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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 (Rupees in thousand)	2007
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		<u>500,000</u>	<u>500,000</u>
		<u>1,300,000</u>	<u>1,300,000</u>
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		<u>(159,546)</u>	<u>704,393</u>
		<u>1,620,254</u>	<u>2,585,146</u>
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
		<u>2,367,695</u>	<u>1,939,978</u>
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	<u>315,482</u>	<u>193,853</u>
		<u>6,337,148</u>	<u>4,545,163</u>
Liabilities directly associated with non current assets classified as held for sale	31	<u>37,864</u>	-
		<u>6,375,012</u>	<u>4,545,163</u>
CONTINGENCIES AND COMMITMENTS	16	-	-
		<u>12,406,788</u>	<u>10,910,513</u>

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



BALANCE SHEET

AS AT SEPTEMBER 30, 2008

	Note	2008 (Rupees in thousand)	2007
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	—	—
		<u>8,136,818</u>	<u>7,874,519</u>
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
		<u>2,430,476</u>	<u>3,035,994</u>
Non-current assets held for sale	31	1,839,494	—
		<u>4,269,970</u>	<u>3,035,994</u>
		<u>12,406,788</u>	<u>10,910,513</u>

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

	Note	2008 (Rupees in thousand)	2007
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

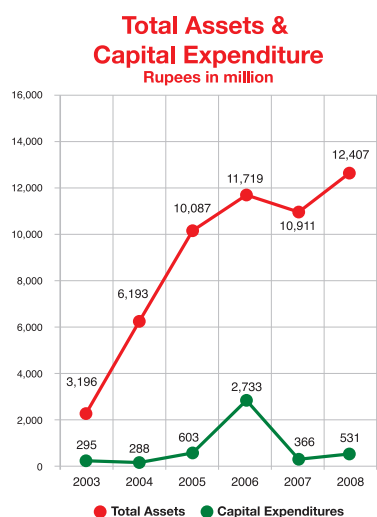


CHIEF EXECUTIVE'S REVIEW

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



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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.

Building materials business:

Bagasse 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 bagasse. 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 bagasse availability and our decision to buy in bagasse from other sugar mills. This could have been further



enhanced but increase in rates of bagasse 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

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



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.



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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

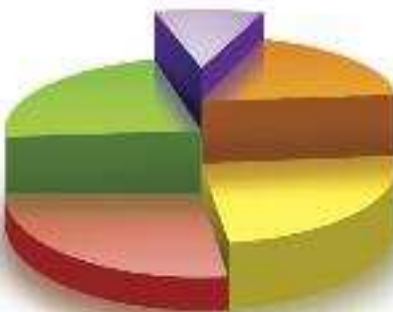
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track and model data to help identify opportunities for production efficiencies such as improving yields, saving energy or minimizing waste. When new products or processes have been developed, our team of engineers ensures that these are incorporated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



2008: 21% 2007: 11% 2006: 18%
2005: 24% 2004: 26%

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.



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● **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



ELECTRICITY 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 desulfurized before feeding into gas engine. World known technology of GE Genbacker is being used for this purpose.



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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



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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 Home in Singapore. The Award is jointly presented by Intel and the



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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.



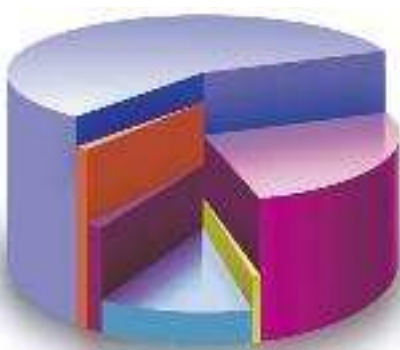
CHIEF EXECUTIVE'S REVIEW

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

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



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 capacity 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



Shakarganj Mills Limited

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.

DIRECTOR'S REPORT

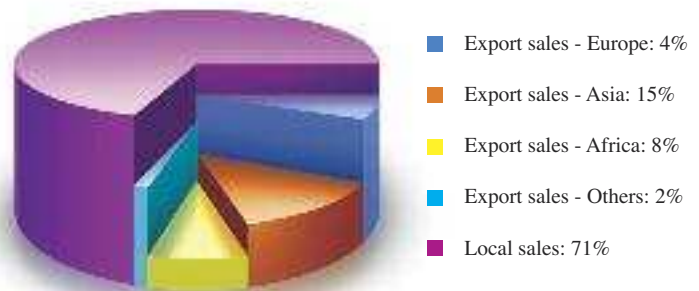
Dear Shakarganj Shareholder:

The directors of the company have the pleasure in submitting their report together with the audited accounts of the company for the year ended September 30, 2008:

Financial Results

The financial results of the company are summarized below:

Segment Revenues from External Customers by Geographical Areas



	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	<u>(732,992)</u>	<u>755,686</u>
Loss for the year from discontinued operations	<u>(73,033)</u>	<u>(134,507)</u>
(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)

DIRECTOR'S REPORT

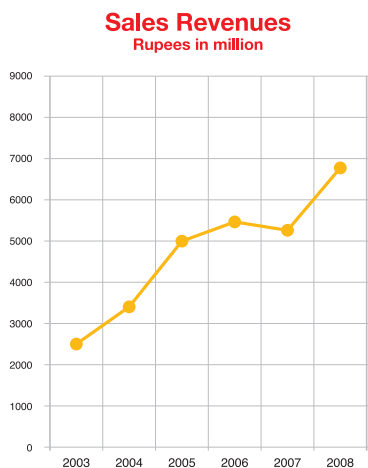
Statement on Corporate and financial reporting framework

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.

