

# annual report 1981

**Shakarganj  
Mills  
Limited**



PER ACRE YIELD OF SUGARCANE MATCHING WORLD STANDARD IN THE EIGHTIES  
A Shakarganj Commitment

## SHAKARGANJ at a glance


SHAKARGANJ	1980/81	1981/82	Change in percent
Days in operation	187	207	+10.70
Total Cane Milled (MT)	287,723	466,040	+61.98
Sugar Produced (MT)	25,562	39,474	+54.42
Recovery % of Marketable Sugar	8.89	8.47	- 4.72
Stoppages in hours excluding cleaning	632	610	- 3.48
Total Process Losses %	2.42	2.48	+ 2.48

# SHAKARGANJ annual report 1981

NOTICE IS HEREBY GIVEN That the fourteenth Annual General Meeting of the Shareholders of Shakarganj Mills Limited will be held at Mills premises, Toba Tek Singh Road, Jhang on June 30, 1982 at 11.30 A.M. to transact the following business.

1. To confirm the Minutes of the last Annual General Meeting held on May 06, 1982.
2. To receive and consider the Audited Accounts and Balance Sheet for the year ended September 30, 1981 and the Report of the Directors and Auditors thereon.
3. To declare Dividend @ 12.5% as recommended by the Directors.
4. To appoint Auditors for the year 1981-82 and fix their remuneration.
5. To consider any other business which may be placed before the Meeting with the permission of the Chair.

By Order of the Board.

  
Mohammad Yar Rahi,  
Corporate Secretary.

40-B, Off Zafar Ali Road,  
Gulberg V, Lahore.

June 08, 1982.

## NOTES:

- i) A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her Proxies in order to be effective must be received by the Company not less than 72 hours before the Meeting.
- ii) The Share Transfer Books of the Company will remain closed from June 25 to July 05, 1982 (Both Days inclusive)
- iii) Shareholders are requested to notify any change in address immediately.

Your Directors are pleased to present the Thirteenth Annual Report alongwith detailed notes for the year ended 30th September, 1981.

Your Company's trading for the year resulted in a net profit of Rs. 21 654 689 after charging Rs. 6 100 060 for depreciation and Rs. 9 642 332 for interest on loans and advances. This, when adjusted against the accumulated loss of Rs. 15 335 843 brought forward from previous year, makes Rs. 6 318 846 available for appropriation which is recommended by your Directors as under:

PROFIT AVAILABLE FOR APPROPRIATION	6,318,846
APPROPRIATIONS	
Guaranteed dividend	1,640,537
Proposed dividend @ 12.5%	3,750,000
General reserve	800,000
	6,190,537
UN-APPROPRIATED PROFIT	128,309

Guaranteed dividend has been appropriated in the accounts under reference which is payable @ 12.5 percent to all shareholders except sponsors who have waived their right to receive the dividend.

The retiring Auditors, M/S. Riaz Ahmad & Co., Chartered Accountants retire and offer themselves for re-appointment as Auditors for the ensuing year.

The Management renews its pledge to continue its best efforts to manage prudently the Company's business for the benefit of all and sincerely thanks its shareholders, employees, customers and suppliers who by their continued support have made 1980-81, a successful year for Shakarganj Milk Ltd.

LEGAL ADVISORS FOR & ON BEHALF OF THE BOARD  
LEGAL ADVISORS

REGISTERED OFFICE  
REGISTERED OFFICE

WORKS  
WORKS

MAZHAR KARIM  
DIRECTOR



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## From the Board Room

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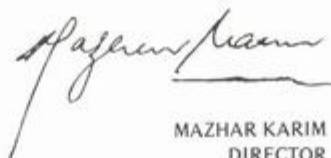
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FOR & ON BEHALF OF THE BOARD



MAZHAR KARIM  
DIRECTOR

# Chief Executive Officer's Review

## Dear Shakargang Investor:

The Year 1981 recorded highest earning in your Company's history. Net profit for the year totalled Rs.21.654 million, compared with a loss of Rs. 15.335 million in 1980. Sales increased (311.64%) to Rs. 117.942 million, compared with Rs. 28.651 million in 1980.

## SUMMARY OF OPERATION

The results of our 1981 operation are detailed in the body of this Annual Report.

Briefly, to summarize these results: our sugar production increased by 354.92%. Total sugar production was 25,562 M.Tons compared to 5,619 M.Tons in 1980. Recovery of Marketable Sugar was 8.89% as compared to 8.95% in 1980. While we saw a slight decline in recovery but our results compare well with national average of 8.82% and Punjab average of 8.56% during the year.

## PROBLEMS OF SUGARCANE SUPPLY IN PUNJAB

Sugarcane supply position in Punjab has always remained erratic. It largely depends on price of gur. Whenever the gur price increases for one reason or the other, Mills are starved of sugarcane because it becomes more profitable for the farmers to make gur.

Mills located in the areas where land holdings are smaller, are the worst affected. Normally, farmers having more than 5 acres of their land under sugarcane do not find it practically feasible to convert their crop to gur.

