567	8,809	1,055	337
Dyes and chemicals	29,014	18,814	46,525	17,822	14,117	3,564
Packing material consumed	58,571	37,675	–	–	–	–
Fuel and power	153,350	103,953	2,568	24,977	13	1,130
Repairs and maintenance	27,675	24,104	716	4,713	262	145
Insurance	5,118	7,598	1,199	1,674	30	46
Vehicle running and maintenance	6,100	5,300	–	–	46	47
Traveling and conveyance	1,095	1,670	175	716	51	70
Printing and stationery	892	786	66	57	7	10
Rent, rates and taxes	786	698	–	–	–	–
Sugarcane research and development - note 33.2	13,732	10,025	–	–	–	–
Staff training and development	643	420	–	18	–	–
Depreciation on:						
- property, plant and equipment	225,670	234,436	50,359	58,248	1,107	787
- leased assets	7,493	10,095	30	1,666	–	–
Amortization on intangibles	–	–	–	–	–	–
Impairment of:						
- property, plant and equipment	–	–	–	–	–	–
- leased assets	–	–	–	–	–	–
Software development charges	–	–	–	–	–	–
Other expenses	17,511	15,329	5,095	1,931	1,520	586
	4,300,557	3,290,386	1,250,076	654,864	41,547	14,584
Opening work-in-process	3,683	16,952	–	–	–	–
Less: Closing work-in-process	(3,234)	(3,683)	–	–	–	–
	449	13,269	–	–	–	–
Cost of goods produced	4,301,006	3,303,655	1,250,076	654,864	41,547	14,584
Opening stock of finished goods	871,156	1,524,730	107,771	76,706	4,595	6,212
Less: Closing stock of finished goods	(782,611)	(871,156)	(77,278)	(107,771)	(11,728)	(4,595)
	88,545	653,574	30,493	(31,065)	(7,133)	1,617
	4,389,551	3,957,229	1,280,569	623,799	34,414	16,201
Less: own goods capitalized / transferred to capital work in progress	–	–	–	–	–	–
	4,389,551	3,957,229	1,280,569	623,799	34,414	16,201

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

(Rupees in thousand)

Textile		Engineering		Power		Total	
2008	2007	2008	2007	2008	2007	2008	2007
815,883	613,971	–	3,220	72,298	–	5,407,317	5,113,877
115,425	105,292	–	–	–	–	1,993,873	743,379
25,674	17,628	–	–	–	–	25,726	17,633
–	–	110,512	7,427	17,529	–	–	–
956,982	736,891	110,512	10,647	89,827	–	7,426,916	5,874,889
6,443	5,157	–	–	–	–	18,100	14,770
–	–	–	420	9,917	–	619,244	597,332
6,443	5,157	–	420	9,917	–	637,344	612,102
950,539	731,734	110,512	10,227	79,910	–	6,789,572	5,262,787

46,530	46,057	–	–	7,496	–	–	–
742,628	526,392	56,039	34,848	–	–	4,831,054	3,404,983
789,158	572,449	56,039	34,848	7,496	–	4,831,054	3,404,983
65,828	52,881	704	1,060	4,945	–	273,462	221,810
23,267	13,673	228	23	2,412	–	145,158	116,957
–	–	–	–	213	–	89,869	40,200
14,317	11,122	–	–	–	–	72,888	48,797
53,610	43,244	629	347	119	–	210,289	173,651
3,386	3,614	49	89	1,989	–	34,077	32,665
2,573	3,009	83	117	244	–	9,247	12,444
–	–	102	31	–	–	6,248	5,378
1,178	1,094	112	104	367	–	2,978	3,654
–	–	–	7	30	–	995	860
198	198	–	–	–	–	984	896
–	–	–	–	–	–	13,732	10,025
–	–	–	–	–	–	643	438
21,807	29,158	2,764	2,798	13,689	–	315,396	325,427
1,900	7,204	–	–	6,615	–	16,038	18,965
340	340	–	–	33	–	373	340
46,262	16,901	–	–	–	–	46,262	16,901
10,930	34,696	–	–	–	–	10,930	34,696
–	120	–	–	–	–	–	120
1,102	1,150	608	47	267	–	26,103	19,043
1,035,856	790,853	61,318	39,471	38,419	–	6,106,726	4,488,250
4,917	4,030	–	–	–	–	8,600	20,982
(6,651)	(4,917)	–	–	–	–	(9,885)	(8,600)
(1,734)	(887)	–	–	–	–	(1,285)	12,382
1,034,122	789,966	61,318	39,471	38,419	–	6,105,441	4,500,632
20,432	24,571	28,456	–	–	–	1,032,410	1,632,219
(65,575)	(20,432)	(11,959)	(28,456)	–	–	(949,151)	(1,032,410)
(45,143)	4,139	16,497	(28,456)	–	–	83,259	599,809
988,979	794,105	77,815	11,015	38,419	–	6,188,700	5,100,441
–	–	–	–	–	–	(77,815)	(7,427)
988,979	794,105	77,815	11,015	38,419	–	6,110,885	5,093,014

		2008	2007
		(Rupees in thousand)	
33.2 Salaries, wages and other benefits and sugarcane research and development include following in respect of retirement benefits:			
Pension fund		4,305	3,522
Gratuity fund		1,804	1,659
Provident fund		3,246	2,895
		9,355	8,076

34. Administrative expenses

		2008	2007
Salaries, wages and other benefits	- note 34.1	104,899	84,478
Repairs and maintenance		11,737	8,940
Insurance		3,099	4,594
Vehicle running and maintenance		9,112	6,457
Traveling and conveyance		6,828	8,338
Printing and stationary		3,316	2,748
Electricity and gas		1,768	2,040
Telephone, postage and telegram		4,286	4,084
Legal and professional charges	- note 34.2	11,942	5,938
Consultancy and advisory services		5,947	8,684
Rent, rates and taxes		2,140	2,092
Staff training and development		226	235
Entertainment		3,161	2,807
Subscriptions		4,966	4,322
Advertisements		381	2,025
Registered office expenses		726	726
Provision against doubtful receivables		677	2,101
Depreciation on:			
- property, plant and equipment		25,330	25,673
- leased assets		9,767	10,320
Others		2,125	1,481
		212,433	188,083

		2008	2007
34.1 Salaries, wages and other benefits include following in respect of retirement benefits:			
Pension fund		5,163	3,811
Gratuity fund		1,821	1,480
Provident fund		1,223	969
		8,207	6,260

		2008	2007
		(Rupees in thousand)	

34.2 Professional services

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

	2008	2007
- Statutory audit	1000	800
- Half yearly review	400	400
- Certification charges	100	100
- Out of pocket expenses	101	98
	1,601	1,398

35. Distribution and selling costs

		2008	2007
Salaries, wages and other benefits	- note 35.1	3,039	3,067
Freight and forwarding		145,280	75,061
Handling and distribution		2,066	1,505
Loading and unloading charges		6,425	4,621
Sales promotion expenses		400	230
Insurance		6,870	8,753
Others		–	122
		164,080	93,359

35.1 Salaries, wages and other benefits include provident fund contribution of Rs 0.077 million (2007: Rs 0.093 million) by the company.

36. Other operating expenses

		2008	2007
		(Rupees in '000)	Re-presented
Workers Welfare Fund		1,023	–
Impairment losses on short term available for sale investments	- note 28.1.4	–	52,892
Social action program expenses		5,993	6,533
Unrealized loss on investments held for trading		22,355	
Loss from agricultural activities		–	1,358
Net exchange loss		107,858	14,256
Loss on marked to market valuation of interest rate swap		32,154	4,805
Donations	- note 36.1	916	1,652
Others		1,533	152
		171,832	81,648

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

37. Other operating income

		2008	2007
		(Rupees in thousand)	Re-presented
Income from financial assets			
Profit on sale of investments		5,505	2,006,720
Realized gain on investments held to maturity		–	1,663
Unrealized gain on investments held for trading		–	14,795
Dividend income from:			
- related parties		7,770	84,857
- others		601	30,061
Reversal of provision for impairment against investments classified as 'held to maturity'	- note 28.3.2	–	47,767
Liabilities written back		3,968	7,221
Return on advance to:			
Altern Energy Limited		–	3,799
Subsidiary - Shakarganj Food Products Limited		19,797	
Return on bank deposits		14,044	8,329
		51,685	2,205,212
Income from non-financial assets			
Scrap sales		8,070	18,708
Profit on sale of property, plant and equipment		1,636	4,192
Profit on sale of assets subject to finance lease		387	–
Rental income		63	75
Amortization of deferred income		2,899	2,475
Agricultural income - livestock		788	–
Others		12,598	2,938
		26,441	28,388
		78,126	2,233,600

		2008	2007
		(Rupees in thousand)	
			Re-presented

38. Finance cost

		2008	2007
Interest and mark-up on:			
- Long term finances	- note 38.1	346,513	202,117
- Short term borrowings		538,629	604,049
- Workers' profit participation fund - related party		–	6
- Finance lease		20,453	21,558
Bank charges, commission and excise duty		20,151	20,306
Others	- note 38.2	4,593	11,116
		930,339	859,152

38.1 This includes preference dividend of Rs 29.409 million (2007: 29.409 million).

38.2 This includes penalties aggregating to Rs. 0.043 million (2007: Rs 5.573 million) levied by financial institutions due to delayed payments.

39. Taxation

	2008	2007
	(Rupees in thousand)	
For the year		
- Current	19,939	36,000
- Deferred	–	508,632
	19,939	544,632
Prior year		
- Current	(8,818)	(133)
- Deferred	–	(119,054)
	(8,818)	(119,187)
	11,121	425,445

39.1 In view of the available tax losses, the provision for current taxation represents tax on income under 'Final Tax Regime'. Such tax is not available for set off against normal tax liability arising in future years.

For purposes of current taxation the tax losses available for carry forward as at September 30, 2008 are estimated approximately at Rs 6,266 million (2007: Rs 4,563 million), including assessed tax losses of Rs 4,483 million (2007: Rs 3,301 million).

39.2 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

39.2.1 The company, during the current year, has loss before taxation and the current tax provision represents the tax under final tax regime of the Income Tax Ordinance, 2001, therefore it is impracticable to prepare the tax charge reconciliation for the current year.

40. (Loss)/earnings per share

40.1 Basic earnings per share

		2008	2007 Re-presented
Continued operations			
(Loss)/profit for the year from continuing operations	Rupees	(732,992,000)	755,686,000
Weighted average number of ordinary shares in issue during the year	Number	69,523,798	69,523,798
Loss/(earnings) per share - basic	Rupees	(10.54)	10.87
Discontinued operations			
(Loss)/profit for the year from discontinued operations	Rupees	(73,033,000)	(134,507,000)
Weighted average number of ordinary shares in issue during the year	Number	69,523,798	69,523,798
Loss per share - basic	Rupees	(1.05)	(1.93)

40.2 Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has a commitment to convert 1,000 preference shares into 167 ordinary shares of Rs 10 each. For the purposes of computing the diluted EPS the convertible preference shares are assumed to have been converted into ordinary shares, and the profit/(loss) is adjusted to eliminate the preference dividend.

		2008	2007 Re-presented
Continued operations			
(Loss)/profit for the year from continuing operations	Rupees	(732,992,000)	755,686,000
Preference dividend on convertible preference shares	Rupees	29,409,000	29,409,000
(Loss)/profit used to determine diluted earnings per share	Rupees	(703,583,000)	785,095,000
Weighted average number of ordinary shares in issue during the year	Number	69,523,798	69,523,798
Assumed conversion of convertible preference shares into ordinary shares	Number	5,774,108	5,774,108
Weighted average number of ordinary shares for diluted earnings per share	Number	75,297,906	75,297,906
Loss/(earnings) per share - diluted	Rupees	(9.34)	10.43

The effect of the conversion of the convertible preference shares into ordinary shares is anti-dilutive for the current year, accordingly the diluted EPS is resticted to the basic EPS.

Discontinued operations

The effect of the conversion of the convertible preference shares into ordinary shares is anti-dilutive for the current and prior year, accordingly the diluted EPS is resticted to the basic EPS.

41. Cash used in operating activities

	2008	2007
	(Rupees in thousand)	
(Loss)/profit before taxation	(794,904)	1,046,624
Adjustment for:		
Depreciation/amortization of:		
- property, plant and equipment	357,122	362,753
- assets subject to finance lease	26,011	29,285
- intangible assets	373	340
- deferred income	(2,899)	(2,475)
Liabilities written back	(3,968)	(7,221)
(Profit)/loss on sale of property, plant and equipment	(1,760)	(4,192)
(Profit)/loss on sale of assets subject to finance lease	(387)	–
Impairment of:		
- property, plant and equipment	46,262	16,901
- assets subject to finance lease	10,930	34,696
- investments classified as available for sale	–	52,892
Gain on sale of investments	(5,505)	(2,008,383)
Unrealized loss/(gain) on investments held for trading	22,355	(14,795)
Reversal of provision for impairment against investments classified as HTM	–	(47,767)
Interest from bank deposits	(14,044)	(8,329)
Provision against doubtful receivables	677	2,101
Bad debts and advances written off	–	–
Provision for employees' retirement benefits	13,521	10,472
Dividend income	(8,371)	(114,918)
Loss from agricultural activities classified under discontinued operations	54,961	127,195
Loss on marked to market valuation of interest rate swap	32,154	4,805
Finance cost	930,339	859,183
	1,457,771	(707,457)
Profit before working capital changes	662,867	339,167
Effect on cash flow due to working capital changes:		
(Increase)/decrease in stores and spares	(6,593)	8,426
(Increase)/decrease in stock in trade	(201,868)	753,876
Net increase in biological assets classified as non-current assets held for sale	(95,676)	(54,591)
(Increase)/decrease in trade debts	(49,185)	146,154
(Increase)/decrease in loans, advances,	(76,697)	129,345
prepayments and other receivables	–	
Increase in trade and other payables	421,673	108,424
	(8,346)	1,091,634
	654,521	1,430,801

42. Remuneration of Chief Executive, Directors and Executives

42.1 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	
	2008	2007	2008	2007
	(Rupees in thousand)		(Rupees in thousand)	
Managerial remuneration	–	–	29,593	24,219
Contribution to provident fund, gratuity and pension funds	–	–	6,989	4,697
House rent	–	–	10,128	8,042
Utilities	–	–	2,920	2,382
Reimbursable expenses	–	–	877	1,013
Others	–	–	428	513
	–	–	50,935	40,866
Number of persons	–	–	19	16

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

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

42.4 Aggregate amount charged in the financial statements for the year for fee to 8 directors (2007: 8 directors) was Rs 190,000 (2007: Rs 200,000).

43. 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 42. Other significant transactions with related parties are as follows:

		2008	**2007**
		(Rupees in thousand)	
Relationship with the company	**Nature of transactions**		
i. Subsidiaries	Sale of goods	1,986	12,788
	Equity contribution through share deposit money	–	122,935
	Dividend income	–	58,430
	Share of common expenses	841	–
ii. Associated Undertakings	Purchase of goods and services	85,317	67,244
	Sale of goods and services	13,604	48,839
	Share of common expenses	4,558	1,840
	Lease rentals paid	–	–
	Dividend income	7,770	26,430
	Purchase of investments	243,757	160,995
	Sale of investments	–	17,356
	Advance for purchase of services	–	4,000
	Payments made to/on behalf of the company	714	–
iii. Other related parties	Expenses incurred on behalf of the company	–	–
	Share of common expenses	–	185
iv. Post employment benefit plans	Expense charged in respect of retirement benefit plans	16,503	14,429
	Interest free loan obtained	7,400	7,400

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

44. Capacity and production

		2008	2007
Sugar			
Rated crushing capacity -			
On the basis of 174 days (2007: 140 days)	M. Tons	2,784,000	2,240,000
Actual cane crushed	M. Tons	2,254,712	1,587,927
The low crushing was due to shortage of sugarcane.			
Ethanol			
On the basis of 366 days (2007: 270 days) working	Liters	77,060,000	43,200,000
Actual production	Liters	66,417,091	35,093,676
The low production of ethanol was due to shortage of raw materials.			
Building Materials			
On the basis of 184 days (2007: 100 days)	Cubic meter	5,520	3,000
Actual production	Cubic meter	6,567	1,834
The high production of particle board was due to production efficiencies			
Textile			
Capacity (converted in 20s counts)	Kgs	8,398,912	8,398,912
Actual production (converted in 20s counts)	Kgs	7,073,524	6,675,699
The low production of yarn was due to the stoppages in electricity supply and shut-down of plant for major maintenance works.			
Power			
On the basis of 229 days (2007: Nil days)	KWh	27,600,000	Nil
Actual generation	KWh	17,714,054	Nil

The low generation was due to shortage of raw material and delay in agreement with FESCO

45. Business segments information

		Sugar		Ethanol		Building Materials	
		2008	2007	2008	2007	2008	2007
Continuing operations							
Revenue							
- External	- note 31	3,786,934	3,710,714	1,942,267	799,168	47,451	18,371
- Intersegment	- note 31	603,518	301,908	–	–	–	–
		4,390,452	4,012,622	1,942,267	799,168	47,451	18,371
Segment expenses							
Cost of sales - Intersegment		–	–	549,035	251,928	17,986	3,923
- External	- note 32	4,389,551	3,957,229	731,534	371,871	16,428	12,278
		4,389,551	3,957,229	1,280,569	623,799	34,414	16,201
Gross profit/(loss)		901	55,393	661,698	175,369	13,037	2,170
- Administrative expenses	- note 33	123,173	134,036	54,490	28,457	1,331	654
- Distribution and selling expenses	- note 34	16,394	13,557	137,856	72,202	177	77
		139,567	147,593	192,346	100,659	1,508	731
Segment results		(138,666)	(92,200)	469,352	74,710	11,529	1,439
Other operating expenses							
Operating Profit							
Finance costs							
Interest income							
Other operating income							
Taxation							
(Loss)/Profit for the year from continuing operations							
Discontinued operations							
Loss for the year from discontinued operations							
(Loss)/profit for the year							