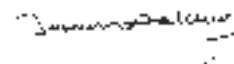
Financial Statements

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



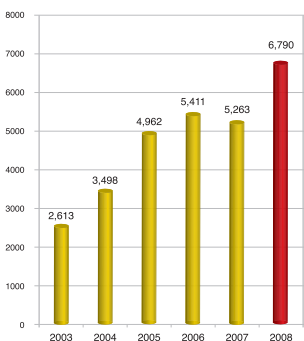
FINANCIAL HIGHLIGHTS

		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 & amortization	(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

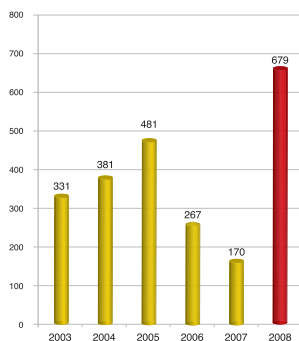


FINANCIAL HIGHLIGHTS

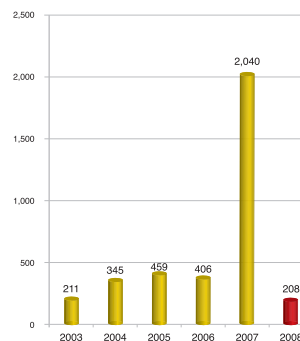
Net Sales
(Rupees in million)



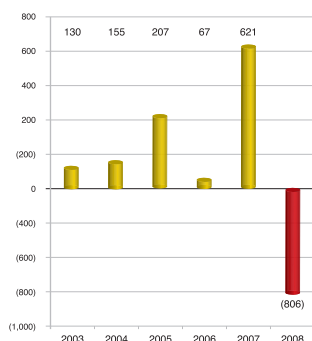
Gross Profit
(Rupees in million)



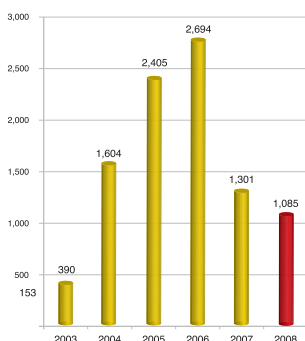
Operating Profit
(Rupees in million)



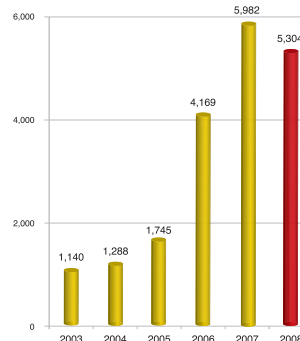
Profit after tax
(Rupees in million)



Reserves
(Rupees in million)



Property, Plant and Equipment
(Rupees in million)



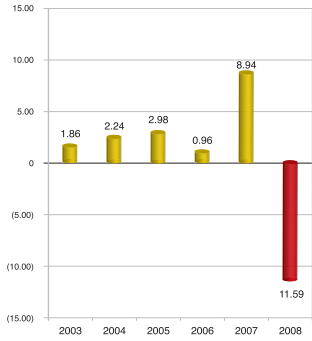
New Projects
(Rupees in million)



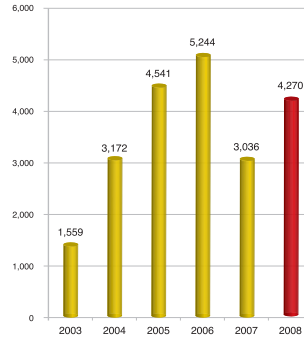
- Shakarganj Dargai Shah: 1,110
- Shakarganj Power: 501
- Shakarganj Engineering: 124

FINANCIAL HIGHLIGHTS

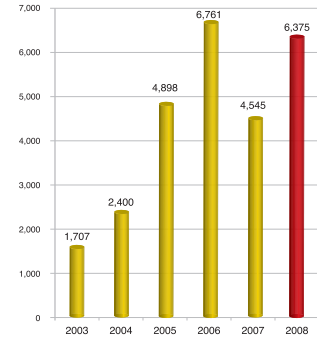
Earning Per Share
(Rupees)



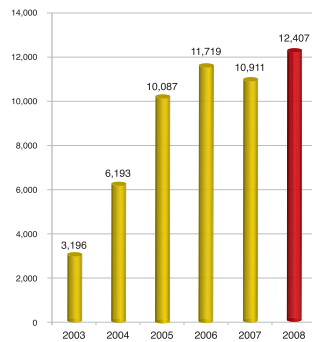
Current Assets
(Rupees in million)



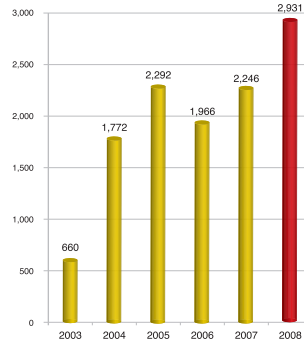
Current Liabilities
(Rupees in million)



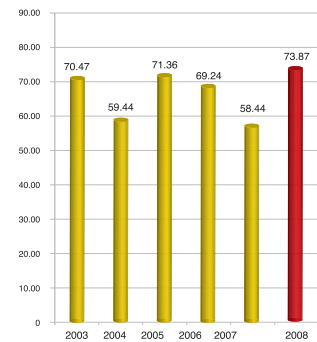
Total Assets
(Rupees in million)



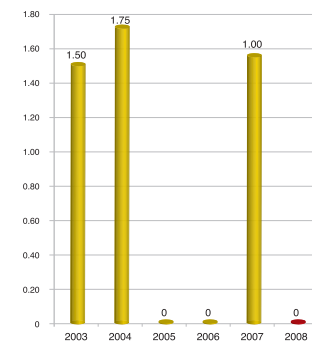
Long Term Debt
(Rupees in million)