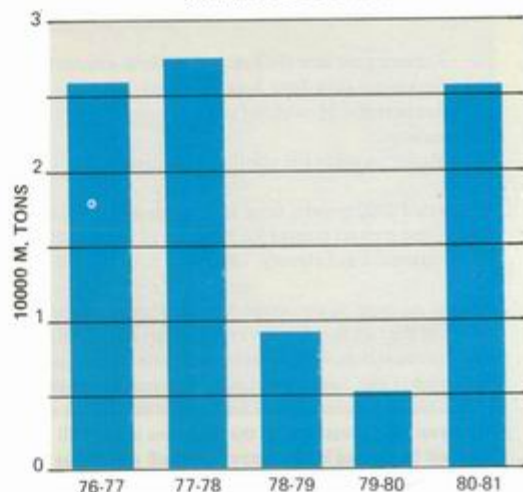
## STRATEGIC PLANNING

We initiated a 5-year plan in August 1980.

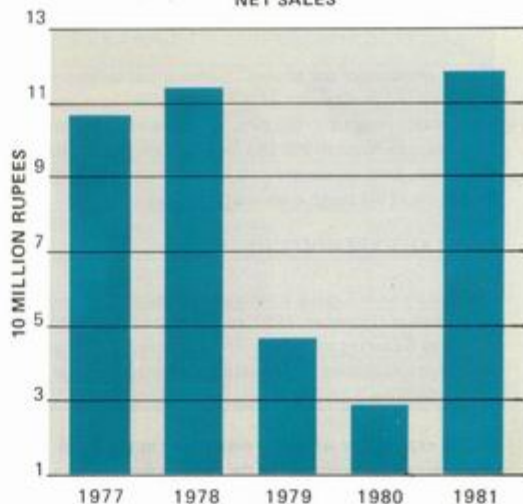
There were two basic thrusts to our long-range planning.

First was to reduce the cyclicity of our business by increasing Per Acre Yield of sugarcane in our Zone Area and growing atleast 60% of our total raw material requirement with selected growers for whom it is not practically feasible to make gur. This will ensure sufficient raw material availability to your company even in bad years when gur is selling at higher price.

SUGAR PRODUCTION



NET SALES



Our 5-year plan goals include:

- .. Achieving per acre yield matching world standard in Shakarganj Mills Zone Area.
- .. Replacement of outdated sugarcane varieties with better varieties.
- .. Maximum sugarcane planting in Autumn.

We selected 2000 growers from 320 villages in the Mill Zone Area. These growers planted 12,376 acres of improved variety (BL-4) sugarcane in February' 1980.

We took measures to encourage Autumn Plantation and inspite of the fact that farmers in Punjab are not familiar with this planting season, 1200 acres of sugarcane was planted in September' 1980. Sugarcane planted in September gives atleast 30% extra yield and we are hopeful that by the end of our 5-year plan atleast half of the sugarcane in our Mill Zone Area will be planted in September. This will give higher per acre yield to the farmers and higher recovery of marketable sugar to your company.

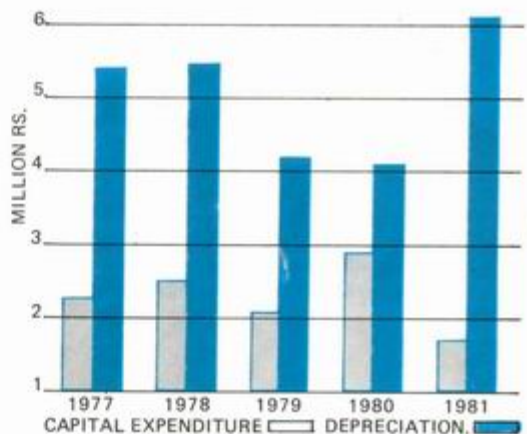
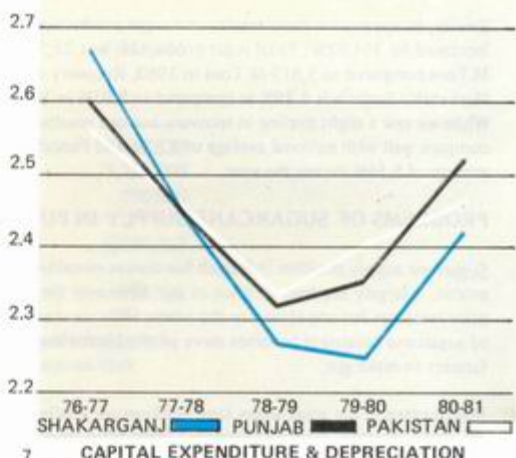
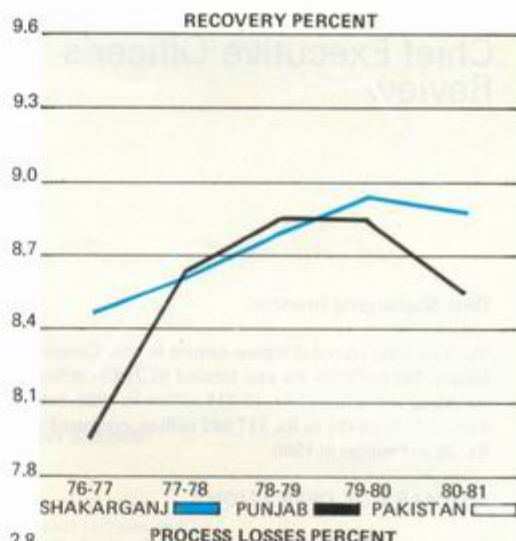
I feel pleasure in reporting that progressive farmers of our area have already started getting sugarcane yield of 1000-1500 Maunds per acre compared to the national average of 425 Maunds per acre.