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

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

	Sugar 2008	Sugar 2007	Ethanol 2008	Ethanol 2007	Building Materials 2008	Building Materials 2007
45.3 Segment assets	3,498,548	3,629,119	906,125	1,191,484	26,308	14,908
Unallocated assets						
45.4 Segment liabilities	2,185,205	1,436,502	297,926	397,791	1,136	203
Unallocated liabilities						
45.5 Capital expenditure	95,454	146,786	177,179	285,518	–	–
Unallocated						
45.6 Depreciation on property, plant and equipment	225,670	234,436	50,359	58,248	1,107	787
Unallocated						
45.7 Depreciation on leased assets	7,493	10,095	30	1,666	–	–
Unallocated						
45.8 Amortization on intangible assets	–	–	–	–	–	–
Unallocated						
45.9 Impairment on Property, Plant and equipment	–	–	–	–	–	–
Unallocated						
45.10 Impairment on Assets subject to finance lease	–	–	–	–	–	–
Unallocated						
45.11 Secondary reporting format						
Continuing operations						
Segment revenue from external customers by geographical areas is as follows:						
Export sales - Europe	–	–	252,929	137,368	–	–
Export sales - Asia	76,826	–	979,410	–	–	–
Export sales - Africa	–	–	569,283	–	–	–
Export sales - Others	–	–	–	500,719	–	–
Local sales	3,710,108	3,710,714	140,645	161,081	47,451	18,371
	3,786,934	3,710,714	1,942,267	799,168	47,451	18,371

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

Shakarganj Mills Limited

(Rupees in thousand)

Textile 2008	Textile 2007	Engineering 2008	Engineering 2007	Power 2008	Power 2007	Elimination 2008	Elimination 2007	Total 2008	Total 2007
950,539	731,734	–	2,800	62,381	–	–	–	6,789,572	5,262,787
–	–	110,512	7,427	17,529	–	(731,559)	(309,335)	–	–
950,539	731,734	110,512	10,227	79,910	–	(731,559)	(309,335)	6,789,572	5,262,787
46,530	46,057	–	–	7,496	–	(621,047)	(301,908)	–	–
942,449	748,048	77,815	11,015	30,923	–	(77,815)	(7,427)	6,110,885	5,093,014
988,979	794,105	77,815	11,015	38,419	–	(698,862)	(309,33	6,110,885	5,093,014
(38,440)	(62,371)	32,697	(788)	41,491	–	(32,697)	–	678,687	169,773
27,671	24,878	3,526	58	2,242	–	–	–	212,433	188,083
9,369	7,523	–	–	284	–	–	–	164,080	93,359
37,040	32,401	3,526	58	2,526	–	–	–	376,513	281,442
(75,480)	(94,772)	29,171	(846)	38,965	–	(32,697)	–	302,174	(111,669)
								(171,832)	(81,648)
								130,342	(193,317)
								(930,339)	(859,152)
								14,044	8,329
								64,082	2,225,271
								(11,121)	(425,445)
								(732,992)	755,686
								(73,033)	(134,507)
								(806,025)	621,179
								–	–
592,910	416,616	124,045	158,545	500,822	–	(11,257)	(1,043)	5,637,501	5,409,629
								6,769,287	5,500,884
								12,406,788	10,910,513
710,400	439,604	39,747	80,232	172,686	–	(38,387)	(1,043)	3,368,713	2,353,289
								5,373,994	4,131,852
								8,742,707	6,485,141
40,099	1,231	4,362	56,437	642,629	–	–	(53,895)	959,723	436,077
								228,688	594,319
								1,188,411	1,030,396
21,807	29,158	2,764	2,798	13,689	–	–	–	315,396	325,427
								41,726	37,326
								357,122	362,753
1,900	7,204	–	–	6,615	–	–	–	16,038	18,965
								9,767	10,320
								25,805	29,285
340	340	–	–	33	–	–	–	373	340
								–	–
								373	340
46,262	16,901	–	–	–	–	–	–	46,262	16,901
								–	–
								46,262	16,901
10,930	34,696	–	–	–	–	–	–	10,930	34,696
								–	–
								10,930	34,696
–	66,752	–	–	–	–	–	–	252,929	204,120
–	–	–	–	–	–	–	–	1,056,236	–
–	–	–	–	–	–	–	–	569,283	–
113,192	38,540	–	–	–	–	–	–	113,192	539,259
837,347	626,442	–	2,800	62,381	–	–	–	4,797,932	4,519,408
950,539	731,734	–	2,800	62,381	–	–	–	6,789,572	5,262,787

46. Financial assets and liabilities

	2008							
							(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	2008	2008
Financial assets								
Long term loan and deposits	–	3,312	3,312	–	192,237	192,237	195,549	195,549
Trade debts	–	–	–	120,258	–	120,258	120,258	120,258
Loans, advances and other receivables	414	–	414	12,736	–	12,736	13,150	13,150
Investments	–	–	–	407,578	917,771	1,325,349	1,325,349	1,325,349
Cash and bank balances	222,904	–	222,904	123,490	–	123,490	346,394	341,814
	223,318	3,312	226,630	664,062	1,110,008	1,774,070	2,000,700	1,996,120
Off balance sheet	–	–	–	–	–	–	–	–
Total	223,318	3,312	226,630	664,062	1,110,008	1,774,070	2,000,700	1,996,120
Financial liabilities								
Long term finances	868,313	2,062,440	2,930,753	–	–	–	2,930,753	
Long term advances	–	–	–	–	–	–	–	
Liabilities against assets subject to finance lease	158,003	285,427	443,430	–	–	–	443,430	
Short term borrowings	4,110,840		4,110,840	–	–	–	4,110,840	
Trade and other payables	–	–	–	776,846	–	776,846	776,846	
Accrued finance cost	315,482	–	315,482	–	–	–	315,482	
	5,452,638	2,347,867	7,800,505	776,846	–	776,846	8,577,351	
Off balance sheet								
Contracts for capital expenditure	–	–	–	293,202	–	293,202	293,202	
Guarantees	–	–	–	553,500	–	553,500	553,500	
Letters of credit other than for capital expenditure	–	–	–	56,721	–	56,721	56,721	
	–	–	–	903,423	–	903,423	903,423	
Total	5,452,638	2,347,867	7,800,505	1,680,269	–	1,680,269	9,480,774	
On balance sheet gap	(5,229,320)	(2,344,555)	(7,573,875)	(112,784)	1,110,008	997,224	(6,576,651)	
Off balance sheet gap	–	–	–	(903,423)	–	(903,423)	(903,423)	

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

2007

(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	2007
Financial assets								
Long term loan and deposits	–	3,312	3,312		30,295	30,295	33,607	33,607
Trade debts	–	–	–	71,073	–	71,073	71,073	71,073
Loans, advances and other receivables	828	–	828	17,672	–	17,672	18,500	18,500
Investments	–	–	–	1,071,929	734,968	1,806,897	1,806,897	1,806,897
Cash and bank balances	421,016	–	421,016	72,225	–	72,225	493,241	492,740
	421,844	3,312	425,156	1,232,899	765,263	1,998,162	2,423,318	2,422,817
Off balance sheet	–	–	–	–	–	–	–	–
Total	421,844	3,312	425,156	1,232,899	765,263	1,998,162	2,423,318	2,422,817
Financial liabilities								
Long term finances	463,518	1,782,304	2,245,822	–	–	–	2,245,822	
Long term advances	120	736	856	–	–	–	856	
Liabilities against assets subject to finance lease	96,040	148,195	244,235	–	–	–	244,235	
Short term borrowings	3,344,249	–	3,344,249	–	–	–	3,344,249	
Trade and other payables	–	–	–	395,732	–	395,732	395,732	
Accrued finance cost	193,853	–	193,853	–	–	–	193,853	
	4,097,780	1,931,235	6,029,015	395,732	–	395,732	6,424,747	
Off balance sheet								
Contracts for capital expenditure	–	–	–	407,927	–	407,927	407,927	
Guarantees	–	–	–	554,852	–	554,852	554,852	
Letters of credit other than for capital expenditure	–	–	–	2,867	–	2,867	2,867	
	–	–	–	965,646	–	965,646	965,646	
Total	4,097,780	1,931,235	6,029,015	1,361,378	–	1,361,378	7,390,393	
On balance sheet gap	(3,675,936)	(1,927,923)	(5,603,859)	837,167	765,263	1,602,430	(4,001,429)	
Off balance sheet gap	–	–	–	(965,646)	–	(965,646)	(965,646)	

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

46.1 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 2,001 million (2007: Rs 2,423 million), the financial assets which are subject to credit risk amount to Rs 1,996 million (2007: Rs 2,422 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.

46.1.1 Capital risk management

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on capital employed, which the Company defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The company's objectives when managing capital are:

(i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and

(ii) to provide an adequate return to shareholders.

The company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

For working capital requirements and capital expenditure, the company primarily relies substantially on short term borrowings.

46.2 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.

47. Date of authorization of issue

These financial statements were authorized for issue on January 06, 2009 by the board of directors of the company.

48. Events after the balance sheet date

There are no subsequent events occurring after balance sheet date.

49. Corresponding figures

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

	2008	2007
	(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**

Consolidated Financial Statements

For the year ended September 30, 2008

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 companies as at September 30, 2008 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 and its subsidiary company Safeway Mutual Fund Limited. The financial statements of the subsidiary companies, Shakarganj Food Products Limited, Safeway Fund Limited and Asian Capital Management Limited were audited by other firms of auditors, whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included for such companies, is based solely on the reports 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.

Included in the consolidated profit and loss account is loss amounting to Rs. 107.983 million based on unaudited financial statements of subsidiaries whose financial years are not coterminous with that of the parent company.

Group's share of income from associated company of Rs. 8.669 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 the associated company as its financial year is not coterminous with that of the parent company.

Except for the effect, if any, of the matters referred to in the preceding paragraphs, in our opinion the consolidated financial statements present fairly the financial position of Shakarganj Mills Limited and its subsidiary companies as at September 30, 2008 and the results of their operations for the year then ended.

Chartered Accountants

Lahore,
January 06, 2009

CONSOLIDATED BALANCE SHEET

AS AT SEPTEMBER 30, 2008

	Note	2008	2007
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
80,000,000 (2007: 80,000,000)			
ordinary shares of Rs 10 each		800,000	800,000
50,000,000 (2007: 50,000,000)			
preference shares of Rs 10 each		500,000	500,000
		1,300,000	1,300,000
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT			
Issued, subscribed and paid up capital			
69,523,798 (2007: 57,936,498)			
ordinary shares of Rs 10 each	5	695,238	579,365
Share deposit money	6	200,000	60,000
Reserves		910,696	1,017,544
Accumulated (loss)/profit		(385,935)	730,900
		1,419,999	2,387,809
MINORITY INTEREST		418,840	–
		1,838,839	2,387,809
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	7	2,043,827	1,840,226
NON-CURRENT LIABILITIES			
Long term finances	8	2,264,785	2,053,533
Long term advances	9	15,000	736
Liabilities against assets subject to finance lease	10	292,383	150,636
Employees' retirement benefits	11	19,837	9,770
Deferred income	12	8,799	3,585
Deferred taxation	13	8,500	9,500
		2,609,304	2,227,760
CURRENT LIABILITIES			
Current portion of long term liabilities	14	1,160,271	682,251
Short term borrowings - secured	15	4,110,840	3,511,765
Trade and other payables	16	1,207,177	600,218
Accrued finance cost	17	336,464	218,875
		6,814,752	5,013,109
Liabilities directly associated with non current assets classified as held-for-sale	32	3,556	–
		6,818,308	5,013,109
CONTINGENCIES AND COMMITMENTS	18		
		13,310,278	11,468,904

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

Shakarganj Mills Limited

CONSOLIDATED BALANCE SHEET

AS AT SEPTEMBER 30, 2008

	Note	2008	2007
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	19	7,281,263	6,793,062
Intangible assets	20	173,497	85,428
Assets subject to finance lease	21	350,361	225,198
Capital work-in-progress	22	1,302,030	848,134
Biological assets	23	8,318	29,682
Investments - related parties	24	229,612	193,273
Long term loans, advances, deposits, prepayments and other receivables	25	125,350	114,429
		9,470,431	2,889,206
CURRENT ASSETS			
Biological assets	23	151,792	89,713
Stores, spares and loose tools	26	153,304	106,558
Stock-in-trade	27	1,356,107	1,125,704
Trade debts	28	159,009	85,107
Investments	29	442,315	1,071,929
Loans, advances, deposits, prepayments and other receivables	30	318,946	190,583
Cash and bank balances	31	401,253	510,104
		2,982,726	3,179,698
Non-current assets held for sale	32	857,121	–
		3,839,847	3,179,698
		13,310,278	11,468,904

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, 2008

		Note	2008	2007
			(Rupees in thousand)	
Continuing operations				
Sales		33	8,070,760	6,339,470
Cost of sales		34	(7,366,655)	(6,122,511)
Gross profit			704,105	216,959
Administrative expenses		35	(249,828)	(230,594)
Distribution and selling costs		36	(510,725)	(281,596)
Other operating expenses		37	(246,735)	(209,720)
Other operating income		38	328,478	2,232,772
Profit from operations			25,295	1,727,821
Finance cost		39	(1,008,589)	(922,521)
Share of profit from associates		24.1	8,669	103,688
(Loss)/Profit before taxation			(974,625)	908,988
Taxation				
- Group		40	(10,697)	(428,521)
- Associated companies		24.1	(10,345)	(4,851)
			(21,042)	(433,372)
(Loss)/profit for the year from continuing operations			(995,667)	475,616
Discontinued operations:				
Loss for the year from discontinued operations			(167,462)	–
(Loss)/profit for the year			(1,163,129)	475,616
Attributable to:				
Equity holders of the parent			(1,058,921)	475,616
Minority interest			(104,208)	–
			(1,163,129)	475,616
Combined (loss)/earnings per share from continuing operations				
- basic	Rupees	41.1	(13.74)	6.84
- diluted	Rupees	41.2	(13.74)	6.71
Combined loss per share from discontinued operations				
- basic	Rupees	41.1	(1.49)	–
- diluted	Rupees	41.2	(1.49)	–

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, 2008

	Note	2008	2007
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	42	161,223	1,349,667
Finance cost paid		(891,000)	(986,553)
Taxes paid		(39,983)	(29,960)
Employees' retirement benefits paid		(8,347)	(7,797)
Net increase in long term deposits		(9,070)	(21,023)
Net cash (used in)/generated from operating activities		(787,177)	304,334
Cash flows from investing activities			
Fixed capital expenditure		(1,385,496)	(648,859)
Investment made		(279,814)	(1,000,990)
Proceeds from sale/maturity of investment		503,963	3,308,758
Acquisition of subsidiary, net of cash acquired		(215,638)	–
Investments in associates - net		7,691	145
Dividend received		3,968	106,467
Income from bank deposits received		21,556	4,015
Sale proceeds from sale of assets subject to finance lease		387	–
Sale proceeds from sale of property, plant and equipment		16,505	6,989
Net cash (used in)/generated from investing activities		(1,326,878)	1,776,525
Cash flows from financing activities			
Proceeds from share deposit money		650,000	60,000
Increase in long term finances		624,597	268,220
Sale proceeds from sale and lease back transaction		19,100	7,679
Long term advances - net		15,000	856
Net increase/(decrease) in short term borrowings - secured		599,075	(2,144,135)
Finance lease liabilities - net		205,686	43,531
Dividend paid		(57,784)	(324)
Dividend paid to minority shareholders		(50,470)	–
Net cash generated from/(used in) financing activities		2,005,204	(1,764,173)
Net (decrease)/increase in cash and cash equivalents		(108,851)	316,686
Cash and cash equivalents at the beginning of the year		510,104	193,418
Cash and cash equivalents at the end of the year	31	401,253	510,104

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, 2008

			ATTRIBUTABLE TO THE E				
			CAPITAL RESERVES				
	Share capital	**Share deposit money**	**Reserve for bonus issue**	**Share premium**	**Share in capital reserves of associates**	**Fair value reserve**	**Difference of capital under scheme of arrangement of merger**
Balance as on September 30, 2006	579,365	–	–	243,282	10,205	1,587,979	155,930
Share deposit money received during the year	–	60,000	–	–	–	–	–
Fair value loss during the year	–	–	–	–	–	(141,825)	–
Transferred to profit and loss account on derecognition of shares	–	–	–	–	–	(1,621,052)	–
Impairment loss transferred to profit and loss account	–	–	–	–	–	52,892	–
Share in capital reserves of associates	–	–	–	–	97,954	–	–
Transfer from surplus on revaluation of property, plant and equipment	–	–	–	–	–	–	–
Profit for the year	–	–	–	–	–	–	–
Balance as on September 30, 2007	579,365	60,000	–	243,282	108,159	(122,006)	155,930
Share deposit money received during the year by subsidiary company	–	650,000	–	–	–	–	–
Shares issued to minority	–	(510,000)	–	–	–	–	–
Minority interest arising on business combination	–	–	–	–	–	–	–
Fair value gain/(loss) during the year	–	–	–	–	–	20,047	–
Transferred to profit and loss account on derecognition of shares	–	–	–	–	–	5	–
Share in capital reserves of associates	–	–	–	–	(11,027)		–
Transfer from surplus on revaluation of property, plant and equipment	–	–	–	–	–	–	–
Transfers from general reserve for issue of bonus shares	–	–	115,873	–	–	–	–
Dividend relating to 2007	–	–	–	–	–	–	–
Bonus shares issued during the year	115,873	–	(115,873)	–	–	–	–
Loss for the year	–	–	–	–	–	–	–
Balance as on September 30, 2008	695,238	200,000	–	243,282	97,132	(101,954)	155,930

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

Chief Executive

(Rupees in thousand)

EQUITY HOLDERS OF THE PARENT									
	REVENUE RESERVES								
Sub-total	General	Dividend equalization	Equity investment market value equalization	Sub-total	Total	Accumulated (loss) / profit	Total	Minority interest	Total equity
1,997,396	526,479	22,700	83,000	632,179	2,629,575	255,259	3,464,199	–	3,464,199
–	–	–	–	–	–	–	60,000	–	60,000
(141,825)	–	–	–	–	(141,825)	–	(141,825)	–	(141,825)
(1,621,052)	–	–	–	–	(1,621,052)	–	(1,621,052)	–	(1,621,052)
52,892	–	–	–	–	52,892	–	52,892	–	52,892
97,954	–	–	–	–	97,954	–	97,954	–	97,954
–	–	–	–	–	–	25	25	–	25
–	–	–	–	–	–	475,616	475,616	–	475,616
								–	–
385,365	526,479	22,700	83,000	632,179	1,017,544	730,900	2,387,809	–	2,387,809
								–	–
–	–	–	–	–	–	–	650,000	–	650,000
–	–	–	–	–	–	–	(510,000)	182,335	(327,665)
–	–	–	–	–	–	–	–	461,654	461,654
20,047	–	–	–	–	20,047	–	20,047	(70,471)	(50,424)
5	–	–	–	–	5	–	5	–	5
(11,027)	–	–	–	–	(11,027)	–	(11,027)	–	(11,027)
–	–	–	–	–	–	22	22	–	22
115,873	(115,873)	–	–	(115,873)	–	–	–	–	–
–	–	–	–	–	–	(57,936)	(57,936)	(50,470)	(108,406)
(115,873)	–	–	–	–	(115,873)	–	–	–	–
–	–	–	–	–	–	(1,058,921)	(1,058,921)	(104,208)	(1,163,129)
								–	–
394,390	410,606	22,700	83,000	516,306	910,696	(385,935)	1,419,999	418,840	1,838,839

Chairman

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

1. Legal status and nature of business

1.1 Constitution and ownership

The consolidated financial statements of the Shakarganj Group (the group) comprise of the financial statements of:

Shakarganj Mills Limited
Shakarganj Mills Limited (SML) (the "parent company") was incorporated in Pakistan in September 1967 under the repealed Companies Act 1913, substituted later by the Companies Ordinance, 1984 and listed on Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the company is situated in The Bank of Punjab Tower, Gulbreg III, Lahore.