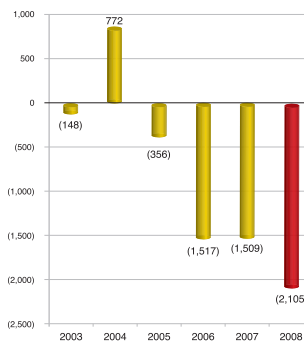
Total Debt to Total Assets
(%)



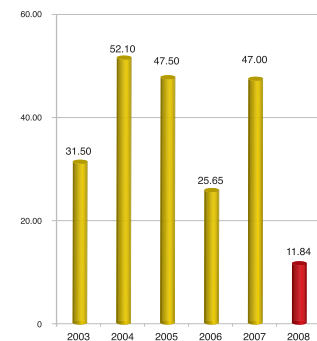
Cash Dividend Per Share
(Rupees)



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



Market Price Per Share
(Rupees)

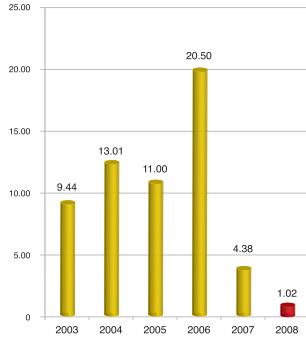


FINANCIAL HIGHLIGHTS

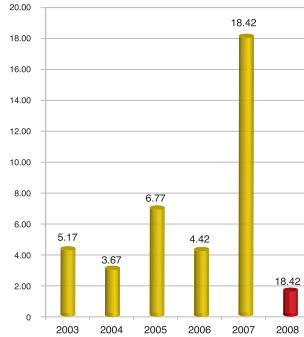


Shakarganj Mills Limited

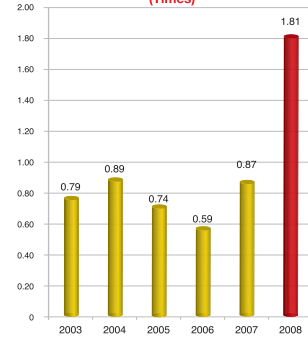
Price Earning Ratio
(Times)



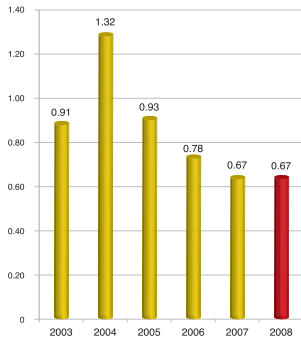
Return on Capital Employed
(%)



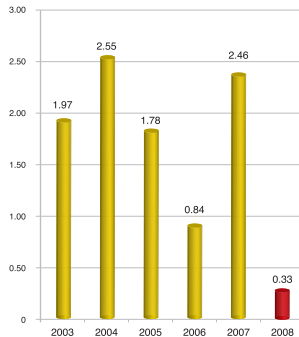
Long-Term Debt to Equity Ratio
(Times)



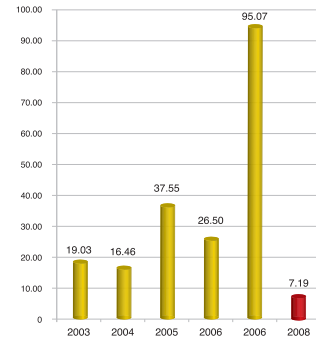
Current Ratio
(Times)



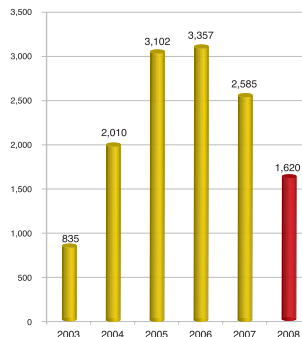
Interest Coverage
(Times)



Return on Average Equity
(%)



Shareholders' Equity
(Rupees in million)





FORM OF PROXY

I/We _____ S/o, D/o, W/o _____ of _____ (full address) a member(s) of Shakarganj Mills Limited and holder of _____ shares as per Registered Folio No. _____ and/or CDC Participant I.D. No. _____ and Sub Account No. _____ do hereby appoint _____ of _____ (full address) or failing him/her _____ of _____ (full address) as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the Annual General Meeting of Shakarganj Mills Limited scheduled to be held on 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.

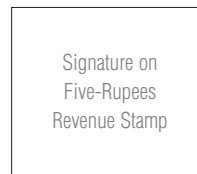
As witness my / our hand this _____ day of _____ 2009.

Member _____

Witness _____

Address _____

Dated _____



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.

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							
<i>Non-Current Assets</i>							
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
<i>Current Assets</i>							
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
<i>Share capital and reserves</i>							
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
<i>Non-Current Liabilities</i>							
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
<i>Current Liabilities</i>							
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

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.

