

CRESCENT GROUP



ANNUAL
REPORT
1998



SHAKARGANJ
MILLS LIMITED

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Corporate Mission

Preamble

We, the management of Shaharganj Mills Limited, have set forth our belief as to the purpose for which the Company is established and the principles under which it should operate.

We pledge our efforts to the accomplishment of the purpose within the agreed principles.

Basic Purpose

The basic purpose of Shaharganj Mills Limited is to perpetuate as a Public Limited Company engaged in manufacturing and marketing white refined cane sugar, food products, sugar by-products and other products wherein management or sponsors have expertise. In addition we propose to assume a leadership position in related industry regarding: quality of the product, cost effectiveness, turnover and technology.

What We Do

Our main business area is the production of refined cane sugar and sugar by products.

We recognise the value of technological improvement keep in step with the latest innovations and developments in our field. We believe in modern management practice and use latest techniques. We constantly train our people and keep them highly motivated as they are our most important assets. We strongly believe in integrity in business and integrity of Shaharganj depends on integrity of each one of its employees.

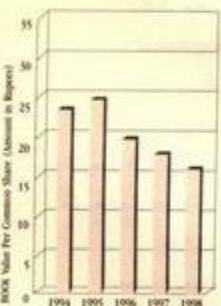
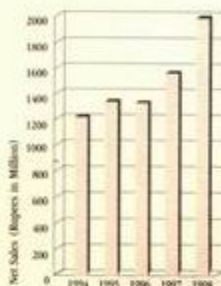
We consider Research and Development as back bone of our business and conduct extensive Agricultural Research through Shaharganj Sugar Research Institute.

We consider our farmers who are our raw material suppliers as the most important part of our business. We transfer the technology and results of our research to our farmers with the objective of matching their sugar cane output to world standard.

We believe in diversification through new manufacturing facilities and through equity participation.

Five Years Financial Summary

(Rupees in Thousand, except amounts per share)



	1998	1997	1996	1995	1994
Operating Results:					
Net Sales	1,816,421	1,398,384	1,187,626	1,204,483	1,090,098
Cost of Sales	1,657,492	1,233,714	1,040,912	1,017,561	1,011,269
Selling, General and Admin Expenses	47,160	43,735	36,978	46,215	44,386
Interest Expenses	179,744	189,290	168,803	137,158	104,624
Other Income, Net	46,815	66,131	26,066	55,979	96,565
Pre-Tax Profit/(Loss)	(21,830)	(3,037)	(33,319)	56,252	24,831
Income Tax	8,441	6,155	(17,196)	1,522	5,350
Net-Income	(30,271)	(9,192)	(16,123)	54,730	19,381

Per Share Results and Return:

Earning Per Share	(1.03)	(0.35)	(0.67)	2.57	1.07
Stock Dividend per Share	1:10	1:10	1:10	1:10	1:10
Net Income Sales Percent	(1.67)	(0.66)	(1.36)	4.54	1.78
Return on Average Assets Percent	(1.69)	(0.55)	(1.02)	3.39	1.24
Return on Average Equity Percent	(6.65)	(1.94)	(3.34)	12.22	5.12

Financial Position:

Current Assets	826,450	821,965	565,000	704,115	754,398
Current Liabilities	950,180	1,023,355	674,023	755,614	800,523
Operating Fixed Assets	727,120	768,703	801,017	808,026	529,515
Total Assets	1,785,026	1,790,570	1,561,415	1,594,810	1,630,077
Long-Term Debt	429,361	462,621	538,059	320,478	340,877
Shareholders' Equity	439,993	470,264	479,456	485,110	410,844
Break-up Value per share	15.02	17.66	19.81	22.77	22.59

Financial Ratios:

Current Liabilities to Current Assets	1.15	1.25	1.15	1.07	1.06
Long-Term Debt to Capitalization Percent	49.39	49.59	52.88	39.78	45.35
Total Debt to total assets Percent	75.35	73.74	69.29	69.58	74.80
Interest Coverage (times)	0.88	0.98	0.80	1.43	1.25
Average Collection period (Days)	1.39	6.90	1.09	7.66	9.40
Inventory Turnover (Time)	3.90	3.67	10.43	6.90	6.13
Fixed Assets turnover (Times)	2.22	1.71	1.39	1.40	1.29
Total Assets turnover (Times)	1.02	0.78	0.76	0.76	0.67

Other Data:

Depreciation & Amortization	90,478	91,100	94,457	116,639	89,011
Capital Expenditure	39,332	54,086	83,215	367,357	187,346

PRODUCTION DATA 1974-1998

Season	SUGAR				LOSSES		MOLASSES	INDUSTRIAL	PARTICLE
	Duration of Season (Days)	Cane Crushed (M.Tons)	Sugar Produced (M.Tons)	Recovery (Percent)	Process (Percent)	Molasses (M.Tons)	Industrial Alcohol (Liters)	Alcohol	BOARD
1997-98	163	1,434,389.418	112,430.000	7.85	2.38	73,477	6,350,000		2,784.438
1996-97	176	1,036,955.123	79,740.000	7.69	2.50	54,711	6,015,000		Nil
1995-96	151	763,316.236	60,285.000	7.92	2.65	39,397	2,573,700		2,117.539
1994-95	157	1,057,035.578	86,075.000	8.11	2.77	53,172	5,460,000		5,299.260
1993-94	196	1,203,371.201	88,116.500	7.34	2.65	60,150	5,250,076		4,334.770
1992-93	161	691,838.635	54,055.000	7.85	2.68	35,980	4,887,020		1,662.757
1991-92	174	746,506.346	63,985.500	8.57	2.53	37,710	4,525,900		3,360.000
1990-91	204	866,552.129	65,536.800	7.56	2.59	47,135	3,422,204		642.940
1989-90	187	708,632.495	57,912.000	8.17	2.31	33,180	3,030,217		
1988-89	170	446,324.860	36,366.800	7.70	2.44	22,410			
1987-88	193	698,604.856	55,726.000	7.98	2.61	38,740	308,494		
1986-87	149	333,601.075	27,898.600	8.36	2.24	15,060	1,855,809		
1985-86	113	237,601.670	20,625.000	8.66	2.29	11,470	20,239		
1984-85	168	441,717.765	39,522.600	8.96	2.38	22,580			
1983-84	173	427,169.490	35,501.200	8.31	2.40	21,860			
1982-83	173	361,291.485	29,440.000	8.16	2.44	16,255			
1981-82	207	466,040.000	39,474.000	8.47	2.48	21,255			
1980-81	187	287,723.000	25,562.000	8.89	2.42	13,373			
1979-80	112	61,206.625	5,619.300	8.95	2.25	2,358			
1978-79	114	107,106.070	9,267.300	8.80	2.27	4,147			
1977-78	177	319,960.400	27,620.000	8.61	2.44	14,103			
1976-77	166	308,987.443	26,085.600	8.45	2.67	15,228			
1975-76	157	246,393.593	18,864.880	7.61	2.68	11,424			
1974-75	107	104,069.161	8,252.618	8.30	2.75	4,182			
1973-74	101	87,824.720	5,476.830	6.28	3.57	4,726			

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ABOUT SHAKARGANJ:

Shakarganj Mills Limited is a public limited company incorporated on September 20, 1967 and is listed on all the Stock Exchanges of Pakistan. The manufacturing facilities consisting of Sugar, Industrial Alcohol and Particle Board are located in the famous town of Jhang in the Central Punjab. High quality Sugar conforming to international standard is manufactured and used by Pharmaceutical Industry and other food manufacturers in addition to quality conscious housewives.

At Shakarganj three co-products of sugar are produced Molasses is converted into Industrial Alcohol and Sugarcane bagasse is converted to high quality Particle Board. Surplus power is supplied to a neighbouring textile company.

Research and Development is very important aspect of business at Shakarganj and for this purpose Shakarganj Sugar Research Institute has been established since 1983 along side the other facilities. Shakarganj serves 24,500 farming families in addition to several other suppliers.

Crescent Business Management (Private) Limited is a wholly owned subsidiary of Shakarganj. This company manages First Crescent Modaraba which is listed on Karachi, Lahore and Islamabad Stock Exchanges. First Crescent Modaraba is dedicated to reform the financial and business conduct and bring it in accordance with the principles enshrined in the Sharia.



To Our Shareholders

Review of Fiscal 1998

Dear Shakarganj Investor:

Shakarganj touched its highest sugar production level at 112,000 tons in 1997/98 compared to 80,000 tons in the previous years. This translates into 41 percent increase in production. Sugar recovery was also up from 7.69 percent to 7.85 percent. Industrial Alcohol production increased by 5.57 percent and recorded highest level in company's history.

Your management has been concentrating on decreasing production costs by curtailing expenditure and increasing production. Over the last two years sugar production level has been increasing. We recorded an increase of 32 percent over the 1995/96, in 1996/97 and 41 percent in Fiscal 1997. We have kept the costs under control and were able to reduce raw material cost by 10.19 percent.

Sugar season 1997/98 started with a carry over stock of 400,000 tons of sugar in the country. This surplus was created due to sugar imports much in excess of country's requirements in 1996/97. Combination of a bumper sugarcane crop and huge carry over of sugar created a glut in the local market. Sugar price remained depressed throughout the year and Mills were forced to sell sugar below their cost of production. This situation defeated our efforts to maximize profits for our stakeholders.

Sugar Division

Sugar Division is the main engine of your company. Shakarganj was the largest sugar producer in the country in 1997/98. Raw material cost decreased by 10.19 percent from 1996/97 level. Sugar production increased by 41 percent. Sugar recovery also went up by 2.08 percent.

Industrial Alcohol Division

Industrial Alcohol market remained firm. The plant was run to optimum capacity. Production was increased by 5.57 percent. We produced 6.35 million litres in 1997/98 compared to 6 million litres in 1996/97. This division produced net sales revenue of Rs. 32.43 million and a gross profit of Rs. 11.51 million.

Kanewood Industries

Particle Board Plant operates under the name of Kanewood Industries. This plant is designed to utilize surplus bagasse from the sugar plant to convert it into Particle Board. Due to recession in building industry, demand for Particle Board remained low in 1996/97. In view of these factors your management decided to keep this operation closed during the period. Board plant was restarted on 20 February 1998. We produced 2,700 Cubic Meters of Particle Board during 1997/98.

Financial Analysis

Your management exercised strict control on costs despite of difficulties due to inflation in the country. Administrative expenses as percentage of sales were reduced from 2.48 percent to 2.09 percent. Financial charges were also down from 13.59 percent to 9.93 percent. Stock in trade increased mainly due to glut in the sugar market created by excessive import of sugar. Average collection period decreased from 6.90 days to 1.39 days. Inventory turn over increased from 3.67 times to 3.90 times. These improvements were achieved inspite of glut in the sugar market.

Contribution to Economy

Shakarganj plays an important role in terms of contribution to the economy. During the year under review, value added to the materials and services of Rs. 1.34 Billion worked out to Rs. 516.68 million. Your company's contribution towards Federal, Provincial and Local taxes were Rs. 207.44 million. We spent Rs. 179.74 million, as cost of financing and share of workers was Rs. 68.62 million. During the last ten years, your company has made a consolidated contribution of Rs. 1.57 billion in shape of Federal, Provincial and local Taxes.

Statement of Value Added

	(Rs. In Million)			
	1998		1997	
SALES REVENUE	1,816.42		1,398.38	
OTHER RECEIPTS	46.81		66.13	
	1,863.23		1,464.51	
LESS: MATERIELS & SERVICES	1,346.55		933.13	
VALUE ADDED	516.68		531.38	
APPLIED THE FOLLOWING WAY: TO EMPLOYEES:		%AGE		%AGE
WAGES, SALARIES AND RELATED COSTS	68.62	13.28	61.13	11.50
TO GOVERNMENT:				
INCOME TAX, EXCISE DUTY, SALES TAX AND OTHER TAXES	207.44	40.15	198.24	37.31
TO PROVIDERS OF CAPITAL				
FINANCE CHARGES ON LOANS AND ADVANCES	179.74	34.79	189.29	35.62
TRANSFER FROM SHARE PREMIUM ACCOUNT	0.00	0.00	(26.62)	(5.01)
DIVIDEND TO SHAREHOLDERS	0.00	0.00	26.62	5.01
	179.74	34.79	189.29	35.62
TO CHARITABLE INSTITUTIONS	0.67	0.13	0.81	0.15
TO PROVIDE FOR MAINTENANCE & EXPANSION OF ASSETS:				
DEPRECIATION / AMORTIZATION	90.48	17.51	91.10	17.14
PROFIT / (LOSS) RETAINED	(30.27)	(5.86)	(9.19)	(1.73)
	60.21	11.65	81.91	15.41
	516.68	100.00	531.38	100.00

Human Resource Development

At Shakarganj there is a strong emphasis on Human Resource Development. Training of Shakarganj Team is a continuous process and has a top priority. A well equipped Library with latest books on all aspects of our business is maintained for the benefit of team members. The library subscribes to some 150 periodicals and collection of books exceeds 4500.