Shakarganj Food Products Limited
Shakarganj Food Products Limited (SFPL) (a subsidiary) was incorporated in Pakistan in April 2001 as a private limited company under the Companies Ordinance, 1984. The name of the company was changed from A.M. Fruit Products (Private) Limited to Shakarganj Food Products Limited along with a change of it status from private to public limited in January 2006. The company became a subsidiary of Shakarganj Mills Limited (the "parent company") on September 30, 2006. The registered office of the company is situated in The Bank of Punjab Tower, Gulbreg III, Lahore.

Safeway Mutual Fund Limited
Safeway Mutual Fund Limited (SWML) (a subsidiary) is a public limited company incorporated in May 1994 under the Companies Ordinance, 1984 and has been registered with Securities and Exchange Commission of Pakistan (SECP) as an Investment Company under the Investment Companies and Investment Advisors Rules, 1971 to carry on the business of a closed end investment company. The company is listed on the Karachi and Islamabad Stock Exchanges. The company has entered into an agreement with Safeway Fund Limited to act as its Assets Management Company. The company became a subsidiary of Shakarganj Mills Limited (the "parent company") on July 20, 2007. The registered office of the company is situated in Karachi.

Safeway Fund Limited
Safeway Fund Limited (SFL) (a subsidiary) was incorporated in February 1992 as a private limited company under the Companies Ordinance, 1984 and was registered as an Investment Adviser under the Investment Companies and Investment Advisor Rules, 1971 which were repealed with effect from April 01, 2003 with the promulgation of NBFC (Establishment and Regulation) Rules, 2003. The company was converted into an unquoted public limited company in 1994. The company became a subsidiary of Shakarganj Mills Limited (the "parent company") on March 19, 2008. The registered office of the company is situated in Karachi.

Asian Capital Management Limited
Asian Capital Management Limited (ACML) (a subsidiary) was incorporated in March 1994 as a private limited company under the Companies Ordinance, 1984 and was registered as an Investment Adviser under the Investment Companies and Investment Advisor Rules, 1971 which were repealed with effect from April 01, 2003 with the promulgation of NBFC (Establishment and Regulation) Rules, 2003. The company was converted into an unquoted public limited company in 1994. The company became a subsidiary of Shakarganj Mills Limited (the "parent company") on March 19, 2008. The registered office of the company is situated in Karachi.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

1.2 Activities of the group

Shakarganj Mills Limited (the parent company) and its subsidiaries, Shakarganj Food Products Limited, Safeway Mutual Fund Limited, Safeway Fund Limited and Asian Capital Management Limited (together, 'the group') are engaged in the following business:

- manufacture, purchase and sale of sugar, ethanol, building material, yarn, industrial scale steel equipment and engaged in generation and sale of electricity through the parent company, Shakarganj Mills Limited;

- manufacture and sale of juices, dairy products and other allied products, through the subsidiary company, Shakarganj Food Products Limited

- investments in the share of listed companies, through the subsidiary company, Safeway Mutual Fund Limited; and

- rendering investment advisory services for mutual fund, through the subsidiary companies, Safeway Fund Limited and Asian Capital Management Limited.

The group has its principal manufacturing facilities at Jhang, Bhone and Jaranwala. The group's investment advisory companies and the mutual fund operations are based in Karachi.

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

Amendments to IAS 1 'Presentation of Financial Statements' - Capital disclosure is mandatory for the accounting period beginning on October 01, 2007. Its adoption by the group only impacts the format and extent of disclosures presented in the financial statements.

As a result of adoption by Institute of Chartered Accountants of Pakistan (ICAP) and its notification by SECP, IFRS 3 'Business Combinations' is applicable for the group in the current year, accordingly the group is not required to amortize goodwill as previously required under the withdrawn IAS 22 'Business Combinations'. However, the carrying amount of goodwill shall be tested for impairment annually.

2.2.2 Amendments to published standards not yet effective

The following amendments and interpretations to existing standards have been published and are mandatory for the group's accounting periods beginning on or after their respective effective dates:

- IFRS 7 'Financial Instruments : Disclosures' is effective from October 01, 2008. It requires disclosures about the significance of financial instruments for the group's financial position and performance, as well as quantitative and qualitative disclosure on the nature and extent to risks.

- IFRS 8 'Operating Segments' is effective from October 01, 2009. It sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers.

- Certain amendments to IAS 23 ' Borrowing Costs' have been published that are applicable to the group's financial statements covering annual periods, beginning on or after October 01, 2009. Adoption of these amendments would require the group to capitalize the borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing these borrowing costs will be removed.

- IFRIC 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction' is effective from October 01, 2008. IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The group will apply IFRIC 14 from October 01, 2008, but it is not expected to have any significant impact on the group's financial statements.

2.2.3 Standards and interpretations to existing standards that are not applicable to the group and not yet effective

Standards or Interpretation	**Effective date (accounting periods beginning on or after)**
IFRS 2 - Share based payment	October 01, 2008
IFRIC 12 - Service concession arrangements	October 01, 2008
IFRIC 13 - Customer loyalty programmes	October 01, 2008
IFRIC 15 - Accounting for agreements for the construction of real estate	October 01, 2009
IFRIC 16 - Hedge of net investment in a foreign operation	October 01, 2009

In addition to the above, a new standard 'IFRS 4 - Insurance Contracts' has been issued by the International Accounting Standards Board but has not yet been adopted by the Institute of Chartered Accountants of Pakistan (ICAP) or notified by the SECP and, hence, presently do not form part of the local financial reporting framework.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

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 group'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.

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.

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.

The group, previously did not consolidate subsidiaries over which the control was intended to be temporary and which were intended to be disposed off within 12 months , however, consequent to the adoption of IFRS 5 'Non Current Assets Held For Sale and Discontinued Operations', the group now also consolidates such subsidiaries. This change has been accounted for prospectively in the financial statements in line with the transitional provisions included in IFRS 5.

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.

Purchases from minority interests results in goodwill, being the difference between any consideration paid in the relevant share acquired of the carrying value of net assets of subsidiaries.

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 under non-current assets held for sale at lower of carrying and fair value.

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 parent company for its employees of sugar and allied divisions are as follows:

All permanent employees who are in the management cadre of the parent 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 parent 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, 2008.

Actual returns on plan assets during the year were Rs 10.074 million and Rs 2.097 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 parent 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	14%	per annum
Expected increase in eligible pay	13%	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 parent company is expected to contribute Rs 8.129 million and Rs 3.903 million to the pension and gratuity funds respectively in the next year ending September 30, 2009.

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

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

Subsidiary

SFPL operates an unfunded gratuity scheme covering all permanent employees who complete the prescribed qualifying period of service. The obligations under the gratuity 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 parent 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 parent company which is charged to profit.

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

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FOR THE YEAR ENDED SEPTEMBER 30, 2008

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 was revalued again as at September 30, 2007 and once again as at September 30, 2008 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 4.22.

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, 2008 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 impairment losses of Rs 46.262 million and Rs 10.930 million have been recognized during the year against property, plant and equipment and assets subject to finance lease respectively of the Textile division based on its fair value less costs to sell as determined by an independent valuation expert.

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 group 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 recognized goodwill is tested annually for impairment and carried at cost less accumulated 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 licenses are shown at historical cost. Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives at rates mentioned in note 20.

c) Computer software

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

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized 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 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.

4.9 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.

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.

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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 group becomes a party to the contractual provisions of the instrument and derecognized when the group 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 Non-current assets held for sale

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying value is to be recovered principally through a sale transaction rather than through continuing use.

4.17 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 group.

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

4.18 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.

4.19 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.

4.20 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'.

4.21 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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

4.22 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.

4.23 Revenue recognition

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

Revenue from sale of electricity is recognised on transmission of electricity to Faisalabad Electric Supply Company (FESCO).

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

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

4.24 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 group is organized into eight 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;

- Engineering division - design, fabrication and sale of industrial scale steel equipment;

- Power division - generation and sale of electricity;

- Dairy and Fruit Products division - manufacture and sale of UHT milk and cream, milk powder, desi ghee, fruit pulp and concentrate juices; and

- Investment Advisory division - rendering investment advisory services for mutual fund.

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.

4.24.1 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.

4.24.2 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.

4.25 Dividends

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

5. Issued, subscribed and paid up capital

2008	2007		2008	2007
(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
33,131,816	21,544,516	Ordinary shares of Rs 10 each issued as fully paid bonus shares	331,318	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
69,523,798	57,936,498		695,238	579,365

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

	2008	2007
	(Number of shares)	
Asian Stock Fund Limited	2,177,400	1,665,000
Crescent Jute Products Limited	200,640	167,200
Crescent Steel and Allied Products Limited	15,244,665	6,193,082
Crescent Sugar Mills & Distillery Limited	2,865,830	2,436,692
The Crescent Textile Mills Limited	5,450,988	4,522,907
	25,939,523	14,984,881

6. This represents share deposit money received during the year from IGI Finex Securities Limited.

7. Surplus on revaluation of property, plant and equipment

Freehold land, buildings and plant and machinery of the principal facility (parent company) at Jhang were revalued by an independent valuer as at September 30, 1979. Freehold land of the parent company was again revalued as at September 30, 2007 and also as at September 30, 2008 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. 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.

	2008	2007
	(Rupees in thousand)	
Revaluation - net of deferred tax	1,840,226	3,157
Revaluation surplus arising during the year	203,623	1,837,094
Surplus transferred to unappropriated profit on account of incremental depreciation - net of tax	(22)	(25)
	2,043,827	1,840,226

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.

		2008	2007
		(Rupees in thousand)	

8. Long term finances

		2008	2007
Long term loans - secured	- note 8.1	1,889,073	1,961,476
Redeemable capital			
Preference shares (non-voting) - unsecured	- note 8.4	345,755	345,755
Term finance certificates (non-voting) - secured	- note 8.5	630,000	–
		975,755	345,755
Long term running finances - secured	- note 8.6	398,820	331,820
		3,263,648	2,639,051
Less: Current portion shown under current liabilities			
- Long term loans - secured		(988,863)	(585,518)
		2,264,785	2,053,533

The parent company has aggregate undrawn borrowing facilities of Rs 86 million as at September 30, 2008 available upto March 19, 2011. These facilities have been arranged to finance the working capital needs of the group.

8.1 Long term loans - secured

Loan	Lender	2008 (Rupees in thousand)	2007	Rate of mark-up per annum	Number of instalments outstanding	Mark-up payable
1	Pakistan Industrial Credit and Investment Corporation Limited	–	2,081	***SBP Discount rate (10%)	None	Quarterly
2	MCB Bank Limited	–	7,750	*****Base rate + 1.5%	None	Quarterly
3	Atlas Investment Bank Limited	5,000	15,000	**Base rate + 3.5% subject to floor of 5.5%	1 installment of Rs 5 million due in September 2008 paid subsequent to year end	Semi annual
4	National Bank Limited	–	62,500	**Base rate + 3.5%	None	Quarterly
5	Saudi Pak Commercial Bank Limited	175,000	200,000	*Base rate + 3.75% and monitoring fee of 0.25% p.a	14 quarterly installments ending November 2011	Quarterly
6	MCB Bank Limited	–	68,750	*Base rate + 2% subject to floor of 7%	None	Quarterly
7	International Housing Finance Limited	913	3,396	****Base rate + 4.25%	4 monthly installments ending January 2009	Monthly

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Shakarganj Mills Limited

Loan	Lender	2008 (Rupees in thousand)	2007	Rate of mark-up per annum	Number of instalments outstanding	Mark-up payable
8	Orix Investment Bank Pakistan Limited	–	3,000	***Base rate+2% subject to floor of 7.5% and cap of 15%	None	Semi-annual
9	Pakistan Kuwait Investment Company (Private) Limited	–	10,000	***Base rate + 2% subject to floor of 7.5% and cap of 13%	None	Semi-annual
10	Syndicate term loan - note 8.2	525,000	735,000	**Base rate + 3% subject to floor of 5.25%	5 semi annual installments ending November 2010	Semi-annual
11	Askari Commercial Bank Limited	–	2,718	*Base rate + 2% subject to floor of 6%	None	Quarterly
12	MCB Bank Limited	122,500	183,750	*Base rate + 2% subject to floor of 8%	4 semi annual installments ending September 2010	Quarterly
13	Meezan Bank Limited	18,965	32,145	*Base rate + 2% subject to floor of 8% and cap of 18%	7 quarterly installments ending April 2010	Quarterly
14	Faysal Bank (+)	17,500	22,500	*Base rate + 3.25%	14 Quarterly installments ending December 2012	Quarterly
15	Faysal Bank (++)	2,700	4,500	*Base rate + 2.6%	6 quarterly installments ending November 2009	Quarterly
16	Faysal Bank (+++)	2,044	4,089	*Base rate + 3%	4 Quarterly installments ending June 2009	Quarterly
17	The Bank of Punjab	–	211,068	*****Base rate + 4.0% subject to floor of 8%	Lump sum payment due in July 2009	Quarterly
18	Faysal Bank Limited	64,000	–	*Base rate + 3.25%	3 years revolving arrangement ending March 2011	Semi annual
19	National Bank of Pakistan	244,800	–	*Base rate + 2.5%	9 half yearly semi annual installments ending November 2012	Quarterly
20	Standard Chartered Bank	400,000	–	*Base rate + 2.25%	10 semi annual installments including grace period of 12 months ending June 2014	Semi annual
21	Allied Bank of Pakistan Limited	280,000	350,000	*Base rate + 2%	8 semi annual installments commencing April 2010	Semi annual
22	Industrial Development Bank of Pakistan - note 8.3	30,651	43,229		8 semi annual installments ending April 2010	Not applica ble
		1,889,073	1,961,476			

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

Loan 2
These include mortgage of agricultural land, continuing guarantee and 1st registered parri passu hypothecation charge over current assets of the parent company.

Loan 3 to 5
These are secured against first charge on property, plant and equipment of the parent company ranking pari passu with other creditors.

Loan 6 and 7
It is secured against equitable mortgage on immovable property of the parent company financed through the loan.

Loan 8 and 9
These are secured by way of hypothecation charge over plant and machinery of the textile division of the parent company.

Loan 10
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 11 to 16
These are secured against specific charges on plant and machinery of the parent company financed through the respective loans.

Loan 17
This is secured by way of a ranking charge on the current assets of the parent company.

Loan 18
These are secured by way of a charge on agricultural land and 1st parri passu charge on fixed assets of the parent company.

Loan 19
These are secured by way of 1st parri passu charge over present and future property, plant and equipment of the parent company.

Loan 20
These are secured by way of hypothecation over all present and future moveable assets of the parent company and mortgage of land and buildings.

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Loan 21

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, 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 22

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 parent company has entered into interest rate swap arrangements for its long term finances to hedge the possible adverse movements in interest rates. Under the terms of the interest rate swap arrangements, the company pays Libor plus bank spread to the arranging bank on the amount of loan denominated in US $ for the purposes of the interest rate swap and receives Kibor from the arranging bank. In two interest rate swap arrangements the company is also required to pay the exchange differential on the outstanding amount of loan denominated in US $ for the purposes of the interest rate swap. 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 repayable in 10 equal half yearly installments 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% (2007: 13%) per annum, prevalent 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 parent company at the end of every financial year or the group 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 parent 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:

	2008	2007
	(Rupees in thousand)	
Asian Stock Fund Limited	180,000	180,000
Crescent Commercial Bank Limited	–	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
	5,978,571	6,978,571

8.5 Redeemable term finance certificates (non-voting) - secured

The TFCs have been issued to finance the acquisition and establishment of a new sugar plant and its existing business operations and for other purposes permitted by the Memorandum and Articles of Association.

Terms of redemption

The term finance certificates (TFC's) are redeemable in 6 years. The principal balance is payable in ten equal semi-annual installments after a grace period of 1 year. The first installment will be due at the end of 18th month from the issue date, being September 22, 2008. Mark up is charged at average 6 months KIBOR plus 2.25% and is payable semi-annually in arrears.

Security

The TFC's are secured by a first pari passu charge by way of hypothecation over all present and future movable fixed assets of the parent company and first pari passu mortgage by deposit of title deeds over land and building of the Company to the extent of outstanding face value of the TFC's plus 25% margin.

8.6 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 (2007: 400 million) at a mark-up of Re 0.493 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 parent company. The balance is repayable by July 2009.

9. Long term advances

		2008	2007
		(Rupees in thousand)	
Advance from leasing companies	- note 9.1	–	736
Advance from associate	- note 9.2	**15,000**	–
		15,000	736

9.1 Advance from leasing companies

	2008	2007
Advance from leasing companies	**856**	873
Less: repayments upto September 30	–	(17)
	856	856
Less: transferred to liabilities against assets subject to finance lease	**(856)**	–
Less: Current portion shown under current liabilities	–	(120)
	–	736

9.2 This represents an unsecured interest free amount advanced by an associate, Crescent Steel and Allied Products Limited and is intended to be invested in the shares of Safeway Fund Limited (SFL), a subsidiary company, pursuant to SFL's planned merger with Asian Capital Management Limited (also a subsidiary company) which is pending regulatory approval.