THE MANAGEMENT



Shakarganj Mills Limited



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



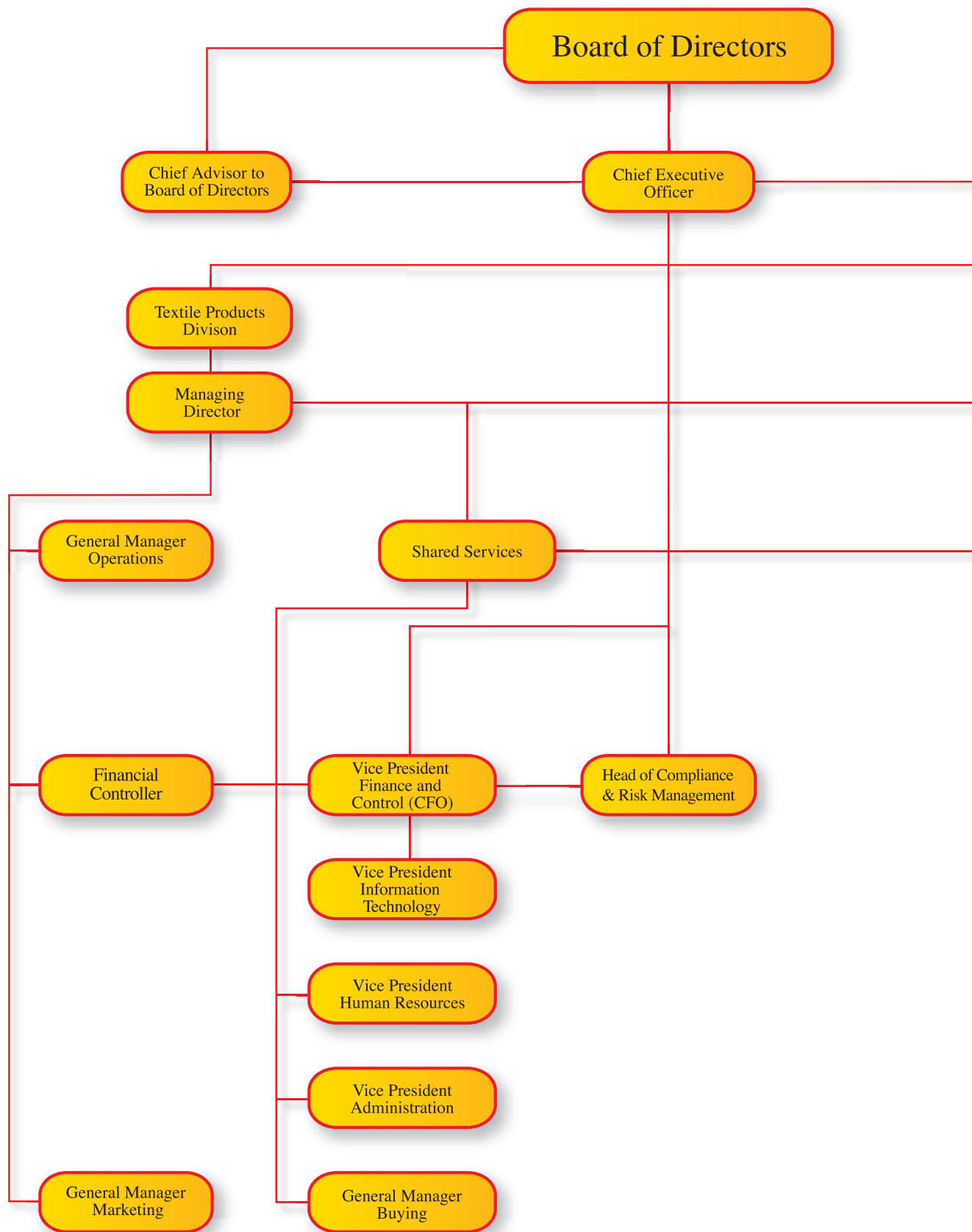
Shahid Hussain
Manager Quality Control
& Testing *2006