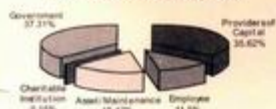
We invite internationally renowned sugar experts to train our team. In-house training programmes are organised both for the Shakarganj Team and Sugarcane Farmers. In addition to this we send our people to training programmes both within and outside the country. Expenditure on training during 1997/98 was Rs. 2.28 million.

Environmental Awareness

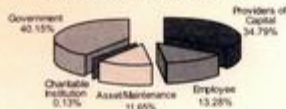
Shakarganj is clear about its responsibility to the environment and is very active in conservation. We are constantly making efforts to reduce waste and recycle process chemicals. Our environmental policy evolves around three basic principles:

- Shakarganj assumes responsibility for the environment
- All decisions at Shakarganj shall favour environment
- Information is open and free

Distribution of Value Added 1997



Distribution of Value Added 1998





Shakarganj takes active part in tree plantation with the community. To set an example 50,000 trees have been planted around the sugar factory. The same piece of land had only one tree in 1974. Recycling of sugarcane nutrients to the field is done by mixing filter cake with distillery stillage. After decomposition under anaerobic conditions, Biocompost is supplied to the farmers for use as fertilizer at a nominal price.

About 1998/99

Sugar season started on 16 November 1998 and till 2 March 1999, 71,088 Metric Tons of sugar was produced at an average recovery of 7.26 percent. In 1997/98 season the factory started operations on 17 November 1997 and upto 2 March 1998 sugar production was 76,440 Metric Tons. Low sugar production is attributed to severe damage to sugarcane crop due to discase. Our satellite imaging system has indicated that 65 percent of sugarcane in our area is affected by Red Rot.

Future Outlook

Sugar production in Pakistan is likely to remain at 1997/98 level. It is estimated that sugarcane crop in 1999/2000 will be lower due to advent of disease on a large scale.

Shakarganj Sugar Research Institute has produced a variety resistant to Red Rot. We have sufficient seed available in our area. This will enable us to have a healthy crop for 1999/2000.

We look to the future with confidence and hope to produce better results for our shareholders. We are better positioned to reduce our production costs through full capacity utilization and conversion of waste materials into value added co-products.

Directors, Employees and Suppliers.

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.

Your company's progress has mainly been possible through the dedication of the employees and they deserve a very warm vote of thanks. They have always shown their willingness to take advantage of opportunities and face challenges of changing economic picture. Our sugarcane farmers are the backbone of our industry and we thank them for their continued support.

Altaf M. Saleem
Chief Executive.

02, March, 1999

Flow of Funds Analysis

Development of net current position in million of Rupees

	Sep. 30 1996	Change	Sep. 30 1997	Change	Sep. 30 1998
Liquid Assets	+ 321.25	+ 267.44	+ 588.69	+ 19.55	+ 608.24
Short term receivable	+ 3.55	+ 22.89	+ 26.44	- 19.52	+ 6.92
Short term liabilities and provision	- 491.61	- 311.38	- 802.99	- 20.56	- 823.55
	- 166.81	- 21.05	- 187.86	- 20.53	- 208.39
Factors affecting the change in net current position					
Source of Funds					
Net Income/(loss) for the year			- 9.19		- 30.27
Depreciation			+ 84.68		+ 80.11
Amortization of assets subject to Finance Lease			+ 6.42		- 10.37
Internal Financing			+ 81.91		+ 60.21
Fixed Assets disposed			+ 2.57		+ 0.81
Redeemable Capital			+ 30.00		+ 173.40
Liability against assets subject to Finance Lease			+ 29.55		+ 55.06
Sales of Investments			+ 36.17		+ 68.89
Source of Funds - Total			+ 180.20		+ 358.37
Application of Funds:					
Addition to Fixed assets			- 27.94		- 38.38
Assets subject to Finance Lease			- 29.55		- 55.06
Addition to Investments			- 11.15		- 56.03
Redeemable Capital			- 87.44		- 165.87
Long Term deposits			- 0.03		- 5.13
Liability against assets subject to Finance lease			- 27.14		- 17.64
Loans Repaid			- 18.00		- 40.79
Application of Funds - Total			- 201.25		- 378.90
Changes in the net position			- 21.05		- 20.53



Board of Governors.

Mr. M. Asghar Qureshi
Chairman

Mr. Altaf M. Saleem
Member

Mr. M. Awais Qureshi
Member

Mr. Abdul Haq Saeed
Member

Dr. Shahid Afghan
Member

Shakarganj Sugar Research Institute.

Principal Functions

- Sugarcane breeding to evolve fertilizer responsive, disease resistant and stress tolerance varieties with high sucrose content.
- To investigate the agronomic problem of sugarcane production.
- To study soils in sugarcane producing areas and to relate these to crop management.
- To study the fertigation requirements of sugarcane.
- To study and monitor the pests and disease of sugarcane and so develop appropriate control measures.
- To conduct basic research on germination of sugarcane setts, sucrose production, translocation and storage and on the environmental influences on these processes.
- To provide advice on the use of fertilizers and other agricultural chemicals, irrigation, drainage, diseases and pests control, the use of machines and equipment, land and water management, and other aspects of crop production planting and management.
- To publish and disseminate information on all aspects of sugarcane production.
- To provide educational courses in various aspects of sugarcane growing for growers.
- To collaborate and exchange information and material with Research Organizations in Pakistan and other countries.
- To improve technology of sugarcane production inside the sugar factories by improving process and milling efficiency.

Shakarganj Sugar Research Institute's Review 1998

The Institute reports with great sorrow the sad demise of its Director General Dr. S. A. Qureshi who was a scientist of world repute. His scientific work and views were equally accepted with respect both inside the country and abroad.

He did a remarkable breeding work in wheat and his work in bringing out Maxi-Pak wheat varieties ushered in an era of green revolution in Pakistan.

After retirement in 1982 as Director General, Ayub Agricultural Research Institute, Faisalabad, he accepted the assignment of starting Shakarganj Sugar Research Institute at Jhang. It was under his able guidance and his own hard work that this research institute has been established on a very solid ground. The research work has been given a correct direction, manpower has been properly selected and adequately trained.

The vacuum created by his absence is hard to fill. We are confident that the team trained by Dr. Qureshi will keep the tempo of research on sugarcane crop and manufacture of sugar.

Variety SPSG-26 Approved- A Great Achievement.

We are very happy to report that variety SPSG-26 raised from fuzz imported from Brazil and developed at the station has been approved by the Government of Punjab after vigorous testing for five years at our institute and at the Government Sugarcane Research Institutes.

This is a very superior variety both as regards cane yield and sugar contents. It is an early maturing variety and achieves the optimum sugar recovery much earlier in the season. The sugar mills can start crushing cane earlier if enough acreage comes under this variety. This will not only be profitable for the mills but also for the country in terms of more production of sugar from same acreage of sugarcane.

This variety has been tested by some sugar mills in Punjab and Sindh and all of them found it to be better variety than the existing varieties under cultivation. It is becoming very popular with the growers.

The institute has quite a number of more promising varieties under final years of testing and it is hoped, more varieties from this institute would be offered for approval in the near future.

Research Facilities

1. Experimental Land

Two hundred hectares of land is made available for conducting research experiments, varietal trials, preliminary selection of germplasm and cultural studies in different soil and ecological conditions.

2. Research Library

Over four thousand books on Agriculture, Engineering, business Management and Computer Technology provide technical support to Research Work. The institute library subscribes to almost all the sugar Journals available in the sugar world.

Research Activities and Achievements

SSRI continued its activities on various aspects of sugarcane improvement. The studies were carried out on cane variety development and agro-economic aspects of cane production in the following disciplines.

1. Production technology.
2. Cane variety development.
3. Biological Control of cane pests.
4. Studies on disease tolerance.
5. Soil and water advisory service.
6. Use of molasses as feed for animals.
7. Refresher courses for cane development staff
8. Orientation courses for the sugarcane growers in the area.

1. Production Technology

We transfer production technology of sugarcane to the farmers through demonstration in their fields. This helps in replacing disease susceptible varieties. Extensive testing and seed multiplication of SPSG-26 has shown better yield potential and resistance to major diseases like red rot, rust, pokkah boeng and smut. The cane yield estimates were in range 80-120 tones per hectare. Demonstration plots of promising varieties SPSG-26 and SPSG-79 were planted on 200 hectares in 1998.

2. Cane Variety Development

Established procedure were used to maintain and advance original seedlings, progeny rows, promising clones, preliminary trials and experimental varieties.

Cane fuzz of 246 grams having 31 crosses received from CSIRO, Australia gave 27425 seedlings. While the fuzz of 10 crosses (22 gm) collected from BSES, Australia and 10 crosses (46 gm) from SASEX, South African was stored for use for next year.

The germplasm available in various selection stages gave out standing clones shown as under.

a.) Nursery-I (South African and Mauritius Source)	Total	Selected
i. Progeny lines	588	102
ii. Seed increase	78	22
b.) Nursery-II		
i. Sao-Paulo clones	53	5
ii. Usa Clones	49	18
c.) Exotic and local variety collection		
i. CP Varieties	49	7
ii. Thatta & HS Varieties	15	5
	832	159

One hundred fifty nine (159) clones had shown desired morphological characters and were superior to existing commercials in cane and sugar yields and tolerance to diseases. Twenty two varieties selected from seed increase phase were promoted to preliminary replicated trials (3 rows x 25 x 3 replication), for further evaluation in comparison with promising varieties CP 85-1435, CP 81-10 and S93US-223 along with standard canes SPSG-26, SPSG-79 and CP 77-400. The clones/varieties selected from nursery-II and local exotic clones were placed in seed increase phase.

3. Biological Control of Cane Pests

The biological control laboratory established at SSRI has proved very successful in control of borer complex. The service was provided to cane growers in SML area. An egg parasites (*Trichogramma chilonis*) was released on 59300 acres. Negligible

Population of root borer, stem borer and Gurdaspur borer in the area indicate that the rate of parasitism was significant. Now the population of *Trichogramma* is enough to control borers infestation in cane fields of SML area.

4. Screening of Promising Clones Against Various Diseases

This year Co-1148 suffered disaster due to severe out break of red rot disease. The SSRI was fully aware of this menace and through mass screening of germplasm selected about a dozen red rot resistant promising clones. These clones have also been tested against smut, rust, mosaic and pokkah boeng. About eight hundred sixty six (866) promising clones under various stages were tested for their reaction against major diseases of sugarcane like red rot, leaf rust, Pokkah boeng and mosaic. Amongst these clones 142 were found to be resistant to red rot, 214 were resistant from leaf rust, 204 were tolerant to pokkah boeng and 38 were free from sugarcane mosaic. The detail of screening of promising clones against various major diseases is given in table-1

Table-1 Screening of Promising Clones Against Various Major Diseases During 1998 at SSRI

Sr. No	Origin	No. of clones	Red rot	Resistance to		Mosaic
				Rust	Pokkah Boeng	
1	Promising varieties	34	2	14	12	6
2	Advance lines					
	(Nursery-II)	78	18	23	39	5
3	Progeny lines					
	(Nursery-I)	588	102	121	105	22
4	Sau-Palo Clones					
	(S96SP Series)	53	9	36	21	2
5	USA clones (S97US Series)	49	5	6	23	1
6	CP varieties	49	2	11	1	2
7	Thatta Varieties	7	2	3	2	0
8	HS varieties	8	2		1	0
	Total	866	142	214	204	38

5. Soil-Water Analysis and Advisory Service

The soil science laboratory provided valuable service to growers. Analysis of 6262 composite soil samples from 27144 acres from 1142 growers around SML were completed. The data is utilized for formulating recommendation in soil reclamation and increasing productivity. The water quality data collected from 767 tube wells indicated that 44.2 % of the water samples were fit for irrigation, while 42.4% were quite unfit and 13.4% were marginally fit. Soil and water quality status map of SML cane growing area is drawn as a ready reference to guide and recommended the growers for improvement of soil-water quality.