Second emphasis of our strategic planning was to improve the efficiency and profitability of our business. We have made considerable progress in this direction since initiating our 5-year plan in August'1980 and for that I am grateful to our employees. Even so, our progress has not been sufficient to meet some of the tough goals we set in August' 1980.

## CAPITAL EXPENDITURE

The first phase of Capital Investment programme will conclude by the end of December, 1982. Investment of Rs. 14 million will go to Balancing and Modernizing, processing facilities. Investment exceeding Rs. 7 million is planned for sugar storage facilities.

Capital expenditure will climb even higher in the Fiscal 1982. Through capital investment in the right equipment we expect to bring a steadily improving return to our shareholders in form of higher dividend and earning per share.





## AREA OF CONCERN

Unlike in the provinces of Sind & NWFP, two purchase prices of sugarcane are fixed in Punjab; one is meant for purchase of cane at Factory Gate and the other at Purchasing Centres.

Mills are allowed to deduct 30 paises for Purchasing Centres at a distance of 10 miles from the Mills and thereafter 3 paises per mile subject to a maximum of 75 paises for Purchasing Centres at a distance of 25 miles. Mills are not allowed to make any further deduction if the distance of Purchasing Centre is over 25 miles from the Factory.

This differential does not cover even half of the expenses as, the freight alone for 10 miles exceeds 70 paises per maund against which only 30 paises are allowed to cover the entire expenses including Octroi, Loading Charges, Shortage and other Miscellaneous Expenses.

It will, therefore, be appreciated that average total cost on the purchase of one maund of sugarcane at the Purchasing Centres and its transport to the Factory Gate costs the Factory at the rate of Rs. 1.92. The present differential has no relation with the actual facts.

Extra expenditure incurred on sugarcane purchased at various Purchasing Centres exceeded Rs.3.4 million in 1981. With increase in oil prices and other expenses it is expected to rise in the years to come.

Cost of sugarcane calculated in the Ex-Factory price of sugar fixed by the Government is Rs. 105.23 assuming an average recovery of 8.55% and average purchase price of sugarcane at Rs.9/- per maund. Actually the position is different from this. Only half of the sugarcane which is delivered at Factory Gate, is available to the Factories at the Government support price. The other half purchased at the Purchasing Centres costs much more and for this reason the average cost of sugarcane is more than the Government support price.

This problem has become very serious after the Government decision regarding Sharing of Profit with the Farmers earned by the Sugar Mills on account of sucrose content being higher than that assumed in the Ex-Factory price fixation formula. For the purposes of calculating this share, cost incurred by the Mills on sugarcane used to produce one maund of sugar is taken as Rs.105.23 and no allowance is given for higher cost incurred on sugarcane purchased at Purchasing Centres. In this way Mills are made to share the profit which has actually not been made as even at 8.55% recovery the cost of sugarcane per maund of sugar is higher than Rs.105.23.

When compared with other two sugarcane growing provinces i.e. NWFP & Sind where only one price at Factory Gate is fixed and the Mills are allowed to deduct total freight incurred on cane at outside Centres, the differential treatment between the provinces becomes very clear.

PURCHASING CENTRE EXPENSES PER MAUND	
Octroi Duty on Cane	Re. 0.10
Loading Charges	0.15
Shortage & Dryage (at 3%)	0.27
Average Freight on	
Average Freight on transport from Purchasing Centres to Factory Gate	1.25
Miscellaneous Expenses at Purchasing Centres (Depreciation on Weigh-bridges, Tents, Furniture & Salary of the Staff posted there)	0.15
Total:—	Re. 1.92

BREAK-UP OF SUGARCANE SUPPLIES		
Year	Factory Gate Percent	Purchasing Centres Percent
1976—77	70.00	30.00
1977—78	72.00	28.00
1978—79	65.00	35.00
1979—80	62.00	38.00
1980—81	61.36	38.64

We request that immediate sympathetic action may kindly be taken and in conformity with the practice in other two provinces only one price of sugarcane be fixed at the Factory Gate. No price should be fixed for Purchasing Centres as is being done in other provinces. The Mills be allowed to deduct actual transport and other expenses from the Purchasing Centres to the Mills Gate.

The wide spread lack of awareness among the public regarding the need to maintain Corporate Profits at a level sufficient to encourage continuing investment and expansion of basic industries is another area of concern.

We also believe that the double taxation of dividend-first as corporate profits, then as shareholder's income-penalizes earnings and individual savings which should be channeled into capital investment creating much needed additional employment.

## FUTURE OUTLOOK

We look forward to the future with confidence and expect that investments made will produce substantially higher profits for the investors in Shakarganj.

