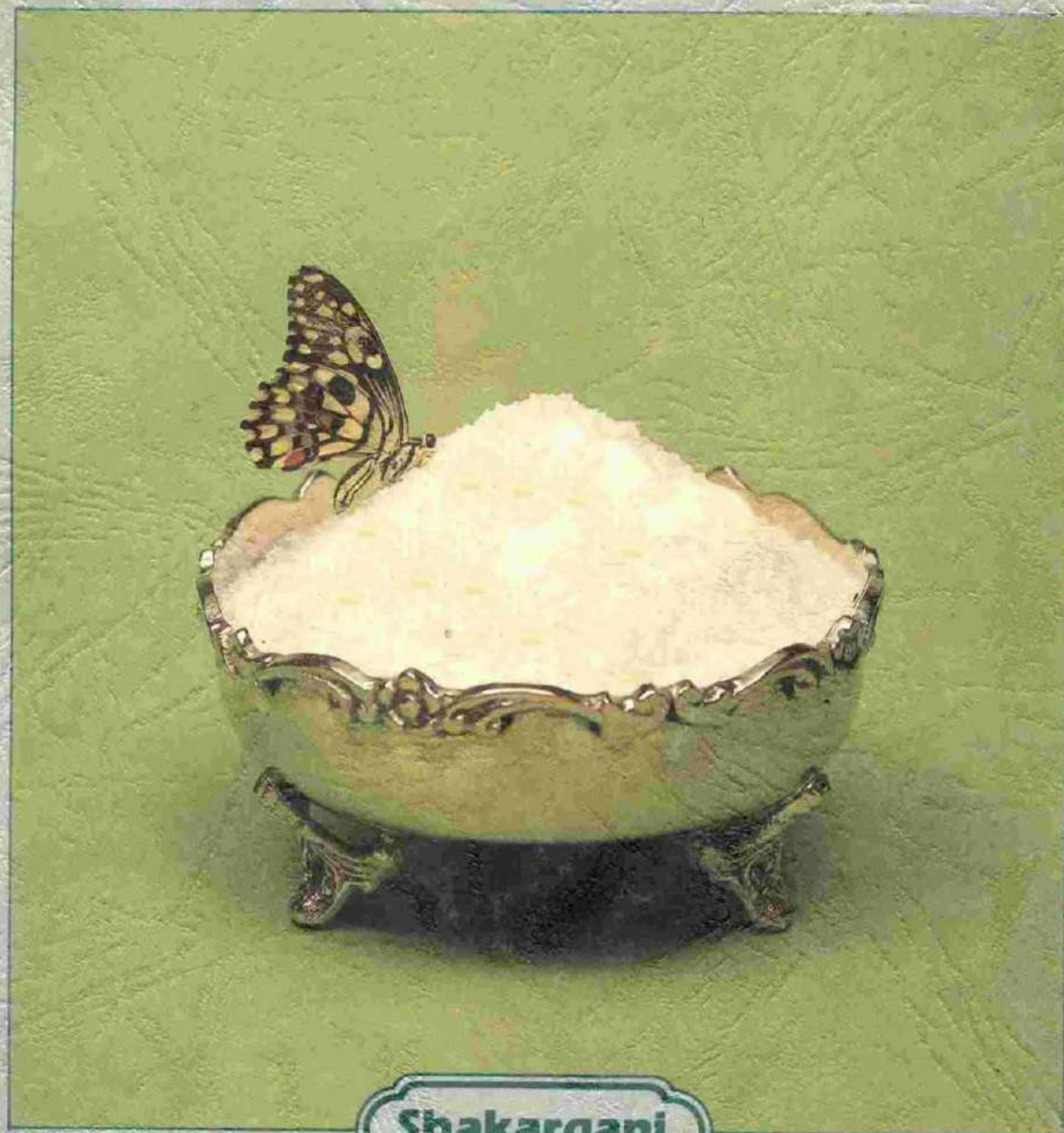




# Annual Report 1991



**Shakarganj**

Nature's Energy Food



Shakarganj Mills Limited

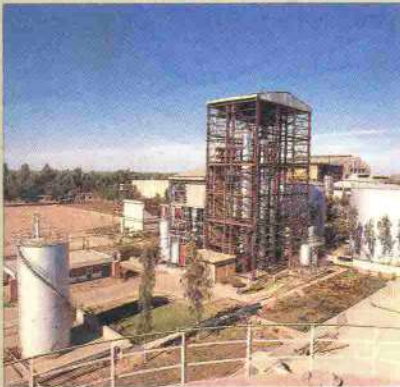


## Shakarganj Profile

### Sugar Division

Sugar Division which is the major operating division of the company is located at Jhang. Ever since its installation in 1973, Shakarganj management has recognized the technological improvements and have been constantly in step with the latest innovation and development in the Sugar Industry.

Sugar production capacity has been up graded to 47,600 M.Tons through balancing and modernization. Shakarganj caters to the needs of 17,000 farmers and provides them latest know how in agricultural field through Shakarganj Sugar Research Institute which is the only Research Institute dealing with sugarcane, in the private sector.



*Modern Distillery based on Biostill process*

### Industrial Alcohol Division

This division was set up for utilization of molasses which is a by-product of Sugar Division. It consists of a most modern Distillery based on Bio-Stil Process. It is continuous fermentation process primarily designed to reduce the quantity of effluents. It has an installed capacity of 40,000 litres of industrial alcohol per day.

### Particle Board Division

#### Kanewood Industries

This is the latest division added to the manufacturing facilities of Shakarganj. It is operating under the trade name of 'Kanewood Industries'. This division has a capacity of manufacturing 30 Cubic Meters of Particle Board per day by utilizing surplus sugarcane bagasse from the Sugar Division.

### Financial Services Division

#### Crescent Business Management (Pvt) Ltd.

This division consists of Crescent Business Management (Private) Limited which was incorporated on February 11, 1990 under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. The fundamental mission of this Division is to seek the pleasure of Allah through the reform and transformation of financial and business conduct in accordance with the principles enshrined in the Sharia.

### 1991 Performance

- Revenues :  
718 million rupees 98.27 percent of Shakarganj's total.
- Analysis :  
Revenues were up 21 percent. Sugar production increased from 57,912 M.Tons to 65,536 M.Tons.



*Kanewood  
Finished board warehouse*

- Revenues :  
10.38 million rupees 1.42 percent of Shakarganj's total.
- Analysis :  
Over 3.4 million litres of alcohol was produced during the year which was the highest ever since the Distillery was installed.
- Revenues :  
2.2 million Rupees 0.30 percent of Shakarganj's total.
- Analysis :  
This was the first year of the commercial production of 'Kanewood Industries'. During the year 642.94 cubic meters of particle board was produced.

Crescent Business Management (Private) Limited successfully floated First Crescent Modaraba of Rs. 100 million on 15 June 1991. Public offering was heavily oversubscribed. First Crescent Modaraba commenced business on 24th July, 1991.

### 1992 Outlook

Shorter sugarcane crop and intense competition in the field of sugarcane procurement with new mills set up in close proximity of Shakarganj will result in lower sugar production. Higher sugar recovery will compensate to some extent for the shortfall in production but subsidized imports have forced the entire Sugar Industry to sell its production below cost. Profitability in 1992 is likely to decline.

Balancing, Modernization and Replacement Program will be completed by October, 1992. With the completion of BMR Program your company will attain a major position within the Industry.



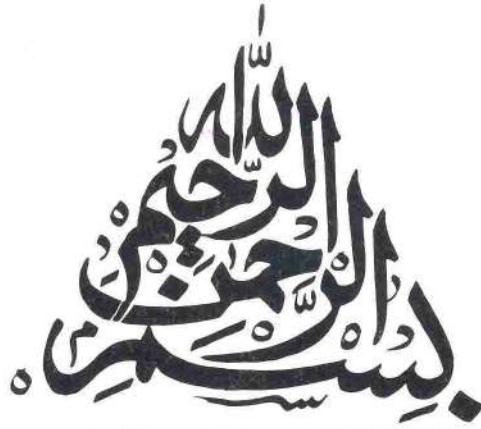
*New Boilers  
Erection in progress*

The plant is in operation with its full efficiency. The production target for 1991-92 has been set at 4.5 million litres of alcohol. The production results so far are in line with the plans. Domestic demand of alcohol is improving. The international market is not favourable at present. First consignment was shipped to the international market in October 1991. Capacity utilization will be better in 1992.

Production started in December 1991. The plant efficiency is satisfactory. Production has been targetted at 5000 Cubic Meters for 1992.

First Crescent Modaraba is doing its business in full swing. The returns out of the operations are above the market average. It is expected that the gains to the subscribers of modaraba will be satisfactory. In the first six months of operations First Crescent Modaraba has reported a profit of Rs.11.28 million.





شروع اللہ تعالیٰ کے پاک نام سے جو نہایت مہربان اور رحم کرنے والا ہے۔

## *Corporate Mission*

### *Preamble*

*We, the management of Shakarganj 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 Shakarganj 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 preserve 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 Shakarganj 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 Shakarganj 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.*

## Financial Highlights 1991

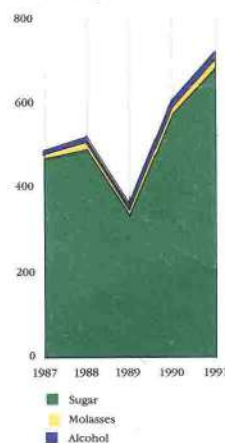
\*RUPEES IN THOUSAND

	1991	1990	Percent change	Four-Year Compound Annual Growth
<b>OPERATING RESULTS</b>				
Revenues	727,225	609,104	19.39%	11 %
Income from Operations	61,226	82,941	-26.18%	24%
Net income	34,682	31,783	9.12%	28%
Earnings Available for Common Stock	14,400	21,000	-31.43%	6.5%
<b>DATA PER COMMON SHARE</b>				
Earnings	4.82	5.29	-8.88%	9.5%
Dividends Paid	2.00	3.50	-42.86%	
Book Value	31.19	31.56	-1.17%	7%
Stock Price Range	45-32	41-31 $\frac{1}{4}$		
<b>FINANCIAL POSITION AT SEPTEMBER 30</b>				
Assets	738,071	599,687	23.08%	21%
Capitalization	377,608	259,240	45.66%	20%
Long-Term Debt and Capital Lease Obligations	40.66%	26.95%	50.87%	
Common Equity	59.34%	73.05%	-18.77%	
<b>OTHER STATISTICS</b>				
Return on Average Common Equity	16.78	17.86%	-6.05%	
Market to Book Value (Year End)	129%	109%	18.34%	
Cash Flow	69,671	76,184	-8.55%	
Common Shares (Average, Thousands)	7200	6000	20.00%	

\* Except per share amounts

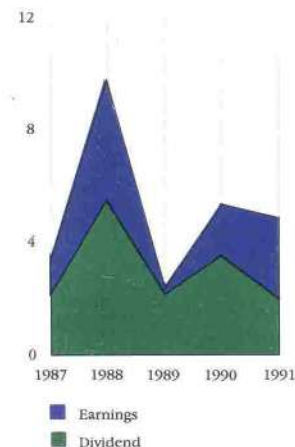
### CONSOLIDATED REVENUES

Million Rupees



### EARNINGS AND DIVIDENDS PAID PER SHARE

Rupees



## Production Data 1974 - 1991

Season	Duration of Season (Days)	SUGAR		Recovery (Percent)	Process Losses (Percent)	Molasses Produced (M. Tons)	MOLASSES	INDUSTRIAL ALCOHOL	PARTICLE BOARD
		Cane Crushed (M. Tons)	Sugar Produced (M. Tons)				Molasses Produced (M. Tons)	Industrial Alcohol Produced (Litres)	Particle Board Produced (Cubic Meters)
1990-91	204	866,552.129	65,536.800	7.56	2.59	47,135	3,422,204	642.94	
1989-90	187	708,632.495	57,912.000	8.17	2.31	33,180	3,030,217		
1988-89	170	446,324.860	34,366.800	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			

## Contents

Financial Highlights 1991	2
Production Data	3
To Our Shareholders	4
Flow of Funds	9
1991 Compared to 1990	10
About 1991-92	11
Board of Governors and Principal Functions	12
Director General's Review	13
Five Years Financial Summary	14
Directors Report to Shareholders	15
Auditor's Report to the Members	15
Balance Sheet	16
Profit and Loss Account	18
Statement of Change in Financial Position	19
Analysis of Working Capital	20
Notes to the Accounts	21
Accounts of Subsidiary Company	42
Annual General Meeting	46
Form 34	47

## About Shakarganj

Shakarganj Mills Limited is a Public Limited Company incorporated on September 20, 1967 and is listed on both 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.