10. Liabilities against assets subject to finance lease

	2008	2007
	(Rupees in thousand)	
Present value of minimum lease payments	453,791	247,249
Less: Current portion shown under current liabilities	(161,408)	(96,613)
	292,383	150,636

The minimum lease payments have been discounted at an implicit interest rate ranging from 6.69% to 19.98% 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	
			2008	2007
	(Rupees in thousand)			
Not later than one year	210,516	49,108	161,408	96,613
Later than one year and not later than five years	340,044	47,661	292,383	150,636
	550,560	96,769	453,791	247,249

11. Employees' retirement benefits

		2008	2007
		(Rupees in thousand)	
Balance sheet obligations for:			
Parent			
Pension fund	- note 11.1	12,024	8,149
Gratuity fund	- note 11.2	(995)	(2,991)
		11,029	5,158
Subsidiary			
Unfunded gratuity scheme	- note 11.3	6,649	3,328
Accumulating compensated absences	- note 11.4	2,159	1,284
		8,808	4,612
		19,837	9,770

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		2008	2007
		(Rupees in thousand)	
Profit and Loss account charge for:			
Parent			
Pension fund	- note 11.1	9,785	7,333
Gratuity fund	- note 11.2	3,736	3,139
		13,521	10,472
Subsidiary			
Unfunded gratuity scheme	- note 11.3	4,010	2,821
Accumulating compensated absences	- note 11.4	883	618
		4,893	3,439
		18,414	13,911

11.1 Pension fund - Parent

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

	2008	2007
Present value of defined benefit obligations	145,490	139,975
Fair value of plan assets	(147,386)	(135,250)
Non vested (past service) cost to be recognized in later periods	19,650	(7,163)
Unrecognized actuarial (gains)/losses	(5,730)	10,587
Liability as at September 30	12,024	8,149

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

	2008	2007
Present value of defined benefit obligations as at October 1	139,975	109,038
Current Service Cost	7,880	7,763
Interest Cost	13,997	9,813
Benefits paid during the year	(3,849)	(3,437)
Actuarial (gains)/losses	(12,513)	16,798
Present value of defined benefit obligations as at September 30	145,490	139,975

	2008	2007
	(Rupees in thousand)	
The movement in the fair value of plan assets of the year is as follows:		
Fair value as at October 1	135,250	116,759
Expected Return on plan assets	13,525	11,676
Contributions during the year	5,910	4,135
Benefits paid during the year	(3,849)	(3,437)
Actuarial (losses)/gains	(3,450)	6,117
Fair value as at September 30	147,386	135,250
The amounts recognized in the Profit and Loss Account are as follows:		
Current Service Cost	7,880	7,763
Interest Cost	13,997	9,813
Expected return on plan assets	(13,525)	(11,676)
Past Service Cost	1,433	1,433
Total, included in salaries and wages	9,785	7,333
The amounts recognized were included in the Profit and Loss Account as follows:		
Cost of sales	4,305	3,522
Administrative expenses	5,163	3,811
Discontinued operations	117	–
Capital work in progress	200	–
Total, included in salaries and wages	9,785	7,333

The actual return on plan assets was Rs. 10.074 million (2007: Rs. 17.793 million)

The principal actuarial assumptions used were as follows:

	2008	2007
Discount Rate	14%	10%
Expected Return on plan assets	10%	12%
Future salary increases	13%	9%
Average expected remaining working life time of employees	11 years	10 years

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	2008	2007
	(Rupees in thousand)	
Plan assets are comprised as follows:		
Equity Instruments	35,990	7,048
Debt Instruments	111,396	120,905
Others	–	7,297
	147,386	135,250

Fair value of plan assets include Preference Shares of the parent company whose fair values as at September 30, 2008 is Rs 3.580 million (2007: Rs 2.100 million).

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

	2007-08	2006-07	2005-06	2004-05	2003-04
			(Rupees in thousand)		
As at September 30					
Present value of defined benefit obligations	145,490	139,975	109,038	105,657	92,989
Fair value of plan assets	(147,386)	(135,250)	(116,759)	(99,831)	(79,799)
Deficit/(surplus)	(1,896)	4,725	(7,721)	5,826	13,190
Experience adjustment on plan liabilities	(12,513)	16,797	(7,997)	3,192	2,679
Experience adjustment on plan assets	(3,450)	6,737	6,836	8,076	4,229

	2008	2007
	(Rupees in thousand)	

11.2 Gratuity fund - Parent

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

	2008	2007
Present value of defined benefit obligations	39,264	33,354
Fair value of plan assets	(39,642)	(36,492)
Unrecognized actuarial (gains)/losses	(617)	147
Asset as at September 30	(995)	(2,991)

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	2008	2007
	(Rupees in thousand)	
The movement in the defined benefit obligation over the year is as follows:		
Present value of defined benefit obligations as at October 1	33,354	23,172
Current Service Cost	4,050	4,292
Interest Cost	3,335	2,087
Benefits paid during the year	(686)	(852)
Actuarial (gains)/losses	(789)	4,655
Present value of defined benefit obligations as at September 30	39,264	33,354
The movement in the fair value of plan assets of the year is as follows:		
Fair value as at October 1	36,492	30,235
Expected Return on plan assets	3,649	3,024
Contributions during the year	1,739	3,534
Benefits paid during the year	(686)	(852)
Actuarial (losses)/gains	(1,552)	551
Fair value as at September 30	39,642	36,492
The amounts recognized in the Profit and Loss Account are as follows:		
Current Service Cost	4,050	4,292
Interest Cost	3,335	2,086
Expected return on plan assets	(3,649)	(3,024)
Past Service Cost	–	–
Actuarial (gains)	–	(215)
Total, included in salaries and wages	3,736	3,139
The amounts recognized were included in the Profit and Loss Account as follows:		
Cost of sales	1,804	1,659
Administrative expenses	1,821	1,480
Discontinued operations	45	–
Capital work in progress	66	–
Total, included in salaries and wages	3,736	3,139

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The actual return on plan assets was Rs. 2.097 million (2007: Rs. 3.575 million)

The principal actuarial assumptions used were as follows:

	2008	2007
Discount Rate	14%	10%
Expected Return on plan assets	10%	10%
Future salary increases	13%	9%
Average expected remaining working life time of employees	10 years	10 years

	2008	2007
	(Rupees in thousand)	
Plan assets are comprised as follows:		
Equity Instruments	9,475	5,691
Debt Instruments	25,117	30,450
Others	5,049	351
	39,641	36,492

Fair value of plan assets include Ordinary shares and Preference Shares of the parent company whose fair values as at September 30, 2008 are Rs 0.857 million (2007:Rs 1.295 million) and Rs 0.520 million (2007: Rs 0.300 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:

	2007-08	2006-07	2005-06	2004-05	2003-04
			(Rupees in thousand)		
As at September 30					
Present value of defined benefit obligations	39,264	33,353	23,173	22,668	21,176
Fair value of plan assets	(39,642)	(36,491)	(30,236)	(25,087)	(22,607)
Deficit/(surplus)	(378)	(3,138)	(7,063)	(2,419)	(1,431)
Experience adjustment on plan liabilities	(789)	4,655	(3,225)	811	811
Experience adjustment on plan assets	(1,552)	551	785	1,548	530

	2008	2007
	(Rupees in thousand)	

11.3 Unfunded gratuity scheme - Subsidiary

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

	2008	2007
Present value of defined benefit obligations	7,801	3,395
Unrecognized actuarial gains	(1,152)	(67)
Liability as at September 30	6,649	3,328

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

	2008	2007
Present value of defined benefit obligations as at October 1	3,395	1,142
Current Service Cost	3,670	2,236
Interest Cost	340	102
Benefits paid during the year	(689)	(131)
Actuarial losses/(gains)	1,085	46
Present value of defined benefit obligations as at September 30	7,801	3,395

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

	2008	2007
Current Service Cost	3,670	2,236
Interest Cost	340	102
Past Service Cost	–	483
Total, included in salaries and wages	4,010	2,821

Of the total charge, Rs. 2.275 million (2007: Rs. 1.662 million) , Rs. 0.972 million (2007: Rs. 0.287 million) and Rs 0.758 million (2007: 0.872 million) respectively were included in 'cost of sales' , 'administrative expenses' and 'selling and distri bution expenses' respectively.

The principle actuarial assumption used were as follows:

	2008	2007
Discount Rate	14%	10%
Future salary increases	13%	9%
Average expected remaining working life time of employees	13 years	13 years

The present value of defined benefit obligation is as follows:

	2007-08	2006-07	2005-06	2004-05	2003-04
			(Rupees in thousand)		
As at September 30					
Present value of defined benefit obligations	7,801	3,395	1,142	–	–
Experience adjustment on plan liabilities	1,085	46	–	–	–

	2008	2007
	(Rupees in thousand)	
11.4 Accumulating compensated absences - Subsidiary		
Opening balance as at October 1	1,284	666
Provision for the year	883	618
	(8)	
Closing balance as at September 30	2,159	1,284

Of the total charge, Rs. 0.508 million (2007: Rs. 0.252 million) , Rs. 0.143 million (2007: Rs. 0.189 million) and Rs 0.233 million (2007: 0.177 million) 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 2.899 million (2007: Rs 2.475 million).

	2008	2007
	(Rupees in thousand)	
13. Deferred taxation		
The deferred tax asset comprises temporary differences relating to:		
Accelerated tax depreciation	876,352	769,971
Employee retirement benefits	(2,928)	(1,517)
Unused tax losses	(867,899)	(762,881)
Diminution in value of investments	(5,525)	(5,573)
Investment in associated companies	8,500	9,500
	8,500	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 1,168.01 million in respect of tax losses and Rs 114.60 million in respect of minimum tax paid, 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 114.60 million would not be available for carry forward against future tax liabilities subsequent to years 2008 through 2013. Tax losses amounting to Rs 79.34 million, Rs 877.32 million, Rs 930.31 million and Rs 1,600.02 million expire in year 2011, 2013, 2014 and 2015 respectively.

		2008	**2007**
		(Rupees in thousand)	

14. Current portion of long term liabilities

Long term finances	- note 8	998,863	585,518
Long term advances	- note 9	–	120
Liabilities against assets subject to finance lease	- note 10	161,408	96,613
		1,160,271	682,251

15. Short term borrowings - secured

Running finances	- note 15.1	3,029,224	2,700,350
Export refinance	- note 15.2	572,298	622,955
Term finances	- note 15.3	509,318	188,460
		4,110,840	3,511,765

15.1 Running finances

Running finances available from a consortium of commercial banks under mark-up arrangements amount to Rs 4,423 million (2007: Rs 4,210 million). The rates of mark-up range from Re 0.2942 to Re 0.4723 per Rs 1,000 per diem on the outstanding balance or part thereof. The aggregate running finances are secured against pledge of stock-in-trade and marketable securities and registered hypothecation charge on property, plant and equipment and current assets of the parent company.

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15.2 Export refinance

The company has obtained export finance facilities aggregating to Rs 650 million (2007: Rs 650 million). The rates of markup range from Re 0.0696 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 first charge on current assets of the parent company.

15.3 Term finances

Term finance facilities available from a consortium of commercial banks under mark-up arrangements amount to Rs 509.318 million (2007: Rs 351.4 million). The rates of mark-up range from Re 0.3079 to Re 0.5066 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 parent company.

Of the aggregate facility of Rs 50 million (2007: Rs 345 million) for opening of letters of credit and Rs 110 million (2007: Rs 90.50 million) for guarantees, the amount utilized at September 30, 2008 was Rs 43.913 million (2007: Rs 308.509 million) and Rs 86.500 million (2007: Rs 87.852 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 30, pledge of marketable securities and charge on current assets of the parent company.

16. Trade and other payables

		2008	2007
		(Rupees in thousand)	
Trade creditors	- note 16.1	913,896	402,279
Advances from customers		85,403	47,360
Security deposits	- note 16.2	2,631	2,545
Accrued liabilities		101,872	75,663
Workers' profit participation fund	- note 16.3	94	94
Workers' welfare fund	- note 16.4	1,598	575
Sales tax payable		792	9,292
Unclaimed dividend		1,568	1,416
Derivative interest rate swap	- note 16.5	36,959	4,805
Penalties payable		4,996	4,953
Others	- note 16.6	57,368	51,236
		1,207,177	600,218

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16.1 Trade creditors include amount due to related parties Rs 0.136 million (2007: Rs 1.321 million).

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

	2008	2007
	(Rupees in thousand)	
16.3 Workers' profit participation fund		
As at October 1	94	90
Interest charged during the year	–	6
	94	96
Less: Payments made during the year	–	2
As at September 30	94	94
16.4 Workers' welfare fund		
As at October 1	575	575
Charge for the year	1,023	–
As at September 30	1,598	575

16.5 The parent company has entered into derivative interest rate swap arrangements to hedge for the possible adverse movements in interest rates arising on the interest payments due on its long term finances as mentioned in note 8.2. The derivative interest rate swap arrangements outstanding as at September 30, 2008 have been marked to market and the resulting loss of Rs 32.154 million has been recognized in profit and loss account as referred to in note 36 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'.

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16.6 Included in other liabilities are provisions aggregating to Rs 29.038 million (2007: Rs 29.038 million) in respect of probable loss from pending litigation of the parent company against Sales tax authorities and the Excise department. The movement in these provisions during the year is as follows:

	2008	2007
	(Rupees in thousand)	
As at October 1	29,038	32,334
Incurred against provisions during the year	–	(3,296)
As at September 30	29,038	29,038

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 parent company at various forums.

	2008	2007
	(Rupees in thousand)	
17. Accrued finance cost		
Accrued mark-up on:		
- Long term finances	175,387	95,107
- Liabilities against assets subject to finance leases	1,223	1,176
- Short term borrowings	159,854	122,592
	336,464	218,875

18. Contingencies and commitments

18.1 Contingencies

Parent company

(i) The parent company has issued following guarantees:

Bank guarantee of Rs 86.50 (2007: Rs 86.50 million) in favor of Sui Northern Gas Pipelines Limited against performance of contracts.

Bank guarantee in favour of Government of Pakistan through Collector of Sales Tax, LTU against Sales tax refund claim amounting to Rs. Nil (2007: 1.352 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 million (2007: 467 million) .

(ii) The parent 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. 7.680 million (2007: 4.53 million).

(iii) Claims not acknowledged as debts by the parent company Rs Nil (2007: 6.319 million) .

Subsidiary company (SFPL)

(i) SFPL has issued bank guarantee amounting to Rs 0.900 million (2007: Rs 0.900 million) given in favour of Sui Northern Gas Pipelines Limited for the performance of contract.

(ii) During the course of negotiations for acquisition of net operating fixed assets of Dairy Crest Foods (Private) Limited (DCFL) by SFPL, the management of DCFL disclosed to the SFPL 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 SFPL 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 SFPL 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.

(iii) The Commissioner of Income Tax (Appeals) has passed an order under the Income Tax Ordinance, 2001 for the Tax Year 2006 demanding Rs 32.296 million as income tax payable alongwith additional tax on account of failure to withhold taxes at the time of making payments to certain parties and on additions in fixed assets. The company has filed appeal before the Income Tax Appellate Tribunal against the said order contesting on the ground that withholding tax provisions do not apply to such payments. Pending the outcome of appeal no provision has been recognised in the financial statements as the company has strong grounds to believe that the ultimate outcome will be in its favour.

(iv) 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 Federal Board of Revenue for condonation of time limit for submission of refund claim but was refused extension. 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 recoverability of such sales tax as SFPL is confident of favorable outcome of the appeals.

18.2 Commitments

Parent company

The parent company has the following commitments in respect of:

(i) Letters of credit other than capital expenditure Rs 56.721 (2007: Rs 2.867 million).

(ii) Contract for capital expenditure amounting to Rs 273.202 million (2007: Rs 387.927 million) .

(iii) Contracts for acquisition of intangible (computer software) amounting to Rs. 20 million (2007: 20 million).

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

	2008	2007
	(Rupees in thousand)	
Not later than one year	25,749	57,317
Later than one year and not later than five years	98,734	122,311
Later than five years	5,802	13,317
	130,285	192,945

Subsidiary company (SFPL)

SFPL has the following commitments in respect of:

(i) Commitment in respect of long term loan to Sui Northern Gas Pipelines Limited for the development of infrastructure for supply of natural gas to dairy plant Rs 8.383 million (2007: Rs 21.960 million).

(ii) Contract for capital expenditure amounting to Rs Nil (2007: Rs 106.784 million) .

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

19. Property, plant and equipment

	Cost re-valued amount October 1, 2007	Additions/ (deletions)	Acquistion of subsidiary	Effect of revaluation as at September 30, 2008
Freehold land	2,130,498	30,553	–	203,623
Buildings and roads on freehold land	594,956	48,155 (335)	–	–
Plant and machinery	5,582,686	645,575 (29,261)	–	–
Tools and equipment	78,377	1,923 (53)	–	–
Water, electric and weighbridge equipment	267,592	6,198 –	–	–
Furniture and fixtures	39,187	4,576 (32)	546	–
Office equipment	38,452	2,282 (1,533)	411	–
Vehicles	90,711	16,451 (5,500)	4,288	–
Laboratory Equipment	18,575	791 –	–	–
Arms and ammunition	98	9	–	–
Library books	10,345	–	5	–
2008	8,851,477	756,513 (36,714)	5,250	203,623 –

Shakarganj Mills Limited

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

2008 (Rupees in thousand)

Cost re-valued amount September 30, 2008	Accumulated depreciation as at October 1, 2007	Acquistion of subsidiary	Depreciation charge/ (deletions) for the year	Impairment charge for the year	Accumulated depreciation impairment as at September 30, 2008	Book value as at September 30, 2008	Rate of depreciation %
2,364,674	–	–	–	–	–	2,364,674	–
642,776	162,804	–	32,216 (295)	–	194,725	448,051	5-7.5
6,199,000	1,637,143	–	298,277 (6,157)	46,262	1,975,525	4,223,475	5-30
80,247	39,728	–	15,864 (24)	–	55,568	24,679	20-40
273,790	109,281 –	–	34,642	–	143,923	129,867	10-40
44,277	22,870	178	3,582 (4)	–	26,626	17,651	10-20
39,612	28,506	220	3,638 (1,033)	–	31,331	8,281	10-40
105,950	37,212	647	12,560 (3,080)	–	47,339	58,611	20
19,366	11,813	– –	2,564	–	14,377	4,989	10-40
107	82	–	2	–	84	23	10
10,350	8,976	1	411	–	9,388	962	30
9,780,149	2,058,415	1,046	403,756 (10,593)	46,262	2,498,886	7,281,263	

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Cost re-valued amount October 1, 2006	Additions/ (deletions)	Acquistion of subsidiary	Effect of revaluation as at September 30, 2007
Freehold land	251,813	41,591	–	1,837,094
Buildings and roads on freehold land	454,073	140,883	–	–
Plant and machinery	5,398,942	184,605 (861)	–	–
Tools and equipment	43,946	34,449 (18)	–	–
Water, electric and weighbridge equipment	269,184	4,900 (6,492)	–	–
Furniture and fixtures	37,540	1,745 (98)	–	–
Office equipment	35,966	2,518 (32)	–	–
Vehicles	86,222	18,835 (14,346)	–	–
Laboratory Equipment	18,167	411 (3)	–	–
Arms and ammunition	98	–	–	–
Library books	9,968	377	–	–
2007	6,605,919	430,314 (21,850)	– –	1,837,094 –

19.1 The carrying amount of freehold land, buildings and plant and machinery would have been Rs 321.129 million (2007: Rs 274.795 million) , Rs 440.982 million (2007: Rs 379.814 million) and Rs 4,204.010 million (2007: Rs 3207.400 million) 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 25.902 million (2007: Rs 73.571 million).