6. Molasses-Urea Feed for Animals

For overall upkeep of growers economy, attention was diverted to the improvement of their live stock. A molasses urea feed was prepared and provided at the door step of the growers, free of cost. For this purpose technical services of a Professor of Agriculture University, Faisalabad were utilized. The preliminary data on weight gain indicated that the feed fed to test animals increased the body weight by about four percent over control.

7. Refresher Courses for Cane Development Staff of SML

A series of refresher courses were initiated at SSRI for cane development staff of SML Jhang. The objective was to educate them on modern production practices and field problems. The courses covered lectures on different aspects of cane variety development, cane production, harvesting, plant protection and extension education.



Directors' Report to Shareholders

Dear Shakarganj Investor:

Your Directors are pleased to present the 31th Annual Report alongwith audited accounts of the company for the year ended September 30, 1998.

Financial Results

Your Company's operation for the year resulted in a Loss after taxation of Rs. 30.271 million as against loss of Rs. 9.192 million in 1997. After deducting loss for the year from the unappropriated profit of Rs. 30.861 million brought forward from previous year, the profit available for appropriation comes to Rs. 0.590 million which is being carried forward.

In view of the loss suffered by the company your Directors do not recommend any dividend for the year ended September 30, 1998.

Financial condition and future prospects are discussed in detail in Chief Executive's Review elsewhere. The Directors endorse the contents of the Chief Executive's review which deals with the company's activities, performance and future prospects.

Auditors

Riaz Ahmad & Company, Chartered Accountants retire and offer themselves for re-appointment.

Auditors' Qualification

As regards auditors' qualification in their report to the members, the Directors would like to inform the shareholders that the provision for fall in the market value of short term investments as on September 30, 1998 is not made as the Directors are of the view that the decline in the market value as on 30 September 1998 was temporary and would reverse once the stock market improves.

Pattern of Shareholding

A statement showing the pattern of shareholding in the company as on 30 September 1998 appears on page 58.

Subsidiary Company

The audited accounts of the wholly owned subsidiary, Crescent Business Management (Pvt) Limited, for the year ended June 30, 1998 are attached.

The Millennium Bug

The company is in the process of updating its hardware and software to ensure full compliance with the Year 2000 problem by September 30, 1999.

The management renew 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 for their continued support.

For and on behalf of the Board

Altaf M. Saleem
Chief Executive

March 02, 1999
Lahore

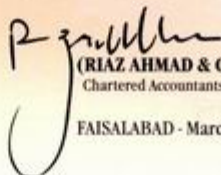
Auditors' Report to the Members

We have audited the annexed balance sheet of SHAKARGANJ MILLS LIMITED as at 30 September 1998 and the related profit and loss account and statement of sources and application of Funds, together with the notes forming part thereof, for the year then ended and we state that the provision for diminution in market/break-up value of short term investments as on 30 September 1998 amounting to Rupees 109.217 million has not been made as referred to in note 20.1 to the accounts. Had it been provided, the loss for the year would have been higher and value of short term investment as on 30 September 1998 would have been lower accordingly. Except for this failure, 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 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 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 and the statement of sources and application of funds, together with the notes forming part thereof, 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 30 September 1998 and of the loss and the changes in statement of sources and application of funds for the year then ended; and

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


 (RIAZ AHMAD & COMPANY)
 Chartered Accountants
 FAISALABAD - March 04, 1999.



Balance Sheet as at

(RUPEES IN THOUSAND)

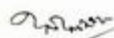
	NOTE	1998	1997
SHARE CAPITAL AND RESERVES			
Authorised share capital			
50 000 000 ordinary shares for Rupees 10 each		500 000	500 000
Issued, subscribed and paid up share capital	3	292 860	266 236
Reserves	4	146 543	173 167
Unappropriated profit		590	30 861
		439 993	470 264
SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS		10 745	10 745
REDEEMABLE CAPITAL	5	297 721	203 597
LONG TERM LOANS	6	25 940	52 869
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	7	60 447	29 740
CURRENT LIABILITIES			
Current portion of long term liabilities	8	125 929	219 664
Short term finances	9	544 703	542 496
Creditors, accrued and other liabilities	10	235 043	224 525
Workers' participation fund		-	607
Provision for taxation		43 810	35 368
Unclaimed dividend		695	695
		950 180	1 023 355
CONTINGENCIES AND COMMITMENTS	11		
		1 785 026	1 790 570

The annexed notes form an integral part of these accounts.

ALTAF M. SALEEM
Chief Executive

30 September 1998

		(RUPEES IN THOUSAND)	
	NOTE	1998	1997
TANGIBLE FIXED ASSETS			
Operating fixed assets	12	727 120	768 703
Assets subject to finance lease	13	82 219	47 474
Capital work-in-progress	14	8 993	—
		<u>818 332</u>	<u>816 177</u>
LONG TERM INVESTMENTS	15	131 842	145 955
LONG TERM DEPOSITS	16	8 402	3 273
CURRENT ASSETS			
Stores, spare parts and loose tools	17	36 085	31 909
Stock-in-trade	18	429 940	349 590
Trade debts-unsecured but considered good		6 924	26 442
Advances, deposits, prepayments and other receivables	19	92 146	101 655
Short term investments	20	211 287	210 035
Cash and bank balances	21	50 068	105 534
		<u>826 450</u>	<u>825 165</u>
		<u>1 785 026</u>	<u>1 790 570</u>



I. A. Imtiaz
Director



Profit and Loss Account for the year ended 30 September 1998

(RUPEES IN THOUSAND)			
	NOTE	1998	1997
SALES	22	1,816,421	1,398,384
COST OF GOODS SOLD	23	1,657,492	1,233,714
GROSS PROFIT		158,929	164,670
OPERATING EXPENSES			
Administrative and general	24	37,915	34,724
Selling and distribution	25	9,245	9,011
		47,160	43,735
OPERATING PROFIT	26	111,769	120,935
OTHER INCOME	27	46,815	66,131
		158,584	187,066
FINANCIAL AND OTHER CHARGES	28	180,414	190,103
LOSS BEFORE TAXATION		21,830	3,037
TAXATION	29	8,441	6,155
LOSS AFTER TAXATION		30,271	9,192
UNAPPROPRIATED PROFIT BROUGHT FORWARD		30,861	40,053
UNAPPROPRIATED PROFIT CARRIED TO BALANCE SHEET		590	30,861

The annexed notes form an integral part of these accounts.

ALTAF M. SALEEM
Chief Executive

I. A. IMTIAZI
Director

Statement of Sources and Application of Funds for the year ended 30 September 1998

(RUPEES IN THOUSAND)

1998 1997

CASH FLOWS FROM OPERATING ACTIVITIES

Loss before taxation	(21,830)	(3,037)
----------------------	----------	---------

Adjustments to reconcile loss to
net cash provided by operating activities

Contribution to employees retirement benefits	4,799	4,680
Depreciation and amortization	90,478	91,100
Gain on disposal of operating fixed assets	(452)	(1,591)
Loss/(gain) on sale of investments	(31)	4,498
Credit balances added back	(7,114)	(21,446)
Financial charges	179,744	184,792

Cash flows from operating activities before working
capital changes

245,594	258,996
---------	---------

(Increase)/decrease in current assets

Stores, spare parts and loose tools	(126)	10,773
Stock-in-trade	(80,350)	(278,352)
Trade debts	19,518	(22,896)
Advances, deposits, prepayments and other receivables	16,957	17,198

Increase/(decrease) in current liabilities

Short term finances	2,207	225,722
Creditors accrued and other liabilities	22,837	102,710
Workers' participation fund	(607)	-

NET CASH FLOWS FROM WORKING CAPITAL CHANGES

(19,564)	55,155
----------	--------

CASH FLOWS FROM OPERATING ACTIVITIES

226,030	314,151
---------	---------

Financial charges paid	(191,061)	(187,597)
Income tax paid	(4,383)	(1,583)
Employees retirement benefits paid	(5,801)	(3,640)

NET CASH FLOWS FROM OPERATING ACTIVITIES

24,785	121,331
--------	---------



(RUPEES IN THOUSAND)

1998

1997

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of operating fixed assets
 Fixed assets acquired
 Long term deposits
 Sale proceeds of investments
 Investments made

1,258

(38,376)

(5,129)

68,923

(56,031)

3,312

(27,936)

(32)

32,530

(11,152)

NET CASH FLOWS FROM INVESTING ACTIVITIES

(29,355)

(3,278)

CASH FLOWS FROM FINANCING ACTIVITIES

Redeemable capital
 Redemption of redeemable capital
 Repayment of long term loans
 Repayment of finance lease liabilities

173,400

(165,866)

(40,794)

(17,636)

30,000

(87,441)

(17,997)

(27,144)

NET CASH FLOWS FROM FINANCING ACTIVITIES

(50,896)

(102,582)

NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT

(55,466)

15,471

CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR

105,534

90,063

CASH AND CASH EQUIVALENT AT THE END OF THE YEAR

50,068

105,534

ALTAf M. SALEEM
 Chief Executive

I. A. INTIAZI
 Director

Notes to the Accounts for the year ended 30 September 1998

1. STATUS AND NATURE OF BUSINESS

Shakarganj Mills Limited was incorporated on 20 September 1967 under the Companies Act, 1913 (Now Companies Ordinance, 1984). Shares of the company are quoted on the stock exchanges in Pakistan. The principal activity of the company is to manufacture, purchase and sale of sugar, distillate and kanewood.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention as modified by capitalization of exchange differences and revaluation of certain operating fixed assets as referred to in note 2.4 and 2.5.

2.2 Staff retirement benefits

The company operates pension and gratuity fund schemes for all permanent employees who are in management cadre and salaried director. Premium is payable to the funds monthly on the basis of actuarial computation subject to a maximum 20 % and 8.33 % of basic salary of the employees respectively.

The company also operates a funded contributory provident fund scheme for all permanent employees. Equal monthly contributions are made both by the company and employees at the rate of 7 and 8 Percent of basic pay for officers and workers respectively.

2.3 Taxation

Charge for current taxation is based on taxable income at current tax rate after taking into account the tax credits and tax rebates available, if any.

Deferred taxation is accounted for by using the liability method on all major timing differences.

2.4 Foreign currencies

Liabilities in foreign currencies are translated into Pak Rupees at the rate of exchange ruling at balance sheet date. Exchange gain or loss on foreign currency loans is adjusted against cost of operating fixed assets acquired from the proceeds of loans. Exchange gain or loss on translation of other liabilities in Foreign currencies is charged to the current year's income.

2.5 Tangible fixed assets and depreciation

Operating fixed assets are stated at cost and appreciated value less accumulated depreciation. Freehold land is stated at cost/appreciated value and capital work-in-progress at cost.

Cost of tangible fixed assets consists of historical cost, applicable exchange differences, appreciated value and direct attributable cost of bringing the assets to working condition. Borrowing cost pertaining to the construction/ erection period upto the date of completion is also capitalized as part of historical cost.

Depreciation on operating fixed assets is charged to income on reducing balance method to write off the cost or appreciated value including related exchange differences over their expected useful life. Full year's depreciation is charged on additions, while no depreciation is charged on assets deleted during the year.

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

Gain or loss on disposal of operating fixed assets is charged to current year's income.

**2.6 Assets subject to finance lease**

These are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of assets acquired on lease. Aggregate amount of obligations relating to assets subject to finance lease are accounted for at net present value of liabilities. Assets so acquired are amortized over their expected useful life at the rate mentioned in note No. 12. Amortization of lease assets is charged to current year's income.