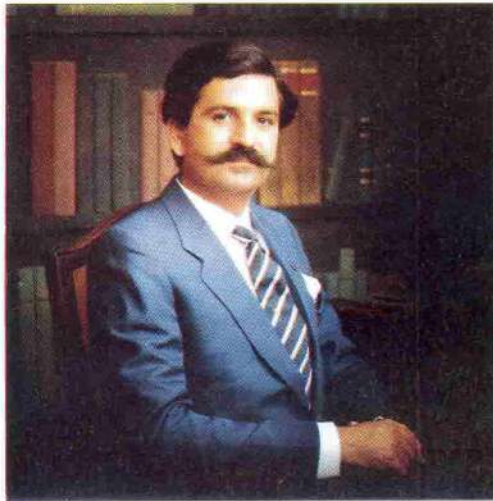
Crescent Business Management (Private) Limited is a wholly owned subsidiary of Shakarganj. This Company manages First Crescent Modaraba which is listed on Karachi and Lahore Stock Exchanges. First Crescent Modaraba is dedicated to reform the financial and business conduct and bring it in accordance with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

At Shakarganj two co-products of sugar are manufactured. Molasses is converted into Industrial Alcohol and Sugarcane bagasse is converted to high quality Particle Board.

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 17,000 farming families in addition to several other suppliers.



## To Our Shareholders



ALTAF M. SALEEM  
Chief Executive

### Dear Shakarganj Investor:

Your company faced a number of challenges in fiscal 1990-91. Shakarganj management responded quickly to these challenges and took concrete steps to reduce the impact of negative externalities on the financial performance of the company.

Sugar plant operated for 204 days to produce 65,536 M.Tons of sugar, the highest ever in your Company's history. This was achieved at a time when average per mill sugar production on countrywide basis was down from 45,000 Metric Tons in 1988-89 to 37,000 Metric Tons in 1990-91. Moreover we achieved the highest volume of sales in the company's history.

Financial results for fiscal 1990-91 are by no means a true reflection of the efforts put in by your management. Our efforts were in fact negated by a number of external factors, some of which are summarized below :

- Raw material cost went up due to a higher cane to sugar ratio of 13.23 M.Tons compared to 12.24 M.Tons a year earlier and increase in support price of sugarcane from Rs.343.75 per M.Ton in 1989-90 to Rs.387.50 per M.Ton.
- Subsidized sugar imports aided by irrational Government policy, at dumping price, resulted in weak domestic sugar market having no relationship to cost of production.
- Rampant inflation caused increase in transport charges, higher mark-up on borrowings, increase in utility cost by the Government and increase in cost of spares due to eroding value of Pak Rupee.

Your Company's robust financial position and a healthy investment portfolio built over a number of years, to compensate for such situations, came to our rescue and enabled your management to post a reasonable profit for fiscal 1990-91.

A buoyant stock market and timely realization of capital gains enabled your company to earn Rs. 32.4 million from the investment portfolio as dividend and capital gain.

### Dilemma of Sugar Industry:

The year under review threw up many challenges for the Sugar Industry and Shakarganj was no exception. In spite of doing better than ever before on sugar production and sales, we still had to rely on our investment portfolio for a decent return for our stock holders.

To understand the dilemma of the sugar industry, a closer look at the effect of negative externalities on our financial performance will be helpful. A brief analysis of both international and national sugar scenario will give a much more clear picture of basic defects in the policy framework that have created intricate situation for your company.



Process House  
Construction work in progress

### International Sugar Scenario:

The world sugar balance is a useful indicator of the state of world sugar economy. It reflects both the relationship of production to consumption and change in stock levels. Although world stocks as a



percentage of world consumption have gone down from 42.4 percent in 1984-85 to 27.1 percent in 1989-90. The stock level is still high enough to keep the international price of sugar substantially depressed. After 1989-90, once again, a situation where sugar production is higher than sugar consumption, has emerged, leading to increase in world stocks.

Table - 1

Year End Aug. (100 MTRV)	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90
Initial Stock	40 969	41 578	38 960	36 959	32 785	29 132
Production	100 399	98 769	104 198	104 823	104 635	108 550
Imports	28 318	28 363	28 003	27 442	29 716	28 601
	169 686	168 710	171 161	168 524	167 136	166 283
Consumption	98 112	100 497	105 617	107 447	108 000	107 856
Exports	29 996	29 253	29 285	28 292	30 004	29 254
Final Stock	41 578	38 960	36 259	32 785	29 132	29 173
Stocks/ Consumption %	42.4	38.8	34.3	30.5	27.0	27.1

The question is often asked - why is the price of world free market sugar so much lower than our domestic price? The answer lies in the unique trading position of sugar world-wide and the fact that it is probably the most distorted commodity of them all. The distortion is reflected by the surplus of sugar produced world-wide compared with consumption. Why is there a surplus? Because, among other things all major sugar producing countries in the

world are protected by subsidy, import quotas, tariff protection or a combination of these measures. The USA and the EEC are major examples of this and, in the case of later, the producers not only enjoy good returns on domestic market quotas but also effectively enjoy a subsidy for export production. And so it is that from its position of a net importer of sugar some years ago, the EEC has become a major exporter of some 5 million tons of sugar on the world free market.

In many other countries as well, protectionism in one form or another is rampant and surplus or overflow sugars find their way on the world free market. In effect then this market is a "dumping market" with prices that are often low and bearing no relation to production costs.

### National Sugar Scenario:

It is obvious from the Government policies that there is undue sensitivity to any increase in domestic price of sugar. The industry is expected to sell sugar below a hypothetical price calculated by the Government without any scientific reasoning whatsoever. Whenever the price tends to cross this "Hypothetical Barrier," measures are taken to create a situation which is conducive to dumping of sugar from the world free market.

A different standard is applied when it comes to fixing support price for sugarcane which constitutes over 50 percent of our cost of production. Sugarcane price is increased without any hesitation year after year. During the last four years average yearly increase in sugarcane price was 11 percent for example.

No consideration is given to increase in the cost of raw-material and other statutory increases like salary, wages, turnover tax and corporate assets tax when making comparison of domestic cost of production with imported sugar.



Milling Tandum in operation



Particle Board in production



We are expected to subsidize the Pakistani housewife and manufacturers of sugar containing products at the cost of investors in the sugar companies. How long can the industry subsidize the consumers? Majority of sugar companies have gone into red in fiscal 1990-91. A realistic change in the policy framework is long over-due if this vital industry is to be saved from a total collapse. It is unfair to expect from us to operate under circumstances where domestic sugar price has no relationship with our cost of production.

We are against protectionist policies but we urge the Government to make pragmatic attempts to level the playing field somewhat and take corrective action to ensure fair competition with world sugar producers.

A cursory look at the average London daily price of sugar for 1991 shows that against an average sugar price of US\$295.00, the

cost of raw-material alone in Pakistan was US\$206.00 per M.Ton. This is a strong enough evidence to show that sugar is being dumped in our country and unfortunately there is no realization of this fact.

We are confident that with this background information you will be in a better position to evaluate the performance of your management.

### Sugar Division:

Implementation of Rs. 300 million Balancing and Modernization Program started during the year under review. We are in advanced stages of implementation.



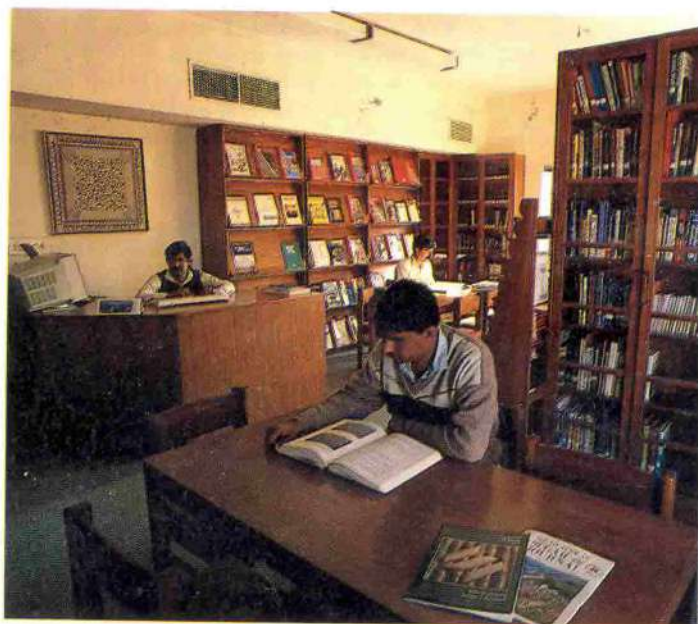
Sugarcane Seedlings - SSRI

Table - 2

LONDON DAILY PRICE (white, sugar, US\$ per tonne) (b)

Months	1991	1990	1989	1988	1987	1986	1985
Jan	295.06	419.00	278.47	251.56	190.63	168.18	141.86
Feb	295.39	430.88	295.54	231.00	203.45	175.75	137.60
Mar	305.51	441.41	320.06	235.29	208.40	197.21	132.90
Apr	284.45	447.55	334.95	239.39	190.98	222.00	132.29
May	286.38	448.10	350.56	248.13	190.50	209.00	131.50
Jun	307.30	404.57	390.27	273.24	181.73	185.85	132.23
Jul	324.82	383.98	487.09	327.43	178.29	178.90	138.41
Aug	317.40	384.48	495.00	274.55	178.29	187.00	157.83
Sep	288.68	317.25	436.28	256.10	184.33	176.00	175.31
Oct	287.17	308.31	398.93	263.21	188.73	179.53	170.02
Nov	280.22	308.71	396.68	281.23	197.61	182.20	176.76
Dec	274.67	305.18	374.89	295.23	221.13	177.15	173.23
Annual Average	295.59	381.62	378.23	264.75	182.83	188.63	149.84

(b) f.o.b. Europe



Modern Computerised Library with latest books and journals.

Financing for the project has been approved. Some equipment has been delivered and in spite of serious difficulties with one major equipment supplier we will Insha Allah complete the project by 31 December, 1992.

Operating efficiency of sugar plant during 1990-91 season was more than satisfactory. Investment made over the past few years in upgrading the facilities yielded positive results. Previous record of sugarcane crushing and sugar production achieved in 1989-90 was surpassed by substantial margin. Sugar recovery however declined from 8.17 percent in 1989-90 to 7.56 percent during the year under review. Unfavourable climatic conditions during the growing period resulted in lowest recovery in last seven years throughout the Punjab province. Shakarganj was no exception.

We are doing better on recovery in the current season. Sugar production for 1991-92 will be lower compared to 1990-91 due to short sugarcane crop. So far 43,650 M. Tons of sugar has been produced upto 29 February, 1992 at an average recovery of 8.31 percent in 114 days. Last season on this date we had produced 43,193 M. Tons of sugar at an average recovery of 7.19 percent in 137 days.



### Industrial Alcohol Division:

Distillery plant achieved better efficiency as a result of major modifications carried out in the off season. Industrial Alcohol production was up to 3.4 million litres in 1990-91 from 3.03 million litres last year. First consignment was sold in the international market and was shipped in October 1991. Production target for 1991-92 is 4 million litres and by 29 February, 1992 we had already produced 3.11 million litres.

### Kanewood Industries:

Particle Board is another important co-product of sugar. A second hand plant was acquired to convert surplus bagasse into particle board. After complete overhauling, particle board plant was successfully operated and 643 cubic meters of high quality particle board was produced during the year under review. Production target for 1991-92 is 5000 cubic meters. Upto 29 February 1992, 1580 cubic meters of particle board has already been produced.

### Crescent Business Management (Pvt) Limited:

Your management is well aware of changes in the economic and business environment of the country. It responds quickly to these changes and as a step to take advantage of the opportunity in diversifying in the financial sector, Crescent Business Management (Private) Limited was formed. It is wholly owned subsidiary of Shakarganj with the paid up capital of Rs. 10 million. This company floated First Crescent Modaraba for Rs. 100 million on June 15, 1991. The public response for the issue was excellent and it was heavily oversubscribed.

The mission of this Modaraba is to seek the pleasure of Allah through the reform and transformation of financial and business conduct in accordance with the principles enshrined in the Shariah. The First Crescent Modaraba commenced its business operations on July 24, 1991. For the period ended 31 December, 1991 First Crescent Modaraba has registered a profit of Rs. 11.28 million.