Sugar production for 1981-82 touched all time high record of 39,474 M.Tons, exceeding the previous highest figure of 28,717 M.Tons achieved in 1977-78, by 10,757 M.Tons. Crushing Season 1981-82, commenced on October 15'1981, and the factory closed on May 09' 1982 after operating for 207 days. Average recovery of marketable sugar for the season was 8.47%.

## IN APPRECIATION

Your Directors and Management take this opportunity to recognize with appreciation the loyalty of all their fellow workers. Their efforts have earned for us the trust of our growers and customers. For this we are grateful. Finally, we wish to thank our shareholders for their continued support.




ALTAF M. SALEEM  
Chief Executive Officer  
June 3, 1982

# Financial Statement and Auditors Report 1981

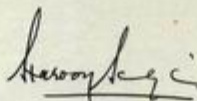
# SHAKARGANJ Balance Sheet as at September 30, 1981

CAPITAL AND LIABILITIES Rupees	NOTE	1981 Rupees	1980 Rupees
<b>SHARE CAPITAL</b>			
Authorised 5 000 000 ordinary shares of Rupees 10 each		<u>50 000 000</u>	<u>50 000 000</u>
Issued, subscribed and paid up 3 000 000 ordinary shares of Rupees 10 each fully paid up in cash		30 000 000	30 000 000
<b>RESERVES AND SURPLUS</b>	2	43 952 201	3 430 647
<b>LONG TERM LOANS</b>	3	913 051	28 510 220
<b>CURRENT LIABILITIES</b>		<u>                    </u>	<u>                    </u>
Borrowing from banks	4	16 041 488	14 566 088
Current maturity of long term debts	5	42 176 223	30 710 931
Creditors, provisions and accrued charges	6	83 510 551	52 497 635
Due to associated undertakings	7	244 842	10 069 862
Workers' profit participation fund		1 147 089	—
Dividend payable		1 640 537	—
Proposed dividend		3 750 000	—
		<u>148 510 730</u>	<u>107 844 516</u>
<b>CONTINGENT LIABILITIES AND COMMITMENTS</b>	8	<u>—</u>	<u>—</u>
		<u>223 375 982</u>	<u>169 785 383</u>

The annexed notes form an integral part of these accounts.



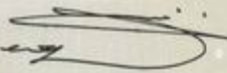
WAHABUDDIN SHAH  
DIRECTOR

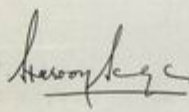


HAROON I. KAYANI  
DIRECTOR



PROPERTY AND ASSETS	NOTE	1981 Rupees	1980 Rupees
FIXED ASSETS			
Operating assets	9	147 584 394	152 280 342
Capital work-in-progress		<u>234 848</u>	<u>22 589</u>
		147 819 242	152 302 931
CURRENT ASSETS			
Stores and spares	10	<u>7 852 758</u>	<u>8 427 990</u>
Stocks	11	47 434 319	5 691 958
Other receivables	12	12 027 413	2 633 643
Due by associated undertakings	13	4 899 470	150 520
Cash and bank balances	14	<u>3 342 780</u>	<u>578 341</u>
		75 556 740	17 482 452
		<u>223 375 982</u>	<u>169 785 383</u>

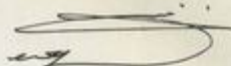
  
 WAHABUDDIN SHAN  
 DIRECTOR

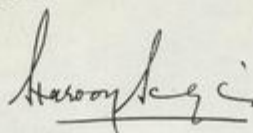
  
 HAROON I. KAYANI  
 DIRECTOR

# Profit and Loss Account for the Year ended September 30, 1981

	NOTE	1981 Rupees	1980 Rupees
SALES	15	117 942 683	28 651 659
COST OF SALES	16	83 313 790	30 861 164
GROSS PROFIT/(LOSS)		34 628 893	(2 209 505)
DEDUCT/(ADD): EXPENSES			
Administrative	17	2 378 704	2 089 862
Selling and distribution	18	325 448	69 371
Financial	19	9 642 332	11 188 169
Workers' profit participation fund		1 147 089	—
		13 493 573	(13 347 402)
OPERATING PROFIT/(LOSS)		21 135 320	(15 556 907)
OTHER INCOME	20	519 369	221 064
PROFIT/ ( LOSS) FOR THE YEAR		21 654 689	(15 335 843)
PREVIOUS YEAR'S LOSS BROUGHT FORWARD		(15 335 843)	—
PROFIT/(LOSS) AVAILABLE FOR APPROPRIATION		6 318 846	(15 335 843)
APPROPRIATIONS			
Guaranteed dividend		1 640 537	—
Proposed dividend		3 750 000	—
Transfer to general reserve		800 000	—
		6 190 537	—
UNAPPROPRIATED PROFIT/(LOSS)		128 309	(15 335 843)

The annexed notes form an integral part of these accounts.