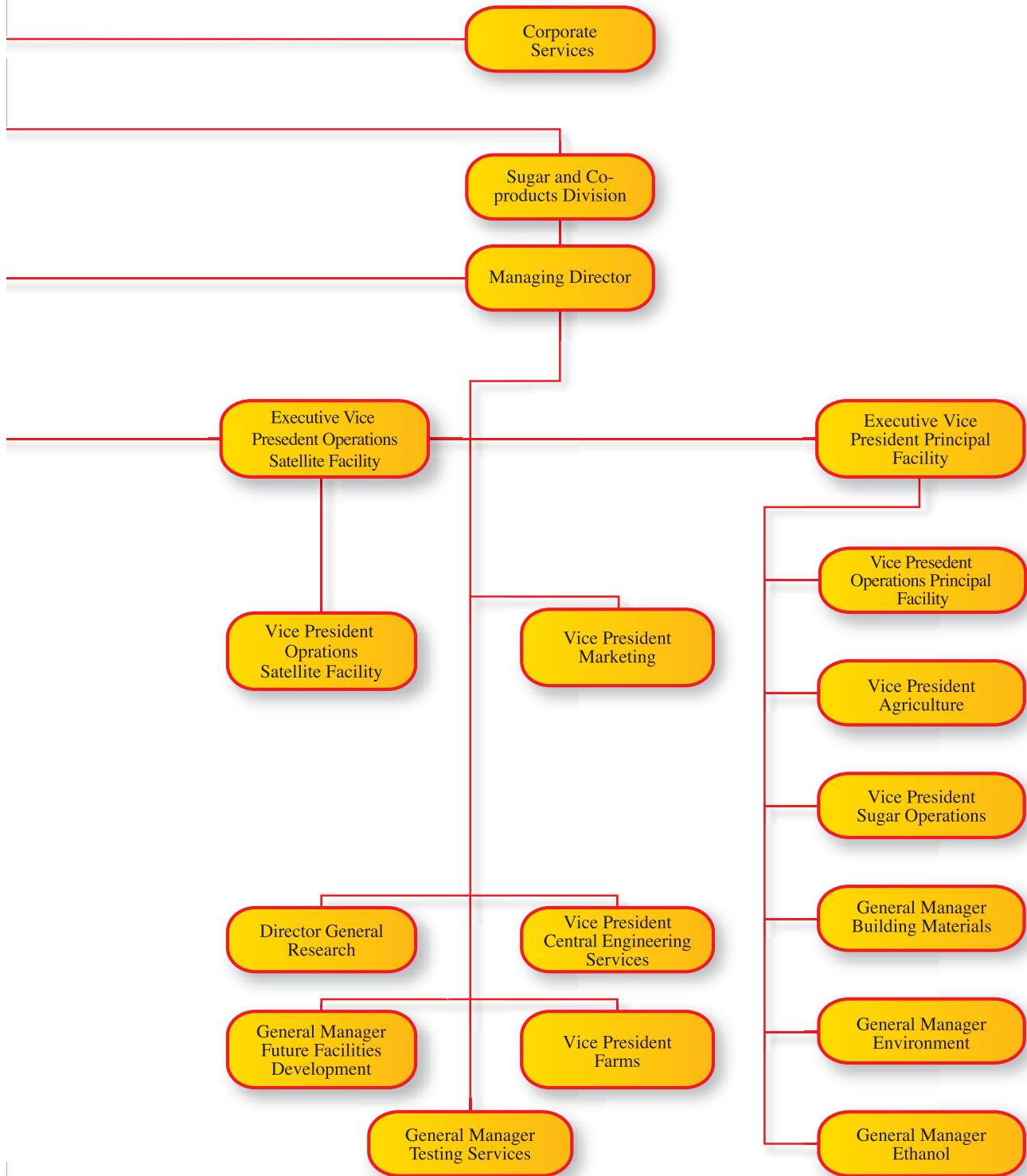
Langer Khan
Vice President Farms *2004



Amjad Farooq
Head of Internal Audit *2004



MANAGEMENT STRUCTURE



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 notorially 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 September 2007 September 2008	 (2.18) (3.75) (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.	<ol style="list-style-type: none"> 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.

PATTERN OF SHAREHOLDING - (FORM 34)
FOR THE YEAR ENDED SEPTEMBER 30, 2008

No. of Shareholders	Shareholding		Total Shares held
	From	To	
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
			69,523,796
			1,789



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 Children		
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 Children		
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
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



PRODUCTION DATA

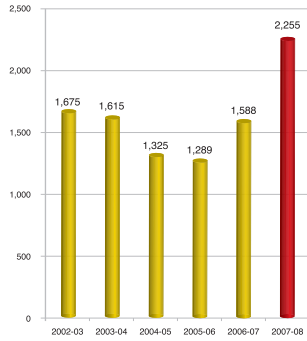
Season	Duration Season (Days)	Cane Crushed (M. Tons)	Raw Sugar Processed (M. Tons)	Sugar Produced (M. Tons)	Recovery (Percent)
2007-08	174	2,254,712	–	177,092	7.85
2006-07	155	1,587,929	–	128,170	8.04
2005-06	170	1,288,548	92,968.40	178,934	6.97
2004-05	160	1,324,510	67,930.40	177,679	8.63
2003-04	159	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



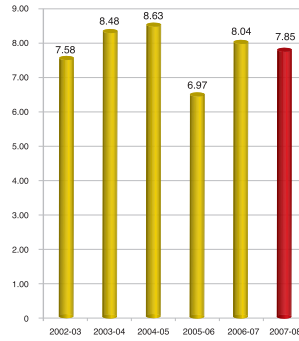
Process Losses (Percent)	Molasses (M. Tons)	Ethanol (Litres)	Building Material (Cubic Meter)	Yarn (Bags)	Electricity (MW)
2.17	117,742	66,490,739	6,540	149,788	17,714
2.30	79,340	35,093,676	1,834	135,935	-
2.54	71,008	27,625,611	1,477	133,580	-
2.17	66,190	33,245,964	3,584	119,106	-
2.41	81,953	35,408,000	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

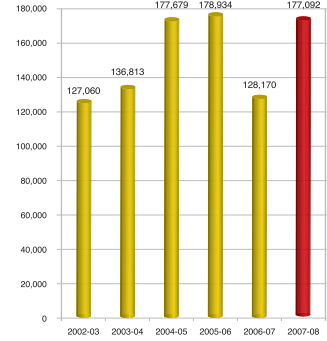
Cane Crushed
(M. Tons)



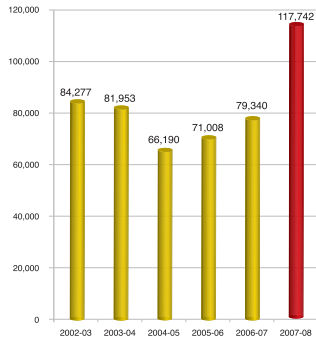
Recovery
(%)



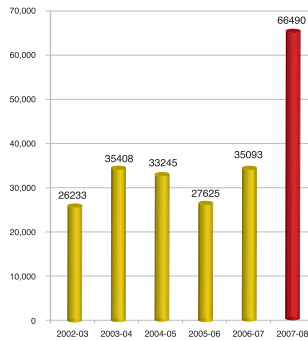
Sugar Produced
(M. Tons)



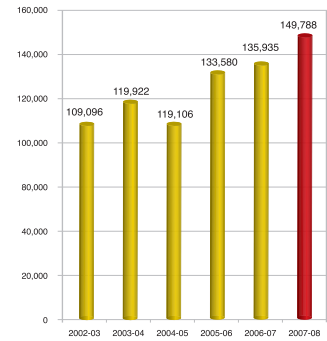
Molasses Produced
(M. Tons)



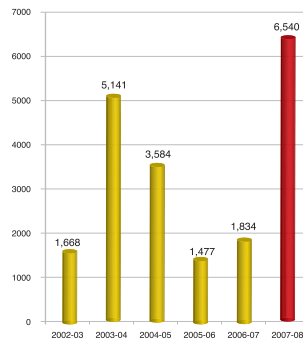
Ethanol Produced
(Thousand Litres)



Yarn
(Bags)



Building Material
(Cubic Meters)



PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Note	2008 (Rupees in thousand)	2007 Re-presented
Continuing operations			
Sales	32	6,789,572	5,262,787
Cost of sales	33	(6,110,885)	(5,093,014)
		678,687	169,773
Gross profit			
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
		208,468	2,040,283
Profit from operations			
Finance cost	38	(930,339)	(859,152)
		(721,871)	1,181,131
(Loss)/profit before taxation			
Taxation	39	(11,121)	(425,445)
		(732,992)	755,686
(Loss)/profit for the year from continuing operations			
Discontinued operations:			
Loss for the year from discontinued operations		(73,033)	(134,507)
		(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

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

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

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.