### Training and Development :

We at Shakarganj believe in professional management. All appointments are made on open merit. Our policies are geared for attracting and retaining motivated and competent people. We have a well qualified but young team with an average age of 41 years. We have people with Doctorates, Master in Science and Business Administration and Engineering Graduates. We believe in constant training and re-training. We send our people to courses and study tours both within and outside Pakistan. In addition, we invite

foreign experts for on-site training of our manpower - the most valuable asset of Shakarganj. We could not get foreign experts in 1991 due to Gulf War.

We have an upto-date Library with latest books and journals for the benefit of those who want to improve their skills. Investment in learning exceeded Rs.2 million in 1991 and will be further stepped up during the coming years.

### Financial Analysis:

In 1991, good financial results were achieved. Increases were posted in total revenues, earnings before interest and taxes and net income. Earning per share however, decreased from Rs.5.29 to Rs.4.28 in 1991.

Earnings before interest and taxes increased by 5.33 percent and net income increased by 9.12 percent.

Revenues rose 19.3 percent to Rs. 731 million with sugar and molasses contributing the highest amounts in company's history. Revenues of Industrial Alcohol Division were however lower.

### Increase in Paid-Up Capital:

Your Board of Directors is following a policy of gradual increase in the paid-up capital of the company, in pace with the growth rate. In November 1990 the Board approved issuance of right shares at the rate of Rs.16.66 percent at a premium of Rs.15.00 per share. This will increase the paid-up capital to Rs.84 million.

For the fiscal 1991 Directors have recommended stock dividend of 20 percent which will further increase the paid-up capital to Rs.98.40 million.

The cash retained in the company will be used to fund the fast growth of the company.

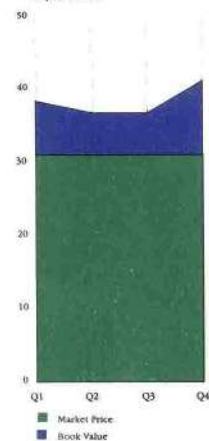
### Investment Portfolio:

During fiscal 1991 investment of Rs. 29.49 million was made increasing the size of portfolio to Rs.106.176 million at cost. Market value of our portfolio stood at Rs.308.629 million at year end, yielding a premium of 190 percent at Rs.202.45 million. Our healthy and well diversified investment portfolio contributed Rs.32.4 million to Company's profit for fiscal 1990-91.

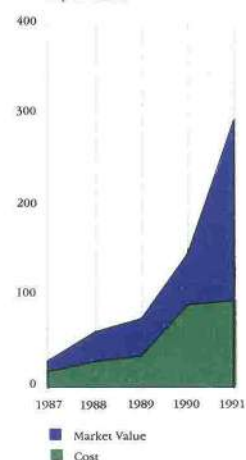
### Contribution to Economy:

Your company plays a very important role with regard to its contribution to economy. The value addition to material and services of Rs.439.88 million was Rs.322.75 million. The share of Government in the value added was 48.33 Percent or Rs.155.99 million compared with Rs.155.42 million last year. Share of employees was up from Rs.26.55 million in 1990 to Rs.30.15 million in 1991.

**BUILDING SHAREHOLDERS VALUE**  
Rupees Million



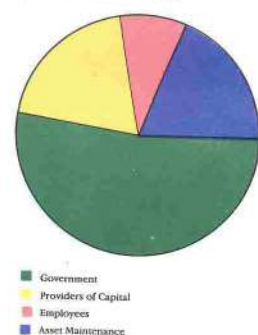
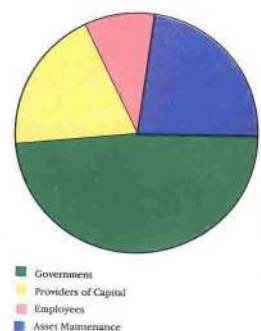
**INVESTMENT PORTFOLIO**  
Rupees Million





## Statement of value added

	(RS. IN MILLION)			
	1991		1990	
SALES REVENUE	727.23		609.10	
OTHER RECEIPTS	35.40		8.80	
	<u>762.63</u>		<u>617.90</u>	
LESS: MATERIALS & SERVICES	439.88		323.05	
VALUE ADDED	<u>322.75</u>		<u>294.85</u>	
APPLIED THE FOLLOWING WAY:		%AGE		% AGE
TO EMPLOYEES				
WAGES, SALARIES AND RELATED COSTS	30.15	9.35%	26.55	9.00%
TO GOVERNMENT				
INCOME TAX, EXCISE DUTY SALES TAX AND OTHER TAXES	155.99	48.33%	155.42	52.71%
TO PROVIDERS OF CAPITAL				
FINANCE CHARGES ON LOANS AND ADVANCES	48.72	15.10%	35.29	11.97%
DIVIDEND TO SHAREHOLDERS	14.40	4.46%	21.00	7.12%
	<u>63.12</u>	<u>19.56%</u>	<u>56.29</u>	<u>19.09%</u>
TO CHARITABLE INSTITUTIONS	0.20	0.06%	1.20	0.41%
TO PROVIDE FOR MAINTENANCE & EXPANSION OF ASSETS				
DEPRECIATION/AMORTIZATION	53.01	16.42%	44.61	15.13%
PROFIT RETAINED	20.28	6.28%	10.78	3.66%
	<u>73.29</u>	<u>22.70%</u>	<u>55.39</u>	<u>18.79%</u>
	<u>322.75</u>	<u>100.00%</u>	<u>294.85</u>	<u>100.00%</u>

DISTRIBUTION OF  
VALUE ADDED 1990DISTRIBUTION OF  
VALUE ADDED 1991



## Flow of funds analysis

### Development of net current position in million of Rupees

	Sept. 30 1989	Change	Sep. 30 1990	Change	Sep. 30 1991
Liquid assets	+ 101.54	+ 57.31	+ 158.85	- 14.27	+ 144.58
Short-term receivable	+ 0.29	+ 1.51	+ 1.80	+ 2.40	+ 4.20
Short-term liabilities and provisions	- 127.78	- 112.06	- 239.84	- 22.25	- 262.09
	- 25.95	- 53.24	- 79.19	- 34.12	- 113.31
Factors affecting the change in the net current position :					
Source of Funds :					
Net income for the year			+ 31.78		+ 34.68
Depreciation			+ 25.84		+ 30.07
Amortization of assets subject to Finance Lease			+ 18.77		+ 25.21
Deferred Taxation			+ 0.69		+ 7.00
Profit on sale of fixed assets			+ 0.08		-
Internal Financing			+ 77.16		+ 96.96
Fixed Assets disposed			+ 0.74		+ 0.06
Redeemable Capital			+ 16.42		+ 99.11
Custom Debentures			+ 0.42		-
Liability against Assets subjects to Finance Lease			+ 34.47		+ 27.99
Sale of long-term investments			+ 4.09		+ 11.78
Long-term deposits			+ 0.22		+ 0.98
Source of Funds - Total			+ 133.52		+ 236.68
Application of Funds:					
Addition to Fixed Assets			- 55.18		- 160.80
Assets subject to Finance Lease			- 34.47		- 27.99
Addition to Investments			- 41.83		- 29.49
Redeemable capital			- 5.26		- 7.75
Long-term deposits			- 3.06		- 1.05
Liability against assets subject to Finance Lease			- 15.68		- 23.62
Custom Debentures			- 0.78		- 0.44
Loans repaid			- 17.03		- 10.81
Dividend paid			- 13.47		- 9.05
Application of Funds - Total			- 186.76		- 271.00
Change in the net position :			- 53.24		- 34.12



## 1991 COMPARED TO 1990

Revenues increased by Rs.118 million or 19 percent.

- Sugar sales were up Rs.115 million or 20 percent.
- Alcohol sales declined Rs.8 million.

Operating expenses as a percentage of sales increased from 2.79 percent in 1990 to 3.32 percent in 1991.

- Selling expenses as a percentage of sales increased .04 percent.
- Administration expenses as a percentage of sales increased from 2.64 percent in 1990 to 3.15 percent. Primarily due to levy of Corporate Asset Tax by the Government.

Earning contribution increased Rs.2.9 million or 9 percent.

- Mark up expenses increased Rs.13.4 million primarily due to increased short term debt and higher interest rates. The increase in mark up expenses as a percentage of sales is 1.84 percent.
- Income from equity investments increased Rs.27.3 million due to better dividend pay out and due to timely realization of capital gains in a buoyant stock market.
- Provision for income taxes decreased Rs.9 million primarily due to decrease in the taxable income.

## 1990 COMPARED TO 1989

Revenues increased by Rs.258 million or 73 percent.

- Sugar sales were up Rs.235 million or 71 percent.
- Alcohol sales were up Rs.15 million.

Operating expenses as a percentage of sales decreased from 3.3 percent in 1989 to 2.79 percent in 1990.

- Selling expenses as a percentage of sales increased .01 percent.
- Administration expenses as a percentage of sales decreased from 3.05 percent in 1989 to 2.51 percent.

Earnings contribution increased Rs.18 million or 131 percent.

- Mark up expenses increased Rs.18.6 million primarily due to increased short term debt and higher interest rates. The increase in mark up expenses as a percentage of sales is only 1.05 percent.
- Income from equity investments increased Rs.2.3 million due to better dividend pay out and due to increase in the investments.
- Provision for income taxes increased Rs.29 million primarily due to increase in the taxable income.

## ABOUT 1991 - 92.

The year ahead will be yet another year of challenges for Shakarganj. Both international and national sugar situation remains the same as in 1990-91. Some of the key factors affecting your company's profitability in fiscal 1991-92 are summarized below :

- Depressed domestic sugar market having no relationship with cost of production due mainly to irrational Government policy.
- Increase in cost of raw material from Rs. 387.50 per M.Ton to Rs. 418.75 per M. Ton.
- Intense competition for raw material from new mills in close proximity and a short sugar cane crop.
- All time higher rate of inflation.

Your management is well equipped to face even the most difficult of situations. Shakarganj has excellent people working for it and they have the tenacity to convert challenges to opportunities. The only thing we ask for, is a level playing field. Whilst recognising the magnitude of problems confronting the sugar industry, we would like to convey to our shareholders, our faith in the inherent strength and efficiency of Shakarganj. We are well poised to face the future with confidence.

## Directors and Employees

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 back bone of our industry and we thank them for their continued support.



ALTAF M. SALEEM  
Chief Executive



## Board of Governors

Mr. Altaf M. Saleem  
Chairman

Mr. M. Asghar Qureshi  
Vice Chairman

Dr. S. A. Qureshi  
Director General

Mr. M. Awais Qureshi  
Member

Mr. Abdul Haq Saeed Member

## Shakarganj Sugar Research Institute

### Principal Functions

- Sugarcane breeding to evolve fertilizer-responsive, disease resistant varieties of sugarcane with higher sucrose content.
- To investigate the agronomic problems of sugarcane production.
- To study soils in sugarcane-producing areas and to relate these to crop management.
- To study the nutritional requirements of sugarcane.
- To study and monitor the pests and diseases of sugarcane and so develop appropriate control measures.
- To conduct basic research on the 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 planning 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 in other countries.
- To improve technology of sugar production inside the sugar factories by improving milling efficiency.

## Director General's Review



*Soil Sciences Laboratory at SSRI*

Major activity of SSRI during the year under report is related to screening of new selected lines out of the fuzz obtained from Sao Paulo Brazil. Some of the selections have great promise of success with respect to yield potential, adaptability to different agriculture conditions in Jhang, resistance to diseases and quality characteristics. The varieties expected to enter in commercial production and acceptable to both the farmers and the industry along with important economic characteristics are given in table 1.

SPSG-26, being a better adapted, high yielding, disease resistant variety is being pushed vigorously amongst all class of farmers. It is on about 4000 acres with seed supplied by circles officers, in addition to some more acreage where seed has moved from farmer to farmer. This variety is acceptable to the farmers, it is therefore expected to replace CO-1148 in next 2-3 years. This year 3 commercial crushing tests on November 14, 22 and December 15 were conducted, the recovery was high by 1.84, 1.68 and 1.35 percent respectively. The details are given in table 2.

The components of this better recovery have been identified as follows:

1. Built-in better recovery, the variety itself.
2. Production under supervised program under improved technology.
3. Procurement system, staling losses avoided, through supply of fresh cane.

Based on this performance the organization has approved a production project on 200 acres where all inputs including machinery will be provided to small farmers on credit at the village level. This will be implemented from spring planting of 1992. In addition to this variety, other varieties like SPSG - 394, SPSG - 257, SPSG - 114 will also be tested on farmers lands. These have been cleaned for red rot and Helminthosporium, therefore carry great promise of success.