  
WAHABUDDIN SHAH  
DIRECTOR

  
HAROON I. KAYANI  
DIRECTOR

# Statement of changes in Financial Position for year ended September 30, 1981

1981  
Rupees

1980  
Rupees

## SOURCE OF FUNDS

Profit/(loss) for the year	21 654 689	(15 335 843)
Depreciation	6 100 060	4 090 462
Gain on disposal of fixed assets	(71 073)	(13 869)
Funds provided from operation	27 683 676	(11 259 250)
Other source		
Proceeds from disposal of fixed assets	288 196	88 640
	<u>27 971 872</u>	<u>(11 170 610)</u>

## APPLICATION OF FUNDS

Capital expenditure	1 833 494	2 757 467
Loans repaid	652 028	
Repayment of debentures	2 000 000	2 000 000
Net movement of specified current assets less current liabilities	23 486 350	(15 928 077)
	<u>27 971 872</u>	<u>(11 170 610)</u>

## MOVEMENT OF SPECIFIED CURRENT ASSETS AND LIABILITIES

Increase/(decrease) in current assets		
Stores and spares	( 575 232)	( 1 077 400)
Stocks	41 742 361	1 558 960
Other receivables	9 393 770	(239 614)
Due by associated undertakings	4 748 950	(1 634 549)
Cash and bank balances	2 764 439	(357 798)
	<u>58 074 288</u>	<u>(1 750 401)</u>
(Increase)/decrease in current liabilities		
Borrowing from banks	(1 475 400 )	(413 605)
Creditors, provisions and accrued charges	(41 790 469)	(5 402 441)
Due to associated undertakings	9 825 020	(8 361 630)
Workers' profit participation fund	(1 147 089 )	—
	<u>(34 587 938)</u>	<u>(14 177 676)</u>
NET MOVEMENT OF SPECIFIED CURRENT ASSETS LESS CURRENT LIABILITIES	<u>23 486 350</u>	<u>(15 928 077)</u>

# Notes to the Accounts for the year ended September 30, 1981

## 1. SIGNIFICANT ACCOUNTING POLICIES

### 1.1 Fixed assets

Depreciation on fixed assets is charged to income applying the reducing balance method and is based on the historical cost and not the reassessed value of fixed assets. Depreciation for extra shift workings is not charged in the accounts.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised.

Gain or loss on disposal of fixed assets is included in income currently.

### 1.2 Stores, spares and stocks

These are valued on the following basis:

Stores and spares	at moving average cost
Work-in-process	at net realisable value
Sugar	at net realisable value
Molasses	at net realisable value
Other stock	at cost

### 1.3 Foreign currency

Liabilities in foreign currency are converted into Pak rupee at the rate of exchange ruling at the balance sheet date. Exchange gain is transferred to exchange equalisation reserve and any loss is first set off against such reserve and balance, if any, is charged to plant and machinery.

### 1.4 Taxation

Charge for taxation is based on taxable income. However, the company does not account for deferred taxation.

### 1.5 Revenue recognition

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

### 1.6 Cost

These accounts have been prepared under the historical cost convention except for fixed assets which were revalued by an independent valuer on September 30, 1979.



	1981 Rupees	1980 Rupees
<b>2. RESERVES AND SURPLUS</b>		
Capital reserve		
Reserve arising from revaluation of fixed assets on September 30, 1979	16 990 163	16 990 163
Exchange equalisation		
As at October 1,	1 776 327	—
Exchange gain for the year	24 257 402	1 776 327
	26 033 729	1 776 327
Revenue reserve		
General	800 000	—
Unappropriated profit/(loss)	128 309	(15 335 843)
	43 952 201	3 430 647

### 3. LONG TERM LOANS

The loans from Pakistan Industrial Credit and Investment Corporation (PICIC) comprise of :

Loan No.	Currency	Amount in foreign currency	1981 Rupees	1980 Rupees
NI.BK/I	Dutch Guilders	194 580	749 335	1 667 163
AL.BK/I	Dutch Guilders	10 260 000	39 511 688	51 843 057
Dutch Suppliers				
Loan-Addendum	Dutch Guiders	734 412	2 828 251	3 710 931
			43 089 274	57 221 151
Less : Current maturity (Note 5)			42 176 223	28 710 931
			913 051	28 510 220