2.7 Equity investments

Long term investments are stated at cost. Provision for diminution in value is made, if considered permanent. Short term investments are stated at lower of cost and market value determined on aggregate portfolio basis.

2.8 Stores, spare parts and loose tools

Stores, spare parts and loose tools are valued at cost calculated on moving average basis less provision for obsolescence except for items in transit which are stated at invoice values plus other charges paid thereon to the balance sheet date.

2.9 Stock-in-trade

Stock-in-trade is valued at the lower of cost and net realizable value except molasses (by-product) which is valued at net realizable value. Cost in relation to work-in-process and finished goods consists of average material cost, direct labor and factory overheads. Net realizable value signifies the prevailing market prices in the ordinary course of business less selling expenses incidental to sales.

2.10 Trade debts

Known bad debts are written off and provision is made against debts considered doubtful.

2.11 Revenue recognition

Revenue from sales is recognized on delivery of goods to customers. Dividend income and gain on sale of investments are accounted for on receipt basis.

(RUPEES IN THOUSAND)

1998

1997

3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

13,198,995 ordinary shares of
Rupees 10 each fully paid up in cash

131,990

131,990

750,000 ordinary shares of Rupees 10 each
issued to Pakistan Industrial Credit and Investment
Corporation Limited against their right of option
to convert 20 percent of their loan into
fully paid up shares

7,500

7,500

15,337,034 (1997:12,674,668) Ordinary shares of
Rupees 10 each issued as fully paid bonus shares

153,370

126,746

292,860**266,236**

(RUPEES IN THOUSAND)

1998 1997

4. RESERVES

Capital:

Balancing and modernization	15,000	15,000
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Research and development	5,000	5,000
--------------------------	-------	-------

Premium on issue of right shares:		
-----------------------------------	--	--

Balance as at 01 October	23,464	50,088
--------------------------	--------	--------

Transferred to reserve for issue of bonus shares	-	26,624
--	---	--------

23,464	23,464
--------	--------

For issue of bonus shares:		
----------------------------	--	--

Balance as at 01 October	26,624	24,203
--------------------------	--------	--------

Transferred from premium on issue of right shares	-	26,624
---	---	--------

26,624	50,827
--------	--------

Nominal value of shares issued	26,624	24,203
--------------------------------	--------	--------

-	26,624
---	--------

23,464	50,088
--------	--------

43,464	70,088
--------	--------

Revenue:

General	78,079	78,079
---------	--------	--------

Dividend equalization	25,000	25,000
-----------------------	--------	--------

103,079	103,079
---------	---------

146,543	173,167
---------	---------

5. REDEEMABLE CAPITAL

Long term finances utilized under mark-up arrangement are made as under:

(RUPEES IN THOUSAND)

	RAJASTHAN INDUSTRIAL CREDIT AND INVESTMENT CORPORATION LIMITED	BANKING COMPANIES	IESCO (PRIVATE) LIMITED	FIRST LEASING CORPORATION LIMITED	FIRST INTERNATIONAL INVESTMENT BANK LIMITED	1998	1997
	(NOTE 5.1) LOAN TO IV	LOAN V AND VI	(NOTE 5.2)	(NOTE 5.3)	(NOTE 5.4)	(NOTE 5.5)	
Balance at as 01 October	171,590	8,889	99,157	13,703	40,000	30,000	363,339 415,780
Received during the year	-	-	142,135	26,310	4,955	-	173,400 30,000
	171,590	8,889	241,292	40,013	44,955	30,000	536,739 445,780
Less Repaid	35,077	7,509	114,896	4,441	193	3,750	165,866 82,441
Current Portion (Note 8)	34,887	1,380	3,655	9,292	18,748	11,850	73,152 159,742
	69,904	8,889	118,551	13,733	18,941	15,000	239,018 242,183
Balance as at 30 September	101,686	-	122,741	26,280	30,014	15,000	297,721 203,597
Sanctioned Limited	247,102	9,279	262,000	76,280	44,955	30,000	
Unavailed credit facility	12,554	999	33,365	-	-	-	
No of instalments	21 to 36 Quarterly	12 Quarterly	08 Quarterly 01 Lumpsum	28 Monthly 01 Lumpsum	18 Monthly	08 Quarterly	
Repayment date of 1st instalment	April 93 to April 96	April 96	December 96 to September 2001	October 97 to September 2000	April 99	October 98	
Rate of mark-up (per annum)	06 to 08%	17.16%	14.60 to 20.80%	19 to 23%	19%	19.50%	

- 5.1 As per purchase and sale agreements, Pakistan Industrial Credit and Investment Corporation Limited has purchased machinery valuing Rupees 286.489 million (1997: Rupees 286.489 million) from the company which was deemed to have been resold to the company at marked-up price of Rupees 464.490 million (1997: Rupees 464.490 million) which includes rebate of Rupees 77.415 million (1997: Rupees 77.415 million) on timely payments of marked-up price. These are secured against security mentioned in note No. 6.1.
- 5.2 Finances from Banking Companies are secured against first charge on fixed assets of the company ranking pari passu with other creditors, deposit of U.S. Dollars and personal guarantee of Directors.
- 5.3 The finances obtained from Jhang Electric Supply Corporation (Private) Limited is secured against hypothecation of stores, spares and book debts of the company.
- 5.4 The finance was obtained from First Leasing Corporation Limited under Morabaha arrangement. Leasing company has purchased goods valuing Rupees 40.000 million from the company which were repurchased by the company at Rupees 47.600 million. The finance is secured by way of pledge and hypothecation of stocks.
- 5.5 The finance from First International Investment Bank Limited is secured against first charge on fixed assets of the company both movable and immovable, ranking pari passu, upto the extent of Rupees 40.000 million and personal guarantee of the director of the company.

		(RUPEES IN THOUSAND)	
6. LONG TERM LOANS		1998	1997
Pakistan Industrial Credit and Investment Corporation Limited			
Loan No:			
IBRD-3019	(Note 6.1 and 6.2)	4,755	7,396
ADB-966	(Note 6.1 and 6.2)	27,733	30,740
Asian Finance and Investment Corporation Limited (Note 6.3)		26,000	61,146
		<hr/>	<hr/>
Less: Current portion (Note 8)		58,488	99,282
		32,548	46,413
		<hr/>	<hr/>
		25,940	52,869

- 6.1 Long term loans from Pakistan Industrial Credit and Investment Corporation Limited are secured against:
- first legal mortgage on company's present and future immovable properties wherever situated including all buildings, plant and machinery and fixtures.
 - first charge ranking pari passu with the existing charges by way of hypothecation in respect of all the machinery of the company, present and future:
 - first floating charge ranking pari passu with the existing charge on all other assets of the company, both present and future, subject to the hypothecation or charge in favour of company's bankers as referred to in Note No. 9.3: and
 - demand promissory note.



- 6.2 Loan No. IBRD-3019 and loan No. ADB-996 are repayable in 15 and 20 semi annual installments commenced from 01 January 1993 and 01 July 1994. Loans carry interest at the rate of 15 and 15.65 percent per annum respectively.
- 6.3 This represents foreign currency loan of U.S. Dollar 2.000 million from Asian Finance and Investment Corporation Limited. The loan is secured against first pari passu charge on fixed assets of the company. It carries interest at the rate of 3 percent per annum above 6 months LIBOR rate. The loan was repayable in four half yearly installments. According to the revised schedule last installment is due on 01 October 1998.

(RUPEES IN THOUSAND)

	1998	1997
--	------	------

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Present value of minimum lease payments	80,676	43,249
Less: Current portion (Note 8)	20,229	13,509
	<u>60,447</u>	<u>29,740</u>

- 7.1 The value of minimum lease rental payments has been discounted at an implicit interest rate. The rentals are paid in monthly/quarterly installments and in case of default of any payment, an additional charge at the rate of 2 percent shall be paid. Taxes, repairs and insurance costs are to be born by lessee. Lessee shall have no right to terminate lease agreements and if lease agreements are terminated, the lessee shall pay entire amount of rentals for unexpired period of lease agreements. Lease agreements are renewable at the option of lessor on such terms as may be agreed upon. Liabilities are secured against deposit of Rupees 8.151 million (1997: Rupees 3.029 million) included in long term deposits (Note 16) and Rupees 0.384 million (1997: Rupees 2.108 million) included in advances, deposits, prepayments and other Receivables (Note 19).

7.2 Approximate rate of interest and balance rentals payable under lease agreements are as under:

DESCRIPTION	BALANCE RENTALS OUTSTANDING AS AT 30 SEPTEMBER 1998	NO OF INSTALLMENTS OUTSTANDING	APPROXIMATE RATE OF INTEREST PER ANNUM	REPAYMENT OF LAST INSTALMENT
	(Rupees in thousand)		%	
Faysal Bank Limited	24,422	39 Monthly 03 Quarterly	21	December 2001
Security Leasing Corporation Limited	26,869	58 Monthly	21	July 2003
First Grindlays Modaraba	14,791	44 Monthly	19-22	May 2002
Saudi Pak Leasing Company Limited	7,474	31 Monthly	20	April 2001
First International Investment Bank Limited	15,888	20 Quarterly	21	September 2003
Al-Zamin Leasing Modaraba	270	10 Monthly	20	July 1999
Ibrahim Leasing Limited	1,504	13 Monthly	22	October 1999
First Crescent Modaraba	3,558	24 Monthly	25	September 2000



(RUPEES IN THOUSAND)

1998

1997

8. CURRENT PORTION OF LONG TERM LIABILITIES

Redeemable capital	73,152	159,742
Long term loans	32,548	46,413
Liabilities against assets subject to finance lease	20,229	13,509
	<u>125,929</u>	<u>219,664</u>

9. SHORT TERM FINANCES**Secured:**

From investment banks (Note 9.1)	145,000	112,507
From investment company (Note 9.2)	18,750	22,500
From Jhang Electric Supply Corporation (Private) Limited	-	51,273
From Crescent Ujala Limited	-	49,500
	<u>163,750</u>	<u>235,780</u>

From banking companies:

Secured (Note 9.3)	379,642	298,475
Unsecured-Unpresented cheques	1,311	8,241
	<u>380,953</u>	<u>306,716</u>
	<u>544,703</u>	<u>542,496</u>

9.1 Short term finances obtained from Investment Banks include Rupees 10.000 million (1997: Rupees 10.000 million) from Crescent Investment Bank Limited (An associated undertaking). Finances are secured by way of hypothecation of stores, spares, stocks, book debts, pledge of shares of listed companies having face value of Rupees 6.280 million (1997: Rupees 33.837 million) as referred to in Note 20.2 and personal guarantee of directors. Mark-up is payable at the rate of 19 to 23 percent per annum. The finances are repayable on different dates upto 30 September 1999.

9.2 This forms part of total sanctioned limit of Rupees 22.500 million obtained from Saudi Pak Industrial and Agricultural Investment Company (Private) Limited and carries mark-up at the rate of 20 to 21 percent per annum. The finance is secured by way of pledge of shares of listed companies having face value of Rupees 48.144 million (1997: Rupees 48.144 million) as referred to Note 20.2. The finance is Repayable in July 1999.

9.3 These are secured against pledge and hypothecation of stores, spare parts, stocks, book debts, pledge of shares of listed companies having face value of Rupees 16.084 million as referred to in Note 15.2 and 20.2 (1997: 16.084 million), second charge on fixed assets of the company and personal guarantee of directors. Mark-up is charged at the rate of paisas 49 to 57 per Rupees 1,000 per day. Agricultural Development Bank of Pakistan charged mark-up at the rate of 13.50 percent per annum. These form part of aggregate credit facilities of Rupees 567.000 million (1997: 331.500 million).