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

Capital work-in-progress - unallocated expenditure
Cost of sales
Administrative expenses
Distribution and selling costs
Discontinued operations

19.4 Impairment charge for the year has been allocated to cost of sales as referred to in note 34.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

2007 (Rupees in thousand)

Cost re-valued amount September 30, 2007	Accumulated depreciation as at October 1, 2006	Acquistion of subsidiary	Depreciation charge/ (deletions) for the year	Impairment charge for the year	Accumulated depreciation impairment as at September 30, 2007	Book value as at September 30, 2007	Rate of depreciation %
2,130,498	–	–	–	–	–	2,130,498	–
594,956	134,786	–	28,018	-	162,804	432,152	5-7.5
5,582,686	1,322,383	–	297,918 (59)	16,901	1,637,143	3,945,543	5-30
78,377	27,228	–	12,515 (15)	–	39,728	38,649	20-40
267,592	66,040	–	44,083 (842)	–	109,281	158,311	10-40
39,187	19,271	–	3,611 (12)	–	22,870	16,317	10-20
38,452	23,661	–	4,847 (2)	–	28,506	9,946	10-40
90,711	31,493	–	10,857 (5,138)	–	37,212	53,499	20
18,575	7,962	–	3,853 (2)	–	11,813	6,762	10-40
98	80	–	2	–	82	16	10
10,345	8,467	–	509	–	8,976	1,369	30
8,851,477 –	1,641,371	–	406,213 (6,070)	16,901	2,058,415	6,793,062	

	2008	2007
	(Rupees in thousand)	
- note 22.2	99	46
- note 34	361,157	368,577
- note 35	25,446	27,633
- note 36	756	206
- note 37	16,298	9,751
	403,756	406,213

19.5 Disposal of property, plant and equipment

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
		(Rupees in thousand)				
Building	**Physical Damage**	335	295	40	–	Insurance claim
Plant and Machinery	**Outside parties - Parent company**					
	S.S Electric company	1,202	1,004	198	700	Negotiation
	Abasin Corporation Services	3,084	2,544	540	1,400	- do -
	TetraPak Pakistan - SFPL (a subsidiary)	24,975	2,608	22,367	11,176	- do -
Office Equipment	**Outside parties**					
	Office automation Group	200	178	22	70	- do -
Computers	**Physical Damage**	1,303	851	452	–	Insurance claim
Vehicles	**Employees - Parent company**					
	Muhammad Awais Qureshi (Executive Vice President - Principal Facility)	675	457	218	570	Negotiation
	Yousuf Ali (Engineer)	275	93	182	205	- do -
	Syed Ziaul Hussnain (Plant Pathologist)	194	73	121	133	- do -
	Employees - SFPL (a subsidiary)					
	Kamran Saghir	711	326	385	301	- do -
	Waseem-ur-Rehman	790	364	426	326	
	Faraz Ahmed	560	328	232	232	
	Outside parties					
	EFU General Insurance	599	432	167	84	- do -
	Zaidi Traders	393	347	46	226	- do -
	EFU General Insurance	469	253	216	340	- do -
Other assets having book value below Rs. 50,000 - Parent company		919	436	483	717	
Other assets having book value below Rs. 50,000 - Subsidiaries		30	4	26	25	
		36,714	10,593	26,121	16,505	

20. Intangible assets

2008 (Rupees in thousand)

	Cost as at September 30, 2007	Additions/ (transfers/ deletions)	Acquisition of subsidiary	Cost as at September 30, 2008	Accumulated amortization September 30, 2007	Acquisition of subsidiary	Amortization charge/ (transfers) for the year	Accumulated amortization September 30, 2008	Book value as at September 30, 2008	Rate of amortization %
Goodwill	104,424	–	126,614	191,791	20,885	–	–	20,885	170,906	N/A
		(39,247)								
Computer software	1,700	–	1,837	3,537	340	365	1,600	2,305	1,232	20
License fee for generation and sale of electricity	–	1,007	–	1,007	–	–	33	33	974	3.7
Trade marks and copy rights	721	–	–	721	192	–	144	336	385	20
2008	106,845	1,007	128,451	197,056	21,417	365	1,777	23,559	173,497	
	–	(39,247)	–	–	–	–	–	–	–	

2007 (Rupees in thousand)

	Cost as at September 30, 2006	Additions/ (transfers/ deletions)	Acquisition of subsidiary	Cost as at September 30, 2007	Accumulated amortization September 30, 2006	Acquisition of subsidiary	Amortization charge/ (transfers) for the year	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	
	–	–	–	–	–	–	–	–	–	

20.1 The amortization charge for the year has been allocated as follows:

		2008	**2007**
		(Rupees in thousand)	
Cost of sales	- note 34	1,632	340
Administrative expenses	- note 35	–	20,885
Distribution and selling costs	- note 36	145	144
		1,777	21,369

21. Assets subject to finance lease

2008 (Rupees in thousand)

	Cost as at September 30, 2007	Additions/ (transfers/ deletions)	Cost as at September 30, 2008	Accumulated depreciation September 30, 2007	Depreciation charge/ (transfers) for the year	Impairment charge for the year	Accumulated depreciation September 30, 2008	Book value as at September 30, 2008	Rate of depre-ciation %
Plant and machinery	258,594	210,108 (93,624)	375,078	91,156	15,067 (41,274)	10,930 –	75,879	299,199	7.5-10
Vehicles	98,271	15,295 (21,057)	92,509	40,511	11,933 (11,097)	–	41,347	51,162	20
2008	356,865	225,403 (114,681)	467,587	131,667	27,000 (52,371)	10,930	117,226	350,361	

2007 (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 depre-ciation %
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	75,024	29,335 (5,382)	34,696	131,667	225,198	

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

Cost of sales	- note 34	**16,845**	19,015
Administrative expenses	- note 35	**9,767**	10,320
Discontinued operations	- note 36	**182**	–
Other operating expenses	- note 37	**206**	–
		27,000	29,335

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

		2008	2007
		(Rupees in thousand)	
22. Capital work-in-progress			
Civil works		47,383	41,974
Plant and Machinery (including in transit Rs. Nil million (2007: Rs 7.108 million))	- note 22.1	703,334	439,662
Unallocated expenditure	- note 22.2	80,406	24,077
Advances for land, plant and machinery and vehicles		458,571	322,090
Advances given for acquisition of intangible assets			
Related party - Crescent Standard Telecommunications Limited		–	4,000
Others		12,336	16,331
		12,336	20,331
		1,302,030	848,134

22.1 It includes an amount of Rs 234.628 million (2007: Rs 98.921 million) being the cost of machinery financed by leasing companies.

22.2 It includes depreciation on property, plant and equipment and leased assets of Rs 0.138 million (2007: 0.046 million).

22.3 Aggregate balance of capital work in progress includes finance costs of Rs 45.881 (2007: Rs Nil million).

	2008	2007
	(Rupees in thousand)	
23. Biological assets		
Sugarcane		
Mature	144,004	86,204
Immature	2,070	27,473
	146,074	113,677
Rice - mature	7,788	3,509
Livestock - mature	6,248	2,209
	160,110	119,395
Non - current	8,318	29,682
Current	151,792	89,713
	160,110	119,395

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FOR THE YEAR ENDED SEPTEMBER 30, 2008

23.1 The value of mature sugarcane crops is based on estimated average yield of 611 (2007: 583) mounds per acre on cultivated area of 3,997 (2007: 4,114) acres out of the total 4,315 (2007: 5,789) acres. The value of rice crops is based on the estimated yield of 21 (2007: 21) mounds per acre on cultivated area of 476 (2007: 458) acres. As at September 30, 2008, 3,708 (2007: 1,718) acres are under preparation for wheat cultivation.

23.2 Of the total 4,315 acres of Sugarcane crop, 318 acres relate to the September 2008-09 crop, which is valued at cost of Rs 2.070 million. As the crop is in early stages, its fair value less estimated point of sale cost cannot be reliably measured.

	2008	2007
	(Rupees in thousand)	
23.3		
As at October 1	119,395	191,999
Increase due to purchases/costs incurred	229,616	286,680
Loss arising from changes in fair value less estimated point of sale costs	(33,926)	(76,078)
Decreases due to harvest / sales	(154,975)	(283,206)
As at September 30	160,110	119,395

24. Investments - related parties

		2008	2007
In equity instruments of associated companies	- note 24.1	**156,838**	177,233
Available for sale	- note 24.3	**71,397**	16,040
Held to maturity	- note 24.4	**1,377**	–
		229,612	193,273

24.1 In equity instruments of associated companies

		2008	2007
Cost		**55,529**	55,529
Brought forward amounts of post acquisition reserves and profits and negative goodwill recognized directly in profit and loss account		**121,703**	157,789
		177,232	213,318
Share of movement in reserves during the year		**(11,027)**	97,954
Share of profit/(loss) for the year			
- before taxation		**8,669**	103,688
- provision for taxation		**(10,345)**	(4,851)
		(1,676)	98,837
		164,529	410,109
Share of profits and reserves of associates:			
- transferred to short term investments:		**–**	(233,448)
- disposed off during the year		**–**	7,567
Dividends received during the year		**(7,691)**	(6,995)
		(7,691	(232,876)
Balance as on September 30	- note 24.2.	**156,838**	177,233

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

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	2008	2007
	(Rupees in thousand)	
24.2 In equity instruments of associated companies		
Quoted		
Crescent Steel and Allied Products Limited		
2,820,062 (2007: 2,563,693) fully paid ordinary shares of Rs. 10 each Equity held: 4.99 % (2007: 4.99 %)	156,838	177,233
Shakarganj Foods Limited		
1,360,000 (2007: 1,360,000) fully paid ordinary shares of Rs 10 each Equity held: 45.33 % (2007: 45.33 %)	–	–
Unquoted		
Crescent Standard Telecommunications Limited		
300,000 (2007: 300,000) fully paid ordinary shares of Rs 10 each Equity held: 24.88 % (2006: 24.88 %)	–	–
	156,838	177,233

Investments in associates include goodwill amounting to Rs 12.432 million (2007: Rs 12.432 million).

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)			
2007					
Accounted for on equity method					
Crescent Steel and Allied Products Limited	4.99%	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	45.33%	–	–	–	–
Crescent Standard Telecommunications Limited	24.88%	–	–	–	–
		275,811	98,578	236,209	98,837

Name	Percentage interest held	Assets	Liabilities	revenues	Profit/ (Loss)
		(Rupees in thousand)			
2008					
Crescent Steel and Allied Products Limited	4.99%	223,833	79,427	204,801	(1,676)
Shakarganj Food Limited	45.33%	–	–	–	–
Crescent Standard Telecommunications Limited	24.88%	–	–	–	–
		223,833	79,427	204,801	(1,676)

24.2.2 Investments in Safeway Mutual Fund Limited (a subsidiary) and Asian Stock Fund Limited (a subsidiary) are being disclosed under 'Non-current assets held for sale' as referred to in Note 32.

24.2.3 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.

			2008	2007
			(Rupees in thousand)	
24.3. Available for sale				
Associated companies	- at cost	- note 24.3.1	104,000	14,000
Others	- at cost	- note 24.3.2	2,200	2,200
			106,200	16,200
Add: Cumulative fair value gain		- note 24.3.3	(32,603)	2,040
Less: Cumulative impairment losses recognized			(2,200)	(2,200)
Fair value gain			(34,803)	(160)
			71,397	16,040

	2008	2007
	(Rupees in thousand)	
24.3.1 Associated companies		
Quoted		
Crescent Jute Products Limited		
536,817 (2007: 536,817) fully paid ordinary shares of Rs 10 each	–	–
Asian Stock Fund Limited		
9,000,000 (2007: Nil) fully paid ordinary shares of Rs 10 each	90,000	–
Unquoted		
Central Depository Company of Pakistan Limited		
500,000 (2007: 201,500) fully paid ordinary shares of Rs 10 each	14,000	14,000
	104,000	14,000
24.3.2 Others		
Unquoted		
Crescent Group Services (Private) Limited		
220,000 (2007: 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		
As at October 1	2,040	18,532
Transferred to short-term investments	–	(17,297)
Acquisition of subsidiary	(38,250)	–
Fair value gain during the year	3,607	805
As at September 30	(32,603)	2,040

		2008	2007
		(Rupees in thousand)	

24.4 Held to maturity

Certificates of investments	- note 24.4.1	2,586	–
Less: Current portion shown under short term investments		(1,209)	–
As at September 30		1,377	

24.4.1 These represent certificates of investments purchased from a leasing company by SFPL (a subsidiary) for a period ranging from 3 months to 3 years and carries markup at the rate of 12% per annum. The certificates are pledged with the same leasing company against certain operating lease facilities for vehicles and office equipment.

24.5 Investments with face value of Rs 25.60 million (2007: Rs 22.90 million) and market value of Rs 75.80 million (2007: Rs 158.01 million) are pledged as security against long term running finances and short term borrowings as referred to in note 8.6 and note 15 respectively.

		2008	2007
		(Rupees in thousand)	

25. Long term loans, advances, deposits, prepayments and other receivables

Loans - considered good to:			
Related party - Asian Capital Management Limited		–	10,000
Sui Northern Gas Pipelines Limited	- note 25.1	28,826	7,140
Employees	- note 25.2	2,607	355
		31,433	17,495
Less: Current portion shown under short term advances	- note 30	903	522
		30,530	16,973
Advance to Creek Marina (Private) Limited	- note 25.3	38,487	38,487
Receivable from Safeway Fund Limited		–	17,356
Prepayments		1,809	–
Security deposits and others		54,524	41,613
		125,350	114,429

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25.1 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.

25.2 These represent interest free un-secured loans given to employees (including loans to executive of Rs 1.24 million (2007: Rs 0.14 million) for purchase of vehicles in accordance with the terms of employment. These are repayable in four years from the date of disbursement.

25.3 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.

	2008	2007
	(Rupees in thousand)	
25.4 Maximum aggregate amount outstanding during the year in respect of related parties is as follows:		
Asian Capital Management Limited	10,000	10,000
Safeway Fund Limited	17,356	17,356
Employees	985	828
	28,341	28,184

26. Stores, spares and loose tools

	2008	2007
Stores (including in transit Rs 8.700 million (2007: 1.068 million))	112,548	64,107
Spares	40,715	42,324
Loose tools	1,541	1,627
	154,804	108,058
Less: Provision for obsolete items	(1,500)	(1,500)
	153,304	106,558

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

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	2008	2007
	(Rupees in thousand)	
27. Stock-in-trade		
Raw materials	324,721	57,924
Work-in-process	11,171	10,835
Finished goods	1,020,215	1,056,945
	1,356,107	1,125,704

27.1 Raw materials and finished goods amounting to Rs. 1,239.86 million (2007: Rs 1,079.969 million) are pledged withlenders as security against long term running finances and short term borrowings as referred to in note 8.6 and note 15 respectively.

27.2 Aggregate stocks with a cost of Rs 195.957 million (2007: 882.169) are being valued at net realizable value of Rs 193.323 million (2007: 861.034 million).

		2008	2007
		(Rupees in thousand)	
28. Trade Debts			
Considered good:			
- Secured		34,839	4,816
- Unsecured		124,170	80,291
		159,009	85,107
29. Investments			
Available for sale	- note 29.1	378,959	1,000,970
Held for trading	- note 29.2	35,420	70,959
Held to maturity	- note 29.3	27,936	–
		442,315	1,071,929

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			2008	2007
			(Rupees in thousand)	
29.1 Available for sale				
Related parties	- at cost	- note 29.1.1	44	859,053
Others	- at cost	- note 29.1.2	265,541	267,406
			265,585	1,126,459
Add: Cumulative fair value gain/(loss)		- note 29.1.4	113,374	(124,046)
Less: Cumulative Impairment loss		- note 29.1.5	–	(1,443)
			113,374	(125,489)
			378,959	1,000,970

29.1.1 Related parties

Subsidiary company - Quoted

Safeway Mutual Fund Limited

	2008	2007
Nil (2007: 29,215,143) fully paid ordinary shares of Rs 10 each Equity held Nil (2007: 53.65%)	–	509,785
Associated companies - Quoted		
Asian Stock Fund Limited		
Nil (2007: 37,528,673) fully paid ordinary shares of Rs 10 each	–	349,224
The Premier Insurance Company of Pakistan Limited		
95,482 (2007: 79,568) fully paid ordinary shares of Rs 5 each	44	44
	44	859,053

	2008	2007
	(Rupees in thousand)	
29.1.2 Others		
Quoted		
Crescent Commercial Bank Limited		
5,058,126 (2007: 5,058,126) fully paid ordinary shares of Rs 10 each	50,988	50,988
Altern Energy Limited		
21,266,582 (2007: 21,266,582) fully paid ordinary shares of Rs 10 each	212,678	212,678
Crescent Standard Modaraba		
Nil (2007: 172,500) fully paid ordinary shares of Rs 10 each	–	1,710
Jubilee Spinning and Weaving Mills Limited		
15,584 (2007: 15,584) fully paid ordinary shares of Rs 10 each	–	–
Pakistan Strategic Allocation Fund Limited		
187,500 (2007: 203,000) fully paid ordinary shares of Rs 10 each	1,875	2,030
Unquoted		
Crescent Standard Brokerage & Investment Services Limited		
Nil (2007: 880,000) fully paid ordinary shares of Rs 10 each	–	–
Innovative Housing Finance Limited		
51,351 (2007: 51,351) fully paid ordinary shares of Rs 10 each	–	–
	265,541	267,406

29.1.3 Investments with a face value of Rs 262.641 million (2007: Rs 450.136 million) and market value of Rs 375.188 million (2007: Rs 479.354 million) are pledged as security against long term running finances and short term borrowings as referred to in note 8.6 and note 15 respectively.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