- 3.1 Loans referred to in Note 3 above are secured against:
- (a) a first charge by way of equitable mortgage (with option to convert the same into a legal mortgage whenever required by PICIC) on the Company's immovable properties wherever situated by deposit of title deed with PICIC;
  - (b) a letter of hypothecation of all plant and machinery;
  - (c) a first floating charge on all other undertakings, goodwill and assets;
  - (d) an irrevocable power of attorney in favour of PICIC with full powers among others to sell all assets of the company;
  - (e) personal guarantee of the directors of the company.
- 3.2 The entire loan shall be represented and evidenced by PICIC debentures. The trust deed amongst other shall:
- ... provide that all debentures representing the loan shall rank *pari passu* in point of security;
  - ... provide that 20 percent of the debentures shall be convertible into shares in the company at the option of PICIC.
- 3.3 Loan No. NI.BK/I carries interest at the annual rate of 9 percent and is repayable in twenty-four semi-annual instalments commencing from July 1, 1972.
- 3.4 Loan No. AL.BK/I carries interest at the annual rate of 8 percent and is repayable in twenty semi-annual instalments commencing from May 15, 1972.
- 3.5 The dutch suppliers loan-addendum represents the additional liability on account of price increase and is payable in cash to PICIC in seven equal half yearly instalments commencing from July 1, 1975 and bears interest at the annual rate of 7 percent.
- 3.6 PICIC has agreed to reschedule the repayment of overdue instalments of the loans in half yearly instalments commencing from December 31, 1977.
- 3.7 The Dutch Guilders have been converted into Pak Rupee at the rate of Dfl 25,9670 = Pak Rupees 100
- 3.8 According to Ministry of Finance letter No. 6(1)CM, III/69 dated August 10, 1974, the amount of this additional claim is no longer payable to Dutch Suppliers as Royal Government of Netherland accorded debt relief to Government of Pakistan for this amount. Since the additional claim is now not to be remitted to Dutch Suppliers in foreign exchange, the company made representation to Ministry of Finance, Economic Affairs Division firstly for passing this lawful relief to the company. Secondly, since no foreign exchange is to be remitted by PICIC on this account, the amount should be recovered equivalent rupee as due on the date of debt relief.
- 3.9 The company has filed the suit against PICIC claiming that originally sanctioned loan was for Rupees 14 million which was increased to Rupees 15,180 million. The company and its Counsels are of view that amounts were expressed in terms of Pak Rupee at the time of sanction of these loans. The agreement with PICIC contains no clause or provision to alter this basic position as such all exchange rate risk will be borne by PICIC. If these cases are adjudicated in favour of the company. The above liability will disappear and such amount will be refundable by PICIC to the company as may be found due after rendition of accounts through the High Court of Sind in the above suit.

#### 4. BORROWING FROM BANKS

Secured:	1981 Rupees	1980 Rupees
United Bank Limited— Cash Credit (Not 4.1)	5 135 146	5 028 067
Muslim Commercial Bank Limited Account No.CA-1	—	960 809
Muslim Commercial Bank Limited Account No. 1600	—	4 945 518
Agricultural Development Bank of Pakistan(Note 4.2)	10 378 839	3 527 549
	<u>15 513 985</u>	<u>14 461 943</u>
Unsecured:		
Habib Bank Limited, Karachi	—	1 465
National Bank of Pakistan,Karachi	1 660	1 660
United Bank Limited,Karachi	240 352	101 020
United Bank Limited, Jhang	285 491	—
	<u>527 503</u>	<u>104 145</u>
	<u>16 041 488</u>	<u>14 566 088</u>

4.1 The cash credit obtained from United Bank Limited as referred to in Note 4 is secured by way of hypothecation of stores, stocks of sugar, second charge on fixed assets and personal guarantee of all the directors. The total credit facility is of Rupees 5 million.

4.2 The loan as referred to in note 4 above has been obtained from Agricultural Development Bank of Pakistan against the Company's guarantee for the supply of fertilizers, seeds, pesticides and agricultural services to sugar cane growers. The total credit facility is of Rupees 10 million.

	1981 Rupees	1980 Rupees
<b>5. CURRENT MATURITY OF LONG TERM DEBTS</b>		
Loans:		
Overdue instalments	32 176 223	18 710 931
Instalments due within one year	<u>10 000 000</u>	<u>10 000 000</u>
	42 176 223	28 710 931
Debentures:		
Instalments due within one year	<u>—</u>	<u>2 000 000</u>
	<u>42 176 223</u>	<u>30 710 931</u>
<b>6. CREDITORS, PROVISIONS AND ACCRUED CHARGES</b>		
Creditors	2 307 073	2 162 777
Advances from customers	39 504 813	1 754 983
Employees provident fund trust	80 256	121 337
Deposits	12 983	1 983
Interest on secured loans	40 190 953	47 171 096
Excise duty	—	538 880
Miscellaneous accrued charges	<u>1 414 473</u>	<u>746 579</u>
	<u>83 510 551</u>	<u>52 497 635</u>
6.1 The liabilities referred to in Note 6 above may be reclassified as follows:		
For goods	1 400 784	1 250 032
For expenses	41 605 426	48 456 555
For other finance	<u>40 504 341</u>	<u>2 791 048</u>
	<u>83 510 551</u>	<u>52 497 635</u>
<b>7. DUE TO ASSOCIATED UNDERTAKINGS</b>		
Crescent Boards Limited	26 014	220 107
Crescent Textile Mills Limited	—	5 099 019
Crescent Jute Products Limited	—	2 667 696
M.A.M.B. Limited	26 445	31 822
Jubilee Spinning and Weaving Mills Limited	36 600	1 474 752
Shams Textile Mills Limited	4 957	12 521
Crescent Sugar Mills and Distillery Limited	<u>150 826</u>	<u>563 945</u>
	<u>244 842</u>	<u>10 069 862</u>
<b>8. CONTINGENT LIABILITIES AND COMMITMENTS</b>		
... The company is contingently liable in respect of guarantees issued in favour of bankers amounting to Rupees 3 685 880 against loans granted to sugarcane growers.		
... Capital commitments outstanding as at September 30, 1981 are amounting to Rupees 3 298 169.		