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.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control

SHAKARGANJ SUGAR RESEARCH INSTITUTE

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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) &

SHAKARGANJ SUGAR RESEARCH INSTITUTE

Annual Review 2008

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

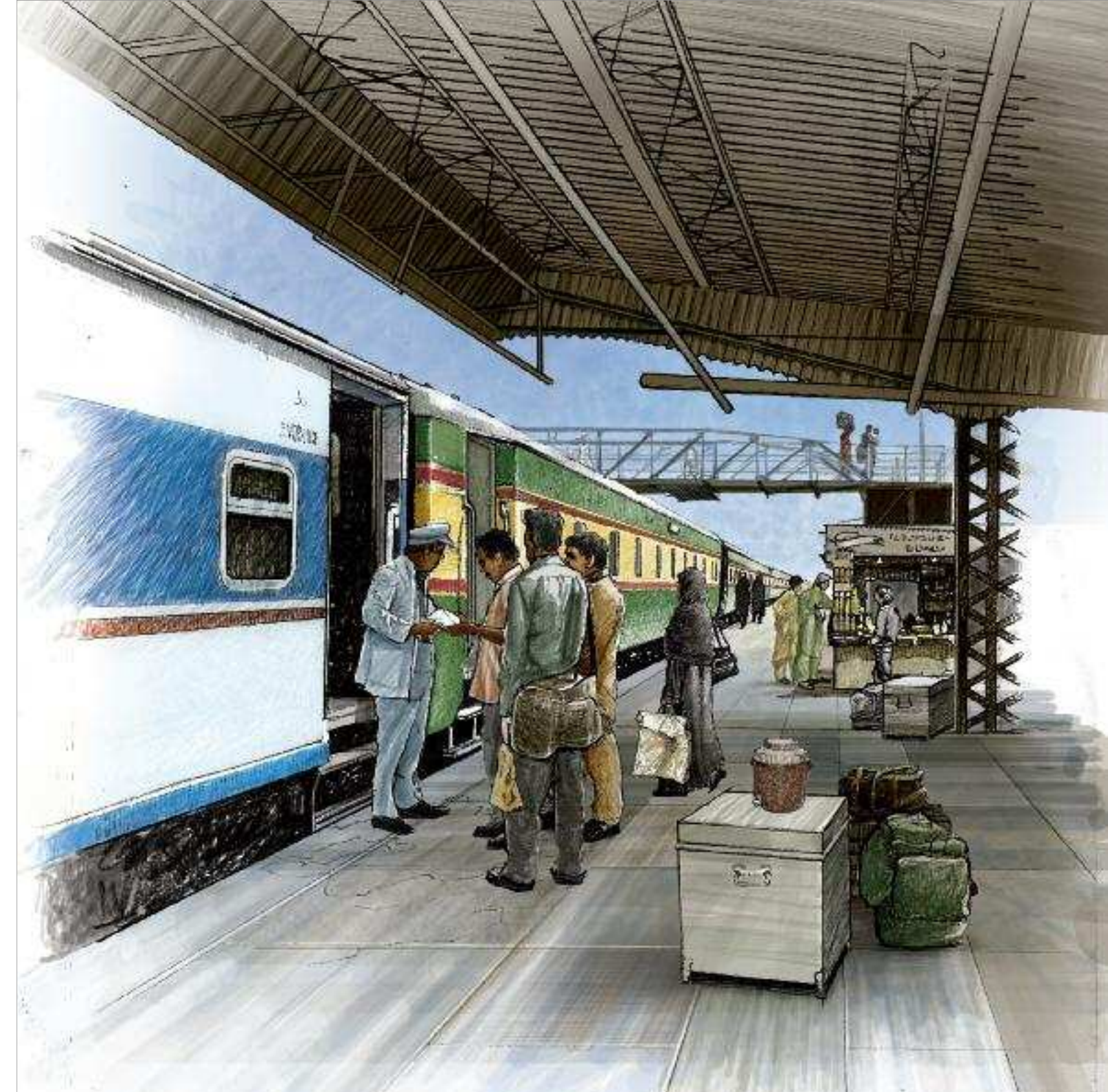
% cane are given in table-2. The clones included in NUVYT are high yielding, early maturing, non-lodging having resistance to major pest insects and diseases.

SHAKARGANJ SUGAR RESEARCH INSTITUTE
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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.

SHAKARGANJ SUGAR RESEARCH INSTITUTE

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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.

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. Pathogenicity 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

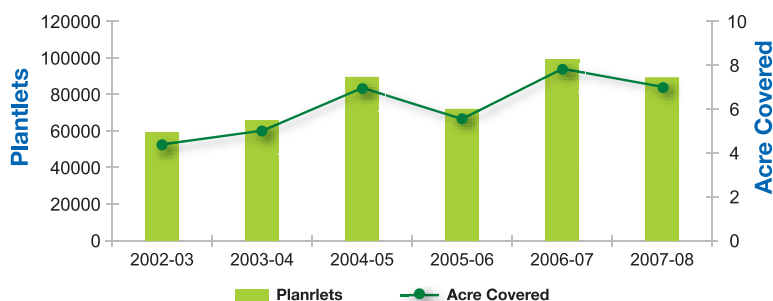
Effects of frost have been included as a selection parameter in breeding programme at SSRI. Preliminary studies were conducted on quantitative and qualitative basis for post-freeze deterioration. The results have indicated that most of the commercial varieties were susceptible to frost but some clones 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

Fig.1 Periodic Production of Tissue-Cultured Plantlets



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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.



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.