(RUPEES IN THOUSAND)

1998

1997

10. CREDITORS, ACCRUED AND OTHER LIABILITIES**Creditors**

Trade	30,729	21,699
Others	14,964	18,221
	45,693	39,920
Advance from customers	20,681	31,575
Securities from contractors - Interest free, repayable on completion of contracts		
Income tax deducted at source	1,072	1,300
Mark-up accrued on redeemable capital - Secured	427	791
Interest accrued on long term loans - Secured	9,818	18,908
Mark-up accrued on short term finances - Secured	2,447	4,394
Excise duty and sales tax payable	29,285	29,565
Due to Gratuity fund	13,622	36,110
Due to associated undertakings	46	464
Payable to pension fund	52,183	32,741
Due to Provident Fund Trust	123	646
Due to director	72	133
Other accrued liabilities	199	199
	59,375	27,779
	235,043	224,525

11. CONTINGENCIES AND COMMITMENTS**Contingencies**

The company is contingently liable in respect of employees' claims amounting to Rupees 0.100 million (1997: Rupees 0.100 million), Central Excise duty claims amounting to Rupees 19.707 million (1997: Rupees 26.802 million) and other claims amounting to Rupees 50.163 million (1997: Rupees 23.002 million). These claims have not been acknowledged by the company and cases are pending with various courts.

Commitments

The capital commitments are Rupees 0.591 million (1997: Nil). Letters of credit other than for capital expenditure are amounting to Rupees 1.148 million (1997: Rupees 4.373 million).

12. OPERATING FIXED ASSETS

(RUPEES IN THOUSAND)

DESCRIPTION	COST/RE-ASSESSED VALUE			ACCUMULATED DEPRECIATION AS AT 30 SEPTEMBER 1998	BOOK VALUE AS AT 30 SEPTEMBER 1998	DEPRECIATION	
	At at 01 October 1997	Additions/ (Deletions)	As at 30 September 1998			Charge for the year	Rate %
Land free hold (Note 12.1)	25,924	-	25,924	-	25,924	-	-
Buildings and roads on Freehold land	97,862	1,778	99,640	59,739	39,901	4,433	10
Plant and machinery	1,207,617	33,344 (836)	1,240,125	591,030	649,095	72,122	10
Laboratory equipments	917	-	917	909	8	6	40
Tubewell and water pumps	2,303	567	2,870	1,902	968	242	20
Electric installations	954	77	1,031	818	213	53	20
Weighbridges and scales	4,287	- (3)	4,284	3,225	1,059	264	20
Furniture and fixtures	9,228	490 (80)	9,638	7,147	2,491	623	20
Office equipments	5,818	3	5,821	5,456	365	243	40
Vehicles	9,752	1,868 (41)	11,579	6,139	5,440	1,360	20
Arms and ammunition	86	-	86	54	32	4	10
Library books	3,426	1,067	4,493	3,135	1,358	582	30
Tools and equipments	3,605	136	3,741	3,484	257	171	40
Telephone equipments	292	2	294	285	9	6	40
1998	1,372,071	39,332 (960)	1,410,443	683,323	727,120	80,109	
1997	1,320,555	54,086 (2,570)	1,372,071	603,368	768,703	84,677	

- 12.1 The company has given 10.39 acres land valuing Rupees 0.260 million for 20 years lease to Crescent Ujala Limited, a project of Crescent Jute Products Limited (An associated undertaking) on annual rent of Rupees 3,968 per acre. Lease rent will be increased by 15 percent after every three years and lease is extendible for an other term of 20 years with mutual consent of both parties.
- 12.2 Land, buildings, plant and machinery were revalued by an independent valuer as at 30 September 1979 and stated in note 12 at appreciated value. Had there been no revaluation on that date, the value of these operating fixed assets would have been lower by Rupees 38.637 million (1997: Rupees 38.637 million).
- 12.3 Borrowing cost capitalized during the year was Rupees 3.422 million (1997:3.180 million) under the head of plant and machinery.
- 12.4 Depreciation charge for the year has been allocated as follows:

	(RUPEES IN THOUSAND)	
	1998	1997
Cost of goods sold		
Sugar (Note 23.2)	72,758	77,050
Distillate (Note 23.3)	1,579	1,676
Kanewood (Note 23.4)	1,465	1,624
Administrative, selling and general expenses - Sugar (Note 24.1)	4,307	4,327
	<u>80,109</u>	<u>84,677</u>



12.5 DISPOSAL OF OPERATING FIXED ASSETS

(RUPEES IN THOUSAND)

DESCRIPTION	COST	ACCUMULATED DEPRECIATION	BOOK VALUE	SALES PROCEEDS	MODE OF DISPOSAL	PARTICULARS OF PURCHASERS
PLANT AND MACHINERY						
Silve valve 8"	45	5	40	45	Sale and Lease back	Faysal Bank Limited, Bilal Road, Civil Lines, Faisalabad.
Vapor cell	264	26	238	264	-do-	-do-
Gate valve 3"	221	22	199	221	-do-	-do-
Meter 3 Ft.	36	4	32	36	-do-	-do-
Reduction Gears	270	28	242	270	-do-	-do-
WEIGHBRIDGE AND SCALES						
Weighing bots 20 Kgs. Each	3	2	1	8	Negotiation	Mr. Muhammed Jafar, ex-employee
FURNITURE AND FIXTURES						
Television Philips 20" Colour	10	9	1	3	Insurance Claim	The Premier Insurance Company of Pakistan Limited (Associated Company)
Television Panasonic 21" Colour	17	6	11	15	-do-	-do-
Bed, Chairs, Sofa Set, Water Cooler and Refrigerator	53	33	20	24	Negotiation	Company employees
VEHICLES						
Suzuki Khyber JGA-8009	11	7	4	76	-do-	Mr. Abdul Samee, Company employee
Suzuki Khyber JGA-9080	11	5	6	80	-do-	Mr. Muhammad Iqbal, Company Employee
Motor Cycles 10 Nos.	19	9	10	216	-do-	Company employees

13. ASSETS SUBJECT TO FINANCE LEASE

(RUPEES IN THOUSAND)

DESCRIPTION	C O S T			ACCUMULATED AMORTIZATION AS AT 30 SEPTEMBER 1998	BOOK VALUE AS AT 30 SEPTEMBER 1998	AMORTIZATION CHARGE FOR THE YEAR
	At at 01 October 1997	Additions/ (Deletions)	As at 30 September 1998			
Building	255	-	255	238	17	17
Plant and machinery	53,390	50,402 (17,662)	86,130	12,700	73,430	8,159
Vehicles	12,236	4,661 (3,516)	13,381	4,609	8,772	2,193
1998	65,881	55,063 (21,178)	99,766	17,547	82,219	10,369
1997	104,663	29,555 (68,337)	65,881	18,407	47,474	6,423

13.1 Deletions represent the leased assets purchased at the expiry of lease term and transferred to operating fixed assets.

13.2 Amortization charge of leasehold assets for the year has been allocated as follows:

(RUPEES IN THOUSAND)

	1998	1997
Cost of goods sold		
Sugar (Note 23.2)	8,159	4,363
Administrative, selling and general expenses - Sugar (Note 24.1)	2,210	2,060
	<u>10,369</u>	<u>6,423</u>



(RUPEES IN THOUSAND)

1998 1997

14. CAPITAL WORK-IN-PROGRESS

Buildings	127	-
Plant and machinery	8,866	-
	<u>8,993</u>	<u>-</u>

15. LONG TERM INVESTMENTS

QUOTED

Associated undertakings:

Crescent Investment Bank Limited 475,000 ordinary shares of Rupees 10 each fully paid	4,750	4,750
Crescent Steel and Allied Products Limited 300,000 ordinary shares of Rupees 10 each fully paid	3,000	3,000
Pakistan Industrial Credit and Investment Corporation Limited 1,248,070 (1997: 1,435,296) ordinary shares of Rupees 10 each fully paid	94,092	108,205
Pakistan Industrial Leasing Corporation Limited 625,000 ordinary shares of Rupees 10 each fully paid	<u>20,000</u>	<u>20,000</u>
	<u>121,842</u>	<u>135,955</u>

UNQUOTED

Subsidiary Company:

Crescent Business Management (Private) Limited - Wholly Owned 1,000,000 ordinary shares of Rupees 10 each fully paid Break up value as per last audited accounts was Rupees 9.98 per share	10,000	10,000
	<u>131,842</u>	<u>145,955</u>

15.1 Aggregate market value of quoted investments as at 30 September 1998 was Rupees 28.328 million (1997: Rupees 44.048 million).

15.2 Following investments having face value of Rupees 6.500 million (1997: Rupees 6.500 million) are Deposited as security with banking companies and investment banks:

Against short term finances obtained from Banking companies (Note 9.3)	3,500	3,500
Against bank guarantee issued by Crescent Investment Bank Limited (An associated undertaking)	<u>3,000</u>	<u>3,000</u>
	<u>6,500</u>	<u>6,500</u>

(RUPEES IN THOUSAND)

1998 1997

16. LONG TERM DEPOSITS

Securities	251	244
Margin against leasehold assets (Note 7.1)	8,151	3,029
	<u>8,402</u>	<u>3,273</u>

17. STORES, SPARES PARTS AND LOOSE TOOLS

Stores	23,216	23,138
Spare parts	13,667	13,622
Loose tools	702	699
	<u>37,585</u>	<u>37,459</u>
Less: Provision for obsolescence	1,500	5,550
	<u>36,085</u>	<u>31,909</u>

18. STOCK-IN-TRADE

Work-in-process	3,319	2,464
Finished goods:		
Sugar	351,591	308,657
Molasses	4,782	11,793
Distillate	58,321	24,347
Kanewood	11,927	2,329
	<u>426,621</u>	<u>347,126</u>
	<u>429,940</u>	<u>349,590</u>



(RUPEES IN THOUSAND)

1998

1997

19. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Loans and advances -Considered good:

Employees-Interest free	74	119
Suppliers and contractors	9,045	7,588
Income tax	30,511	26,127
Sugarcane growers (Note 19.1)	5,621	8,249
	<u>45,251</u>	<u>42,083</u>

Considered doubtful:

Sugarcane growers	2,001	5,065
Less: Provision for doubtful	<u>2,001</u>	<u>5,065</u>
	-	-
	<u>45,251</u>	<u>42,083</u>

Deposits:

Excise duty	336	17
Sales tax	53	53
Margin against bank guarantees	2,070	430
Margin against leasehold assets (Note 7.1)	384	2,108
	<u>2,843</u>	<u>2,608</u>

Letters of credit	1,301	1,517
Short term prepayments	26,213	18,573
Due from associated undertakings (Note 19.2)	1,397	29,284
Accrued interest	796	117
Sundry receivables	14,345	7,473
	<u>92,146</u>	<u>101,655</u>

191 Loans to sugarcane growers are partly interest free and partly interest bearing at the rate of 13.50 and 19.71 percent per annum.