## 9. OPERATING ASSETS

DESCRIPTION	Reassessed value/original cost as at October 1 1980	COST		As at September 30,1981	DEPRECIATION			As at September 30,1981	BOOK VALUE AS AT SEPTEMBER 30, 1981	RATE %
		Additions	Dele- tions		As at October 1, 1980	Dele- tions	Provided			
Land	3 750 000	—	—	3 750 000	—	—	—	—	3 750 000	—
Buildings and roads	17 041 538	411 740	—	17 453 278	3 385 656	—	482 082	3 867 739	13 585 539	5-10
Plant and machinery	155 039 026	183 210	—	155 222 236	22 703 312	—	5 145 733	27 849 045	127 373 191	10
Laboratory equipments	163 104	—	—	163 104	75 549	—	8 755	84 304	78 800	10
Tubewell and water pumps	281 131	16 115	—	297 246	116 220	—	18 103	134 322	162 924	10
Electric installations	468 165	5 459	—	473 624	176 164	—	29 746	205 910	267 714	10
Weighbridges and scales	606 548	161 250	—	767 798	209 200	—	55 860	265 060	502 738	10
Furniture and fixtures	621 160	125 137	1 910	744 387	187 405	518	55 750	242 637	501 750	10
Office equipments	183 203	—	17 125	166 078	65 056	6 659	10 768	69 165	96 913	10
Vehicles	1 492 085	619 848	411 071	1 700 862	610 283	205 806	259 277	663 754	1 037 108	20
Guns	9 578	—	—	9 578	4 459	—	512	4 971	4 607	10
Library books	72 692	8 858	—	81 550	42 474	—	11 723	54 197	27 353	30
Tools and equipments	145 494	64 710	—	210 204	24 115	—	18 609	42 724	167 480	10
Telephone equipments	10 261	24 908	—	35 169	3 750	—	3 142	6 892	28 277	10
1981 Rupees	179 883 985	1 621 235	430 106	181 075 114	27 603 643	212 983	6 100 060	33 490 720	147 584 394	
1980 Rupees	177 138 680	2 858 948	113 643	179 883 985	23 551 092	37 911	4 090 462	27 603 643	152 280 342	

	1981 Rupees	1980 Rupees
<b>10. STORES AND SPARES</b>		
Stores	2 392 557	2 657 961
Spares	5 460 201	5 770 029
	<u>7 852 758</u>	<u>8 427 990</u>
<b>11. STOCKS</b>		
Sugar	46 029 765	3 504 480
Molasses	624 632	1 558 696
Work-in-process	152 351	138 167
Other stock	627 571	490 615
	<u>47 434 319</u>	<u>5 691 958</u>
<b>12. OTHER RECEIVABLES</b>		
These comprise of:		
Advances:		
Suppliers	3 684 770	1 260 247
Employees	361 196	148 098
Transport contractors	219 125	17 651
Letters of credit	319 195	—
Income tax	12 517	—
Loan to sugarcane growers	7 193 744	975 018
Security-deposits	85 846	81 846
Claims (Note 12.1)	219 120	211 884
Prepayments	51 900	58 899
	<u>12 147 413</u>	<u>2 753 643</u>
Less: Provision for doubtful	120 000	120 000
	<u>12 027 413</u>	<u>2 633 643</u>
12.1 Claims include a sum of Rupees 80 741 due from an ex-employee for which the case has been filed in a court of law.		
<b>13. DUE BY ASSOCIATED UNDERTAKINGS</b>		
Crescent Jute Products Limited	4 372 654	—
Ujala Cotton Mills Limited	497 833	150 520
Crescent Textile Mills Limited	28 983	—
	<u>4 899 470</u>	<u>150 520</u>
<b>14. CASH AND BANK BALANCES</b>		
Cash in hand	75 921	20 894
With Banks on:		
Current accounts	2 866 859	157 447
Deposit accounts	400 000	400 000
	<u>3 342 780</u>	<u>578 341</u>
<b>15. SALES</b>		
Sugar	109 601 109	28 619 363
Molasses	8 341 574	32 296
	<u>117 942 683</u>	<u>28 651 659</u>

# 16. COST OF SALES

	1981 Rupees	1980 Rupees
Raw material		
Cane purchased	68 318 307	11 367 827
Delivery expenses	16 281 585	898 583
Less: Recovered	3 224 540	117 858
Cane subsidy	13 057 045	780 725
Development subsidy	909 572	417 545
Cane development cess	795 321	170 235
Market committee fee	431 600	168 313
	<u>83 511 845</u>	<u>12 904 645</u>
Salaries, wages and other benefits	5 592 519	3 260 704
Workers' welfare	38 275	11 927
Dyes and chemicals	433 034	116 816
Packing material	2 407 082	475 992
Stores consumed	34 444	60 933
Power and fuel	2 206 695	1 802 195
Repairs and maintenance	3 248 982	1 326 252
Insurance	394 439	306 775
Other factory expenses	1 592 983	557 625
Depreciation	5 837 277	3 611 674
Excise duty	19 621 620	7 586 055
Work-in-process		
As at October 1,	138 167	723 723
As at September 30,	152 351	138 167
	<u>(14 184)</u>	<u>585 556</u>
Cost of goods produced	<u>124 905 011</u>	<u>32 607 149</u>
Finished goods		
As at October 1,	5 063 176	3 317 191
As at September 30,	46 654 397	5 063 176
	<u>(41 591 221)</u>	<u>(1 745 985)</u>
	<u>83 313 790</u>	<u>30 861 164</u>