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	2008	2007
	(Rupees in thousand)	
29.1.4 Cumulative fair value gain/(loss)		
As at October 1	(124,046)	1,569,447
Fair value (loss)/gain during the year	123,496	(142,630)
Transferred from long-term investments	–	17,297
Transferred to profit and loss account on derecognition of shares	5	(1,621,052)
Impairment loss recognized during the year	–	52,892
Fair value gain for Non current assets held for sale	113,919	–
As at September 30	113,374	(124,046)
29.1.5 Cumulative impairment losses recognized		
As at October 1	1,443	54,171
Add: impairment loss recognized during the year	–	52,892
Less: impairment loss adjusted upon derecognition of investment	(1,443)	(105,620)
As at September 30	–	1,443
29.2 Held for trading - quoted		
Crescent Commercial Bank Limited		
1,671,987 (2007: 1,671,987) fully paid ordinary shares of Rs 10 each	17,472	32,437
D. G. Khan Cement Company Limited		
10,000 (2007: Nil) fully paid ordinary shares of Rs 10 each	393	–
Oil and Gas Development Corporation of Pakistan		
Nil (2007: 90,000) fully paid ordinary shares of Rs 10 each	–	10,350
Bank Alfalah Limited		
Nil (2007: 50,000) fully paid ordinary shares of Rs 10 each	–	2,475

	2008	2007
	(Rupees in thousand)	
Al-Abbas Cement Industries Limited		
Nil (2007: 100,000) fully paid ordinary shares of Rs 10 each	–	1,205
Pakistan National Shipping Corporation		
95,000 (2007: 70,000) fully paid ordinary shares of Rs 10 each	5,144	6,853
Pakistan Oilfields Limited		
10,000 (2007: 25,000) fully paid ordinary shares of Rs 10 each	2,435	7,738
PICIC Energy Fund		
100,000 (2007: 100,000) fully paid ordinary shares of Rs 10 each	445	720
Thal Limited		
Nil (2007: 30,500) fully paid ordinary shares of Rs 10 each	–	9,181
United Bank Limited		
40,000 (2007: Nil) fully paid ordinary shares of Rs 10 each	2,730	–
ICI Pakistan Limited		
500 (2007: Nil) shares of Rs. 10 each	81	–
N.I.B Bank Limited		
90,800 (2007: Nil) share or Rs. 10 each	1,032	–
Pakistan Petroleum Limited		
5,000 (2007: Nil) share of Rs. 10 each	1,230	–
Pakistan Telecommunication Company Limited		
50,000 (2007: Nil) share of Rs. 10 each/-	1,932	–
Asian Stock Fund Limited		
2,042,760 (2007: Nil) shares of Rs. 10 each	2,525	–
Crescent Steel and Allied Products		
8 (2007: Nil) shares of Rs. 10 each	1	–
	35,420	70,959

29.3 Held to maturity

		2008	2007
		(Rupees in thousand)	
Musharika Investment	- note 29.3.1	17,935	17,935
Certificate of Investments	- note 29.3.2	25,000	–
Term Finance Certificates	- note 29.3.3	1,727	–
Current maturity of long term investment held to maturity	- note 24.4.1	1,209	–
		45,871	17,935
Less: Cumulative impairment losses recognized		(17,935)	(17,935)
		27,936	–

29.3.1 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.

29.3.2 This represents certificates of investment purchased from Pak Oman Investment Company Limited for a period of three months and carries markup at the rate of 12.75%

29.3.3 These include 346 certificates of Rs 4,991.5 each of Pak Arab Fertilizers Limited held by Safeway Fund Limited and Asian Capital Management Limited and carry markup at 6 months KIBOR + 1.50%. The aggregate cost of certificates was Rs 1,730,000.

30. Loans, advances, prepayments and other receivables

		2008	2007
		(Rupees in thousand)	
Advances - considered good			
- to employees		3,007	1,860
- to suppliers and contractors	- note 30.1	54,456	38,797
- to sugarcane growers	- note 30.2	12,142	10,164
		69,605	50,821

		2008	2007
		(Rupees in thousand)	
Advances - considered doubtful:			
- to suppliers and contractors		513	513
- to sugarcane growers		2,000	2,000
Due from related parties-unsecured and considered good	- note 30.3	3,957	300
Current portion of long term loan receivable from			
Sui Northern Gas Pipelines Limited	- note 25.1	611	522
Others		292	–
Dividend receivable			
- considered good		182	3,417
- considered doubtful		–	–
	- note 30.4	182	3,417
Recoverable from government			
- Income tax		36,290	13,139
- Excise duty		2,968	1,867
- Sales tax		127,956	54,475
		167,214	69,481
Interest receivable on deposits		284	5,115
Security deposits		24,287	7,499
Prepayments		44,097	45,347
Margins against bank guarantees		599	1,269
Others:			
- considered good		7,818	6,812
- considered doubtful		50	1,588
		321,509	194,684
Less: provision against doubtful receivables	- note 30.5	(2,563)	(4,101)
		318,946	190,583

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

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30.2 These relate to normal business of the company and carry mark-up ranging from 11.24% to 15.24%

		2008	2007
		(Rupees in thousand)	
30.3 Due from related parties			
Considered good			
Crescent Sugar and Distillery Limited		635	–
Crescent Steel and Allied Products Limited		1,829	3
Asian Stock Fund Limited	1,493	–	
Shakarganj Foods Limited		–	297
		3,957	300
30.4 Dividend receivable includes receivable from following related parties			
Central Depository Company of Pakistan Limited		–	604
Crescent Steel and Allied Products Limited		–	2,331
		–	2,935
30.5 Provision against doubtful receivables			
As at October 1		4,101	31,795
Provision during the year		677	2,101
Receivables written off against provision during the year		(2,215)	(29,795)
As at September 30		2,563	4,101

31. Cash and bank balances

		2008	2007
At banks on:			
- Saving accounts			
- Pak rupees	- note 31.1	230,934	431,074
- Foreign currency	- note 31.2	446	376
		231,380	431,450
- Current accounts		165,071	78,092
		396,451	509,542
In hand		4,802	562
		401,253	510,104

31.1 Profit on balances in saving accounts ranges from 0.10% to 11.00% (2007: 0.10% to 9.00%) per annum.

31.2 Foreign currency accounts include US Dollars 5,327 (2007: 5,320) and Euros 652 (2007: 664).

32. Non Current Assets Held For Sale and Discontinued Operations

i) Subsidiary company acquired with a view to resale and classified as held for sale

Last year the company 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 held 53.65% and 41.70% voting shares of the respective companies. However, the management intended to liquidate these investments within twelve months and for this purpose, an active program commenced to locate a buyer at a reasonable price. Consequently, these were classified as short term investments in the financial statements for the year ended September 30, 2007. These investments could not be off-loaded during the year due to unusually adverse investment scenario of the country resulting in the cessation of the operations of the Karachi Stock Exchange (KSE) in Pakistan near the end of August 2008. These circumstances were unforeseen and beyond the control of the management and circumvented any possibility of disposal of these investments at a reasonable price, however, the management remains committed to its plan of disposing these investments at a price that is fair. Accordingly these investments are shown under the Non Current Assets Held For Sale under IFRS 5 'Non Current Assets Held For Sale and Discontinued Operations' .

IFRS 5 has withdrawn the exemption from consolidation previously available under IAS 27 'Consolidated and Separate Financial Statements' of a subsidiary where the subsidiary has been acquired exclusively with a view for resale. Accordingly in these consolidated financial statements SWMFL is being consolidated, however, since the criteria under IFRS 5 for disposal is being met, SWMFL is being presented as a disposal group classified as Non-current asset held for sale.

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

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	2008	2007
	(Rupees in thousand)	
Non-current assets classified as held for sale		
i) Subsidiary company acquired with a view to resale and classified as held for sale	621,816	–
ii) Investment in associate company at market value	235,305	–
	857,121	–
Liabilities directly associated with non-current assets classified as held for sale		
i) Subsidiary company acquired with a view to resale and classified as held for sale	3,556	–
	3,556	–
Results of discontinued operations		
i) Subsidiary company acquired with a view to resale and classified as held for sale	(167,462)	–
	(167,462)	–
Cash flows of discontinued operations		
i) Subsidiary company acquired with a view to resale and classified as held for sale	(83,776)	–
Total cash outflows from discontinued operations	(83,776)	–

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

	2008	2007
	(Rupees in thousand)	
Non-current assets classified as held for sale		
Cash and Bank balances	14,986	–
Short term investments	540,348	–
Receivable against continuous funding system	55,676	–
Receivable against sale of investments	2,289	–
Dividend receivable	2,708	–
Income tax refundable	910	–
Prepayments and other receivables	1,284	–
Long term deposits	3,615	–
	621,816	–
Liabilities directly associated with non-current assets classified as held for sale		
Remuneration payable to investment advisor	2,382	–
Accrued expenses and other liabilities	221	–
Dividend payable	74	–
Provision for taxation	879	–
	3,556	–
Analysis of the result of subsidiary company acquired with a view to resale and classified as held for sale		
Income	(139,389)	–
Expenses	(28,073)	–
Loss before tax	(167,462)	–
Taxation	–	–
Loss for the year from discontinued operations	(167,462)	–

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	2008	2007
	(Rupees in thousand)	
Analysis of the cash flows of subsidiary company acquired with a view to resale and classified as held for sale		
Operating cash flows	(80,276)	–
Financing cash flows	(3,500)	–
Total cash flows	(83,776)	–

ii) Investment in associate company at market value

IAS 28 'Investments in Associates' specifically allows an exemption from the application of equity method of accounting for an investment classified as held for sale in accordance with IFRS 5. Accordingly, the parent company's investment in ASFL is being accounted for and valued at fair values based on market prices quoted on the Karachi Stock Exchange at the balance sheet date.

	2008	2007
Asian Stock Fund Limited		
37,528,673 (2007: Nil) fully paid ordinary shares of Rs 10 each Cost Rs in thousands 334,770	235,305	–

Investments with a face value of Rs 170.915 million and market value of Rs 107.163 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.

33. Sales

	Sugar		Ethanol		Building Materials		Textile	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Gross sales								
- Investment advisory fee								
- Local sales	4,295,294	4,289,120	163,722	185,447	58,067	22,119	815,883	613,971
- Export sales	76,826	–	1,801,622	638,087	–	–	115,425	105,292
- By-products	52	5	–	–	–	–	25,674	17,628
- Inter-segment	603,518	301,908	–	–	–	–	–	–
	4,975,690	4,591,033	1,965,344	823,534	58,067	22,119	956,982	736,891
Less: Commission to selling agents	8,849	8,564	224	186	2,584	863	6,443	5,157
Trade discounts	–	–	–	–	–	–	–	–
Sales tax	578,442	569,847	22,853	24,180	8,032	2,885	–	
	587,291	578,411	23,077	24,366	10,616	3,748	6,443	5,157
Net sales	4,388,399	4,012,622	1,942,267	799,168	47,451	18,371	950,539	731,734

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

34. Cost of sales

	Sugar 2008	Sugar 2007	Ethanol 2008	Ethanol 2007	Building Materials 2008	Building Materials 2007	Textile 2008	Textile 2007
Inter-segment	–	–	549,035	251,928	17,986	3,923	46,530	46,057
Raw materials consumed	3,460,218	2,576,042	572,169	267,508	–	193	742,628	526,392
	3,460,218	2,576,042	1,121,204	519,436	17,986	4,116	789,158	572,449
Salaries, wages and other benefits - note 34.2	180,060	149,326	16,572	14,797	5,353	3,746	65,828	52,881
Processing charges	–	–	–	–	–	–	–	–
Stores and spares consumed	112,629	94,115	5,567	8,809	1,055	337	23,267	13,673
Dyes and chemicals	29,014	18,814	46,525	17,822	14,117	3,564	–	–
Packing material consumed	58,571	37,675	–	-	-	–	14,317	11,122
Fuel and power	153,350	103,953	2,568	24,977	13	1,130	53,610	43,244
Repairs and maintenance	27,675	24,104	716	4,713	262	145	3,386	3,614
Insurance	5,118	7,598	1,199	1,674	30	46	2,573	3,009
Vehicle running and maintenance	6,100	5,300	–	–	46	47	–	–
Traveling and conveyance	1,095	1,670	175	716	51	70	1,178	1,094
Printing and stationery	892	786	66	57	7	10	–	–
Rent, rates and taxes	786	698	–	–	–	–	198	198
Sugarcane research and development - note 34.2	13,732	10,025	–	–	–	–	–	–
Staff training and development	643	420	–	18	–	–	–	–
Depreciation on:								
- property, plant and equipment	225,670	234,436	50,359	58,248	1,107	787	21,807	29,158
- leased assets	7,493	10,095	30	1,666	–	–	1,900	7,204
Amortization on intangibles	–	–	–	–	–	–	340	340
Impairment of:								
- property, plant and equipment	–	–	–	–	–	–	46,262	16,901
- assets subject to finance lease	–	–	–	–	–	–	10,930	34,696
Software development charges	–	–	–	–	–	–	–	120
Other expenses	17,511	15,329	5,095	1,931	1,520	586	1,102	1,150
	4,300,557	3,290,386	1,250,076	654,864	41,547	14,584	1,035,856	790,853
Opening work-in-process	3,683	16,952	–	–	–	–	4,917	4,030
Less: Closing work-in-process	(3,234)	(3,683)	–	–	–	–	(6,651)	(4,917)
	449	13,269	–	–	–	–	(1,734)	(887)
Cost of goods produced	4,301,006	3,303,655	1,250,076	654,864	41,547	14,584	1,034,122	789,966
Opening stock of finished goods	871,156	1,524,730	107,771	76,706	4,595	6,212	20,432	24,571
Less: Closing stock of finished goods	(782,611)	(871,156)	(77,278)	(107,771)	(11,728)	(4,595)	(65,575)	(20,432)
	88,545	653,574	30,493	(31,065)	(7,133)	1,617	(45,143)	4,139
	4,389,551	3,957,229	1,280,569	623,799	34,414	16,201	988,979	794,105
Cost of sales - goods purchased for resale	–	–	–	–	–	–	–	–
Less: Net expenses of trial run Capitalized	–	–	–	–	–	–	–	–
Less: own goods capitalized / transferred to capital work in progress	–	–	–	–	–	–	–	–
	4,389,551	3,957,229	1,280,569	623,799	34,414	16,201	988,979	794,105

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

(Rupees in thousand)

Engineering		Power		Dairy and fruit products		Investment advisories		Total	
2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
						5,084	–	5,084	–
–	–	72,298	–	1,317,714	1,069,757	–	–	6,722,978	6,180,414
–	–	–	–	60,069	65,007	–	–	2,053,942	808,386
–	–	–	–	–	–	–	–	25,726	17,633
110,512	10,647	17,529	–	–	–	–	–	–	–
110,512	10,647	89,827	–	1,377,783	1,134,764	5,084	–	8,807,730	7,006,433
–	–	–	–	–	–	–	–	18,100	14,770
–	–	–	–	99,626	55,281	–	–	99,626	55,281
–	–	9,917	–	–	–	–	–	619,244	596,912
–	–	9,917	–	99,626	55,281	–	–	736,970	666,963
110,512	10,647	79,910	–	1,278,157	1,079,483	5,084	–	8,070,760	6,339,470
–	–	7,496	–	–	–	–	–	–	–
56,039	34,848	–	–	757,899	620,707	–	–	5,588,953	4,025,690
56,039	34,848	7,496	–	757,899	620,707	–	–	5,588,953	4,025,690
704	1,060	4,945	–	36,062	28,634	4,127	–	313,651	250,444
–	–	–	–	12,177	12,403	–	–	12,177	12,403
228	23	2,412	–	–	–	–	–	145,158	116,957
–	–	213	–	11,302	7,173	–	–	101,171	47,373
–	–	–	–	285,308	225,723	–	–	358,196	274,520
629	347	119	–	94,227	74,563	360	–	304,876	248,214
49	89	1,989	–	21,403	18,433	117	–	55,597	51,098
83	117	244	–	2,098	2,713	122	–	11,467	15,157
102	31	–	–	3,006	1,545	97	–	9,351	6,923
112	104	367	–	965	249	268	–	4,211	3,903
–	7	30	–	568	342	143	–	1,706	1,202
–	–	–	–	–	–	163	–	1,147	896
–	–	–	–	–	–	–	–	13,732	10,025
–	–	–	–	–	–	–	–	643	438
2,764	2,798	13,689	–	45,353	43,150	408	–	361,151	368,577
–	–	6,615	–	807	50	–	–	16,845	19,015
–	–	33	–	–	–	1,259	–	1,632	340
–	–	–	–	–	–	–	–	46,262	16,901
–	–	–	–	–	–	–	–	10,930	34,696
–	–	–	–	–	–	–	–	–	120
608	47	267	–	5,497	2,915	1,117	–	32,717	21,958
61,318	39,471	38,419	–	1,276,672	1,038,600	8,181	–	7,391,579	5,526,850
–	–	–	–	2,235	931	–	–	10,835	21,913
–	–	–	–	(1,286)	(2,235)	–		(11,171)	(10,835)
–	–	–	–	949	(1,304)	–	–	(336)	11,078
61,318	39,471	38,419	–	1,277,621	1,037,296	8,181	–	7,391,243	5,537,928
28,456	–	–	–	52,991	48,780	–		1,085,401	1,680,999
(11,959)	(28,456)	–	–	(83,023)	(52,991)	–	–	(1,032,174)	(1,085,401)
16,497	(28,456)	–	–	(30,032)	(4,211)	–	–	53,227	595,598
77,815	11,015	38,419	–	1,247,589	1,033,085	8,181	–	7,444,470	6,133,526
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	(77,815)	(11,015
77,815	11,015	38,419	–	1,247,589	1,033,085	8,181	–	7,366,655	6,122,511

		2008	2007
		(Rupees in thousand)	
34.2 Salaries, wages and other benefits and sugarcane research and development include following in respect of retirement benefits:			
Parent			
Pension fund		4,305	3,522
Gratuity fund		1,804	1,659
Provident fund		3,246	2,895
		9,355	8,076
Subsidiary			
Unfunded gratuity scheme		2,275	1,662
Accumulating compensated absences		508	252
		2,783	1,914
Total		12,138	9,990