The organization is now convinced that successful crop production depends on the following important factors:

- a) Keep 5-6, varieties in commercial production having different genetic origin.

- b) Production and supply of disease free seed of all the varieties.
- c) Supply of inputs on credit to small farmers easily available at the village level.

SSRI has now decided to lay equal emphasis to production aspects to meet the above three objectives. It

has identified some of the selections from its own program and alongwith the new selections from AARI, Faisalabad the testing on farmers lands will continue.

Production of disease free seed raised at the farm of selected seed growers in a radius of 6-7 miles will also remain on the priority. The supply of inputs, easily available to the farmers has also been taken up to improve the yield level of small farmers, all this is done by jointly research and field staff.

Agronomic studies, particularly fertilizer and water responses on 8 to 10 varieties, are underway. Preliminary nurseries and the advanced line testing in replicated blocks is also in progress. Presently 33 new selections are under study and about 20 lines included in disease nurseries as well as to study the ratooning capacity.

TABLE - 1  
IMPORTANT ECONOMIC CHARACTERISTICS OF SSRI VARIETIES

Varieties	Yield Potential with respect to BL-4	Quality Characteristics		Disease Reaction		Remarks
		FIB%	Pot%	Red-Rot	Helminthosporium	
BL-4 (CHECK)	—	13.12	11.74	R	HS	Check Line
SPSG-26	10-12% +	13.06	12.71	R	MR	Early Maturing & wider Adaptability
SPSG-394	At Par	14.00	12.60	R	R	Good Ratooner, Stress Tolerant & Nonlodging
SPSG-257	10-12% +	13.11	12.60	R	S	High Yielding & Fertilizer Responsive
SPSG-114	At Par	13.96	13.26	R	MS	Early Maturing & High Tilling
SPSG-371	15-18% -	13.37	13.60	R	MR	Early Maturing & High Recovery, 9% in Early November

S = Susceptible R = Resistant M = Moderate H = High

TABLE - 2  
THREE MILLING TRIALS OF VARIETY SPSG-26 SEASON 1991-92

DESCRIPTION	14-11-91 (85 MIN)		22-11-91 (180 MIN)		15-12-91 (95 MIN)	
	MIX. VAR. LAST 24 HR	SPSG-26	MIX. VAR. LAST 24 HR	SPSG-26	MIX. VAR. LAST 24 HR	SPSG-26
TONS OF CANE CRUSHED	3859.895	220.060	5032.206	370.887	5158.657	265.135
TONS CANE / HR (NET)	178.15	154.97	219.59	153.26	217.21	167.810
TONS MIXED JUICE	3298.43	220.00	4591.93	343.00	4442.68	222.00
MIXED JUICE % CANE	85.45	99.47	91.25	92.02	86.12	83.31
% POL IN OPEN CELL	82.36	83.62	79.17	78.74	78.60	80.64
POL IN CANE	9.15	10.63	9.91	11.37	10.18	11.35
IST EXP. JUICE BRX	16.03	17.02	16.53	18.11	17.54	18.07
IST EXP. JUICE PURITY	73.11	81.31	74.53	79.51	75.88	79.58
MIXED JUICE BRX	13.76	12.80	14.06	14.98	14.84	16.34
MIXED JUICE PURITY	71.58	78.83	73.04	78.04	74.39	78.27
BAGASSE ANAL. POL%	2.40	2.00	2.03	2.20	2.17	2.40
BAGASSE ANAL. MOIST%	50.77	49.61	49.80	50.85	50.00	50.20
RECOVERY % CANE	6.77	8.61	7.54	9.22	7.80	9.15
LOSSES % CANE	2.38	2.01	2.37	2.15	2.38	2.20
MOLASSES % CANE	4.68	3.93	4.93	4.16	5.39	4.25

*S.A. Qureshi*

DR. S.A. QURESHI  
Director General Research



## Five Years Financial Summary

(Rupees in thousand,  
except amounts per share)

	1991	1990	1989	1988	1987
<b>Operating Results</b>					
Net sales	727,225	609,104	350,741	516,886	478,748
Cost of sales	641,841	509,159	327,520	367,590	444,283
Selling, general & admin. expenses	24,158	17,004	11,603	13,113	8,499
Interest expenses	48,716	35,293	16,651	17,158	21,814
Other charges	2,592	4,970	551	16,014	1,194
Other income, net	35,400	8,796	9,674	3,394	4,927
Pre-tax profit	45,318	51,474	4,090	106,405	7,885
Income taxes	10,636	19,691	(9,634)	56,887	(8,877)
Net income	34,682	31,783	13,724	49,518	16,762

### Per Share Results and Return

Earnings per share	4.82	5.29	2.28	9.9	3.36
Cash dividends per share	—	1.50	2.25	5.50	2.25
Stock dividends per share	1:5	1:5	—	—	—
Net income to sales percent	4.77	5.22	3.91	9.58	3.50
Return on average assets percent	5.18	6.02	3.24	13.39	7.04
Return on average equity percent	16.78	17.86	8.91	38.06	15.67

### Financial Position

Current assets	148,774	160,648	101,827	109,856	96,897
Current liabilities	303,718	290,702	162,045	155,849	117,894
Operating fixed assets	265,694	228,801	205,483	200,928	194,717
Total assets	738,071	599,687	456,055	388,884	350,257
Long-term debt	117,079	36,959	43,189	51,566	75,089
Shareholders' equity	224,060	189,378	166,594	141,294	118,919
Break-up value per share	31.19	31.56	27.76	28.25	23.84

### Financial Ratios

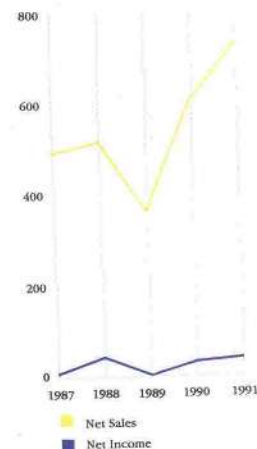
Current liabilities to current assets	2.04	1.81	1.72	1.42	1.22
Long-term debt to capitalization percent	34.32	16.32	20.58	26.74	38.70
Total debt to total assets percent	69.64	68.42	68.47	63.67	66.05
Interest coverage times	1.98	2.60	1.27	8.13	1.42
Average collection period days	2.11	1.08	0.30	4	1
Inventory turnover times	10.55	9.56	11.36	9.41	7.83
Fixed assets turnover times	1.54	1.79	1.19	2.18	2.05
Total assets turnover times	0.99	1.02	0.77	1.33	1.37

### Other Data

Depreciation	55,278	44,610	19,954	23,257	19,010
Capital expenditure	67,016	49,756	25,078	33,758	14,727

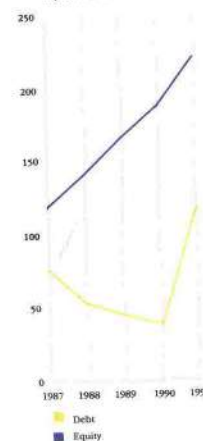
### NET INCOME AND SALES

Rupees Million



### LONG TERM DEBT AND EQUITY

Rupees Million



## Directors' Report to Shareholders

### Dear Shakarganj Investor :

Your Directors are pleased to present the Twenty Third Annual Report alongwith detailed notes for the year ended September 30, 1991.

Your Company's operations for the year resulted in a net profit of Rs.34.68 million as against Rs.31.78 million in 1990. After charging Rs.30.07 million for Depreciation and Rs.48.71 million for Interest on Loans and Advances, Profit available for appropriation comes to Rs.34.86 million. Your Directors recommend appropriation of profit as follows :

(Rupees in Thousand)

Profit available for appropriation	34863
Proposed Bonus shares Issue (1:5) @ 20 percent	14400
Transfer to General Reserve	16000
Transfer to Dividend Equalisation Reserve	4000
Up-appropriated Profit c/f	463

Financial condition of the Company and future prospects are discussed in detail else where.

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

The Management renews its pledge to continue its best efforts to manage prudently the Company's business for the benefit of all and sincerely thanks its shareholders, employees, customers and suppliers who by their continued support have made 1991 a successful year for Shakarganj.

For and on behalf of the Board :



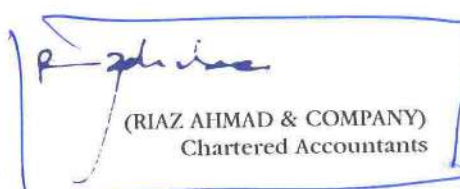
ALTAF M. SALEEM  
Chief Executive

February 16, 1992.

## Auditors' Report to the Members

We have audited the annexed balance sheet of **SHAKARGANJ MILLS LIMITED** as at 30 September 1991 and the related profit and loss account and statement of changes in financial position, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit 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 changes in financial position, 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 1991 and of the profit and the changes in financial position for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr ordinance, 1980, was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.



(RIAZ AHMAD & COMPANY)  
Chartered Accountants

LAHORE:- 09 February 1992



**Balance Sheet as at 30 September, 1991**

(RUPEES IN THOUSAND)

SHARE CAPITAL AND RESERVES	NOTE	1991	1990
Authorised share capital			
25,000,000 [1990: 10,000,000] ordinary shares of Rupees 10 each		250,000	100,000
Issued, subscribed and paid up shares capital	3	72,000	60,000
Reserves	4	151,597	129,197
Unappropriated profit		463	181
		224,060	189,378
SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS		10,745	10,745
REDEEMABLE CAPITAL	5	98,219	10,172
DEBENTURES AND LONG TERM LOANS :			
Custom debentures	6	656	951
Long term loans	7	2,859	7,700
		3,515	8,651
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	8	51,814	51,039
DEFERRED TAXATION	9	46,000	39,000
CURRENT LIABILITIES			
Current portion of long term liabilities	10	40,811	40,993
Short term running finances	11	199,161	126,028
Creditors, accrued and other liabilities	12	38,759	46,724
Workers' Participation Fund	13	2,412	2,770
Provision for taxation		21,754	64,318
Dividend payable	14	821	9,869
		303,718	290,702
CONTINGENCIES AND COMMITMENTS	15		
		738,071	599,687

(RUPEES IN THOUSAND)

TANGIBLE FIXED ASSETS	NOTE	1991	1990
Operating fixed assets	16	265,694	228,801
Assets subject to finance lease	17	68,436	66,641
Capital work-in-progress	18	137,721	43,937
		471,851 ✓	339,379
LONG TERM INVESTMENTS	19	106,176	88,463
LONG TERM DEPOSITS	73 20	11,270	11,197
CURRENT ASSETS			
Stores, spare parts and loose tools	21	45,285 ✓	29,852
Stock-in-trade	22	23,663 ✓	33,844
Trade debts-Unsecured but considered good		4,199 ✓	1,796
Advances, deposits, prepayments and other receivables	23	69,653	90,786
Cash and bank balances	24	5,974	4,370
		148,774	160,648
		738,071	599,687

*The annexed notes form an integral part of these accounts*

**Altat M. Saleem**  
Chief Executive

**Sk. Jahangir**  
Director



# Profit & Loss Account for the Year Ended 30 September, 1991

(RUPEES IN THOUSAND)

	NOTE	1991	1990
SALES	25	727,225	609,104
COST OF GOODS SOLD	26	641,841	509,159
GROSS PROFIT		85,384	99,945
ADMINISTRATIVE, SELLING AND GENERAL EXPENSES	27	24,158	17,004
OPERATING PROFIT	28	61,226	82,941
OTHER INCOME	29	35,588	8,796
		96,814	91,737
FINANCIAL AND OTHER CHARGES	30	49,104	37,493
WORKERS' PARTICIPATION FUND		2,392	2,770
		51,496	40,263
PROFIT BEFORE TAXATION		45,318	51,474
TAXATION	31	10,636	19,691
PROFIT AFTER TAXATION		34,682	31,783
UNAPPROPRIATED PROFIT BROUGHT FORWARD		181	398
PROFIT AVAILABLE FOR APPROPRIATION		34,863	32,181
APPROPRIATIONS			
Proposed dividend		—	9,000
Transfer to :			
Reserve for issue of bonus shares		14,400	12,000
General reserve		16,000	10,000
Dividend equalisation reserve		4,000	1,000
		34,400	32,000
UNAPPROPRIATED PROFIT		463	181

The annexed notes form an integral part of these accounts



Altaf M. Saleem  
Chief Executive



Sk. Jahangir  
Director

# Statement of changes in Financial Position For the Year Ended 30 September 1991

(RUPEES IN THOUSAND)