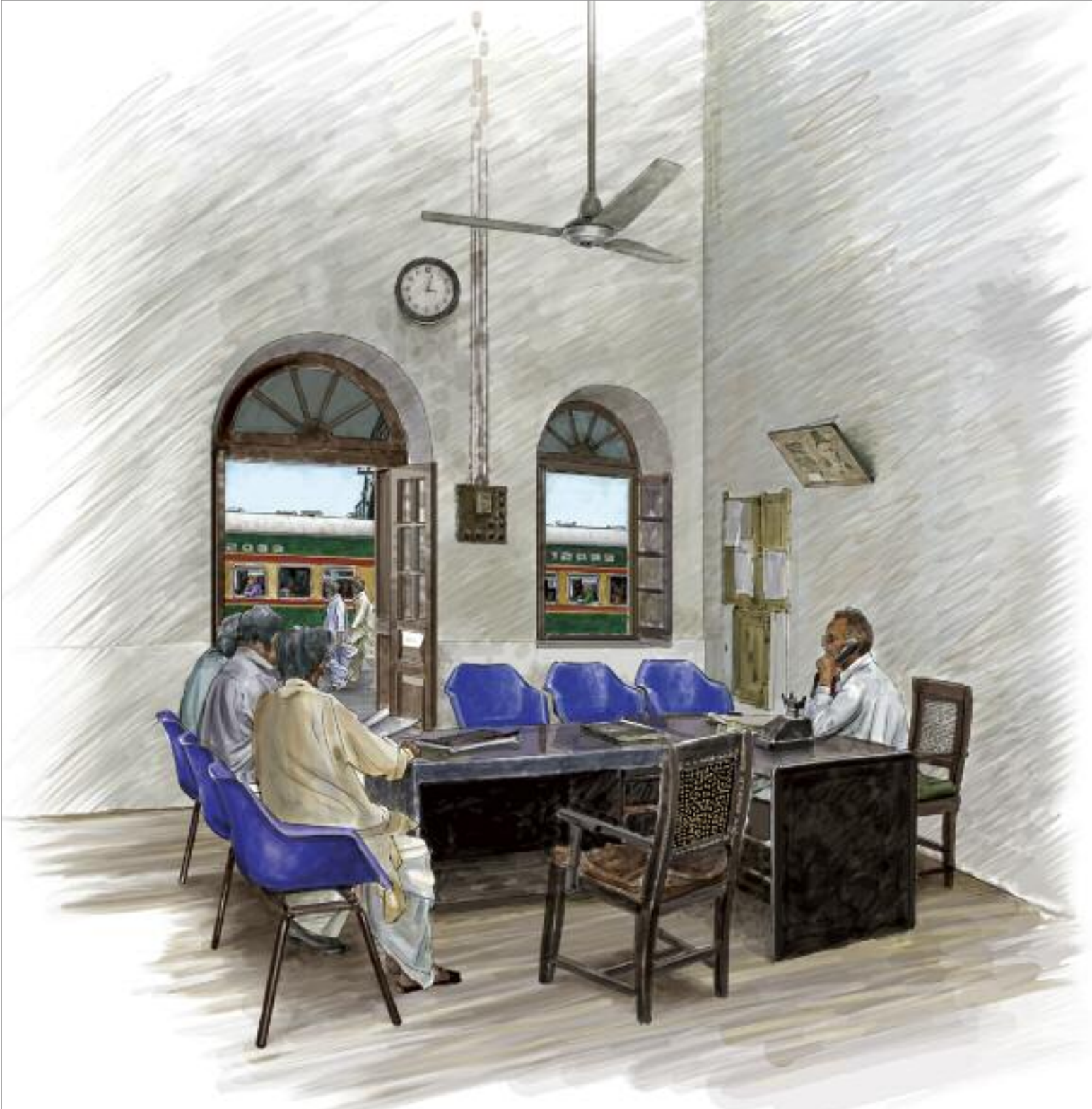
8. Botanic garden

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.

SHAKARGANJ SUGAR RESEARCH INSTITUTE

Annual Review 2008

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

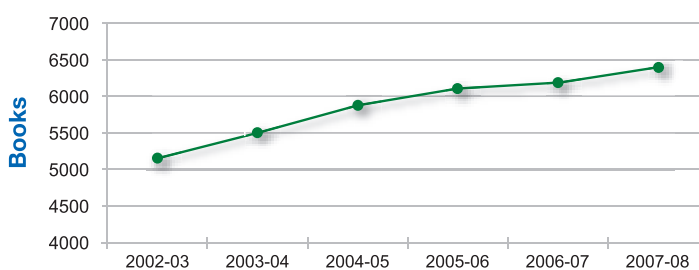
and panel of international referees have been inducted for scrutiny of research papers. This would help improve quality and recognition of PSJ at national and international levels.

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

Fig.2 Detail of the Book at SSRI Library



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

the stuff. Reading material available from the year 2002 to 2008 is given in fig.2.

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.

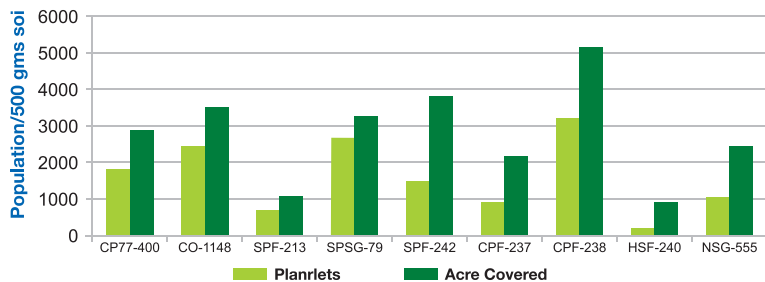
b. Enzyme Linked Immuno Sorbent Assay Lab

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;