35. Administrative expenses

		2008	2007
Salaries, wages and other benefits	- note 35.1	119,961	94,986
Repairs and maintenance		11,817	8,969
Insurance		5,603	6,205
Vehicle running and maintenance		9,789	6,941
Traveling and conveyance		7,613	8,820
Printing and stationary		3,698	3,055
Electricity and gas		2,161	2,107
Telephone, postage and telegram		4,870	4,583
Legal and professional charges	- note 35.2	20,461	11,074
Consultancy and advisory services		6,215	8,684
Rent, rates and taxes		3,211	2,166
Staff training and development		226	235
Entertainment		3,428	3,010
Subscriptions		8,417	4,574
Advertisements		411	2,025
Registered office expenses		726	726
Provision against doubtful receivables		677	2,101
Bad debts and advances written off		–	–
Depreciation on:			
- property, plant and equipment		28,188	27,633
- leased assets		9,972	10,320
Amortization of goodwill		–	20,885
Others		2,384	1,495
		249,828	230,594

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

		2008	2007
		(Rupees in thousand)	
35.1 Salaries, wages and other benefits include following in respect of retirement benefits:			
Parent			
Pension fund		5,163	3,811
Gratuity fund		1,821	1,480
Provident fund		1,223	969
		8,207	6,260
Subsidiary			
Unfunded gratuity scheme		972	287
Accumulating compensated absences		143	189
		1,115	476
Total		9,322	6,736

35.2 Professional services

		2008	2007
The charges for professional services include the following in respect of auditors' services for:			
- Statutory audit		1,620	980
- Half yearly review		450	450
- Certification charges		125	100
- Out of pocket expenses		112	101
		2,307	1,631

36. Distribution and selling costs

		2008	2007
Salaries, wages and other benefits	- note 36.1	32,515	18,233
Freight and forwarding		214,404	125,291
Handling and distribution		2,066	1,505
Loading and unloading charges		6,425	4,621
Sales promotion expenses		234,600	113,790
Insurance		7,107	8,753
Rent, rates and taxes		1,393	845
Vehicle running and maintenance		2,713	798
Traveling and conveyance		3,995	4,745
Telephone, postage and telegram		2,883	900
Depreciation on property, plant and equipment		756	206
Depreciation on assets subject to finance lease		182	–
Amortization of intangible assets		145	144
Others		1,541	1,765
		510,725	281,596

		2008	2007
		(Rupees in thousand)	
36.1	Salaries, wages and other benefits include following in respect of retirement benefits:		
	Parent		
	Provident fund	–	93
	Subsidiary		
	Unfunded gratuity scheme	**758**	872
	Accumulating compensated absences	**233**	177
		991	1,049
	Total	**991**	1,142

37. Other operating expenses

		2008	2007
		(Rupees in thousand)	
Workers Welfare Fund		**1,023**	–
Loss on sale of property, plant and equipment		**9,616**	2,348
Provision for claims not acknowledged		**8,376**	
Impairment losses on:		–	–
- Available for sale investments:		–	–
classified as long term		–	–
classified as short term	- note 29.1.4	–	52,892
- Held to maturity investments		–	–
Unrealized loss on investments held for trading		**22,268**	–
Social action program expenses		**5,993**	6,533
Loss from agricultural activities		54,961	127,195
Net exchange loss		**106,964**	14,143
Loss on marked to market valuation of interest rate swap		**32,154**	4,805
Donations	- note 37.1	**956**	1,652
Dairy farms development expenses		**426**	–
Others		**3,998**	152
		246,735	209,720

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

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

		2008	2007
		(Rupees in thousand)	
38. Other operating income			
Income from financial assets			
Profit on sale of investments classified as:			
- available for sale		76	1,984,288
- held for trading		5,562	22,432
- associated companies		–	7,567
Realized gain on investments held to maturity		651	1,663
Unrealized gain on investments held for trading		–	14,795
Dividend income from:		–	
- related parties		79	77,862
- others		654	30,061
Reversal of provision for impairment against investments classified as 'held to maturity'	- note 29.3.2	–	47,767
Liabilities written back		3,968	7,221
Return on advance to Altern Energy Limited		–	3,799
Return on bank deposits		16,725	8,935
Gain/(negitve goodwill arising on disposal/ business combination		276,861	–
		304,576	2,206,390
Income from non-financial assets			
Scrap sales		9,578	19,359
Rental income		175	284
Amortization of deferred income		2,899	2,475
Profit on sale of assets subject to finance lease		387	–
Others		10,863	4,264
		23,902	26,382
		328,478	2,232,772

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

39. Finance cost

		2008	2007
		(Rupees in thousand)	
Interest and mark-up on:			
- Long term finances	- note 39.1	391,783	250,926
- Short term borrowings		543,833	616,747
- Workers' profit participation fund - related party		–	6
- Finance lease		20,870	21,566
Bank charges, commission and excise duty		21,463	21,681
Financial advisory fee		16,994	–
Others	- note 39.2	13,646	11,595
		1,008,589	922,521

39.1 This includes preference dividend of Rs 29.409 million (2007: 29.409 million).

39.2 This includes penalties aggregating to Rs. 0.043 million (2007: Rs 5.573 million) levied by financial institutions due to delayed payments.

40. Taxation

	2008	2007
	(Rupees in thousand)	
For the year		
- Current	21,445	42,336
- Deferred	(1,000)	505,427
	20,445	547,763
Prior year		
- Current	(9,748)	(188)
- Deferred	–	(119,054)
	(9,748)	(119,242)
	10,697	428,521

40.1 In view of the available tax losses, the provision for current taxation represents tax on income under 'Final Tax Regime'. Such tax is not available for set off against normal tax liability arising in future years.

For purposes of current taxation the tax losses available for carry forward as at September 30, 2008 are estimated approximately at Rs 7,165 million (2007: Rs 4,939 million), including assessed tax losses of Rs 4,936 million (2007: Rs 3,301 million).

41. Combined (loss)/earnings per share

41.1 Combined basic earnings per share

Continuing operations

		2008	2007
(Loss)/profit for the year from continuing operations attributable to equity holders of the parent	Rupees	(955,115,000)	475,616,000
Weighted average number of ordinary shares in issue during the year	Number	69,523,798	69,523,798
Loss/(earnings) per share - basic	Rupees	(13.74)	6.84

Discontinued operations

		2008	2007
(Loss)/profit for the year from discontinued operations attributable to equity holders of the parent	Rupees	(103,806,000)	-
Weighted average number of ordinary shares in issue during the year	Number	69,523,798	69,523,798
Loss per share - basic	Rupees	(1.49)	-

41.2 Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has a commitment to convert 1,000 preference shares into 167 ordinary shares of Rs 10 each. For the purposes of computing the diluted EPS the convertible preference shares are assumed to have been converted into ordinary shares, and the profit/(loss) is adjusted to eliminate the preference dividend.

Continuing operations

		2008	2007
(Loss)/profit for the year from continuing operations attributable to equity holders of the parent	Rupees	(955,115,000)	475,616,000
Preference dividend on convertible preference shares	Rupees	29,409,000	29,409,000
(Loss)/profit used to determine diluted earnings per share	Rupees	(925,706,000)	505,025,000
Weighted average number of ordinary shares in issue during the year	Number	69,523,798	69,523,798
Assumed conversion of convertible preference shares into ordinary shares	Number	5,774,108	5,774,108
Weighted average number of ordinary shares for diluted earnings per share	Number	75,297,906	75,297,906
Loss/(earnings) per share - diluted	Rupees	(12.29)	6.71

The effect of the conversion of the convertible preference shares into ordinary shares is anti-dilutive for the current year, accordingly the diluted EPS is restricted to the basic EPS.

42. Cash used in operating activities

	2008	2007
	(Rupees in thousand)	
(Loss)/profit before taxation	(1,142087)	908,988
Adjustment for:		
Depreciation/amortization of:		
- property, plant and equipment	403,756	406,213
- assets subject to finance lease	27,000	29,335
- intangible assets	1,777	21,369
- deferred income	(2,899)	(2,475)
Share of income from associated companies	(8,669)	(103,688)
Liabilities written back	(3,968)	(7,221)
Loss on sale of property, plant and equipment	9,616	2,348
Profit on saleof assets subject to finance lease	(387)	–
Impairment of:		
- property, plant and equipment	46,262	16,901
- assets subject to finance lease	10,930	34,696
- investments classified as available for sale	–	52,892
Gain on sale of investments	(5,638)	(2,015,950)
Unrealized loss/(gain) on investments held for trading	22,268	(14,795)
Reversal of provision for impairment against investments classified as HTM	–	(47,767)
Interest from bank deposits	(16,728)	(8,935)
Provision against doubtful receivables	677	2,101
Provision for employees' retirement benefits	18,414	13,911
Dividend income	(733)	(107,923)
Loss from agricultural activities	54,961	127,195
Loss on marked to market valuation of interest rate swap	32,154	4,805
Gain/negitive goodwill arising on disposal/buisness combination	(276,861)	–
Finance cost	1,008,589	922,521
	1,320,524	(674,467)
Profit before working capital changes	(178,437)	234,521
Effect on cash flow due to working capital changes:		
(Increase)/decrease in stores and spares	(46,746)	15,269
(Increase)/decrease in stock in trade	(230,403)	747,813
Increase in biological assets - net	(95,676)	(54,591)
Decrease in trade debts	(73,902)	135,641
(Increase)/decrease in loans, advances, prepayments and other receivables	(99,771)	151,704
Increase in trade and other payables	529,284	119,310
	(17,214)	1,115,146
	(161,223)	1,349,667

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

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 group is as follows:

	Director		Executives	
	2008	2007	2008	2007
	(Rupees in thousand)		(Rupees in thousand)	
Managerial remuneration	–	–	50,576	37,066
Contribution to provident fund, gratuity and pension funds	–	–	6,989	4,697
House rent	–	–	10,128	11,254
Utilities	–	–	5,017	2,558
Reimbursable expenses	–	–	877	1,013
Others	–	–	428	1,797
	–	–	74,015	58,385
Number of persons	–	–	32	32

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

43.3 The group 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 (2007: 8 directors) was Rs 190,000 (2007: Rs 200,000).

44. Related Party Disclosures

The related parties comprise subsidiaries, associated undertakings, post employment benefit plans, other related companies, and key management personnel. The group 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 43. Other significant transactions with related parties are as follows:

Relationship with the company	Nature of transactions	2008	2007
		(Rupees in thousand)	
i. Associated Undertakings	Purchase of goods and services	85,317	67,244
	Sale of goods and services	11,690	48,839
	Share of common expenses	3,736	1,840
	Lease rentals paid	–	–
	Dividend income	79	26,430
	Purchase of investments	243,757	160,995
	Sale of investments	–	17,356
	Advance for purchase of services	–	4,000
	Payments made to/on behalf of the company	714	–
	Investment advisor remuneration	5,084	–
ii. Other related parties	Expenses incurred on behalf of the company	–	–
	Share of common expenses	–	185
iii. Post employment benefit plans	Expense charged in respect of retirement benefit plans	16,503	14,429
	Interest free loan obtained	7,400	7,400

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

45. Capacity and production

		2008	2007
Sugar			
Rated crushing capacity -			
On the basis of 174 days (2007: 140 days)	M. Tons	2,784,000	2,240,000
Actual cane crushed	M. Tons	2,254,712	1,587,927
The low crushing was due to shortage of sugarcane.			
Ethanol			
On the basis of 366 days (2007: 270 days) working	Liters	77,060,000	43,200,000
Actual production	Liters	66,417,091	35,093,676
The low production of ethanol was due to shortage of raw materials.			

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FOR THE YEAR ENDED SEPTEMBER 30, 2008

		2008	2007
Building Materials			
On the basis of 184 days (2007: 100 days)	Cubic meter	5,520	3,000
Actual production	Cubic meter	6,567	1,834
The high production of particle board was due to production efficiencies			
Textile			
Capacity (converted in 20s counts)	Kgs	8,398,912	8,398,912
Actual production (converted in 20s counts)	Kgs	7,073,524	6,675,699
The low production of yarn was due to the stoppages in electricity supply and shut-down of plant for major maintenance works.			
Power			
On the basis of 229 days (2007: Nil days)	KWh	27,600,000	Nil
Actual generation	KWh	17,714,054	Nil
The low generation was due to shortage of raw material and delay in agreement with FESCO			
Dairy and Fruit products division			
Ultra Heat Treated packed milk and cream			
Capacity	Litres	72,285,000	45,625,000
Actual production	Litres	26,244,754	22,838,636
Milk powder			
Capacity	Kgs	1,825,000	1,825,000
Actual production	Kgs	127,790	101,575
Desi Ghee			
Capacity	Kgs	365,000	365,000
Actual production	Kgs	62,086	119,434
Fruit pulps and concentrate juices			
Rated production capacity			
Capacity	Kgs	20,700,000	20,700,000
Actual production	Kgs	11,894,266	4,527,798

46. Business segments information

		Sugar		Ethanol		Building Materials		Textile	
		2008	2007	2008	2007	2008	2007	2008	2007
Continuing operations:									
Revenue									
- External	- note 33	3,784,881	3,710,714	1,942,267	799,168	47,451	18,371	950,539	731,734
- Intersegment	- note 33	603,518	301,908	–	–	–	–	–	–
		4,388,399	4,012,622	1,942,267	799,168	47,451	18,371	950,539	731,734
Segment expenses									
Cost of sales - Intersegment		–	–	549,035	251,928	17,986	3,923	46,530	46,057
- External	- note 34	4,389,551	3,957,229	731,534	371,871	16,428	12,278	942,449	748,048
		4,389,551	3,957,229	1,280,569	623,799	34,414	16,201	988,979	794,105
Gross profit/(loss)		(1,152)	55,393	661,698	175,369	13,037	2,170	(38,440)	(62,371)
- Administrative expenses	- note 35	140,016	142,884	54,490	28,457	1,330	654	27,671	24,878
- Distribution and selling expenses	- note 36	16,394	13,557	137,856	72,202	177	77	9,368	7,523
		156,410	156,441	192,346	100,659	1,507	731	37,039	32,401
Segment results		(157,562)	(101,048)	469,352	74,710	11,530	1,439	(75,479)	(94,772)
Other operating expenses									
Operating Profit									
Finance costs									
Interest income									
Other operating income									
Income from associate									
Taxation									
(Loss)/Profit for the year from continuing operations									
Discontinued operations:									
Loss for the year from discontinued operations									
(Loss)/profit for the year									

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 2008	Sugar 2007	Ethanol 2008	Ethanol 2007	Building Materials 2008	Building Materials 2007	Textile 2008	Textile 2007
46.3 Segment assets	4,722,940	3,629,119	906,125	1,191,484	26,308	14,908	592,910	416,616
Unallocated assets								
46.4 Segment liabilities	2,223,069	1,436,502	297,926	397,791	1,136	203	710,400	439,604
Unallocated liabilities								
46.5 Capital expenditure	95,454	146,786	177,179	285,518	–	–	40,099	1,231
Unallocated								
46.6 Depreciation on property, plant and equipment	225,670	234,436	50,359	58,248	1,107	787	21,807	29,158
Unallocated								
46.7 Depreciation on leased assets	7,493	10,095	30	1,666	–	–	1,900	7,204
Unallocated								
46.8 Amortization on intangible assets	–	–	–	–	–	–	340	340
Unallocated								
46.9 Impairment on Property, Plant and equipment	–	–	–	–	–	–	46,262	16,901
Unallocated								
46.10 Impairment on Assets subject to finance lease	–	–	–	–	–	–	10,930	34,696
Unallocated								

46.11 Secondary reporting format

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

	Sugar 2008	Sugar 2007	Ethanol 2008	Ethanol 2007	Building Materials 2008	Building Materials 2007	Textile 2008	Textile 2007
Export sales - Europe	–	–	252,929	137,368	–	–	–	66,752
Export sales - Asia	76,826	–	979,410	–	–	–	–	–
Export sales - Africa	–	–	569,283	–	–	–	–	–
Export sales - Others	–	–	–	500,719	–	–	113,192	38,540
Local sales	3,708,055	3,710,714	140,645	161,081	47,451	18,371	837,347	626,442
	3,784,881	3,710,714	1,942,267	799,168	47,451	18,371	950,539	731,734

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Shakarganj Mills Limited

(Rupees in thousand)

Engineering 2008	Engineering 2007	Power 2008	Power 2007	Dairy and fruit products 2008	Dairy and fruit products 2007	Investment advisories 2008	Investment advisories 2007	Elimination 2008	Elimination 2007	Total 2008	Total 2007
–	–	62,381	–	1,278,157	1,079,483	5,084	–	–	–	8,070,760	6,339,470
110,512	10,647	17,529	–	–	–	–	–	(731,559)	(312,555)	–	–
110,512	10,647	79,910	–	1,278,157	1,079,483	5,084	–	(731,559)	(312,555)	8,070,760	6,339,470
–	–	7,496	–	–	–	–	–	(621,047)	(301,908)	–	–
77,815	11,015	30,923	–	1,247,589	1,033,085	8,181	–	(77,815)	(11,015)	7,366,655	6,122,511
77,815	11,015	38,419	–	1,247,589	1,033,085	8,181	–	(698,862)	(312,923)	7,366,655	6,122,511
32,697	(368)	41,491	–	30,568	46,398	(3,097)	–	(32,697)	368	704,105	216,959
3,526	58	2,242	–	19,754	33,663	799	–	–	–	249,828	230,594
–	–	284	–	346,646	188,237	–	–	–	–	510,725	281,596
3,526	58	2,526	–	366,400	221,900	799	–	–	–	760,553	512,190
29,171	(426)	38,965	–	(335,832)	(175,502)	(3,896)	–	(32,697)	368	(56,448)	(295,231
										(246,735)	(209,720)
										(303,183)	(504,951)
										(1,008,589)	(922,521)
										16,725	8,935
										311,753	2,223,837
										8,669	103,688
										(21,042)	(433,372)
										(995,667)	475,616
										(167,462)	–
										(1,163,129)	475,616
124,045	158,545	500,822	–	1,368,458	1,100,087	220,027	–	(11,257)	(1,043)	8,450,378	6,509,716
										4,859,900	4,959,188
										13,310,278	11,468,904
39,747	80,232	172,686	–	823,550	755,728	53,964	–	(38,387)	(1,043)	4,284,091	3,109,017
										5,143,521	4,131,852
										9,427,612	7,240,869
4,362	56,437	642,629	–	189,422	114,076	2,861	–	–	(53,895)	1,152,006	550,153
										233,490	591,483
										1,385,496	1,141,636
2,764	2,798	13,689	–	46,109	43,356	408	–	–	–	361,913	368,783
										41,843	37,430
										403,756	406,213
–	–	6,615	–	989	50	–	–	–	–	17,027	19,015
										9,973	10,320
										27,000	29,335
–	–	33	–	145	21,029	1,259	–	–	–	1,777	21,369
										–	–
										1,777	21,369
–	–	–	–	–	–	–	–	–	–	46,262	16,901
										–	–
										46,262	16,901
–	–	–	–	–	–	–	–	–	–	10,930	34,696
										–	–
										10,930	34,696
–	–	–	–	–	–	–	–	–	–	252,929	204,120
–	–	–	–	–	–	–	–	–	–	1,056,236	–
–	–	–	–	–	–	–	–	–	–	569,283	–
–	–	–	–	60,069	65,007	–	–	–	–	173,261	604,266
–	–	62,381	–	1,218,088	1,014,476	5,084	–	–	–	6,019,051	5,531,084
–	–	62,381	–	1,278,157	1,079,483	5,084	–	–	–	8,070,760	6,339,470