192 DUE FROM ASSOCIATED UNDERTAKINGS

Crescent Jute Products Limited	362	5,490
Crescent Group Services (Private) Limited	569	2,781
Crescent Ujala Limited	-	76
Jhang Electric Supply Corporation (Private) Limited	450	425
Crescent Business Management (Private) Limited	-	19,806
Crescent Knitwear Limited	16	706
	<u>1,397</u>	<u>29,284</u>

(RUPEES IN THOUSAND)

1998

1997

20. SHORT TERM INVESTMENTS

QUOTED

Associated undertakings:

Crescent Sugar Mills and Distillery Limited

487,132 (1997:487,132) ordinary shares of
Rupees 10 each fully paid

10,080

15,118

150,276 (1997:381,821) bonus shares of
Rupees 10 each

Crescent Boards Limited

84,700 ordinary shares of Rupees 10 each fully paid
7,260 bonus shares of Rupees 10 each

978

978

Crescent Jute Products Limited

434,982 ordinary shares of Rupees 10 each fully paid
101,835 bonus shares of Rupees 10 each

10,249

10,249

Jubilee Spinning and Weaving Mills Limited

4,000 ordinary shares of Rupees 10 each fully paid
11,584 (1997:10,168) bonus shares of Rupees 10 each

66

66

The Premier Insurance Company of Pakistan Limited

3,600 ordinary shares of Rupees 5 each fully paid
42,341 bonus shares of Rupees 5 each

60

60

The Crescent Textile Mills Limited

143,943 (1997:143,943) ordinary shares of Rupees 10
each fully paid
28,182 (1997:105,321) bonus shares of Rupees 10 each

2,234

3,397

Crescent Steel and Allied Products Limited

133,500 (1997:133,500) ordinary shares of Rupees 10
each fully paid
323,415 (1997:313,500) bonus shares of Rupees 10 each

1,226

1,519

Pakistan Industrial Leasing Corporation Limited

1,642,886 (1997:2,369,016) ordinary shares of
Rupees 10 each fully paid
(1997:248,520) bonus shares of Rupees 10 each

52,568

83,747

Crescent Investment Bank Limited

1,209,595 (1997:1,790,801) ordinary shares of Rupees
10 each fully paid
(1997:378,814) bonus shares of Rupees 10 each

19,844

35,424



	(RUPEES IN THOUSAND)	
	1998	1997
First Crescent Modaraba		
110,000 ordinary shares of Rupees 10 each fully paid	965	965
1,786 bonus shares of Rupees 10 each	-	-
Crescent Leasing Corporation Limited		
2,274,271 ordinary shares of Rupees 10 each fully paid	30,252	30,252
Pakistan Industrial Credit and Investment Corporation Limited		
1,449,126 (1997: Nil) ordinary shares of Rupees 10 each fully paid	55,509	-
1,153,462 (1997: 2,007,362) bonus shares of Rupees 10 each	-	-
Others:		
Crescent Spinning Mills Limited		
341,300 ordinary shares of Rupees 10 each fully paid	3,413	3,413
Crescent Knitwear Limited		
212,195 ordinary shares of Rupees 10 each fully paid	2,122	2,122
Husein Sugar Mills Limited		
631 (1997:1,472) bonus shares of Rupees 10 each	-	-
AR Pak International Investment Limited		
10,000 ordinary shares of Rupees 10 each	93	93
Pakistan International Airlines Corporation		
51 bonus shares of Rupees 10 each	-	-
Atlas Bot Lease Company Limited		
26,406 (1997:221,624) bonus shares of Rupees 10 each	-	-
Pakistan Oil Fields Limited		
500 ordinary shares of Rupees 10 each fully paid	34	34
125 (1997:125) bonus shares of Rupees 10 each	-	-
Prudential Discount and Guarantee House Limited		
131,000 ordinary shares of Rupees 10 each fully paid	1,033	1,033
Sui Northern Gas Pipelines Limited		
53,254 (1997: Nil) bonus shares of Rupees 10 each	-	-
ICI Pakistan Limited		
1997:50 ordinary shares of Rupees 10 each fully paid	-	4

(RUPEES IN THOUSAND)

1998 1997

Muslim Commercial Bank Limited

3,565 bonus shares of Rupees 10 each fully paid

- -

Nazir Cotton Mills Limited

471,113 ordinary shares of Rupees 10 each fully paid

4,711 4,711

Shaheen Cotton Mills Limited

1,050,000 ordinary shares of Rupees 10 each fully paid

13,650 13,650

UNQUOTED**Associated undertakings:****Shams Food Products Limited**

Deposit for issue of 100,000 Ordinary shares of Rupees 10 each

- 1,000

Crescent Group Services (Private) Limited

220,000 Ordinary shares of Rupees 10 each fully paid

2,200 2,200

Equity held 18.96 percent Break-up value as per last audited accounts was Rupees zero per shares

211,287	210,035
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20.1 Market/break-up value of short term investments as on 30 September 1998 was Rupees 102.070 million (1997: Rupees 156.761 million) which was lower than the cost by Rupees 109.217 million. No provision for the fall in market value of quoted investments/break-up value of Crescent Group Services (Private) Limited as on 30 September 1998 was made.

20.2 Following investments having face value of Rupees 76.854 million (1997: Rupees 104.463 million) are deposited as security with banks, financial institutions and investment companies.

Against short term running finances obtained from:

Investment banks (Note 9.1)	6,280	33,837
Investment companies (Note 9.2)	48,144	48,144
Banking companies (Note 9.3)	12,584	12,584

Against bank guarantees issued by:

Crescent Investment Bank Limited	9,309	9,309
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Against central excise duty on loan:

Atlas Bot Investment Bank Limited	-	52
Pakistan Industrial Credit and Investment Corporation Limited	537	537
	76,854	104,463



(RUPEES IN THOUSAND)

21. CASH AND BANK BALANCES

	1998	1997
Cash in hand	379	248
Cash with banks on:		
Current accounts	15,749	15,922
Short term deposit accounts	6,262	4,064
Dividend account	14	14
Dollar deposit account	27,664	85,286
	<u>50,068</u>	<u>105,534</u>

21.1 Term deposit receipts amounting to Rupees 6.262 million (1997:Rupees 4.059 million) are lying with Muslim Commercial Bank Limited under lien against loans to sugarcane growers.

22. SALES

Sugar - Local	1,784,210	1,289,500
Distillate:		
Local	32,437	17,904
Export	-	29,845
Kanewood	7,345	2,666
Molasses (By-product)	68,960	60,798
	<u>1,892,952</u>	<u>1,400,713</u>
Less: Commission to selling agents	10,293	2,329
Sales tax on sugar	66,238	-
	<u>1,816,421</u>	<u>1,398,384</u>

23. COST OF GOODS SOLD

Sugar	(Note 23.1)	1,632,671	1,196,777
Distillate	(Note 23.3)	17,159	31,443
Kanewood	(Note 23.4)	7,662	5,494
		<u>1,657,492</u>	<u>1,233,714</u>

(RUPEES IN THOUSAND)

23.1 COST OF GOODS SOLD - SUGAR

	1998	1997
Raw material	1,298,553	1,045,675
Salaries, wages and other benefits	45,128	39,723
Stores, spare parts and loose tools	5,088	6,588
Dyes and chemicals	12,805	10,156
Packing material	20,798	17,048
Fuel and power	32,267	44,662
Repair and maintenance	21,413	31,902
Insurance	4,783	4,804
Vehicles' running	665	722
Travelling and conveyance	206	205
Printing and stationery	407	349
Rent, rates and taxes	160	143
Excise duty	128,187	167,454
Other factory overheads	6,940	5,129
Sugarcane research and development	8,851	7,942
Staff training and development	2,281	2,287
Depreciation/amortization (Note 23.2)	80,917	81,413
	<u>1,669,449</u>	<u>1,466,202</u>
Work-in-process inventory:		
As at 01 October	2,464	2,669
As at 30 September	3,319	2,464
	<u>(855)</u>	<u>205</u>
Cost of goods produced	1,668,594	1,466,407
Finished goods inventory:		
As at 01 October	320,450	50,820
As at 30 September	356,373	320,450
	<u>(35,923)</u>	<u>(269,630)</u>
	<u>1,632,671</u>	<u>1,196,777</u>

23.2 DEPRECIATION/AMORTIZATION

Depreciation (Note 12.4)	72,758	77,050
Amortization (Note 13.2)	8,159	4,363
	<u>80,917</u>	<u>81,413</u>



(RUPEES IN THOUSAND)

1998 1997

23.3 COST OF GOODS SOLD - DISTILLATE

Molasses	30,355	25,659
Stores, spare parts and loose tools	875	649
Salaries, wages and other benefits	1,652	1,442
Chemicals	4,262	3,533
Fuel and power	11,201	8,145
Insurance	93	94
Other factory overheads	1,116	998
Depreciation (Note 12.4)	1,579	1,676
Cost of goods produced	51,133	42,196
Finished goods inventory:		
As at 01 October	24,347	13,594
As at 30 September	58,321	24,347
	(33,974)	(10,753)
	17,159	31,443

23.4 COST OF GOODS SOLD - KANEWOOD

Raw material	4,837	-
Stores, spare parts and loose tool	5,347	524
Salaries, wages and other benefits	1,527	1,382
Insurance	100	102
Fuel and power	3,680	13
Other factory overheads	304	23
Depreciation (Note 12.4)	1,465	1,624
Cost of goods produced	17,260	3,668
Finished goods inventory:		
As at 01 October	2,329	4,155
As at 30 September	11,927	2,329
	(9,598)	1,826
	7,662	5,494

(RUPEES IN THOUSAND)

1998 1997

24. ADMINISTRATIVE AND GENERAL EXPENSES

Salaries, wages and other benefits	18,003	16,280
Directors' meeting fee	27	20
Travelling and conveyance	1,085	977
Printing and stationery	662	719
Telephone, postage and telegrams	1,215	1,228
Vehicles' running	2,157	2,267
Legal and professional	1,313	1,346
Auditors' remuneration:		
Audit fee	170	170
Out of pocket expenses	15	15
	185	185
Repair and maintenance	2,107	1,410
Entertainment	250	193
Subscription	1,348	968
Rent, rates and taxes	662	426
Publicity	268	263
Registered office expenses	565	514
Miscellaneous	1,551	1,541
Depreciation/amortization (Note 24.1)	6,517	6,387
	<u>37,915</u>	<u>34,724</u>

24.1 DEPRECIATION/AMORTIZATION

Depreciation (Note 12.4)	4,307	4,327
Amortization (Note 13.2)	2,210	2,060
	<u>6,517</u>	<u>6,387</u>

25. SELLING AND DISTRIBUTION EXPENSES

Freight and forwarding	5,027	5,700
Handling and distribution	1,651	1,203
Loading and unloading	960	658
Insurance	1,607	1,450
	<u>9,245</u>	<u>9,011</u>

(RUPEES IN THOUSAND)

1998

1997

26. OPERATING PROFIT /(LOSS)

Sugar (Note 26.1)	101,703	109,397
Distillate (Note 26.2)	10,768	14,501
Kanewood (Note 26.3)	(702)	(2,963)

111,769 120,935

26.1 OPERATING PROFIT - SUGAR

Sales - Net	1,780,605	1,348,344
Cost of goods sold	1,632,671	1,196,777
Gross profit	147,934	151,567

Operating expenses

Administrative and general
Selling and distribution

37,168	33,481
9,063	8,689
46,231	42,170

101,703 109,397

26.2 OPERATING PROFIT - DISTILLATE

Sales - Net	28,671	47,427
Cost of goods sold	17,159	31,443
Gross profit	11,512	15,984

Operating profit

Administrative and general
Selling and distribution

598	1,178
146	305
744	1,483

10,768 14,501

26.3 OPERATING LOSS - KANEWOOD

Sales - Net	7,145	2,613
Cost of goods sold	7,662	5,494
Gross loss	(517)	(2,881)

Operating expenses

Administrative and general
Selling and distribution

149	65
36	17
185	82

(702) (2,963)

(RUPEES IN THOUSAND)

1998 1997

27. OTHER INCOME

Commission on fertilizer	218	202
Gain on disposal of operating fixed assets	452	1,591
Dividend income (Note 27.1)	13,245	12,509
Return on bank deposits	1,186	1,195
Mark-up on advances to associated undertakings	5,786	8,610
Gain on sale of investments ✓	31 ✓	-
Agricultural farm income	11,806	12,117
Rental	104	128
Electricity income	3,097	3,853
Credit balances added back	7,114	21,446
Miscellaneous	3,776	4,480
	<u>46,815</u>	<u>66,131</u>

27.1 DIVIDEND INCOME

Associated undertakings:

Crescent Leasing Corporation Limited	3,436	3,435
The Premier Insurance Company of Pakistan Limited	52	34
Crescent Steel and Allied Products Limited	1,587	1,035
Pakistan Industrial Leasing Corporation Limited	7,852	7,853
The Crescent Textile Mills Limited	303	-

Others:

AR Pak International Investment Limited	5	5
Prudential Discount and Guarantee House Limited	-	66
Atlas Bot Lease Company Limited	-	79
Pakistan Oil fields Limited	2	2
Muslim Commercial Bank Limited	8	-
	<u>13,245</u>	<u>12,509</u>



(RUPEES IN THOUSAND)

1998

1997

28. FINANCIAL AND OTHER CHARGES**Financial**

Mark-up on:

Redeemable capital	46,854	48,300
Short term finances	100,649	110,771
Advances from associated undertakings	3,020	-
Interest on long term loans	9,005	9,701
Charges on finance lease liabilities	11,654	6,736
Lease agreements fee	277	1,709
Bank charges and commission	8,285	7,575

Others:

179,744 184,792

Donations (Note 28.1)

670 813

Loss on sale of investments

- 4,498

180,414 190,103

28.1 DONATIONS

A sum of Rupees 200,000 (1997: Rupees 200,000) was donated to Crescent Educational Trust, 45-Shahrah-e-Quaid-e-Azam, Lahore in which the following directors of the company are trustees:

Mr. Mazhar Karim

Mr. Khalid Bashir

29. TAXATION

This represents provision for the year against minimum tax due under the Income Tax Ordinance, 1979. After considering the available tax losses, no provision for taxation except minimum tax is required. Tax losses available to be carried forward are Rupees 407.807 million as on 30 September 1998 (1997: Rupees 442.430 million).