	1991	1990
<b>SOURCES OF FUNDS</b>		
Profit after taxation	34,682	31,783
Adjustment of items not involving the movement of funds		
Depreciation	30,070	25,838
Amortization of assets subject to finance lease	25,208	18,772
Deferred taxation	7,000	691
Fixed assets - written off	—	221
Profit on disposal of operating fixed assets	(112)	(143)
Profit on sale of long term investments	(27,177)	(978)
Funds provided by operations	69,671	76,184
<b>Other sources</b>		
Proceeds from disposal of operating fixed assets	167	742
Sale of long term investment	38,956	5,070
Redeemable capital	99,114	16,423
Custom debentures	—	419
Long term deposits	983	221
Liabilities against assets subject to finance lease	27,986	34,473
Net decrease in working capital	34,120	53,244
	270,997	186,776
<b>APPLICATION OF FUNDS</b>		
Tangible fixed assets	160,801	55,182
Assets subject to finance lease	27,986	34,473
Redeemable capital	7,746	5,257
Liabilities against assets subject to finance lease	23,620	15,684
Custom debentures	439	782
Long term loans	10,809	17,033
Long term Investments	29,492	41,835
Long term deposits	1,056	3,065
Dividend paid	9,048	13,465
	270,997	186,776

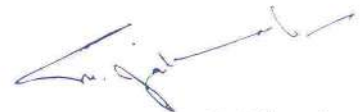


## Analysis of Working Capital

	(RUPEES IN THOUSAND)	
	1991	1990
<b>[Increase]/decrease in current assets</b>		
Stores, spare parts and loose tools	(15,433)	(7,559)
Stock-in-trade	10,181	(25,271)
Trade debts	(2,403)	(1,509)
Advances, deposits, prepayments and other receivables	21,133	(24,276)
Cash and bank balances	(1,604)	(206)
	<b>11,874</b>	<b>(58,821)</b>
<b>Increase/[Decrease] in current liabilities</b>		
Short term running finances	73,133	86,700
Creditors, accrued and other liabilities	(7,965)	3,822
Workers' participation fund	(358)	2,543
Provision for taxation	(42,564)	19,000
	<b>22,246</b>	<b>112,065</b>
<b>NET DECREASE IN WORKING CAPITAL</b>	<b>34,120</b>	<b>53,244</b>



**Altaf M. Saleem**  
Chief Executive



**Sk. Jahangir**  
Director

## 5. REDEEMABLE CAPITAL

Long term running finances utilised under mark-up arrangements are made up as under :

(RUPEES IN THOUSAND)

Pakistan Industrial Credit and Investment Corporation Limited [Note 5.1]										
	SBR/ PLS-96	SBR/ PLS-77	PICIC/ PLS-19	SBR/ PLS-15	SBR/ PLS-23	SBR/ <del>PLS-102</del>	SBR/ <del>PLS-13</del> [Note 5.2]	NDFC	1991	1990
Balance as at 01 October	3,375	8,449	2,611	1,883	800	-	-	-	17,118	5,952
Received during the year	930	-	-	1,098	800	71,286	-	25,000	99,114	16,423
	4,305	8,449	2,611	2,981	1,600	71,286	-	25,000	116,232	22,375
Less : Repaid	956	1,954	1,567	1,669	1,600	-	-	-	7,746	5,257
Current portion [Note 10]	957	1,954	1,044	1,312	-	-	-	5,000	10,267	6,946
	1,913	3,908	2,611	2,981	1,600	-	-	5,000	18,013	12,203
Balance as at 30 September	2,392	4,541	-	-	-	71,286	-	20,000	98,219	10,172
Sanctioned limit	4,305	10,257	3,133	8,345	-	110,857	110,856	50,000		
Unavailed credit facility	-	343	-	-	-	39,571	110,856	25,000		
No. of instalments	09 Half Yearly	21 Quarterly	24 Monthly	23 Quarterly	-	38 Quarterly	38 Quarterly	10 Half Yearly		
Payment date of 1st instalment	January 1991	April 1990	July 1990	October 1986	-	Not yet finalised	-	March 1992		
Rate of mark up [per annum]	6%	6%	16%	3%	-	7%	7%	14%		

5.1 As per purchase and sale agreements, Pakistan Industrial Credit and Investment Corporation Limited has purchased machinery valuing Rupees 270.183 million [1990: Rupees 167.327 million] from the company which was deemed to have been resold to the company at marked up price of Rupees 438.070 million [1990: Rupees 262.961 million] which includes rebates of Rupees 73.005 million [1990: Rupees 38.681 million] on timely payments of marked up price. Securities are mentioned in Note 7.1.

5.2 Marked up price of the credit facility is Rupees 84.901 million. Rebate in the marked up price for timely payments will be allowed at a rate determined by National Development Finance Corporation [NDFC]. Liability is secured against deposit of shares of listed companies having face value of Rupees 12.931 million as referred to in Note 19.2 and guarantee given by Crescent Investment Bank Limited - An associated undertaking.

(RUPEES IN THOUSAND)

	1991	1990
<b>CUSTOM DEBENTURES - Unsecured</b>		
These are made up as under :		
Balance as at 30 September	894	1,333
Less: Current portion [Note 10]	238	382
	656	951

6.1 These have been issued in favour of Collector of Customs to cover the deferred element of custom duty on the import of plant and machinery. The debentures are repayable in six half yearly instalments commencing from 11 May 1988 and carry interest at the rate of 1 percent above the bank rate.



(RUPEES IN THOUSAND)

	1991	1990
<b>LONG TERM LOANS</b>		
Pakistan Industrial Credit and Investment Corporation Limited		
Loan No :		
SBR-61 (Note 7.2)	4,253	12,219
SBR-86	—	1,745
IBRD-2380 IDA-1439/1	—	584
ADB-455/20 (Note 7.3)	3,247	3,619
IBRD-2380 IDA-1439/18 (Note 7.3)	199	341
	7,699	18,508
Less: Current portion (Note 10)	4,840	10,808
	2,859	7,700

- 7.1 Long term loans from Pakistan Industrial Credit and Investment Corporation Limited are secured against :
- a first legal mortgage on company's present and future immovable properties wherever situated including all buildings, plant and machinery and fixtures;
  - a 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;
  - a first floating charge ranking pari passu with the existing charges on all other assets of the company, both present and future, subject to the charges in favour of company's bankers as referred to in Note No. 11. 1; and
  - a demand promissory note.
- 7.2 Loan No. SBR-61 is repayable in 10 semi annual instalments commencing from 01 January 1987 and carry interest at the rate of 8 percent per annum.
- 7.3 Loan No. ADB-455-20 and IBRD-2380-IDA-1439/18 are repayable in 20 and 12 semi annual instalments commencing from 01 July 1987 and 01 July 1989 respectively and carry interest at the rate of 14 percent per annum.
- 7.4 Sanctioned limit of loans from Pakistan Industrial Credit and Investment Corporation Limited is Rupees 115.292 million [1990: Rupees 83.496 million]. However, loans of Rupees 59.671 million [1990: Rupees 19.640 million] remained undisbursed at balance sheet date.

[RUPEES IN THOUSAND]

	1991	1990
<b>LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>		
Present value of minimum lease payments	77,280	73,896
Less: Current portion [Note 10]	25,466	22,857
	51,814	51,039

- 8.1 The present value of minimum lease payments has been discounted using the sum of digit method. The rentals are paid in monthly / quarterly equal instalments 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 borne 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 term as may be agreed upon. Liabilities are secured against deposit of Rupees 11.117 million [1990: Rupees 11.044 million] included in long term deposits and a deposit of shares of listed companies having face value of Rupees 5.216 million [1990 : Rupees 7.716 million] as referred to in Note 19.2.

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

Description	Balance rentals outstanding as at 30 September 1991	No. of installments outstanding	Approximate rate of interest per annum	Expiry period
	(Rupees in thousand)		%	
National Development Leasing Corporation Limited	22 271	29 Monthly	5 - 18	February 1994
Asian Leasing Corporation Limited	711	5 Quarterly	15	January 1993
Asian Leasing Corporation Limited	15 834	59 Monthly	15	August 1996
Pakistan Industrial Leasing Corporation limited Associated undertaking	19 464	32 Monthly	19	April 1994
ORIX Leasing Pakistan Limited	3 875	23 Monthly	14	August 1993
ORIX Leasing Pakistan Limited	857	3 Quarterly	14	August 1993
BRR Capital Modaraba	7 778	45 monthly	21	June 1995
Atlas BOT Leasing Company Limited	18 588	58 Monthly	18	July 1996
Credit and Leasing Corporation Limited	7 219	59 Monthly	15	August 1996

(RUPEES IN THOUSAND)

	1991	1990
<b>9. DEFERRED TAXATION</b>		
Timing differences relating to accelerated tax depreciation	47 019	46 200
Other timing differences	(1 019)	(7 200)
	46 000	39 000



(RUPEES IN THOUSAND)

	1991	1990
<b>10. CURRENT PORTION OF LONG TERM LIABILITIES</b>		
Redeemable capital	10,267	6,946
Custom debentures	238	382
Long term loans	4,840	10,808
Liabilities against assets subject to finance lease	25,466	22,857
	<b>40,811</b>	<b>40,993</b>

**11. SHORT TERM RUNNING FINANCES**

Running finances under mark up arrangements have been obtained :

From financial institutions - Secured

National Development Finance Corporation	—	19,445
Pakistan Industrial Credit and investment Corporation Limited [Note 11.1]	90,000	20,000
Crescent Investment Bank Limited Associated undertaking [Note 11.2]	31,800	31,800
	<b>121,800</b>	<b>71,245</b>
From banking companies		
Secured [Note 11.3]	74,148	49,444
Unsecured-Unpresented cheques	3,213	5,339
	<b>77,361</b>	<b>54,783</b>
	<b>199,161</b>	<b>126,028</b>

- 11.1 Pakistan Industrial Credit and Investment Corporation Limited has purchased goods valuing Rupees 40 million from the company which were deemed to have been resold to the company at marked-up price of Rupees 46.58 million. This is secured against pledge of said goods and deposit of shares of listed companies having face value of Rupees 16.132 million as referred to in Note 19.2. Mark-up has been accounted for proportionately upto 30 September 1991 at the rate of paisas 43 to 46 per Rupees 1000 per day. The finance is repayable on 31 March 1992. Credit facility of Rupees 50 million is secured against bank guarantee given by Crescent Investment Bank Limited. Mark-up has been accounted for proportionately upto 30 September 1991 @ paisas 43 per Rupees 1000 per day. The finance is repayable on 14 March 1992.
- 11.2 Finance from Crescent Investment Bank Limited is secured against deposit of shares of listed companies having face value of Rupees 16.342 million as referred to in Note 19.2 [1990 : Rupees 16.942 million] and a demand promissory note.
- 11.3 These are secured against pledge and hypothecation of stores, spares, stocks, book debt, shares having face value of Rupees 8.224 million as referred to in Note 19.2 and second charge on fixed assets. Mark-up is charged at the rate of paisas 43 to 45 per Rupees 1000 per day by banking companies, other than Agricultural Development Bank of Pakistan which charges mark-up at the rate of 12.50 percent per annum. These form part of aggregate credit facility of Rupees 365.8 million [1990 : Rupees 202 million].

(RUPEES IN THOUSAND)

	1991	1990
<b>12. CREDITORS, ACCRUED AND OTHER LIABILITIES</b>		
Creditors		
Trade	4,301	6,640
Others	9,188	7,175
	<b>13,489</b>	<b>13,815</b>
Advances from customers	257	1,345
Security deposits from contractors payable on completion of contracts-Interest free	495	424
Income tax deducted at source	167	121
Interest on custom debentures-Unsecured	24	36
Mark up accrued on redeemable capital-Secured	224	1
Interest accrued on long term loans-Secured	216	742
Mark up accrued on short term running finances-Secured	10,601	5,447
Due to employees provident fund trust	19	—
Excise duty and sales tax payable	1,229	7,440
Due to associated undertakings	1,314	1,991
Due to director	6	36
Workers' welfare fund	1,885	4,031
Corporate assets tax payable	2,000	—
Other accrued liabilities	6,833	11,295
	<b>38,759</b>	<b>46,724</b>

**13. WORKERS' PARTICIPATION FUND**

Balance as at 01 October	2,770	227
Share of company's profit for the year	2,392	2,770
Interest accrued	188	22
	<b>5,350</b>	<b>3,019</b>
Less:		
Paid to workers	1,117	249
Deposited in workers' welfare fund	1,821	—
	<b>2,938</b>	<b>249</b>
	<b>2,412</b>	<b>2,770</b>

13.1 Interest is paid at prescribed rate under the Act on funds utilised by the company till the date of payment of funds to Workers' Participation Fund Trust.