47. Financial assets and liabilities

	2008							
							(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	2008	2008
Financial assets								
Long term loan and deposits	–	27,923	27,923	–	–	–	27,923	27,923
Trade debts	–	–	–	159,009	–	159,009	159,009	159,009
Loans, advances and other receivables	611	–	611	15,847	–	15,847	16,458	16,458
Investments	–	–	–	442,315	229,612	671,927	671,927	671,927
Cash and bank balances	231,380	–	231,380	169,873	–	169,873	401,253	396,451
	231,991	27,923	259,914	787,044	229,612	1,016,656	1,276,570	1,271,768
Off balance sheet	–	–	–	–	–	–	–	–
Total	231,991	27,923	259,914	787,044	229,612	1,016,656	1,276,570	1,271,768
Financial liabilities								
Long term finances	998,863	2,264,785	3,263,648	–	–	–	3,263,648	
Liabilities against assets subject	–	–						
to finance lease	161,408	292,383	453,791	–	–	–	453,791	
Short term borrowings	4,110,840	–	4,110,840	–	–	–	4,110,840	
Trade and other payables	–	–	–	1,083,929	–	1,083,929	1,083,929	
Accrued finance cost	336,464	–	336,464	–	–	–	336,464	
	5,607,575	2,557,168	8,164,743	1,083,929	–	1,083,929	9,248,672	
Off balance sheet								
Contracts for capital expenditure	–	–	–	281,605		281,605	281,605	
Guarantees	–	–	–	562,080		562,080	562,080	
Future payments under operating lease				25,749	104,536	130,285	130,285	
Claims not acknowledged as debts				36,792		36,792	36,792	
Letters of credit other than for capital expenditure	–	–	–	56,721		56,721	56,721	
	–	–	–	962,947	104,536	1,067,483	1,067,483	
Total	5,607,575	2,557,168	8,164,743	2,046,876	104,536	2,151,412	10,316,155	
On balance sheet gap	(5,375,584)	(2,529,245)	(7,904,829)	(296,885)	229,612	(67,273)	(7,972,102)	
Off balance sheet gap	–	–	–	(962,947)	(104,536)	(1,067,483)	(1,067,483)	

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	2007							
							(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	2007
Financial assets								
Long term loan and deposits	–	6,618	6,618	–	27,356	27,356	33,974	33,974
Trade debts	–	–	–	85,107	–	85,107	85,107	85,107
Loans, advances and other receivables	522	–	522	18,773	–	18,773	19,295	19,295
Investments	–	–	–	1,071,929	193,273	1,265,202	1,265,202	1,265,202
Cash and bank balances	431,450	–	431,450	78,654	–	78,654	510,104	509,542
	431,972	6,618	438,590	1,254,463	220,629	1,475,092	1,913,682	1,913,120
Off balance sheet	–	–	–	–	–	–	–	–
Total	431,972	6,618	438,590	1,254,463	220,629	1,475,092	1,913,682	1,913,120
Financial liabilities								
Long term finances	585,518	2,053,533	2,639,051	–	–	–	–	
Long term advances	120	736	856	–	–	–	–	
Liabilities against assets subject		–	–	–			–	
to finance lease	96,613	150,636	247,249	–	–	–	–	
Short term borrowings	3,511,765	–	3,511,765	–	–	–	–	
Trade and other payables	–	–	–	538,667	–	538,667	538,667	
Accrued finance cost	218,875	–	218,875	–	–	–	–	
	4,412,891	2,204,905	6,617,796	538,667	–	538,667	538,667	
Off balance sheet								
Contracts for capital expenditure	–	–	–	536,671	–	536,671	536,671	
Guarantees	–	–	–	560,282	–	560,282	560,282	
Future payments under operating lease				57,317	135,628	192,945	192,945	
Claims not acknowledged as debts				43,111	–	43,111	43,111	
Letters of credit other than for capital expenditure	–	–	–	2,867	–	2,867	2,867	
	–	–	–	1,200,248	135,628	1,335,876	1,335,876	
Total	4,412,891	2,204,905	6,617,796	1,738,915	135,628	1,874,543	1,335,876	
On balance sheet gap	(3,980,919)	(2,198,287)	(6,179,206)	715,796	220,629	936,425	1,913,682	
Off balance sheet gap	–	–	–	(1,200,248)	(135,628)	(1,335,876)	(1,335,876)	

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

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 group'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 1,277 million (2007: Rs 1,914 million), the financial assets which are subject to credit risk amount to Rs 1,272 million (2007: Rs 1,913 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 group 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 group 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 parent company has entered into an interest rate swap arrangement for its long term finances 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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

47.1.1 Capital risk management

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. For its manufacturing operations which include the parent company and SFPL the board of directors monitors the return on capital employed, which the parent company and SFPL define as operating income divided by total capital employed. The board of directors also monitors the level of dividends to ordinary shareholders.

For its mutual fund operations the market price and the net asset value and per share is monitored. The performance of the investment advisory companies are indexed to the performance of the mutual fund(s) which they manage and accordingly the key performance indicators monitored are related to the operational performance of the mutual fund.

The group's objectives when managing capital are:

(i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and

(ii) to provide an adequate return to shareholders.

The group manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

For working capital requirements and capital expenditure, the parent company and SFPL primarily rely substantially on short term borrowings. The mutual fund and investment advisory companies primarily rely on equity funding to manage their affairs.

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 January 06, 2009 by the board of directors of the parent company.

49. Events after the balance sheet date

There are no subsequent events occurring after balance sheet date.

50. Business combination

During the year on March 19, 2008, the parent company acquired 75% shareholding each in Safeway Fund Limited and Asian Capital Management Limited respectively. The details of the net assets acquired, the parent company's share in the net assets of the acquired companies and the goodwill are as follows:

	Safeway Fund Limited	Asian Capital Management Limited
	(Rupees in thousand)	
Purchase consideration (in cash)	124,957	118,800
Fair value of net assets acquired	56,329	60,814
Goodwill	68,628	57,986

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	4,170	33
Intangible assets	1,472	–
Long term investments	69,485	51,750
Loan to employees	1,851	
Short term investments	16,198	23,397
Due from associated undertakings	3,006	987
Advances, deposits, prepayments and other receivables - considered good - unsecured	6,305	3,886
Cash and bank balances	10,329	17,794
Due to Shakarganj Mills Limited	(17,356)	(10,000)
Due to Crescent Steel and Allied Products Limited	(15,000)	–
Due to associated undertakings	–	(1,891)
Creditors, accrued and other liabilities	(2,616)	(2,474)
Provision for taxation	(2,739)	(2,396)
Net assets	75,105	81,086
Minority interests	(18,776)	(20,272)
Share in the net assets acquired	56,329	60,814

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

50.1 The carrying value of assets and liabilities acquired approximate their fair values.

51. Detail of subsidiaries

Name of subsidiary	Accounting year end	Percentage of holding	Country of incorporation
Shakarganj Food Products Limited	September 30, 2008	53%	Pakistan
Safeway Mutual Fund Limited	June 30, 2008	64.25%	Pakistan
Asian Capital Management Limited	June 30, 2008	75.00%	Pakistan
Safeway Fund Limited	June 30, 2008	75.00%	Pakistan

52. Corresponding figures

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

	2008	2007
	(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, 2008

No. of Shareholders	Shareholding From	Shareholding To	Total Shares held
289	1	100	13,271
372	101	500	112,625
317	501	1,000	237,650
495	1,001	5,000	1,072,754
103	5,001	10,000	742,812
55	10,001	15,000	671,439
25	15,001	20,000	427,004
12	20,001	25,000	274,429
7	25,001	30,000	191,070
10	30,001	35,000	324,546
7	35,001	40,000	268,386
6	40,001	45,000	249,586
1	45,001	50,000	49,167
4	50,001	55,000	211,466
8	55,001	60,000	469,899
1	60,001	65,000	63,000
4	65,001	70,000	267,043
3	70,001	75,000	217,627
3	80,001	85,000	246,528
1	85,001	90,000	88,500
2	90,001	95,000	183,932
4	95,001	100,000	396,984
3	100,001	105,000	301,797
1	105,001	110,000	108,866
2	110,001	115,000	225,724
2	115,001	120,000	237,197
1	130,001	135,000	131,500
6	135,001	140,000	817,030
4	140,001	145,000	568,364
3	145,001	150,000	442,274
1	150,001	155,000	152,090
1	155,001	160,000	157,441
1	160,001	165,000	164,410
2	175,001	180,000	353,661
1	185,001	190,000	187,497
2	190,001	195,000	383,400
1	200,001	205,000	200,440
3	220,001	225,000	669,938
1	240,001	245,000	240,700
1	410,001	415,000	412,563
1	470,001	475,000	471,600
1	505,001	510,000	508,200
1	510,001	515,000	513,240
1	525,001	530,000	527,545
1	530,001	535,000	532,938
1	535,001	540,000	539,696
2	545,001	550,000	1,096,632
1	595,001	600,000	600,000
1	650,001	655,000	654,703
1	670,001	675,000	671,275
1	765,001	770,000	765,150
1	895,001	900,000	897,000
1	1,065,001	1,070,000	1,066,138
1	1,225,001	1,230,000	1,228,800
1	1,505,001	1,510,000	1,505,913
1	2,175,001	2,180,000	2,177,400
1	2,400,001	2,405,000	2,403,509
1	2,660,001	2,665,000	2,662,428
1	2,865,001	2,870,000	2,865,830
1	5,450,001	5,455,000	5,450,988
1	7,190,001	7,195,000	7,194,553
1	7,410,001	7,415,000	7,410,983
1	15,240,001	15,245,000	15,244,665
1,789			69,523,796

PATTERN OF SHAREHOLDING

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Categories of Shareholders	Shares Held	%age
5.1	**Directors, Chief Executive Officer, Their Spouse and Childern**		
	Directors		
	Mr. Ahsan M. Saleem	527,545	0.76
	Mr. Khalid Bashir	4,230	0.01
	Mr. Mazhar Karim	549,892	0.79
	Mr. Muhammad Anwar	67,222	0.10
	Mr. Muhammad Arshad	142,775	0.21
	Directors Spouse and Their Childern		
	Mrs. Abida Mazhar	13,083	0.02
	Mrs. Shahnaz A. Saleem	3,636	0.01
		1,308,383	1.88
5.2	**Associated Companies, Undertakings & Related Parties**		
	Crescent Jute Products Limited	200,640	0.29
	Crescent Steel And Allied Products Limited	15,244,665	21.93
	Crescent Sugar Mills & Distillery Limited	2,865,830	4.12
	The Crescent Textile Mills Limited	5,450,988	7.84
	Safeway Mutual Fund Limited	2,403,509	3.46
	Asian Stocks Fund Limited	2,177,400	3.13
		28,343,032	40.77
5.3	**NIT & ICP (Name Wise Detail)**		
	National Bank of Pakistan, Trustee Deptt.	7,194,624	10.35
	NBP Trustee - Ni(u)t (loc) Fund	7,410,983	10.66
		14,605,607	21.01
5.4	**Banks, DFI's, NBFI's**		
	Banks, DFI's, NBFI's	70,929	0.10
	Banks, DFI's, NBFI's (CDC)	726,740	1.05
		797,669	1.15
5.5	**Insurance Companies**		
	Insurance Companies	20	0.00
	Insurance Companies (CDC)	146	0.00
		166	0.00
5.6	**Modaraba and Mutual Funds**		
	Modaraba and Mutual Funds	453	0.00
	Modaraba and Mutual Funds (CDC)	513,240	0.74
		513,693	**0.74**

PATTERN OF SHAREHOLDING
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Categories of Shareholders	Shares Held	%age
5.7	**Other Companies**		
	Other Companies	576,748	0.83
	Other Companies (CDC)	5,295,357	7.62
		5,872,105	8.45
5.8	**Non Resident**		
	State Street Bank & Trust Co.	216	0.00
		216	0.00
5.9	**General Public**		
	A. Local	1,077,329	1.55
	A. Local (CDC)	17,005,596	24.46
		18,082,925	26.01
		69,523,796	100.00

	Shares Held	%age
Shareholders More Than 10.00%		
NBP Trustee - Ni(u)t (loc) Fund	**7,410,983**	**10.66**
Crescent Steel And Allied Products Limited	**15,244,665**	**21.93**
National Bank of Pakistan, Trustee Deptt.	**7,194,624**	**10.35**

NOTICE OF ANNUAL GENERAL MEETING

Shakarganj Mills Limited

NOTICE is hereby given that the 41st Annual General Meeting of the Shareholders of SHAKARGANJ MILLS LIMITED (the "Company") will be held on Saturday, 31 January 2009 at 12.00 Noon at Qasr-e-Noor, 9 E 2 Main Boulevard, Gulberg-III. Lahore to transact the following business:

Ordinary Business

1. To confirm the minutes of Extraordinary General Meeting held on September 29, 2008.

2. To receive, consider and adopt the Audited Accounts together with Directors' and Auditor's reports thereon for the year ended 30 September 2008.

3. To appoint auditors and fix their remuneration.

Special Business

1. **Investment in Associated Company**

   To consider and, if thought fit, to pass following resolutions as special resolutions, with or without modification,

   Resolved that

   an additional investment of Rs. 175,000,000 (Rupees One Hundred seventy five million only) in Shakarganj Food Products Limited by acquiring 17,500,000 (seventeen million five hundred thousand) shares at face value of Rs. 10 (Rupees ten only) each be and is hereby approved.

   Further resolved that

   Chief Executive Officer to the Company be and is hereby authorized to do all acts, deeds and things, take any or all necessary action to the implement the above mentioned resolution 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.

   Further resolved that

   Company Secretary be and is hereby authorized to affix the common seal of the company on any document as and when required.

2. **Change in Memorandum of Association**

   To consider and, if thought fit, to pass following resolutions as special resolutions, with or without modification,

   110. "To apply for a F.M. Radio licence, and run a community radio station such a radio station being for the benefit of those who live, work or who are studying within and around Jhang vicinity".

   Further resolved that

   Chief Executive Officer to the Company be and is hereby authorized to do all acts, deeds and things, take any or all necessary action to the implement the above mentioned resolution 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.

3. **To discuss any other business with the permission of the Chair.**

BY ORDER OF THE BOARD

Tariq Aleem
Company Secretary
Lahore
January 6, 2009

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 48 hours before the time of Meeting.
- Members, who have deposited their shares into Central Depository Company of Pakistan Limited, are being advised to bring their National Identity Cards along with CDC Participant ID and account number at the meeting venue.
- If any proxies are granted by any such shareholders, the same must be accompanied with attested copies of the National Identity Cards of the grantors and the signatures on the proxy form should be the same as that appearing on the National Identity Cards.

2. BOOK CLOSURE NOTICE FOR ORDINARY SHARES

The Share Transfer Books of the Company will remain closed from 27 January 2009 to 3 February 2009 (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 January 2009 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 4th YEAR ENDED SEPTEMBER 30, 2008

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 January 2009 to 3 February 2009 (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 January 2009 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.

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 January 31, 2009:

INVESTMENT IN ASSOCIATED COMPANIES:

1. Shakarganj Food Products Limited (“SFPL”) is an associated company of SML and recently issue right shares @ 23.18%. As per arrangement SML share of right is Rs. 175,000,000 divided into 17,500,000 shares of Rs. 10/- each.

2. Following is the breakdown of the Company's total exposure in SFPL:

	Exposure in SFPL (Rs. in million)		
	Existing	**Proposed**	**Total**
Investment in shares	575.456	175.000	750.456
Corporate Guarantee	350.000	–	350.000
Total	**925.456**	**175.000**	**1100.456**

3. The projected return on shareholders' equity in SFPL during the years 2008 to 2011 would be as under:

Year	Return %
2008	(90.79)
2009	13.82
2010	37.40
2011	33.33

4. 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:

(i)	**Name of the investee companies**	**Shakarganj Food Products Limited**
(ii)	Nature, amount and extent of investment. – Limit present – Limit proposed (Rs. in million)	Equity Investment 925.456 1,100.456
(iii)	Average market price of the shares intended to be purchased during preceding six months.	Unquoted Public limited company

NOTICE OF ANNUAL GENERAL MEETING

(iv)	Break up value of shares intended to be purchased on the basis of last published financial statements.	Rs. 4.61 (September 2008)
(v)	Price at which shares will be purchased.	Face value Rs.10 per share
(vi)	Earning per share of the investee company in last three years (Rs.):	
	September 2006	(2.18)
	September 2007	(3.75)
	September 2008	(7.09)
(vii)	Source of funds from where shares will be purchased.	Sale proceed of investment and cash generated form operations
(viii)	Period for which investment will be made.	Long-term
(ix)	Purpose of investment.	Balanced diversification and to increase exposure in Food business
(x)	Benefits likely to accrue to the Company and the shareholders from the proposed investment.	1. Over a period of time, the market value of this investments will appreciate that will enhance share holders value of investment. 2. Considering that food sector companies trade at a multiple of 10 (ten), significant appreciation in value of investment is expected over the next five years. 3. There will be a future cash inflow of dividends from this investment which will increase profitability of the company.

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

2. CHANGE IN MEMORANDUM OF ASSOCIATION:

Shakarganj Mills Limited is planning to launch F. M. Services in Jhang and its vicinity. The main aim of this F. M. Radio services to educate the sugarcane growers to get better crops and awareness about crop diseases etc.. In view of the above, the Board resolved unanimously to approve, and place before the shareholders at their general meeting for approval by special resolution for adding following clause.

110. "To apply for a F.M. Radio licence, and run a community radio station such a radio station being for the benefit of those who live, work or who are studying within and around Jhang vicinity".

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 all Investee Companies are kept at BOP Tower, 10-B Block E-2, Gulberg-III, Lahore, and can be inspected from 10.00 a.m. to 11.30 a.m. on any working day up to January 30, 2009.

FORM OF PROXY

Shakarganj Mills Limited

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 Saturday, the January 31, 2009 at 12:00 noon 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 ________________ 2009.

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.