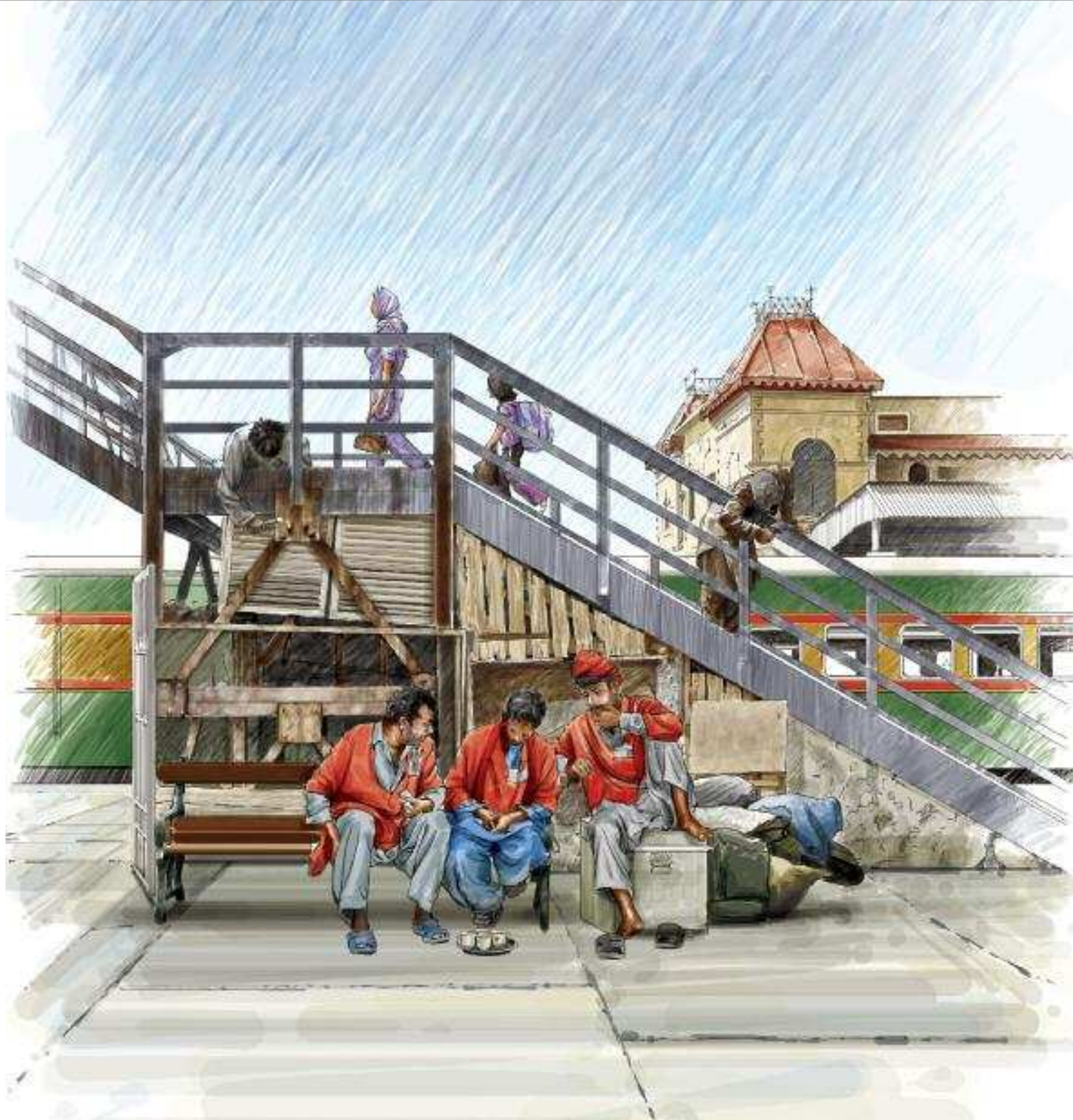
- **Equal Opportunities** – We are committed to offering equal opportunities to all people in their recruitment, training and career development, having regard for their particular aptitudes and abilities. Full and fair consideration is given to applicants with disabilities and every effort is made to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

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.



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 Chartered 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
available 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:

Information regarding other
subsidiaries has been disclosed
in the financial statements.

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							Accumulated (loss) / profit	Total
R E V E N U E R E S E R V E S					Sub-total	Total		
Sub-total	General	Dividend equalization	Equity investment market value equalization	Sub-total			Total	Accumulated (loss) / profit
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

STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

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

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

1. The company encourages representation of independent non-executive directors. At present six Directors are independent non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in

payment of any loan to a banking company, a DFI or 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 along with 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, along with 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



STATEMENT OF VALUE ADDED

	(Rupees in Million)			
	2008		2007	
Wealth Generated				
Sales Revenue (Gross)	6,790		5,263	
Other Receipts	78		2,234	
	<u>6,868</u>		<u>7,497</u>	
Less: Materials & Services	(5,328)		(4,732)	
Value Added	<u>1,540</u>	100	<u>2,765</u>	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 expenses on borrowed funds	930	59	859	31
	<u>1,956</u>	<u>126</u>	<u>1,746</u>	<u>63</u>
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
	<u>(423)</u>	<u>(27)</u>	<u>1,011</u>	<u>36</u>
	<u>1,540</u>	<u>100</u>	<u>2,765</u>	<u>100</u>

Wealth Distribution 2008



- To Employees
- To Government
- To Providers of Capital
- To Charitable Institutions
- To Provide for Maintenance & Expansion of Assets

Wealth Distribution 2007





VERTICAL ANALYSIS

	2008	%	2007	%	2006	(Rupees in million) %
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						
<i>Non-Current Assets</i>						
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
<i>Current Assets</i>						
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
<i>Share capital and reserves</i>						
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
<i>Non-Current Liabilities</i>						
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
<i>Current Liabilities</i>						
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