**14. DIVIDEND PAYABLE**

Unclaimed	821	869
Proposed	—	9,000
	<b>821</b>	<b>9,869</b>



## 15. CONTINGENCIES AND COMMITMENTS

### Contingencies

... Company is contingently liable in respect of employees' and other claims not acknowledged as debts amounting to Rupees 0.279 million [1990 : Rupees 0.116 million].

### Commitments

... Contracts for capital expenditure amounting to Rupees 31.585 million [1990: Rupees 159.902 million].

... Letters of credit other than for capital expenditure amounting to Rupees 4.120 million [1990: Rupees 2.527 million].

## 16. OPERATING FIXED ASSETS

(RUPEES IN THOUSAND)

DESCRIPTION	COST/RE-ASSESSED VALUE		As at 30 September 1991	Accumulated Depreciation As at 30 September 1991	Book Value As at 30 September 1991	DEPRECIATION Charge for the year	Rate %
	As at 01 October 1990	Additions/ (Deletions)					
Land freehold (Note 16.1)	11,707	664	12,371	—	12,371	—	—
Buildings and roads on freehold land	54,814	6,588	61,402	27,851	33,551	3,728	10
Plant and machinery	325,900	56,454	382,354	170,414	211,940	23,550	10
Laboratory equipments	934	163	1,097	822	275	184	40
Tubewell and water pumps	1,525	47	1,572	965	607	152	20
Electric installations	718	—	718	550	168	42	20
Weighbridges and scales	1,394	89	1,483	1,026	457	114	20
Furniture and fixtures	3,699	1,270 (12)	4,957	2,505	2,452	613	20
Office equipments	3,123	687	3,810	2,911	899	600	40
Vehicles	5,060	60 (255)	4,865	3,004	1,861	465	20
Arms and ammunition	38	48	86	18	68	8	10
Library books	809	237	1,046	699	347	150	30
Tools and equipments	1,978	706	2,684	2,013	671	447	40
Telephone equipments	251	3	254	227	27	17	40
1991 <i>7845,000</i>	411,950	67,016 (267)	478,699	213,005	265,694	30,070	
1990 <i>3,773,000</i>	363,332	49,756 (1,138)	411,950	183,149	228,801	25,838	

16.1 Company has given 10.39 acres land valuing Rupees 0.260 million for 20 years' lease to Ujala Cotton Mills, a project of Crescent Jute Products Limited (an associated undertaking) on annual rent of Rupees 3,450 (1990: Rupees 3,000) per acre. Lease rent will be increased by 15 percent after every three years and lease is extendable for another term of 20 years with mutual consent of both parties.

16.2 Land, buildings, plant and machinery were revalued by an independent valuer as at 30 September 1979 and stated in Note 16 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.

- 16.3 Included in the additions to plant and machinery is exchange loss of Rupees 0.159 million (1990: Rupees 0.405 million) relating to liability in foreign currency for acquisition of these assets. Trial run loss of kanewood amounting to Rupees 5.248 million has also been capitalised.

(RUPEES IN THOUSAND)

	1991	1990
16.4 Depreciation charge for the year has been allocated as follows :		
Cost of goods sold		
Sugar	22,549	20,865
Distillate	2,956	3,123
Kanewood	1,885	—
Trial run account-Kanewood	628	—
Administrative, selling and general expenses-Sugar	2,052	1,850
	30,070	25,838

### 16.5 DISPOSAL OF OPERATING FIXED ASSETS

Description	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Mode of Disposal	Particulars of Purchaser
VEHICLES						
Toyota Corona 159-058	255	202	53	165	Negotiation	Usman Bajwa 602/55, Tufail Road, Lahore Cantt.
FURNITURE AND FIXTURES						
Beds, Chairs, Tables, etc.	12	10	2	2	Negotiation	Mills Employees

### 17. ASSETS SUBJECT TO FINANCE LEASE

Following assets have been acquired under finance lease :

Description	As at 01 October 1990	C O S T Additions/ (Deletions)	As at 30 September 1991	Accumulated Amortization As at 30 September 1991	Book Value As at 30 September 1991	Amortization Charge for the year
Buildings	255	—	255	119	136	17
Plant and machinery	93,658	23,573 (928)	116,303	58,577	57,726	21,428
Vehicles	6,429	4,413 (55)	10,787	3,721	7,066	2,567
Equipments	5,131	—	5,131	1,623	3,508	1,196
1991	105,473	27,986 (983)	132,476	64,040	68,436	25,208
1990	71,885	34,473 (885)	105,473	38,832	66,641	18,772



(RUPEES IN THOUSAND)

	1991	1990
17.1 Amortization charge of leasehold assets for the year has been allocated as follows :		
Cost of goods sold		
Sugar	16,520	17,440
Kanewood	3,417	—
Trial run account-Kanewood	1,642	—
Administrative, selling and general expenses-Sugar	3,629	1,332
	25,208	18,772

**18. CAPITAL WORK-IN-PROGRESS**

This comprises of :

Buildings	1,156	102
Plant and machinery	28,409	4,902
Advance to contractors	—	8,037
Project examination fee	2,111	750
Advance to suppliers	106,045	30,146
	137,721	43,937

**19. LONG TERM INVESTMENTS**

Quoted

Associated undertakings

Crescent Sugar Mills and Distillery Limited		
146,744 ordinary shares		
of Rupees 10 each fully paid	2,823	2,823
94,600 (1990: 54,376) bonus shares of Rupees 10 each	—	—
Crescent Boards Limited		
84,700 (1990: 48,400) ordinary shares		
of Rupees 10 each fully paid	978	561
7,260 bonus shares of Rupees 10 each	—	—
Crescent Jute Products Limited		
404,092 (1990: 321, 988) ordinary shares		
of Rupees 10 each fully paid	8,823	7,094
52,734 (1990: 140,510) bonus shares		
of Rupees 10 each	—	—
Jubilee Spinning and Weaving Mills Limited		
4,000 ordinary shares of Rupees 10		
each fully paid	66	66
1,500 bonus shares of Rupees 10 each	—	—
The Premier Insurance Company of Pakistan Limited		
3,600 ordinary shares of Rupees 5		
each fully paid	60	60
16,171 (1990: 12,876) bonus shares		
of Rupees 5 each	—	—

(RUPEES IN THOUSAND)

	1991	1990
The Crescent Textile Mills Limited		
29,250 ordinary shares of Rupees 10 each fully paid	648	648
2,925 bonus shares of Rupees 10 each	—	—
Crescent Steel and Allied Products Limited		
300,000 ordinary shares of Rupees 10 each fully paid	3,000	3,000
Pakistan Industrial Leasing Corporation Limited		
2,453,200 (1990: 1,833,900) ordinary shares of Rupees 10 each fully paid		
Equity held 24.53%	24,924	18,791
Crescent Spinning Mills Limited		
400,000 ordinary shares of Rupees 10 each fully paid	4,000	4,000
Crescent Investment Bank Limited		
1,279,000 (1990: 669,000) ordinary shares of Rupees 10 each fully paid	13,619	8,433
Others		
Noon Sugar Mills Limited		
1990: 26,200 ordinary shares of Rupees 10 each fully paid	—	455
1990: 6,458 bonus shares of Rupees 10 each	—	—
Pakistan Industrial Credit and Investment Corporation Limited		
969,027 (1990: 959,827) ordinary shares of Rupees 10 each fully paid	19,047	18,741
362,257 bonus shares of Rupees 10 each	—	—
Karachi Electricity Supply Corporation Limited		
1,856 bonus shares of Rupees 10 each	—	—
Pak Land Cement Limited		
1990: 15,000 ordinary shares of Rupees 10 each	—	172
Thal Jute Mills Limited		
1990: 50,000 ordinary shares of Rupees 5 each fully paid	—	337
Husein Sugar Mills Limited		
1990: 15,000 ordinary shares of Rupees 10 each fully paid	—	517
6,984 (1990: 1,538) bonus shares of Rupees 10 each	—	—
Nusrat Textile Mills Limited		
1990: 11,000 ordinary shares of Rupees 10 each fully paid	—	121
AR Pak International Investment Limited		
10,000 ordinary shares of Rupees 10 each fully paid	93	93
Pakistan International Airline Corporation		
58,000 [1990: 23,500] ordinary shares of Rupees 10 each fully paid	522	234



	(RUPEES IN THOUSAND)	
	1991	1990
Atlas BOT Lease Company Limited 410,000 (1990: 350,000) ordinary shares or Rupees 10 each fully paid	8,103	6,598
Kohinoor Weaving Mills Limited 1990: 135,000 ordinary shares of Rupees 10 each fully paid	—	1,283
Baba Farid Sugar Mills Limited 10,000 ordinary shares of Rupees 10 each fully paid	136	136
Pakistan Oil Fields Limited 140,000 (1990: 200,000) ordinary shares or Rupees 10 each fully paid	8,260	11,800
Pakistan Industrial and Commercial Leasing Corporation Limited 5,000 ordinary shares of Rupees 10 each fully paid	74	—
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 audited accounts of 31 December 1990 was Rupees 9.98 per share [1990: Deposit for issue of 250,000 ordinary shares of Rs. 10 each]	10,000	2,500
Shams Food Products Limited Deposit for issue of 100,000 ordinary shares of Rupees 10 each	1,000	—
	106,176	88,463

19.1 Aggregate market value of quoted investments as at 30 September 1991 was Rupees 297.629 million (1990: Rupees 146.304 million).

19.2 Following investments having face value of Rupees 59.641 million (1990: Rupees 31.51 million) are deposited as security with banks and financial institutions:

Against liabilities for assets subject to finance lease		
National Development Leasing Corporation Limited	500	3,000
Pakistan Industrial Leasing Corporation Limited	4,716	4,716
Against short term finance obtained from		
Pakistan Industrial Credit and Investment Corporation Limited	16,132	—
Crescent Investment Bank Limited	16,342	16,942
Standard Chartered Bank	8,224	6,056
Against redeemable capital obtained from		
National Development Finance Corporation	12,931	—
Against guarantee issued by		
Standard Chartered Bank	796	796

(RUPEES IN THOUSAND)

	1991	1990
<b>20. LONG TERM DEPOSITS</b>		
Securities	153	153
Margin against leasehold assets	11,117	11,044
	11,270	11,197
<b>21. STORES, SPARE PARTS AND LOOSE TOOLS</b>		
Stores	32,645	20,725
Spare parts	17,492	14,213
Loose tools	698	464
	50,835	35,402
Less: Provision for obsolescence	5,550	5,550
	45,285	29,852
<b>22. STOCK-IN-TRADE</b>		
Work-in-process	458	280
Finished goods	—	—
Sugar	8,683	31,290
Molasses	1,362	184
Distillate	11,290	2,090
Kanewood	1,870	—
	23,205	33,564
	23,663	33,844
<b>23. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>		
Loans and advances-Considered good		
Employees-Interest free	170	175
Suppliers and contractors	14,101	15,116
Income tax	25,957	47,990
Letters of credit	1,036	3,259
Sugarcane growers (Note 23.3)	18,496	18,266
	59,760	84,806
Considered doubtful		
Sugarcane growers	5,064	5,064
Less: Provision for doubtful	5,064	5,064
	—	—
	59,760	84,806



(RUPEES IN THOUSAND)

	1991	1990
<b>Deposits</b>		
Excise duty	229	115
Sales tax	2	63
Margin	166	1,486
	397	1,664
Short term prepayments	88	125
Due from associated undertakings	1,966	1,623
Accrued interest	52	50
Excise duty refundable	554	516
Sundry receivables	6,836	2,002
	69,653	90,786

- 23.1 Maximum aggregate amount due from Chief Executive and Executives at the end of any month during the year was Rupees 0.112 million (1990: Rupees 0.387 million).
- 23.2 Aggregate amounts due from Chief Executive and Executives of the company are Rupees 0.067 million and Rupees 0.016 million at the close of financial year (1990: Rupees NIL and Rupees 0.004 million) respectively.
- 23.3 Loans to sugarcane growers are partly interest free and partly interest bearing @ 12.5 percent per annum.

## 24. CASH AND BANK BALANCES

Cash in hand	66	76
Cash in transit	—	500
<b>Cash with banks on:</b>		
Current accounts	3,418	542
Short term deposit accounts	2,275	3,238
Dividend accounts	215	14
	5,908	3,794
	5,974	4,370

- 24.1 Term deposit receipts amounting to Rupees 1.288 million (1990: Rupees 2.093 million) are lying with Muslim Commercial Bank Limited under lien against loans to sugarcane growers.