## 17. ADMINISTRATIVE EXPENSES

	1981 Rupees	1980 Rupees
Salaries, wages and other benefits	897 426	678 306
Directors meetings fee	1 300	—
Travelling and conveyance	58 190	88 600
Printing and stationery	95 895	156 021
Communication	142 235	100 107
Vehicles running	281 623	218 206
Legal and professional	95 141	68 331
Auditors' remuneration:		
Audit fee	20 000	20 000
Out of pocket expenses	5 500	5 500
	25 500	25 500
Repair and maintenance	64 504	72 375
Uniforms and liveries	7 677	15 268
Entertainment	69 075	51 212
Subscription and donations	267 129	43 766
Advertisement	37 639	16 140
Miscellaneous	72 587	77 242
Depreciation	262 783	478 788
	2 378 704	2 089 862

## 18. SELLING AND DISTRIBUTION EXPENSES

Loading and unloading	93 990	14 184
Insurance	160 738	41 484
Stacking	64 121	11 806
Miscellaneous	6 599	1 897
	325 448	69 371

## 19. FINANCIAL EXPENSES

Interest on:		
Borrowings from banks	677 596	1 486 832
Bridge finance	—	47 093
Debentures	140 000	420 000
Long term loans	8 215 383	8 230 003
Current accounts with associated undertakings	561 264	871 519
Bank charges	48 089	132 722
	9 642 332	11 188 169

## 20. OTHER INCOME

Sale of scrap	83 695	27 599
Commission on fertilizer	110 934	95 169
Gain on disposal of fixed assets (Note 20.1)	71 073	13 869
Credit balance written back	233	191
Gain on sale of stores	4 500	13 891
Dividend from Investment Corporation of Pakistan	13 890	—
Interest on bank deposits	42 030	—
Miscellaneous	193 014	70 345
	519 369	221 064

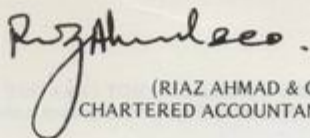


	1981 Rupees	1980 Rupees
<b>17. ADMINISTRATIVE EXPENSES</b>		
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Printing and stationery	95 895	156 021
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Vehicles running	281 623	218 206
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Audit fee	20 000	20 000
Out of pocket expenses	5 500	5 500
	<hr/> 25 500	<hr/> 25 500
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Uniforms and liveries	7 677	15 268
Entertainment	69 075	51 212
Subscription and donations	267 129	43 766
Advertisement	37 639	16 140
Miscellaneous	72 587	77 242
Depreciation	262 783	478 788
	<hr/> 2 378 704	<hr/> 2 089 862
<b>18. SELLING AND DISTRIBUTION EXPENSES</b>		
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Stacking	64 121	11 806
Miscellaneous	6 599	1 897
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<b>19. FINANCIAL EXPENSES</b>		
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Bridge finance	—	47 093
Debentures	140 000	420 000
Long term loans	8 215 383	8 230 003
Current accounts with associated undertakings	561 264	871 519
Bank charges	48 089	132 722
	<hr/> 9 642 332	<hr/> 11 188 169
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Gain on disposal of fixed assets (Note 20.1)	71 073	13 869
Credit balance written back	233	191
Gain on sale of stores	4 500	13 891
Dividend from Investment Corporation of Pakistan	13 890	—
Interest on bank deposits	42 030	—
Miscellaneous	193 014	70 345
	<hr/> 519 369	<hr/> 221 064

# Auditors Report to the Shareholders

We have examined the annexed balance sheet as at September 30, 1981 and the annexed profit and loss account and statement of changes in financial position together with the notes to the accounts for the year ended September 30, 1981 of Shakarganj Mills Limited and we state that we have obtained all the information and explanations which we required and, after due verification thereof, we report that:

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Act, 1913;
- (b) in our opinion, the balance sheet and profit and loss account have been drawn up:
  - i) in conformity with the Companies Act, 1913; and
  - ii) in accordance with the requirements of the Second Schedule to the Securities and Exchange Rules 1971; and
- (c) in our opinion and to the best of our information and according to the explanations given to us;
  - i) the balance sheet and the profit and loss account and the statement of changes in financial position, which are in agreement with the books of account, exhibit respectively a true and correct view of the state of company's affairs as at September 30, 1981 and of the profit and the changes in the financial position for the year ended on that date;
  - ii) the expenditure incurred was for the purpose of the company's business; and
  - iii) Zakat deductible at source, if any, under the Zakat and Ushr Ordinance, 1980, has been deducted by the company and credited to the Central Zakat Fund established under section 7 of that Ordinance.



(RIAZ AHMAD & CO.)  
CHARTERED ACCOUNTANTS

LAHORE JUNE 03, 1982.