30. CHIEF EXECUTIVE AND EXECUTIVES' REMUNERATION

The aggregate amount charged in the accounts for the year for remuneration, allowances including all benefits to chief executive and executives of the company are as follows:

	1998		1997	
	Chief Executive	Executives	Chief Executive	Executives
	(RUPEES IN THOUSAND)			
Managerial remuneration	1,944	11,830	1,842	9,540
Housing	875	2,866	829	2,148
Contribution to:				
Provident fund	136	774	129	629
Pension fund	389	1,789	368	2,170
Gratuity fund	162	765	127	1,138
Hospitalisation	-	686	-	837
Other benefits:				
Utility allowance	194	1,183	184	954
Reimbursable expenses	24	644	29	481
	<u>3,724</u>	<u>20,537</u>	<u>3,508</u>	<u>17,897</u>
Number of persons	<u>1</u>	<u>56</u>	<u>1</u>	<u>49</u>

30.1 Chief executive and five executives have been provided free maintained vehicles by the company.

30.2 Aggregate amount charged in the accounts for fee to six directors in respect of two meetings was Rupees 27,500 (1997: Rupees 20,000 for six directors of two meetings).

31. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Maximum aggregate amount due from associated undertakings at the end of any month during the year was Rupees 36.339 million (1997: Rupees 44.104 million).

The company purchased from and sold to associated undertakings, materials, goods and services in the aggregate sum of Rupees 4.010 million and Rupees Nil (1997: Rupees 0.304 million and Rupees 0.002 million) respectively. Purchases/sales of material, goods and services are made at prevailing market prices.

Mark-up on advances to associated undertakings is received/paid at the rate of 18.50 to 21 percent per Annum (Note 27 and Note 28).

**32. PLANT CAPACITY AND ACTUAL PRODUCTION****Sugar:**

Capacity	108,800	M.Tons in 160 days i.e.
	680	M. Tons per day

Actual production:

Current year	112,430	M. Tons in 162 days i.e.
	694.012	M. Tons per day
Previous year	79,740	M. Tons in 176 days i.e.
	453.068	M. Tons per day

Distillery:

Capacity	40,000	Liters per day
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Actual production:

Current year	6,350,000	Liters in 247 days i.e. 25,709
		Liters per day
Previous year	6,015,000	Liters in 240 days i.e. 25,063
		Liters per day

Kanewood:

Capacity	30	Cubic meters per day
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Actual production:

Current year	2,784.438	Cubic meters in 147 days i.e.
	18.942	Cubic meters per day
Previous year	Nil	

32.1 REASONS FOR LOW PRODUCTION**Distillery**

Production of distillate was kept upto the level of available market.

Kanewood

Low demand for particle board due to recession in building industry.

(RUPEES IN THOUSAND)

33. SEGMENT ASSETS AND OTHER INFORMATION

	1998	1997
Sugar	1,743,753	1,749,168
Distillery	20,185	20,248
Kanewood	21,088	21,154
	1,785,026	1,790,570

33.1 Molasses and baggase (By - Products of Sugar) are issued to distillery and particle board plant at market prices.

34. CORRESPONDING FIGURES

Figures have been re-arranged, wherever necessary, for the purpose of comparison.

CHIEF EXECUTIVE

DIRECTOR

Statement and Report under Sub Section (1) (e), (f) and (g) of Section 237 of the Companies Ordinance, 1984

Crescent Business
Management (Pvt) Limited

Statement under sub-section (1) (e)

- a) Extent of the interest of Crescent Business Management (Pvt) Limited (the holding company) in the equity of its subsidiary at the end of the year September 30, 1998. 100%

- b) The net aggregate amount of profit, less (losses) of the subsidiary company, so far as these concern members of the holding company and have not been dealt with in the accounts of the holding company for the year ended September 30, 1998 are:

(i) for the last financial year of the subsidiary.	Rs	(4,251,074)
(ii) for the previous periods.		(5,456,294)
(iii) accumulated to last audited balance sheet as at June 30, 1998.		<u>(9,707,368)</u>

- (c) The net aggregate amount of losses of the subsidiary company so far as these have been dealt with or provision made for losses in the accounts of the holding company for the year ended September 30, 1998 are:

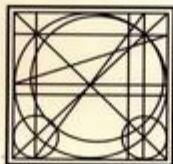
(i) for the financial year ended September 30, 1998	Nil
(ii) for the previous periods.	Nil

Statement under sub-section (1) (f) and (g)

N/A


ALTAF M. SALEEM
Chief Executive


I. A. IMTIAZI
Director



**Crescent
Business Management
(Private) Limited**

Financial Statements
June 30, 1998

Directors' Report

The directors have pleasure in presenting the audited accounts of the Company together with Auditors' Reports thereon for the year ended 30 June 1998:

	(Rs. In million)	
Financial Results:	Outstanding As on 30/6/98	Outstanding As on 30/6/97
Long Term Investments	23.36	23.36
Advances, prepayments etc.	1.54	12.23
Other Assets	0.15	1.73
Total Assets	25.05	37.33
Financed By:		
Due to Holding Company	24.42	32.46
Other Liabilities	0.34	0.32
Equity	0.29	4.55
Total Resources	25.05	37.33

Review of Operations:

During the year under review of the company incurred a net loss of Rs. 4.25 million as compared to a profit of Rs. 1.13 million during the corresponding period last year. Efforts are being made by the Company to reduce its borrowing by divestment of its investment as and when condition of stock Market improves. During the year under review, the company incurred management & administration expenses of Rs. 0.55 million as against Rs. 0.50 million during the corresponding period last year.

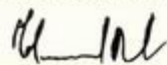
Future Prospectus:

The Directors hope that during the coming financial year the profitability of the Company will improve through reduction in financial cost and divestment of investment in listed securities.

Auditors:

The Auditors M/s. Fazal Mahmood & Company, Chartered Accountants, retire and being eligible offer themselves for re-appointment.

FOR AND ON BEHALF OF THE BOARD


MAHMOOD AHMED
 Chief Executive

Dated: December 09, 1998

Auditors' Report to the Members

We have audited the annexed balance sheet of crescent business management (private) limited as at June 30, 1998 and the related profit and loss account, to gather with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purposes of our audit 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 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 Ordinances, 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 together with The notes forming part thereof, 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 June 30, 1998 and of the loss for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.


 LAHORE:
FAZAL MAHMOOD & COMPANY
 Chartered Accountants

Dated: December 09, 1998



Balance Sheet

	<u>NOTE</u>	<u>1998</u> <u>Rupees</u>	<u>1997</u> <u>Rupees</u>
CAPITAL AND LIABILITIES			
SHARE CAPITAL			
Authorized :			
5,000,000 Ordinance shares of Rs.10/- each		<u>50,000,000</u>	<u>50,000,000</u>
Issued, subscribed and paid up:			
1,000,000 ordinary shares of Rs. 10/- each fully paid In cash. (All shares are held by Holding company and its Nominees)		<u>10,000,000</u>	<u>10,000,000</u>
Accumulated (loss)		<u>(9,707,368)</u>	<u>(5,456,294)</u>
		292,632	4,543,706
CURRENT LIABILITIES			
Due to Associated and Holding Companies	3	<u>24,422,847</u>	<u>32,454,036</u>
Accrued Liabilities		<u>20,220</u>	<u>17,500</u>
Provision for Taxation		<u>317,773</u>	<u>312,849</u>
		<u>24,760,840</u>	<u>32,784,385</u>
Contingencies & Commitments	4	-	-
		<u>25,053,472</u>	<u>37,328,091</u>

The annexed notes form an integral part of these accounts

CHIEF EXECUTIVE

Dated: 09 Dec. 1998

Place: Lahore

as at June 30, 1998

	<u>NOTE</u>	<u>1998</u> <u>Rupees</u>	<u>1997</u> <u>Rupees</u>
PROPERTY AND ASSETS			
FIXED ASSETS-at written down value	5	77,387	51,397
Long Term Investment	6	23,360,065	23,360,065
CURRENT ASSETS			
Due from First Crescent Modarba		575,915	1,599,215
Advance, Deposits and Prepayment	7	967,608	682,112
Other receivables		-	11,552,754
Cash and Bank Balances	8	72,497	82,548
		1,616,020	13,916,629
		25,053,472	37,328,091

The annexed notes form an integral part of these accounts


DIRECTOR



Profit and Loss Account for the year ended June 30, 1998

	1998 Rupees	1997 Rupees
Profit received from bank	17,662	85
Management fee	-	1,000,000
Dividend Income	967,200	967,200
Gains on disposal of shares	-	5,425,864
Bonus shares fractional Entitlement	18	-
	984,880	7,393,149
LESS:		
Staff Salary and Benefits	36,000	42,200
Traveling and Conveyance	710	200
Printing and Stationary	14,100	17,709
Legal and Professional	58,220	4,700
Audit Fee	15,000	15,000
Out of Pocket Expenses	2,500	2,500
Entertainment	7,280	6,539
Registration Expenses	10,600	20,200
Office Rent Charges	306,250	300,000
Bank Charges and Commission	140	38
Meeting Fee	7,500	4,000
Mark - up to Holding Company	4,676,598	5,765,741
General Expenses	5,320	5,100
Professional Tax Paid	-	10,000
Repair and Maintenance	78,052	59,305
Depreciation	12,760	9,069
	5,231,030	6,262,30
(Loss)/Profit before taxation	(4,246,150)	1,130,848
Provision for taxation	4,924	9,836
(Loss)/Profit after taxation	(4,251,074)	1,121,012
Previous year balance brought forward	(5,456,294)	(6,577,306)
BALANCE CARRIED TO BALANCE SHEET	(9,707,368)	(5,456,294)

The annexed notes form an integral part of these accounts.

Chief Executive

DIRECTOR

Notes to the Accounts for the year ended June 30, 1998

Note

1. STATUS AND NATURE OF BUSINESS

Crescent Business Management (Private) limited is incorporated as private limited company By Share under the companies Ordinance, 1984. The company is a wholly owned subsidiary of Shakarganj Mills limited. The primary aim of the company is floatation and management of Modarabas and for this purpose it has been registered as modaraba company with the Registrar of Modaraba Companies and Modarabas, Islamabad.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention

These accounts have been prepared under the historical cost convention.

2.2 Long Tern Investment

These are stated at cost.

2.3 Revenue Recognition

Management fees from modaraba (s) Floated by the company is recognized on the basis of annual audited accounts of the modaraba (s).

Return on deposit with banks is recognized on a time proportionate basis after considering the Principal outstanding and applicable rates of profit thereon.

2.4 Taxation

Provision for taxation is made on the basis of taxable income, as per provisions of Income Tax Ordinance, 1979. Provision for current taxation is based on taxable income at the current rates of the taxation after taking into accounts brought forward losses and tax credits available, if any.

The company does not account for deferred taxation.

3. DUE TO ASSOCIATED AND HOLDING COMPANIES

		1998 Rupees	1997 Rupees
Crescent Investment Bank Ltd.	3.1	276,646	276,646
Shakarganj Mills Ltd. - secured	3.2	23,453,387	30,999,543
Crescent Group Services (Pvt) Ltd.		11,564	802,847
Crescent Foundation.		681,250	375,000
		24,422,847	32,454,036



- 3.1 This includes Rs. 275,000/- payable on a account of advisory service and office space charges And Rs. 1,646/- payable on account of 41 shares of sui Northern Gas Pipe Lines Limited @ Rs. 40.15/- each.
- 3.2 I) This represents the loan Payable to holding company and mark-up thereon.
- ii) Mark-up is charged @ 21% p.a. (1997 21% p.a.) on daily product basis.
- iii) The loan is secured against 315,000 shares of crescent Leasing corporation Limited and 300,000 shares of Nazir cotton Mills Limited. The above shares will remain in the custody of shakarganj Mills Limited till repayment of loan.
- iv) Repayment to be made as per availability of funds with the company.