## 25. SALES

### Own products

Sugar	685,056	569,364
Distillate	10,382	18,465
Kanewood	2,209	—
Molasses (By-product)	33,276	24,410
Bagasse (By-product)	213	—
<b>Purchased goods</b>	—	152
	731,136	612,391
Less: Commission to selling agents	3,911	3,287
	727,225	609,104

(RUPEES IN THOUSAND)

	1991	1990
<b>26. COST OF GOODS SOLD</b>		
Sugar (Note 26.1)	626,221	493,727
Distillate (Note 26.3)	6,809	15,432
Kanewood (Note 26.4)	8,811	—
	<b>641,841</b>	<b>509,159</b>

**26.1 COST OF GOODS SOLD - SUGAR**

Raw material		
Sugarcane purchased	330,143	239,767
Sugarcane subsidy		
Delivery expenses	33,075	50,087
Less: Recovered	8,273	2,499
	<b>24,802</b>	<b>47,588</b>
Sugarcane development cess	8,414	6,094
Market committee fee	1,300	1,063
Loading and unloading	1,584	1,150
Octroi	1,765	977
	<b>368,008</b>	<b>296,639</b>
Salaries, wages and other benefits	18,249	16,102
Stores, spare parts and loose tools	3,883	4,468
Dyes and chemicals	4,285	4,101
Packing material	11,089	7,786
Power and fuel	4,964	6,781
Repair and maintenance	13,969	14,499
Insurance	1,966	1,461
Vehicles' running	483	257
Travelling, conveyance and entertainment	144	208
Printing and stationery	494	230
Rent, rates and taxes	308	88
Excise duty	132,746	124,511
Other factory overheads	1,822	2,030
Sugarcane research and development	1,857	1,534
Staff training and development	1,473	1,388
Depreciation/amortization (Note 26.2)	39,069	38,305
	<b>604,809</b>	<b>520,388</b>
Work-in-process inventory		
As at 01 October	280	572
As at 30 September	297	280
	<b>(17)</b>	<b>292</b>
Cost of goods produced	<b>604,792</b>	<b>520,680</b>
Cost of goods purchased for resale		141
	<b>604,792</b>	<b>520,821</b>



(RUPEES IN THOUSAND)

	1991	1990
Finished goods inventory		
As at 01 October	31,474	4,380
As at 30 September	10,045	31,474
	21,429	(27,094)
	626,221	493,727

## 26.2 DEPRECIATION/AMORTIZATION

Depreciation	22,549	20,865
Amortization	16,520	17,440
	39,069	38,305

## 26.3 COST OF GOODS SOLD - DISTILLATE

Molasses	9,577	7,582
Stores, spare parts and loose tools	596	569
Salaries, wages and other benefits	630	294
Chemicals	1,470	1,718
Insurance	62	247
Other factory overheads	718	368
Depreciation	2,956	3,123
Cost of goods produced	16,009	13,901
Finished goods inventory		
As at 01 October	2,090	3,621
As at 30 September	11,290	2,090
	(9,200)	1,531
	6,809	15,432

## 26.4 COST OF GOODS SOLD - Kanewood

Raw material	1,258	—
Stores, spare parts and loose tools	2,236	—
Salaries, wages and other benefits	248	—
Insurance	94	—
Diesel	1,454	—
Other factory overheads	250	—
Depreciation/amortization (Note 26.5)	5,302	—
	10,842	—
Work-in-process inventory		
As at 01 October	—	—
As at 30 September	161	—
	(161)	—
Cost of goods produced	10,681	—

(RUPEES IN THOUSAND)

	1991	1990
Finished goods inventory		
As at 01 October	—	—
As at 30 September	1,870	—
	(1870)	—
	8,811	—

**26.5 DEPRECIATION/AMORTIZATION**

Depreciation	1,885	—
Amortization	3,417	—
	5,302	—

**27. ADMINISTRATIVE, SELLING AND GENERAL EXPENSES**

Salaries, wages and other benefits	7,156	5,988
Directors' meeting fee	5	4
Travelling and conveyance	565	723
Printing and stationery	672	510
Telephone, postage and telegrams	678	551
Vehicles' running	1,117	523
Legal and professional	318	373
Auditors' remuneration		
Audit fee	80	70
Out of pocket expenses	15	10
	95	80
Repairs and maintenance	1,356	898
Entertainment	257	180
Subscription	531	592
Rent, rates and taxes	2,123	18
Publicity	243	240
Loading and unloading	464	270
Insurance	389	503
Handling and distribution	762	659
Registered office expenses	1,270	1,021
Miscellaneous	476	689
Depreciation/amortization (Note 27.1)	5,681	3,182
	24,158	17,004

**27.1 DEPRECIATION/AMORTIZATION**

Depreciation	2,052	1,850
Amortization	3,629	1,332
	5,681	3,182

**28. OPERATING PROFIT**

Sugar (Note 28.1)	67,062	80,568
Distillate (Note 28.2)	2,015	2,373
Kanewood (Note 28.3)	(7,851)	—
	61,226	82,941



(RUPEES IN THOUSAND)

	1991	1990
--	------	------

**28.1 OPERATING PROFIT - Sugar**

Sales - Net		
Cost of goods sold	715,025	591,119
	626,221	493,727
Gross profit	88,804	97,392
Less: Administrative, selling and general expenses	21,742	16,824
	67,062	80,568

**28.2 OPERATING PROFIT - Distillate**

Sales - Net		
Cost of goods sold	10,032	17,985
	6,809	15,432
Gross profit	3,223	2,553
Administrative, selling and general expenses	1,208	180
	2,015	2,373

**28.3 OPERATING LOSS - Kanewood**

Sales - Net		
Cost of goods sold	2,168	—
	8,811	—
Gross loss	6,643	—
Administrative, selling and general expenses	1,208	—
	7,851	—

**29. OTHER INCOME**

Commission on fertilizer	277	389
Gain on sale of operating fixed assets	112	143
Dividend income (Note 29.1)	5,254	4,064
Return on bank deposits	367	211
Profit on sale of investments	27,177	978
Mark up on advances to associated undertakings	—	803
Agricultural farm income	194	64
Lease income	36	32
Rental	38	49
Bad debts recovered	34	100
Compensation on advance tax	357	—
Miscellaneous	1,742	1,963
	35,588	8,796

(RUPEES IN THOUSAND)

	1991	1990
<b>29.1 DIVIDEND INCOME</b>		
<b>Associated undertakings</b>		
Crescent Sugar Mills and Distillery Limited	302	501
Crescent Jute Products Limited	—	438
Jubilee Spinning and Weaving Mills Limited	11	7
The Premier Insurance Company of Pakistan Limited	25	19
The Crescent Textile Mills Limited	51	95
Pakistan Industrial Leasing Corporation Limited	2,299	—
<b>Others</b>		
Pakistan Industrial Credit and Investment Corporation Limited	—	2,913
Karachi Electric Supply Corporation Limited	—	12
Noon Sugar Mills Limited	65	49
AR Pak International Investment Limited	5	5
Husein Sugar Mills Limited	56	25
Thal Jute Mills Limited	37	—
Baba Farid Sugar Mills Limited	13	—
Nusrat Textile Mills Limited	8	—
Pakistan International Airlines Corporation Ltd.	73	—
Pakistan Oilfields Limited	975	—
Pakistan Industrial and Commercial Leasing Corporation Limited	6	—
Pakistan Industrial Credit and Investment Corporation Limited	1,328	—
	<b>5,254</b>	<b>4,064</b>

**30. FINANCIAL AND OTHER CHARGES****Financial****Mark up on**

Redeemable capital	1,366	962
Short term running finances	31,296	17,952
Advances from associated undertakings	314	2,435

**Interest on**

Custom debentures	121	159
Long term loans	1,364	2,520
Workers' profit participation fund	188	22
Finance charges on assets subject to finance lease	11,000	9,933
Lease agreements fee	209	308
Bank charges, commission and excise duty	3,046	1,002

Donations (Note 30.1)	48,904	35,293
Workers' welfare fund	200	1,200
	—	1,000

	<b>49,104</b>	<b>37,493</b>
--	---------------	---------------

**30.1 DONATIONS**

A sum of Rupees 200,000 (1990: 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. Muhammad Javed Amin  
 Mr. Khalid Bashir  
 Mr. Maqbool Ahmed



**31. TAXATION**

For the year

	(RUPEES IN THOUSAND)	
	1991	1990
Current		
Normal Turnover	—	19,000
	3,636	—
Deferred tax	7,000	691
	10,636	19,691

**32. DIRECTORS' 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 was as follows :

	1991 Chief Executive	1991 Executives	1990 Chief Executive	1990 Executives
	(Rupees in thousand)	(Rupees in thousand)	(Rupees in thousand)	(Rupees in thousand)
Managerial remuneration	720	1,360	525	1,199
Bonus	—	—	138	200
Housing	324	147	236	147
Company's contribution to provident fund	50	88	37	62
Contribution to Pension Fund	46	109	46	109
Other benefits	—	94	—	94
Conveyance allowance	—	112	53	100
Utility allowance	72	16	—	16
Entertainment	—	42	57	67
Reimbursable expenses	74			
	1,286	1,968	1,092	1,994
Number of persons	1	5	1	5

32.1 Chief Executive and Executives of the company have been provided free maintained vehicles.

32.2 Aggregate amount charged in the accounts for fee to 6 directors in respect of three meetings was Rupees 5 thousand (1990: Rupees 4 thousand for six directors).

**33. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS**

Maximum aggregate amount due from associated undertakings at the end of any month during the year was Rupees 12.770 million (1990: Rupees 47.804 million).

Company purchased from and sold to associated undertakings, materials, goods and services in the aggregate sum of Rupees 4.172 million and Rupees 5.132 million respectively (1990: Rupees 4.990 million and Rupees 4.301 million respectively). Purchases/sales of material, goods and services are made at prevailing market prices.

Mark up on advances from/to associated undertakings is paid/received at the rate of paisas 0.45 per Rupees 1,000 per day on monthly basis (Notes 29 and 30).

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

Capacity	47,600 M. Tons in 160 days i.e. 297.500 M. Tons per day
Actual production	
Current year	65,536.8 M. Tons in 204 days i.e. 321.26 M. Tons per day
Previous year	57,912 M. Tons in 187 days i.e. 309.690 M. Tons per day

**Distillery :**

Capacity	40,000 Litres per day
Actual production	
Current year	3422204 Litres in 142 days i.e. 24100 Litres per day
Previous year	3021998 Litres in 164 days i.e. 18427 Litres per day ^

**Kanewood :**

Capacity	30 Cubic Meters per day
Actual production	
Current year	643 Cubic Meters in 66 days i.e. 9.74 Cubic Meters per day
Previous year	NIL

**34.1 REASONS FOR LOW PRODUCTION**

**Distillery:** The plant was not run to the full capacity as the international market of industrial alcohol was low and it was operated only to meet local requirements.

**Kanewood:** The low production is mainly due to acute shortage of bagasse.

(RUPEES IN THOUSAND)

1991 1990

**35. SEGMENT ASSETS AND OTHER INFORMATION**

Sugar	665,466	541,475
Distillery	37,886	31,511
Kanewood	34,719	26,701
	<b>738,071</b>	<b>599,687</b>

35.1 Molasses and bagasse (By-products of sugar) are issued to distillery and kanewood plants at selling prices.

35.2 The commercial production of kanewood was commenced on 01 April 1991. Hence, the profit and loss account of kanewood represent the transactions for the period from 01 April 1991 to 30 September 1991.

**36. COMPARATIVE FIGURES**

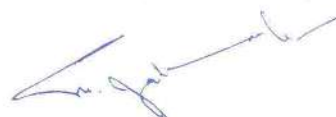
Previous year's figures have been re-arranged, wherever necessary, for the purpose of comparison.

**STATEMENT PURSUANT TO SECTION 237  
OF THE COMPANIES ORDINANCE, 1984**

Accounts of the subsidiary company M/s. Crescent Business Management (Pvt) Limited for the year ended December 31, 1990 are annexed to these accounts. The accumulated losses of the subsidiary company are not dealt with in the accounts of the holding company.



**Altaf M. Saleem**  
Chief Executive



**Sk. Jahangir**  
Director

## DIRECTOR'S REPORT

The Directors of your Company take pleasure in submitting before you their report together with Audited Accounts for the period ended 31st December, 1991.

Your company was incorporated on 11.02.1990 and immediately after incorporation your directors made an application to Registrar Modaraba Islamabad for approval as Modaraba Company. Your company will floated its First Modaraba under the name of First Crescent Modaraba shortly for subscription by general public.

The Directors are confident that your company has a bright future.



Altaf M. Saleem  
Chief Executive

## AUDITORS' REPORT TO THE MEMBERS OF CRESCENT BUSINESS MANAGEMENT (PVT) LTD.

We have audited the annexed balance sheet of CRESCENT BUSINESS MANAGEMENT (PRIVATE) LIMITED as at December 31, 1990 and the related profit and loss account, together with the notes forming part thereof, for the period then ended, we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose 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.
  - ii) the expenditure incurred during the period was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the period 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 December 31, 1990 and of the loss for the period then ended, and
- (d) in our opinion, no zakat deductible at source under the Zakat and Ushr Ordinance, 1980 established under section 7 of the Ordinance.



FAZAL MONIR & COMPANY  
Chartered Accountants

Lahore :  
20 April, 1991



**CRESCENT BUSINESS MANAGEMENT (PRIVATE) LIMITED**  
**BALANCE SHEET AS AT DECEMBER 31, 1990**

	Note	1990 Rupees		Note	1990 Rupees
<b>CAPITAL AND LIABILITIES</b>			<b>PROPERTY AND ASSETS</b>		
<b>SHARE CAPITAL</b>					
Authorised :					
1,000,000 ordinary shares of Rs. 10/- each.		<u>10,000,000</u>			
Issued, Subscribed & Paid up Capital					
250,000 ordinary shares of Rs. 10/- each		2,500,000			
Unappropriated (loss)		<u>(5,788)</u>			
		<u>2,494,212</u>			
<b>CURRENT LIABILITIES :</b>			<b>CURRENT ASSETS</b>		
Creditors for expenses	(1)	8,300	Due from associated undertaking	(3)	55,100
Due to associated undertaking	(2)	192,350	Cash and Bank Balances	(4)	2,639,762
		<u>200,650</u>			
		<u>2,694,862</u>			2,694,862

*The annexed notes form an integral part of these accounts.*

LAHORE :



CHIEF EXECUTIVE



DIRECTOR

**CRESCENT BUSINESS MANAGEMENT (PRIVATE) LIMITED**

**Profit and Loss Account  
for the Period Ended December 31, 1990**

	1990 Rupees
<b>INTEREST INCOME</b>	134,762
Less : Establishment	59,300
Travelling	17,250
Printing & Stationery	19,350
Legal & Professional	200
Audit Fee	5,000
Postage and telegram	3,750
Entertainment	14,200
Registration expenses	21,120
Filing fee	380
	<hr/>
	140,550
NET LOSS :	<hr/> (5,788)
Loss carried over to balance sheet	<hr/> (5,788)

LAHORE:

*Attaf M. Saleem*

CHIEF EXECUTIVE

*R. H. H. H.*

DIRECTOR

**CRESCENT BUSINESS MANAGEMENT (PRIVATE) LIMITED****Notes to the Accounts  
for the Period Ended December 31, 1990**

	1990 Rupees
NOTE :	
1. CREDITORS FOR EXPENSES :	
M/s MAF Printers Lahore	3,300
Audit fee payable	5,000
	<hr/>
	8,300
	<hr/>
2. DUE TO ASSOCIATED UNDERTAKING	
Crescent Group Services (Private) Limited	106,000
M/s. Shakarganj Mills Limited.	86,350
	<hr/>
	192,350
	<hr/>
3. DUE FROM ASSOCIATED UNDERTAKING	
1st Crescent Modaraba	55,100
	<hr/>
4. CASH AND BANK BALANCES	
M/s. Crescent Investment Bank Ltd.	2,634,762
United Bank Limited.	5,000
	<hr/>
	2,639,762

LAHORE:

  
CHIEF EXECUTIVE

  
DIRECTOR



## SHAKARGANJ MILLS LIMITED

### ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty Fourth Annual General Meeting of the shareholders of SHAKARGANJ MILLS LIMITED will be held at Principal Office, 5th Floor, PAAF Building, 7-D, Kashmir Egerton Road, Lahore on Tuesday the March 31, 1992 at 11.30 a.m. to transact the following business :-

#### AGENDA :

- To confirm the Minutes of Annual General Meeting held on March 31, 1991.
- To receive and adopt Audited Accounts of the Company for the year ended September 30, 1991 together with the Directors' and Auditors' Reports thereon.
- To approve Bonus. The Directors have recommended the issue of Bonus Shares in the ratio of One Bonus Share against every five existing ordinary shares (i.e. @ 20%).

#### SPECIAL BUSINESS :

To consider and pass the following resolution under section 208 of the Companies Ordinance, 1984;

- (a) RESOLVED THAT consent of the Company be and is hereby accorded to further invest Rs. 65 million in purchasing/acquiring fully paid up shares/certificates of the following associated Companies/Modaraba :
  1. Pakistan Industrial Credit & Investment Corporation Limited.
  2. Crescent Investment Bank Limited.
  3. Crescent Business Management (Pvt) Limited.
  4. First Crescent Modaraba.
- (b) RESOLVED THAT consent of the company be and is hereby accorded to invest upto Rs. 200 million in equity and loan to the following wholly owned proposed subsidiaries :
  1. World Class Textiles Limited (Proposed)
  2. Jhang Electric Supply Corporation Limited (Proposed)

FURTHER RESOLVED THAT Chief Executive of the Company be and is hereby authorised to take or cause to be taken any and all actions necessary to purchase/acquire the shares/Modaraba certificates and to dispose of the shares/certificates so purchased/acquired as he thinks fit on behalf of the Company.

### STATEMENT UNDER SECTION 160(1)(B) OF THE COMPANIES ORDINANCE, 1984.

Pakistan Industrial Credit & Investment Corporation Limited, Crescent Investment Bank Limited, Crescent Business Management (Pvt) Limited, First Crescent Modaraba are Associated Public/Private Limited Companies/Modaraba with an authorised capital of Rs. 300 Million, Rs. 500 Million, Rs. 10 Million and Rs. 100 Million respectively and the Directors of Shakarganj Mills Limited have no vested interest in the above said investment except that some of the Directors and their relatives are also Directors in the above said Companies. A copy of Memorandum and Articles of Association each of the above said Companies is kept at the Registered Office which can be inspected from 10.00 a.m. to 11.30 a.m. on all working days upto March 20, 1992.

World Class Textiles Limited is a proposed wholly owned subsidiary company of Shakarganj Mills Limited being incorporated to set up a weaving unit.

Jhang Electric Supply Corporation Limited is a proposed wholly owned subsidiary company of Shakarganj Mills Limited being incorporated to set up a power generation project.

To appoint Auditors for the year 1991-92 and fix their remuneration. The present Auditors M/s. Riaz Ahmad & Company, Chartered Accountants, being eligible, offer themselves for re-appointment.

To consider any other business which may be placed before the Meeting with the permission of the Chair.

### 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 instead of him/her. 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 for the entitlement of Bonus will remain closed from March 24 to March 31, 1992 (both days inclusive).

On behalf of the Board  
CORPORATE SECRETARY

REGISTERED OFFICE  
45, Shahrah-e-Quaid-e-Azam, Lahore.

Dated : February 29, 1992.

**FORM '34'**  
**Pattern of Holding of Shares**  
**Held by the Shareholders as at 30-09-91.**

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
113	1	100	3286
387	101	500	82111
63	501	1000	45736
94	1001	5000	215921
33	5001	10000	246032
15	10001	15000	179620
7	15001	20000	123059
5	20001	25000	109321
2	30001	35000	66930
1	35001	40000	36324
1	40001	45000	44064
3	45001	50000	139807
2	60001	65000	124984
1	80001	85000	81261
2	100001	105000	207075
1	110001	115000	113080
1	115001	120000	116829
1	220001	225000	220912
1	395001	400000	396000
1	440001	445000	444000
1	550001	555000	550117
1	790001	795000	794260
1	1335001	1340000	1338415
1	1520001	1525000	1520856
738			7200000

Categories of Shareholders	Number	Shares Held	Percentage
Individuals	713	1409111	19.57
Investment Companies	4	721255	10.01
Insurance Companies	3	65878	.91
Joint Stock Companies	6	3299893	45.83
Financial Institution	3	1646085	22.86
Others (See Below)	9	57778	.80
Total :	738	7200000	100.00
Others			
Private Limited Co.	7	19246	.26
Trust	2	38532	.53
Total :	9	57778	.80

## Directors

**Altaf M. Saleem**  
*Chief Executive Officer*  
*Shakarganj Mills Limited*  
\*1975

**Khalid Bashir**  
*Chief Executive*  
*Shams Textile Mills Limited*  
1969

**Maqbul Ahmad**  
*Chief Executive*  
*Crescent Boards Limited*  
1969

**Mazhar Karim**  
*Chief Executive*  
*Crescent Jute Products Limited*  
*Chairman*  
*Shakarganj Mills Limited*  
1971

**Muhammad Anwar**  
*Chief Executive*  
*Crescent Textile Mills Limited*  
1984

**Muhammad Javed Amin**  
*Chief Executive*  
*Crescent Spinning Mills Limited*  
1978

**Sk. Jahangir**  
*Nominee NIT*  
1987

**Sikandar Rashid Ahmed**  
*Nominee PICIC*  
1990

*\* Year elected to Board*

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### General Counsel

*Hassan and Hassan, Advocates*  
*Sb. Maqsood Ahmed, Advocate*

### Independent Auditors

*Riaz Ahmad and Company*  
*Chartered Accountants*

### Corporate Secretary

*Zabeer A. Shaikh*

## Officers

**Altaf M. Saleem, 41**  
*President and*  
*Chief Executive Officer*  
\*1973

**Mohammad Awais Qureshi, 51**  
*Executive Vice President and*  
*Chief Operating Officer*  
1980

**Abdul Haq Saeed, 51**  
*Vice President*  
1985

**Hilal Ahmed, 50**  
*Vice President and*  
*Chief Financial Officer*  
1978

**Mohammad Zahid, 49**  
*Vice President*  
1981

**Dr. S. A. Qureshi, 70**  
*Director General Research*  
1983

**Zulfiqar Ahmed, 39**  
*General Manager Planning*  
1976

**Mujeebullah Khan, 42**  
*General Manager Production*  
1977

**Nusrat Ali, 40**  
*General Manager Engineering*  
1977

*\* Year joined company*



## Investor Information

### OPERATING DIVISIONS

#### Shakarganj Mills Limited

Sugar Division  
Management House,  
Toba Road,  
Jhang, Pakistan.  
Tel: 92 - 47 - 2030/1  
Tlx. 43471 CJP PK  
Fax: 92 - 47 - 3050

#### Shakarganj Distillery

Industrial Alcohol Division  
Toba Road  
Jhang, Pakistan.  
Tel: 92 - 47 - 2030/1

#### Kanewood Industries

Particle Board Division  
Toba Road,  
Jhang, Pakistan.  
Tel: 92 - 47 - 2030/1

#### Crescent Business Management (Private) Limited

Financial Services Division  
45, Shahrah-e-Quaid-e-Azam,  
Lahore, Pakistan.  
Tel: 92 - 42 - 358974  
Tlx. 44445 BANK PK.  
Fax: 92 - 42 - 230846

### STOCK EXCHANGE LISTING

Shakarganj Mills Limited is listed  
on the Karachi Stock Exchange  
and Lahore Stock Exchange.

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 Relations :

Imran S. Bokhari  
Mohammad Iqbal  
Tel: 92 - 47 - 2030/1

### SHAREHOLDER INFORMATION

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

#### Shakarganj Mills Limited

Shareholder Services  
45, Shahrah-e-Quaid-e-Azam,  
Lahore, Pakistan.  
Tel: 92 - 42 - 324615, 358974  
Tlx. 44445 BANK PK.  
Fax: 92 - 42 - 230846

### ANNUAL MEETING

Twenty-Fourth Annual Meeting of  
Shakarganj Mills Limited will be :

Tuesday, March 31, 1992. 11:30 a.m.  
5th Floor,  
PAAF Building,  
7-D, Kashmir/Egerton Road,  
Lahore, Pakistan.

Proxy material is enclosed with  
this Annual Report.

### STOCK DIVIDEND

Bonus Shares on company's stock for  
the year ended September 30, 1991  
will be despatched to the shareholders  
on or about May 15, 1992.