4. CONTINGENCIES AND COMMITMENTS

Contingencies and liabilities:

The company is in appeal before Income Tax Appellate Tribunal Against the assessment Framed by tax authorities for assessment year 1993-94 and 1994-95. The management is Hopeful that the Appeals would be decided in company's favor.

5. SCHEDULE OF TANGIBLE FIXED ASSETS

PARTICULARS	C O S T			R A T E	D E P R E C I A T			Written Down Value As at 30/06/1998
	As on 01/07/1997	Additions/ (Deletions)	As on 30/06/1998		Up to 01/07/1997	Charged for the year	Accumulated as at 30/06/1998	
	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>%</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>
Office Equipment	15,500	—	15,500	15	5,441	1,509	6,950	8,550
Electric Installation	41,420	23,500	64,920	15	19,550	6,806	26,356	38,564
Telephone Equipment	31,700	—	31,700	15	12,232	2,920	15,152	16,548
Furniture & Fixture	—	15,250	15,250	10	—	1,525	1,525	13,725
Total Rs. 1998	88,620	38,750	127,370		37,223	12,760	49,983	77,387
Total Rs. 1997	82,620	6,000	88,620		28,154	9,069	37,223	51,397

	1998 Rupees	1997 Rupees
--	----------------	----------------

6. LONG TERM INVESTMENT

Listed companies:

1st Crescent Modaraba

1,000,000 certificates

Rs. 10/- each

592,467 Bonus Certificates

of Rs. 10/-each

54,300 shares@ Rs. 20.14

(Aggregate Market value

Rs. 4,940,301/- 1997 Rs. 6,257,715)

6.1	10,000,000	10,000,000
	1,093,595	1,093,595

Pioneer Cement Limited

1,297 ordinary shares

of Rs. 10/- each

2,000 shares @ Rs. 56

(Aggregate Market value)

Rs. 9,891/- 1997 Rs. 23,079)

6.2	12,970	12,970
	112,000	112,000

Nazir Cotton Mills Limited

300,000 ordinary shares of

Rs. 10/- each

Aggregate Market value

Rs. 1,425,000/- 1997 Rs. 1,395,000)

6.2	3,000,000	3,000,000
-----	------------------	-----------

Crescent Leasing Corporation Ltd.

403,000 ordinary shares of

Rs. 10/- each

241,800 right shares @ Rs. 17.50

(Aggregate Market value

Rs. 6,125,600/- 1997 Rs. 5,158,400)

6.3	4,030,000	4,030,000
	4,231,500	4,231,500

Un listed Companies

International assets Management company Ltd.

88,000 Ordinary shares of Rs. 10/- each Break up

Value per share as per audited accounts

Rs. 48.83 (1997 Rs. 40.85)

880,000	880,000
----------------	---------

23,360,065	23,360,065
-------------------	-------------------

No provision has been made in these accounts for diminution in market value of investment. As the management does not consider this to be a permanent impairment in the value of the Company investment.



- 6.1 This represent investment made as Modaraba Company and forms 10% of the total paid-up fund of the 1st Crescent Modaraba as at flotation date of the modaraba.
- 6.2 These shares were taken up to fulfil underwriting commitments.
- 6.3 These shares were taken up to fulfil underwriting commitments.
These also includes 151000 right shares subscribed @ Rs. 10/- each.

	1998 Rupees	1997 Rupees
7. ADVANCES, DEPOSITS AND PREPAYMENTS		
Advance Income Tax	767,608	482,112
Proposed Central Asian Bank	200,000	200,000
	967,608	628,112

8. CASH AND BANK BALANCES

Cash in Hand	33,1161	19,902
Cash at Banks:		
On Current Account	18,143	62,315
On Deposit Account	21,193	331
	39,336	62,646
	72,497	82,548

9. FINANCIAL STATEMENTS OF MODARABA

The Modaraba Company floated a Modaraba under the name of first Crescent Modaraba. Therefore financial statements of the company include the financial statement of the modaraba, as required by the provision of the Companies Ordinance, 1984.

10. General

- 10.1 The company is entitled to receive a management fee @ 10% of the net annual profit of Each modaraba to be floated by it on the basis of annual audited account of the Modarabas.

10.2 i) Figures have been rounded off to the nearest rupee.

- ii) Previous year's figures have been re-arranged wherever necessary for the purpose Of comparison.

CHIEF EXECUTIVE

DIRECTOR

Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 31st Annual General Meeting of the shareholders of SHAKARGANG MILLS LIMITED will be held on Wednesday the March 31st 1999 at 10:30 a.m. at Registered Office 83-Babar Block, New Garden Town, Lahore to transact the following business:-

1. To receive and adopt the Audited Accounts of the Company for the year ended September 30, 1998 together with the Directors' and Auditors' Reports thereon.
2. TO appoint Auditors and fix their remuneration. The present Auditors M/s. Riaz Ahmad & Company, Chartered Accountants retire and being eligible offer themselves for re-appointment.

PARTICIPATION IN THE ANNUAL GENERAL MEETING:

A member eligible to attend and vote at this Meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. Proxies in order to be effective must be received by the Company at the Registered Office not later than 48 hours before the time for holding the Meeting.

BOOK CLOSURE:

The Share Transfer Books of the Company will remain closed for March 25, 1999 to March 31, 1999 (both days inclusive).

ON BEHALF OF THE BOARD

ZAHEER A. SHAIKH

Corporate Secretary

REGISTERED OFFICE:

83-Babar Block, New Garden Town, Lahore.

Tel: (042) 5881974-75 (042) 5839631

Fax: (042) 5881976

E-Mail: rashid.sadiq@cressoft.com.pk

Dated March 02, 1999.



Pattern of holding of shares

Held by the Shareholders as at Sep. 30 1998

Form 34

No. of Shareholders	SHAREHOLDING		Total Shares Held
	From	To	
150	1	100	5108
205	101	500	57195
245	501	1000	172405
207	1001	5000	465237
51	5001	10000	380411
20	10001	15000	244178
12	15001	20000	203526
12	20001	25000	269897
7	25001	30000	198690
11	30001	35000	345398
8	35001	40000	298873
8	40001	45000	346436
3	45001	50000	138185
7	50001	55000	368874
2	55001	60000	117718
3	60001	65000	187335
3	70001	75000	216313
3	75001	80000	234228
1	80001	85000	83692
1	95001	100000	95727
1	105001	110000	106933
1	140001	145000	141420
1	155001	160000	157906
1	180001	185000	180924
1	185001	190000	186432
1	190001	195000	191572
1	200001	205000	204105
1	220001	225000	221444
1	230001	235000	230180
1	255001	260000	256920
1	305001	310000	306365
1	470001	475000	472204
1	625001	630000	625416
1	775001	780000	779286
1	830001	835000	834027
1	875001	880000	875854
1	895001	900000	898551
1	1050001	1055000	1050307
1	1435001	1440000	1439762
1	1915001	1920000	1915496
1	2665001	2670000	2666984
1	3235001	3235000	3230648
1	7880001	7885000	7883865
982			29286027

CATEGORIES OF SHAREHOLDERS	NUMBER	SHARES HELD	PERCENTAGE
Individuals	945	5340295	18.235
Investment Companies	4	1102829	3.766
Insurance Companies	2	257041	0.878
Joint Stock Companies	19	11158919	38.103
Financial Institutions	6	10601562	36.200
Others	6	825381	2.818
Total	982	29286027	100.00
Others			
Modarabas	5	811224	2.770
Non-Resident	1	14157	0.048
TOTAL	6	825381	2.818

RECTORS

Ataf M. Saleem

Chief Executive Officer
Hakarganj Mills Limited
1975

Fan Ahmed Imtiaz

Cominee NIT
1993

Halid Bashir

Chief Executive
Hams Textile Mills Limited
1969

Izhar Karim

Chief Executive
Crescent Jute Products Limited
Chairman
Hakarganj Mills Limited
1971

Muhammad Anwar

Chief Executive
The Crescent Textile Mills Limited
1984

Muhammad Arshad

Chief Executive
The Crescent Sugar Mills &
Distillery Limited
1996

Muhammad Bilal Sheikh

Cominee PICIC
1998

Year elected to Board

General Counsel

H. Maqsood Ahmad, Advocate

Independent Auditors

Ijaz Ahmad & Company
Chartered Accountants

Corporate Secretaries

Asheer A. Shaikh
Hashid Sadiq

OFFICERS

Ataf M. Saleem

President and
Chief Executive Officer
*1973

Muhammad Awais Qureshi

Executive Vice President and
Chief Operating Officer
1980

Abdul Haq Saeed

Vice President
1985

Hilal Ahmad

Vice President and
Chief Financial Officer
1978

Muhammad Zahid

Vice President
1981

Pervaiz Akhtar

General Manager Production
1981

Nusrat Ali

General Manager Engineering
1977

Dr. Shahid Afghan

Director Research
1998

*Year Joined Company



Investor Information

Operating Divisions

Shakarganj Mills Limited

Sugar Division
Management House, Toba
Road, Jhang, Pakistan.
Tel: 92-0471-614971-614973
Tlx: 43471 CJP PK.
Fax: 92-0471-620272
E-mail: ssugar@paknet4.ptc.pk

Shakarganj Distillery

Industrial Alcohol Division
Toba Road, Jhang, Pakistan.
Tel: 92-0471-614971-614973
Tlx: 43471 CJP PK.
Fax: 92-0471-620272
E-mail: ssugar@paknet4.ptc.pk

Kanewood Industries

Particle Board Division
Toba Road, Jhang, Pakistan.
Tel: 92-0471-614971-614973
Tlx: 43471 CJP PK.
Fax: 92-0471-620272
E-mail: ssugar@paknet4.ptc.pk

Crescent Business Management (Private) Limited

Financial Services Division
83-Babar Block, New Garden
Town Lahore, Pakistan
Tel: 92-42-5839631, 5881974-75
Fax: 92-42-5881976
E-mail: Rashid.sadiq@cressoft.com.pk

Stock Exchange Listing

Shakarganj Mills Limited is listed
on the Karachi, Lahore and
Islamabad Stock Exchanges

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 the
following individuals in Corporate
Investor Relation:

Muhammad Yar Rahi
Asif Ali
Sadaqat Hussain
Tel: 92-0471-614971-614973
Fax: 92-0471-620727
E-mail: ssugar@Paknet4.ptc.pk

Shareholder Information

Inquires concerning lost stock
certification, dividend payments,
change of address, verification of
transfer deeds and share transfer
should be directed to:

Shakarganj Mills Limited
Shareholder Services
83-Babar Block, New Garden
Town Lahore, Pakistan
Tel: 92-42-5839631, 5881974-75
Fax: 92-42-5881976
E-mail: Rashid.sadiq@cressoft.com.pk

Annual Meeting

31st Annual General
Meeting of Shakarganj Mills
Limited will be held on March 31,
1999 at 10:30 a.m. at
83-Babar Block, New Garden
Town, Lahore.

Proxy material is enclosed with
this Annual Report.

31st Annual General Meeting

FORM OF PROXY

IMPORTANT

This form of Proxy, in order to be effective, must be deposited duly completed, at the Company's Registered Officer at 83-Babar Block, New Garden Town, Lahore, not less than 48 hours before the time for holding the meeting

A proxy must be a member of the Company registered with the company

Please quote Registered Folio Number

I/We _____ of _____

being a member of SHAKARGANJ MILLS LIMITED and holder of _____ ordinary shares,

hereby appoint _____ of _____

Who is also member of the Company, as my/our proxy in my/our absence and vote for me/us and on my/our behalf at the 31st Annual General Meeting to be held at Company's Registered Office, 83-Babar Block, New Garden Town, Lahore on Wednesday, the March 31, 1999, at 10:30 a.m. and at any adjournment thereof.

As witness my/our hand this _____ day of 1999

signed by the said _____ in the presence of

(Witness Signature)

(Member's Signature)

Date: _____

Place: _____

Affix Rs. 5/- Revenue Stamp
which must be cancelled
either by Signature over it or
by some other means.